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**State Asset Management Reform in Indonesia: A Wicked
Problem**

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ABSTRACT

Efficient state asset management is crucial for government departments that rely on the operations of their state assets in order to fulfil their public functions, which include public service provision and others. These assets may be expensive, extensive and or, complex, and can have a major impact on the ability of governments to perform its function over extended periods. Various governments around the world have increasingly recognised the importance of an efficient state asset management laws, policies, and practices; exemplified by the surge in state asset management reform.

This phenomenon is evident in Indonesia, in particular through the establishment of the Directorate General of State Assets in 2006, who was appointed as the ultimate state asset manager (of Republic of Indonesia) and the proprietor of state asset management reform. The Directorate General of State Assets too has pledged its adherence to good governance principles within its state asset management laws and policies reform. However the degree that good governance principles are conceptualised is unknown, resulting in questions of how and to what extent is good governance principles evident within Indonesia's reformed state asset management laws and policies.

This study seeks to understand the level of which good governance principles are conceptualised and understood within reformed state asset management policies in Indonesia (as a case study), and identify the variables that play a role in the implementation of said reform. Although good governance improvements has been a central tenet in Indonesian government agenda, and state asset management reform has propelled in priority due to found neglect and unfavourable audit results; there is ambiguity in regards to the extent that good governance is conceptualised within the reform, how and whether this relationship is understood by state asset managers (i.e government officials), and what (and how) other variables play a supporting and/or impeding role in the reform.

Using empirical data involving a sample of four Indonesian regional governments and 70 interviews; discrepancy in which good governance principles are conceptualised, the level it is conceptualised, at which stage of state asset management practice it is conceptualised, and the level it is understood by state asset managers (i.e government officials) was found. Human resource capacity and capability, the notion of 'needing more time', low legality, infancy of reform, and dysfunctional sense of stewardship are identified as specific impeding variables to state asset management reform; whilst decentralisation and regional autonomy regime, political history, and culture play a consistent undercurrent key role in good governance related reforms within Indonesia.

This study offers insights to Indonesian policy makers interested in ensuring the conceptualisation and full implementation of good governance in all areas of governing, particularly within state asset management practices. Most importantly, this study identifies an asymmetry in good governance understanding, perspective, and assumptions between policy maker (i.e high level government officials) and policy implementers (i.e low level government officials); to be taken into account for future policy evolvments and/or writing. As such, this study suggests the need for a modified perspective and approach to good governance conceptualisation and implementation strategies, one that acknowledges and incorporates a nation's unique characteristics and no longer denies the double-edged sword of simplified assumptions of governance.

Statement of Original Authorship

I hereby declare the work contained in this thesis has not been previously submitted to meet requirements for an award at this or any other higher education institution. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made.

Diaswati Mardiasmo

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List of Acronyms and Abbreviations

ADB: Asian Development Bank

APEC: Asia Pacific Economic Co-operation

ASEAN: Association of South East Asian Nations

BAPPENAS: Badan Perencanaan dan Pembangunan Nasional (*National Development Planning Agency*)

BCBC: British Columbia Building Corporation

BPKP: Badan Pengawasan Keuangan dan Pembangunan (*Finance and Development Supervisory Agency*)

BSI: British Standards Institute

DKI Jakarta: Daerah Khusus Ibukota Jakarta (*Special Capital Region DKI Jakarta*)

DIY Yogyakarta: Daerah Istimewa Yogyakarta (*Special Region Yogyakarta*)

DJKN: Direktorat Jenderal Kekayaan Negara (*Directorate General of State Assets*)

GAAP: Generally Accepted Accounting Practice

IAM: Institute of Asset Management

ILGR: Initiatives for Local Governance Reform

IPC: Inferential Pattern Coding

KNKG: Komite Nasional Kebijakan Governance (*National Committee on Governance*)

MPR-RI: Majelis Permusyawaratan Rakyat Republik Indonesia (*The People's Consultative Assembly of the Republic of Indonesia*)

PAS 55: Publicly Available Specification 55

OECD: The Organisation for Economic Co-operation and Development

ORC: Ontario Realty Corporation

PPP: Private Public Partnership

REPELITA: Rencana Pembangunan Lima Tahun (*Five Year Development Plan*)

UNDP: United Nations Development Programme

UNESCAP: United Nations Economic and Social Commission for Asia and the Pacific

UU: Undang – Undang (*Indonesian Constitution, usually accompanied by an identification number and year introduced – i.e UU32/2004*)

WERF: Water Environment Research Foundation

1. Introduction

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), where governments are realising their reliance on the maximum performance of state assets in order to perform its main function of public service provision, and are enthusiastic to reform its state asset management policies. There is also an increasing realisation that without efficient and effective state asset management policies and practices the government's initial investment would turn into a liability (or a loss). Jabiri, Jaafari, Platfoot, & Gunaratram (2005) and Lin, Gao, Koronios, & Chanana (2007) agree with this notion as they believe that the operations and management of infrastructure assets are considered to be expensive, extensive and or complex, and have a major impact on performance over extended periods.

The practice of state asset management differs between countries, in areas such as; the definition of state asset management and what is considered to be state assets, the level of private (or corporate sector) involvement (i.e public private partnerships), the accounting system used, the information system in place, and the level of state asset management policy segregation between central level and regional level of government. Interestingly, 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 whereby good governance principles are a central consideration in the conceptualising (or drafting) of reformed state asset management policies and practices (Cornish & Morton, 2001; Kaganova & Nayyar-Stone, 2000; McSweeney, 1999; Woodhouse, 2004)

Although the conceptualisation of good governance principles within reformed state asset management policies is suggested, there is still ambiguity on the meaning of 'good governance conceptualisation within state asset management' – particularly in regards to what is meant by good governance principles, which good governance principles are conceptualised, and how these good governance principles are conceptualised. Therefore

there is a need for a study that focuses on understanding the relationship between good governance and state asset management laws and policies.

Countries such as Canada, Australia, and New Zealand are considered to be pioneers in state asset management reform, whereupon practices introduced by these countries are considered to be well developed and advanced (Kaganova, McKellar, and Peterson 2006). Other countries such as Indonesia, China, Kuwait, Kyrgyzstan, etc are identified to be embarking on the journey of state asset management reform, considered to be at the early stages and are eager to learn from (other considered) advanced countries (Kaganova, Speakman, & Al-Sultan, 2003; O. Kaganova, Tian, & Undeland, 2001). 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).

This study will focus on analysing state asset management policies in Indonesia, in particular reformed state asset management policies that were introduced with the establishment of the Directorate General of State Assets. Indonesia is chosen as a country case study for several reasons.

Firstly the re-introduction of good governance principles after the Asian Financial Crises in 1997 is an ongoing process within the country, where improving the understanding and implementation of good governance principles remains a constant theme of all presidency regimes after Soeharto and is a main objective of the current presidency regime. Thus there is a push for conceptualising good governance principles in all areas of government responsibilities, including state asset management. The Indonesian government and society however acknowledges their tendency to 'remember' the entrenched ways of Soeharto's regime, which was, to a certain extent, contradictory from good governance principles. It is identified that the change in mindset from the familiar 'old' regime to 'new' good governance principle abiding regime is incomplete. Therefore the intricacy of

conflicting sets of minds, entrenched ways of doing things, and the optimist objective of conceptualising and implementing good governance principles within public policies provide an interesting platform for understanding the complexities in implementing state asset management reform.

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 the introduction of state asset management reform in 2006. This shows that there is much to discover, and will have the potential to add to state asset management literature in terms of learning curves for other countries.

Thirdly Indonesia is unique in the sense that it is made up of 33 provinces with different regional cultures, level of resources (human, capital, physical), and government policy objectives. Keeping this in mind, Indonesia introduced decentralisation and regional autonomy regime in 2001, which transfers the authority of governing many sectors (forestry, international trade, etc) from central government to regional government. This suggests there are potential complexities in the equal implementation of state asset management policies across 33 provinces. A study that focuses on analysing these potential complexities will not only have theoretical contributions – that is within state asset management literature – but also practical contributions for Indonesian state asset management policy makers.

The short discussion above highlights the heightened importance of reformed state asset management practices that incorporate good governance principles and the current untapped state asset management experience of Indonesia. This leads to the formulation of a study that focuses on increasing the understanding of how good governance principles interact and influence state asset management laws and policies and create/establish constructs of intricate relationships between various factors that play a role in the conceptualisation, understanding, and implementation of said laws and policies.

1.1 Research Objectives

The purpose of this study is to further understand the relationship between good governance principles and public policy, within the context of state assets management laws and policies within Indonesia. This main objective is broken down as listed below:

1. Understand the extent that good governance is conceptualised and implemented within state asset management laws and policies.
2. Identify and consider the risks of not understanding the relationship between good governance principles and state asset management laws and policies, leading to the identification of factors contributing to current stagnant state asset management reform.
3. Identify the level of state asset management actor understanding, in regards to conceptualising and implementing an integrated governance and state asset management approach.
4. Understand how (and to what extent) decentralisation and regional autonomy regime potentially adds complexity to the implementation of an integrated governance and state asset management approach.
5. Understand how political history and bureaucratic culture play a role in the conceptualisation and implementation of state asset management policies and practices in Indonesia.

1.2 Main Contribution of Study

One of the main motivations of this study is the absence of research on Indonesia's state asset management practices, in particular after the introduction of its reform and establishment of the Directorate General of State Asset in 2006.

The importance of this study is signified by its theoretical and practical contribution. In practical terms, the discussion and findings of this study contributes to the knowledge of Indonesian state asset management actor. As there is no existing research in this field in Indonesia, and the fact that state asset management reform is Indonesia's first experience within the field of state asset management best practice, it is important to inform state

asset management laws and policies makers and implementers of the intricate relationships existing in conceptualising and implementing an integrated good governance and state asset management approach.

In particular this study will throw light at recurring questions from state asset management policy makers, regarding the stagnant implementation of state asset management reform. This information can be considered as a learning curve by Indonesian state management actors in their path to state asset management best practice, and has the potential of being incorporated in future state asset management laws and policies.

In terms of theory, this study contributes in four streams of literature/area of study.

Firstly, state asset management literature. This study contributes to state asset management literature (and asset management at large) by considering political history, bureaucratic culture, and traditional societal culture as independent factors that plays a role in the asset manager or asset user (i.e policy implementers) perspective and approach to implementation of asset management related laws, policies, and technical guidelines.

Secondly, public policy reform literature. This study identifies wicked problems and themes for consideration by the Indonesian government in their drafting, establishing, introducing, and enforcing of public policy reform. On a wider scale of public policy reform literature, this study further emphasise the impact of country uniqueness in the conceptualisation and implementation of public policy reform.

Thirdly, good governance literature. A focus of this study is an in-depth exploration of how good governance can be conceptualised within a public policy (taking as an example state asset management laws and policies), and how well such a conceptualisation is understood and implemented by public policy makers and implementers. This study highlights the potential mismatch in good governance perception and understanding between public policy makers and implementers. This study also highlights the crucial factors that contribute to the divergence of good governance understanding and conceptualisation, and question whether convergence to one good governance standard is an ideal expectation of public policy makers, in consideration of unique country characteristics.

Fourthly, local government research. This study contributes to local government research by questioning the merits of a decentralisation and regional autonomy in implementing national public policy reform and provision of public service.

Based on the identification of theoretical and practical contributions of this study above, it is concluded that this study is of high significance and justified.

1.3 Thesis Structure

This study will be structured as follows.

Chapter 2 provide a literature review of available integrated governance and asset management literature and state asset management literature, highlighting the need for a study that focuses on the conceptualisation of good governance principles within state asset management practices and the need for a study that focuses on Indonesia's reformed state asset management. Chapter 2 is divided into 7 sections in order to provide a comprehensive illustration of the gaps in academic research and potential contributions of the study.

Chapter 3 identifies the overarching research questions and research questions within it, in particular providing the rationale behind each question. Chapter three also provide a conceptual framework that illustrates the purpose of this study.

Chapter 4 is the methodology chapter - outlining the epistemology that underpins this research, the qualitative nature of the research, the research design, data collection methods, and analytical methods. Chapter 4 also provides an account of the pilot case study, in particular concentrating on lessons learnt in regards to the conceptualisation of governance principles within an asset management practice and in regards to data collection methods.

Chapter 5 to Chapter 7 are what Yin (1994) describe to be write-up of case studies, a qualitative study technique recommended by Miles and Hubermann (1994) as a first step in cross-case analytical approach. Thus chapter 5 to 7 are rich write-up of case studies of the Directorate General of State Assets, DKI Jakarta, Gorontalo, and DIY Yogyakarta consecutively.

The structure of each chapter highlights the government structure of the regional government, political history and accepted traditional culture/norms, experience with state asset management prior to the reform, detailed explanation of the case study's interpretation and/or approach to state asset management reform, and any identified challenges in the conceptualisation and implementation process of state asset management reform.

A crucial objective of each case study write up (chapter) is not only to highlight their experience with the state asset management reform, but also to highlight each regional government's unique characteristics – such as traditional culture, political history, government's objectives and current socio-economic and political conditions, etc – and how it plays a role in their 'version' of state asset management reform and any challenges identified.

As the strength of this study is in its qualitative nature, any conclusion made or emergent issues/themes identified will be supported by statements from interviewees – not only to as a justification tool but also to provide the reader with a clearer picture of the train of thought that lead to said conclusion and/or emergent issue.

Chapter 8 provides a tabled illustration of good governance principles conceptualisation within state asset management laws and policies, as well as the level that it is understood and implemented. This is done through the good governance evaluator table, which allows a conclusion regarding the level that a good governance principle is conceptualised within a state asset management law and/or policy. It also provides information regarding the structure of various state asset management laws and policies as each law is evaluated on a clause-by-clause basis.

Chapter 9, titled preliminary answers to the research question, is based on analysis of the good governance evaluator tool and coding of interviewee's opinions (based on the research questions and other emerging issues). The nature of research question answers provided in this chapter is preliminary, utilised as a platform to identify emerging themes or crucial issues (and perhaps interesting issues) in need of further discussion.

Chapter 10 discusses all influencing/contributing factors to an integrated good governance approach as identified by interviewees throughout the data collection process. Hints of influencing/contributing factors discussed in this chapter are evident in chapter 5 onwards,

however analysis of the validity and relevance of influencing/contributing factors are not yet performed. The discussion of influencing/contributing factors in Chapter 10 is focussed on positive and negative comments regarding each impeding variable, in an attempt to prove validity and relevance to stagnant integrated good governance and asset management approach in Indonesia. This chapter also touched on the subject of 'excuse rhetoric', a concept supported by Bessant (2010) in her study of influencing/contributing factors in implementing public policy reform in developing countries.

The analysis and discussions in Chapters 8, 9, and 10 have resulted in the emergence of crucial themes, interesting wicked problems, challenges, and other issues. However these are merely identified in the previous chapters, but not yet discussed in depth. **Chapter 11** fills this gap by providing an in-depth discussion of each crucial theme or interesting wicked problems, discussing their viability, potential relationship between each other, and its role in the conceptualisation of good governance principles within state asset management laws and policies, and the implementation of said laws and policies.

Chapter 12 concludes the thesis.

1.4 Limitations of the Study

Limitations of this study exist, however more often than not it is mitigated by the nature of the study and/or formulating said limitation into an area for future research.

The first limitation of this study is the specificity nature of the study, whereby findings of the study are tailored within the context of Indonesia. That said, a literature review of available state asset management research that is focused on the experience of a particular country (see Chapter 2) reveals that Indonesia is a neglected country in the research field, be it pre or post state asset management reform. As with many country specific studies, it is the methodology and analytical framework of this study that hold transferability potential. Indonesia's experience can be drawn upon by others, in particular those of similar government structure, political history, and bureaucratic culture. Although specific in nature, the depth of this study and observations made contributes to the dialogue of how governance principles are conceptualised in state asset management public policy within the intricacy of political history and culture, thus as mentioned in section 1.3 contributes to a wide array of academic literature.

The second limitation of this study is the sample number (n), if contrasted with the size of Indonesia's central and regional government cohort. The number of case studies involved in this study is the central government itself and three provinces, encompassing approximately ten regional governments. This may be considered small, considering that there are 33 provinces in Indonesia and approximately 154 regional governments. However the purpose and scope of this research is not that of quantified generalised findings; rather the purpose of this study is to enable in-depth understanding and the ability to construct relationships of relevant factors that depicts the complexity of integrated good governance and state asset management reform, and its understanding and implementation, in Indonesia. To mitigate this limitation, interviewees of this study are sourced from different levels of regional government within a province (i.e provincial, regency, and city level government), as well as ensuring that the three echelon levels of Indonesia's government structure (high, middle, low) are represented in each regional government. Not only does this allows a triangulation in the interviewing and analysis process, it also allows direct links to be made to illustrate the relationship (and any challenges within it) between the public policy maker and implementer.

The third limitation of this study is the snapshot nature of the study. The study was performed between 2009-2011, with data collection performed between January and July 2010. It is recognised that many of the factors discussed in this study is correct at the time of the study, however it is also acknowledged that these factors are of evolving nature – for example the establishment and/or abolishment of laws and policies, level of human capacity and capability, etc. A concrete example is the level of audit opinion provided by the external audit body, which by the Indonesian government is acknowledged as a quantifiable measure of the quality of state asset management practices. The external audit body performs its audit on a quarterly basis, which suggests a potential for evolving level of opinion rewarded to regional governments. The external audit body's opinions drawn upon from this study is that of Quarter 1 of 2010, and Quarter 2 of 2010 (during data collection period), hence correct at the time of writing only. That said, this study is the first within the context of Indonesia's integrated good governance and state asset management approach, and a longitudinal study is not the main purpose of this study. Rather this study is of an exploratory nature, attempting to understand the intricacy of conceptualising and implementing an integrated good governance and state asset management approach in Indonesia.

2. Literature Review

2.0 Introduction

The main purpose of this study is to identify the extent that good governance principles are conceptualised within reformed state asset management policies in Indonesia, and understand the complexities that impact implementation of said state asset management policies.

A review of asset management literature show a common theme of measuring asset performance, however this is not within the context of the study. A review of new public management (NPM) literature, and to a certain degree public asset management literature, has highlighted the importance of accounting reforms and perspective within the government in support of reformed state asset management policies. Although this is acknowledged to be a crucial step in increasing efficiency within government procedures and is of high importance to public asset management, it is also not a main focus of this study. Therefore although accounting research may be identified/discussed briefly within the study from time to time, due to the purpose of this thesis where accounting research is identified the thesis will not be taking this perspective. This study focuses on identifying and understanding the conceptualisation of good governance principles within state asset management, the level that such a conceptualisation is understood, and the variables that impact the implementation of reformed state asset management. Hence this study focuses on the 'background' or the underpinnings of the phenomena. To do so this literature review will be divided into seven sections as detailed below.

Section 1 aims to understand and analyse the definitions and assumptions of both state asset management practices and good governance principles. This section will detail the various definitions of state asset management and identify common characteristics and assumptions. It will then explore the definition of good governance and its principles, paying particular attention to assumptions that are found within governance theory. Furthermore this section will explain the known role of governance within asset management practices, exemplifying it through the introduction of the term 'asset governance'; which is found in other contexts of asset management (i.e physical asset management). This will allow further understanding of the relationship between

governance and asset management, as well as highlight any issues and complexities evident within asset governance.

Section 2 highlights current state asset management practices in different countries, in particular drawing out the common challenges and/or complexities. According to Kaganova and McKellar (2006) unique conditions of each country needs to be taken account despite drawing common conclusions, therefore this section will highlight the extent that unique country conditions impact state asset management practices. This section also addresses the notion of 'good best practice' in state asset management.

Section 3 outlines the history (pre-reform 1969 - 2006) of state asset management in Indonesia, reflecting on the role of political and cultural history. This section discusses the Five Year Development Plans (REPELITA) of Indonesia since 1969 to 2009, which has been a fundamental guide for national development related policies in Indonesia. The discussion of these plans will allow identification of common challenges and/or complexities found over a number of years (since the introduction of REPELITA) up to the reform (of state asset management practices) in 2006. This section will also highlight any unique conditions within Indonesia that may impede the implementation of a fully efficient and effective state-owned asset management policies, and needs to be taken into account when comparing common challenges and/or complexities (in state asset management) with other countries.

Section 4 focuses on understanding the reform in state asset management policies in Indonesia from the year 2006 onwards (to present). This section will outline the aims of the reform and its process, in particular explaining the role of the Directorate General of State Asset Management. As a reform is expected to address problems or identified challenges and/or complexities of previous practices, this section evaluates the extent that current reform addresses past state asset management challenges and/or complexities (as identified in section 3).

Section 5 The purpose of this study is to understand the extent that good governance principles are conceptualised and understood within Indonesia's reformed state asset management policies. Section 5 analyses reformed state asset management from the perspective of good governance, in particular the conceptualisation of its principles and the extent that governance assumptions (as per identified in section 1) are addressed.

Section 6 draws upon the findings of Kaganova and McKellar (2006), discussing the possibility for a country to ‘sabotage’ implementation of state asset management through the introduction of other types of reforms (in other sectors of the economy), a new regime, or new constitutions and rules and regulations. One of the main changes in Indonesia’s governing system is the implementation of decentralisation and regional autonomy policies in 2001. This section focuses on explaining the definitions and assumptions within decentralisation and regional autonomy, and the effect it has had on regional governments within Indonesia. This section continues on to exploring the potential complexities that decentralisation and regional autonomy may impose in regards to implementation of reformed state asset management practices.

Section 7 concludes the literature review by highlighting the contribution to theory and practice and the main arguments of this study.

2.1. State Asset Management and Governance Principles

This section will discuss the varying definitions of both state asset management and good governance, in particular identifying the definitions that will be used in this study. Known assumptions within each concept – in particular within cycles of the asset management life cycle and within each governance principle – will also be discussed. This section also explores the known relationship between asset management and governance – known as asset governance - found in a different asset types and context; highlighting the role of governance principles, implementation experiences, and complexities found.

2.1.1 Definition and Assumptions of State Asset Management

2.1.1.1 Definition of Asset Management

Prior to the discussion of what is considered to be state asset management, it is important to understand its underpinning: asset management. Understanding of asset management will create knowledge on what is considered to be asset management, processes involved within the concept and practice, consideration(s) for implementation, assumptions within asset management, and other theories involved within asset management.

Asset management is defined as a strategic, integrated set of comprehensive processes (financial, management, engineering, operating and maintenance) to gain greatest lifetime effectiveness, utilisation, and return from assets (Mitchell, 2002; Mitchell & Carlson, 2001). Wittwer, Bittner, & Switzer (2002) believes that asset management is a decision-making tool that creates a framework for both long and short-term planning, which encompasses a systematic process of maintaining, upgrading, and operating assets. Wenzler (2005) provides a risk-based definition to asset management, in particular utilising the knowledge of identifying, designing, constructing, operating, and maintaining assets in order to optimise trade-offs among financial and operational performance risks. Woodhouse (2006) seconded taking the risk-based approach to asset management whilst ensuring the achievement of organisation goals by defining asset management as the systematic and coordinated activities and practices through which an organisation optimally manages its assets and their associated performance, risks and expenditures over their life cycles for the purpose of achieving its organisational strategic plan.

From the snippet of various asset management definitions above it can be concluded that common characteristics of asset management are keywords such as the importance of strategy, systematic processes, optimising efficiency, and consideration of various risk. Asset management involves activities where there is integration between strategic planning and operations, maintenance, and capital investment decision-making. The main aim of asset management is to increase the efficiency of assets which comprises enhancing the productivity, maximising the asset life-cycle and minimising the total cost of ownership. Cornish and Morton (2001) suggested that such a goal can be achieved by understanding business costs and performance drivers, determining investments to optimise performance and operation costs, managing the delivery of network performance and investment programs, monitoring asset conditions, and devising appropriate maintenance policies.

2.1.1.2 Definition of State Asset Management

The concept of state asset management itself is not particularly new, however it is a concept that has continually changed in phrase as well as in its overall definition. Jim (2007) provides a simple definition to state asset management: “*A continuous process-improvement strategy for improving the availability, safety, reliability, and longevity of assets – i.e systems, facilities, equipment, and processes*”. Cagle (2003) argues that a

practical working definition of state asset management is embodied in the knowledge of three crucial aspects: a) what assets are available, b) the condition of assets available, and c) the financial burden it will cost to maintain the available asset at a targeted condition. Cagle (2003) further stated that state asset management refers to a set of processes or activities addressing the proactive management of capital assets and/or infrastructure. This includes:

1. Maintaining a systematic record of individual assets as an inventory, with regard to acquisition costs, original and remaining useful life, physical condition, and cost history for repair and maintenance.
2. A defined program for sustaining the aggregate body of assets through planned maintenance, repair, and/or replacement.
3. Implementing and managing information system in support of asset management practices.

It is important to note that different countries have a different term for state assets such as property assets, public assets, public infrastructure assets, and state infrastructure assets. Although there is a slight difference as to what is considered to be within the different scope of each term, there is a common theme in the sense that these are assets that are owned by the government, its function is to allow the government to provide public services, and in most cases are utilised or occupied by either a government institution or is available for public/society use (Kaganova et al 2006). Hence this literature review will also look at definitions of state asset management where different asset terms (i.e property assets, public assets, state infrastructure assets, etc) are used.

Kaganova & McKellar (2006) describe public property assets as state asset that do not directly address the ownership or management of 'public' housing, basic infrastructure facilities, or parkland. Not because they are not important as such, but because they raise particular issues that deserve targeted attention of their own (Kaganova and McKellar 2006). What is examined is mainly urban non-residential real estate, including vacant land, owned by governments and their various authorities or entities. However it is identified that public housing and basic infrastructure facilities (in the form of buildings) are assets that allow the government to provide basic public service (Schulte & Ecke, 2006).

Hence 'typical' real estate or state-owned portfolios include schools, kindergartens, public offices, recreation facilities, hospitals, museums, parklands, and vacant lands; whereas properties such as prisons, military facilities, universities, and federal offices are not typically considered in the many studies that analyses state asset management practices within a particular country context (Schulte and Ecke 2006).

A unified academic definition of state asset management is at present absent - whereby existing definitions are industry based or within a country context (i.e various governments). According to Kaganova and McKellar (2006) the main reason for this is that despite the importance of topic, the topic has not attracted sufficient attention from researchers. Gruis, Nieboer, & Thomas (2004) offer a 'generic' asset management definition that seems to be popular in state asset management practices (for example within the works of (Kaganova, 2006; Peterson, 2006). Gruis, Nieboes, and Thomas (2004) define state asset management as the management process that involves analysis of the performance of an organisation's assets in support of decisions about holding, selling, and repositioning. The flexibility of this definition is that analysis can be conducted at the level of individual properties, a particular class of properties, or the organisation's entire asset portfolio; contributing to the popularity of the definition.

A government typically owns a vast array of assets that supports the daily delivery of basic services that is deemed to be a government's purpose. It is noted that the most common management government (or state) assets are is highly fragmented with different categories of asset types falling within different jurisdiction or bureaucracy, or even within different policies and procedures. Kaganova, McKellar, and Peterson (2006) observed that in almost all countries different classes of property, or different types of state-owned assets, are 'managed' according to their own rules; often adhering to traditional practices rather than any assessment as to what type of asset management is most appropriate. However Kaganova, McKellar, and Peterson (2006) also noted that there has been an increasing interest in the area, whereupon a new discipline that critically considers state assets as a component of public wealth and seeks to apply standards of economic efficiency and effective organisational management is emerging.

From a broad perspective, the task of a public property asset manager can be likened to that of a corporation holding a mixed portfolio of real properties, or to a mixed-use real estate investment trust (Kaganova et al 2006; Cornish and Morton 2001). At one level it is

decided how to manage individual property holdings – this means how to operate, market, and maintain them. At a higher level there needs to be common rules to guide and motivate its property managers so that the same guidelines regarding economic efficiency and other values are applied throughout the organisation.

2.1.1.3 Key Dimensions of State Asset Management and Assumptions

Shenhav (2003) provides a view of ‘systemisers’ - those who apply mechanical engineering methods to the administrative restructuring of firms – within the context of asset management. The concept of a system assumes coherence and autonomy, where care for the smallest and most important details of a particular work aspect is treated systematically and given high priority. Therefore there is a reliance on employees following a set of standard procedures, in order to ensure peak condition of their assets in order to maximise performance. This suggests that one of the key dimensions of asset management is **regulatory compliance**, where it is crucial for employees to adhere to standardised procedures and specifications in order to ensure optimum asset performance. This leads to the need of **accountability** as a monitoring function where decision makers are held accountable for any asset related decisions.

2.1.2 Definition and Assumptions of Good Governance

2.1.2.1 Definition of Good Governance

Governance is defined as a process that supports regulations, policies, and procedures which ensure organisations run in the interest of stakeholders and resources are allocated, managed, and re-deployed in a manner that maximises productivity and value (Alles, Datar, & Friedland, 2005; Bühner, 2000; Considine & Lewis, 2003; Narracott & Bristow, 2001; Schmidt & Brauer, 2006) The definition of good governance and identification of its principles is at times ‘confused’ or deemed to be interchangeable with the definitions and principles of corporate governance. Admittedly, when one looks at the difference between definitions and principles of good governance and corporate governance, one may find only very slight differences. According to (Ouchi, 1979, 1980) this is mostly due to the fact that the ‘fundamental’ governance theory of both concepts is similar, whereupon both concepts adhere to fiduciary duty, agency theory (see works of (Jensen & Meckling, 1976), and to a certain extent transaction economics theory (see works of (Coase, 1936;

Williamson, 1984; Williamson, 1979, 1988, 1999). It is the application of each concept – i.e good governance within the context of government institutions and public servants, and corporate governance within the context of the corporate sector – that provide the context of its differing assumptions and complexities.

To define good governance requires the acknowledgement of corporate governance, as corporate governance (or lack of) is considered to be the ‘trigger’ to the re-surfacing of governance theory, and also the questioning of how governments govern their nations (Mardiasmo, 2007). Corporate governance is recognised as an essential instrument which evolves rapidly, where there is a constant evolvement of its key dimensions (Mathur & Melvin, 2004; Narracott & Bristow, 2001). This suggests a potential implication for organisational outcomes – rapid evolvement of key dimensions require the need of re-alignment on a periodical basis which may prevent full implementation of corporate governance within the organisation and prevent optimum performance of employees in delivering organisational outcomes. Despite this corporate governance remains to be a popular framework, particularly after the many corporate collapses (such as Enron, HIH, One Tel, etc) where lack of corporate governance is pinpointed as the cause behind these collapses. As a result corporate governance requirements grew in significance (Abdel-Khalik, 2002; Benston & Hartgraves, 2002; Ronen, 2002), where various corporate governance standards, codes, and policy reforms emerged. This suggests there are different definitions of corporate governance, varying depending on who introduced a particular corporate governance standard.

Good governance has been a main literary discussion in many countries, with literature heavily concentrated on African countries (Bardill, 2000; Carroll, 2001; Harris, 2001; Hintjens, 2000; Hope, 2002; Matanga, 2005; McMahon, 2005; Mensah, 2005; Philander & Rogerson, 2001; Pillay, 2004) European Union (Crawford, 2002; Kranenborg, 2003), and Asia Pacific countries (Bryant, 2001; Guess, 2005; Li, 2003; Ray, 1999; Sparke, Sidaway, Bunnell, & Grundy-Warr, 2004; Velayutham, 2003). Good governance is focused on a clean government that provides quality service towards its society/community, transparent and participative in its decision making process, and is accountable for its actions at all times; both under legal and society scrutiny (Alter, 2002; Bardill, 2000; Beeson, 2001; Berman, 2006; Caddy, 2001; Doig, 1995; Doornbos, 2003; Gilbert, 2006; Gorontalo, 2004; Kranenborg, 2003; Lindsey, 2004; Morrison, 2004; Northover, 2005; Ray, 1999; Rogers, 2003; Simpson, 2006; Subramaniam, 2001; Tisdell, 1997; Weiss, 2000).

It is acknowledged that good governance is the basic condition for stability and prosperity in all countries, where nations who are able to sustain high standards of governance will succeed while others will struggle (Elsner, 2004; Roy & Tisdell, 1998). The ADB (2004) has identified that good governance comprises the following elements: participation, rule of law, accountability, transparency, equity, effectiveness and efficiency, professionalism and effective management service orientation, and monitoring of performance. According to the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), the true test of 'good' governance is the degree to which it delivers on the promise of human rights: civil, cultural, economic, political and social rights (UNESCAP, 2007).

The main emphasis and key dimensions incorporated within the different codes of governance can be related to (Eisenhardt, 1989) opinion of what governance is – *“it is an information system that is designed as a means of monitoring managerial performance to detect dysfunctional decision making, where its mechanisms can be employed to monitor, control and observe the actions of managers in order to identify those who fail to maximise firm value”*.

Five common key dimensions in good governance can be extracted from the variance of governance literature discussed above: **accountability, stakeholder participation, regulatory compliance, transparency, and efficiency**. Lampel (2004) suggests that hard governance, one that is based on rules, formal mechanisms, and stringent legal enforcement is crucial at a time of crisis or to recover from crisis. However Grandori (2001) and Lampel (2004) also pointed out the need to balance this with soft governance – one that is based on loyalty, trust, and informal obligation – in order to achieve a balanced workforce that delivers organisational outcome.

2.1.2.2 Good Governance Principles

A. Accountability

Accountability has a prominent place in the discussion of politics, regulation, and governance principles (O'Brien & Dubnick, 2009), whereby its definition goes beyond the prescribed text of financial reports. Accountability is recognised in many fields as a keyword and thus has a variance of meaning dependent upon its context; however the

process of re-interpretation of different interests may in fact result in a secure narrow conception of what accountability is.

Borrowing the table of accountability's discursive roles and meanings that is O'Brien and Dubnick's (2009), accountability can be categorised based on two factors: focus – whether it is a cause or a cure, and perspective – whether accountability serves as a mechanism control or as a setting (normative infrastructure). As a causal factor, it is the absence or failure of effective accountability that provided the focus of discourse. As a solution/cure however, accountability has landed itself central stage to many discussions on how to deal with specific failures, such as: manifestations of malfeasance and misfeasance such as deceptive or misleading conduct, unethical conduct linked to defective internal corporate codes of conduct or governance arrangement, and/or the operation of the external regulatory architecture. As a mechanistic feature being accountable suggests being subject to those mechanisms that are designed to impose some form of control or guidance. As a manifestation of the normative condition however, being accountable is thought of something an agent is or ought to be. Friedrich (1940) regarded accountability as a condition instilled in public officials as they become more professional. Thus in the context of government officials accountability is associated with concepts such as integrity, trustworthiness, blameworthiness, etc.

Accountability also refers to the level that government officials are being held accountable for their actions, decisions, and is prepared for the consequences. However the ambiguity of the word allows for rhetorical commitment to particular courses of action, which at time lacks empirical evidence in application. It has been observed that despite repeated assurances of commitment to greater transparency and accountability, many industry practitioners and public servants across a range of epistemic communities have used their privileged position within associated democracy frameworks to transact around the very rule or principles that has been lobbied to create or recalibrate (McBarnet, 2006; McBarnet & Whelan, 1999). Accountability itself has been relegated to the role of being the source of (i.e the cause) and the solution to (i.e the cure) to intractable problems (O'Brien and Dubnick 2009) such as capital markets failure or any type of crises that is usually followed by a big bang reform – much like the state asset management reform in Indonesia when it was realised state assets are so far neglected and mismanaged, and hence has become a liability as opposed to an asset.

Accountability itself does not only refer to goods (i.e state assets) being accounted or reported for in financial reports. Accountability has a wider scope that dictates the responsibility of a person (i.e the accounted, which in this case refers to an employee of directorate general of state-asset management, or an asset manager) towards another (i.e in this case the Indonesian society). Hence for the purposes of this study accountability is characterised by:

- 1) Separation of ownership and control where there are clear boundaries in regards to authorities in state asset management (Grandori, 2004; Hansman, 1996; Hart, 1995).
- 2) Independent external audit is employed state asset performance (Windolf, 2004).

B. Stakeholder Participation

North (1990) and Grandori (2004) believes that stakeholder participation is crucial for any actors that have a stake in an organisation, as it allows them to be involved in the decision making process and thus play a part in the direction that the organisation takes (Freeman & Reed, 1983). Moore, (1995) stated that in a democracy, it is probably a greater virtue to keep lines of communication and accountability open to many people with interests and views in what should be done, however he also warned that such a perception remains true until such openness allows too many 'special interests' to creep in and makes it impossible for government employees to respond to new political or technical possibilities. Aoki (2004) agrees with this, where he also suggested that such an open 'stakeholder participation' concept will increase complexity. Instead he offers another explanation to stakeholder participation, where there is a need to specify who the stakeholders should be and why, what types, and the degree of participation that is considered to be effective. This view is also expressed by Lampel (2004), who stated there needs to be a balance between the level of participation and the level of stake that a stakeholder has. Therefore the importance of stakeholder participation is recognised; however how it is managed is advised to be slightly different.

In regards to this study a wide list of stakeholder is established: Indonesian society, central government, regional government, corporate/private sector, asset managers, the directorate general of state asset management, and asset users to name a few. As advised by Aoki (2004) and Lampel (2004) there is a need to establish the level of commitment and

state that each stakeholder has, and thus its role in the conceptualisation and implementation of reformed state asset management.

C. Transparency

Meuleman (2008) stressed the importance of transparency, particularly as he believes that the function of governance is to reduce information asymmetry within the organisation. An incomplete approach of transparency will fail this function, which potentially have a negative effect on organisational outcomes. Another justification for transparency is that it clarifies boundaries of authorities, in particular regarding separation of ownership and control (Grandori, 2004; Hansman, 1996; Hart, 1995). Love (1992) and Grandori & Soda (2004) stated the importance of checks and balances to monitor the decisions that these actors make, as it is important to hold them accountable in order to ensure that decisions made are paving the way to positive organisational outcomes. Williamson (1985) provides an opportunism related view of transparency, where he believes that differential trustworthiness is rarely transparent ex ante – no one really knows what even law-abiding actors are up to (other than the actors themselves). Transparency minimises suspicion of opportunism and creates trust, which has a positive impact on organisational outcomes (Grandori 2004). Windolf (2004) and Strenger (2004) stated that transparency is important for managing balance sheets and books, in particular to allow outsiders to verify balance sheets and hold decision makers accountable. Windolf (2004) emphasised the need and importance of an external independent audit body to audit financial balance sheets of the organisation to ensure that numbers can be held accountable. Thus it can be concluded that transparency and accountability are important key dimensions in governance. Within this study transparency is relevant and important in four ways:

- 1) Clarity in decision-making processes to ensure that employees are aware of decisions made and is able to implement any changes (Grandori 2004).
- 2) All organisational-related information (policies, financial reports) is available to all stakeholders in a language that is widely understandable (Windolf 2004).
- 3) Reporting disclosures to hold balance sheets accountable – audited by an independent external audit upon disclosure (O'Sullivan, Percy, & Stewart, 2008).

4) Reduces the assumption of opportunism and create trust within the organisation – as well as with outside parties (Williamson 1985).

D. Regulatory Compliance

According to Lampel (2004) the importance of rules and regulatory compliance is obvious in corporate governance, particularly as the collapse of corporations (such as Enron, HIH, etc) witnessed the return of hard governance – governance based on rules, formal mechanisms, and stringent legal enforcement. This argument holds as lack of regulatory control and guidelines are recognised as a central factor in collapse of corporations (Soesastro, 2000; Verschoor, 2002). Therefore it is recognised that one of the lessons learnt from these corporation collapses is the need to emphasise regulatory compliance as a key dimension in governance (Gingerich & Hadiputranto, 2002; Leung & Cooper, 2003; Subramaniam, 2001). In regards to state asset management, the need for regulatory compliance is evident in two ways:

1) Abide by the law in which the organisation is bound to. This includes judicial and legislative law, tax law, and health and safety law. This also includes respect for cultural norms and values (Morck, 2008; Nader & Andrews, 1984).

2) Abide by regulatory framework that is set by industry (i.e industry standards) and any international standards (i.e international accounting standards, international audit standards (Grundeir & Talaulicar, 2002) that impacts the implementation of state asset management.

E. Efficiency

One of the informing theories of governance is transaction cost economics (Clarke, 2004; Williamson, 1984; Williamson, 1979, 1985, 1988), which stresses the importance of efficiency in governance to maximise organisational outcomes at least cost. Here efficiency is referred to in the form of utilising resources to its best possible use (UNDP, 2002) and reducing transaction costs in contracts through built in incentive mechanisms (Williamson, 1984). Doing so will allow optimum use of assets while at the same time minimising costs, which relates to positive implications for organisational outcomes. Efficiency is potentially crucial to state asset management in the following ways:

- 1) Regulatory compliance will prevent from financial losses (Habib & Zurawicki, 2002; Henisz, 2002).
- 2) Reduction of transaction costs and contract enforcement – built in incentive and control mechanisms (Williamson, 1984; Williamson, 1979, 1988).
- 3) Organisations have to perform in accordance to what has been agreed by utilising resources to its best possible use (UNDP, 2002).

2.1.2.3 Assumptions within Good Governance

Good governance has been described as the ideal way to govern, through implementing its core principles (i.e transparency, accountability, professionalism, efficiency, etc) in all aspects of governing; be it in the conceptualisation or implementation of rules, regulations, and guidelines (UNESCAP 2007). Here it is important to discuss the difference between good governance in companies versus good governance by governments and the public sector.

A high interdependency between the success of corporate governance and good governance is recognised (Armijo 2004; Grindle 2004; KNKG 2006; Yunling 1999), where good governance, as an inherent capacity, is deemed as a prerequisite to corporate governance (Northover 2005; Rogers 2003). Corporate governance is recognised as an essential instrument which evolves rapidly, thus there is a need for constant evaluation (Mathur and Melvin 2004; Narracott and Bristow 2001). In contrast to corporate governance, good governance has been recognised as old values repackaged into a modern term (Brinkerhoff and Goldsmith 2004). The term good governance itself has been known and associated in the past as a government with a priority in servicing society (Notten 1984), where currently known good governance terms such as transparency, accountability, and participatory decision making was assumed in the behaviour and traits of a government official (Love 1992). Some literature suggests that the “current” good governance is simply a repackaging of the “old” good governance and an attempt to re-introduce the “old ways” into modern society (Verschoor 2002; Taylor 2000).

Support for governance is evident (ADB, 2004b; WorldBank, 2004), in particular in its ability to solve most of the problems identified throughout the course of financial crises – both in the public and corporate sector. Authors (for example (Eisner, Worsham, &

Ringquist, 1996; Gorontalo, 2004; Mardiasmo, 2007) have endlessly dissected how the implementation of governance principles can improve the profitability and reputation of companies, as well as return the trust from society to its government and increase credibility of a government.

However one has to wonder whether governance is always necessarily a positive influence to the organisation, or does governance – and its success – is conditional upon the discussion of particular intricacies? Despite the published success stories of governance – both in corporate and public sector, there is evidence that although governance is mentioned as one of the drivers or prerequisite of reform, the reform itself did not have the effect expected (for example see the work of Mardiasmo 2007).

It is not uncommon for both private and public sector organisations to revise the conceptualisation of code of governance or code of corporate governance; however rely on the implementation of governance upon the establishments of such codes. Indonesia for example recognised the need for evaluating and improving Good Corporate Governance (GCG)¹ guidelines, emphasising the critical importance of behavioural aspects guidelines and business ethics in the implementation of the GCG (KNKG 2006; Soesastro 2000; Verschoor 2002). However although a guideline on GCG might exist, a clear protocol for its implementation may not (Alter 2002; Bernhut 2004; Cook 1994; Erb 2005; Haque 2001; Lindsey 2004; Northover 2005; Roy 2005).

Indonesia is not alone in this experience, whereby cases of countries and/or companies relying on automatic implementation of governance upon the establishments of codes are rife. It is recognised that codes may provide an auditing function of benchmarking and progress review, however codes indicate the establishment of a particular structure yet the implementation of such structure needs culture specific change process involving more than one element. As stated by Sampford and Wood (1992), the problem of business conduct can only be addressed by a combination of legal regulation, ethical standard setting, and institutional design.

Case studies concentrating on the failure of governance can be counted, however caution towards governance has been issued – whereupon without clear definitions and guidelines

¹ From here on the Indonesian Good Corporate Governance guidelines would be referred in the abbreviation of GCG

(i.e. conceptualisation of its principles in daily basis job roles) governance will not be fully understood and implemented, and thus hindering the realisation of its full potential (Tywoniak, Rosqvits, Mardiasmo, & Kivits, 2008).

Mardiasmo (2007) studied the factors impeding good governance principles across five regional governments in Indonesia, whereupon it was questioned why governance there is imperfect implementation despite its re-introduction post 1997 Asian financial crises, the establishment of a national good corporate governance code in 1999, and its mention in all government documents (for example (BAPPENAS, 2006; Gorontalo, 2004; ILGR, 2004). The answer was found in the discrepancy of understanding (of what good governance is) and the incomplete good governance implementation guidelines. It was also found that political history and culture play a significant role in establishing equal levels of good governance understanding and implementation across regional governments within Indonesia.

Learning from the experience of Mardiasmo (2007), the explanation above alludes to why governance can be a double edged sword. Governance in itself in theory should provide a strong framework for reform and will provide results should it be implemented fully (WorldBank 2004; UNESCAP 2007; ADB 2004). However ignorance of the need for uniform understanding and specificity of its conceptualisation in day to day activities can lead to unwanted results (Mardiasmo Barnes Sakurai 2008). The experience of regional governments in Indonesia as per Mardiasmo's (2007) case, or other examples (Imbaruddin, 2003; Silaen, 2006; Thamrin, 2005) allows the drawing of few conclusions:

1. Within governance there is the assumption that governance will conceptualise and implement itself automatically, once there has been a mention of adherence towards it within rules and regulations or codes of conduct.

2. There is also an assumption that the understanding and conceptualisation of governance principles will automatically disseminate throughout the organisation chart (both for corporate and public sector) and thus the level of understanding and implementation will be equal among different levels of the organisational chart.

The evidence (Mardiasmo 2007; etc) pointed otherwise – such an assumption in fact hinders the implementation of good governance principles.

This shows that governance, or the conceptualisation of it, must be treated delicately otherwise one could fall into the traps of its assumptions. Hence there is a need to further investigate the assumptions within reformed state asset management policies and the complexity of its relationship with the assumptions of governance.

2.1.3 Good Governance and Asset Management

To reach a common organisational goal there needs to be alignment between different aspects of the organisation (Marlow & Burn, 2008; Vanier & Rahman, 2004). Asset management may be currently seen as a technical capability/function however the nature of an asset management division is that of a sub-organisational division within an organisation. This suggests that the asset management division is required to comply with rules and regulations that govern the procedures within the organisation and in particular the market and business goals of the organisation. It is evident that there is an increasing call for an integrated approach to asset management (Golubski, 2002; Marlow & Burn, 2008; Vanier & Rahman, 2004; Woodhouse, 2004), more specifically integrating concepts of governance within a set of procedures that is previously commonly believed to be void of considerations other than that of technical/engineering nature (Komonen, Kortelainen, & Rääkkönen, 2006).

Dunis & Miao (2006) believe that governance can be utilised as an analytical framework to assess management processes and systems. Governance potentially provides a platform for this integration as it is based on key dimensions which without them have proved to result in the collapse of many corporations (Anson, White, & Ho, 2004; Nestor & Thompson, 2001; Sanders & Boivie, 2004; Windolf, 2004). There is also evidence of a positive link between governance and organisational outcomes, in particular in the form of performance indicators (Stanwick & Stanwick, 2005), and profit maximisation, premium investments, and stock returns (Maassen, Bosch, & Volberda, 2004). Therefore governance provides an organisation with a set of basic key dimensions which can be utilised either as an analytical framework or to provide a platform for improved practices.

It is recognised that one of the dominant theories informing governance is agency theory (Clarke, 2004; Grandori, 2004), which explains the relations between principals and agents (Jensen, 2001; Jensen & Meckling, 1976; Jensen & Smith, 1985). The nature of an asset management division as a service provider to various clients (other divisions within an

organisation and other businesses outside the organisation) and also at times requiring the services of a third party suggests that an asset management division act as a principal and agent at the same time – hence increased complexity.

Vast evidence of governance's flexibility in being translated and applied to different types of organisations exists (Windolf 2004; etc), as well as to specific types of assets (for example Loistl and Petrag 2006; Marlow and Burn 2008). It is also evident that governance is being considered in the management of physical assets, signified by infrastructure providers emphasising occupational health and safety standards and publicly introducing a governance management framework (Cornish and Morton 2001; Woodhouse 2004; BSI 2004; Golubski 2002). This shows that asset-intensive organisations are recognising the role that governance plays in effective physical asset management. At present there is limited literature that explicitly explains the application of governance dimensions on both state asset management and physical asset management, however there is evidence of it in other types of asset management. An example is found in the works of (Loistl & Petrag, 2006), who applied governance on the management of financial assets. Marlow and Burn (2008) researched the need for an integrated approach on water and water-waste infrastructure management, recognising corporate governance as a one of the many frameworks that may be used to integrate business and technical approaches in asset management. Cornish and Morton (2001), Woodhouse (2004; 2006), and (BSI, 2004) also contributed to the literature that attempts to explain and exemplify the relationship between governance principles and asset management through a concept known as asset governance.

2.1.3.1 Asset Governance

Justification for the introduction of asset governance comes from the works of Woodhouse (2004), identifying the difference in opinions and definitions on what is considered to be 'physical asset management' among asset managers. Woodhouse (2004) believed that there is a need for clarification on what is understood to be physical asset management, what it entails, and how it can be integrated within the organisation to optimise organisational outcomes (Woodhouse 2004). This view is supported by Marlow and Burn (2008) who reported the findings of the Water Environment Research Foundation (WERF, 2002), where it is found that there was a incomplete standardised

guidelines for conducting condition assessments of an asset – thus identifying the need for a protocol to help authorities better understand asset condition and performance.

Cornish and Morton (2001) and PAS 55 (BSI 2004; Woodhouse 2004, 2006) have provided literature with an attempt at exploring the integration of physical asset management and governance dimensions, where they advocate the integration as **asset governance**.

Narracott and Bristow (2001) defines **asset governance** as a new way to view the ownership and management of distribution systems in a competitive and deregulated market, opening the way forward for real competition to be introduced in the development, stewardship and operation of a network of assets. According to Narracott and Bristow (2001) by implementing a systematic and coordinated business strategy, through which an organisation can optimally manage its assets, an organisation can expect for increased asset performance and growth. Asset governance combines classic asset management theory with transaction cost economics theory and agency theory into a new view on ownership/stewardship and management of assets in a competitive market (Tywoniak, Rosqvits, Mardiasmo, & Kivits, 2008). Mardiasmo, Tywoniak, Brown, & Burgess (2008b) suggests **asset governance** intensifies an organisation's focus on its assets, in particular by influencing asset-related policy making, decision making, value chain design, reporting systems, and incentives (reward and punishment) systems). This means new ways of operating for companies concerning the acquisition, ownership, operation and decommissioning of their assets (Amadi-Echendu & Ramanyimi, 2010; Amadi-Echendu, 2004).

A. Cornish and Morton Asset Governance Model (2001)

Cornish and Morton (2001) introduced their version of an asset governance model as a response to the regulatory and competitive challenges faced by modern utility companies operating in the United Kingdom market. Regulatory bodies of the electricity industry deemed it necessary to advocate both performance and efficiency improvements, whilst seeking to extract as much value as possible from the use of the assets. Cornish and Morton (2001) believe the answer to this is an asset governance model that puts emphasis on increasing the efficiency frontier of a physical asset through the amalgamation of resources within a distributed network. They define asset governance as a contemporary way to view the ownership and management of distributed systems in a competitive and

deregulated market, which is achieved through asset-intensive organisations sharing their resources in a contractual arrangement. This allows even non-technical organisations to benefit from the ownership of a set of distribution assets and services with limited regulatory and minimal staff. Cornish and Morton (2001) suggested the way to achieve this is by having a separation between ownership and control – thus they introduced the concept of an asset owner, asset governor, and asset manager.

The description of an asset governance model and its key aspects as per (Cornish & Morton, 2001) seems to be ideal, however a closer analysis show several potential problems. Moore (1993) and Kitchen (2006) does support the separation of ownership and control, however the separation of ownership and control and in particular based on the comparison of asset manager and asset governor roles, present several possible problematic loopholes.

Firstly the separation of ownership and control creates an overlap in accountability, which will create tension between the three roles.

Secondly, despite the clear definition of each role, Cornish and Morton (2001) fails to identify the possible conflicts of interest between each role that may affect physical asset management practices.

Another critique to Cornish and Morton's (2001) model is the method adopted in order to achieve higher efficiency frontier. The introduction of a sharing network of resources between organisations is an admirable aspiration; however its practicality is questioned. This key idea suggests that Cornish and Morton (2001) may have ignored the notion of opportunism as it assumes every organisation will be willing to participate in the sharing of resources, at the same level of commitment, and benefiting at the same level. It is possible that this assumption works and achieves results wanted, however Cornish and Morton (2001) are yet to provide empirical evidence.

It is also observed that after its introduction in 2001 there is a lack of interest in the model, evidenced by lack of review on its key aspects or application in asset-intensive organisations. This flags concerns regarding the model – low level of review may suggest either lack of popularity or lack of weight in the key aspects introduced. The deficit in asset-intensive organisations' account of its application limits analysis of whether the model achieves its purpose or not. Therefore it is concluded that the model does introduce

interesting concepts such as the information and incentives project, amalgamation of resources, and separation of ownership and control. However found criticisms suggest that there are loopholes within the model and that it is not yet best practice.

B. The PAS 55

PAS 55 aims to provide a clear definition of what physical asset management is, breaking it down into 21 point requirement specifications for an optimised and whole-life asset management system (Woodhouse 2004). The PAS 55 was originally introduced by the British Standard Institution in 2004 and has thus far been reviewed twice – once in 2006 and again in 2008 (BSI 2004). As a result of this review the PAS 55 is divided into two parts: a) specification for optimised management of physical infrastructure assets and b) guidelines for the application of PAS 55. The main philosophy behind PAS 55 is that physical infrastructure can be protected and well cared-for, with high capital security (condition) but lower immediate returns (profit) as opposed to being ‘sweated’ for better short term gains but at the risk and condition cost of future usefulness/value (BSI 2004; Woodhouse 2004). The PAS 55 endorses the need for primary, performance-accountable asset/business units, with secondary ‘horizontal’ coordination and efficiency aids through asset type specialism, common service providers and standards.

Davies (2005) recognises the advantage of PAS 55, highlighting the encouraging uptake of PAS 55 within asset-intensive organisations across industries and continent, emphasising how PAS 55 offers continuous improvement and a route to physical asset management excellence. Davies (2005) also commented that the benchmarking scheme incorporated within the PAS 55 offers the ability to identify and adopt best practice. This view is echoed, particularly as PAS 55 allows for the sharing of good practices between asset-intensive industries. Ng (2008) provides a success story of PAS 55 implementation, recounting the experience of a railway company whose costs are optimised, performance increased, and safety is assured; upon implementation of PAS 55. Jay (2005) provide a more objective view on PAS 55, endorsing it as a framework that explains how to perform physical asset management yet integrating it to the strategic business plan of the organisation. However Jay (2005) cautions that the PAS 55 is deliberately generic, and that interpretation is subject to the organisation; thus it is a starting point of a standard but the nature of its (or lack of) specificity may result in variance in its implementation. Gooda (2005, 2007) agrees with this, commenting that if not careful, implementation of PAS 55 may not be aligned

with the standard itself. Marlow and Burn (2008) adds to the discussion of PAS 55 by offering a simplified chart of the PAS 55, in order to diffuse its complexity is confusing and allow asset-intensive organisations to interpret key aspects or the integration between each stage of the standard. PAS 55 is also critiqued on its review process, as both review processes relied on the involvement of private companies, the institute that introduced it (BSI and IAM), and a consultancy company – there is no evidence of academic involvement in the review of PAS 55.

2.1.3.2 Identified Challenges and/or Complexities within Asset Governance Practices

The conceptualisation of asset governance has caused a stir in the area of asset management, in particular in the area of physical asset management as evident through the works of Cornish and Morton (2001) and the introduction of the PAS 55. However many authors warns of its implementation, in particular identifying the common obstacles that are generally faced when creating and implementing new asset governance policies. Wittwer, Bittner et al (2002) for example, identifies four main obstacles:

- 1) Budgets that forces organisations to do more with less or do things smarter,*
- 2) Coordination issues that force the breaking of traditional stovepipe organisations,*
- 3) Accountability complexities as it appears as if no one – and everyone – is in charge,*
- 4) Technological advances which brings with it high level of potential but low understanding of further integration between asset management and governance.*

Wenzler (2005) adds to this list by identifying four further obstacles:

- 1) Alignment of strategy and operations with stakeholder values and objectives,*
- 2) Balancing of reliability, safety, and financial considerations,*
- 3) Benefiting from performance-based rates,*
- 4) Living with the output-based penalty regime.*

A comprehensive list of obstacles (in implementing asset governance) comes from the work of Woodhouse (2006), in particular from his experience as an appointed consultant by the IAM (Institute of Asset Management) and BSI (British Standard Institution) to assist

in the implementation of the PAS 55 in various countries such as United Kingdom (primarily) and Canada. Woodhouse (2006) identified seven obstacles in implementing new asset governance policies:

1. **'Silo' thinking** – departmental, functional, or regional barriers. Woodhouse (2006) identified silo thinking as the cause for poor experience in organisational change, strong local management personalities, badly structure performance / rewards schemes.
2. **Short-termism**: success measured as 'on-time' and 'on-budget' without taking into account subsequent performance and value.
3. **Conflicting performance measures**: one group can only success at the expense of another
4. **Lack of business skills** within asset-related workforce, in particular asset users, asset technical support or engineers, and facilities managers.
5. **Deficiencies in risk evaluation**: risk evaluation requires rational, consistent quantification and management of commercial, technical, safety, reputational risks.
6. **Fire fighting**: allowing too little time to plan ahead or recognising/rewarding crisis management (rather than skills in avoiding the crisis).
7. **Challenges in data or information system** – too much data, too little, or the wrong type.

It is acknowledged that a majority of challenges identified in this section was sourced from the point of view of physical asset management in various companies, organisations, and government departments. However preliminary knowledge of complexities in the conceptualisation and implementation of asset governance is crucial in this study, as this study aims to understand the conceptualisation of governance principles within state asset management and provide both theoretical and practical contribution to asset management policy makers and implementers.

2.1.3.3 Asset Governance Models and Governance Principles

An analysis of Cornish and Morton (2001) and the PAS 55 (BSI 2004; Woodhouse 2004, 2006; Jay 2005) against a set of governance principles (accountability, efficiency, stakeholder participation, regulatory compliance, and transparency) suggest neither model

is best practice. As the aim of an asset governance model is to adequately integrate the technical aspects of physical asset management and governance (Woodhouse 2006), it is empirical that both models are analysed from the governance perspective in order to highlight how each model has or has not addressed each good governance principle. This analysis is synthesised in Table 2.1.

TABLE 2.1 COMPARATIVE ANALYSIS OF GOOD GOVERNANCE PRINCIPLES, CORNISH AND MORTON (2001) ASSET GOVERNANCE MODEL, AND THE PAS 55.

Good Governance Principles	Cornish and Morton (2001) – CM	PAS 55 (BSI 2004; Woodhouse 2004,2006)	Comments / Analysis
Transparency	Separation of ownership and control between asset owner, asset manager, and asset governor. There is a clear explanation of how these three roles are distinguished in terms of roles and responsibilities.	Recording of asset system, functions, performance, condition, and risks are incorporated within an asset management strategy Human assets within the asset management unit is fully aware of any consequences of error Documented prevention/mitigation of failures and non-conformances	CM and PAS 55 combined have addressed transparency comprehensively, however separately there are gaps. CM provides clear definitions of different roles – thus there is clarity in responsibilities and boundaries of authority. However they have neglected to discuss whether there are checks and balances mechanisms built in within the roles – this prevents each role from being audited and suggest overlapping accountabilities. PAS 55 concentrate on the reporting of assets, which is favourable however does not discuss its auditing process. PAS 55 also assumes transparency through documented events.
Efficiency	Setting a new benchmark for efficiency frontier and introducing a network or resource sharing to lower the cost frontier and increase efficiency frontier The role of asset governor includes balancing between improving performance and reducing overall costs (both operational and investment). Therefore this model encapsulates “efficiency” within the asset governor’s position Introduction of Information and Incentives Project (IIP). A scheme that is dedicated to increasing efficiency by providing consistent on-going	Optimised asset-life cycle cost is a priority in the asset management strategy	CM puts a heavier emphasis on efficiency than PAS 55, where there is more detailed direction and description of how to achieve efficiency. The method that is introduced to achieve efficiency is admirable, however its practicality in realistic terms are questioned. CM does not acknowledge opportunism in this method, assuming that actors within the distributed network will participate, commit, and benefit at the same level. CM have discussed increasing efficiency

	<p>regulatory information and increasing incentives on performance delivery. The main idea behind the scheme is to induce an environment that will result in increased efficiency.</p> <p>Amalgamation of expensive resources such as expert staff, offices, IT, control, strategic analysis, and research between two or more asset-intensive organisations.</p>		<p>frontier of assets, however they do not specifically address the physical-asset life-cycle cost, thus it is unclear at which stage of the life-cycle (and thus which type of cost) does their model impact on.</p>
Accountability	<p>Separation of ownership and control between asset owner, asset manager, and asset governor suggest the possibility of a built in accountability method.</p>	<p>Periodic review of asset management strategy action plans, timescales, and responsibilities</p> <p>Clear, quantified, communicated, and reviewed asset management objectives</p> <p>Performance and condition monitoring through compliance record keeping and auditing.</p>	<p>CM assumes accountability through the separation of ownership and control between different actors – what it doesn't discuss is the possibility of overlapping accountabilities between the actors. PAS 55 accounts for accountability through the reporting of physical-asset related data, however it doesn't detail whether these reports are audited.</p>
Regulatory Compliance	<p>Compliance with statutory and regulatory obligations.</p>	<p>Asset management strategy is consistent with policy and organisational strategic plan</p> <p>Legal, regulatory, and statutory requirements monitored</p>	<p>Both CM and PAS 55 refer to legal, regulatory, and statutory regulations – which are very generic and does not reflect the nature of physical asset management. Neither model has discussed how regulatory compliance can potentially improve physical asset management practices.</p>
Participation	<p>Separation of ownership and control between asset owner, asset management, and asset governor suggests a participatory process in decision making regarding physical asset matters. However this is not clearly developed, it does not address the issue of possible differing interests between each party and</p>	<p>Acknowledge stakeholder as an important part of asset management policy decision making, where it is imperative to meet stakeholder requirements and expectations.</p> <p>Consultation, communication, and</p>	<p>CM does not explicitly discuss stakeholder participation, rather their separation of ownership and control implicitly assume participative decision making – this may prove problematic as the process of participative decision making is not discussed, increasing</p>

	the tension that it may create.	documentation to/from employees and stakeholders	the potential for conflict and tension. PAS 55 provides a more in-depth discussion on participation compared to CM, however it does not identify who the stakeholders are and how they participate in the decision making process.
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The analysis of the key ideas and assumptions found in each asset governance model, as well as the comparative analysis with good governance principles as per Table 2.1 leads to several important observations.

Firstly, the PAS 55 act in a checklist manner, where an asset intensive organisation's physical asset management performance is evaluated based on several sub-standards: the more boxes ticked, the more aligned to PAS 55. One of the main advantages of this approach is that employees of physical asset management are commonly trained to follow a set of technical procedures and standards (Woodhouse 2004, 2006). Therefore having an asset governance model that is akin in nature to procedures and standards (in its form – i.e tick boxes) potentially results in a smoother implementation stage. Another advantage of this system is that having to complete a checklist suggests physical asset management employees have less opportunity to act opportunistically and conceal information. However this also leads to the first disadvantage of myopia opportunism: physical asset management employees may perform short term technical fixes in order to be able to tick a box; the person responding to the checklist may be merely going through motions and actually 'shirking responsibility'. This of course defeats the purpose of PAS 55.

Secondly, neither asset governance models (Cornish and Morton and PAS 55) are specific in their description of which legal, regulatory, and statutory requirements are to be complied with. Hence 'regulatory compliance' good governance principle is not explicitly addressed in-depth.

Thirdly, Cornish and Morton (2001) addresses the 'efficiency' governance principle in more detail than the PAS 55 model. This suggests that Cornish and Morton (2001) puts a heavier emphasis on efficiency, and thus may neglect to address other good governance principles in equal depth.

Fourthly, both Cornish and Morton (2001) and PAS 55 seem to dismiss the assumption of opportunism in the implementation process of each model. PAS 55 does include a guideline document in its pack; however this guideline is simplistic in nature. It does not provide room for contingency planning or asset-intensive organisational varying conditions – it assumes that every asset intensive conditions are of similar characteristics. Cornish and Morton (2001) speaks highly of amalgamation in resources between asset-intensive organisations to increase performance and efficiency frontier, however it does not address

the possibility that there could be shirking of responsibility or opportunism in maximising individual profit within the distributed network.

The above observations lead to two main questions:

Firstly, each asset governance model seems to put heavier emphasis on different governance dimensions. Cornish and Morton (2001) emphasised the need for efficiency, whereas PAS 55 put a heavier emphasis on transparency and accountability. This raises an interesting question in regards to whether different governance principles require different levels of attention within an integrated governance and asset management approach. Secondly, both asset governance models assume uniform conditions within asset intensive organisations, which has led to critiques from practitioners (Jay 2005; Ng 2008) as such assumption over-simplifies potential complexities in the implementation of an integrated governance and asset management approach. An interesting issue that raises from this is in regards to the flexibility of an asset governance model, in order to facilitate unique conditions of each asset intensive organisation; as well as what unique conditions should be considered in the conceptualisation of an asset governance model.

2.2 Common Challenges and Complexities in State Asset Management Practices

Upon establishing the definitions and assumptions of state asset management and good governance, it is necessary to identify and understand the common practices of state asset management. In doing so common challenges and complexities in state asset management practices will be identified. This section further analyse Kaganova and McKellar's (2006) findings on the extent that unique conditions of countries impact state asset management practices. Lastly this section discusses the possibility of 'best practice' in state asset management.

2.2.1 State Asset Management: Various Practices

In identifying and explaining the variety of state asset management practices it is important to note that state asset management may be referred to other terms such as public property asset management, public infrastructure asset management, and many

more (Kaganova 2006). Although the definition of each practice is slightly different the essence of its practice has similar characteristics. That is, there is a common notion of managing assets that will allow the government to provide services to the public. That said, it is recognised that separate treatment of an asset stems from accounting standards – part of the value of an asset, and its related management (whether it is efficient or not) depends on whether there is an external market for such an asset. This creates a different set of efficiency and governance criteria, hence complexity and variance in asset management practices.

According to Kaganova, McKellar, and Peterson (2006) on a global scale there are two almost disconnected universes attempting to cope with issues of public property asset management. At one end there are few national governments (such as that of Australia, Canada, and New Zealand) that have designed and implemented significant reforms in the management of the property within their jurisdiction. On another hand there is a global surge of interest in public property asset management reforms among countries that have not advanced far with the reform process. The below sub-sections detail state asset management practices in various countries, particularly New Zealand, Australia, Canada, and United Kingdom.

As mentioned above, this thesis recognises the importance of accounting perspective for effective state asset management within the public sector and respects the views of said school of thoughts. Thus accounting practices and/or perspective may be discussed from time to time, due to its integrated manner to asset management, however this serves a descriptive/informative function only and does not deter from the purpose of this thesis; whereby this thesis is not concentrated on exploring state asset management from the accounting perspective.

2.2.1.1 State Asset Management Practices in New Zealand

New Zealand is identified as one of the most advanced reformers in the management of public property assets, with reforms concentrating on new public management drivers such as accounting reforms and recognition of the financial pay-off to better real asset management (Dow, Gillies, Nichols, Polen 2006). The direction that New Zealand has taken increased transparency and accountability in real property transactions and has reduced

the economic inefficiencies associated with public property. New Zealand proves to be an interesting case in several areas (Dow, et al., 2006; McDonagh, 1999):

- a) The reform did not result in a central policy framework for asset management nor did it consolidate the management of public property assets,
- b) Policy, regulatory functions, and operations are separated,
- c) Private sector management practices are widely used,
- d) Fiscal administration and accounting encourage accountability and effectiveness; accrual accounting is used by all government agencies,
- e) The establishment of an asset management system that is decentralised and flexible.

New Zealand has introduced several actions of reforms which have worked in its favour. The first is a switch from cash accounting to accrual accounting according to GAAP (generally accepted accounting practices) and the inclusion of real property into consolidated financial statement in order to fulfil budgeting and accounting guidelines – an imposing guideline that has so far not been considered in the realms of effective and efficient asset management. This switch has significant complexities, in particular how assets are valued and how costs are recovered. As a result of this switch New Zealand carries property at market value and has instituted a ‘capital charge’ based on value and operating costs. This charge is recoded as an input expense on a department’s expense statement to reflect the cost of consuming space, which is then used as an incentive to apply working capital appropriately and dispose of surplus assets.

New Zealand provides a unique lesson in state asset management reform (Dow, Gillies, Nichols, Polen 2006). The government of New Zealand did not approach state asset management as a special type of activity; rather state assets were placed under the responsibility of general chief executives within a highly decentralised system. This system resulted in few costly lessons:

- a) The performance measurement system is not oriented toward standard measures of asset performance
- b) Incentives for financial efficiency does not capture the real estate specifics that require a longer-term view

c) Decentralisation makes it difficult to develop asset management expertise, especially at smaller agencies where state assets is often given a low priority and is not treated as a strategic resource.

2.2.1.2 State Asset Management Practices in Australia

The need to make government more efficient and effective while strengthening its financial position is the force that has determined the priorities and shaped the content of state asset management reforms since mid-1980s (Conway 2006). It is acknowledged that the Australian government has put in place a comprehensive asset management reform:

- a) Selling or otherwise disposing extensive surplus property holdings
- b) Decentralised responsibility and accountability for decisions on the remaining properties (this include office spaces)
- c) Liquidated most public agencies that provided asset management services to the government
- d) Remaining public service providers operate on market terms and must compete with private provides for the contracts with other government agencies.

Australia started its reform in state asset management, or real property asset management, by changing its accounting methods (in relation to state assets) from cash accounting to accrual accounting, similar to that of New Zealand. Australia has also utilised market evaluation measures of assets and its own capital user charge, which was fully funded in the annual appropriation.

The Australian government has addressed the issue of degree of separation of ownership from management by appointing the Property Management Branch of the Department Finance and Administration. This shows that the Australian government has chosen to implement an ownership and management model where a specialised government agency operating in an environment open to private sector competition is appointed to perform state asset management practices. The Australian government has also appointed United Process Solutions in Australia (a former Price Waterhouse Coopers of Australia) to manage the entire domestic non-defence portfolio (Conway 2006). It is important to differentiate the responsibilities of the two establishments as they portray a different arrangement in

terms of separation of ownership and management of the state asset. Property Management Branch is in charge of managing the domestic non-defence portfolio and this entity is accountable for the portfolio's performance according to established benchmarks. However, all portfolio management functions, including strategic planning, are outsourced to United Process Solutions. Although there seems to be a comfortable set up in state asset management, there is also room for potential complexities – in particular in regards to the level of division of labour and the much needed role of a sophisticated asset manager in order to ensure the performance of the private providers; yet also balance any political issues that may impose the arrangement.

2.2.1.3 State Asset Management Practices in Canada

The Canadian government takes part in the real estate business only to the extent that real property supports the program mandate (Glore, 2001). The management structure for real property asset is driven by the Treasury Board policy from 1989. The management framework has three distinct thrusts (McKellar, 2006a, 2006b):

- a) A centralised policy, management, and information function vested within the Treasury Board
- b) Custodial function divested in various ministries and agencies that have need of real property to carry out their programs and mandates
- c) Canada Lands Corporation which handles strategic dispositions of real property on behalf of the custodian.

The Treasury Board, through its management structure, has taken the position that its customers – departments and agencies that deliver programs – are best equipped to manage the real estate they require as they would have the most knowledge in terms of their requirement or need for assets and the current conditions (maintenance state) of the assets. The custodian concept is at the heart of a management system that recognises decentralisation but also creates a healthy tension between central authority and decentralisation responsibility (Conway 2006).

Canada has adopted a modified form of accrual accounting that severely restricts the government's ability to managing properties effectively (McKellar 2006). Properties are carried at book value minus depreciation as many departments still do not pay rent or an

equivalent user charge; and expenses are covered by an annual appropriation, usually without regard to maintaining asset value (Jowett, 2006).

The Canadian government employ an ownership and management separation model that relies on government-owned corporation to manage a full-range of portfolio management or specialised activities. This is exemplified in the establishment of British Columbia Building Corporation (BCBC) and Ontario Realty Corporation (ORC) which provides a range of services (McKellar 2006a), or Canada Lands Company CLC Limited, which deals with disposition of strategic assets owned by the central government (McKellar 2006b). The Canadian experience showed that this kind of arrangement can vary widely and be quite fluid, in particular regarding governmental views of what kind of mandate to give to these corporations. The main rationale for establishing these corporations is the thrust for increased effectiveness and efficiency, for example in regards to acting faster and being more responsive than government departments, promote private sector engagement, and attract high-quality professionals. The Canadian government found that although there are advantages to having a corporation in charge of management of state assets, the main disadvantage lay in the natural conflict between a need to give the corporation sufficient 'authority to act' and accountability to taxpayers. It is importantly noted that even though there is an overarching state asset management rules and regulations introduced by Canadian central government, the approach of its implementation varies across different regions of Canada.

A lesson learnt from the Canadian experimentation with governmental asset management however, is the increasing trend across Canada to rely more on various arrangements to engage the private sector directly (Stanwick & Stanwick, 2005). For example, the Ontario Realty Corporation has outsourced almost all of its property management and land management activities. British Columbia shifted into a more direct 'pro-private' approach by creating a private company (Partnership British Columbia) with shares owned by the Province (i.e. British Columbia regional government) that assumes many of the functions formerly performed by BCBC and aims to promote and support public-private partnerships. Although Canada's state asset management practice is based on a management framework with three distinct thrusts, it is noted that this framework has evolved over time to meet the needs of government and address market condition. Furthermore, there is admittance that real property asset management in Canada is still in infancy and is still evolving.

2.2.1.4 State Asset Management Practices in United Kingdom

According to Peterson (2006) many countries in Europe have an incomplete balance sheet perspective in their state asset management, resulting in governments being severely constrained in implementing strategic asset management. These governments are less likely to implement market-oriented property reforms, and are open to criticisms as they have not instituted the necessary systems of oversight and public accountability expected in good government.

The United Kingdom is an exception however, as the United Kingdom's Audit Commission serve as an independent body responsible for ensuring that local public money is spent economically, efficiently, and effectively; and has recently issues an updated Code of Audit Practice for local government bodies in March 2005 (Peterson 2006). The Code of Audit Practice prescribes the way in which auditors of local government bodies should carry out their functions under the Audit Commissions Act of 1998, in particular a comprehensive performance assessment (CPA) that measures how well local councils are delivering services while reducing the overall regulatory burden. This assessment extends to the maintenance and costing of state assets during the period that it is utilised for the provision of public service. Hence the local government in the United Kingdom have a stronger sense of the role of a balance sheet within state asset management, thus providing a better vehicle to improving the financial management aspect of state asset management practices.

The United Kingdom has also implemented a separation of ownership and management (of the state asset) model that puts more emphasis on private sector companies engaging in asset management on a contractual basis. This is evident through the appointment of Trillium, who under a public-private partnership arrangement took over the management of the entire portfolio of properties used for delivering social services (Kaganova and Polen 2006).

2.2.2 Common Challenges and Complexities in State Asset Management

There is widespread recognition of the need to better manage government property in most countries in the world. A study by Kaganova, McKellar, and Peterson (2006) on the

various state- asset management practices of many countries (for example Australia, New Zealand, Canada, and France to name a few) demonstrated that there are common challenges and/or complexities in state asset management practices, where the notion of improving state asset management is still a work in progress – even in countries and cities that are regarded as advanced (Kaganova & Undeland, 2006).

A common challenge and/or complexity across various countries in regards to state asset management practices is the perception or view of the society, and the government itself, in regards to state assets. Economic efficiencies, including physical economic underutilisation and insufficient maintenance and repair, stem from the fundamental belief that state assets held by a government is a 'free good', owned by the taxpayers, and thus not subject to the same economic rationalisation that occurs in the private sector (Kaganova 2006).

This brings to surface a myriad of complexities such as, to name a few, those that are related to inefficiencies and incomplete state asset management policies. The main complexity however is that said perspective on state assets will have an effect on the view of both society and government in regards to the need to take care, or maintain, the asset in order to ensure that there is return of investment and/or maximum utilisation of the asset (Kaganova, 2006; Kaganova & Polen, 2006). Low level of stewardship and of state assets potentially has negative multiplier impact – one that carries over as far as the implementation of a reform in state asset management policy; without a strong sense of stewardship towards the state asset, old challenges and/or complexities would prevail (Kaganova, Azad, & Sartawi, 2002).

Many governments have realised the efficacy of implementing broad policies that address the user of state assets as well as the managers, whereupon the policy framework must come from the highest level of authority for it to be effective. Such a policy framework must be driven by a clear understanding of why a government acquires or retains state asset management and what steps are required if that need no longer exists. However a common impediment to this notion is that the policy framework is vulnerable to political exigencies, particularly in situations where governments may wish to utilise state assets to symbolise power, status, or presence (Kaganova, McKellar, and Peterson 2006). This is further supported by (Hentschel & Utter, 2006), who drew from the experience of state asset management practices in eight USA cities, putting the relationship of state asset

management practices and politics into a very explicit metaphor; *“eliminating political influence from government real estate decisions is like removing sand from a beach”*. Furthermore it is observed that state asset management are commonly fragmented – for example there are many government agencies or other entities, such as line ministries, departments, government-owned companies, or special-purpose entities that become involved in managing, financing, and utilisation of state assets.

Another common challenge and/or complexity in state asset management relates to an ***incomplete state asset management information system that is accurate, reliable, and easy to understand***. Even in most developed countries, improvements are urgently needed, beginning from a very basic level, such as property inventory records. According to (Ungar, 2003) up to the year 2002 there was an absence of reliable government-wide data on property holding of the federal government in the United State, where its worldwide inventory lacked key data such as space utilisation, facility condition, historic significance, etc. This suggests that there is an incomplete information system in state asset management practices, in particular in regards to what information should be contained within such a system and how the information can be used to an advantage (Kaganova, McKellar, and Peterson 2006).

Kaganova, McKellar, and Peterson (2006) observed that there is the assumption that *opacity within state asset management dealings is primarily a concern for less developed countries* – which according to them is not the case. According to Kaganova, McKellar, and Peterson (2006) suspect dealings, ‘insider’ transfers, secretive rezoning of land parcels, and other abuses are elements of real estate transactions features state asset management practices in almost any country in the world. Hence the real estate practices of developed countries are deemed to be not the best example to set for emerging economies, particularly as the idea of accountability and transparency is still a challenge. They reasoned that real estate is a transaction-driven business that often involves large sums of money and politicians seem to have a particular affinity to becoming involved in these transactions. It is possible that these politicians might see the demand for transparency and accountability as a limitation in their potential involvement. They also reasoned that in developing nations the executive branches of governments often fiercely oppose the introduction of competitive procedures for property disposal since informal income from corrupted property allocation represents a significant source of illicit payments (Kaganova, McKellar, and Peterson 2006). ***Hence it is noted that low***

accountability and transparency is an unresolved common issue in state asset management policies and practices.

Kaganova, McKellar, and Peterson (2006) identified ***the degree of separation of ownership from management as another common challenge and/or complexity in state asset management practices.*** Kaganova, McKellar, and Peterson (2006) further explains that this separation varies widely from government to government, from departments granting private firms short-term service contracts such as for cleaning or security, to long terms concessions of governmental properties, to full privatisation. Two main models are found within various arrangements introduced by various countries:

- 1) Government retains direct ownership of property assets (or at least the majority of the associated ownership) and delegate asset management functions to another entity, usually by contract
- 2) State assets, along with asset management function, are allocated to a separate legal entity owned by the government.

The variance of these models evokes a number of questions, mainly about how these asset management entities and the relations with them are governed. Questions that are related to accountability, legal and regulatory framework, reporting requirements and documents, risk management, financial budgeting, asset valuation, shareholder participation, and mutual rights and responsibilities surface.

2.2.3 The Role of Unique Country Conditions in State Asset Management Practice

The ownership of property, whether in the public or corporate domain, is founded upon cultural principles embodied in countries' constitutions, laws, regulations, and norms (Kaganova and McKellar 2006). Even when there is a similarity in culture, for example Canada and the United States (Hofstede, 1991), property rights are based on very different legal principles (Kaganova and McKellar 2006). Canada relies solely on principles of common law to protect property rights, whereas the United States has incorporated property right in its Constitution and thereby relies upon the Supreme Court to determine property rights issues. China on the other hand, showed its contrast by approaching property rights in a manner where these rights remain solely with the state, even though

they may be transferred by legislative rules (Kaganova and McKellar 2006). The fundamental culture differences (both ideological and political) regarding the ownership of state asset management have a profound effect on many aspects of state asset management such as the levels of privatisation that governments will entertain, the divide in authority between central and regional /local government, perspective of state asset ownership and stewardship, perspective of state assets as a 'free good', national budget and financial management of the asset, and most importantly conceptualisation of good governance principles.

In regards to the levels of privatisation that governments will entertain for example. China is at one extreme – maintaining strong state controls over all property rights, whereas countries such as USA, Canada, Australia, New Zealand, and the United Kingdom are at the other end of the spectrum - recognising the need to dispose of real property assets that no longer serve a role in delivering government programs and services (Kaganova and McKellar 2006).

Real property has to do with 'rights' and the ability to bundle, alienate, transfer, and dispose of and otherwise control rights of occupancy and use (Kaganova and McKellar 2006). Property, whether public or private, transcends mere physical attributes and is inextricably linked to culture and society – real property has economic, social, spiritual, and political values, and those that deal with real property must understand these many dimensions and the complexities that they represent. It should be noted that the right of regional governments to hold property is defined in the constitutions of many countries and in the legislation governing lower tier governments. Hence it is only logical to assume that the ability of regional governments to manage state assets differs between countries depending on the level of authority given to them by the central government and the ideology adhered to in terms of the function of a government and how a country should be governed.

Kaganova, McKellar, and Peterson (2006) made a crucial observation in regards to how unique country conditions can add complexity to the implementation of a state asset management practices. *They observed that political trade-offs will usually trump management decisions, however there is still the role of asset managers to make their political masters aware of the potential consequences of their ultimate choices.* It is further commented that for some countries where the asset manager is also part of the

government body (or appointed by a government body) there is increased complexities. *One could argue that said asset manager is caught between pushing for increased efficiency and what is best for the society or the asset, and following the political direction that is drafted or imposed on him/her.* One could also argue that the clash so far between the society and the government, or the corporate sector and government is that neither party understand the priorities and assumptions made by one another. Hence with the asset manager being established / appointed by the government potentially suggests less conflict in drafting state asset management policies and implementing it in practice. This thought is questioned by some however, as the fact that the asset manager is established or appointed by the government may pose a conflict of interest – the asset manager is mandated to prioritise efficiency and maximum utilisation of the asset yet it must also satisfy the government or follow the lead of the government, which at times can have a different effect to the efficiency and utilisation of the asset. It is also identified that over the past such an arrangement has resulted in unfavourable situations such as corruption, collusion, and nepotism; and thus there is a need for other non-government actors to be involved in a monitoring/controlling capacity.

2.2.4 Best Practice in State Asset Management

Reforms in state asset management is thought to belong to a realm known in the public administration literature as New Public Management (NPM), which has emerged over the past two decades as the dominant public administration model (Glore, 2001; Meuleman, 2008; OECD, 1995a, 1995b). According to Glore (2001) countries such as Australia, New Zealand, Canada, etc are considered to be the most advanced in the implementation of NPM, where for these countries reforms in property asset management have occurred as a subset of a more general overhauling of public administration and the role of the public sector. However there are also countries such as Indonesia, China, etc that is just now starting to address real property management, where these countries typically view reforms in this sector as part of a broader governmental reform agenda (Glore 2001).

It is interesting to observe the intricacy of introducing or implementing NPM within the context of state asset management reform, for said reform emphasis the conceptualisation of good governance principles, and yet there is much debate on the relationship between NPM and Public Governance (PG) as the two main narratives of

public management reform (Andresani and Ferlie 2006). NPM origins lie in the marriage of new institutional economics such as public choice, transaction costs, and principle-agent theory (Hood 1991); whereby its principal focus is emphasising the need for efficiency and effectiveness of service units providing public service (Osborne 2006). The most commonly identified elements of the NPM literature includes the implementation of key initiatives that will lead to: improved performance (especially financial efficiency and cost-effectiveness), redefined and reduced role of the public sector in the economy, separation of policy making and service delivery functions, decentralisation of service responsibilities from higher to lower levels of government, greater managerial flexibility in financial management, and greater accountability and transparency in government operations (Meuleman 2008). In short, NPM aims to enhance government performance by promoting the three “Es”: economy, efficiency, and effectiveness; and by introducing management principles that often have been transferred from a business point of view (Fattore, Dubois, and Lapenta 2012).

Public Governance (PG) refers to the network model of interaction between government and society – between private, public, and voluntary actors – and attention to a wider range of outcomes (Acevedo and Common 2006); where the emphasis is on collaboration and the acknowledgement of clients, suppliers, and producers are linked together as ‘co-producers’, rather than competition (Considine and Lewis 2003; Fattore, Dubois, and Lapenta 2012).

For a country reforming state asset management policies and practices, with the objective of ensuring and improving conceptualisation of governance at the same time, the emphasis put forward by NPM and PG potentially create a double edged sword for state asset management policy maker and implementer, in particular achieving a policy and practice that embodies the principles of both. It is a double edged sword in the sense that there is potential for NPM principles to be married with that of PGs; encapsulating efficiency, effectiveness, and economy in the dealing of state assets between the government and society; however such marriage may be intricate for the assumption of collaboration and networks, especially in a collective society such as Indonesia, may be asymmetrical to that of efficiency and effectiveness from a business point of view.

The notion of ‘best practice’ in state asset management at the regional government level is further complicated by the different legal rules and accounting conventions in effect in

different regions of the world (Kaganova, McKellar, and Peterson 2006), which alludes to persistent difficulties in implementing modern standards of property asset management (Walker, 2003). From 1999 to 2003, the governments of China, Indonesia, Morocco, Chile, Kuwait, and several states of the former Soviet Union, among others, have requested technical assistance on the issue of reforming their current state asset management practise and implement modern standards of property asset management from international donor organisation.

One of the identified starting points for a potential international standard of best practice in state asset management is one that addresses the issue of the relationship between accounting reform and asset management reform. There is agreement that more importance should be assigned to economic efficiency in the use of state asset and that a primary means of achieving this end is to move towards market principles in property and rent valuations (Walker 2003). In advanced state asset management reforming nations such as New Zealand and Australia for example there is now the requirement for bookkeeping values of real property assets to be periodically evaluated based on their estimated market values, not just based on acquisition cost and adjusted for subsequent depreciation and capital improvements. The adjustment in aligning accounting and asset management reform by using market valuation is recognised by international organisations; two examples are the International Federation of Accountants in their public sector accounting standards of 2002 and the International Monetary Fund in their government finance statistics manual of 2001. It is noted however that neither of these systems are binding for governments, however there is increasing debate for unified standards (Barton, 1999; Carlin, 2002).

As observed in section 2.3 there are differences in ideologies, political history, and cultural values that may affect the perspective of ownership of state assets. Hence privatisation is an option within the framework of asset management reform that will not be an easy sell in countries where cultural views of property may differ greatly from those held by most Western nations. In some countries, views on public ownership are deeply entrenched and long-term public ownership is sacrosanct, while in other countries political elites may want to retain control over public real property for political reasons. This issue highlights the debate over transferring publicly held rights to property to private interests, either by freehold or by some form of contractual arrangement with a specific term. It is however observed that former centrally planned economies such as China, Ethiopia, Kuwait, Russia,

and Indonesia are central to the debate of privatisation of state assets. These countries are ‘toying’ with the idea of privatisation as the expectation is that privatisation will create more land for economic development, private investment, and housing, and will promote vibrant private real estate markets. This suggests that not only is there complexities in suggesting that privatisation is good practice in state asset management, complexities also arise when attempting to suggest (and/or formulate) a specific standard good practice detailing privatisation arrangements.

2.3 History (1969-2006) of State Asset Management Practices in Indonesia

The previous two sections of this literature review have addressed state asset management practices and the role of governance within it in a more general manner, referring to theory and experiences of other countries. This section focuses on outlining the history of state asset management practices in Indonesia prior to its reform, hence it concentrates on state asset management practices between the years 1969 (introduction of the first REPELITA) and 2006 (REPELITA VII). This section will introduce the Five Year Development Plan (REPELITA) and discuss state asset management as identified in the development plan– in particular highlighting the main challenges and/or complexities found. This section also highlight’s Indonesia’s unique conditions in particular in regards to political history and culture, and its potential impact on state asset management practices.

2.3.1 Five Year Development Plan (REPELITA)

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) on how to manage 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, exemplified by the absence of inventory system and formal asset management practices within the national development plan. This to a certain extent explains why there is low ownership and maintenance culture, as the object (i.e. state that potentially contributes to the nation's wealth and income).

2.3.2 Indonesia's State Asset Management Practice: Definitions and Assumptions

According to (Hadiyanto, 2009b) Indonesia recognises state assets as:

- a) Everything tangible and intangible (asset) that is bought or financed from the national budget or any other lawful income; and is utilised by the government, or any other authorised third party.
- b) State assets have a narrower definition than 'state wealth' as per law/legal terms, however is wider than 'fixed assets' as per accounting terms.

c) State assets can be known by many different accounts in accounting terms: fixed assets, liquid assets, and other / miscellaneous assets.

It is very important to differentiate state assets and public infrastructure, as the two terms can be confusing at times due to the interchangeable use by various parties/literature. The Indonesian government characterises the following sector as public infrastructure: water, drainage, energy provision, maritime transport and security, transportation, irrigation, roads and railroads, electricity, telecommunication. Therefore public property assets or state assets have a different meaning to public asset infrastructure. It is important to differentiate the two terms as it has been confused in the past, especially in regards to what is considered to be publicly owned and which ones are put in place to allow the government to perform its mandate.

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, 2009b). Up until 2003-2004 state asset management is limited, 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. It is also noted that during this period that the term ‘state assets’ had a wider meaning – not only does it include assets funded by the state; it also includes assets that were forcibly acquired by the state such as Chinese foreign assets.

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).

2.3.3 Common Challenges and/or Complexities in Pre-Reform State Asset Management Practices

Wardhana (2009) noted that for approximate twenty years since the introduction of REPELITA I in 1969 there have been an increase in high gross domestic product growth. Wardhana (2009) also noted that reforms and development plans has concentrated on efforts to continuously build infrastructure that will allow the government to perform its duties (i.e. housing, education, communications, transportation, etc), however there has been a lack of explicit strong (by law) framework on how the manage any new (and old) assets. This shows 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.

Wardhana (2009) believes that the building of assets is fast forward and fast tracked by foreign direct investment, however the sustainability of this set up is questioned. Even if the acquisition (whether buying or building) of assets is done quicker and at a larger scale with foreign direct investment, how the assets acquired are (and will be) managed is still

unclear. This arrangement could have double complication as there is a foreign direct investment component in the financing of the asset, which suggests possible foreign debt and/or an expectation of high returns. Hence there is a need for a strong state asset management practice to ensure return in investment. It can however, be viewed from another angle - whereby the need to repay foreign debt and the expectations of high returns are utilised as a motivating factor that demands efficient and effective state asset management.

2.3.4 Indonesian Political History and Culture: Potential Impact on State Asset Management Practice

Over the past years since the 1997 Asian financial crises Indonesia has realised that successful and sustainable development needs to include three main aspects: growth, fair dissemination of wealth, and stability (Wardhana 2009). According to Wardhana (2009) Indonesia's economic growth has been characterised by a number of reforms as part of its recovery process from the 1997 Asian financial crises. In particular reforms have concentrated on the following areas:

- a) Reform to achieve economic and political stability – in particular exchange rates and economic situation. Also aim for implementation of democracy, which have included a more democratic process of presidential and government official elections.
- b) Reform in trade relations, in particular in regards to further economic integration with trading blocs such as ASEAN (Association of South East Asian Nations) and APEC (Asia Pacific Economic Co-operation). This suggests Indonesia needs to play its part in each trading bloc, in particular in achieving ASEAN 2020 goals – such as further free trade, harmonisation of governance and trading regulations, and harmonise security issues.
- c) Reform in taxation policies – whereby Indonesia is starting to implement an incremental tax income scheme to avoid the criticism of 'the poor becomes poorer and the rich becomes richer'. Indonesia has also implemented a more stringent taxation policy for foreign income and foreign subsidies in the country.
- d) Reform in foreign direct investment laws.
- e) Reform in the financial sector, in particular as Indonesia was criticised for its non-performing loans and weak financial banking sector.

Wardhana (2009) describes any reform process in Indonesia as an exercise that takes place over a long period of time; however he also noted that Indonesia seems to prefer a reform process in the form of a 'shock therapy'. One of the main advantages of a 'shock therapy' approach is that it will the wheel of reform, in particular in regards to the mindset of the Indonesian government (Mardiasmo, 2004). As the Indonesian government are familiar with particular processes and 'way of doing things' due to 32 years of Soeharto era practices (Mardiasmo 2007), the 'shock therapy' may provide an answer in starting the process of changing the mindset of Indonesian government officials. In regards to state asset management such a 'shock therapy' may result in government officials realising the importance of maintaining state assets and prioritising its management.

Based on this observation Wardhana (2009) suggested that deregulation that is fast and strong will result in the benefits of reformation to take place before any opposite opinions can occur. However this argument is still doubted as past experience on reform and deregulation showed Indonesia's preference (and in particular within a social context) for a step by step process – one that is within a framework of over a few years as opposed to instant dramatic reform (Mardiasmo 2007). It has been identified that one of the main impediments of reform is the absence of rule of law, red tape, and will (mindset); which has always been the bottleneck that disturbs deregulation process and stages. The effort to increase rule of law and legal basis of reform is in place however it has also been identified that the benefits of this effort would only be realised with time (Mardiasmo 2004; Hadiyanto 2009a). This reasoning is noted to be a favourite of the Indonesian government, whereby they believe that any kind of reform or implementation of anything new will need a sufficient amount of time as there is a need to absorb the 'shock', plan the process, socialise the process, conceptualise an action plan, socialise the action plan, educate affected persons, and then implement the action plan (Pardiman, 2009). Based on Pardiman's (2009) description of how Indonesia handles reform it seems that there is a slight confliction – Indonesian government favours a shock therapy big bang approach at the start of reform (or perhaps the idea of reform) to start the process of familiarising it within government bodies and changing mindset of government officials, however in regards to conceptualising and implementing the reform there is a preference for a slower step by step over a certain flexible period of time approach. This suggests that any reform in state asset management practices may be subject to such a treatment.

2.4 Reform (2006-Current) of State Asset Management Practices in Indonesia

Section three of this literature review has outlined the common challenges and/or complexities found in state asset management practices in Indonesia between the years 1969-2006. This section focuses on outlining the reform process and steps taken since 2006 to better state asset management practices. This is followed by a detailed account of the establishment of the Directorate General of State Assets (DJKN) in 2006, in particular analysing the role it has taken and possible complexities. Based on the information above and section three (of this literature review), an analysis of how past challenges and/or complexities are addressed in the reform is performed, highlighting any continuing challenges and/or complexities that is yet to be addressed.

2.4.1 The Reform Process: Law 6/2006 and Law 38/2008

Indonesia's economic situation is currently going through a very challenging period, which can be identified from events for the past four years starting in 2006 and would likely to continue in the short term (Sumarlin, 2009). Some of the challenges are outlined below:

1. More than 25% of Indonesia's income is spent to accommodate the increase in oil prices. This has caused detrimental effects on Indonesia's natural resources.
2. There has been increased pressure in Indonesia's obligation to pay off all owing foreign debt
3. There is a need to 'find' or 'invent' new wealth, through diversification and expansion on a stage by stage process where the current economic situation has left Indonesia to be at its most flexible and need to sustain its economic position. There are strong views however that deems this position to be merely a temporary stage in Indonesia's economy.

Hadiyanto (2009c) 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 2009c). It is observed that at the

beginning of state asset management reform the definition and/or list of state asset management function is very different from the definition and list of asset management functions as detailed by Komonen, Kortelainen, and Raikkonen (2006), Cornish and Morton (2001), Kaganova (2006), and others.

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 2009a). 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

2.4.2 The Directorate General of State Assets: Role and Roadmap to Strategic Asset Management

The Directorate General of State Assets (DJKN) was established on 7th December 2006, with, according to Hadiyanto (2009a), 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 2009a). However it has been proven that

culture and political history plays a crucial role in impeding the implementation of reforms such as good governance practices and regional autonomy decentralisation (Mardiasmo 2007), which indicates that despite the establishment of a specific department for state asset management and a new direction to state asset management practices is taken, there is still the question of how culture and political history will play a part in the role of DJKN and their advocate for state asset management reform.

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 (2009b) 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. However to ensure strategic asset management implementation Hadiyanto (2009b) and Pardiman (2009) identified a few steps or stages as pre-requisites:

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 writing (of this thesis) is 2011. 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 2009a).
- 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 & 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 (2009b), 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 2009b), 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.

2.4.2.1 Roadmap to Strategic Asset Management and the 'Highest and Best Use' Principles

One of the main state asset management reform ideas pushed by the Directorate General of State Asset is the ideal of a strategic asset management, which provides a long term outlook and direction to state asset management practices and also details the outcome targets that measure the success of the reform (Hadiyanto 2009a). 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. From this long term strategic asset management ideal, Directorate General of State Asset have extracted a short and medium term framework which outlines the output targets – acting as the key performance indicator (KPI) of the directorate general. This outlook is better known as the Directorate General of State Assets roadmap (or, known to employees

of the directorate general as 'The' roadmap), which outlines how the Directorate General of State Asset will achieve strategic asset management. The roadmap was created based on a short-medium term timeframe, from 2006 (the establishment of the directorate general) until 2010. Table 2.2 details the roadmap, outlining planned actions and goals of the Directorate General of State Asset.

TABLE 2.2 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 2009c

The Directorate General of State Asset has identified a difference between strategic asset management goals and that of the Road Map as per Table 2.2. **Strategic asset management is identified as the outcome targets that measure the success of the reform, explaining what needs to be achieved.** *The Directorate's strategic map however explains how the directorate will achieve strategic asset management, whereupon the strategic map can be likened to that of a key performance indicator (KPI) mechanism. A few observations can be made upon the Directorate General of State Asset's KPIs (Table 2.2) as per below:*

1. The first two years (2006-2007) is concentrated on establishing the necessities of a department, such as presidential decree, and other necessary resources.
2. Through *Law 6/2006 on Central/Regional State Asset Management* the Directorate established its direction: strategic asset management long term planning and establishment of the road map. Good governance was mandated as a basic principle of Law 6/2006, and further re-iterated in revised *Law 38/2008 on Revised*

Central/Regional State Asset Management. However the conceptualisation and implementation of good governance principles are not evident in the road map.

3. The Directorate General of State Asset has embarked on an inventory system, moving to a database that is reliable, accurate, and available to the public. Although the introduction of an inventory system shows that the Directorate is acting upon an identified problem from past state asset management practices (i.e. absence of an inventory system) it is not clear how the inventory system will be managed and updated, what kind of information is included in the inventory system, and how information from the inventory database will be utilised. Therefore there is a need for further clarification on how the establishment of such a system will a) exhibit the conceptualisation of good governance principles within state asset management, and b) support the road to strategic asset management.
4. The Directorate General of State Asset has identified the establishment of an internal control mechanism (year 2008-2009, Table 2.2) for state asset management practices, however it is yet to identify a control mechanism for the Road Map itself - there is still a need to establish an evaluation mechanism.
5. Each KPI provides a general statement of what is to be achieved, however without details on how each KPI will be achieved and in particular no reference to good governance principles.

It is concluded that although the Directorate General of State Asset has established its long term goal (strategic asset management) and identified short/medium term key performance indicators (the road map), there is still a need to further explain;

- a) How each KPI would be achieved
- b) How each KPI lends itself as a springboard to strategic asset management
- c) How good governance principles are conceptualised in each KPI.

2.4.2.2 The Directorate General of State Asset as State Asset Manager

A complexity identified by Hadiyanto (2009c) 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. Upon further analysis, it seems that the key behind the three roles is to create a separation between responsibility, level of stake or control over the asset, and establish an implicit check and balance mechanism to ensure decisions made regarding the asset is accountable.

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. 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).

2.4.3 Reformed State Asset Management Practices

2.4.3.1 (Reformed) Definition of State Asset Management

Hadiyanto (2009b) 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.

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

- 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.

The Indonesian central government has acknowledged that due to the length of neglect in state asset management practices the level of damages found in many state assets are quite high, up to a level where the government has admitted (albeit reluctantly) that there is low financing abilities. Therefore the central government has recognised the need to be more innovative and creative in the provision of state asset management practices.

2.4.4 Challenges and/or Complexities in Reformed State Asset Management

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 (2009c) agrees with this as the possibility of revising state asset management practices due to internal and external factors is still very high. This dynamic, and to a certain extent uncertainty, is considered to be a challenge by the Directorate General of State Asset as a state asset manager in terms of ensuring a seamless transition process between each stage of the strategic asset management roadmap.

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. It is therefore possible that this line of thinking (and to a certain extent tradition) will have an effect on state asset management reform (road map) implementation. To a certain extent Ritonga's (2009) opinion contrast that of Hadiyanto's (2009c), in terms of Indonesian governments preferring a big bang shock therapy in reforms. However it is possible that Hadiyanto (2009c) 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 2009c). 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 2.2), 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. 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 & Barnes, 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. Therefore due to political dynamics, and the fact that strategic state asset management and the Directorate General of State Asset are considered to be a new addition in Indonesia's reform, lends an air of uncertainty in terms of the direction and the staying power of state asset management practices.

B. Unfamiliarity with the Role of State Asset Manager

The role of state asset manager is still an unfamiliar territory for the Directorate General of State Asset; therefore it is possible that there needs to be time for the directorate to fully understand what the role entails and how to perform the role.

This suggests that the organisational dynamics and human capital of asset managers is an issue that needs addressing. Capacity building becomes a crucial part of the Directorate General of State Asset, in particular due to the political and cultural history of Indonesia. Earlier in the literature review it was discussed that there is a particular mindset in not only Indonesian government officials but also Indonesian society at large in regards to state asset management, whereby thus far there has been a low custodian ownership and caring attitude towards state assets; as well as the mindset of continually building and adding to development without being trained to consider how to manage the assets being built and owned. It was also stressed that this mindset has been in place since the first five

year development in 1969, just three years shy of Soeharto's 1st term of presidency. Therefore it is safe to say that this mindset has been entrenched for the past 32 years of Soeharto's regime, making it necessary for the directorate to re-educate both directorate government officials and the society at large.

2.5 Good Governance Principles within Reformed State Asset Management Policies and Practice

2.5.1 Good Governance in Indonesia

Herwidayatmo (2009) stated that compliance towards good governance has become a main consideration in playing at a global economy, where the pressure is especially true and felt by the Asian nations. Indonesia's governance system previously operated under a regime in which state institutions neglected good governance and the rule of law, where the state managed essential parts of the corporate sector, and corruption was allowed to rule over common interests (Adicondro, 2002; McLeod, 2000; Resksodiputro, 2002).

The national government (or at times referred to as the central government) has recently enacted amendments to the 1945 constitution to incorporate good governance aspects in its clauses, introduced Law 22/1999 on Regional Government and Law 25/1999 on Fiscal Balance between the Regions and the Central Government, and introduced foreign institutions to assist in forming good governance codes that are in line with international good governance standards (MPR-RI, 1999; Nugroho, 2003; OECD, 1995b; Soesastro, 2000; Warwick, 1978; WorldBank, 1992, 2004).

Good governance, the central theme of Government reform in Indonesia, addresses governance issues such as the inherited poor state of public expenditure management; particularly budgeting, auditing, and public procurement (Alter, 2002; Armijo, 2004; Bardill, 2000; Camerer, 2006; Cole, 2001; Doornbos, 2003; Fukuda-Parr & Ponzio, 2002; Kaufmann, Kraay, & Zoido-Lobaton, 1999, 2002; Kotter, 1996; Rana, 2003). An important aspect of governance reform is involving civil society in policy deliberations and implementation to ensure transparency and accountability (Berman, 2006; Carroll, 2001; Edgington, 2000).

As transparency and accountability are the two main aspects of good governance, the Indonesian government has introduced *Law 1/2004 on State Treasury matters* which introduces a new public sector accounting standard (ADB, 2004b). This law will allow the government to stipulate provisions on budget management and financial planning, debt and property management, and consolidate a single treasury account for the whole of government administration (ADB, 2004b). Furthermore, the law has clear provisions that are designed to deter fraud, mismanagement, or corruption leading to financial losses for the state (Armijo, 2004; BAPPENAS, 2006; Grace, 1956; Habib & Zurawicki, 2002; Henisz, 2002).

Good governance implementation is urged by central government and the phrase has resonated within the government since 2001 (KNKG, 2006). However the presence and meaning of good governance has changed from time to time in accordance to the four presidential changes since Soeharto's fall (Hellman, Hofman, Kaiser, & Schulze, 2003). Good governance became the vocal point in Susilo Bambang Yudhoyono's presidential vision and mission, sparking analysis on the extent of good governance understanding and implementation in day to day governing since its introduction in 2001 (Liddle & Mujani, 2005). It is because of the current president's vision and mission on good governance that there is increasing attention towards good governance within government, increasing demand from society, and increasing need from regional governments to show compliance (Yushchenko, Yudhoyono, & Abbas, 2005).

2.5.2 Good Governance Principles within Reformed State Asset Management Policies and Practice

Becker & Pitsilis (2000) once commented that Asian countries actually in fact already have enough regulations whereby governance is addressed or mentioned. Within the context of state asset management regulations, good governance principles are evident in the laws that govern state asset management such as *Law 6/2006 on Central/Regional State Asset Management* and later in the revised *Law 38/2008 on Revised Central/Regional State Asset Management*. According to Ritonga (2009) the public service is expected to perform their role and functions based on good governance and clean government principles. Therefore public servants are urged and directed to head to this direction, aiming for this mindset and culture. However it is identified that out of all good governance principles accountability seems to be the principle that most public servants have trouble in

conceptualising (Mardiasmo and Barnes 2009). The main impediment here is the thought of their actions and decisions being audited, whereby the government official in question would be held accountable for any mischief identified and will have to answer to auditors. This kind of mindset is not yet entrenched in Indonesian public servants, especially when it comes to state assets as they are not trained to think along this train of thought. In regards to state assets, ever since the first five year period plan in 1969, they are trained to think: a) continuous building at all times and at all costs, whereupon the management of what has been built will happen in a 'automatic' manner, and b) to further build or create when a need for an asset is identified instead of evaluating state asset inventory.

Hadiyanto (2009c), the director general of Indonesia Directorate General of State Asset, stated that since 2003 the Indonesian central government is strongly committed to fulfilling good governance principles within its state asset management reform. Good governance principles are defined based on the list of good governance principles as listed by the National Development Planning Agency (or otherwise known as BAPPENAS), which include principles such as **transparency, accountability, rule of law/regulatory compliance, professionalism and competency, efficiency and effectiveness, and partnership between public and private sector** (BAPPENAS 2007).

Although Hadiyanto (2009c) identified that any state asset management laws will be based on good governance principles, there are a number of ambiguity in regards to its conceptualisation and implementation. For example it is not clear how each of the good governance principle is conceptualised within the law, nor is it clear how these principles will be implemented in state asset management practices. It is also an intrigue to analyse how the directorate general's definition of good governance principles, and its relationship to asset management, compare with the definition and relationship that is found in various integrated governance and asset management literature. Another intrigue is the level of good governance understanding within the Directorate General of State Asset itself, as the directorate is considered to be a new establishment that was founded in 2006. In theory government officials should be more informed of good governance principles as the establishment of the directorate general is after the introduction of a good governance national committee and regional autonomy decentralisation, which suggest a higher level of good governance understanding and its implementation. This suggests a higher intrigue in analysing the level of good governance understanding within

employees in the directorate general, and in particular their understanding of its relationship with state asset management laws and practices.

2.6 Complexities of Decentralisation and Regional Autonomy in Reformed State Asset Management

Indonesia is made up of thirty-three regional governments whereupon each regional government differ in many aspects such as political history and culture, resources, stages of economic development, and development priorities. Following the nation-wide government reform after the 1997 Asian financial crises, the Indonesian government implemented a decentralisation and regional autonomy regime in 2000/2001. This section details the decentralisation and regional autonomy regime in terms of its purpose, nature, and impact it has had so far on regional governments in Indonesia. Furthermore it analyses the potential complexities the regime may have to the implementation of reformed state asset management policies.

2.6.1 Decentralisation and Regional Autonomy in Indonesia

Indonesia is a made up of approximately 7000 islands, divided into 33 provinces (or regional governments). History shows that there has always been a growth and income disparity between the 33 regions (Federspiel, 2005). The island of Java has been recognised as a dominant player in Indonesia's economic activity, whereby three metropolitan-industrial areas (greater Jakarta, Yogyakarta, and greater Surabaya) are recognised as the concentrate area of most of Indonesia's modern industries and infrastructure, with Sumatra island coming in a close second. Java's economic and population power continues to cast a shadow over other regions, where its metropolitan areas pull people from outside Java and from rural areas in Java. It became obvious that the central government, who is to a certain extent financially constrained, needs to level the playing field and achieve a more 'balanced' regional government (King, 1988; Tambunan, 2000).

A study by Garcia and Soelistianingsih (1998) reviewed the experience of regional economic development in Indonesia, concentrating on identifying the possible reasons for the persistence of differences in regional incomes. Their analysis showed that low-income

provinces tend to catch up with high-income provinces, and tend to catch up faster under certain conditions. Garcia and Soelistianingsih (1998) has identified that better education and health help to reduce the difference more quickly, as they reduce the rate of population growth and increase the quality and quantity of the country's human capital.

It is noted that the Indonesian central government has expressed a high interest in raising the income of eastern Indonesian provinces such as Kalimantan, East and West Nusa Tenggara, Sulawesi, Maluku, and Irian Jaya. Although these provinces are deemed to have low incomes and high poverty incidence, it is also recognised that these provinces are high in natural resources and have the potential to grow as fast as provinces of western Indonesia. Garcia and Soelistianingsih (1998) noted that high-income provinces tend to have a better endowment of human and natural resources (forestry, oil, gas, and other minerals). The starting conditions of a province does to a large extent determine its final status, however some rankings does change over time. Therefore Garcia and Soelistianingsih (1998) question the possibility of provincial income to converge to a set level over time, where they further investigate the factors that will allow this to happen.

One of the identified conditions for convergence in provincial income is equality in the quantity and quality of human resources. McMahon & Boediono (1992) observed that the large increase in the supply of better educated workers reduced relative wage differentials between skilled and non-skilled workers and helped to lessen income inequality. Therefore it can be concluded that the disparity in quantity and quality of human resources have an impact on the economic growth of the region (Garcia & Soelistianingsih, 1998). Although there is yet to be an explanation of what this means to state asset management practices, previous studies that has identified human resource quality and quantity as an important input factor into successful decentralisation reform and economic growth leads to the belief that potentially there is a relationship between the level of human resource quality (in terms of knowledge) and the level of state asset management practices (both prior to and after the reform)(Mardiasmo & Barnes, 2009).

From the 1980s the Indonesian government has liberalised international trade (Fane & Condon, 1996), thereby reducing distortions in relative prices and improving resource allocation. As explained by Olson (1996) a country's regime or political and economical outlook have a tendency to influence regional economies in different ways, as each regions have different factor endowments. Olson (1996) later pointed out that sometimes

a region's own regulatory policies can hurt its economic performance, especially if regions are affected more frequently by terms of trade shocks or reforms, as the uncertainty in their external environment may result in suspension of current practices (to give room for new reform to take place) and at times cause lower rates of growth. Institutions can also slow or discourage growth (Olson, 1996), where government policies can encourage or discourage growth – sometimes powerfully. Regional governments (or provinces) for the most part face the same set of policies from the central government, however regional institutions may be different and work differently in different provinces – thus policies that work well in one province may not do so in another (Bjork, 2003; Crane, 1995).

It is due to this imbalance (in growth and development) and the pressures that was the aftermath of the 1997 financial crisis that the Indonesian government proceeded to implement a decentralisation regime from the year 2001. Decentralisation and regional autonomy is governed by *Constitution number 22 year 1999 on Governing of Regions/Provinces* (UU 22/1999 Pemerintahan Daerah) and *Constitution number 25 year 1999 on Fiscal Balance between Central Government and Regional Governance* (UU 25/1999 Perimbangan Keuangan Pusat dan Daerah). This regime changes the governing of the country from a centralised nature to that of a decentralised nature, in areas other than: international politics, security and defence, religion, monetary fiscal, and the law) as well as a change in the financing between central and regional government. The main aim of decentralisation is to simplify and increase efficiency of public service provision as now public service can be provided by the regional government, which is deemed to be within a closer proximity – both in physical and psychological distance – to the regional society (Mardiasmo 2009).

2.6.2 Impact of Decentralisation and Regional Autonomy

Since the introduction of decentralisation and regional autonomy, continuing problems are faced (Mardiasmo 2009). This includes:

- 1) Ambiguity in the divide of area of power and authority between central and regional government,
- 2) Discrepancy in perception between development actors in regards to the decentralisation and regional autonomy regime,

- 3) Low level of coordination between central and regional government,
- 4) Absence of regional government institution that is effective and efficient,
- 5) There is still limited and low level of human resource capacity (i.e regional government officials) within regional governments,
- 6) Limited regional financial capacity,
- 7) The establishment of a new region is still not in accordance with its aim.

It is believed that these problems will be solved through the revitalisation of the decentralisation and regional autonomy process, which is visible through the revision of the two original constitutions (Constitution 22/1999 on Regional Government and Constitution 25/1999 on Fiscal Balance between the Regions and the Central Government) to *Constitution number 32 year 2004 on Governing of Regions/Provinces (UU 32/2004 Pemerintahan Daerah)* and *Constitution number 33 year 2004 on Fiscal Balance between Central Government and Regional Governance (UU 33/2004 Perimbangan Keuangan Pusat dan Daerah)*.

Six main targets addressed within the revised constitutions:

1. Synchronisation and harmonisation of constitutions, rules and regulations between central and regional government, including regulations that govern the autonomy of special regions such as Papua and Aceh.
2. Increase coordination between regional governments
3. Establishment of regional government institution that is effective, efficient, and accountable
4. Increase the capacity of regional government officials, with the aim of increasing professionalism and competency
5. Management of financial resources and the financing of development that is transparent, accountable, and professional.

It is interesting to observe that good governance is not directly addressed in the revitalisation of decentralisation and regional autonomy program; however its principles

are taken into account. These include principles such as efficiency, accountability, transparency, and professionalism.

2.6.3 Potential Complexities to the Implementation of Reformed State Asset Management Policies

Indonesia is categorised as a former centrally planned economy, where it has been acknowledged that there is a pressing need for property asset management improvement at a local level (Pardiman 2009). Due to decentralisation and regional autonomy regime regional governments have become the largest real property owners in the urban areas. However it is noted that more often than not these regional government have incomplete institutional, financial, and knowledge base necessary to assume their roles as guardians and managers of public wealth (Kaganova 2006). This view is strengthened by Siddik (2009) as he provides a possible explanation as to how decentralisation and regional autonomy regime in Indonesia might have an impact on state asset management disparity between regional governments.

Siddik (2009) commented that decentralisation and regional autonomy has resulted in a discrepancy between regional governments in terms of capability, capacity, and resources (human, capital, and financial). Such a discrepancy has resulted in a disparity in how the region creates wealth, whether it is through foreign direct investment, domestic product, or other means of wealth creation.

It is predicted that this discrepancy could result in the disparity of state asset management practices between regional governments, whereupon there are different attitudes regarding the contribution of state assets towards regional wealth. There is also the suspicion that there are different levels of custodian / ownership culture) between regional governments, which explain why there are regional governments that are more aware of the need to manage its state assets than others. If there is a positive relationship between the belief that state asset contributes to regional wealth and the quality of state asset management practice; regional governments with strong beliefs of the value of state assets should have a higher level of state asset management reform implementation.

It has been observed that due to the decentralisation regime one of the positive effects is the healthy competition between regions to increase its wealth and innovative practices, and thus become an example for other regional governments (Mardiasmo 2007). This is

clearly evident in areas such as resource (particularly financial) sourcing, involvement with foreign entities, regional conditions and living situation, culture, and even in the area of good governance implementation. It is found that there is a high level of interest in being able to be the exemplar in good governance implementation, whereupon regional governments are eager to share its upper knowledge in good governance with other regions that are deemed to be 'struggling' in good governance implementation (Mardiasmo, Barnes, Sakurai 2008). This suggests that there is a possibility of increasing the level of state asset management practices in Indonesia through encouraging regional governments to further improve state asset management at their level.

One of the challenges with such a notion is that there is a tendency for regional governments to have to comply within the corridor of central government regulations, exemplified by the challenges that regional governments faced whilst attempting to implement an innovative practice (Mardiasmo 2007). This explains the sentiment that for regional government to be able to implement new practices (or even old laws, regulations, and practices) there is a need for central government to have a strong rule of law regarding that particular practice, which will allow regional governments to follow suit, implement as needed, and can adhere to for guidance (Mardiasmo 2007). The central government's reply to this is that decentralisation and regional autonomy is designed to encourage entrepreneurial government, where regional governments are advocated to think outside the box in terms of innovative practices to increase regional wealth – without waiting for central government to establish formal rules and regulations, and establish guidelines for implementation.

Decentralisation and regional autonomy constitutions itself is not perfect in its nature, especially as it has neglected to address the hierarchy (of power and authority) between district and city authorities and regional/province authorities. Regional government's authority in many sectors is still questioned due to incomplete rules and regulations that transfers the authority (regarding a particular sector) from central to regional government; as many sectors are not mentioned in the two constitutions that governs decentralisation and regional autonomy (UU 32/2004 and UU33/2004). This causes a few problems in areas such as ownership and authority, management of regional budget, the management of a particular area or provision of a particular public service, dispersion of natural resources and tax income, and many others. This ambiguity has also resulted in the overlap of authority between central and regional government, which has resulted in several conflicts

in regards to the implementation of a rule or a regulation. This of course adds complexity and concern in regards to state asset management. The success of state asset management reform relies on strong ownership of an asset and a strong rule of law regulating its management. Confusion and/or ambiguity on both counts potentially suggest an impediment to the implementation of a state asset management reform.

2.7 Conclusion: Contribution of Study

The contribution of this study to theory and practice is drawn upon two aspects:

- a) The findings of a meta-analysis of three main issues in governance and state asset management practices in various countries (Table 2.3).
- b) Complexities and challenges in state asset management practices identified throughout the literature review.

2.7.1. Integrated Governance and Asset Management Knowledge

The first contribution to theory relates to the finding (as per section 1.3) that, with the acknowledgement of asset governance as introduced by Cornish and Morton (2001) and the PAS 55, there is still yet to be an established standard of good practice in asset management. There is ambiguity in the conceptualisation of good governance principles within an asset management practice. Although it is acknowledged that both asset governance models (Cornish and Morton 2001; PAS 55) are aimed at physical asset types, there is room for learning in their conceptualisation and interpretation of what is considered to be an integrated approach to asset management and how they have viewed the integration of governance principles within an asset management cycle.

Other evidence of an integrated governance and asset management approach in the context of different asset types are available, such as within the context of public infrastructure, water waste management, human resources (as human assets) and financial assets (i.e investment, securities, bonds, etc).

The level of exposure for an integrated governance and asset management approach within the context of state assets or government real property and/or state assets is low, which suggests that there is a gap in the application of integrated governance and asset

management approach. The conclusion that there is yet to be best practice in asset governance, and that there is ambiguity in the conceptualisation of good governance principles within asset management, suggests that this study will contribute to the literature of asset governance by taking on board the learning of previous asset governance models (Cornish and Morton 2001, and the PAS 55) and further understanding the relationship between governance and asset management. Therefore this study contributes to theory by looking at governance conceptualisation in asset management through the lens of a different asset type lens.

One of the most important contributions of this research is illustrated by the black box (darkest cell) in Table 2.3, where it is evident that there is a dearth of study in integrated governance and asset management approach within Indonesia – both in terms of other asset types and one that concentrates on state assets (or government real property assets). It is evident from the table that many countries have been exposed to an integrated governance and asset management approach (although it is acknowledged for some countries it is not necessary in the area of state assets, nonetheless there has been exposure to the concept), however Indonesia seem to yet be exposed to the approach.

TABLE 2.3 META-ANALYSIS OF CURRENT LITERATURE – GOVERNANCE AND STATE ASSET MANAGEMENT

Countries or Regions	Issues		
	State Asset Management (or real property asset management)	Asset Governance or Integrated Asset Management (various asset types – i.e financial, physical, water, etc)	Decentralisation (local/regional/municipality government) complexities in implementation of State Asset Management
Australia	(Barton, 1999; Carlin, 2002; Conway, Kaganova, & McKellar, 2006)	McSweeney 1999; Mardiasmo, Tywoniak, Brown, Burgess 2008; Marlow and Burn 2008	Conway 2006; Conway, Kaganova, and McKellar 2006
Canada	(Broadbent, Haslam, & Laughlin, 2001; Jowett, 2006; McKellar, 2006a)	(Claxton, Otuteye, & Srinivasan, 1993; Gooda, 2007; Kitchen, 2006; Vanier & Rahman, 2004; Woodhouse, 2004, 2006)	McKellar 2006a; McKellar 2006b; Conway, Kaganova, and McKellar 2006
New Zealand	(Bond & Dent, 1998; Dow, et al., 2006; McDonagh, 1999; Schick, 1998, 2003; Simpkins, 1998; Warren & Barnes, 2003)	Marlow and Burn 2008	
France	Bizet 2006		
USA	(Bowman & Pagano, 1998; O. Kaganova & Polen, 2006; Perry, 2003; Sagalyn, 2000; Ungar, 2003; Utter, 1989; Walker, 2003)	(Allbee, 2005; Golubski, 2002; Guggenheim & Stahr, 2006; MacNeil, 2004; Marlow & Burn, 2008; Matichich, Allen, & Allen, 2006; Mergelas, 2005; Smith & Buchanan, 2005; Teece, 1998)	(Hentschel & Utter, 2006; Maze, 2000; G. Peterson, 2006; Utter, 1989)
Switzerland	(Dafflon, 2006)		
China	(Chan, 1997; Deng, 2003; O. Kaganova & McKellar, 2006; G. Peterson, 2006)	(McIver, 2005; Xiao, 1998)	(Guofu, 2005; J. Y. Lin, Tao, & Liu, 2003; G. Peterson, 2006; Qi, 1995; Yinh-hui, 1995)

Countries or Regions	Issues		
	State Asset Management (or real property asset management)	Asset Governance or Integrated Asset Management (various asset types – i.e financial, physical, water, etc)	Decentralisation (local/regional/municipality government) complexities in implementation of State Asset Management
Morocco	(International Bank of Reconstruction and Development, 2003)		
Panama	(G. E. Peterson, 1985)		
Europe (as a collective)	(Dafflon, 2006; Mitchel, 2003; Rydin, 1990; Williams, 2003)	(Chowdhury, 2006; Levy, 2003; MacNeil, 2004; Marlow & Burn, 2008; Raynaud, Sauvee, & Valceschini, 2005)	(Baar, 2001; O. Kaganova, 2006; Kudrycka, 2004; Linkaits, 2003; Peteri, 2003; Regulski, 2003)
United Kingdom	(Bond & Dent, 1998; O. Kaganova & Polen, 2006; Williams, 2003)	(Argent, 2005; Bryan, 2005; Cornish & Morton, 2001; Rhys Davies, 2005; R. Davies & Register, 2008; Farrell & Davies, 2005; Gooda, 2007; MacNeil, 2004; Stokes & Seers, 2005; Woodhouse, 2004, 2006)	(French, 1994; Gibson, 1994; G. Peterson, 2006)
Russia	(Jaffee & Kaganova, 2001; Sinochkin & Yasinskaya, 1996)		(Khakhalin & Butler, 2003)
Netherlands	(Gruis, et al., 2004)	(Kickert & Stillman, 2005; Kickert & Toonen, 2006)	
Germany	(Alfen & Fisher, 2004; Floeting, 1997; Schulte & Ecke, 2006; Veale, 1989)	(Hesse, 2003; Kickert & Stillman, 2005; MacNeil, 2004)	(Gibson, 1994; O. Z. Kaganova & Nayyar-Stone, 2000)

Countries or Regions	Issues		
	State Asset Management (or real property asset management)	Asset Governance or Integrated Asset Management (various asset types – i.e financial, physical, water, etc)	Decentralisation (local/regional/municipality government) complexities in implementation of State Asset Management
Czech Republic	(Jezek, Loucky, & Susicky, 2001)		
Indonesia	(Hadiyanto, 2009a, 2009b, 2009c; MacAndrews, 1998; MacAndrews & Saunders, 1997)		Kaganova 2006
Slovakia	(Baar, 2001)		(Kling & Pilat, 2003)
Latvia	(Linkaits, 2003)		Kaganova 2006; Kudrycka 2004; Baar 2001; Linkaits 2003; Peteri 2003; Regulski 2003
Kuwait	Kaganova and Polen 2006; Kaganova, Speakman, and Al-Sultan 2003; Kaganova, Azad, and Sartawi 2002		
Hong Kong	(Hong, 1998)		
Asia (as a collective)	(Tse, 2000)		
South Africa		(Hanks, 2002)	
Hungary	(Kasso & Pergerne-Szabo, 2004; Meszaros & Zsolt, 1999; Temesi, 2003)		(Hegedus, 2004; Kopanyi & Hertelendy, 2004; Temesi, 2003)
Poland	(Regulski, 2003; Stanek, 2003)		(Stanek, 2003)

Therefore this study will contribute both in theory and practice: in theory it adds to the learning of common complexities and challenges within an integrated governance and asset management approach, addressing considerations needed in conceptualising good governance principles within state asset management. In practice this study will allow an in-depth analysis of the common complexities and challenges in reformed state asset management practices, providing policy makers and implementers in Indonesia with a detailed picture of the reform for further consideration in future policy making.

2.7.2 Specific Indonesia State Asset Management Reform Knowledge

From Table 2.3 it is evident that Indonesia as a case study in state asset management (or government real property asset management) practices is limited. Studies are limited to:

- a) MacAndrews (1998) and MacAndrews and Saunders (1997) who studied the management of national parks in two provinces within Indonesia,
- b) A paragraph in Kaganova (2006) paralleling Indonesia's situation with other former centrally governed countries
- c) A chapter written by Hadiyanto (2009) who is currently the appointed director general for the directorate general of state asset management.

It is important to note that even though Indonesia is mentioned within Kaganova's (2006) work, in fact it is not included in Kaganova's (2006) table titled real property owned by local government in countries in transition, which details and categorises various countries based on:

- a) whether municipal property exist as a legally established form of property or ownership
- b) degree of practical transfer of built up properties under regional government
- c) degree of practical transfer of land (vacant or farm) under regional government
- d) requirements regarding the registration of municipal property to a registration system
- e) To which degree is registration of municipal property (as per point d) is completed.

This yet-to-be inclusion shows that although Indonesia is acknowledged to have interesting complexities within its application of reformed state asset management practices there is further need to perform a thorough analysis to further identify common challenges and understand complexities. Interestingly, Kaganova's (2006) inclusion of Indonesia in her work regarding the complexities of government real property management at local government within former centrally governed governments hit home with Indonesia, especially as Indonesia implemented its decentralisation and regional autonomy regime in 2001 after 32 years of Soeharto's central government. Therefore it can be concluded that although the potential complexity of decentralisation and regional autonomy in state asset management has been identified by Kaganova (2006), there is a need to further understand how complexities in regional government that is uniquely Indonesian will impact state asset management and how does the directorate general plan to address identified complexities within its reformed policies.

Hence it can be further concluded that this study will contribute to state asset management theory by addressing a research gap in the literature that studies the complexities of decentralisation, or regional/local/municipal government, have on the implementation of state management. In practice this study contributes to an issue that is real and deemed to be a priority within the Indonesian government, providing policy makers with further insight as to how to manage decentralisation in the implementation in its reformed state asset management policies.

3. Research Questions and Conceptual Framework

3.1. Research Questions

Best practice in state asset management is gaining momentum in importance across governments worldwide, for there is increasing realisation that inefficient state asset management policies and practices could turn the government's initial investment into a liability (or a loss). It is evident from the literature review in chapter 2 that various countries have different perspectives on state asset management practices and thus implement different policies and implementation plans. The surge of reform in state asset management practices has witnessed the increased consideration of good governance principles in the conceptualising and /or drafting of (reformed) state asset management laws and policies. This phenomenon is also evident in Indonesia, through the establishment of the Directorate General of State Asset and in the establishment of Law 6/2006 regarding Central/Regional State Asset Management.

A literature review of state asset management reforms in various countries reveal a common message, whereby state asset management reform is at its infancy and similar challenges are faced. This include factors such as incomplete accountability measures, imperfect specialised state asset information system, low rule of law, and the high level of political and cultural involvement and influence state asset management. An integrated good governance and asset management approach is not new within the field of asset management, in particular within the context of physical assets, where it is termed asset governance. This approach is also at its early stages within the context of other asset types such as financial assets, infrastructure, water waste management, and human resources. Analysis of two asset governance models within the context of physical assets (i.e Cornish and Morton 2001; and the PAS 55) support the need for increased understanding in the relationship between governance principles and asset management; as both models' conceptualisation of governance principles are deemed ambiguous, riddled with criticism, and lack empirical evidence.

The purpose of this study is to create an in-depth understanding of the relationship between good governance principles and asset management laws and policies, and the factors that play a role within it, within the context of state assets (as an asset type) and Indonesia. Therefore the main research question of this study read:

**HOW IS THE RELATIONSHIP BETWEEN GOOD GOVERNANCE PRINCIPLES AND STATE ASSET
MANAGEMENT EXEMPLIFIED AND CONCEPTUALISED IN INDONESIA'S REFORMED STATE ASSET
MANAGEMENT LAWS AND POLICIES?**

The main research question is dismantled into four individual research questions based on common challenges found in existing asset governance models, current state asset management practices in Indonesia and other countries, and other potential factors that lend complexity to the understanding and implementation of state asset management reform.

Based on literature in Chapter 2 of this study (particularly Section 3 onwards), Indonesia's reformed state asset management face four main challenges:

- a) Incomplete accountability measures
- b) Dysfunctional sense of stewardship towards state assets
- c) Ambiguity in good governance principles within reformed state asset policies
- d) Potential complexity that decentralisation and autonomy regime brings into implementation of reformed state asset management policies.

These four main challenges lead this study to three research questions.

The first two research questions relate to the conceptualisation of good governance principles within state asset management and the extent that this relationship is understood by state asset management related actors (i.e government officials in decision making position and/or are implementers of state asset management reform). The Directorate General of State Asset as the appointed state asset manager of central government has expressed concern in regards to its new role, as the concept is deemed to be alien within the Indonesian government organisation structure. This further provides a complexity in the understanding and implementation of reformed state asset management policies. Hence it is important to ask the first two research questions:

RQ1. In what way and to what extent is *good governance* conceptualised in Indonesia's State Asset Management laws and policies?

RQ2. To what level is an integrated good governance and state asset management approach understood by state asset management related employees (both at central and regional government level) as asset managers?

The third research question of this study relates to the potential complexity that decentralisation and regional autonomy lend to the understanding and implementation of reformed state asset management policies. Evidence from other countries such as USA, Australia, Canada, China, and Kyrgyzstan (see table 2.3 in Chapter 2) has exemplified the complexities of implementing state asset management practices at local level (i.e regional government, local government, city councils, municipal government, and provincial government); identifying issues such as variance in resources and capabilities, ambiguity in authority, and overlap in state asset management laws as reasons for incomplete implementation.

Indonesia introduced decentralisation and regional autonomy reform in 2001, in response to the 1997 Asian financial crisis. The introduction of decentralisation and regional autonomy signal the transfer of authority from the central government to regional government on various governing matters. The experience of other countries in navigating through the challenges that decentralisation and regional autonomy pose in ensuring best practice in state asset management policies are potentially valid in Indonesia's case. Therefore it is necessary to question the role that decentralisation and regional autonomy has in Indonesia's objective of equal implementation (among regional governments) of state asset management reform. This leads to the third research question:

RQ3. To what extent, and how does, decentralisation and regional autonomy regime potentially adds complexity to the implementation of reformed state asset management practices?

Chapter 2 section 2.3 (complexity of unique country conditions) identifies the pivotal role that political and cultural play in the economic development stage of the country, as well as the public policies that govern public service provision within a country - including state asset management. Indonesia has recently experienced an economic crisis (1997 Asian financial crisis) where the existence of governing practices that were of norm throughout

the 32 years of Soeharto's regime was deemed to be un conducive to the country's future development and recovery from the financial crises. It can thus be concluded that political history and bureaucratic culture plays a pivotal role in Indonesia's policy making, decision making, and policy implementation – suggesting that it is a variable in need of careful consideration when attempting to understand the complexities in equal implementation of reformed state asset management practices throughout all regional governments. This leads us to research question four:

RQ4. How does Indonesian political history and bureaucratic culture impact understanding and implementation of reformed state asset management practices?

3.2. Conceptual Framework

The main purpose of this study is to understand the relationship and conceptualisation of good governance principles within reformed state asset management policies in Indonesia, whilst also considering factors (or factors) that may prove to be of complexity in the implementation of the reformed state asset management policies. The main outcome is to provide practical recommendations to policy makers or asset managers – which in the case of Indonesia is the Directorate General of State Assets and regional governments – in a bid to increase the level of reformed state asset management understanding and implementation.

From Chapter 2 section 1 and 2, it can be concluded that state asset management and good governance consists of a set of key dimensions; whereby there is a need to establish the relationship between each set of key dimensions and how they can converse. Key dimensions for state asset management are: transparency, accountability, efficiency, stewardship, information system, and regulatory compliance (or rule of law). Key dimensions of good governance are: transparency, accountability, efficiency, stakeholder participation, regulatory compliance (or rule of law).

Based on the purpose of this study, the main outcome of this study, and the rationales behind each research questions as in section 3.1, Figure 3.1 illustrates the conceptual framework of this study.

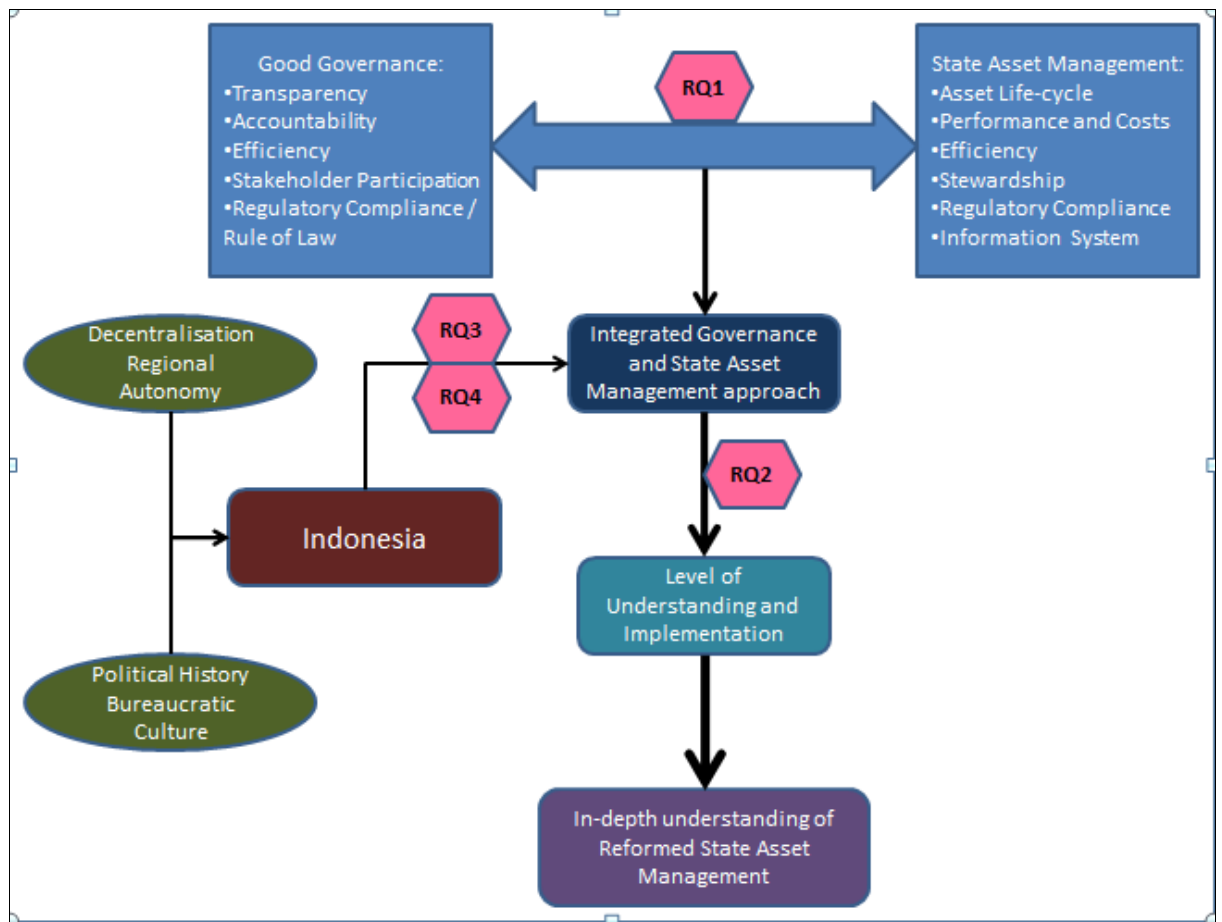


Figure 3.1 Theoretical Framework of this Study

Figure 3.1 provides an illustration of the conceptual framework that will be utilised in this study, where the framework exemplify the relationship between good governance principles and state asset management key dimensions and the impact of Indonesia’s unique country conditions (decentralisation, and political history) on an integrated governance and state asset management approach. It also illustrates the potential discrepancy of understanding integrated governance and asset management approach reformed and implementation of reformed state asset management practices, as well as the potential impact of styles of governance in implementing reformed state asset management. The conceptual framework illustrate the main finding of this study which includes practical recommendations to further increase the implementation of reformed state asset management policies in Indonesia.

4. Methodology

The fourth chapter of this thesis is the Methodology chapter, which will *firstly* discuss the epistemology that underpins this study, the explorative nature of this study, the interpretative methodological approach, and the qualitative research orientation taken.

Secondly, this chapter will outline the methodology design of the study, which comprise of a two phase cross-case study research. A justification of the methodology design is also presented. Following this, the *third section* of this chapter outlines the data collection method of semi-structured interviews, document analysis, and on-site observation will be detailed and justified, in particular the role of each data type in answering the objective of this research.

Fourthly, this chapter details the data analysis structure of this study, which takes the thematic analytical approach and is detailed at two levels: within each case study and cross-case analysis.

The *fifth* section of this chapter outlines the limitations and ethical considerations of this study, where it is deemed crucial to acknowledge such factors to ensure correct mitigation approaches.

This chapter concludes with the *sixth* section of this chapter, which details the experience of the first phase of the methodology design (as will be explained in section 2 of the chapter). Emphasis of the fifth section of this chapter is in highlighting lessons learnt from the pilot case study, in terms of methodology approach and experience in conceptualising an integrated good governance and asset management approach within a state-owned asset-intensive organisation.

4.1 Epistemology and Methodological Approach

In this section, the epistemology that underpins this research, the nature of the research, and methodological approach taken will be described and justified. This section will also outline past methodologies adopted by similar studies, of which are deemed relevant to

discuss and learn from in order to create a methodology design that will serve the purpose of this study.

4.1.1 Epistemology

Prior to deciding a methodology design for one's research, it is important to understand the theoretical positions and epistemology that underpins the research as this will, to some extent, provide a guidance as to the considerations that needs to be taken into account when designing the research strategy (Flick 2006). The epistemology that underpins this study is that of a social constructivist (Berger & Luckmann, 1966; Gergen, 1985, 1999; Schutz, 1962), where from this viewpoint the research is started with the believe that all knowledge of the world, in common sense as well as in scientific thinking, involves constructs – a set of abstractions, generalisations, formalisations, and idealisation – specific to the relevant level of thought organisation.

The Indonesian government, through its Directorate General of State Assets, pioneered a reform in state asset management laws with the belief that there is a need for a revolution in the current management system in order to ensure further efficiency, transparency, accountability, stakeholder participation, and regulatory enforcement (i.e good governance principles) on a day to day basis. Ideally such a reform is to be implemented as per the Directorate General's Roadmap to Strategic Asset Management (see literature review, Chapter 2, sub-section 2.4.2.1), emboldened by the assumptions associated within good governance (see sub-section 2.1.2.3) and the enthusiasm for a good governance based government as pushed/promoted by the current government in power (see sub-section 2.4.1). Interestingly, within such idealism lay a level of scepticism, particularly in regards to full implementation of state asset management reform by all regional governments of Indonesia. Such scepticism is based on contributing factors such as Indonesia's past experience in implementing reformed public policies, unique characteristics of decentralised and regional autonomous government, and influences of political, historical, and cultural factors – as outlined in sections 2.4.4, 2.5, and 2.6.

The idealism, or perhaps optimism, in introducing state asset management reform; yet with the scepticism of its execution/implementation suggests the need to map, or create a construct, of how influences or contributing factors (such as those outlined in sections 2.4.4, 2.5, and 2.6; and others to be identified) play a role in the implementation of state

asset management reform, and the level in which good governance is conceptualised within it. The creation of such a construct requires the involvement of state asset management policy makers and implementers and further review of associated documents. Such constructs will provide further insight and clarity to the reality of reformed state asset management implementation, all of which will potentially allow policy makers and implementers to be more aware of influences and contributing factors, and devise a strategy to address potential challenges.

4.1.2 Methodological Approach

The main purpose of this study is to create an in-depth understanding of the relationship between good governance principles and asset management laws and policies, and the factors that play a role in its conceptualisation and implementation, within the context of state assets (as an asset type) and Indonesia. The research questions in chapter 3 have identified what, why, and how type questions which leads this research to take an exploratory nature and an interpretative methodological approach (Jackson 1995).

In order to achieve the purpose of this study and answer the research questions, 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 factors (Denzin & Lincoln, 1994; Ezzy, 2002; Golden-Biddle & Locke, 1997; Padgett, 2004; Silverman, 1997; Sofaer, 2002; Willis, 2007). Although arguments for mixed qualitative and quantitative methods approach widely exists (Bloor, 1997; Cavana, Delahaye, & Sekaran, 2000; Drisko, 1997; Eisenhardt, 2002; Hall & Rist, 1999; Yin, 1994) due to the epistemological underpinnings, interpretative methodological approach, and exploratory nature of this research, a qualitative orientation is deemed to be most suited. This provides the researcher with rich data, the capacity to further understand, and the potential to theory build.

4.1.3 Past Research Methodologies in Relevant Studies

In designing the research methodology to be applied in this study, some past and current research within the area of public sector studies, performance measurement studies, asset management research, and other related studies are assessed. Flick (2006) suggest it is

important and beneficial for a researcher to study other studies in the field being studied as it potentially provide clues on what to do, how to design the methodology, what questions to ask, and which mistakes to avoid.

Chapter 2, literature review, has identified a deficit in related studies on two levels:

- a) Studies addressing the relationship between governance and state asset management,
- b) Studies addressing an integrated approach to governance and state asset management in Indonesia.

This suggests limitations in the number of methodology design that can be referred to or borrowed. Hence there is a need to look at other studies within related fields to gain a further understanding on possible methodology designs. Six relevant studies' methodologies are analysed, as detailed in the sub-subsections below.

4.1.3.1 Studies Exemplifying the Application of Governance in the Management of Assets

In regards to studies that explains the relationship between governance and state asset management, there are two studies that are similar; an investigation of the relationship between corporate governance and financial assets management (Loistl and Petrag 2006) and an investigation on surrounding corporate governance in water and waste water management (Marlow and Burn 2008). The similarity of these two studies to this thesis is that both studies exemplified the application of governance key dimensions on specific types of assets.

Loistl and Petrag (2006) utilised a quantitative approach, surveying insurance companies in the European Union, questioning how the changes in the European monetary laws will affect the governance of financial assets. Marlow and Burn (2008) also took a quantitative approach by surveying 21 US water suppliers. As this study takes on a more qualitative approach, most of the quantitative measures found in Loistl and Petrag's (2006) and Marlow and Burn's (2008) work does not necessarily apply – however an observation is made: to measure governance key dimension of transparency and accountability Loistl and Petrag (2006) did not only utilise the organisation's annual and quarterly financial reports, rather they concentrated on financial data that focuses on insurance premiums and claims. This suggests that in order to capture key dimensions such as transparency and

accountability and its relationship with the asset performance, general annual and financial reports are not enough – there is a need to seek for data that specifically reports the performance of the asset studied, or a measure that indicates the quality that an asset is managed.

4.1.3.2 Relevant Studies within Public Sector Organisations

Phang (2006) performed a study that explains the use of outputs as performance measures in public sector organisations. Phang (2006) deployed a qualitative research approach with the use of a case study method, where Phang (2006) collected data through the utilisation of literature review, interviews, and document analysis.

Imbaruddin (2003) utilised Indonesian regional government as a context within his study, analysing whether factors such as the degree of accountability, competition, and organisational and human resources dimensions in regional government departments have any effect on the institutional capacity of those regional government departments. Imbaruddin (2003) collected data utilising two main methods; in-depth interviews and focus group discussions. An important observation by Imbaruddin (2003) is that although the Indonesian society has experienced a relatively more democratic environment and freedom of expression following the end of Soeharto's authoritarian regime in 1999, public servants in general are still reluctant to talk openly about their organisation and personal views. Therefore Imbaruddin (2003) considered in-depth interviews and focus group discussions to be suitable for his research as it provides the opportunity to the researcher to explore deeply and encourage the informants to express their own experiences, opinions, and attitudes. This is an important lesson in regards to structuring the interview process and planning interview techniques, as Imbaruddin's (2003) experience suggest Indonesian public servants may prefer a more private setting to hold interviews and there is a need to design the interview in such a way that it allows the interviewee to reach a comfortable zone where he/she is confident and comfortable in expressing their opinions.

Another relevant study is that of Silaen (2006), who studied the management control systems in research and development organisations in Indonesia. Silaen (2006) utilised a case study research method on multiple sites in the public sector in Indonesia. Silaen (2006) utilised interviews, observation, and documentation as well as telephone interviews as its data collection technique. The study successfully answered the research questions of

how management control systems are applied in research and development organisations in government units in Indonesia and why they are applied in a certain manner. Subsequently Thamrin (2005) also studied a government related area in Indonesia. Her study is an exploration of the possibility of public private partnership (PPP) in Indonesia to redress development challenges in the Eastern part of Indonesia. To achieve this aim she analysed government documents, reports, economic and policy studies that is related to economic development, and interviews.

It is acknowledged that there are similarities, relevancies, and successfulness of previous studies by other scholars within the space of public policy and asset management. Such successes were achieved through a combined use of government department reports (document analysis), focus groups, in-depth interviews, on-site observations, and analysis of past economic and policy studies. Hence this will be taken into account in the research design of this study.

4.2 Methodology Design

Miles and Huberman (1984) believe the development of a methodology design should reflect the conceptual framework of a study, where the research questions feed directly into the instruments used during the data collection process. This section of the methodology chapter provides a discussion of the choice in employing a two phase cross-case study as the methodology design of this study. This section also highlights how the cross-case research design will be exemplified within the study, the number of case studies, and issues of generalisability attached to a cross-case methodology design. Lastly, this section discusses the data collection methods of the study.

4.2.1 Rationale behind a Cross-Case Methodology Design

The main objective of this study is to explore the relationship between good governance principles and state asset management within the context of Indonesia, as well as factors that lends complexity to its implementation. As an exploratory study the methodology design centres itself on cross-case study research, where it concentrates on the continuous interplay or comparison between analysis and data collected (Yin 1994).

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). Case studies also have the advantage of allowing the researcher to theory build, as the continuous exposure to conflicting realities has the tendency of forcing the researcher to think outside the box (Eisenhardt, 1989). Employing a case study research design will allow the researcher to employ multiple methods of data collection (Benbasat, Goldstein, & Mead, 1987) and thus is very useful in answering the what, how, and why questions in exploratory research (Yin 1994). Therefore a case study format is deemed to be the most suitable as case studies optimises understanding through pursuing research questions, gaining credibility by triangulating descriptions and interpretations gained during the study period (Drisko, 1997, 1999; Roche, 1997; Stake, 2005).

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). This study aims to exemplify the interaction between good governance principles and state asset management within Indonesia, thus it is essential to choose an organisation (i.e a case study) within Indonesia that has the responsibility of managing state assets. At the central level of government an organisation that fits the criteria is the Directorate General of State Assets. The Directorate General of State Assets is a further interest and is suitable for this thesis as it is the government department formed to pioneer state asset management reform in Indonesia. At regional government level however, there is an absence of an organisation that is solely responsible for managing regional state assets. This suggests there is a need to identify a division or a unit within a regional government department that is responsible for managing state assets. Therefore it is identified that the unit of analysis in this research design is a state asset management organisation or a division responsible for state asset management (which might be known in various terms) within a regional government.

4.2.2 A Two-Phase Cross-Case Methodology Design

Bowler (1997) suggests a two phase design is ideal for investigating a common phenomenon across various factors. The first phase is designed to flesh out the phenomena, establish few predictions/hypotheses, and refine research approach data collection methods. The second phase is designed to test specific preliminary assumptions

made at the beginning of the study, and taking into account prediction/hypothesis established in the 1st phase, attempt to compare/contrast findings, and potentially produce generalised findings.

This study will employ a pilot case study in the first phase of the research design. Particularly for this study, the role of a pilot case study is more focused. Chapter 2 sections 2.1.3 identified two asset governance models (ie Cornish and Morton 2001; and the PAS 55) where the models attempted to explain an integrated governance and asset management approach. The context that the models were applied to was that of physical assets, focusing on its implementation in asset-intensive organisations. As there is a dearth of study on the subject of good governance principles within state asset management, the implementation of the two asset governance models is utilised as a pilot case study - acting as an exploratory case to understand potential relationships between governance principles and asset management, as well as identify any complexities in its implementation within an (asset-intensive) organisation.

The second phase of the research design encompass a cross-case study analysis, as involving multiple case studies leads to more compelling and robust evidence and enhance the generalisability of research (Yin 1994). Cross-case analysis is adopted as it allows for an interplay exercise between data collection and findings, where increased number of case studies deepens the understanding of a problem or a phenomena (Miles & Huberman, 1984). According to Yin (1994) the internal validity in case study research is achieved by pattern-matching, explanation-building, and addressing rival explanations between units of analyses. Findings of phase one will be utilised as a provision of initial background information (in regards to the concept of integrated governance and asset management approach) and drafting interview questions. The objective of phase two is to further understand the relationship and conceptualisation of good governance principles in state asset management within an Indonesian context. Issues, complexities, and challenges found in phase one will be utilised as a platform for discussion, providing the space for a compare and contrast analysis. The methodology design is illustrated in Figure 4.1

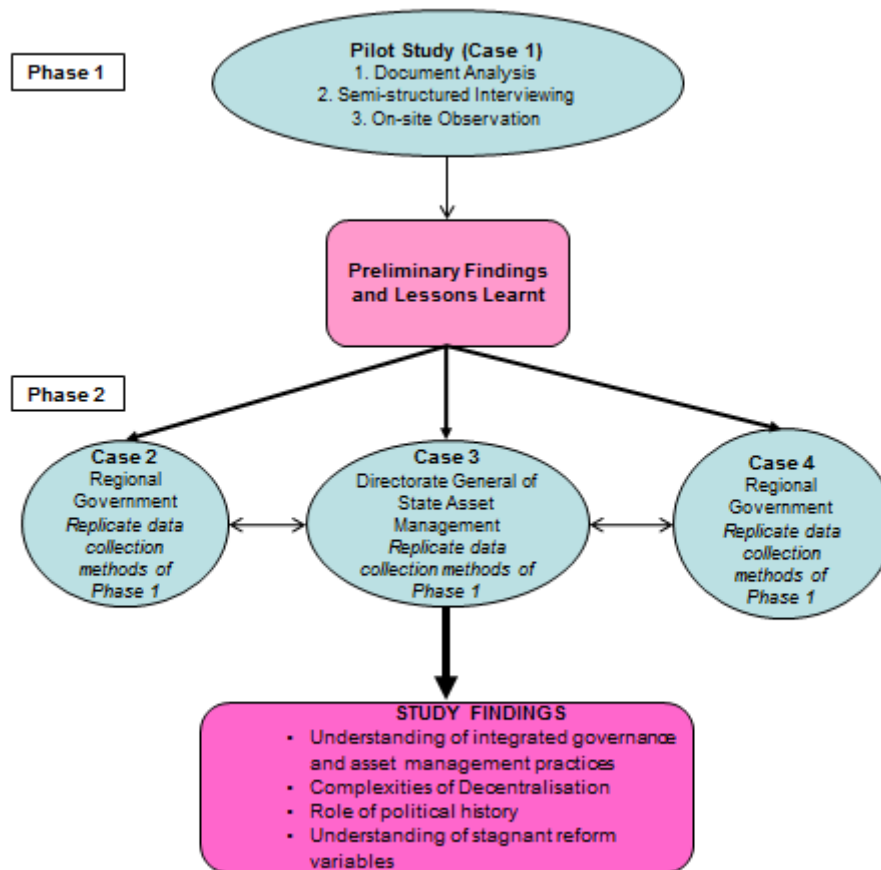


Figure 4.1 Methodology Design

4.2.3 Number of Case Studies and Issues of Generalisability

One of the main concerns in a multiple cross-case study approach is the number of cases that is considered to be appropriate to achieve the objective of the research – thus it depends on the research aims and the point at which theoretical saturation is reached. This is true for Eisenhardt (1989), who 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. It is not unusual for researchers to aim for generalisability through a multiple cross-case analysis research design; however it is noted that generalisability is a key tradition of the positivist epistemology (Lee & Baskerville, 2003), where there is a reliance on theory being scientifically tested and confirmed through rigorous statistical methods.

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 sense is not aimed for. The purpose of this study is to understand the relationship and conceptualisation of good governance principles in state asset management within an Indonesian context – thus the aim 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 – therefore in this study it is not required to use a large sample size.

As mentioned prior, the unit of analysis in this study is a state asset management organisation or division responsible for state asset management within a regional government. It has been identified that the Directorate General of State Assets is the primary asset manager in Indonesia, hence it is important to explore and ascertain their level of understanding and implementation of the reformed state asset management practices. 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 and regional autonomy was introduced in 2001, with the main aim of delegating authority in many sectors of governing to regional governments (Devas, 1997; Federspiel, 2005; Schroeder, 2003; Silver, 2003). A phenomenon of decentralisation and regional autonomy policy is the establishment of new regional governments, where since the introduction of decentralisation policy in 2001 there has been 135 new regional governments established (Bjork, 2003; Federspiel, 2005). Therefore to fully capture the potential impact of decentralisation there is a need to understand the perspective and experience of a regional government established prior and after decentralisation and regional autonomy. Based on the information above it is argued that theoretical saturation will be reached after four case studies; consisting of a pilot case study, directorate general of state asset management, and two regional governments – one established prior to decentralisation and regional autonomy and one established after the introduction of decentralisation and regional autonomy.

4.3 Data Collection

4.3.1 Sampling Method

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. An important step in case study research is identifying the sampling method for determining sample case studies. Miles and Huberman (1984) and Yin (1994) recommend a sampling method that captures the unique characteristics of the research, where one does not have to subscribe to common research sampling methods. The purpose of this study is to understand the extent and level that good governance is conceptualised within Indonesia's state asset management; thus the sampling method of this research must also capture the unique characteristics of Indonesia.

Ideally a study on each of the approximately 400 regional governments in Indonesia would provide a generalised understanding of the understanding and implementation of good governance within Indonesia's regional state asset management laws and practices. However due to time and funding limitations there is a need to sample the regions, selecting key regions as concentration cases.

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). This advisory and control mechanism relationship suggests that *geographical distance* between the central and the regional government affects the level of control the central government would have on policy adaptation and implementation by regional government. A phenomenon of decentralisation and regional autonomy policy is the establishment of new regional governments, where since the introduction of decentralisation policy in 2001 there has been 135 new regional governments established (Bjork, 2003; Federspiel, 2005).

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 that determines the level of good governance conceptualisation within a regional government’s specific state asset management law, policies, and practice. 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 factors 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 factors on each axis, in which each category is reflected within its quadrants (Davis, 2005; Horine, 1990; Sole, 1997). The two factors on each dimension (X and Y) of the window define the identification of Indonesian specific conditions, and thus the content of each quadrant identifies regional government samples. The Johari Window is illustrated in Figure 4.2

	Near to Capital	Far from Capital
Old	Case study 1	Case Study 2
New	Case Study 3	Case Study 4

Figure 4.2 The Johari Window as a Sampling Method

4.3.2 Document Analysis

In order to achieve construct validity and provide a more holistic understanding of the relationship between good governance principles and state asset management dimensions this study will employ a data collection approach that involves multiple specific methods within one case study (Hall & 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 first data collection method employed is that of document analysis, utilising information in public records, reports, government documents, and opinions as a starting point (Cooper & Schindler, 2003; Prior, 2004). According to Wolff (2004) documents are standardised artefacts, where they typically occur in particular formats: as notes, case reports, contracts, drafts, death certificates, remarks, diaries, statistics, annual reports, case reports, certificates, judgements, and letter of expert opinions. This stage involves analysing reports and documents that contain information relating to state asset management practices and governance structures. One of the main purposes of this method is as a sense-making activity² (Craig-Lees, 2001) on factors relating to the main concepts of this study. A similar view is found in the works of Marshall & Rossman (1999), who outlined that from reviewing documents researchers can comprehensively understand the historical and context surrounding a specific setting. Minutes of meetings, logs, announcements, formal policy statement, letters, etc are all useful in developing an understanding of the setting or group studied. Another purpose of this stage is to identify issues that still need clarification and further exploratory research, thus assisting in framing questions for the next data collection method.

The documents selected for this stage are based on three criteria; who produced the document, when the document is produced, and consistency of data (Armstrong & Overton, 1977; Drisko, 2003; Roche, 1997). The question of who is important as the author

² Sense-making activity is identified as the process where reading of documents provide a clearer picture of current conditions in Indonesia, the reason behind activities or policies, and good governance role in the current economic and political conditions.

needs to have necessary resources to carry out a thorough investigation, reports only facts, and is non-biased (Fay, 1997). In regards to state asset management practices in Indonesia, the government is considered to have the resources and facts in producing state asset management documents. However their bias is taken into account, hence documents authored by independent bodies or auditors (concerning state asset management) is considered. Laws, rules and regulations authored by the government are also reviewed as it is considered to have different properties to government reports.

The date of when the document is produced is important as it provides context in regards to economic and political conditions, as well as providing a tool for pattern finding (Lazega, 1997; Poynton, 2000). The ideas of decentralisation in Indonesia was initiated in 1992 by Soeharto's government through the National Five Year Development Plan (Sadli, 1998; Seetharaman, Senthilvelmurugan, & Periyanyagam, 2004; Summers, 1998; Thoenes, 1997), therefore government publications and laws in regards to decentralisation after 1992 are analysed. Good Governance became a strong topic in Indonesia as a response to the 1997/1998 Asian Financial crisis (Ang, Tourani-Rad, & Yu, 2004; Capulong, Edwards, Webb, & Zhuang, 2000; Gingerich & Hadiputranto, 2002; Haley, 2000; Husnan, 2001; Jomo, 2001; Jones, 2002), therefore documents concerning good governance after 1997/1998 are analysed. The Directorate General of State Assets was established in 2006 (Hadiyanto 2009a) therefore documents relating to state asset management dated close to the lead up of the directorate general's establishment and after its establishment (2006) is considered.

The proposed list of documents to be analysed include, but not limited to: laws, policies, and technical guidelines regarding state asset management, quarterly and annual financial reports, state asset management roadmaps and policies (includes acquisition, maintenance, and disposal policies), governance frameworks or codes of conduct, and any other state asset management documentation. These include:

1. The National Five Year Development Plan V (1989-1994) and VI (1994-1999) ³ as the initial idea of decentralisation and regional autonomy stemmed in 1992;

³ The National Five Year Development Plan, or Rencana Pembangunan Lima Tahun (REPELITA) is a planning unit developed in New Order Indonesia (1967) to coordinate the country's accelerated modernization. A summary of REPELITA history reads: REPELITA I (1967-1974), REPELITA II (1974-1979), REPELITA III (1979-1984), REPELITA IV (1984-1985), REPELITA V (1989-1994), REPELITA VI (1994-1999), REPELITA VII (1999-2004), and REPELITA VIII (2004-2009).

2. The National Five Year Development Plan VII (1999-2004) and VIII (2004-2009) as the Directorate General of State Assets was conceptualised and established during this period.
3. Publications by the United Nations Support Facility for Indonesian Recovery as it reports annual development on Indonesia's economic, politic, and social transition progress;
4. The 1945 Amended Constitution of the Republic of Indonesia;
5. National Code of Corporate Governance 1999;
6. Decentralisation Laws and Regulations in Indonesia, including;
 - a) Law No. 22/1999 Regional Government;
 - b) Law No. 25/1999 Fiscal Balance between Central Government and the Regions;
 - c) Law No. 107/2000 Regional Government Loan;
 - d) Law No. 105/2000 The Region's Financial Management and Accountability;
 - e) Law No. 20/2001 Fostering and Supervision of Local Governance;
 - f) Law No. 11/2001 Information on Regional Finance.
7. Indonesia National Long Term Development Plan 2004-2024⁴;
8. Indonesia National Medium Term Development Plan 2004-2009⁵;
9. Law No. 25/2004 on National Development Planning System;
10. Government act no 32.2004 on the Implementation of a Decentralised Government;
11. Constitution number 1/2004 on State Treasury;
12. Law number 6/2006 on Central/Regional Government State Asset Management;
13. Law number 38/2008 on revised Central/Regional Government State Asset Management;
14. Ministry of Home Affairs Decree 17/2007 on Regional Government State Asset Management;

⁴ Indonesia National Long Term Development Plan, or Rencana Pembangunan Jangka Panjang Nasional (RPJP) is a twenty years development plan initiated in Bambang Susilo Yudhoyono's new government which came to power in 2004. It replaces the National Five Year Plan (REPELITA) during Soeharto's era.

⁵ Indonesia National Medium Term Development Plan, or Rencana Pembangunan Jangka Menengah (RPJM) is a five year development plan created by Bambang Susilo Yudhoyono's government in 2004 replacing the National Five Year Plan (REPELITA) during Soeharto's era.

15. Finance and Development Supervisory Agency (BPKP) publication titled 'Technical Guidelines to Regional State Asset Management', published in 2009;
16. Directorate General of State Assets documents such as Roadmap towards Strategic Asset Management;
17. Presidential decree no 66/2006 on the Establishment of a Government Agency responsible for managing public assets;
18. Government and international institutions publications in relation to good governance (if applicable) from each region;
19. Government and international institutions publications in relation to state asset management (if applicable) from each region

The role of the document analysis stage is twofold: to further logically understand the phenomena (Weick, 1989) and to triangulate findings from the interview and provide further internal validity. It is also desirable to collect documents that relate to public service provision, government department outcomes, and state asset performance; as it provides a platform for analysing the relationship between good governance principles and state asset management dimensions.

4.3.3 Semi-Structured Interviews

According to Perakyla (2008) most qualitative research is based on interviews as this allows the researcher to reach areas of reality that would otherwise remain inaccessible – such as people's subjective experiences and attitudes. The most common form of interviewing involves individual, face to face verbal interchange. It can be structured, semi-structured, or unstructured. Interviews can be utilised for the purpose of measurement, or its scope can be utilised to understand individual or group perspective (Andrea Fontana & Frey, 2003; A Fontana & Frey, 2008). An interview can be a onetime brief exchange, yet it can also take place over multiple lengthy sessions. Marshall and Rossman (2008) believe that interviews have particular strengths, as a useful way of obtaining large amounts of data within a short time period. The nature of interviews also allow follow-up and clarification exercises. Combined with observation, interviews allow the researcher to understand the meaning that interviewees hold for their everyday activities.

This section will detail the proposed interview questions, interview strategy, and interview techniques that are applied in this study.

4.3.3.1. Interview Questions

The interview questions of this research are informed by the literature review, conceptual framework, preliminary findings of document analysis, and identified research questions. The proposed list of interview questions was tested out in the pilot case study phase, and taken into account in designing interview questions for the second phase of the study. The proposed list of interview questions can be found in table 4.1

TABLE 4.1 PROPOSED INTERVIEW QUESTIONS

RQ	Proposed Interview Questions
RQ 1	<ol style="list-style-type: none"> 1. Which good governance principles are acknowledged or highlighted in legal documents relating to state asset management? 2. In your opinion, how is each good governance principle particularly addressed (or conceptualised) within state asset management, in print and in practice? 3. In your opinion is current conceptualisation of good governance principles (in state asset management) satisfactory?
RQ 2	<ol style="list-style-type: none"> 1. What, in your opinion, is state asset management? 2. What is your understanding of an integrated good governance and state asset management practice? 3. How do you think good governance principles are exemplified in current reformed state asset management policies?
RQ 3	<ol style="list-style-type: none"> 1. How do you see decentralisation impacting the implementation of reformed state asset management policies? 2. (Following from question 1) What areas of challenges, if any, that you can see? <p>*apply same interview questions for RQ1 and RQ2 however at regional government level.</p>
RQ 4	<ol style="list-style-type: none"> 1. In general, what do you believe would impede the implementation of reformed state asset management policies? 2. How would you describe the level of good governance understanding and implementation since the financial crises in 1997? 3. What is your opinion on the possibility of political history (i.e Soeharto's regime of 32 years) and bureaucratic culture as potential influencing/contributing factors (to the implementation of reformed state asset management)?

The proposed interview questions are semi-structured in nature as they are open-ended and do not have to be asked in a strict sequential manner. The advantage of this is that they allow interviewees to express their opinion in a more exploratory manner and not boxed in into either multiple choices or yes/no answer (Bowler, 1997; Holstein & Gubrium, 1995; Miller & Crabtree, 2004; Willis, 2005). As a result this will allow the researcher to understand the phenomena at a deeper level and answers from the interviewee can lead to other questions that are relevant however not initially proposed by the researcher – thus richer data is collected (Flick, 2004; Gillham, 2000; Sekaran, 2003).

4.3.3.2. Interview Strategy

Selected or purposive sampling method (Greene & McClintock, 1985; Tuckett, 2004) is adopted to identify interview participants. Purposive sampling is a non-probability approach whereby key groups of people are selected to survey (Weisberg, Krosnick, & Bowen, 1989). State asset management related actors such as state asset management division employees and other division employees are considered key informants for this research. Interviewees are sourced from three different levels of responsibility: high level echelon, middle level echelon, and low level echelon. This will allow a compare and contrast exercise of opinions between the different levels of responsibility in the sense that internal triangulation is achieved (Considine & Lewis, 2003; Czaja & Blair, 2005; Dingwall, 1997; Hall & Rist, 1999). This interview strategy is applied in all case studies, to ensure consistency and allow external triangulation. This is illustrated in figure 4.3.

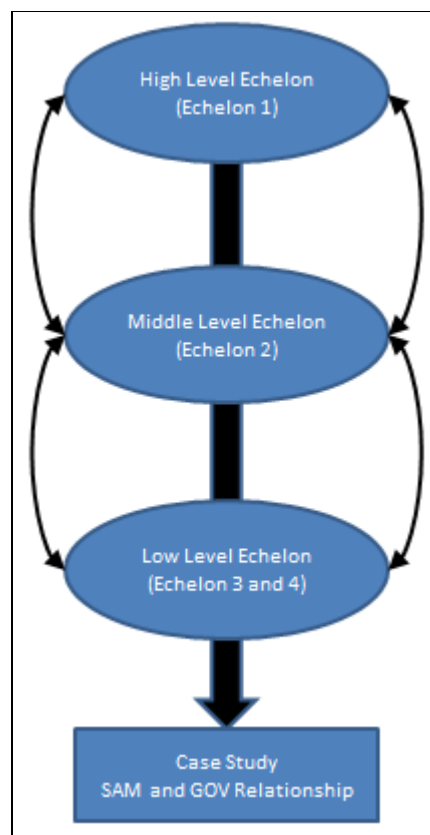


Figure 4.3 Interview Design

Each interview performed will also be utilised as an opportunity to request any other relevant documentation identified during on-site observation or throughout the interview. Document analysis also has a supporting triangulation role in the data collection process,

in particular to findings/comments gathered during the interview process. Direct request of documents to interviewees is justified as there could be other internal documents that are not publicly available – this provides the researcher with further understanding of the phenomena.

4.3.3.3. Interview Techniques

The interview session started with an introductory conversation on the interviewee's role in the government department, their position, and their responsibilities. This will enable the researcher to further understand the interviewee's position in the government department and the point of view that he/she may project in answering the interview questions. It is assumed that each interviewee does not have full information of this research; therefore there is a need to brief the interviewee in terms of the main objective of the study – in particular what are the types of information that are crucial to achieving the objectives of this study and the types of questions that will be asked. This will allow the interviewee to have a clearer idea of the purpose of this study, the area of knowledge that they will be asked to provide, and to a certain extent prepare them for the questions that will be asked. This introductory session not only creates and builds rapport between the researcher and the interviewee, it can also prompt the interviewee to open up to the researcher and share its opinion on any state asset management and/or governance issues.

Although the interview is conducted around an interview protocol (see Table 4.1 for list of questions), the nature of the interviews conducted will be that of a semi-structured conversation - which is crucial in this research as it allows for flexibility in information extraction through the use of open ended questions (Bowler, 1997; Holstein & Gubrium, 1995; Miller & Crabtree, 2004; Willis, 2005). This suggests that what information is needed is known; however there is room to pose additional, clarifying, or context gathering questions as required – thus resulting in richer data and a deeper understanding of the phenomena (Flick, 2004; Gillham, 2000; Sekaran, 2003).

The interview would be conducted in the interviewee's office, face-to face in nature, and for approximately an hour. Face-to-face interviews are particularly advantageous for many reasons. Firstly it allows trust to be established between the interviewer and the interviewee, as there is direct contact between both parties. This trust is needed not only

because information requested are potentially confidential, it is also needed to create a more conducive interview environment that will allow the interviewer to ask more probing questions and for the interviewee to further share his/her opinion. Secondly, Sekaran (2003) believes that face-to-face interviews allow the interviewer to clarify questions and ensure the responses are understood, where the interviewer will also be able to pick up on any non-verbal signals that may lead into supplementary questions or can be noted as part of on-site observation. Thirdly, interviews conducted in the interviewee's office will provide automatic on-site observation experience where the interviewer will be able to observe the activities surrounding the interviewee's office and document any relevant information. Hence face-to-face interviews are deemed to be most suited in this study, as it provides the opportunity for rich data being collected.

Interviews will be recorded electronically and supplemented with written notes and observations. Interviews are then transcribed by the interviewer where transcribed interviews will be returned to the interviewee for perusal to ensure that details are correct and all opinions are correctly captured. This provides the interviewee with the opportunity to correct, add information, or request information to be deleted (if deemed inappropriate – too sensitive, or breaks confidentiality of the government department)(Hesse-Biber, 2004; Kelle, 2004; Miles & Huberman, 1994; Roland, 2004; Thorne, 2004; Weitzman, 2003). Not only does this achieve data integrity, it also protects sensitive information provided by the interviewee and builds a relationship with the interviewee should there need to be a follow up conversation/interview.

4.3.4 On-Site Observation

On-site observation is considered to be a fundamental and highly important method in qualitative enquiry, where it is mainly utilised to discover complex interactions in its natural social settings (Marshall and Rossman 1999). As further strengthened by Angrosino and Perez (2000), on-site observation is the fundamental base of all research methods in the social and behavioural sciences. During on-site observation process systematic noting and recording of events, behaviours, and artefacts (objects) will be utilised, whereupon these observational records are frequently referred to as field notes by Marshall and Rossman (1999). According to them also, these notes must be objective, nonjudgmental, and are concrete descriptions of what has been observed. Hence although the interaction of the researcher and subjects of study has the potential of changing behaviours in ways

that would have occurred in the absence of such interaction (Angrosino & Perez, 2003), it is possible to develop a standardised procedure to maximise observational efficacy and minimise investigator bias. Such a process should allow for replication or verification to ensure that valid and reliable data – which if done successfully will be regarded as objective findings.

Two on-site observation approaches are recognised: nonparticipant observation and participant observation. Due to the purpose and nature of this research, as well as the methodological approach and research design, this study leans towards the participant observation approach. Denzin & Lincoln (1994) recognises this approach as the most commonly used in qualitative research, where this approach is defined as a field strategy that simultaneously combine document analysis, interviewing respondents and informants, direct participation and observation, and introspection. Three phases of participant participation is identified: a) descriptive observation at the beginning; b) focused observation to narrow the researcher's perspective on identified processes and problems – this particularly crucial for answering the research questions; and 3) selective observation towards the end of the data collection, which is focused on finding further evidence and examples to strengthen findings in the second step.

After the identification and analysis of law, regulations, and policies in the area of state asset management and interview of relevant informants, this study will then observe state asset management actors (i.e asset managers) in their daily duties. Observation will centre on the laws and regulations that are regarded highly and applied in the conceptualisation of state asset management practices – in particular observing the consistency between documents and reports produced. It is important to note that the objective of this study is not to reveal the asset manager's behaviour as the centre of attention; rather these observations are regarded as a complimentary tool to document analysis and interviews.

4.4 Data Analysis

This section will firstly detail the recording and managing of data. It will then describe and justify the thematic analytical approach to data. Data analysis will occur at two levels: within each case and cross-case analysis. This section describes and justifies the analytical techniques utilised at both levels. It also discusses the analytical relationship between each

data collected. Lastly this section discusses how the analytical approach and techniques utilised will answer the main objective of this research.

4.4.1 Recording and Management of Data

Once the overall research design, sample selection, and data collection methods have been determined and justified, there is a need to discuss how data will be recorded, managed, and analysed (Strauss & Corbin, 1997). This study will utilise notes, voice recorders, cameras, and other needed tools to record all of the data collected from the study. Data recording and storage will be adjusted participation's sensitivities and tools will only be used with participant's consent.

It is acknowledged that due to the Indonesian context in which this study focuses on, interviews will be conducted in Bahasa Indonesia language. It is recognised that due to the difference in language, between one used to execute interviews and one used to write the thesis, the researcher will utilise a double-back transcription technique. That is, after transcription in Bahasa Indonesia the transcript is translated to English, and then translated back to Bahasa Indonesia to ensure consistency. Gubrium and Holstein (2002) supports the use of back to back translation method in interview transcription, in particular if the interview is conducted in an intercultural context and interviewees not only speak another language but is of differing contextual backgrounds. As this study is of such nature, back to back translation method is adopted in the transcription of interviews.

In this study data will be recorded through field notes and taped interviews, coded, and analysed using NViVO (Hesse-Biber, 2004; Kelle, 2004; Miles & Huberman, 1994; Roland, 2004; Thorne, 2004; Weitzman, 2003). Qualitative research produces enormous variance of data. In the light of this, one justification for computer use in qualitative data analysis is that computer software such as NViVo can facilitate the task of data management (Lewins & Silver, 2007). Furthermore, Fielding & Lee, (1998) stated that computerised software can potentially extend the capabilities of qualitative research, in particular in regards to analytical possibilities that are difficult to accomplish by manual methods. Usage of computer software can also enhance the acceptability and credibility of qualitative research, which is true as early enthusiasm for using computer software were driven by a concern to make qualitative research more scientific.

4.4.2 Analytical Approach

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.

The difficulties in analysing case study evidence is acknowledged (Yin, 2003b). The key in analysing case studies however is explanation building as a logical process, whereby case study evidence is examined in the context of the theory proposed (Yin, 2003a). Theoretical sensitivity is also an important aspect in explanation building, where theoretical sensitivity is defined as the ability to understand what is going on with data, what is relevant, what is not, and gaining insight both before the analysis process and during analysis process (Glaser, 1978). This will result in greater understanding of the phenomena examined. To do this, constructs and relationships will be examined in the pilot case study and proposed relationships will be tested in a cross-case analysis.

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 – in particular identifying relationships between good governance principles, state asset management, and various factors that play a role in the conceptualisation and implementation of an integrated good governance and state asset management approach.

4.4.3 Cross-case Analysis

This study identifies four case studies – one in phase one as a pilot case study and three in phase two to provide further understanding of the phenomena, theory build, and achieve triangulation and validity. One of the major reasons for a cross-case analysis involving multiple cases is that idiosyncratic aspects of each case can be seen in perspective and self-delusion about conclusion is less likely (Miles, 1985). Cross-case analysis forces the researcher to build in feedback loops: across-case analysis may require new case selection, as well as additional within-case analysis. Cross-case analysis cannot be prescribed as an unidirectional process, yet it is characterised by a continuous movement between the different stages of research design (Pauwels & Matthyssens, 2004). One of the recognised problems in cross-case analysis is that there is a limited amount of well-developed set of methods to perform cross-case analysis (Miles, 1985). Several efforts at cross-case analysis are recognised (for example (Herriott & Gross, 1979; Hyde, 1977; Miles, Fullan, & Taylor, 1978), however it is found that methods utilised is not particularly explicit – an advice drawn from these studies is that one should have a reasonably clear conceptual framework in mind and that some form of cross-validation or checking of generalisations, using alternate data sources take place. Miles (1985) thus concluded that a crucial factor in cross-case analysis is to draw from a general conceptual framework. Miles (1985) also recognise the complexity of cross-case comparisons and the problem that the same behaviour or opinion may have different meanings in two different contexts.

According to Eisenhardt (1989) one of the first steps in cross-case analysis is to create individual case write ups, which are developed from data collected at each case. The purpose here is not to establish linkages, relationships, or propositions of theory; rather the purpose is to establish a textual source that is by nature rich in raw data – particularly in this research as each write up will be a combination of interview data (thus direct quotes), observations, and document analysis.

As discussed in section 4.4.2, within case analysis will utilise Miles and Huberman's (1984) tabulation tools: squint analysis, role-ordered matrix, and conceptual-clustered matrix. For consistency, rigour and validity of research cross-case analysis will be ensured utilising inferential pattern coding (IPC) methods (Miles & Huberman, 1994). IPC is typically utilised within the context of pattern-matching logic as a general analytical strategy, to result in middle-range process theory that is built upon a chain of process propositions, comprising the causal patterns embedded in the phenomenon. The IPC is justified as it follows a process of literal and theoretical replication, comprising of four analytical steps: pattern coding, identification of within case causal patterns, identification of a causal meta-pattern across cases, and the development of process propositions. The first two steps of IPC have been discussed in section 4.4.2; hence this section focuses on the third stage of IPC – which details the identification of a causal meta-pattern across cases.

The third stage of IPC identifies causal meta-pattern across cases through an ongoing iterative process of cross-case comparison, within case re-analysis (of data and key findings identified), and confrontation with relevant literature. The process involves step by step comparison of individual relationships found in each case study, and then analysed to converge towards a relationship meta-pattern that accommodates all individual relationships. This is particularly useful in answering questions in this research that relates to identifying relationships between good governance principles and state asset management key dimensions, relationships between styles of governance and state asset management, complexities of decentralisation, and its implications on government department outcomes.

Miles and Huberman (1994) warns that this process will challenge the researcher in the sense of causal and relationship complexity, to which they provide two major advice: non-inclusion of relationships if it provides further contradiction - unless the relationship is highly supported by the literature; and permanent questioning of the relevance of each relationship and their relevance to answering the research question. The fourth stage of IPC is the development of process propositions, which is essentially a process where found relationships in stage three is looped back with the literature to find more meaningful understanding of the current phenomena. Thus it is concluded that the IPC analysis strategy is most suited for this study as it is intrinsically built upon recurring comparison of data, analytical findings and theory (juxtaposition), and explicitly allows for feedback loops between cross and within case analysis (iteration).

5. Case Study 1: State Asset Management in Special Capital Region DKI Jakarta.

5.1 Background: Past and Present Condition of Special Capital Region DKI Jakarta

Special Capital Region DKI Jakarta, or DKI Jakarta for short, is located in Java Island and is the capital city of Indonesia. Established in 1945, DKI Jakarta is considered an 'old' regional government, established prior to the introduction of decentralization and regional autonomy regime in 2001. DKI Jakarta is considered a special region not only because it is the capital of Indonesia, but because of its dual functionality as a Province government as well as home to the Indonesia's Central (or Federal) government.

Due to two governments residing in DKI Jakarta - DKI Jakarta government as a province and Indonesia's central government – it is important to acknowledge and distinguish the difference between the two governments. DKI Jakarta government is a province level government (i. local government), governing the public provision of the Jakarta society. The central government is located in Jakarta, addressing national needs and issues.

The government structure of DKI Jakarta is also a reason for DKI Jakarta's special region status. DKI Jakarta is made up of six regional governments as detailed below:

1. DKI Jakarta Provincial Government
2. Central Jakarta City Government
3. South Jakarta City Government
4. West Jakarta City Government
5. North Jakarta City Government
6. East Jakarta City Government

The government structure of DKI Jakarta is one where regional autonomy is found only at DKI Jakarta Provincial Government, with the five City Governments acting as extended arms of the Provincial Government. Hence decentralization and regional autonomy is not evident within city governments, rather there is more of a centralized government structure in DKI Jakarta. The centralized nature of DKI Jakarta government structure is considered unique as other regional governments in Indonesia (for example DIY Yogyakarta and Gorontalo Province – as per chapter 6 and 7 of this study) subscribes to a decentralized government structure, where regional autonomy is found at all regional governments (i.e provincial, regency, city government). DKI Jakarta's government structure is illustrated in Figure 5.1.



Figure 5.1 DKI Jakarta Government Structure

Figure 5.1 illustrates the five cities within DKI Jakarta as extended arms of the DKI Jakarta Provincial government. Centralization suggests that there is only one version of any public policy within DKI Jakarta, where the five city governments act as an implementer and monitor/control agent of DKI Jakarta provincial government policies. In this government structure, city governments are obliged to follow the guidelines set by the provincial government and are accountable to the provincial government. Such a government structure has attracted both positive and negative perspectives from both DKI Jakarta provincial government officials and the five city government officials, in particular as DKI Jakarta is the only centralised regional government in Indonesia; as evident in Box 5.1 and Box 5.2.

Box 5.1 Positive Views on DKI Jakarta Government Structure

“...I think its good that we have this structure. The reason I say this is because of two things – one, we are used to this kind of government, we had it for 32 years; and two, we are such a big regional government! We have assets valued equal to what mandiri bank has for the whole country, so we are very big, and we can not afford any inconsistencies throughout the regional government...”

“...the structure that we have right now is the reason why everything in DKI Jakarta is consistent, we are all at the same stage, we are all at the same level, no one is left behind. We all have the same policy, we have the same agenda, etc...”

“...to be honest with you I prefer this structure. There is one leader, one government structure. Everyone knows what they are doing and there are no duplicates of positions or competing of best practices – that’s why other regional governments are struggling, they have too many variations of everything...”

Box 5.1 outlined the positive views of DKI Jakarta government officials in having a centralised government structure, where standardisation and efficiency is emphasised as the main benefit. As one of the oldest regional governments in Indonesia, established in 1945 (same year as Indonesia’s independence), DKI Jakarta has accumulated a state asset value that is equal to the aggregated state asset value of Eastern part of Indonesia (Bae, 2010). The level of complexity in state asset related information is also high, for the flux of available and missing information dates back to 1945. Therefore DKI Jakarta government officials feel that adopting a centralised view on governing, in particular for state asset management, is not a choice, rather it is a necessity for success.

That said, DKI Jakarta is the only centralised regional government in Indonesia, and such a government structure is not without criticism from other DKI Jakarta government officials – as evident in Box 5.2.

Box 5.2 Negative Views on DKI Jakarta Government Structure

"...I can see why they [DKI provincial government –red] would want to have a centralised structure, I guess its easier for them to manage everything, but the problem is, I'm supposed to be a mayor but I don't really have any legislative power or any authority, I am simply an extended arm – my office is not like a government, its like a body or a division...and this sometimes can have negative impacts as the Jakarta people look up to me, but then I don't really have any authority and have to follow instructions from the top..."

"...its unfair really, I mean look at other cities or regencies – they have autonomy. And some are as old as us, its not just the new regional governments. So really I feel that sometimes we are nothing but another division of the provincial government and not a city government..."

"...there is a reason why decentralisation is introduced, its so that all regional governments can tailor to the needs and characteristics of the region...what we have now does not allow that, and we are all Jakarta, but east Jakarta is different than north, etc; each city is different and its not being recognised..."

Box 5.2 outlines examples of arguments for a decentralised government structure, whereby autonomy is found at all regional governments (including city government) within the Province. It can be concluded that two main arguments are emphasised by DKI Jakarta government officials: the inability to tailor public policies to city/regional government unique characteristics and needs, and the low recognition of city government officials as an independent government body.

Box 5.1 and Box 5.2 outline the positive and negative views of DKI Jakarta's government structure. Despite these opinions however, it is interesting to observe that all DKI Jakarta government officials acknowledge the centralised government structure as a unique characteristic of DKI Jakarta and that it is part of why DKI Jakarta is considered a special region – for these reasons all DKI Jakarta government officials showed reluctance at a change in government structure. As illustrated by DKI Jakarta government officials in Box 5.3.

Box 5.3 Reluctance to Change DKI Jakarta Government Structure

“...to change the way that we work would mean a high level of disturbance to our daily routine, especially as we have been doing this for the past years, I don’t think that we should sacrifice the system that we have just so that we can be the same, or because of individual preferences...”

“...no, that would be too big a change. Everyone knows what they are supposed to do now, which is why we can absorb any new public policies or reforms that the central government is introducing – because we all work together and there is one ultimate leader. If we start to change this, then imagine all the costs – not only in money but also in resources and time...that would take us back...”

“...I suppose the current system does work, though there needs to be some improvements. I can see the positive and negatives of change, but to be honest we are not just talking one person here, the Jakarta government body is a legacy almost and to change that would mean a lot of instability...”

Box 5.3 illustrates the reluctance of DKI Jakarta government officials in changing the current centralised government structure, which suggest that despite negative views on said structure the potential for a change is slim.

Hence it is concluded that due to the long history of centralised government structure that is DKI Jakarta’s past, its present and future condition is indicative of a continuing centralised government structure. This suggests the existence of one public policy (in an area of governing) and technical guidelines, with a policy maker-implementer/monitoring body relationship between DKI Jakarta provincial government and the five city governments within DKI Jakarta Province.

5.2 Data Collection

The data collection process in DKI Jakarta follows the data collection methods as outlined in Chapter 4 – Methodology. The data collection process was performed within the span of approximately ten days, involving **three stages: document analysis, semi-structured interviews, and on-site observation.**

Figure 5.1 provides an illustration of DKI Jakarta's government structure. Three out of the six governing bodies were involved as case studies in this research, namely: DKI Jakarta Province, South Jakarta, and North Jakarta. The involvement of three out of six governing bodies was due to limitations in resources and time, as well as availability of government officials.

5.2.1 Document Analysis

The first data collection method in DKI Jakarta was document analysis, where the types of documents asked and the manner of which it was collected is congruent with Chapter 4 – Methodology of this thesis. Documents for collection ranged from specific state asset management laws, technical guidelines, and any other state asset related documents.

An interesting experience in collecting documents in DKI Jakarta is that due to its centralised government structure, there is an only one regional specific state asset management law and technical guidelines adhered upon. Government officials in both South and Central Jakarta cities confirmed this fact, confirming the absence of other specific state asset management law and technical guidelines (other than the one established by DKI Province) and that all state asset related information in either cities are submitted to and documented by the DKI Province state asset division. Hence the document collection in DKI Jakarta was a relatively straightforward task, consisting of one main document: DKI Jakarta Regional Decree no 17/2004 on Regional State Asset Management.

5.2.2 Semi-Structured Interviews

The second data collection method is semi-structured interviews, performed face to face at the government official's office in DKI Jakarta Province, South Jakarta, or Central Jakarta. The semi-structure interview protocol follows semi-structure interview guideline in Chapter 4 – Methodology, in particular ensuring the involvement of high, middle, and low level government officials. The echelon ranking of the Indonesian government system is used to categorise government officials into high, middle, and low level categories. This categorisation is evident in Table 5.1.

TABLE 5.1 CATEGORISATION OF GOVERNMENT OFFICIALS

Echelon Ranking - Indonesian Government System	Categorisation of Government Officials
Echelon 1a-1d, Echelon 2a	High Level Official
Echelon 2b-2d, Echelon 3a-3b	Middle Level Official
Echelon 3c-3d, Echelon 4, contract personnel	Low Level Official

Table 5.1 outlines the categorisation of government officials in relation to the echelon ranking system that is used in the Indonesian government. Table 5.1, and any subsequent government official categorisation in case study chapters, are based on the works of Mardiasmo (2004; 2009) as well as the consensus agreement of government officials interviewed for this study. Based on Table 5.1, Table 5.2 outlines the government positions involved in DKI Jakarta.

TABLE 5.2 DKI JAKARTA GOVERNMENT INTERVIEW DISTRIBUTION

Regional Government	High Level Govt Official	Middle Level Govt Official	Low Level Govt Official
DKI Jakarta Province	1	1	1
South Jakarta City	1	2	2
Central Jakarta City	1	1	1

Table 5.2 provides an illustration of the distribution of DKI Jakarta government officials involved in the study. Although the number of participants may seem low, it is important to remember that due to the centralised nature of DKI Jakarta's government structure there is an absence of authority (or autonomy) at South Jakarta City and Central Jakarta City. Hence in terms of policy drafting and implementing it is assumed that there is less variance compared to regional governments who subscribe to a decentralised government structure, where authority (regarding policies) are found at each government body level. Table 5.2 show minor variations in the number of government officials involved within each level, which can be attributed to time restrictions and the availability of government officials at that level.

Throughout the interview process in all three governing bodies an interesting observation, relating to the dynamics of government official participation, is noted. The interview process in each governing body (DKI Jakarta province, south Jakarta, and central Jakarta) started with an interview with the high level echelon, in this case all of which are head of

the state asset management division/body. Throughout the process of the interview however middle and low level officials are called upon (i.e asked to come to) into the high level official's office, where introductions were made and the middle and low level officials sat through and observe the rest of the interview process. The high level official also asked for the middle and low level officials' cooperation as interview participants in the study.

Once the interview with high level official came to a conclusion, each middle and low level official were interviewed separately at separate offices. Although assumptions unconfirmed, it is interesting to see that references towards the high level official's opinions/comments were consistently made by middle and low level government officials. Comments as illustrated in Box 5.4 were commonly found in DKI Jakarta's middle and low level government interview.

Box 5.4 Common comments found in DKI Jakarta's middle and low level government interviews

"...well as the head of our department has told you..."

"...as commented by him (high level official –red), my opinion is similar..."

"...well I have the same opinion as our head department, after all he is higher level than me..."

*"...I am just a follower, you have heard what mr *** (high level official –red) said about this and I agree..."*

Box 5.4 provides an illustration of the common comments found during interviews with middle and low level government. It is assumed that there is a causal relationship between the provision of such comments by middle and low level government with the centralised government structure that DKI Jakarta subscribes to, as well as potentially their 'requested' coordination/participation by the high level government official. Although such assumption is not formally confirmed, it is interesting to observe the 'tone' during each interview with DKI Jakarta government officials, where more often than not – in particular regarding state asset management and policies – there seems to be one voice.

5.2.3 On-site Observation

The last stage of the data collection process is on-site observation, which took place in all three governing bodies involved in the case study. The main purpose of this data collection method is to observe the day to day activity of a particular subject, creating rigorous notes, and utilise it as a compare and contrast exercise with information gained from documents and interview comments.

During this data collection process the researcher had the opportunity to tour the state asset management division/body of each governing body and observe its day to day activities. This includes observing (i.e sitting in) meetings throughout the day, field trips to certain state asset (building and land particularly) sites, and generally interacting with government officials within the state asset management division/body. The active involvement of the researcher during the on-site observation process created the opportunity to informally ask state asset management related questions – in particular, and interestingly, as other state asset government officials (other than those called into the high level government official office) showed reluctance at being included as a participant and ‘formally’ interviewed. Such an opportunity allowed for a more rigorous data set and clearer view on the intricacies and dynamics of state asset management in DKI Jakarta.

5.3 State Asset Management in Special Capital Region DKI Jakarta: Laws, Policies, and Experiences

DKI Jakarta, as province, acknowledges and states its adherence to Law 6/2006 and Law 38/2008 on central/regional state asset management. That said, DKI Jakarta have established its specific state asset management laws and technical guidelines: **Regional Decree no 17/2004 on Regional State Asset Management.**

In establishing *Regional Decree no 17/2004 on Regional State Asset Management*, DKI Jakarta considered the following two main aspects:

a) Due to regional state assets being an important aspect in the governing of a government, regional development and public service provision; there is a need to manage

it in a regulated, effective, and efficient manner in order to ensure optimum performance in supporting regional autonomy.

b) That regional state asset management needs to be implemented with sophisticated administration system and professional management.

DKI Jakarta also considered the following list of other laws, rules, and regulations related to state asset management; where the following laws, rules and regulations are sourced from both central government and other regional government level. According to Bae (2010) the below list of laws and regulations becomes the base to the regional decree, where it is imperative that the regional decree adheres to the 'base laws' and is within the corridor of each 'base law'. This will ensure that the regional decree is both standardized yet tailored at the same time. The 'base laws' for DKI Jakarta's regional decree on regional state asset management are:

a) Law number 25/1999 on Fiscal Balance between Central Government and Regional Government

b) Law number 34/1999 on Special Regional Government Jakarta, Capital of Republic of Indonesia

c) Government Regulation number 46/1971 on Disposal (or selling) of Government Official Vehicles

d) Government Regulations 24/1997 on Land Ownership Registration

e) Government Regulation 25/2000 on Government Authority and Regional Authority as a regional autonomy

f) Government Regulation number 105/2000 on Management and Reporting (or accountability) of Regional Finance and Budget

g) Government Regulation number 2/2001 on Acquisition and Handover of State Assets from Central Government to Regional Government within the framework of implementing regional autonomy

h) Presidential Decree number 40/1974 on rules and regulations of selling state public housing

- i) Presidential Decree number 80/2003 on Guidelines for Management (or acquisition) of Government Institution assets or services
- j) Presidential Decree number 134/1974 on changing the (legal) status of state-owned public housing
- k) Presidential Decree number 42/2002 on regional government budget expenditure
- l) Home Affairs Ministry Decree 152/2004 on guidelines for management of regional assets
- m) Home Affairs Ministry Decree 153/2004 on guidelines for management of regional assets that are separated.

It is observed that the above list of ‘base laws’ does not incorporate current state asset management laws – whether it is Law 6/2006 or Law 38/2008 on Central/Regional State Asset Management. *DKI Jakarta’s Regional Decree no 17/2004 on Regional State Asset Management* does not show reference to rules and regulations, or frameworks, introduced by the Directorate General of State Assets (DJKN), who is the appointed national state asset manager. Nor is there reference of the Ministry of Finance’s decree on regional budgets and public sector accounting. Yet interestingly, *DKI Jakarta’s Regional Decree no 17/2004 on Regional State Asset Management*, even after the introduction of state asset management reform in 2006. The adherence to this law may explain the views of DKI Jakarta government officials, who viewed said law as ‘weak’ – as explained in Box 5.5.

Box 5.5 Specific State Asset Management Laws according to DKI Jakarta Government Officials

“...This regulation does have several weaknesses though – it is discriminative, not in accordance to constitution number 6/2006 and 38/2008 which are its overarching constitutions, and its shame that since 2005=2008 we are still using this regulation...”

“...Funnily, state asset management practices is now starting to reflect law number 6/2006 and 38/2008, but the regulations (i.e minister of finance regulation number 17/2004) are not updated yet, it is still our old state asset management law...”

“...a main weakness of our regulation is that its not the newest one yet. We have had a

reform in 2006, the DJKN people was established, and yet our rules and regulations are still based on 2004. So really we have not fully put in any new things from the reform into our rules and regulations...”

Box 5.5 suggests that DKI Jakarta government officials believe that the current specific state asset management law to be out dated and not yet in line with the state asset management reform. Interestingly, when asked on the subject matter of good governance conceptualisation, there is very little awareness of its consideration in drafting the law and/or its conceptualisation within the law; as evident in Box 5.6.

Box 5.6 Good Governance Principles in Drafting of DKI Jakarta SAM Laws and Policies

“...ah, I’m not sure about that. Have we considered good governance? I don’t know. I think everyone is aware that they have to be transparent, accountable, etc; but formally in our laws? I don’t think so...”

“...I think good governance is more of a shared, soft concept – we all know that we have to be accountable, that we will be asked what we did...but if I have to truthfully answer you, I don’t think we have even looked at good governance when we made this law back in 2003-2003...”

“...well that’s a tricky question...I’m not sure to be honest. What does it say in the law? Have we considered good governance? I don’t think so, but remember this law was done back in 2003-2004 so we are not aligned with the reform yet...they might have considered good governance, but us not yet. So I think maybe we need to re-evaluate what we have...”

Box 5.5 and Box 5.6 outline the weaknesses of current specific state asset management law in DKI Jakarta. Based on interviewee comments in both boxes it is clear that there is a need for a re-evaluation, re-write, and re-conceptualization of DKI Jakarta’s state asset management law and policy. Not only because the current state asset management law umbrellas are not considered, but also because good governance principles are not explicitly cited as a consideration in the conceptualization of DKI Jakarta’s state asset management regional decree.

5.3.1 Contents of DKI Jakarta’s Regional Decree no 17/2004 on Regional State Asset Management

The above section has identified the weakness of DKI Jakarta’s current state asset management laws and future plans/needs of the law. DKI Jakarta received the second best opinion from the external audit body for its state asset management practices, whereby the external audit body’s opinion is considered by government officials across Indonesia as a yardstick in both financial and asset management (Hadiyanto 2009c). DKI Jakarta’s achievement in obtaining the second best opinion from the external audit body suggests that there are also strengths to its law; hence this section takes a closer look at the contents of DKI Jakarta’s specific state asset management law.

Each sub-sub heading below are based upon the main content of each Chapter and/or Section of *DKI Jakarta’s Regional Decree no 17/2004 on Regional State Asset Management*, and is also sourced from asset (in particular state asset) management policy related concerns as outlined by other state asset management researchers (i.e Kaganova 2006; Komonen, Kortelainen, and Raikkonen 2006; Mardiasmo Tywoniak Rosqvits Kivits 2008, etc).

5.3.1.1 General Information regarding State Asset Management

DKI Jakarta’s Regional Decree no 17/2004 on Regional State Asset Management Chapter 1 Section 1 titled ‘general information’ has established the following definitions for each state asset related position and life cycle activity:

1. State assets are all regional government resources that has a physical presence, owned or acquired, moving or fixed (non-moving), with all of its components or units, that are funded wholly or partially from the regional budget, and/or other legal funding – except for by cash funds or government bonds.
2. The general holder/owner of state assets are employees of Jakarta Regional Government State Asset Bureau, who is authorised to receive, store, and distribute state assets located in the Main Storage or other appointed areas.

3. Specific holder/owner of state assets are employees of unit/division whose role is to receive, store, and distribute state assets located within the Main Storage or other appointed areas.

4. State asset manager is a government official or employee whose role is to manage state assets outside or beyond the authority of a state asset owner/holder within each unit/division

5. The state asset governor is a central government or regional government official that has the authority, or whose role is, to guide and monitor state asset management.

6. State asset management activities or cycle include: planning, needs identification, budgeting, standardisation of asset and price, acquisition, storage, distribution, inventory, monitoring, maintenance, security, utilisation, change of legal status, and administration.

7. Maintenance is defined as an activity or an action that is done to ensure that all regional state assets will always be in a good condition and ready to use in an efficient and effective manner.

8. Security is defined as an activity or a monitoring action in the management of regional state assets in the form of physical maintenance, administrative, insurance, and legal status/paperwork.

9. Disposal is defined as an activity or an action to release ownership of state assets by erasing its reporting/details from the regional state asset inventory list.

Chapter 1 Section 1 regarding 'General Information' within *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management* has sparked the following observations.

Firstly it is noted that the Regional House of Representatives (DPRD) involved in the conceptualising of this regional government decree is the Regional House of Representatives for Jakarta Regional Government, without any involvement of other regional government's DPRD or the national People's Consultative Assembly (MPR).

Secondly, DKI Jakarta has loosely identified an asset governor, asset owner, and asset manager; as well as briefly outlining the role of each person. The role descriptions of asset governor and asset manager are in line (or similar) with definitions in asset management

literature (such as Cornish and Morton 2001, etc), however the role description of asset owner is slightly different and can be 'passed' as the role of an asset manager.

Although the separation of roles with defined job descriptions suggests sophistication in state asset management related positions, potential complexities faced by Cornish and Morton (2001), such as overlap in accountability and decision making processes, further arise. It does not seem that these potential complexities are thought about yet, or discussed. Therefore perhaps there is a need to highlight these potential complexities to DKI Jakarta, explore their thoughts on mitigating potential complexities, and based on their thoughts and other studies/cases from other regional governments and other countries; recommend a few steps or checks and balances that needs to be in place.

Thirdly, the list of state asset management activities, and to a certain extent what is involved in the state-asset life cycle, suggest similarities with asset life cycle activities in other asset management literature (such as Komonen, Kortelainen, and Raikkonen 2006, etc). The only potential exception is that there is no explicit mention of 'disposal' in the list. There are other synonyms such as standardisation of asset, change of legal status, and security of asset. However these can be looked at as a way of customising state asset management practices within a country, or even a region, based on individual (each country or region) needs and capabilities.

Therefore state asset management practices is customised to DKI Jakarta's needs, which to a certain extent is potentially beneficial for DKI Jakarta themselves, however there are potential inefficiencies that DKI Jakarta do not realise. Also this might make it difficult for central government to standardise and monitor, and thus the notion of 'equal implementation' might have to be tweaked to fit or address particular regional needs. Whether DKI Jakarta's state asset management practices are beneficial or prove to be inefficient, there are potential learning curves to be gained.

5.3.1.2 Intention and Aim of Regional State Asset Management

DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management on regional state asset management continues with its customization of state asset management practices by establishing the intention and aim of regional state asset management policies and framework. These are found in Chapter 2 Article 2 and 3 of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management*:

Article 2: The intention of regional state asset management is to secure, harmonise procedures and action, and provide assurance or guarantee in the management of regional state assets.

Article 3: The aim of regional state asset management is to:

- a) Establish a seamless implementation of governing, development and growth, and public service provision.
- b) Establish accountability in regional state asset management
- c) Establish a regional state asset management system that is orderly, effective, and efficient.

5.3.1.3 Position, Task, Authority, and Functions of State Asset related Actors

Chapter 3 of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management* details positions, tasks, authority, and functions of regional state asset related actors. Upon analysis of this chapter it is interestingly found that the regional state asset manager is placed at the lowest level in the hierarchy of those responsible for regional state assets. This is evident in Chapter 3 Article 4, Article 5 (1), and Article 5(2) of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management*:

Article 4: Regional state asset management is a crucial part of regional financial management, which is carried out separately to the central government state asset management.

Article 5 (1): The governor, as the holder of the power and the organiser of regional state assets, is authorised and responsible for the management and implementation of regional state asset management.

Article 5 (2): The governor, within the framework of implementing regional state asset management, in accordance to its function, is assisted by: the regional secretary, the head of the bureau of equipment, the head of states assets working unit, the regional state assets general holder and specific holder, and regional state asset manager.

From the three articles of chapter 3 above, it is clear that the function of regional state asset manager is placed at the lowest level in the hierarchy of those responsible for

regional state assets. However it is possible that this position is potentially the closest interface to asset users and potentially has a higher level of detailed knowledge in terms of implementing the rules and regulations, and conceptualisations, of regional state asset management.

The governor can be likened to asset governor in Cornish and Morton (2001) separation of power in asset management, where the asset governor has a higher level conceptual understanding of regional state asset management, but may not have all of the technical information or the day to day view of regional state asset management implementation and challenges. The other 'assistants' between asset governor and asset manager may perhaps be likened to asset managers at different levels with different roles. This may show that in comparison to integrated asset management and governance approach, such as Cornish and Morton (2001) and PAS 55 (Woodhouse 2004; 2006), that there are 'unnecessary' layers – for in their literature there is only asset owner, asset governor, and asset manager. This signals potential inefficiencies in the conceptualisation and implementation of regional state asset management, and may impact the conceptualisation of good governance principles - for example the involvement of many actors with different levels of authorities and responsibilities might make 'participation' difficult or complex, potential overlap in accountability and transparency if there are no clear check and balances, and of course efficiency and effectiveness may be impacted.

5.3.1.4 Maintenance of State Assets

One of the main concerns within an asset management life-cycle is the rules and regulations governing the maintenance of the asset (Woodhouse 2004; 2006). *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management* outlines state asset related maintenance rules and regulations in Chapter 7 Article 25 to Article 27, as outlined below:

Chapter 7: Maintenance

Article 25 (1): The Head of Regional State Asset Division is responsible for the maintenance of regional state assets, which is executed by the regional state asset division

Article 25 (2): The head of the bureau of equipment is responsible for the coordination of regional state asset maintenance that is executed by the regional state asset division.

Article 26 (1): The conduct of regional state asset maintenance as identified in article 25 is executed by the head of regional state asset division.

Article 26 (2): The conduct of regional state asset maintenance as identified in article 26 (1) is based on the regional state assets required (for) maintenance list.

Article 27 (1): The head of regional state asset division is responsible for drafting a regional state asset maintenance report of regional state assets within its jurisdiction and is required to provide the report to the Governor, which in this case is represented by the head of the equipment bureau, every semester.

Article 27 (2): The head of the equipment bureau evaluate the regional state asset maintenance report and draft a yearly regional state asset maintenance report, which is attached as an appendix in the relevant yearly regional budget.

Article 28 (1): Regional state assets that has obtained heritage status, regardless of it being a building or other types of state assets that has historic culture value, that is owned by the regional government or central government or the society in general, is adherently the responsibility of the regional government and thus must be maintained by the regional government.

Article 28 (2): The maintenance of historic regional state assets as identified in article 28 (1) is authorised by a governor decree.

Article 28 (3): The maintenance of historic regional state asset as identified in article 28 (2) is funded by either the regional budget or other legal regional income.

5.3.1.5 Disposal of State Assets

Within an asset life cycle, the disposal stage (of the asset) follows utilization and maintenance. In the case of state asset management it is found that the disposal stage is an uncertain territory and calls for considerable amount of attention, in particular as the society is concerned that the state assets are not disposed in an efficient and beneficial way (Kaganova 2006). DKI Jakarta has outlined its regional state asset disposal procedures in Chapter 10 Section 1 of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management* as below:

Chapter 10, Section 1: Disposal

Article 38 (1): Every regional state assets that is damaged and can no longer be utilised, lost, broken down, no longer suitable with technological advances, excessive, a danger to the safety of people, a danger to the security and environment, and inefficient can be disposed from the inventory list.

Article 38 (2): Every disposal of regional state assets as identified in article 38 (1) is executed in line with criteria as below:

a) Non-fixed regional state assets that is valued up to and at Rp 5 billion is authorised by a governor decree and above Rp 5 billion will be authorised in conjunction with the regional people's representative leader.

b) Fixed regional state assets are authorised by a governor decree after pending approval from the regional people's representative.

c) For buildings and offices that will be rebuilt in accordance to the original design as in the case of a total renovation due to urgent or dangerous nature, its disposal is authorised by a governor decree.

Article 38 (3): Regional state assets that are to be disposed as identified in article 38 (1) and article 38 (2) is disposed by a regional state asset disposal committee, which can take five forms:

a) Selling or auction

b) Recycled or trade-in

c) Donation or gift to third parties

d) Destroy or destruction

e) Other disposal methods.

Article 38 (4): The income from the selling or auction of regional state assets must be fully provided to the regional treasury office as regional government income.

Article 38 (5): The conduct of regional state asset disposal as identified in article 38 (1), (2), and (3) is authorised by a governor decree.

5.3.1.6 Supervision, Control Mechanisms, and Corrective Action in State Asset Management

Another concern in state asset management according to Kaganova (2006) is the potential lack of scrutiny in terms of supervision, control mechanisms, and corrective action; in particular as the state asset managers in question are the government themselves. Therefore there is a need for checks and balances at both internal and external level (Kaganova 2006). External control mechanisms of regional state asset management in DKI Jakarta is yet to be found however in regards to internal control mechanisms DKI Jakarta has outlined its rules and regulations in Chapter 12 of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management*, as outlined below:

Chapter 12: Management, Control and Monitoring, and Supervision

Article 55: The management and control and monitoring of the orderly implementation of regional state asset management is within the authority of the governor, which is performed by the head of the bureau of equipment and/or the head of regional state asset division.

Article 56 (1): General supervision of regional state assets is performed by the regional people's representative

Article 56 (2): Functional supervision and inspection of regional state asset management is performed by the regional government functional supervision committee.

Article 56 (3): Daily supervision of regional state asset management is performed by the head of the regional state asset division

5.3.1.7 Inventory and Reporting of State Asset Management

Disorganized reporting is a concern in state asset management, as experience have shown a disparity in state asset related information (Hadiyanto 2009c), and valuation of regional state assets (Pardiman 2009). This concern is vocally voiced by the National Audit Committee and the Directorate General of State Assets(Pardiman 2009), in particular urging regional governments to draft standardized policies (based on Law 6/2006 and Law 38/2008 on state asset management) in inventory management of regional state assets and regional state assets valuation. Bae (2010) argued that DKI Jakarta does have set

policies and framework governing the inventory and valuation of regional state assets, as outlined by several Sections in Chapter 6 of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management*:

Chapter 6: Inventory

Article 21 (1): The regional government is obligated to perform an inventory activity of regional state assets which include recording, valuation, documentation, and utilisation of regional state assets, regardless of the asset being owned or acquired (by force), fixed or non-fixed.

Article 21 (2): Regional state assets inventory as identified in article 21 (1) will be implemented in accordance with Public Standard Accounting that is used in all government departments.

Article 21 (3): The Head of Regional State Asset Unit/Division is obligated to perform an inventory of all the regional state assets that is within its jurisdiction, whereupon the Inventory List as identified in article 21 (1) and article 21 (2) is reported periodically to the Bureau of Equipment.

Article 21 (4): The Bureau of Equipment, as the Centre for Regional State Asset Inventory and Centre for Regional State Asset Information collects the regional state asset inventory results and keeps an ownership document of regional state assets.

Article 22 (1): The regional government is obligated to perform a regional state asset census (minimally) once every five years to compliment the Regional State Asset Inventory Book and Regional State Asset Recapitulation List.

Article 22 (2): The Bureau of Equipment as the Centre for Regional State Asset Inventory is responsible for the implementation of Regional State Asset Census.

Article 22 (3): The conduct of regional state asset census as identified in article 22 (1) will be performed independently or by an approved service provider.

Article 23 (1): The head of bureau of equipment is responsible for collecting and collating regional state asset inventory report periodically and is required to collect inventory information from all regional state asset units/divisions within its area of responsibility.

Article 24 (1): To draft the regional budget there is a need to periodically value the value of regional state assets, which is performed by an independent valuation body and or a certified internal valuation within the regional asset valuation unit.

Article 24 (2): In the event that there are specific valuation needs that are the result of third party involvement, regional state asset valuation must be performed by an independent valuation body.

Article 24 (3): In the event of specific evaluation needs other than due to the reason specified in article 24 (3), whose nature is for internal purposes that requires regional state asset valuation, valuation is performed by an internal valuation unit and or an independent valuation body.

Although DKI Jakarta is able to share its regional state asset inventory and valuation policy, it is noted that these policies were established in 2004 and thus do not yet consider neither Law 6/2006 nor Law 38/2008. Therefore in order to fulfil the request of the national audit committee and the DJKN, there is a need for evaluation to revise the content of Chapter 6 *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management* and ensure that it is aligned with recommended laws and regulations.

The analysis of various Sections and Chapters of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management* in this sub-section show that currently rules and regulations governing the implementation of state asset management lifecycle does exist. However two main issues are identified:

a) Not all stages of the state asset management lifecycle (as proposed by Cornish and Morton 2001; Kaganova 2006; Komonen, Kortelainen, and Raikonen 2006, etc) are addressed by *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management*.

b) As mentioned previously, current DKI Jakarta state asset management laws are yet to consider the most up-to-date views, policies, objectives, and strategies of the state asset management reform (introduced in 2006). Hence there is a need to re-evaluate and re-consider the contents and considerations of DKI Jakarta's regional state asset management. Upon observation of DKI Jakarta government officials regarding this matter it seems that whether or not there is a change in the state asset management law content is secondary, the primary concern is to ensure that the specific state asset management

law adhered to has considered the state asset management reform; in order to avoid unfavourable opinions from both DJKN and the External Audit Body regarding incomplete consideration in the drafting and conceptualising of specific state asset management law.

5.3.2 DKI Jakarta in State Asset Management: Experience and Implementation

Special Region Jakarta (DKI Jakarta) is considered to be one of the oldest provinces or regions in Indonesia, mainly due to its historical existence since Indonesia's Independence Day during the year 1945. According to Bae (2010) it is due to Jakarta's size and age that ownership of state assets becomes a very complicated matter as there is a high level of state asset variability in terms of asset types, asset conditions, etc. As commented by employees of DKI Jakarta government in Box 5.7:

Box 5.7 Source of SAM Complexity in DKI Jakarta

"...we have assets from 1945...and back then there wasn't state asset management like now, no real reporting or a proper system – so we don't know who owns what, what is the condition, and what assets we do have. This makes it very complicated for us..."

"...the reason why state asset management is so complex here in Jakarta is because, well look at the size of us! The whole of Jakarta is very big and we have one law that governs all. We have five cities, and we have to look after them together. Its not like in other regions where they only have to look after one government..."

"...the main problem is that we are very very old. And with old places sometimes you will lose track of things, and in this case state assets. I am not even sure we have records of those assets. and of course we have accumulated so much and it is only now that there is a system in place..."

Box 5.7 illustrates factors contributing to the high complexity of state asset management in DKI Jakarta, identifying 'old' age and vastness as the main reason.

Bae (2010) divides DKI Jakarta's state assets into two main categories: fixed and non-fixed assets. In the accounting system subscribed by DKI Jakarta, fixed assets include state assets

such as land, building, road, bridge, and vehicle. It is further explained by Bae (2010) that the term 'building' include state assets such as public housing and buildings, and the term 'land' include occupied, vacant, and park lands.

State Assets in DKI Jakarta is funded by two sources: Regional Budget (APBD) and/or International and National (i.e between regions) "gift" known as Hibah. State assets are then utilized for four main activities:

- 1) DKI Jakarta regional needs for example irrigation, buildings, roads, offices, etc;
- 2) Government to government (or G to G) activities, where state assets are lent to other regional government offices or central government office. This agreement is re-evaluated and can be extended every 2 years;
- 3) BOT or BTO, where state assets are utilized in partnership with a third party for no more than 30 years. This means that DKI Jakarta's state assets accounts will show an increase; however the state assets are utilised and maintained by a third party;
- 4) Fasmus/Fasum – this means that DKI Jakarta allows private developers or investors to build within the area of DKI Jakarta however they are in an agreement where they are required to provide incentives to DKI Jakarta. For example the road that a building will be built on (by the private developer) will be deemed as DKI Jakarta's fixed assets, or with the building of an apartment there must be a pedestrian pathway or public park that will be deemed as property of DKI Jakarta.

DKI Jakarta's state asset management model can be illustrated in Figure 5.2.

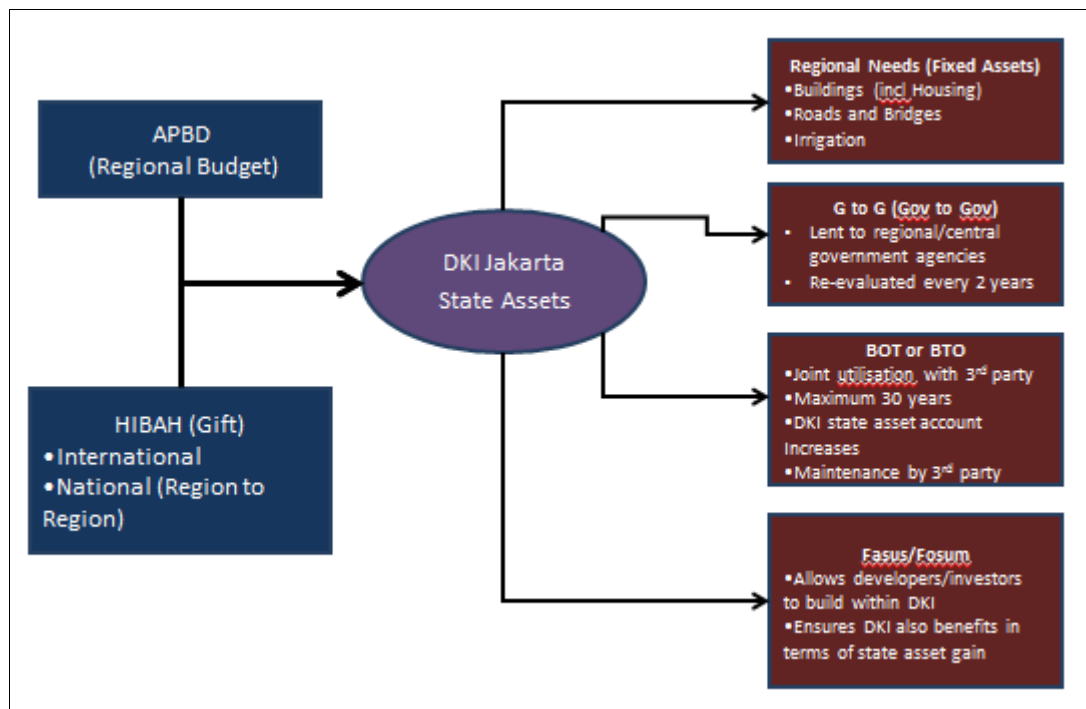


Figure 5.2 Special Region Jakarta (DKI Jakarta) State Asset Management Roadmap

Figure 5.2 illustrates DKI Jakarta’s state asset management roadmap, as presented by high level officials in a roundtable discussion. Although DKI Jakarta’s state asset management roadmap outlines the source of DKI Jakarta state asset’s funding and utilisation of state assets, it is observed that stages of the state asset management lifecycle (i.e Kaganova 2006; Komonen, Kortelainen, and Raikkonen 2006, etc) are not yet included in the roadmap.

Despite the seemingly well versed rules and regulations regarding certain state asset life-cycle in *DKI Jakarta’s Regional Decree no 17/2004 on Regional State Asset Management*, employees of DKI Jakarta believe that there is still a need for further technical guidelines as the regional decree is open to interpretation and does not address day to day activities (or challenges that may be faced on a daily basis). Thus DKI Jakarta’s current state asset management law does not provide enough guidance support to ensure full implementation of regional state asset management practices.

5.4 Good Governance within the Conceptualisation and Implementation of State Asset Management Reform

A main research question of this thesis is regarding the level that good governance principles; such as transparency, accountability, stakeholder participation, efficiency, and regulatory compliance; are conceptualised within (regional specific) state asset management law and implemented within state asset management practice. In order to answer this question it is necessary to investigate the extent that good governance is understood, conceptualised, and implemented within DKI Jakarta's state asset management law and practices. A preliminary discussion in Box 5.5 of this chapter found DKI Jakarta government officials expressing their uncertainty on the subject.

5.4.1 Accountability and Transparency

Bae (2010) suggests that good governance implementation within state asset management in DKI Jakarta is partly exemplified by DKI Jakarta's reliance for advice from BPK's Head of Regional Government Accountability Division. The role of the Head of Regional Government Accountability Division is to assist regional governments in understanding, conceptualizing, and implementing accountability and transparency within a variety of regional government practices and issues; which includes state asset management. According to Pardiman (2009) one way accountability and transparency is achieved in state asset reporting is through a scheduled five year census. The five year census is designed to evaluate four aspects regarding state assets: legality of the state asset, validity of the state asset, level of reporting based on a standardized information system, and existence and utilization of state asset. Interestingly, there is a divergence in opinion regarding the extent that accountability and uncertainty are viewed and understood within DKI Jakarta State Asset Management Division/Body, in particular between high level and low level officials.

Low level government officials expressed uncertainty at how transparency and accountability is evident within state asset management law and practice; as evident in Box 5.8.

Box 5.8 Uncertainty in Accountability and Transparency Good Governance Principles within DKI Jakarta SAM

"...To be honest, good governance principles that specifically addresses state asset management is not yet established. Look at accountability and transparency for example – everyone says we have to be transparent, accountable, but I don't see the structure that we are supposed to do that in..."

"...accountability and transparency...I think we have said that we will make sure that we do implement it, but you know at the end of the day we are human, and I don't think it is in the system and so sometimes it is confusing..."

"...well accountability and transparency is a usual thing to adopt and we do have to ensure it so it must be in the law..."

Box 5.8 suggests that DKI Jakarta government officials are vaguely aware of transparency and accountability good governance principles within the context of state asset management law and implementation; however there is low level of exact understanding on how accountability and transparency are conceptualised within state asset management law. On the other hand, high level officials expressed a higher level of understanding in accountability and transparency conceptualisation within state asset management law and practice; as evident in Box 5.9.

Box 5.9 Certainty in Accountability and Transparency Good Governance Principles within DKI Jakarta SAM

"...Transparency and accountability is definitely in our laws – I mean if you look at the introduction, it says in consideration, adherence, to transparency and accountability. Its just a matter of ensuring everyone has the same idea..."

"...I think we do have transparency and accountability in our state asset management system – we give a lot of training and lately it has been specifically on good governance....so yes I think definitely our people should know about transparency and accountability."

“...Yes, accountability and transparency is in our system. We have it in our laws, I think it says so in the introduction, and I think everyone has been briefed on this. Whether or not they all pay attention that’s a different matter...”

Box 5.8 and 5.9 illustrate the different perceptions regarding transparency and accountability conceptualisation and implementation within DKI Jakarta’s state asset management, where it is clear that the difference is polar opposites. Such a difference in opinion regarding good governance understanding and implementation between high level and low level officials is found in previous works within the context of good governance understanding (i.e Mardiasmo 2007; Mardiasmo Barnes Sakurai 2008) and public policy implementation (i.e Imbaruddin 2006, etc); which suggest a continuous challenges in communication, disparity of opinion, and point of view within the Indonesian government body.

5.4.2 Stakeholder Participation

DKI Jakarta’s regional state asset management framework (Figure 5.2) illustrates four main ways that regional state assets are utilized:

- a) Fulfil regional needs,
- b) Lent to other government institutions,
- c) Rented to third parties,
- d) In partnership with private builders and developers.

Based on DKI Jakarta’s regional state asset management framework (Figure 5.2) it can be concluded that a large part of DKI Jakarta’s regional state asset’s utilization involves a third party, or what is considered to be external stakeholders. This suggests that there is a need for DKI Jakarta to conceptualise and understand the role of ‘stakeholder participation’ in its state asset management law and practice in order to ensure maximum utilisation of its state assets.

The arrangements of DKI Jakarta’s utilization of its regional state assets in partnership with third parties are governed in *DKI Jakarta’s Regional Decree no 17/2004 on Regional State Asset Management* Chapter 9 Section 1 and Section 2, as outlined below:

Chapter 9, Section 1: Third Party Lending

Article 33 (1): Regional state assets that are not utilised can be lent to a third party

Article 33 (2): The 'borrowing' of regional state assets can only be granted to government institutions or other types of institutions for social, religious, and humanity activities/purposes.

Article 33 (3): The 'borrowing' of regional state assets does not change the legal ownership status of the regional state asset

Article 33 (4): The conduct of borrowing and lending of regional state assets as identified in article 33 (1) and article 33 (2) is authorised by a governor decree.

Chapter 9 Section 2: Third Party Renting

Article 34 (1): State assets owned or under the authority of regional government, regardless of whether it is fixed or non-fixed state assets, that is yet to be utilised by the regional government can be rented to a third party as long as it is profitable or beneficial to the region (regional government).

Article 34 (2): The renting of state assets owned or under the authority of regional government to third parties does not change the legal ownership status of the regional state asset.

Article 34 (3): The conduct of renting regional state assets as identified in article 34 (1) is authorised by a governor decree and a copy is forwarded to the regional people's representative.

Article 36 (1): The income from utilisation of regional state asset through renting as identified in article 34 is recorded as real regional government income.

Article 36 (2): Regional state assets that are utilised as identified in article 33 and 34 is recorded in a separate inventory list created by the bureau of equipment.

Chapter 9 Section 1 and Section 2 of DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management outlines rules and regulations that governs DKI Jakarta's relationship with a third party (or external stakeholder) within the context of state asset management. It can be seen from details of Chapter 9 Section 1 and Section 2 that the

term 'stakeholder participation' is not explicitly evident. More importantly, the definition of 'stakeholder participation' (as per Aoki 2004; WorldBank 2004; Mardiasmo 2007; etc) does not seem to be conceptualised within the Chapter. Rather Chapter 9 Section 1 and Section 2 of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management* outlines DKI Jakarta's preference on state asset ownership, process involved in lending and/or borrowing of state assets, and the relevant paperwork required.

It is therefore concluded that there is an absence of 'stakeholder participation' conceptualisation, both explicitly and implicitly, within current DKI Jakarta specific state asset management law. Interestingly there is a consistent view of uncertainty regarding the conceptualisation of stakeholder participation governance within DKI Jakarta government officials, in all level of governments; as evident in Box 5.10.

Box 5.10 Stakeholder Participation in DKI Jakarta State Asset Management Law and Practice

"...I'm not sure about stakeholder participation, is it the same as the developers and builders that we contract out to? In terms of rules and regulations, I'm afraid I cant help you, I'm not sure whether we have it in our laws or system..."

"...well we do have a lot of stakeholders, particularly the people that we do fasos/fasum with, other governments, etc; but in terms of asset management I think we are at the stage where we know who they are, but I think our next step would be to incorporate it within our rules..."

"...no, I don't think we have fully embraced stakeholder participation yet, not in terms of state asset management anyway. I think we might have in other sectors, like acknowledging the society etc, but in terms of state asset management I think it will be incorporated when we re-do law 17/2004..."

Opinions of DKI Jakarta government officials Box 5.9 suggest an absence in explicitly and implicitly conceptualising said principle within current state asset management law. Combined with the analysis of Chapter 9 of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management* regarding stakeholder participation conceptualisation it

can be concluded that there is a low conceptualisation of stakeholder participation within current DKI Jakarta state asset management law and implementation within its practice.

5.4.3 Regulatory Compliance

Regulatory compliance within the context of good governance is defined as the consideration of any rules, regulations, national and/or international standards, and societal norms applicable in performing a particular act (WorldBank 2004). Within the context of state asset management, the Directorate General of State Assets define regulatory compliance as the consideration of any relevant state asset management law - be it central and/or regional specific state asset management law, relevant state asset management technical guidelines, public accounting standard, and any applicable societal norms (Hadiyanto 2009c).

Interestingly, the concept of regulatory compliance in DKI Jakarta is approached by government officials (during interviews) in differing manners, divergent between high level official and middle-low level officials. High level officials view 'regulatory compliance' within the context of following or adhering to relevant regulations that govern state asset management related activities, in particular regional head decrees. As explained by interviewees in Box 5.11.

Box 5.11 Regulatory Compliance in DKI Jakarta SAM Law and Practice – High Level Officials

"...regulatory compliance is basically when we have based our reporting on the public accounting standard, because that is the reporting system that everyone is supposed to use. We also check with the international auditing standards because we know that is what the external audit body will use when they audit us..."

"...I think we have embraced regulatory compliance very well. I mean we have lots of rules and regulations, who knows how many regional head decrees do we have? All parts of governing we do have a rule of the game – the regional head decrees – and that is what we use as a guideline..."

"...I think our laws are quite clear – we have a lot of chapters, sections, explanation of chapters and sections, etc. We also have many regional head decrees. And if we are in

doubt we can usually trace the regional law back to the national or central government law as that is the basis of our regional laws. So I think regulatory compliance is quite simple, we just have to follow the law...”

Box 5.11 suggests that the concept of regulatory compliance is viewed by high level officials as the necessity to adhere to regional government head decrees, national laws, international standards, and any other relevant government policies. On the other hand, middle and low level government officials view regulatory compliance as adhering to relevant state asset management related technical guidelines, where ‘technical guideline’ is defined as the guidance of high level officials. As evident in Box 5.12.

Box 5.12 Regulatory Compliance in DKI Jakarta SAM Law and Practice – Middle/Low Level Officials

“...well regulatory compliance is simple, I mean its compliance – once we have done all of our tasks, what our head of division or someone like that ask us to do, then we have basically done it – we have complied and done our task...”

“...regulatory compliance? Well isn’t that when we complete all the things that we are asked to do? I mean I’m at the level where all I have to do is follow the instructions from above, and follow the decisions that are made. So to me, if I have performed or done something in accordance to the instructions, what I have been asked to do by the head, then I have complied...”

“...with regulatory compliance, I think the most important thing is that we don’t offend anyone, In particular if there is some tradition – like in south Jakarta sometimes the people there can be a bit superstitious when it comes to knocking down or disposing buildings. So we have to be careful and respect that. I think once we take those kinds of those things into consideration then we have compliance...”

Box 5.12 illustrates the meaning of ‘regulatory compliance’ in the mind-set of middle/low level government officials, which is in contrast to the opinions of high level government officials (as per Box 5.11). The main difference between the two views is that high level officials equates regulatory compliance to adherence towards specific laws, rules and

regulations, and standards; whereas middle/low level government view regulatory compliance as following guidance or requests from high level official and considering societal norms. In short, high level officials adheres to 'hard control' (Mardiasmo 2009) whereas middle/low level officials adhere to 'soft control'. Mardiasmo (2009) defines hard control as law or regulation governing a particular act (i.e on black and white), and soft control as human resources related – capacity, capability, etc.

The varying opinion on what is considered to be regulatory compliance within state asset management law and practice may, on the surface, seem to be non-ideal. However upon closer analysis of Indonesia's bureaucratic culture (Mardiasmo 2007; Mardiasmo Barnes and Sakurai 2008), which shows tendencies of 'following the leader' and the influential role that leaders play in reform; and high power distance, collectivist, and uncertainty avoidance tendencies (Hofstede, 1991, 2004) of the Indonesian society, such a varying opinion on regulatory compliance is to be expected, is ingrained, and is the reality of Indonesian government dynamics.

In Box 5.10 high level officials refer to adherence towards regional head decrees as a conceptualisation of regulatory compliance within state asset management practices. Analysis of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management* supports the opinion of high level officials, as the expression 'regulated by regional head decree' is often found within each Chapter or Section. Box 5.13 provides few examples of said expression within *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management*.

Box 5.13 Examples of the Expression 'Regulated by Regional Head Decree' in DKI Jakarta SAM Law

Article 15 (6): The conduct for implementation of article 15 (1), (2), (3), and (4), is made official/finalised with a regional head [governor] decree.

Article 9 (3): The conduct of procurement/acquirement is established with a regional head [governor] decree.

Article 8: The conduct of planning, needs determination, and budgeting as explained/mentioned in article 7 is established with a regional head [governor] decree.

Box 5.13 provides examples within *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management* that suggests the establishment and adherence towards a regional head decree as a form of regulatory compliance. As seen in Box 5.13 the term 'regulatory compliance' is not explicitly evident, however as it is understood by a majority of DKI Jakarta government officials as a form of regulatory compliance it can be concluded that the term regulatory compliance is implicitly addressed within *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management*.

5.4.4 Efficiency

In asset management literature, the term 'efficiency' is synonymous with maximum utilisation of an asset over the period of the asset life (Kommonen, Kortelainen and Raikkonen 2006; Cornish and Morton 2001). Kaganova et al (2006) agrees with the above interpretation of efficiency within the context of state asset management, adding high level of benefit towards the society as part of her definition of efficiency. Within the context of Indonesia's state asset management reform, efficiency is interpreted as the 'highest and best use of assets' (Hadiyanto 2009c) which is congruent with other interpretations of efficiency (within the context of asset management).

An analysis of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management* Chapters and Sections does not result in explicit mention of efficiency. An analysis of DKI Jakarta government official interviews also suggest a low conceptualisation of efficiency within current DKI Jakarta state asset management law, as evident in Box 5.14.

Box 5.14 Conceptualisation of Efficiency in DKI Jakarta SAM Law and Practice

"...I think when it comes to efficiency it is a tacit knowledge, its tacit knowledge – everyone knows that you have to think about what would be the best way to use this asset. I don't think we have it in our laws, but I think its common knowledge..."

"...well I know that DJKN has that slogan, best and high use, but we don't have it formally incorporated within our rules and regulations yet..."

"...I don't really think that we have put efficiency into our laws or system, and we have very large amount of assets that are complicated to manage..."

Box 5.14 illustrates DKI Jakarta's view regarding the conceptualisation of 'efficiency' in state asset management practices. Interestingly, analysis of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management* indicates explicit mention of 'efficiency' within its Chapters and Sections. Examples include Chapter 1 Section 1 Article 7 and Chapter 2 Article 3; as evident in Box 5.15.

Box 5.15 Examples of Explicit Mention of 'Efficiency' in DKI Jakarta SAM Law

Chapter 1 Section 1 Article 7

Maintenance is defined as an activity or an action that is done to ensure that all regional state assets will always be in a good condition and ready to use in an **efficient** and effective manner

Chapter 2 Article 3

The aim of regional state asset management is to:

- a) Establish a seamless implementation of governing, development and growth, and public service provision.
- b) Establish accountability in regional state asset management
- c) Establish a regional state asset management system that is orderly, effective, and **efficient**.

Box 5.15 illustrated examples of instances where 'efficiency' is mentioned explicitly within *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management*. That said, the explicit mention of efficiency is not supported by an explicit discussion of how 'efficiency' is to be conceptualised and implemented in day to day state asset management practice. For example, Section 1 Article 7 explicitly mention 'efficiency' within the context of maintenance as part of state asset management; yet further analysis of Chapter 7 – Maintenance (see sub-section 5.3.1.4 of this chapter) within *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management* does not further mention 'efficiency' or explain the notion of 'efficiency' within maintenance of state assets. This may explain the views regarding 'efficiency' within the context of state asset management as expressed by DKI Jakarta government officials in Box 5.13.

Based on the evidence in Box 5.13 and Box 5.14, it is therefore concluded that there is low to medium understanding of 'efficiency' within state asset management context. There is

awareness, or knowledge, that it is an important variable in state asset management – yet government officials have low understanding of what is meant by ‘efficiency’ and how to conceptualise and implement ‘efficiency’ in day to day state asset management practice.

5.5 Challenges in State Asset Management reform in DKI Jakarta

A preliminary document analysis of DKI Jakarta’s state asset management laws and policies, combined with analysis of DKI Jakarta government officials’ viewpoint of state asset management practice has revealed several challenges.

5.5.1 Absence of Standardised Information System in SAM Reporting

The size of DKI Jakarta’s state asset is reported to be worth approximately Rp400 million (Bae 2010), with state assets distributed within the vast area of DKI Jakarta and varyingly dated since 1945 until recent times. The complexity of managing such a vast and varied state asset inventory is identified as an ongoing challenge, in particular as there is yet an established standardised information system in state asset management reporting. DKI Jakarta government officials have expressed unanimous concern regarding the absence of a standardised information system. As expressed by DKI Jakarta government officials in Box 5.16:

Box 5.16 Absence of Standardised Information System in SAM Reporting

“...A main challenge is how we are supposed to report our assets. Some say this, central government says that, and we don’t have an information system for our assets – so makes it really hard for us to keep track of what is our asset, the value, the condition, etc...”

“...Every year we do a census, or a stocktake, of our state assets. And we find that we are growing at an alarming rate. At the moment we don’t have a good system to know our asset ‘movement’, so we really need to develop this...”

“...how can we know what we own, what we don’t own – since some belong to central government or private sector – if we don’t have a really good advanced information system? We cant keep track of what needs to be maintained, etc...”

As explained by interviewees in Box 5.16, the absence of a standardised information system for state asset data and reporting is a main challenge in the implementation of state asset management practice as it impedes high level knowledge regarding state asset data (i.e type, condition, value, utilisation record, maintenance record) within the state asset management division/body. As evident in Box 5.16, low knowledge of state asset related data creates uncertainty within the state asset management division, in particular, and most importantly, which state asset is within DKI Jakarta's jurisdiction for state asset management purposes.

Analysis of DKI Jakarta's state asset management practice thus far, combined with analysis of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management*; suggests that despite inventory and reporting being addressed within current state asset management law (Chapter 6 of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management* as per sub-section 5.3.1.7 of this chapter) there is a heavy reliance on hard copy reporting which is circulated through a hierarchical order for comments, consultation, and approval. This suggests that an inventory and reporting (of state assets) practice exists within DKI Jakarta, however it is not sufficient to address the vast and variability of DKI Jakarta's state asset reported value. The current reporting and inventory system is a long drawn out process of hard copy reports being passed from one hand to another, which not only increases the risk of human error, but also makes information retrieval a complex activity.

5.5.2 'Disconnect' in Understanding of SAM Practices between SAM Actors and SAM Law

Another challenge faced by DKI Jakarta in regional state asset management is the 'disconnect' between DKI Jakarta employees' state asset management knowledge and understanding, and the policies and frameworks state asset management as explained in *of DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management*.

Such disconnect is evident in regards to the treatment of state assets once it has been acquired. DKI Jakarta employees provided vague responses on who (i.e a person's name) might be responsible for the state assets once it is acquired. However this information is available in Chapter 5, storage and distribution; of *DKI Jakarta's Regional Decree no*

17/2004 on Regional State Asset Management. DKI Jakarta's comments on who is responsible post-acquisition phase of the state asset are evident in Box 5.17.

Box 5.17 Responsible Party Post-Acquirement of State Asset according to DKI Jakarta Officials

"...well after the assets are acquired, it all goes to a sub-division within our very big division. Its hard to say who exactly, as there are many people who work within that particular sub-division..."

"...After we have acquired the asset, from whichever way – buy, fasus fofum, etc – who handles it will depend on who is responsible for a particular type of asset. For example who is responsible for buildings, then its their responsibility on what to do next ..."

"...I think everything would be already outlined in the law isn't it? So whoever is responsible according to the law, then its that person's responsibility. I know we have different sub-divisions that handle different types of assets, so it depends on what kind of asset we are talking about..."

It is observed that DKI Jakarta employees referred to different names in discussion of who is responsible for state assets post-acquirement, as illustrated in Box 5.17. However Chapter 5 articles 16, 17, 19, and 20 of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management* detail the below information:

Chapter 5: Storage and Distribution

Article 16 (1): State assets acquired through the procurement process is received and stored by the regional state asset general holder and special holder.

Article 16 (2): The regional state asset general holder and special holder as identified by article 16 (1) is required to perform a regional state asset treasury administration reporting activity.

Article 16 (3): The head of regional state asset unit/division as the direct superior to the regional state asset general holder and special holder, is responsible for the implementation of orderly regional state administration as meant/identified in article 16 (2).

Article 17 (1): Non-moving/fixed regional state assets acquired through the procurement process is received by the head of the regional state asset unit/division or the appointed government official.

Article 17 (2): The head of the regional state asset unit/division or the appointed government official as identified in article 17 (1) is obligated to report every regional state asset acceptance to the governor through the Equipment Bureau.

Article 19: The regional state asset inspector committee and asset inspector committee unit/division as identified in article 18 is assigned to role of inspecting, testing, researching, and witnessing the regional state asset that will be handed over in accordance with the pre-requisites that is found in the Letter of Working Agreement (*surat perintah kerja*) or other legal third party contracts, and is reported in the Letter of Inspected Regional State Assets.

Article 20: The release and distribution of regional state assets by the regional state asset general holder and special holder is based on Letter of Command for Release/Distribution of Regional State Asset from the head of the regional state asset unit/division or an appointed government official (by the governor).

The disparity between DKI Jakarta employees' knowledge and the rules and regulations that govern state asset management suggest an area of concern, in particular in regards to establishing best practice in state asset management and the exemplification of governance principles whilst implementing said policies. On-site observation involving active participation within DKI Jakarta's state asset management division lead to the identification of several disparities between day to day state asset management activities and the opinions of state asset management actors with contents of *DKI Jakarta's Regional Decree no 17/2004 on Regional State Asset Management*. Such disparity is not only limited to the identification of a responsible party post-acquisition of state assets but also in other areas such as maintenance related details, disposal, and inventory/reporting activities. The identification of such disparity suggests a myriad of intricate challenges in establishing best practice in state asset management, and in particular the conceptualisation of good governance within said practice – hence highlighting the need for further knowledge socialization or training.

6. Case Study 2: State Asset Management in Gorontalo Regional Government

6.1 Background: Past and Present Condition of Gorontalo Regional Government

The Gorontalo regional government is located South of the Sulawesi Island, and is considered a new Province within Indonesia for it separated from the South Sulawesi Province in 2000/2001 as a response to the introduction of decentralisation and regional autonomy regime. An interesting twist in Gorontalo Province history is that although many of its regional governments were established post-decentralisation and regional autonomy, there are also 'old' regional governments within the Province – those whose establishment date dated back to pre-decentralisation and regional autonomy. The reason for this is that it is these 'old' regional governments were once part of South Sulawesi Province; however they separated from South Sulawesi Province in order to establish Gorontalo Province. After the establishment of Gorontalo Province, other regional governments were formed – hence their establishment dates are 'younger' than the 'original' regional governments.

Gorontalo province has a similar governing system to other provinces within Indonesia, in particular in the governmental structure. What this means is that regional autonomy is found in each level of government such as provincial government, regency or city, and village. Hence each regional government body has equal authority to establish specific public policies and associated laws; establish goals, objectives, and direction of the region; establish technical guidelines to day to day governing; and identify their historical and cultural identity. Figure 6.1 illustrates the government structure of Gorontalo Province.

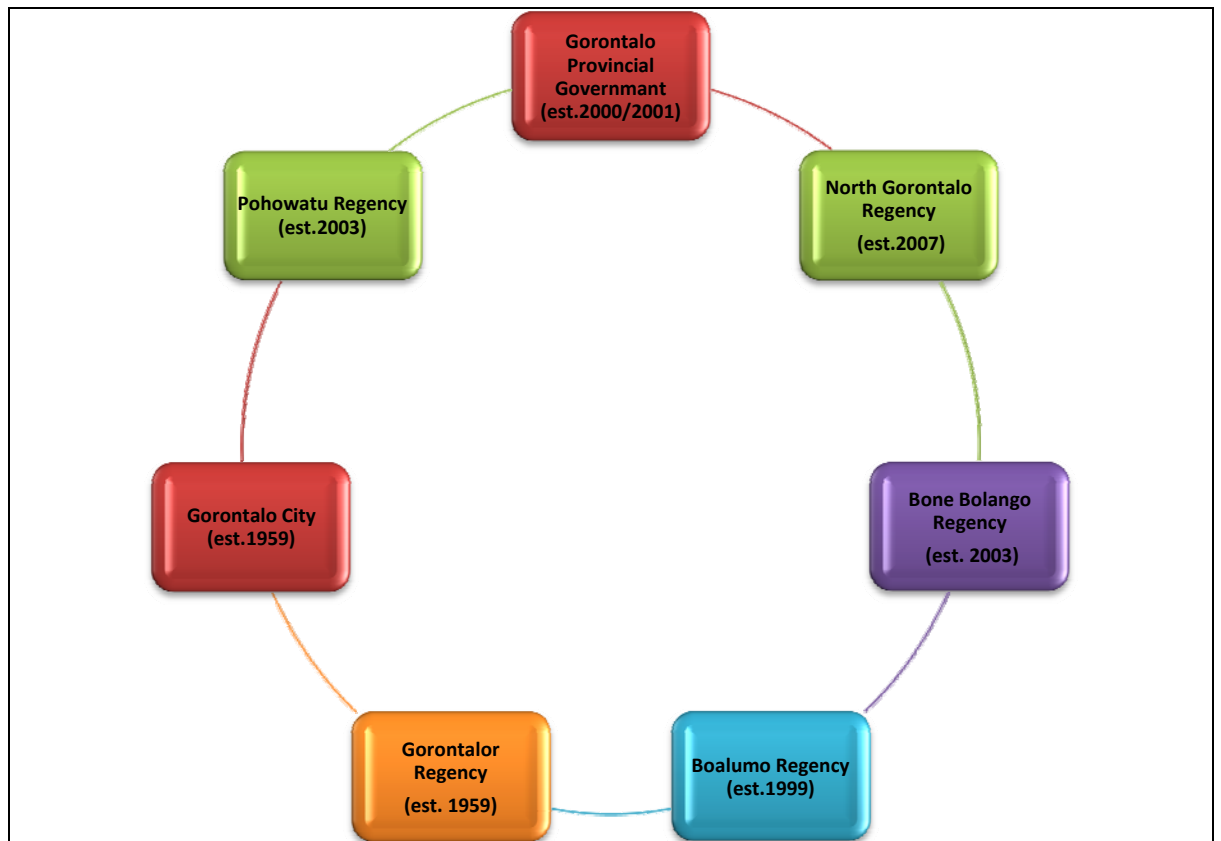


Figure 6.1 Gorontalo Province Government Structure

Gorontalo Province, as a collective, has identified its vision as being an “Innovative Province”, and a mission of ‘developing a Gorontalo that is independent, productive, and religious’. To achieve the above vision and mission the Gorontalo Province has identified ten development sectors that are continuously considered in their governing objectives. These are:

1. Strong law and/or regulatory foundation and good governance.
2. Social, culture, education, and religion.
3. Economic development.
4. Investments and regional development.
5. Health and family planning.
6. Politics and governance
7. Communication, information dissemination, and mass media.

8. Science and technology.
9. Natural resources and the environment
10. Security and general/society peacefulness.

The Gorontalo Provincial government has further specified three main programmes out of the ten development sectors, whereupon these three main programmes are considered to be a main priority in Gorontalo provincial government agenda. The three main programmes are listed below:

1. Human resources management and development which involve activities such as increasing the quality of human resources within the regional government; positioning government officials according to their expertise; and ingraining values such as entrepreneurship, innovation, street smart, and high level of loyalty towards the Gorontalo province welfare within the human resources body.
2. Establishing Gorontalo as an agropolitan province, this is defined as a province that possesses competitive advantage in the agriculture sector.
3. Development of a marine economy, with the objective of increasing the performance of the fishery sector and development of coastal areas.

Although the above vision, mission, and goals are identified by Gorontalo Province as a collective, the emphasis that is given to each of the ten governing objective above are not equal in each regional government. The reason behind this is, as provided by Gorontalo Province interviewees, that each regional government are unique in terms of interest, capital and human resources, natural resources and assets, and societal beliefs on welfare and standard of living. That said however, Gorontalo Province interviewees did share a commonality in commenting on what is considered to be important in their day to day governing, as illustrated in Box 6.1.

Box 6.1 Gorontalo Province Governing Objectives

“...we are all quite different, I mean we all have the same goal at the end of the day, but because we do have different resources, different characteristics, there will always be slight differences. But I think we all still share the same goal – we want to be the first to do things, to implement new innovations and all that...”

“...you see, Gorontalo is made up of about six or so governments, and all are different. You can see some similarities in the goals like welfare, education, technology, etc; but the way that each regional government would approach it is different – well because each regional government is different. But one thing that we all have in common though, is we want to be the best. Especially in things like governance – we were acknowledged as the leader in this field and many other regional governments came here to study from us...”

Box 6.1 suggests that despite the unique characteristics of each regional government, which differentiate the approach taken in day to day governing and objective setting, there is a common bond between each regional government in Gorontalo Province: the enthusiasm and determination to be the best at the implementation of good governance and being one step ahead of other regional governments in introducing and implementation public policy initiatives and innovation.

6.2 Data Collection Process

Data collection in Gorontalo Province was performed within the span of one week, congruent to the data collection methods as outlined in the Methodology chapter of this study (chapter 4). The data collection method involved three stages: document analysis, semi-structured interviews, and on-site observation.

The data collection process involved four regional government bodies (out of possible seven as per Figure 6.1), due to time restrictions, accessibility, and physical distance between the three regional governments to Gorontalo Province mainland. The four regional governments involved are; Gorontalo provincial government, North Gorontalo regency government, Gorontalo regency government, and Gorontalo city government.

6.2.1 Document Analysis

The first data collection method was document analysis, which consisted of requesting any state asset management related laws, rules and regulations, policies, organisation / division structure, actor's task and function, technical guidelines, and reports from all four regional governments.

Throughout the document collection process it was found that North Gorontalo regency were unable to provide any state-asset management related documents, in particular state asset management specific laws, policies, and technical guidelines; due to North Gorontalo's choice of directly implementing the state asset management national umbrella laws instead of establishing their own specific laws. As all state asset management national umbrella laws were already collected previously, North Gorontalo regency government officials believed that there were no other state asset management related information that could be provided.

The three other regional government bodies readily provided copies of state asset management related laws and policies, as well as asset management related organisational structure. However it is interesting to note that some resistance was faced in regards to providing copies of state asset related reports. It is important to note that state asset reports requested were of generic nature, highlighting matters such as state asset types, its current utilisation, valuation, maintenance schedule, and condition. The 'generic nature' of information requested is congruent with the external audit body's audit process, whereby the external audit body also request similar information in order to evaluate the effectiveness of a governing body's state asset management practice. Gorontalo Province have identified transparency as a main attribute in their approach to governing (Gorontalo 2006) whereby they emphasised the availability of information to the general public. Hence it was interesting to note that not all regional governments were prepared to share such information. Table 6.1 provides a list of all documents collected.

TABLE 6.1 DOCUMENTS COLLECTED (FOR ANALYSIS) FROM GORONTALO REGIONAL GOVERNMENT

Regional Government	SAM related Law	SAM related Organisational Structure	SAM related data
Gorontalo Provincial Government	Gorontalo Governor Regulation 23/2007 on technical guidelines for regional state asset management	Snapshot of SAM sub-division chart	SA data types and quantity 2007-2009
Gorontalo Regency	Gorontalo regency regulation 28/2008 on regional state asset management	Did not provide SAM related organisational chart	Did not provide any SAM related data
North Gorontalo Regency	N/A	N/A – as at time of data collection SAM division consisted of 1 person	Did not provide any SAM related data
Gorontalo City	Gorontalo City Regional Government Regulation 3/2008 on Governing and Organisation of Gorontalo City Government	Organisational chart of Gorontalo city govt is in the appendix of the law	Did not provide any SAM related data

Table 6.1 provides a suggestion of the available, publicly shared, state asset management related data and information in the Gorontalo Province. It can be deduced that Gorontalo government officials are transparent in their provision of established law and regulations, which are required to be published publicly by the Indonesian Constitution; however they are reluctant to share any other state asset management related information – such as organisational chart and state asset report.

6.2.2 Semi-Structured Interviews

Semi-structured interviews were performed in government official's offices as well as informal settings, where each interview was approximately one hour in length. The semi-structure protocol follows what is outlined in the methodology chapter, in particular ensuring the involvement of high, middle, and low level government officials from each regional government in order to enable a feedback loop and comparison exercises. The categorisation of high, middle, or low level is based on the echelon ranking utilised in the Indonesian government system, whereby those of echelon 1 and 2a-b are considered to be high level government officials, echelon 2c-d and 3 considered to be middle level, and echelon 4 and other contract personnel are considered to be low level government. Table 6.2 provides an illustration of government officials involved in the interview process.

TABLE 6.2 GORONTALO REGIONAL GOVERNMENT INTERVIEW DISTRIBUTION

Regional Government	High Level Govt Official	Middle Level Govt Official	Low Level Govt Official
Gorontalo Provincial Government	2	3	4
Gorontalo Regency Government	1	2	2
North Gorontalo Regency Government	2	2	2
Gorontalo City Government	2	2	3

As evident in Table 6.2, 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 interview process, casting state asset management related information aside, there were two patterns observed that prove to be interesting; and may lend reason to the challenges in state asset management implementation identified by interviewees.

Firstly, there is a *discrepancy in the willingness to participate in interviews*. High and middle level officials were readily available to share their views and knowledge regarding state asset management. High and middle level government officials saw their participation as an opportunity to identify and discuss any challenges in state asset management implementation, as a platform to increase cohesiveness between members of the state asset management divisions, and as a brainstorming session to potentially seek out any recommendations or suggestions. On the other hand low level government officials were reluctant to volunteer their time, only agreeing to interviews when recommended or asked by high/middle level officials. Low level first response generally read “someone else knows more than me” or “you should ask him/her, they would be able to answer your questions better”.

Secondly it is noted that *interviews with high and middle level officials tend to turn into discussion* as opposed to question and answer (from prepared protocol) session, whereas *interviews with low level government officials tend to be more of a straight question and answer format*, and are generally performed in a shorter time frame.

The observations regarding the dynamics of semi-structure interview dynamic in Gorontalo province may lend answers or reasoning to challenges in state asset management implementation; in particular regarding aspects such as understanding, willingness to implement new reform, and stewardship. Although a direct link is not yet

established, it is suspected that the discrepancy in state asset management understanding between high/middle level officials and low level officials is potentially due to the level of information shared between different government echelons. This is evident in the reception of questions relating to state asset management; where high/middle level positions are enthusiastic in discussing challenges and potential recommendations, yet low level officials are more concerned with following rules or task function descriptions as opposed to being involved in such brainstorming discussion.

The divide in attitude and response to the semi-structured interview can potentially be related back to Indonesia's bureaucratic culture, whereby there is a glass ceiling in communication between higher and lower positioned employees (Mardiasmo 2007). The potential negativity of such a glass ceiling is clear in public policy reform, highlighted by Gorontalo Province interview experience, for the inability for the policy maker (high level official) and implementer (low level official) to freely communicate assumptions and opinions causes discrepancies in the level of understanding, which in turn impedes the implementation of public policy reform.

6.2.3 On-site Observation

The last data collection phase is on-site observation, which according to Yin (1994) if done correctly can provide a researcher with an increased holistic view of each case study, as at times there are information that is not verbalised or written. On-site observation took place in the form of visitation to regional government offices and being integrated in the day to day activities of the state asset management division or sub-division for an average of 1-2 days.

On-site observation also involved sighting various buildings and land/parks that are within the jurisdiction of each regional government, sitting in various state asset management related meetings, and visiting various technical bodies (such as education department, agriculture department, etc) who occupies and or utilises regional government buildings, land, and other state assets. This level of on-site observation involvement allowed for in-depth case notes for each case study; noting the day to day activities of a state asset management division/sub-division, the condition and attitude towards state assets, and any other information that relates to the research questions being asked in this study.

6.3 State Asset Management in Gorontalo Province: Laws, Policies, and Experiences

Gorontalo regional government was established in 2000/2001 after the introduction of decentralisation and regional autonomy regime. As a ‘young’ region Gorontalo is seen as a region that is still in its development phase, in particular in regards to its inventory of state assets (Suryanto 2009). It is viewed that the inventory of state assets in Gorontalo is still limited and less varied, and thus ‘easier’ to manage in comparison to other ‘older’ regional governments such as DKI Jakarta (Effendi 2009). Darmadi (2009) agree with this view to a certain extent, where he commented that Gorontalo is still in the developing and acquiring phase of state asset management – in the sense that Gorontalo is currently building its state asset inventory. In doing so Gorontalo is actively pursuing ownership of land to build on from the central National Land Authority, as explained by a Gorontalo regional government official in Box 6.2.

Box 6.2 State Asset Development in Gorontalo Province

“...I think that all lands are owned by the national government – whether it is central or regional government. You have to get permission from the BPN (Badan Pertanahan Negara or National Land Authority), and then they will issue ownership certificates to people. If the certificate is issued to a government agency then it is expected that the land will have a social function. Once a party has released or let go if the ownership certificate, then ownership of the land will be returned to the country (government) to be utilised by other people or other government institution...”

Section 6.1 of this chapter identifies the government structure that Gorontalo Province subscribes to, which is characterised by equal regional autonomy authority within each regional government. This suggests that each regional government body is authorised to establish its own laws and policies, on any matter of governing including state asset management. Such autonomy suggests three potential implications, as identified by Gorontalo Province interviewees:

- a) Increased complexity as the drafting and establishment of state asset management laws, policies, and (in particular) technical guidelines needs to address unique characteristics of each regional government.

b) The need to draft and establish a state asset management monitoring and controlling plan that is agreed to by all regional government bodies. Such a monitoring and controlling plan will ensure that all regional government bodies are implementing state asset management reform to best practice, in order to establish Gorontalo Province as a leader in state asset management reform (congruent to goals and objectives of the Province as discussed in section 6.1 of this chapter).

c) Ensuring equal understanding of good governance conceptualisation by government officials and the society at large in all regional government bodies within the Gorontalo province.

The following sub-sections will discuss the available state asset management laws in each regional government within Gorontalo province, and their experience in implementing an integrated good governance and state asset management approach as part of state asset management reform.

6.3.1 North Gorontalo Regency

As discussed previously, each regional government body within Gorontalo Province has the autonomy to establish its own specific public policies, including state asset management laws and technical guidelines. Such an autonomy also allows regional government bodies to choose to not establish their own set of state asset management laws and policies, instead choosing to follow and implement another set of state asset management laws and policies that are of a 'higher' standing – for example national umbrella laws set by the central government.

North Gorontalo regency have, at the time of the study, decided to follow and study the national law umbrellas in state asset management as well as implementing the technical guidelines in regional state asset management published by the Finance and Development Supervisory Agency. North Gorontalo regency government officials provided three reasons for this:

Firstly, North Gorontalo regency is considered to be exceptionally new regency, having been established in the late 2007 – approximately two years prior to the data collection of this study. Due to this North Gorontalo regency government officials believe that the regency is still in the process of establishing a regional government - in terms of necessary

infrastructure, personnel, and resources. This suggests that the long-drawn and costly process of drafting new laws and policies is not considered a matter of urgency, in particular if there is a national law (established by the central government) that the regency can implement - whilst building the needed infrastructure and knowledge to establish specific laws and policies.

Secondly, the North Gorontalo regency has admitted their infancy within the area of state asset management, identifying the low capability and capacity within this area. North Gorontalo regency further emphasised this by highlighting the fact that the state asset management division comprises of one regional government official only. Therefore it is deemed imperative to increase the level of state asset management knowledge and personnel prior to drafting related laws and policies.

Thirdly, North Gorontalo regency officials professed confusion and uncertainty in two aspects: a) conceptualising governance within state asset management laws and policies, and b) what or which state asset management laws and policies structure would suit their needs and individual characteristics. Hence to prevent the disinvestment in time and resources, as well as minimise the risk of 'incorrectness', North Gorontalo regency have decided to follow and implement the national umbrella laws temporarily. North Gorontalo regency has identified this as a 'safe precaution' to ensure that their establishment of specific state asset management laws and policies would be 'correct', adheres to good governance, and is distinctively theirs.

Interestingly, North Gorontalo regency government officials do not believe that they are disadvantaged by not having a specific state asset management laws and policies. Rather North Gorontalo regency government officials believe that their choice of adopting the national umbrella laws will provide them with the experience of implementing state asset management laws and learning what is effective to implement within the regency and what is not. This opinion is illustrated in Box 6.3.

Box 6.3 North Gorontalo Regency Government on Specific SAM Laws and Policies

“...the idea of a specific state asset management law is good I think, but it doesn’t mean that it’s the only way you can approach a policy or reform. Us, we are not ready yet to establish our own state asset management laws. Look at us. We only have one person doing state asset management – we are not ready. It is better for us to learn from the national umbrella law, how to implement it efficiently, etc, and then create our own when we are not ready...”

“...its not a negative thing, it’s a positive thing. Not drafting our own state asset management law now means that we can concentrate on learning about it first, and then making a really good one later. Whats the point of making one now, when we don’t really know a lot or in-depth?...”

“...I think its good that we are postponing writing our own state asset management law. Means we are not wasting time, and actually implementing state asset management practices right away. We don’t have to wait for the law to be drafted and then passed, etc...”

Furthermore North Gorontalo regency government officials believe that by adopting the national umbrella laws it allows them to re-allocate any associated ‘law drafting fund’ to other aspects of state asset management such as; human resources (to expand on their current one man personnel and solidify the existence of the division), knowledge transfer and building, and any associated costs in implementing the state asset management reform itself. North Gorontalo regency government officials have identified that the implementation of the state asset management reform does draw further costs – for example land and building valuation costs, ownership certificate costs, repair and maintenance costs, etc; especially as these costs were not budgeted for prior to the introduction of state asset management reform.

The justification to absence of specific state asset management laws as provided by the North Gorontalo regency government officials above are, to a certain extent, similar to that of Sleman Regency in DIY Yogyakarta (another regional government involved in this study). Sleman Regency government officials have also decided to follow and implement

the national umbrella laws of state asset management whilst learning how to conceptualise governance within the implementation of the laws and identifying areas of the law that suits their characteristics as regency. Sleman regency shares North Gorontalo regency's opinion regarding not being disadvantaged in their choice of adopting national umbrella laws, rather they have also highlighted the advantages, adding the argument that national umbrella laws are current 'instable' – in the sense that the national umbrella laws themselves are revised regularly and is still on the road to best practice. The similarity in experience and thoughts suggests that the choice of directly implementing the national umbrella laws in state asset management is a valid one, posing potential positive effects for the regional government in their bid to create and implement a state asset management practice that will address their specific needs.

6.3.2 Gorontalo Regency

Gorontalo regency government has taken a different approach to state asset management laws and policies, insisting upon the need for each regional government to establish specific state asset management laws and policies. Gorontalo regency government officials justify this view by stating that having specific state asset management laws and policies there will be an increase in the feeling of ownership (of the public policy and practice) within the government body (i.e within regional government officials). As illustrated by Gorontalo regency government interviewees in Box 6.4

Box 6.4 Gorontalo Regency Opinion on Specific SAM Laws and Policies

"...it is important for us to establish specific state asset management laws – why? Because we are unique. We are specific. The laws that the central government have established are considered, they are guidelines, but they are generic. And we are not generic, we have specific needs and characteristics...our assets are different, our people are different, and our culture is different..."

"...we need to make it ours you know? We have been under Soeharto's era for 32 years where everything is what the central government says, and now we have a chance to make it our version, we need to do that. Yes we have to consider the central government law and that's fine, but we have to make it our own so that people will embrace and implement it..."

Box 6.4 outlines opinions of Gorontalo regency government officials regarding the necessity of establishing regional specific state asset management laws and policies. A main area of concern for Gorontalo regency interviews was the psychological effect of establishing specific state asset management laws and policies, for it has been proven through their experience that it changes the perception of government officials. regional government officials no longer look at state asset management reform as “the central government’s”, rather it is (after adjustment to specific regency characteristics) now “theirs”, and hence there is an increase in the feeling of ‘ownership’ of the reform – which in turn induces the feeling of “must implement” and increases the tendency (or chances) of implementation of laws and policies.

An example of Gorontalo regency’s state asset management law is in the form of **Gorontalo Regency Regulation 28/2008** on *regional state asset management*; which put forward a state asset management practice that is focused on fixed state assets, are based on good governance principles, decentralisation and regional autonomy principles, adherence to standards, and the balance between central and regional government relationships. The drafting of Gorontalo Regency’s specific state asset management law took into consideration the below list of other laws, rules and regulations:

- a) Consitution 29/1959 on the Establishment of second tertiary governments in Sulawesi province
- b) Constitution 21/1997 on Income rights and related taxes regarding to land and building fixed state assets
- c) Constitution 28/199 on Clean government that is free from corruption, collusion, and nepotism
- d) Constitution 15/2004 on Audit and accountability of financial management
- e) Government regulation 54/2005 on Regional financing (lending/loan)
- f) Government regulation 8/2006 on Financial reporting and public service key performance indicators.
- g) Government regulation 38/2007 on the Balance of governing between central government, regional provincial government, and regional regency/city government.

- h) Home affairs ministry regulation 59/2007 on Guidance for regional finance management
- i) Gorontalo regency regional regulations 11/2006 on Function and tasks of regional finance management.

From the list above it can be seen that there is a high emphasis on drawing upon known and proven practices of regional financial management – which has its strengths and weaknesses.

One of **the main strengths** of Gorontalo regency government regulation is its strong emphasis and consideration of a clean government that is free of corruption, collusion, and nepotism; whereby good governance principles are pushed forward in both the conceptualisation of state asset management policies and the implementation of said policies. This advancement may be the reason for Gorontalo regency being awarded the highest opinion from the external audit body; however a positive correlation is not yet established.

A *potential strength* is the implementation of practices such as diligence in inventory and reporting, which has the potential in increasing the level of transparency and accountability of state assets. Another *potential strength* is the adoption of the same high level of stewardship towards state assets - as is adopted towards finances – where there is a high level of responsibility in managing the regional government’s finances, almost to the level of personal belonging, in terms of protection and level of responsibility.

The *potential weakness* of Gorontalo regency’s state asset management approach is in the high potential for assimilation between financial and state asset management divisions, where government officials within the division have dual tasks and functions. Weaknesses regarding this approach to state asset management can be drawn from the experience of Gorontalo provincial government’s (section 6.3.3 of this chapter), which proved to be less than satisfactory.

6.3.3 Gorontalo Provincial Government

Gorontalo provincial government echoes the opinion of Gorontalo regency, in regards to the pressing need of establishing specific regional government state asset management laws. Upon analysis of interviews performed at Gorontalo provincial government, a

common voice was found in this matter, where Gorontalo provincial government officials insisted on drafting its own specific laws and regulations to “make it more about Gorontalo and not about the objectives and benefits of central government”.

Examples of Gorontalo provincial government legal products and initiatives regarding state asset management include:

1. **Gorontalo Governor Regulation 10/2008** on *numbering and lettering of official government vehicles* within the Gorontalo provincial government environment/parameter.
2. **Gorontalo Governor Regulation 40/2008** on the *mechanisms of official government vehicle disposal* within the Gorontalo provincial government environment/parameter.
3. **Gorontalo Governor Regulation 23/2007** on *technical guidelines for regional state asset management*, within the Gorontalo provincial government environment.

Upon further analysis of the **Gorontalo Governor Regulation 23/2007** on *Technical Guidelines for Regional State Asset Management* within the Gorontalo province, it is found that numerous central government laws and regulations, past Gorontalo provincial government regulations, presidential decrees, and ministry decrees were taken into consideration prior to drafting and establishment of the law. Considerations were not limited to national umbrella laws regarding state asset management or the technical guideline for regional state asset management published by the Finance and Development Supervisory Agency, but numerous laws that address various aspects of state asset management found in the national umbrella law – for example maintenance of vehicles, disposal of vehicles, entitlement to state-owned housing, and more.

In the long list of various laws, regulations, and decrees taken into consideration only two out of the three national umbrella laws in state asset management are mentioned; those being **Law 6/2006** on *Central/Regional State Asset Management* and **Ministry of Home Affairs Regulation 17/2007** regarding *technical guidelines in regional state asset management*. This suggests that Gorontalo’s state asset management laws are aligned with state asset management reform and are based on principles introduced by the state asset management reform, however there is also a need to revise the law to ensure adherence to revised **Law 38/2008** on *central/regional state asset management*. Such a realignment is deemed necessary, in particular as **Law 38/2008** is the revised version of **law 6/2006** and is the state asset management law that pledged adherence to good

governance principles and conceptualises said principles within its clauses and sections. As the purposes of this study is to analyse the level that good governance principles are conceptualised and implemented within state asset management laws, policies, and practices; it is therefore deemed a necessity for Gorontalo provincial government to re-align its state asset management laws. Doing so will serve Gorontalo's provincial government objective in being the front leader in good governance conceptualisation and implementation within its public policies.

It is interesting to observe the heavy consideration of regional finance related laws and regulations, as well as specific fixed and non-fixed asset type (i.e vehicles, government official housing, etc) past regulations. Below is a snapshot of the various laws and regulations taken into consideration by the Gorontalo provincial government in their state asset management laws (other than the two national umbrella laws):

- a) Law no 72/1957 on establishing emergency constitution no 19/1955 regarding the selling of official government housing to civil servants (government officials).
- b) Law no 5/1960 on Agricultural principles
- c) Law no 38/2000 on the establishment of Gorontalo province
- d) Law no 17/2003 on national finance
- e) Law no 1/2004 on national treasury
- f) Law no 32/2004 on regional government (governing principles)
- g) Law no 33/2004 on fiscal balance between central government and regional government
- h) Law no 46/1971 on the sale of official government vehicles to civil servants (government officials)
- i) Law no 40/1994 on government official housing
- j) Law no 40/1996 on entrepreneurial usage rights, (state owned) building usage rights, and (state owned) land using rights.
- k) Law no 24/2005 on public sector accounting standards

l) Law no 58/2005 on regional government finance management

m) Presidential Decree no 40/1974 on guidance for the sale of state-owned housing

n) Presidential Decree no 85/2006 on guidance for the acquirement of state assets and services

o) Gorontalo Governor Regulation no 3/2006 on regional finance management.

As can be observed from the snapshot of constitutions, laws, decrees, and past regulations taken into consideration, it is evident that past state asset management (prior to 2006) are limited to concerns regarding housing/building, land, and vehicles; and that there are strong ties to regional finance and public sector accounting standards.

It is interesting to observe that government regulations regarding decentralisation or regional autonomy are not mentioned, as these regulations provided Gorontalo provincial government with the ability to create specific laws and policies on regional state asset management. Based on the laws, regulations, etc taken into consideration (in drafting Gorontalo specific laws) it is therefore no longer surprising that regional state asset management in Gorontalo province has a strong focus on ensuring legal administration (i.e ownership certificate), inventory, and maintenance of all state housing, buildings, land, and vehicles. It is also not a surprise to see that Gorontalo provincial government has 'allocated' a state asset management sub-division within a regional finance division within their organisational chart, as it is evident from their law (and the laws taken into consideration) that there is an opinion of state asset management being part of regional finance. This leads to the justification of Gorontalo provincial government officials viewing state asset reporting as a similar activities to that of financial reporting and is based on public sector accounting standards.

Negative and positive aspect of Gorontalo provincial government's take on regional state asset management is evident. On a **positive note** the Gorontalo provincial government's focus on complete legal administrative paperwork and inventory details will ensure that all state assets are known, registered, and within the database with updated and reliable information. To a certain extent this solves the first challenge in Indonesian state asset management reform (as identified by a large percent of interviewee's of the study), which is incomplete legal paperwork and data on state assets. Furthermore complete and reliable data of state assets will allow the Gorontalo provincial government to correctly

allocate state assets based on needs (for usage relating to provision of public service) as well as correctly deciding on any maintenance and/or disposal treatments. As expressed by interviewees in Box 6.5;

Box 6.5 Positive Impact of Gorontalo Provincial State Asset Management Approach

“...I like what we are doing right now. The fact that we put legal paperwork first means that we have complete information on everything. I know what state assets that we own and what we need to manage, keep an eye on, etc...”

“...the good thing about our approach is that we are prepared for more state assets in the future, because all of our paperwork is in order. So if we have new building etc in the near future, we already have a system where we record things and it will be easy for us to keep track of things. So we are not still trying to get the paperwork of the old state assets in order but already buying and building, we are prepared...”

Box 6.5 highlight the positive aspects of Gorontalo provincial’s approach from the point of view of Gorontalo provincial government officials. It can be concluded that *a positive notion of Gorontalo provincial government’s approach to state asset management is that it will allow them to be knowledgeable of all of their state assets – condition, usage, utilisation, etc – and that they are able to make informed decisions regarding these state assets.*

On the other hand Gorontalo provincial government’s approach has a **weakness**, in the sense that there is a dominant view of state asset management being a similar activity to financial management. This is evident by Gorontalo provincial government’s organisational chart, where state asset management is considered to be a sub-division within financial management division.

This may not trigger concerns at first; however upon analysis of interviewee’s opinions, this ‘demotion’ of state asset management as a sub-division instead of a full division has psychological negative effects.

Firstly government officials who are part of the state asset management sub-division feel that their role “is not important enough” and therefore there is “no real rush or need to make it a priority”. This has potential multiplier effects. If state asset managers do not feel

the importance of their position, the probability of dysfunctional stewardship towards their positions increases; hence increasing the potential of neglect or enthusiasm towards tasks and functions.

Secondly government officials from Gorontalo provincial government state asset management sub-division have identified a higher potential in ‘doubling up’ of positions and tasks due to them being a sub-division of the regional finance management division. Such dual position alludes to potential neglect of state asset management related tasks as said tasks are, commonly – as identified by interviewees – pushed to a later date in order to complete regional finance management tasks for it is considered a priority due to its division status.

Thirdly, government officials within the state asset management sub-division has identified the potential danger in ‘going back to the old ways’, where state asset management reporting was produced in the form of accounting ledgers as opposed to detailed information on specific state asset information such as condition, utilisation, etc. Their main reasoning for this potential danger is that current regional state asset management practices are still in its infancy, whereupon there are no rules or regulation that specifically governs state asset data/information requirements. The Gorontalo provincial government law itself ‘only’ pledges adherence to public sector accounting standards, which do not report specific state asset information, only financial related information of the state asset.

It is feared that, coupled with the feeling of ‘unimportance’ and ‘doubling up’, the new state asset management practices will, in time, be eroded to previous practices of satisfying public sector accounting standards only. It is further feared, by a minority of government officials in the state asset management sub-division, that if state asset management does not become a full division, the fears expressed above will eventuate and lead to further state asset management neglect – which will encourage another (attempted) reform. This minority of government officials fear the potential of a state asset management vicious cycle, whereby multiple attempts at reform is introduced over certain periods of time – yet there is an absence of change in the approach taken to ensure implementation. As discussed by Gorontalo provincial government officials in Box 6.6.

Box 6.6 Negative Aspects of Gorontalo Provincial Government's SAM Approach

"...I think the weakness of our system is that we are still part of the regional finance management division, we are only a sub-division, we don't actually have a division. I think this is a weakness because it signals to other people that state asset management in Gorontalo provincial government is not important enough. Every other regional government has a division for state asset management, even North Gorontalo, and they only have 1 person in it. We have about 15 people, so why cant we have a division?..."

"...our problem now is that because we are part of the regional finance division, some people are doubling up on task. I have a person who is doing the accounting and reporting for the state asset management sub-division, but she is also part of the regional finance reporting section. So this person is doing two jobs, and state asset management reporting is sometimes neglected because it is her second job..."

"...I think its quite dangerous to have two people doing two different jobs, especially with state asset management being so new. This person needs to learn about state asset management and all the processes, but they are still stuck in the way that things are done in her/his old job, and we cant have that, that is risky..."

Box 6.6 highlights Gorontalo provincial government views regarding weaknesses in the current state asset management approach. It can be concluded that *a negative aspect of Gorontalo provincial government's approach is found within its state asset management sub-division structure, which, due to its incomplete independence from the regional finance management division, may induce the notion of dysfunctional stewardship towards state asset management related tasks and functions.*

6.3.3.1 State Asset Management Lifecycle

In regards to state asset management stages/lifecycle, upon analysis of Section 4 of the Gorontalo Governor Regulation 23/2007 on technical guidelines for regional state asset management; it is observed that there is partial alignment with asset management literature (in particular that of Kortelainen Kommenen 2006, Cornish and Morton 2001,

and the PAS 55). There is acknowledgement of a large percentage of stages of the state asset lifecycle as well as few that the provincial government has added.

In section 4 of the Gorontalo Governor Regulation 23/2007 on technical guidelines for regional state asset management, the state asset management life cycle includes stages such as: planning and budgeting, procurement/acquirement, storage and distribution, usage, administration, utilisation, security and maintenance, valuation, disposal, change/hand over of ownership (if applicable), guidance monitoring and controlling, funding, and insurance. Each of these stages are further explained in detail in various sections of the law; including information such as definition of each activity, which specific regulation(s)/decree(s) needs to be considered prior to implementing a particular stage, which state asset actor is involved in a particular stage, and so on. However, despite the very detailed information regarding each stage of the state asset management lifecycle, there is a need to revise the explanation and presentation of these stages to ensure complete understanding of state asset management concept.

A crucial aspect of asset management that has been drilled by previous researchers in asset management (in more recent times this refers to the works of Kortelainen 2006, Kaganova 2006, Amadi-Echendu 2010, Mills 2010, and Schraven 2010) is that the asset management stages are a continuous interdependent cycle that cannot be broken, whereupon each stage needs to be performed at high quality level in order to ensure high quality performance at the next stage of the cycle. It is this crucial message that is currently missing from the explanation of different stages in Gorontalo provincial government's state asset management, and it is crucial that this is addressed as current laws suggest that state asset management stages are independent of each other.

6.3.4 Similarities and Contrasting Experiences in State Asset Management between Governing Bodies in Gorontalo Province

Upon reviewing the available state asset management laws in four regional governments within Gorontalo province and their current conceptualisation and implementation of state asset management reform, few similarities and contrasting experiences can be seen. This sub-section will discuss similarities and contrasting experiences found, both from the law and policies perspective and the conceptualisation and implementation perspective.

Upon analysis of all available state asset management laws in Gorontalo Province, several similarities and differences are identified.

6.3.4.1 Similarities

Gorontalo provincial government regulation 23/2007 and **Gorontalo regency regulation 28/2008** for example are similar in two ways.

Firstly, both regulations are yet to consider the revised version of Law 6/2006 on central/regional state asset management: Law 38/3008. Law 38/2008 as a revised version of Law 6/2006 puts forward a more explicit adherence to good governance and the highest and best use of assets principles. This suggests the potential of incomplete consideration and conceptualisation of good governance principles within **Gorontalo provincial government regulation 23/2007** and **Gorontalo regency regulation 28/2008** sections and clauses.

Secondly both regulations considers laws and regulations governing aspects such as national treasury, national finance, regional government authority, public standard accounting, and regional and central government fiscal balance in the drafting process. The laws considered by both regional governments can be grouped as financial management laws and regulations, which suggest a potential overlap between regional financial management and state asset management approach. Such an overlap may prove to be confusing to existing regional government members, in particular those who holds a dual position in both regional finance and state asset management divisions, for there is an incomplete separation of fundamental approach and basis for tasks and functions.

Gorontalo regency regulation 28/2008 has an added dimension of weakness, in that it fails to recognise another national umbrella law: **Home affairs ministry regulation 17/2007** on *regional state asset management*. This to a certain extent is surprising, providing that the home affairs ministry regulation 17/2007 is deemed to be the governing regulation regarding any regional state asset management, and the establishment date of **Gorontalo Regency regulation 28/2008** is approximately a year after the home affairs ministry regulation was published and socialised to regional governments across Indonesia. It is however highly interesting to note Gorontalo regency's achievement in being awarded the highest possible opinion by the external audit body (during the time of data collection of this study) – for such an achievement, to a certain extent, questions the

necessity of taking the Home affairs ministry regulation 17/2007 into consideration while drafting specific state asset management laws.

6.3.4.2 Contrasts

Gorontalo City government, in comparison to Gorontalo regency and Gorontalo provincial government, has taken a contrasting approach in their state asset management rules. The Gorontalo city government does not have a law titled 'state asset management', however there is a section within a 'general governing' law that addresses the task and functions of a state asset related body.

This law is titled **Gorontalo City Regional Government Regulation 3/2008** on *Governing and Organisation of Gorontalo City Government*, whereby detailed information relating to state asset management is 'allocated' to a section within the regulation, under the title 'Income, Regional Finance, and State Asset Body'.

Therefore the structure of rules and regulations that govern state asset management in Gorontalo city is different to the two previous regulations discussed, for instead of information detailing state asset management lifecycle stages per section and article, it details the tasks and function of the Income, regional finance, and state asset body as well as the sub-divisions within it. Hence in evaluating the level of good governance conceptualization, one must be mindful that it is performed on the bases of task and function information of each sub-division as opposed to state asset life-cycle stage.

The exercise of analysing task and functions of a state asset body and its divisions prove to be insightful, as it could be argued that in terms of practicality and/or implementation sense the tasks and functions point of view of Gorontalo city provides clear guidelines to its government officials, whereby each sub-division has a clear vision of their allocated tasks and how it shapes/lend to the function of the state asset management body. As illustrated by Gorontalo City government officials in Box 6.7.

Box 6.7 Gorontalo City Government Approach to SAM Laws and Policies

“...we need to have a structure like this. Its better for us to have just one law, on governing, that everyone in the governing body refers to – there is too much overlap in the law system of Indonesia. We want to simplify things. Everyone go to one governing law, and then they refer to the section that is their division. That way everyone is one the same page...”

“...I think this is simpler, its clearer. For me, it tells me that as a maintenance officer, this is what I need to do, these are my task and functions. I don’t have to go and read the whole law and confuse myself on what is exactly my job...”

“...to be honest with you, I think this law is actually going to ensure that things get done. That state asset management will be implemented. Why? Well because people know what they have to do. Each person knows this is my role, these are my tasks. And so that’s why we got that high opinion from the external audit body...”

Box 6.7 illustrates Gorontalo City’s approach to state asset management, and their preference for a state asset management law that is based on the task and functions of state asset management related actors. Such a preference is perhaps explained by the state asset management law drafting process, whereby Gorontalo City did not take into consideration the national umbrella laws in state asset management. Rather there is emphasis on considering laws and regulations that are focused on the organisation of government bodies and officials, balance of regional and central government responsibilities and fiscal balance, human resource related issues, and regional finance management.

To a certain extent this may trigger a *negative first impression*, as their incomplete reference to the national umbrella laws potentially suggest that they are yet to embrace state asset management reform, and are yet to explicitly consider and address aspects of good governance. Gorontalo city’s state asset management regulation is also yet to provide its government official with state asset management related titles and job description (as found in both Gorontalo provincial government and Gorontalo regency government regulations) such as asset governor, asset owner, asset manager, etc. *In short*,

upon preliminary analysis of Gorontalo city's current state asset management laws, there seems to be infancy in embracing the state asset management reform.

However the above observation creates an interesting complexity, in particular as Gorontalo City received the second best opinion (during the time of data collection of this study) from the external audit body. This is an interesting complexity as other regional governments such as Yogyakarta Provincial government and Jakarta special region province – whom both considered the national umbrella laws in state asset management reform - also received second best opinion from the external audit body. This observation raises an interesting question regarding the determinants and/or factors within state asset management law, and its relationship with the level of opinion awarded by the external audit body; which by the Indonesian government is considered a measure of good state asset management practice.

6.4 Good Governance within the Conceptualisation and Implementation of State Asset Management Reform

As explained in section 6.3 of this chapter, in Gorontalo Province each regional government (provincial, regency, and city) have the authority to establish and/or adopt state asset management laws as they see fit. Section 6.3.4 has outlined the similarities and contrast between each regional government's approach towards state asset management law and practice. This section will describe and analyse the level that good governance principles are conceptualised and implemented in each regional government's state asset management laws and practice.

In terms of good governance principles and its conceptualisation within Gorontalo Province's state asset management laws, it can be concluded that good governance principles are explicitly mentioned within the law; however it is incomplete in several manners.

An example of this can be found in **Section 4 of the Gorontalo Governor Regulation 23/2007** on *technical guidelines for regional state asset management*. It is stated that: "regional state asset will be implemented based on the principles of functionality, legality, transparency, efficiency, accountability, and exact valuation". Thus three good governance

principles (transparency, efficiency, and accountability) are explicitly mentioned, however upon further analysis its conceptualisation is considered incomplete, as detailed below.

Firstly, out of the five good governance principles that this study emphasise on, only three are explicitly mentioned. There is explicit concern on ensuring that transparency and accountability, as well as efficiency, are conceptualised throughout the implementation of state asset management practices. To a certain extent this is not surprising, due to two reasons:

- a) The literature review of this study (Chapter 2) has identified that a large percentage of state asset management laws and policies in many countries (see the works of Kaganova et al 2006) emphasised principles of transparency, accountability, and efficiency.
- b) The roadmap to highest and best use of state assets as established by Indonesia's Directorate General of State Assets, have pushed forward and explicitly mentioned transparency and accountability principles, as well as implicitly alluding to the need for efficiency.

It is therefore not a surprise to find transparency, accountability, and efficiency being the focal point of Gorontalo Province state asset management law.

This suggests an incomplete approach to governance conceptualisation, as Gorontalo Province have neglected to explicitly conceptualise stakeholder participation and regulatory compliance. Keeping in mind that one of the objectives of good governance measures is to protect all stakeholders -including those of minority status - as well as ensuring the compliance towards set standards of any field (Mardiasmo, Barnes, Sakurai 2008), the incomplete address of stakeholder participation and regulatory compliance suggest the potential of neglecting certain stakeholder's needs and opinions, as well as the possibility of not implementing any standards or regulations that are related to state asset management (for example particular sections of the state asset management technical guideline published by the Finance and Development Supervisory Agency, accounting standards, safety standards, etc).

Hence it is deducted that the explicit mention of transparency, accountability, and efficiency does acknowledge the importance of conceptualising governance principles within state asset management law; however it is an incomplete approach, as the

Gorontalo provincial government have not addressed all principles within good governance.

Secondly, it is noted that the words transparency, accountability, and efficiency are repeatedly mentioned throughout the law, exclaiming the need to adhere to and ensure transparency, accountability, and efficiency. However there is no further explicit explanation outlining how these governance principles are to be conceptualised in day to day state asset management practice. As illustrated by Gorontalo Province interviewee in Box 6.8.

Box 6.8 Incomplete Guidance to Good Governance Conceptualisation in State Asset Management Laws and Policies

“...I think we have talked about good governance in our laws, I’m pretty sure of it – for example transparency, etc – I think its mentioned in our laws. But if you ask me what it means then to be honest I’m not sure, all that the law says is that we have to be transparent...”

“...in Gorontalo I think we are pretty good when it comes to good governance, but if you ask me about it in terms of state asset management, then I’m not too sure. I think it is in the law somewhere, it has to be, but I don’t think there is actually a guide that tells us how to implement it in day to day life...”

“..its a bit confusing to me, if you ask me about good governance in state asset management, because I don’t think there is actually a document that tells us how to implement transparency, etc..I just follow the law.

Box 6.8 illustrates the incomplete guidance to good governance principles currently existing in Gorontalo Province’s state asset management approach. This observation reminds us of the findings of Mardiasmo (2007), who found that one of the many reasons why good governance was not understood and implemented equally was due to the incomplete guidance on how to conceptualise its principles in day to day governing.

Thirdly, it is observed that the sentence “adheres to transparency, accountability, and efficiency of good governance” in the **Gorontalo Governor Regulation 23/2007** on *technical guidelines for regional state asset management* is only evident in certain areas of state asset management lifecycle.

It is observed that transparency, accountability, and efficiency principles are explicitly mentioned in sections and clauses within the law that addresses the acquisition and procurement of state assets, inventory of state asset data, and financial reporting of state assets. Although information regarding how these good governance principles are to be exemplified in the implementation stage is incomplete, at minimum there is awareness of the need to ensure transparency, accountability, and efficiency within these three areas of state asset management lifecycle). The potential implications of this observation are twofold:

a) Perhaps there is a thought that the three state asset management lifecycle stages mentioned (acquisition, inventory, and reporting) are the most important stages and thus there is a need to ensure the conceptualisation of good governance principles within them. This of course brings the implication of neglect towards other stages of the state asset management.

a) if the first implication proves true, this suggest an incomplete understanding of state asset management concept itself as well as incomplete understanding of the message behind adhering to good governance principles in the conceptualisation and implementation of a public policy.

6.5 Challenges in State Asset Management reform in Gorontalo Province

The following section provides an overview of challenges faced by the Gorontalo Province, both as a united province entity as well as more specific challenges that are faced by particular regional governments. This section also provides analysis in regards to how the identified challenges compare with challenges faced by other regional governments, the potential impact of such challenges (on the region itself), and the bigger picture potential impact of identified challenges in terms of Indonesian state asset management reform.

6.5.1 Reporting and Ownership Certificates

Section 6.3 of this chapter illustrated that as a 'young' region Gorontalo Province has limited state asset inventory, in particular in regards to amount and variety of state assets. This is commented by Pardiman (2009) as an advantage, beneficial to ensuring the

implementation of state asset management reform and potentially leading Gorontalo to a less complex state asset management practice in the future. This view is also echoed by Hadiyanto (2009c), who stated that state asset management reform should be less of challenges to implement in Gorontalo as due to their ‘youthfulness’ there is a smaller pool of state assets to manage.

Contrary to the opinions above however, Gorontalo seem to face a similar challenge in state asset management practices as other ‘older’ (pre decentralisation and regional autonomy regime in 2001) regional governments. These ‘older’ regional governments (such as DKI Jakarta) are deemed to have a more complex state asset management practice due to their long history of regional government development and the value and amount of their state assets. It seems however, that Gorontalo Province also identifies infancy in state asset reporting and incomplete legal documentation as a challenge. As identified by a Gorontalo regional government official in Box 6.9:

Box 6.9 Reporting and Ownership Certificates as a Challenge in Gorontalo Province’s SAM

“...To be honest with you, more often than not, ownership certificates are not complete – whether it is for land or buildings. So this means sometimes there is no legality in the ownership of state assets and we are unsure of what we own and which ones we are managing”

“...Gorontalo city was there when we were still part of south Sulawesi province. And so because of that we have old assets that have never really been documented before, and we know we have it, we just don’t have the paperwork for it. So its our job now to get this legal certificates under control...”

“...the main problem with North Gorontalo is that we have just separated from Gorontalo regency to create our own regency. So it is still confusing – which assets are ours and which are Gorontalo regency’s? we are still in the process of deciding this, and then creating the legal documents for each state asset, so at the moment it is quite difficult to identify what is ours and what we can manage...”

Box 6.9 illustrates the reporting and legal certificate challenges that are evident within Gorontalo Province. The above observation suggest that state asset reporting challenges does not discriminate between regions, where regardless of the region's 'age', level/amount of state asset inventory, and perceived complexity of state asset management. The challenge of completing legal ownership certificates or other legal paperwork is not only found in Gorontalo, but also in other 'older' regions such as DKI Jakarta (as per chapter 5) and DIY Yogyakarta (as per chapter 7). This suggests that state asset reporting and documentation is a national challenge and needs to be addressed, where the importance of complete state asset reporting needs to be reinforced and paid attention to in any technical state asset management implementation guidelines.

6.5.2 Financial arrangements/funding of state assets

According to Siddik (2009) decentralisation and regional autonomy has resulted in a discrepancy between regional governments in terms of capability, capacity, and resources (human, capital, and financial). This is evident in regards to the purchasing power of Gorontalo regional government for state assets – so much so that Gorontalo government officials recognises it as a main challenge in state asset acquirement in Gorontalo and its multiplier effect to impeding development plans and Gorontalo's financial health. This view is supported by Gorontalo Province interviewees, evident in Box 6.10:

Box 6.10 Funding of State Asset Management as a Challenge in Gorontalo Province SAM

"...With state assets, you can borrow/rent, buy, or build. To build we need to have a budget first. In Gorontalo we still rent most of our state assets, mainly because we do not have a budget yet. But then again sometimes we don't have the budget for it but there are developers who want to build – so we source the funds from borrowing banks..."

"...one of our challenges is that most of our assets are sourced from bank loans, because as a new regional government [north gorontalo –red] we do not have enough financing to be able to purchase all the buildings etc that we need ..."

"...it's a bit difficult for me to follow the national umbrella laws, mainly because some of our state assets are still within their payment period to the banks, and so it's a little bit difficult for us, we have to negotiate with the banks as well, etc..."

Box 6.10 illustrates the funding related challenges faced by Gorontalo Province government officials. The funding related challenge that Gorontalo Province face in their purchasing power suggests that Gorontalo Province deviates from the national umbrella laws (Law 6/2006 and Law 38/2008) and the Directorate General of State Asset's recommendation regarding the funding source of state asset purchasing and development – which stated that state assets are funded by the regional government budget and any other legal means such as gifted from another party or seized due to non-abiding legal actions. Gorontalo's funding method of borrowing from banks and creating a large regional government debt seems to be divergent to the recommended state asset funding source.

Such a divergence represents further challenges in state asset management practice such as:

- a) state asset reporting (how to report debt-funded state assets),
- b) maintenance policies (who is responsible for maintenance of debt-funded state assets),
- c) disposal policies (what is the policy on debt-funded state assets, in particular if the state asset is no longer in use however there is still debt to finalise).

Most importantly the deviation from established laws and recommended implementation guidelines suggests disparity in state asset management practices within regional governments, which potentially impede the Directorate General of State Asset's motivation of promoting and ensuring equal implementation of state asset management practices within Indonesia's regional governments.

Debt-funded state assets are a further concern with the establishment of North Gorontalo regency in 2007, where the regency separated from Gorontalo regency to form its own government system. This is a concern as a separation in jurisdiction suggests the potential divide of state assets, where previous Gorontalo regency state assets may now be within the jurisdiction of the North Gorontalo regency government. This possesses potential challenges as the state asset was acquired/procured/built under Gorontalo regency jurisdiction and financial arrangements (i.e debt fund), however due to the separation

some of these assets are now under the ownership of North Gorontalo regency. This may potentially cause confusion and dispute over financial arrangements of the state asset if it was not clearly outlined in the handover of state assets from Gorontalo regency to North Gorontalo regency.

6.5.3 Human Resource Challenges

Section 1 of the **Gorontalo Governor Regulation 23/2007** on *technical guidelines for regional state asset management* outlines general information regarding regional state asset management in Gorontalo provincial level, which, among other state asset management related information, includes details regarding who are the state asset management actors and their job description.

It is observed that state asset management actors and job descriptions are in line with that of **Law 6/2006** on *central/regional state asset management*, however in reality the implementation of these clauses are not in line with the regulation itself.

Using **Section 1 of the Gorontalo Governor Regulation 23/2007** on *technical guidelines for regional state asset management* as a comparison between all of the available information and interviews (across all four regencies/cities involved in the study) regarding state asset management related actors, few challenges are identified.

6.5.3.1 North Gorontalo Regency – Human Resources as a Challenge

In **North Gorontalo regency**, at the time of this study, the state asset management division consist of one government official whose title is the head of the state asset management division. At the time of writing the division has five supporting government officials; however none have official state asset management related position titles or job description. These supporting government officials are, at norm, junior government officials. These government officials are officially positioned within the ‘support pool’ for the regional government, where their services can be rendered by any division within the regional government on a demand and supply basis. At present these five government officials are specifically allocated to the state asset management division, where they provide supporting work such as administrative tasks. However another division (within the regional government) should need extra support, there is a high chance that the

number or persons allocated to the state asset management division is reduced for a period of time.

North Gorontalo regency's human resources situation is a challenge as there is inconsistent amount of government official working in the state asset management division, which has the potential of increasing anxiety within the division and causing a backlog of tasks. The fact that there is only one government official officially being associated with the division, shows that there is an incomplete human resource approach to state asset management.

Interviewees have highlighted the impossibility of this situation and the potential impact that it will have in the long term for the regency's state asset management practices in the future; however they also highlighted the lack of human resource capability and capacity that is available for them, identifying a shortage of accountants or government officials with specific asset management knowledge and experience. As illustrated by few North Gorontalo regional government interviewees in Box 6.11

Box 6.11 Human Resource Challenges in North Gorontalo

"...our major issue is that there is only one person, in the whole regional government, who have had experience in the field of state asset management, who went to training provided by the Directorate General of State Assets. And this one person is our head of state asset management division. How can you have good practice in asset management when there is only one person doing it?..."

"...we don't have enough people. Simple as that. For something like state asset management you need someone with at least accounting background, or management background, etc. and we don't have that. We need more people like that. We have junior government officials to help with administration but that's not enough..."

Box 6.11 illustrates the human resource challenges faced by North Gorontalo Regency. It is deemed practically impossible by interviewees to have a full-fledged state asset management division with complete job positions filled, as per **Law 6/2006** (which the regency have chosen to adopt instead of creating their own state asset management laws, rules and regulations). Interviewees have also commented that the current state asset

management division arrangement proves to be efficient and sufficient in the short term, especially as North Gorontalo is considered to be a very young regency (established in 2007) where the scope and complexity of its state asset management practices are considered to be less than other regional governments within the Gorontalo province. However interviewees have also acknowledged the low sustainability in this arrangement, and emphasising the need to build their state asset management human resources capacity and capability.

6.5.3.2 Gorontalo Provincial Government – Human Resources as a Challenge

In the **Gorontalo provincial government** office, the state asset management division is not a standalone main division in itself, rather it is sub-division within the regional financial management division. There are approximately ten government officials with official job positions and descriptions within the sub-division, which in comparison to the **Gorontalo Governor regulation 23/2007** satisfies a ‘*skeleton division*’, where what are deemed to be ‘compulsory job positions’ according to the regulation, are filled. These are positions such as the head of state asset division, asset manager, asset administrator, state-owned enterprise asset coordinator, state asset valuator, asset monitor and controller, etc.

As the state asset division is in fact a sub-division of the regional finance management division, it is found that many government officials have two job positions with different job descriptions. These government officials have responsibilities towards the regional finance management division as well, and thus their time is split between the two job positions. As a sub-division any state asset related tasks are not prioritised, which suggest the potential of lower quality completion of tasks or a backlog of tasks. Interviewees from the Gorontalo provincial government office identified low level of human resources specifically trained in asset management specific knowledge, as well as accounting, as a main reason behind the dual job positions. This is illustrated in Box 6.12.

Box 6.12 Human Resource Challenges in Gorontalo Provincial Government

“...it is a challenge for me. How can I concentrate on state asset management when I have to also do my job in the finance division? And they are completely different too. I am reporting statistical data at finance, and here they want me to go on-site and look at buildings and tell them the condition. It is sort of similar, but its different...”

“...as the head of the sub-division, it’s a challenge for me to run the sub-division. Not because my people are incapable, no it not like that. But because they are not completely mine, I have to share them and keep track of what it is that they are doing, when they are available, etc. It would be better if I have a dedicated team, not a split up on like this one...”

“...the problem with our regional government is that we don’t have enough people who are educated within the field of state asset management, or just management. And sometimes, when a person has been sent to training, that person changes jobs. So again we don’t have enough numbers...”

Box 6.11 illustrates the human resource related challenges currently faced by the Gorontalo provincial government. That said, a small band of high level officials have acknowledged the need to separate the two divisions to ensure independence, with the aim of increasing the level of stewardship and importance towards state asset management practices. They have also commented that low levels of human resource capacity and capability might be one of the challenges; however the low level of stewardship and will to implement the law is a bigger challenge. Similar to North Gorontalo regency government officials, Gorontalo provincial government office officials have also noted the need to build a state asset management capacity and capability; where Gorontalo provincial government officials seem to have set a shorter timeframe than the North Gorontalo regency government to achieve. Gorontalo provincial government officials explain that they need a shorter timeframe, as the Gorontalo provincial government is older (in age) than North Gorontalo regency and thus their scope and complexity concerning state asset management is of a higher level.

Interestingly, Gorontalo provincial government officials has expressed concern towards North Gorontalo’s single-man state asset management division; claiming that such an

undeveloped state asset management division is of concern. This view was the spring board for Gorontalo provincial government officials to proclaim its support towards North Gorontalo regency, putting forward the motion of ‘lending’ their resources until such a time where the North Gorontalo regency have established a “respectable” state asset management division. This ‘offer’ is interesting, as on one hand it can be seen as an act of compassion (so to speak); on the other hand, evaluation of Gorontalo provincial government state asset management division itself is riddled with incomplete systems and loopholes, which plants doubt in whether the direction or assistance given will prove to be of benefit.

6.5.3.3 Gorontalo Regency and Gorontalo City – Human Resources as a Challenge

Both Gorontalo regency and Gorontalo city governments prove to have a state asset management human resource approach that, considering the human resource situation in North Gorontalo regency and Gorontalo provincial government, can be considered as ‘advanced’.

Both Gorontalo regency and Gorontalo city governments have a separate state asset management division (not sub-division) which is separate from the regional financial management division and is habituated by approximately thirty regional government officials – all of which are separated into sub-divisions based on each regional government’s specific set of state asset management laws.

The state asset management division in both Gorontalo regency and Gorontalo city governments are clearly displayed in the foyer of each government office, within both governments’ organisational chart. Interviews with each personnel within each regional government’s state asset management division reveal higher level of knowledge (in contrast with North Gorontalo and Gorontalo provincial government) in state asset management – exemplifying a higher level of awareness regarding what is within their job description and how the division interact as an entity.

This observation perhaps explains why both Gorontalo Regency and Gorontalo city government have both received the highest possible opinion (WTP – accepted without exceptions) from the external audit body. Interviews with both Gorontalo regency and Gorontalo city government officials reveal that the reason behind their established state asset management division is not, in fact, due to abundance in government officials with

accountancy or asset management specific knowledge. It is found that only a partial number of those who make up the state asset management division have accounting or asset management specific knowledge, whereas others in the division have political science, economic, or bureaucratic-related education; as well as skills such as bookkeeping and administrative related.

According to interviewees from both governments, it is not a matter of ensuring that government officials have the right background/basis knowledge (i.e accounting or asset management related training), rather, as a bureaucrat, it is more a matter of providing the training in implementing laws and policies, as well as technical guidelines, and providing a platform for government officials to work together and increase willingness to implement laws, policies, and technical guidelines. As identified by interviewees from Gorontalo City and Gorontalo Regency in Box 6.13

Box 6.13 Human Resources at Gorontalo City and Gorontalo Regency

“...we do have a lot of people in our state asset management division, and its because we know that it’s a lot of hard work. We have about half who are accountants or have a background in economics and/or management, whereas half are there as supporting officers. They may not know about asset management as such, but we trust them and they can help in doing the work...”

“...look if we wait until everyone is at the level of knowledge that is ideal, then this asset management reform is never going to happen. We need to start off with a few key people, so they are your high level officials, and then have lower level officials who are hardworking and will implement new policies and are open minded. We can always send them away to training later...”

“...the truth is, with asset management, you can have people who do not have specific state asset management background. You need them to help do the work, like filing, doing on-site observation notes, etc. we can give them training, that’s fine, but what we want is the personality. Change is a difficult thing, reform is difficult. We have these people because they are open-minded and loyal...”

Box 6.13 provides an illustration of the human resources situation in both Gorontalo City and Gorontalo Regency. It can be observed that both Gorontalo regency and Gorontalo

city government has created a state asset management division that possess only partial knowledge in state asset management (in the words of an interviewee – “to ensure that the concepts are right and they know what they are doing”). However the emphasis for both regional governments is to create a division that is rich in bureaucratic skills/tendencies (i.e the characteristic of following new rules/regulation without critical questioning – which in hindsight may not be the most ideal however when faced with a specifically unskilled workforce may be an advantage) and selected behavioural characteristics such as hardworking, eager to learn, loyal, and honest. It is both regional governments’ belief that a skill can be taught, however behavioural attributes cannot. Therefore instead of a creating a skeleton state asset management division both regional governments have opted for one that is rich in preferred behavioural attributes, whilst at the same time providing the training and information needed (over time) to ensure an increase in productivity and the implementation of state asset management practices.

7. Case Study 3: Special Region Yogyakarta Government, Central Java

Chapter 7 of this thesis is write-up of case studies chapter, focusing on the third case study Special Region Yogyakarta Government, or DIY Yogyakarta in short.

The aim of this chapter is to provide a rich and in-depth illustration of not only current state asset management practices in DIY Yogyakarta and its congruence with the state asset management reform; but also various factors such as political history, bureaucratic culture, a\traditional way of doing things, and any other factors that play a role in the conceptualisation, understanding, and implementation of an integrated good governance and state asset management approach.

The structure of this chapter is similar to that of chapters 5 and 6, as a write-up case study chapter. The first section provides detailed information regarding DIY Yogyakarta itself; in terms of demographic information, governing bodies within DIY and any other relevant information. This is followed by detailed information surrounding the data collection process within the region. As per chapters 5 and 6, three main areas are explored in this chapter: current state asset management practice within DIY Yogyakarta, the extent that an integrated good governance and state asset management approach is understood, and current challenges faced in implementing state asset management reform. In the last section, current challenges faced, discussion provided will centre within the context of political history, bureaucratic culture, and decentralisation regime – all of which provide answers to the research questions of this study.

7.1 Background: Past and Present Condition of Special Region Yogyakarta Government

After Indonesia's independence in 1945, the Sultanate and the central government recognised DIY Yogyakarta as part of the Republic of Indonesia, which meant that it must be governed within the boundaries of the Republic, as a civil government. That said, both

the Sultanate and the central government also recognised the Sultanate as an identity of DIY Yogyakarta, and thus the Sultanate maintains its monarchical status as part of DIY Yogyakarta’s history and traditional culture. As the Sultan is the head of the Sultanate, and due to the deep respect that Yogyakarta society has for their king/Sultan, he is also made the Governor of the regional government, as head of the civil government.

The government structure and level of regional autonomy adopted by the Yogyakarta government is on that is adopted by many regional government in Indonesia (except for special regions such as Jakarta Capital city – see chapter 5 of this study for comparison), which is similar to that of Gorontalo government (see chapter 6 of this study).

This means that Yogyakarta, despite its special region status, have chosen to adopt the ‘regional government structure template’ as prescribed by the central government. This results in a regional government that is made up of a provincial government (Yogyakarta provincial government), regencies (Sleman regency, Gunung Kidul Regency, Kulon Progo regency to name a few), and numerous cities and villages; of equal level of governing rights. Like Gorontalo regional government, Yogyakarta has embraced decentralisation and regional autonomy regime that was introduced in 2001 by the central government, whereby each level of government – province, regency, and city – have authorised regional autonomy. DIY Yogyakarta’s government structure is reflected in Figure 7.1.



Figure 7.1 Government Structure of DIY Yogyakarta

7.2 Data Collection Process

Yogyakarta special regional government is the last case study performed in this study, where experience from previous case studies (Gorontalo regional government and DKI Jakarta regional government) has provided lessons learnt regarding data collection methods such as number of regional government bodies involved, number of interview participants, and strategies in interview process.

It is once again experienced that due to the time restrictions and availability of government officials limitations were faced – in particular in regards to the number of regional government bodies and interviewees involved in the data collection process. That said, learning from previous case studies, the involvement of all governing bodies within the regional government's governing structure provided a comprehensive illustration of state asset management practices and any related opinions.

In Chapter 5 it is explained that DKI Jakarta's governing structure is one where autonomy is found only at provincial level, with five cities acting as an 'extended arm' of the provincial government. In Chapter 6 it is explained that in Gorontalo, their governing structure is one where autonomy can be found in each level of government – provincial, regency, and city. Thus it was important to involve each of these government bodies in the case study. Yogyakarta special regional government has a similar governing structure as Gorontalo, where autonomy is found at each level of government; and thus the involvement of a representative (i.e a governing body) from each level of government is necessary, as it suggests mitigation of time and government official availability limitations. Hence the involvement of Yogyakarta provincial government, Sleman regency government, and Yogyakarta City government in this study is justified, as it represents each level of government within DIY Yogyakarta's governing structure and thus is deemed to provide a comprehensive understanding of any state asset management related opinion within the region.

The data collection process in Yogyakarta special regional government followed the data collection process outlined in the Methodology chapter of this study, which include three methods: document analysis, semi-structured interviews, and on-site observation

7.2.1 Document Analysis

The first data collection method is document analysis, which involved the collection of relevant state asset management documents such as: legislation, policies, technical guidelines, reports, statements, memorandums, organisational structure, etc.

Documents collected and analysed are:

1. Yogyakarta Provincial Government Governor Decree 37/2010 detailing The Income, Regional Finance and State Asset Management Body of Yogyakarta authority in utilising and managing DIY Yogyakarta's regional state assets.
2. Yogyakarta City Government City Mayor Regulation 10/2008 regarding the tasks and functions of the Building and Regional State Asset Body.
3. Yogyakarta Provincial Government Governor Regulation 207/2004 regarding the residence or regional-owned housing in Yogyakarta Province
4. Yogyakarta Provincial Government Technical Guideline 207/2004 regarding the residence or regional-owned housing in Yogyakarta Province
5. Yogyakarta Provincial Government Governor Decree 161/2009 regarding Regional state asset (RSA) requirement list and regional state asset (RSA) maintenance list of Yogyakarta Provincial government.
6. Yogyakarta Provincial Government Governor Decree 49/2010 regarding the disposal of regional state-owned buildings and its deletion from inventory reporting.
7. Sleman Regency Government Regency Head Decree 33/2009 regarding the Task, function, structure of the Regional finance and state asset management Body
8. Sleman Regency Government Regional Regulation 7/2008 regarding Sleman Regency Regional Finance Management

Relevant documents were collected from each governing body, both via publicly available documents (for example through webpage) and direct request to the governing body. It is noted that out of the three governing bodies involved, Yogyakarta City provided the least

amount of state asset management legal products. It is also noted that only Yogyakarta provincial government provided an organisational structure of their state asset management body and/or sub-divisions.

7.2.2 Semi-Structured Interviews

The second data collection method is semi-structured interviews, where the interview strategies – both regarding who to interview and how to interview – are in accordance with semi-structured strategies as outlined in the methodology chapter of this study.

One of the main concerns in inviting government officials to participate in this study is ensuring that there is participation of low, middle, and high level government officials. The criteria for each level of government are similar to that of Gorontalo regional government, due to their similarity in governing structure (i.e autonomy is found at different levels of governing: province, regency, city). Therefore those with *echelon 1 and 2a-b ranking* are considered to be high level government officials, *echelon 2c-d and 3 ranking* considered being middle level government, and *echelon 4 ranking and other contract personnel* are considered to be low level government.

It is important to note that the Finance and Development Supervisory Agency, Yogyakarta office branch, was also involved in this study. Members of the Finance and Development Supervisory Agency work on a ‘technical assistance’ basis with regional governments around Indonesia on various matters of governing, one of which is state asset management. Therefore a selection of government officials of the Finance and Development Supervisory Agency in Yogyakarta office has worked closely with regional governing bodies in DIY Yogyakarta government, where each team is assigned a province, regency, or city to work with.

For example, a team of ten government officials from the Finance and Development Supervisory Agency worked closely with the Sleman regency, providing assistance to further increase the understanding of regional state asset management technical guidelines (established by the Finance and Development Supervisory Agency in 2009) – while simultaneously providing training/workshops on how to use a regional state asset and finance information system software (also established by the Finance and Development Supervisory Agency in 2009). These two assistance work-types are the ‘standard’ agenda in the coordination between the Finance and Development Supervisory

Agency and any regional government, as well as provision of opinions, recommendations, strategies, etc.

As each internal audit team works at extremely close proximity with the regional government assigned (most become ‘in-house’ government officials ‘on loan’ from the Finance and Development Supervisory Agency) members of these teams have high level and ingrained knowledge regarding state asset management related matters within the context of assigned regional governments. Hence, partially due to time restrictions and accessibility, members of these internal audit teams were interviewed. Members of the Finance and Development Supervisory Agency who worked closely with Gunung Kidul and Kulon Progo regency were of particular interest to this study; as the two regencies were unable to participate in the study – however internal audit team members would be able to provide an informed opinion regarding state asset management practices and challenges in both regencies.

As the internal audit government body government officials are civil servants, they too are subjected to the echelon ranking utilised in the Indonesian government system. Hence interviewees from the internal audit government body can also be categorised as high, middle, and low level government officials – in a similar category subjected to Yogyakarta regional government officials.

Table 7.1 provides an illustration of government officials involved in the interview process.

TABLE 7.1 YOGYAKARTA SPECIAL REGIONAL GOVERNMENT INTERVIEW DISTRIBUTION

Regional Government	High Level Govt Official	Middle Level Govt Official	Low Level Govt Official
Yogyakarta Provincial Government	2	2	2
Sleman Regency Government	1	2	2
Yogyakarta City Government	1	2	2
Yogyakarta Internal Audit Government Body	1	3	2

Table 7.1 outlines the number of interviewees involved in this study, which totals to 22 government officials. As experienced in both DKI Jakarta special region and Gorontalo regional government, time restrictions and availability of government officials resulted in a slight imbalance of the number of participants, particularly for high level and middle level government official category. That said, as evidenced in Table 7.1, there are equal

numbers of low level government officials across the region, and the difference in high and middle level government officials are minimum.

7.2.3 On-site Observation

The last data collection method is on-site observation. Approximately two days was spent in each government office – which include participating in state asset management related discussion and meetings, observing day to day activities of state asset management related division/sub-division/actors, and visitation to several state asset sites. In particular state assets that are the source of ‘management tension’, such as state-owned housing and buildings located near the Sultanate, was visited. In these state asset sites ownership and management rights of state assets are highly questioned and is a continuous negotiation process between civil government offices and the Sultanate.

7.3 State Asset Management in Special Region Yogyakarta Government: Laws, Rules, and Regulations

The special region of Yogyakarta is known for its ‘special region’ status, predominantly due to its monarchical nature and origins. Special Region Yogyakarta (DIY Yogyakarta for short) received its ‘special region’ title not only because of its history, but also because to date (time of thesis writing) it is one of the few regions in Indonesia that is governed simultaneously by a ruling monarchy and a civil government structure; the Governor of the (civil) regional government is also the Sultan of the monarchy. This suggests that DIY Yogyakarta is a regional government governed by civil laws, rules and regulations; as well as Javanese (the traditional monarchy system) beliefs and rulings.

The complexity of a dual governing system in DIY Yogyakarta is manifested in their state asset management laws, rules, and regulations; exemplifying the complexity in any public policy conceptualisation and implementation within the region. The management of any state asset within DIY Yogyakarta is governed by both the civil regulations and the Javanese monarchical laws (or way of doing things), regardless of the official ownership status of the state asset. Two reasons were provided by DIY Yogyakarta interviewees to explain this statement:

First of all, prior to Indonesia's independence from the Dutch colonisation, Yogyakarta Sultanate kingdom was already in existence and was the ruling government of the jurisdiction. Hence indirectly any state assets within DIY Yogyakarta were once belonging to, or under the jurisdiction of, the Sultanate. Therefore all state assets' management should be conceptualised and implemented in consideration of the Javanese Sultanate laws, as a sign of respect and acknowledgement of the 'rightful owner'.

Second of all, although it can be disputed that any state assets acquired through the regional budget funds or any other legal means (i.e gifted from another region, gifted from central government, etc) are acquired through the civil government; it is important to remember that the head of the civil government, the Governor, is also the Sultan. Hence indirectly, respect towards the Governor's origins must be shown, in the form of considering traditional Javanese Sultanate laws and way of doing things.

Therefore based on the two reasoning above, it is concluded that regardless of whether the state asset is owned by the civil government or by the Sultanate, two laws will always be considered in its management: civil law (i.e Law 6/2006, Law 17/2007, etc) and Sultanate law (i.e traditional Javanese law and way of doing things).

That said, there seems to be an ongoing debate in the influences that govern state asset management, evidenced by a group of DIY Yogyakarta government officials refuting the above statements. This group of DIY Yogyakarta government officials put forward the argument that the view of Yogyakarta being governed by both civil government and Javanese Sultanate is simply a 'belief' as opposed to 'lawful'. Although the sultanate is acknowledged to have some governing influences, in the reality of day to day governing, the sultanate does not fully impact the civil law side of things – rather its influence is specialised within the context of certain societal traditions that are directly connected and has always been within the 'powers' of the sultanate. For example management of personnel acknowledged as royal insiders, royal grounds and buildings, royal residences and housing of its insiders, and so on. In terms of the day to day public service provision and governing of jurisdictions within the region however, the Sultanate remains 'only' as a figurehead. Thus suggests that the Sultanate's traditions are embraced and considered out of respect for history and culture, however civil government structure and civil law takes precedence. Therefore this group of DIY Yogyakarta's government officials argues that

Yogyakarta regional government's organisational structure, laws, and practices do follow the civil law and any recommended guidelines as provided by the central government.

Section 7.1 of this study has highlighted the government structure of DIY Yogyakarta, further illustrated by Figure 7.1. The government structure of DIY Yogyakarta is one that recognises regional autonomy in all governing bodies (i.e provincial, regency, and city government) within the region. This suggests that each governing body is authorised to draft and establish its own tailored state asset management laws, policies, and technical guidelines; as well as determining the state asset management approach taken in conceptualising and implementing said laws and policies.

DIY Yogyakarta's experience regarding the authority of establishing specific state asset management laws, rules, and regulations is similar to the experience of Gorontalo regional government; in the sense that there are governing bodies within DIY Yogyakarta who has opted for adopting the national umbrella laws and delaying the establishment of specific state asset management laws, whilst there also others who have opted for establishing a specific set of state asset management law and technical guidelines. However there is a point of different to the Gorontalo regional government's experience. DIY Yogyakarta governing bodies that have opted for direct adoption of the national umbrella law in state asset management, and hence do not have a specific state asset management law, addresses state asset management matters in an alternate way. Instead of having a law that specifically addresses the state asset lifecycle and its management, the governing bodies have outlined the task and functions of divisions who specifically addresses state asset management related matters within another law – for example regional finance management laws. The experiences of each governing body within DIY Yogyakarta with state asset management laws and policies are detailed in the following sub-sections.

7.3.1 Yogyakarta Provincial Government

Yogyakarta provincial government have chosen to establish its own specific set of state asset management laws and regulations. Interviewees identified that the traditional Javanese Sultanate way of doing things is a strong influence in every aspect of governing, in particular as there is a high level of respect and loyalty from the Yogyakarta's society for their king. This has, more often than not, led to confusion and uncertainty in the best action (or practice) to take when making decisions. This experience has led interviewees

from the Yogyakarta provincial government to believe that such specific laws are necessary, not only because it exercises their authority in congruence with decentralisation and regional autonomy, but also to mitigate any potential challenges or confusion caused by the duality of governing. Interviewees believe that strict separation of rules and regulations in state asset management is even more crucial, in particular as state asset management is considered to be a new concept to be learned and implemented by Yogyakarta government officials. As stated in Box 7.1, the newness of state asset management reform seems to be approached as an opportunity as well as a cautionary measure within the Yogyakarta provincial government cohort.

Box 7.1 State Asset Management Reform as an Opportunity and Cautionary Measure

“...this new state asset management reform is actually quite a good opportunity for us. To really be an independent government I mean, without really being under the influence of the Sultanate Javanese ways. I mean we cant escape from it, its part of our culture, our upbringing, etc; but the thing is, we have never really had a state asset management law before (this reform-red) so this is like a fresh new start, and we [the provincial civil government –red] can shape it in our way...”

“...I think its good that we have our own laws in state asset management, it means that it is independent and tailored to us, but then again we also have to be careful. We don't have it [state asset management laws –red] in the past, so maybe people will be more cautious...and here, when people are unsure they normally look for something familiar, like our culture or usual way of doing things, which can be linked to the sultanate ways. So we have to be careful that it does not result in our government officials actually using traditional laws as a reference point...”

Box 7.1 provides several insights into the influential role that political history and traditional culture play in the conceptualisation and implementation of public policy in DIY Yogyakarta, in particular in reference to state asset management. The sub-sub sections below outline the various continuous efforts and challenges faced by the Yogyakarta Provincial Government cohort.

7.3.1.1 State Asset Ownership and Legal Paperwork

Yogyakarta Provincial Government cohort has identified the continuous efforts in ensuring the legality and ownership status of each state asset as a main challenge in implementing state asset management reform.

Interviewees identified state asset ownership as a major issue in Yogyakarta provincial government; in particular as according to history (see section 7.1 of this chapter) there is belief that all state assets once belonged to the Sultanate. This challenge is further heightened as DIY Yogyakarta is classified as an 'old' regional government; its establishment date dating back to the 1945s, and yet prior to the introduction of state asset management reform in 2006 there is an absence of a formal state asset management practice. Hence crucial state asset information such as ownership, utilisation, and current condition, are largely undocumented or organised in a systematic manner. Furthermore, the potential size of DIY Yogyakarta's state asset wealth is unknown, with, according to DIY Yogyakarta cohort's opinion, being estimated extremely high. This further complicates and prolongs the process of identifying state asset ownership and any other information relating to it.

Due to the above reason interviewees have agreed that having a Yogyakarta provincial government specific state asset management laws and regulations would be beneficial, in particular as the law is deemed to provide strict guidelines in categorising whether a state asset is in fact under the ownership, jurisdiction, and management of Yogyakarta provincial government.

The Yogyakarta provincial government has identified three fixed state assets that are of main concern: state-owned housing, building, and land. The main problem, according to interviewees, is that there has always been a silent struggle between the provincial government (civil) and the sultanate regarding ownership and management rights. Such 'silent struggle' is the product of:

a) Political history and the belief that all land, building, and residencies were originally of the ownership of the Kingdom/Monarchy prior to Indonesian Independence Day.

b) The duality in governing that is the bureaucratic culture of DIY Yogyakarta – the Governor is both the head of the civil government and the Sultan of the Javanese Sultanate.

The ‘silent struggle’ for state asset ownership between the civil government and the Sultanate is illustrated by interviewees in Box 7.2.

Box 7.2 ‘Silent struggle’ of State asset ownership between Civil government and Sultanate

“...Land, building, homes – these have always been our main problem...because you know, everything belonged to the Sultanate and the monarchy before hand, and so some people think that technically its all still part of the sultanate, but of course its not, and so it becomes confusing who owns what...”

“...The Sultan himself may be a bit conflicted at times, that is to say, he is the governor and the sultan, so sometimes he has to think what is best for the province, not saying he is biased or incompetent, but I cant deny that this duality can sometimes be confusing and causes problems...”

“...The main problem is, we [Yogyakarta provincial government –red] don’t really know what we own. And if we don’t know what we own, then how can we manage anything? Every time we decide on taking an action on one of the state assets we have to be very careful, make sure that its ok with both the national law and sultanate. Sometimes it can get exhausting and confusing, and it means that everything is slowed down...”

Due to the challenges faced by Yogyakarta provincial government regarding the ownership and management 'rights' of fixed state assets, specific state asset management laws that addresses the management of the three fixed state assets are established. These laws and/or regulations are:

1. Yogyakarta Provincial Government Governor Decree 2007/2004 regarding state-owned housing and residences.
2. Yogyakarta Provincial Government Governor Regulation 161/2009 regarding the maintenance of state-owned assets, in particular fixed state assets.
3. Yogyakarta Provincial Government Governor Regulation 49/2010 regarding the disposal (and related activities) of state-owned buildings
4. Yogyakarta Provincial Government Governor Regulation 110/2010 regarding the change over and/or hand over of ownership of state-owned buildings
5. Yogyakarta Provincial Government Governor Regulation 60/2010 regarding the disposal (and related activities) of state-owned land and housing/residences.

The length, in terms of number of clauses and sections, of each law varies; however the main message is clear: there is strict regulation for each state asset management lifecycle stage in order to limit or mitigate any potential confusion. In particular there is an emphasis on the need for a check and balance procedure (in maintenance, disposal, and change of ownership lifecycle stages) which involves the consultation and approval of many government officials and government bodies. This includes:

- a) The People's regional representative (DPR),
- b) The Head of the income, regional finance, and state asset management Body
- c) The Regional secretary
- d) The Governor

It is also emphasised that there is a need for detailed recording of events (i.e process of approval, comments, etc) in a 'memorandum', updated inventory entry, and accounting reporting. The main message of these laws suggests positive and negative implications.

A. Positive Implications

The message behind Yogyakarta’s specific state asset management will further explicitly provide guidance to state asset management related actors and the society, as well as signalling (the potential of) a more sophisticated state asset management understanding and system. This is evident through the specific procedure addressing identified challenges in state asset management and within stages of the state asset lifecycle – all of which are considered to be assumed knowledge and practices in other regional governments (i.e maintenance). The positive implications of establishing specific state asset management laws is expressed by Yogyakarta provincial government officials in Box 7.3.

Box 7.3 Positive Opinions regarding Specific Yogyakarta Provincial Government SAM Laws

“...To a certain extent its good, because you know, we know exactly which laws to refer to, and it is quite clear...these are the steps that needs to be taken, this is who the document goes to, etc...”

“...I like it, because it gives me an exact structure where I know what is the next stage, and I know which law to go to when I need to consult things, and these laws are much shorter – they are about 2 or 3 pages, not the usual book length, so its very easy to read, understand, and implement...”

B. Negative Implications

Although there are positive implications to the key message of Yogyakarta’s specific state asset management laws, there are also negative implications.

The first negative implication is *the intricate and perhaps complex, multi-layered checks and balances processes* that may prove to be more of a disadvantage. The check and balances process is illustrated in Figure 7.2.

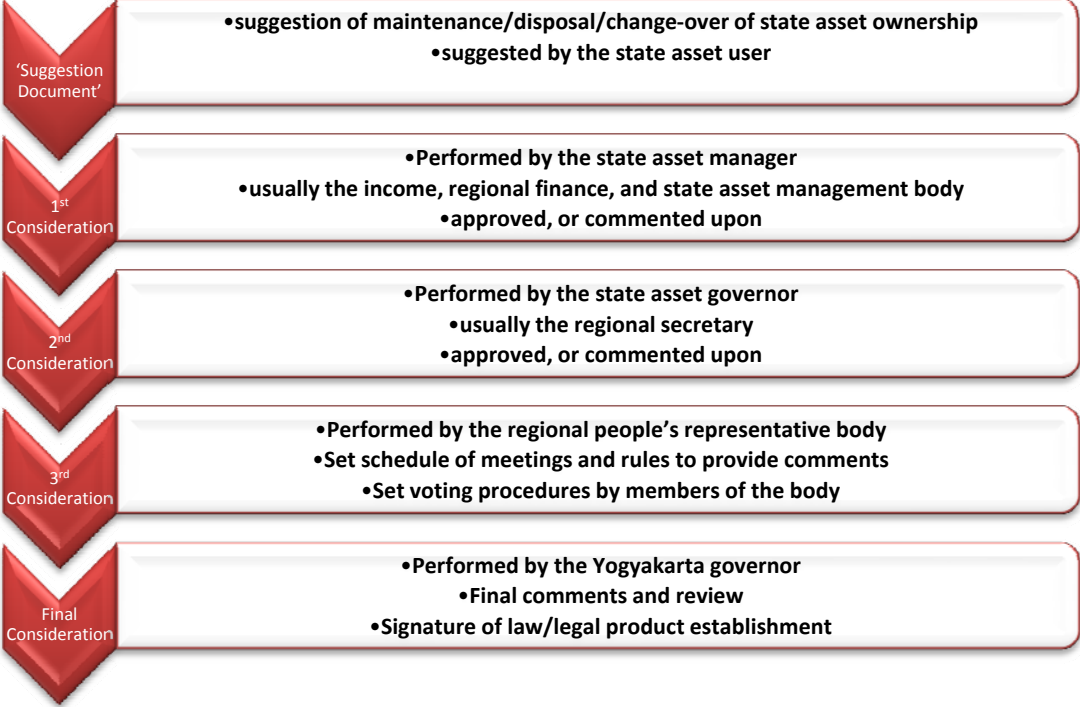


Figure 7.2 Processes of Law and/or Legal Product Establishment in Yogyakarta Provincial Government

Figure 7.2 provide a step-by-step process that a state-asset management related document (in particular maintenance, disposal, and change of ownership) must go through, where the length of time taken to complete the process is dependent upon factors such as: availability of government officials, comments and feedback given to the document, meeting schedule of the regional people's representative, and the inclusion of any suggested revisions.

Furthermore, the prolonged process of law and/or legal product establishment in Yogyakarta Provincial Government is perceived by some – both officials of the government and the Finance and Development Supervisory Agency – as a sign of *red tape in bureaucracy and inefficient*. This second negative implication is further illustrated by Yogyakarta provincial government officials in Box 7.4.

Box 7.4 Negative Opinions regarding Specific Yogyakarta Provincial Government SAM Laws

“...the concept is good, i think, but the thing is, it makes everything so slow and its almost like an excuse for things taking time to happen...for example there are times when i ask about what is happening or what progress has been made, the reply is something like...well the regional secretary is not in office because he is travelling, or not all members of the regional representative were present for the last meeting so they couldn't take a vote, etc...”

“...well it does make sense to have the separate laws because even I'm sometimes confused of whether the house in so and so address is under our jurisdiction or the sultanate, but yes it does create a longer processing time and some times, because it does take a long time, it becomes an 'old case', something that happens over a year or two instead of a month – that is not efficient...”

It is clear from the comments in Box 7.3 and Box 7.4 that there are divergent opinions regarding the implementation of specific state-asset management laws. Such a divergence in opinion supports the observation made throughout the interview process, whereby a potential discrepancy between good governance conceptualisation within SAM laws and the understanding and implementation of said SAM laws is identified.

7.3.1.2 Uncertainty in State Asset Related Role and Task Description

Yogyakarta Provincial Government has identified **uncertainty in state asset related role and task description** as another area of continuous effort and challenge within the process of implementing state asset management reform. Such a challenge is deemed justified by Yogyakarta Provincial Government officials as state asset related roles were non-existent until the introduction of the reform (in the year 2006). Hence the introduction of state asset related roles and positions is considered to be a new addition to the government body and organisational structure, one that needs to be fully embraced and understood, yet is addressed with limited – almost non-existent – experience.

In response to this, the Yogyakarta Provincial Government has established a specific law in order to address the challenge. The law in question is Yogyakarta provincial government Governor Regulation 37/2010, which addresses the task and functions of the Income, Regional Finance, and State Asset Management Body. This law discusses:

- a) General state assets definitions and considerations,
- b) State asset management life-cycle,
- c) Identification of state asset related actors and detailed job description.

Upon document analysis, it is concluded that the Yogyakarta Provincial Government Regulation 37/2010 is structured in a differing manner if compared to the state asset management national umbrella laws (Law 6/2006, etc). The Yogyakarta Provincial Government state asset management law does not follow the state asset life-cycle structure; rather it details the task and functions of a state-asset related division, sub-divisions, and actors within the Income, regional finance, and state asset management Body. That said however, a more in-depth analysis of the law reveal that each clause or section that details the task and function of a division or sub-division within the governing body corresponds, or seems to be designed, to a particular stage of the state asset lifecycle.

For example within the Income, regional finance, and state asset management body there is a planning and budgeting (of state assets) division, a procurement and/or acquisition division – which within it exists a utilisation allocation (of state assets) sub-division, a securing and maintenance division, and a disposal division – within which exists a change-over/hand-over sub-division. The titles of these divisions, and the detailed task and function of each one, can be directly correlated to stages within the state-asset lifecycle. This raises an interesting question surrounding the best practice in state asset management law structure, in particular as there seems to be two structures adopted by regional governments (including Gorontalo and DKI Jakarta): a) state asset lifecycle stage as per the state asset management national umbrella laws, and b) task and function of state asset related actors and/or bodies.

Interestingly, when Yogyakarta Provincial Government officials were asked to comment on the structure of relevant state asset management laws, there was a collective response that the reason behind the specific law structure is an attempt to combine national

umbrella laws and any relevant technical guidelines established by the central government in order to streamline the amount of laws and regulations that a government body have to refer and adhere too. This opinion is evident in Box 7.5.

Box 7.5 Yogyakarta Provincial Government comments on Task and Function Structure of SAM Laws

“...to be honest with you, we need to have clear guidance on what is our task and function. I am a low level government official – my job is not to think of laws and regulations and concepts; that is the job of people that are higher up than me. My job is to make sure that i do my job right, and look after these assets, and how am I going to do that if I have to keep on finding out which law i have to implement, which guidelines i have to go by? This structure is easier; it tells me what to do in one document...”

“...one of the main challenges in state asset management, and this is not only in Yogyakarta, this is a national problem i think, and come to think of it not only in state asset management but also in every other area...there is just too many laws, regulations, decrees, guidelines, etc to refer to, to compare to, to ensure compliance to. And our situation [the sultanate dual government – red] does not make it easy...thats why we need just one document, for a change, that will provide our officials with everything they need to do their job properly...”

Box 7.5 provides an interesting viewpoint to the structure of state asset management laws, especially for a regional government body who is continuously being challenged in managing the civil and Javanese/Sultanate governing laws and policies. Box 7.5 also provides an interesting viewpoint if compared to the opinions of other interviewees from other regional governing bodies – both within DIY Yogyakarta and outside of DIY Yogyakarta. It is interesting to see the contrast in opinion, for Box 7.5 suggests an awareness of any related state asset management legal products and the need for a more streamlined approach – yet previous comments from other interviewees regarding awareness of state asset management laws have highlighted an incomplete ‘rules of the game’ to state asset management practices. That said, there is an agreement between other interviewees and those of Yogyakarta Provincial Government officials, in the sense that there is, in general, a high level of confusion as to which law and/or regulation should

a regional government body adhere to, due to the numerous and overlapping laws governing a particular state asset.

7.3.2 Sleman Regency

Sleman Regency prove to have an interesting opinion regarding state asset management laws and regulations, whereby they have decided to not establish specific state asset management laws but follow and directly implement the national umbrella laws. Similar to North Gorontalo regency, Sleman regency also subscribe to the 'learn before you create' school of thought. Sleman regency government officials believe that at present (time of writing) there is insufficient knowledge and experience in the field of both state asset management practices and law writing/drafting. This opinion and school of thought rang clear throughout interviewees' comments, as evident in Box 7.6.

Box 7.6. Sleman Regency government official opinion on Specific SAM Laws

"...We have chosen, and I mean knowingly chosen, to not have specific state asset management law at this point in time....why? well because to be honest with you, it is such a long and drawn out process, that if we wait for it to be properly written, approved by everyone that has to approve it, and having it voted by the people's regional representative, then state asset management wont be happening until a long time...and we cant have that"

"...I don't think we should be making those [state asset management-red] laws, not yet. We are not ready. What do i know about how to create and draft laws? Nothing. My knowledge of state asset management itself is minimum, i only know, i have to comply to this regulation, make sure its reported properly, thats it. Let them [central government-red] figure it out. The home affairs ministry has released a guide to be used by all regional governments. Why waste money and resources trying to re-create the same thing?"

"...no, we are not ready to make one [state asset management laws-red] yet, we still need to learn by doing, figure it out via trial and error, of what works for us and what doesn't. In the meantime we increase our knowledge and skills, and then after a period of trial and error, we figure out what will be in our specific state asset management laws..."

Following on from the comments in Box 7.6; Sleman regency government have identified three objectives during their directly implementation of state asset management national laws:

- a) Learning how to interpret and implement its clauses to day to day governing, through the means of a trial and error framework
- b) Increase knowledge and capabilities regarding the complexity of state asset management best practice
- c) Increase knowledge and capabilities regarding law writing and/or drafting

The Sleman regency government officials have also stated plans in performing a comprehensive evaluation on whether or not to see there is a need to 're-adapt' the national umbrella laws to specific regency conditions.

There is an interesting twist to Sleman Regency's approach to state asset management law however, where although they have put forward a justification for the absence of specific state asset management, Sleman regency have in fact established sections/clauses that discusses state asset management within other management related law.

This is evident in Sleman Regency Head Regulation 7/2008 regarding Regional Financial Management, where within the law Chapter 11 (containing 6 sections and approximately 33 articles) addresses regional resource and state asset management. Specifically within Chapter 11, section 5, Paragraphs 1-11, Articles 105-128 are dedicated to detailing laws that govern state asset management in Sleman regency. The structure of this section and corresponding articles *follow the structure of national umbrella laws*, in the sense that each paragraph corresponds to a stage in the *state asset management lifecycle*.

Sleman regency also has established Sleman Regency Head Regulation 33/2009 which explains the task and functions of the Regional financial and state asset management Body, and in particular details the task and functions of each division and/or sub-division. Further document analysis show that the task and function of each division and/or sub-division corresponds to the definition or activities commonly found in a particular stage within the state asset life-cycle. The structure of Sleman Regency Head Regulation 33/2009 is akin to that of Yogyakarta provincial government Governor Regulation 37/2010, both subscribing to the task and function of state-asset related division law structure.

Comparing the two state asset related Sleman Regency Head Regulations above, it seems that Sleman regency have not subscribed to one law structure, however have subscribed to two. This is potentially a further signal to their readiness and/or knowledge in establishing specific state asset management laws. However it also adds to the dialogue of which law structure corresponds to higher level of state asset management implementation and/or state asset management best practice.

7.3.2.1 State Asset Management experience in Sleman Regency

Government officials of Sleman regency have identified the external audit body's quarterly opinion as a yardstick for the level/quality of state asset management practice, which is similar to other regional government bodies involved in this study. Based on the external audit body's opinions available during the data collection period of this study, it can be concluded that, at the time of writing, the level of compliance towards state asset management related laws and policies in Sleman regency is suggested to be high. It is interesting to observe this, in particular as Sleman regency interviewees have identified an absence in specific state asset management laws.

The above observation raises two streams of thought in regards to what is considered to be a 'regional specific state asset management law':

Firstly, if the definition to regional specific state asset management law is the presence of legal articles governing state asset management found within any laws and regulations established by a regional government, then Sleman regency does, in fact, have specific state asset management laws. At present there is proof of legal articles that govern state asset management within a legal document established by Sleman regency (i.e a regional government), however does not specifically mention state asset management in the law title.

Secondly, if the definition of 'regional specific state asset management law' is a legal document that is established by a regional government, specifically read *state asset management* in its (law) title, and only refer to state asset management related matters (i.e division, actors, state asset lifecycle) within its contents,; then Sleman regency interviewees' are correct in their opinion - that Sleman regency does not have a specific set of state asset management laws. At present there is an absence of a legal document

that specifically reads 'state asset management' in the law title and/or contain information regarding state asset management matters only.

The determinant factor(s) of what is considered to be 'specific regional state asset management laws' is important, in particular for the learning purpose of what factors contribute or play a role in conceptualising and implementing best practices in state asset management.

7.3.3 Similarities and Contrasting Experiences in State Asset Management between Governing Bodies in DIY Yogyakarta

7.3.3.1 Law Structure Preference

There is an interesting similarity between the views of Yogyakarta provincial government and Sleman regency government regarding their preference of state asset management law, policies, and technical guidelines structure. Both government bodies have also expressed a preference for task and function (of divisions, sub-divisions, and state asset related actors) structure as opposed to state asset lifecycle activities structure. Sleman regency government officials resonated reasons provided by Yogyakarta provincial government, choosing the task and function structure as it provides more of a technical guidelines atmosphere to the law and allows state-asset related actors to have clarity on daily tasks and functions.

Sleman regency government officials believe that the task and function law structure is a more down-to-earth approach than those of the national umbrella laws, and more importantly are in a language that is deemed to be more explicit and instructive. Based on Sleman regency government official's opinion regarding law structure and furthermore their ability to pinpoint the justification of such preference, it seems that, and perhaps without fully realising it, Sleman regency have learnt from directly implementing national umbrella laws – and have, to a certain extent, provided an insight on their ideal for a set of specific state asset management laws.

Yogyakarta City supports the adoption of a task and function state asset management law structure, evident in the Yogyakarta City Mayor Regulation 10/2008 regarding the tasks and functions of the building and regional state asset body. Yogyakarta City government

officials also provide similar justifications in adapting such a structure; however one justification in particular is of high interest; as illustrated in Box 7.7.

Box 7.7 Yogyakarta City Justification for Task and Function SAM Law Structure

“...if you want to make sure that all the low level asset managers know what they are doing, you need to have a task and function structure. Why? Because they are afraid to ask anyone, let alone their seniors, on what they are supposed to do – if they do not understand. So you have to make it clear to them what you want them to do...”

“...if we apply the Hofstede model, I think the reason why we need such a detailed task and function structure is because we are a high uncertainty avoidance and high power distance society. Look at us, we have so many laws and decrees trying to govern state assets because we do not want to be uncertain about anything. My staff is afraid to ask me anything and they are more reliant on guidelines. So because of this, we need to have a very detailed task and function structure in our laws...”

Box 7.7 suggests that the reason for the preference in task and function state asset management structure is due to society characteristics – one that does not favour uncertainty and one where a gap between lower level and high level officials exists. These characteristics can be explained by Hofstede’s (2001) cultural dimensions, in particular uncertainty avoidance and power distance. Therefore in the discussion of which state asset management law structure correlates to best practice in state asset management, it seems that society characteristics – which stems from cultural dimensions/characteristics – needs to be highly considered.

7.3.3.2 External Audit Body Opinion and Level of State Asset Management Reform

Sleman regency government has professed its incomplete approach to specific state asset management laws. That said Sleman regency government have also specified their preference of state asset management law structure, and content and language of sections and clauses within it. To a certain extent the Sleman regency’s ability to identify their preference in specific state asset management structure and content suggest a forward movement within the context of state asset management reform. This observation is further justified as according to the available external audit body report

during the data collection period of this study, Sleman Regency received the highest possible opinion – which suggests high level/quality of state asset management practice. Yogyakarta City government, like Sleman Regency government, also received highest possible external audit body (at the time of writing).

Yogyakarta Provincial Government have also established specific state asset management laws that follows the structure of task and function of state-asset related division and sub-divisions;. Yogyakarta Provincial Government has identified the effectiveness of said structure in assisting state-asset related actors in navigating through the intricate complexity of a dual governing (civil and sultanate) system. Yogyakarta provincial government's realisation in how its political history and societal culture impact the implementation of public policy (in this case state asset management) also indicates forward thinking in state asset management reform. In contrast with Sleman regency however, Yogyakarta Provincial government received second best possible opinion from the external audit body (in the available report during data collection period). This suggests that, according to the external audit body (at the time of writing), there is room for improvement in the level of state asset management practice.

7.4 Good Governance within the Implementation of State Asset Management in Special Region Yogyakarta Government

The extent of good governance conceptualisation within state asset management, understanding and implementation, based on the good governance evaluation matrix in Chapter 8, is found to be varying across the three regional governments of DIY Yogyakarta involved in this study.

Interestingly, there is a variance in the level that good governance principles are conceptualised, understood, and implemented within state asset management law across the region; however there is a consistency in which good governance principles are conceptualised, understood, and implemented.

The good governance evaluator matrix, found in Chapter 8 of this study, suggests that good governance principles transparency, regulatory compliance, and stakeholder participants are the three most conceptualised, understood, and implemented in all three DIY Yogyakarta regional governments involved in this study.

Transparency has been a forefront in all DIY Yogyakarta government interviews, whereby there is evident emphasis of transparency and its conceptualisation. Transparency principle was the first good governance principle that each DIY Yogyakarta government official interviewee mentioned and explained when asked to provide opinion regarding good governance within state asset management. Regulatory compliance and stakeholder participation being identified as a good governance principle that is highly conceptualised, understood, and implemented is slightly surprising, in particular as neither principles are emphasised by the Directorate General of State Assets in their roadmap to strategic state asset management. However, when considering the political history of Yogyakarta special region and the associated challenges in state asset management as identified throughout this chapter, there is high reasoning as to why both regulatory compliance and stakeholder participation are one of the highly conceptualised, understood, and implemented good governance principle.

First of all, due to the identified high level of ambiguity in state asset ownership and management rights caused by the duality in government (civil and sultanate), there is a high need for regulations that govern and identify the ownership and management rights of a state asset. Furthermore, without high level of compliance the ambiguity in state asset ownership and management rights will not be solved, which will cause further challenges in state asset management reform.

Secondly, related to the first reason, Yogyakarta special region governments recognise the presence of another stakeholder that plays a large role in their state asset management: the Sultanate. Although Yogyakarta provincial government recognise the need to have definite boundaries between civil government and the sultanate in terms of laws and regulations, and in particular state asset ownership and management rights; it can not be denied that socially and philosophically, the political history of Yogyakarta plays a large role in the mind-set of the government officials – not as government officials of a civil government so to speak, but more as part of a society that is inexplicably part of special region, a kingdom, ruled by the Javanese manners of life, and ultimately subjects of the Sultanate. This complexity is found in all Yogyakarta special region government official interviews, where all have expressed a certain level of intricate contradiction, for they feel that they are a civil government servant as well as a member of a region that is a kingdom.

Therefore the Yogyakarta regional government officials felt that they needed to acknowledge the Sultanate as another stakeholder in their state asset management practices, as well as others that are usually considered to be a stakeholder by a regional government, in an attempt to satisfy the intricate contradiction in ‘duality of identity’ experienced by Yogyakarta government officials. This also serves as a reminder of the ambiguity that surrounds state asset ownership and management rights; for Yogyakarta provincial government officials believe that increased awareness of their governing duality and ambiguity would assist in achieving clarity in good state asset management practices.

7.5 Challenges in State Asset Management reform in Special Region DIY Yogyakarta Government

The challenges that Yogyakarta regional government faces in implementing state asset management reform are numerous. DIY Yogyakarta interviewees have identified challenges that are experienced uniformly throughout the Province, as well as challenges that are specifically faced by a regional government body. These challenges are discussed in the sub-sub sections below, categorised by the type of challenge faced.

7.5.1 Role of Political History

One of the main challenges that are uniformly felt and expressed by DIY Yogyakarta government officials is related to the role of political history in day to day governing and the reason why the DIY Yogyakarta was awarded a ‘special region’ status: the duality in governing. The duality in governing, as explained and discussed in section 7.1 and 7.3 of this chapter, highlights the duality in the function of the head of the region, whereby the Governor for Yogyakarta Special Region is also the Sultan for the Yogyakarta Hadiningrat Sultanate.

The duality of government structure play a role in state asset management reform by increasing difficulty that DIY Yogyakarta government officials face in determining the ownership and management rights of a state asset. The political history of DIY Yogyakarta highlights that prior to the Dutch colonisation Yogyakarta was a kingdom who owned and managed all within the jurisdiction (land). With the continuation of the Sultanate line after the Indonesian Independence Day, there is still a perception that, to a degree, and by

right, the Sultanate owns the lands and everything within it, and not the civil government. Therefore DIY Yogyakarta government officials are more often than not uncertain of who has the ownership rights of a state asset, and thus who has the management responsibilities of a state asset.

Political history also plays a role in the conflicting loyalty that is at times evident in not only the DIY Yogyakarta government officials and/or state asset related actors, but also in the society. According to political history all citizens or residents of DIY Yogyakarta were once part of a kingdom (prior to Dutch colonisation) and are thus loyal to their king and the traditional rituals or ways of the Sultanate. DIY Yogyakarta government officials have identified that many within the governing body still connects with the perception and ideology of being a royal subject, mainly due to the fact that the their leader is of dual identity: civil government governor and Sultan of the Sultanate. Therefore they still feel that they are serving their king, and thus the ingrained perception of being loyal to the king and his ways continuous to be a constant consideration in day to day governing. As mentioned prior, the Indonesian society is classified as that of high collectivist, high power distance, and high uncertainty avoidance by Hofstede (2004). These characteristics further strengthen the bond between civil government officials and the Sultanate, for there is a higher tendency to act as a group and follow the lead of their leader. As their leader is of dual loyalties, it therefore explains why his 'subjects' are also of dual loyalties.

It is therefore concluded, that in DIY Yogyakarta government political history is a strong impediment variable to the implementation of state asset management reform in three ways:

- a) Uncertainty in state asset ownership and management rights,
- b) Conflicting loyalties of state asset management related actors,
- c) Conflicting participation of third parties and/or society.

7.5.2 Incomplete State Asset Reporting System

The second challenge faced by DIY Yogyakarta government is the incomplete state asset reporting system up until the introduction of the state asset management reform in 2006.

As discussed in prior sections, DIY Yogyakarta government is considered an 'old' government, its establishment date as a civil government dating from Indonesia's Independence Day in 1945. Its establishment date as a Sultanate/Kingdom however dates back to prior the Dutch Colonisation, approximately the 16th century. Coupled with a vast area size, the amount of state assets located in DIY Yogyakarta government is high, yet up to 2006 there has been an incomplete reporting system of state assets within the jurisdiction. Although this challenge is also found in all regional governments involved in this study, incomplete reporting of state assets in DIY Yogyakarta government heightens the complexity of determining who has the ownership rights of the state asset, due to political history reasons as discussed in section 7.5.1 and 7.3 of this chapter.

In DIY Yogyakarta government there are incomplete records of, particularly, fixed state assets such as land and buildings ownership, valuation, and condition report. Therefore one of the many challenges that all Yogyakarta regional governments must face is the ability to determine ownership of state assets and ensuring that each state asset has complete ownership certificates and other legal certifications. However the determination of state asset ownership proves to be a challenge, due to the belief that, due to political history, that most, if not everything within the Yogyakarta jurisdiction (in particularly), were, and perhaps are still, under the ownership of the Sultanate.

DIY Yogyakarta regional government officials have expressed their uncertainty and frustrations in this matter, for there are high ambiguity of 'who owns what and who manages what'. Therefore there is a fundamental challenge of ownership clarity, which, is actually a double edged sword for it has a *positive and negative potential impact on state asset management practices*.

A **potential negative impact** is that without ownership and management rights clarity, state asset related actors does not have a foundation for implementing state asset management practices, in the sense that they are uncertain of who (or what) to apply state asset management laws on to.

A **potential positive impact** is one that perhaps contradicts stewardship and state asset management theories. The 'confusion' of ownership, fuelled by the belief that each citizen/society member (who, inevitably, are what government officials are also part of) is also a member of a kingdom/sultanate, evoke a responsibility emotion within each DIY Yogyakarta government officials to ensure that 'belongings' of the kingdom are to be

treated with most care and its sanctity ensured. Such powerful emotion may just be the key that actually increases the level of stewardship felt by state asset related actors.

The justification for the above inference is that even if DIY Yogyakarta government officials are uncertain of the legal ownership of a state asset, they are bound to the belief (and perhaps unconsciously) that the state asset is potentially under the ownership of the Sultanate, and thus it is their social responsibility, as 'subjects' of the kingdom to care for the state asset.

Hence indirectly, and perhaps unknowingly, state asset related actors, or perhaps more correctly in this role – the society, is already implementing the main 'care' principles that is state asset management.

7.5.3 Role of Traditional Societal Culture 'Way of doing things'

The conflicting loyalties of state asset management related actors, is, to a certain extent, a continuation from the first challenge (section 7.5.1 of this chapter). However, the difference here is that the second challenge 'takes place' after clear determination of state asset ownership and management rights. The conflict in loyalty is evident in the form that some state asset related managers, as illustrated by interviewees, sometimes are still conflicted between applying civil government law or the traditional Javanese way of doing things. The decision of which law to implement has the potential for different outcomes and igniting different reactions from the society, therefore the state asset related actor, due to its high uncertainty avoidance nature (Hofstede 2001), is more often than not uncertain about which path to take, which causes lengthy processes in state asset management matters.

A brief analysis of the civil government law and Sultanate law in treating a state asset related matter does suggest differences. A main example of this is state-owned houses, in particular regarding the utilisation and disposal stage of the lifecycle.

The Yogyakarta provincial civil government law for state-owned housing clearly states the guidelines of who have the rights to living in a state-owned house and the terms relating to maintenance, rent, sanctions, as well as guidelines on when a state-owned house should be 'returned' to the regional government – for example when a regional government is no longer in a particular position, death, etc. Therefore by civil law, if a

regional government official is no longer in his or her position due to retirement, relocation, or redundancy; or has suffered from death, then the state-owned house that they, and perhaps also their family/families, have lived in needs to be 'returned' to the regional government so that it can be utilised in other ways.

Although the above may make sense in the civil law, and in state asset management practices, it is in fact considered to be 'cruelty' and 'disrespectful', for it breaks, or is in conflict, with one of the oldest, most upheld Javanese tradition known: the responsibility of looking after 'family'. It is believed by the DIY Yogyakarta society that all of Yogyakarta's citizens are part of (or are subjects of) the Sultanate, which means that there is a belief of 'one big family' and the need to ensure prosperity of every member of the family. Hence not allowing the retired regional government official a home, or him/her having to return the home he/she has lived in for all the time she/he has served the government/sultanate/community, is deemed to be inappropriate behaviour.

The same view/belief is upheld when there is a regional government official's death (in particular senior government officials) and their immediate family is, under civil law, pressured to return the state-owned house to the regional government. It is deemed to be 'cruel' to ask the family to give up the house they have lived in, all because it is written in black and white within a law – government officials are questioned in terms of their duty to 'look after the society' and their social responsibilities should they pressure the family to return the house.

It is therefore clear that societal culture and/or traditional way of doing this play a strongly influential role. This is evident in the conflicting loyalties and/or perspectives that state asset management related actors may have, in the sense that they consider themselves as part of both the civil government as well as the Sultanate, of which each identity dictates responsibilities and perceptions/values that are more often than not are in conflict with each other. Such conflicted 'emotion' is suggesting to be a challenge in state asset management practice, for it potentially impacts the decisions that they make in regards to any state assets and at times prolong any processes within the state-asset lifecycle.

8. The Good Governance Conceptualisation Evaluative Tool

An objective within this study is to evaluate the level of good governance conceptualisation within state asset management laws, policies, and technical guidelines in Indonesia. This objective is followed by the question of to what extent is an integrated governance and state asset management approach understood and implemented in Indonesia. In order to facilitate the process of answering both questions, it is crucial to perform an evaluation/analysis that compares each state asset management law, policies, and technical guidelines against the five *good governance* principles that are put forward in this study. This chapter aims to perform said analysis utilising a table/matriculation matrix, and provide observatory comments regarding the answer to both questions.

8.1 The Good Governance Conceptualisation Evaluative Tool

The good governance conceptualisation evaluative tool is a table/matrix, aiming to illustrate two goals:

- a) The level of good governance conceptualisation within sections and/or clauses of available (during the study) state asset management laws, policies, and technical guidelines.
- b) The level that an integrated good governance and state asset management approach (which are embodied within each state asset management laws and policies sections and clauses) is understood and implemented by state asset management related actors (i.e interviewees of this study).

To do so the good governance evaluator tool is set out as a matrix/table that compares both subjects/goals to all five good governance principles through coded symbols. It is important to note that in this thesis the term 'evaluative tool' is used in a general manner to gauge the strength or amount of attention given to good governance conceptualisation within reformed state asset management laws/policies; it is deemed as a surrogate measurement to a scientific method of evaluation of a particular variable within a context.

There are advantages of performing such an evaluation within a table/matrix. First of all the utilisation of a matrix as a comparison tool echoes the benefits of a matrix analysis as identified by Miles and Hubermann (1994), where they have recommended its use in qualitative studies as a pattern-identifier tool. Secondly such a matrix assists cross-case analysis, where Eisenhardt (1989) has emphasised the importance of identifying similar factors between case studies (i.e the existence of specific state asset management legal products where applicable) and performing further in-depth analysis by means of pattern-matching logic to draw conclusions. This method of analysis is akin to that of IPC – inferential pattern coding (Miles and Hubermann 1994), which has been commended to assist cross-case analysis studies, whereby it provides an overall picture of any. Thus the use of a matrix framework provide an overall picture of patterns and interesting comparisons of good governance principles conceptualisation and understanding within intra-regional government and inter-regional government, as well as provide a platform to answer the research questions of the study.

8.1.1 State Asset Management Law, Policies, and Technical Guidelines Evaluated

The state asset management legal products evaluated in the good governance evaluator tool were gathered through the public space (i.e internet) as well as those made available during on-site observations to all case studies involved in this study. Minimum state asset management legal product was found within the public space, however an abundance of state asset management legal products were provided during the on-site observation and semi-structured interviews. The available state asset management legal product varies between regional governments;

- a) no state asset management legal product (this is found in regional governments who chose to directly adapt the national umbrella laws),
- b) minimum state asset management legal product (one legal product - whether it is law, specific policy, or technical guidelines - only),
- c) abundant state asset management legal product (law, specific policies, technical guideline)

This variability is expected to be evident in the good governance evaluator tool, in particular through the uneven amount of state asset management legal product evaluated for each regional government. That said, such variability is an uncontrollable variable, for two reasons. Firstly due to decentralisation and regional autonomy regime, the level or amount of legal product(s) governing state asset management is tailored to the preferences of the regional government. Secondly, the amount of state asset management legal products made available during on-site observation and semi-structured interviews vary. Therefore the uneven number of state asset management legal product evaluated in the good governance evaluator tool is not considered to be a limitation of the evaluation process or observation/analysis process.

As each state asset management law, policies, and technical guidelines tend to be complicated documents – not to mention overly long – it is necessary to perform the evaluation on certain sections that are of highest relevance to the study. Hence sections and/or articles that contain general information regarding state asset management practices (such as what is considered to be state assets, who are state asset management related actors, definitions of state asset management, etc); as well as sections and/or articles that correlates directly to the state asset lifecycle (such as state asset planning, acquirement/procurement, maintenance, reporting, disposal, etc to name a few) are the main focus of the good governance evaluator tool.

8.1.2 Coding Rules of the Good Governance Evaluator Tool

The evaluation of good governance principles conceptualisation are based on several coding rules, as the provision of guidelines in how to use the matrix is of great importance (Miles and Hubermann 1994). The rules adopted are based on what are deemed to be best/good practices – both in the level of good governance conceptualisation as well as in the implementation stage. Determining factors of best/good practices are taken from asset governance related literature such as that of Kaganova and Peterson (2006), Cornish and Morton (2001), Woodhouse (2004), Kortelainen Kommonen, and Raikkonen (2006), and Mardiasmo Tywoniak Brown Burgess (2007). Based on the available literature on asset governance best practices, as well as state and or public asset management literature (primarily from the work of Kaganova 2006), the following guidelines for the good governance conceptualisation matrix are established and applied:

1. A confirmation of good governance conceptualisation (i.e a filled circle●) within state asset management legal product is provided on the basis of explicitness. The level of explicitness is defined as 'explicit mention of the good governance principle followed by clear guidelines or advice on how it can be evident during implementation'. Based on the two tier prerequisites within the level of explicitness definition – two levels of coding systems are established. These are:

a) One confirmation (●) is awarded if a good governance principle is explicitly mentioned within a particular section or article of the legal product.

b) Two confirmations (●●) are awarded if a good governance principle is explicitly mentioned AND clear guideline of how to ensure its evidence through implementation stage is provided.

2. As the confirmation of conceptualisation is based on the level of explicitness, it is therefore important to acknowledge the potential implicitness of good governance conceptualisation (or non-confirmation). Implicitness is further defined as 'implicit or no mention of the good governance principle, however the section or article's content show similarity to the characteristics to a particular good governance principle'. Again based on the breakdown of definition for implicitness, two levels of coding systems (Non-filled circles○) are established. These are:

c) A non-filled circle (○) is awarded if a good governance principle is NOT explicitly mentioned in the section/article of a legal document, however said section/article contain explanation or implementation guidelines that is of similar characteristics to a good governance principle. Hence *Implicit* mention and guideline is evident.

The purpose of the good governance conceptualisation evaluator tool/matrix is not only to evaluate the level of good governance conceptualisation within state asset management legal products, it is also a tool to evaluate the level of understanding and implementation within an integrated good governance and state asset management approach that is evident among state asset management related actors. This is evident by the sentence '**As understood and/or implemented**' underneath each Chapter or Article content within the state asset management law. It is therefore important to acknowledge that categorisation of symbols are based on the information provided by interviewees.

Drawing from the same sources utilised to source guidelines for categorisation of explicit/implicit evidence of a good governance principle within a state asset management law, guidelines regarding categorisation for evaluating the extent said good governance principle is understood and/or implemented are also established, as below.

3. Similar to guideline number 1 and 2, the confirmation of good governance conceptualisation within state asset management understanding and implementation is also based on explicitness, where explicitness in this criterion is defined as ‘ability to explicitly identify or acknowledge a good governance principle within state asset management practices, as well as provide a thorough account of how said good governance principle is evident in a particular activity of state asset management practice’. Again the above definition can be divided into two criteria, as below:

d) One confirmatory filled circle (●) is awarded if an interviewee is able to identify or acknowledge (the potential) conceptualisation of a good governance principle within state asset management practice, however said interviewee is unable to provide explicit examples or explain how it is evident in the state asset management practice.

e) Two confirmatory filled circles (●●) are awarded if an interviewee is able to identify or acknowledge a good governance principle within state asset management practice as well as provide explicit examples and explanatory of how it is evident in a particular state asset management practice.

f) A non-filled circle (○) is awarded if an interviewee is unable to explicitly identify good governance principle evidence within a state asset management activity; however said interviewees’ account and explanation of a state asset management activity prove to have components that are potentially similar to characteristics of a particular good governance principle.

g) A filled and non-filled circle (●○) mark are awarded if there is explicit mention of the good governance principle during interview however how its conceptualisation and/or evidence in implementation is implied.

8.1.3 Justification for the Good Governance Evaluator Matrix

This evaluation matrix is justified in the qualitative methodology analytical tools sense and is established in consideration of the various works in asset management and public/state

asset management literature. The matrix is to a certain extent is a pure comparison of state asset management general information and lifecycle against good governance principle; it is not clouded by potential/suspected impediment factors such as culture, organisational differences, resources disparity, or political intricacy. The matrix/tool allows users to simply categorise conformational filled circle/non-filled circle/cross based on document analysis and preliminary analysis of interview transcripts. It also allows the user to utilise the tool/matrix as a stepping stone to further in-depth analysis of comparisons and potential reasons for any emerging patterns. Therefore the matrix can be utilised in other asset management related studies, providing that document analysis and interviews are part of the methodology of the study.

Limitations for this matrix does exist, in particular if an asset management study does not include document analysis or interviews data collection method – however that said, if one was to use surveys instead of interviews for example, one can draw from the established categories but adapt interviewee’s opinions to become survey results instead. An advantage of this tool/matrix however is in its flexibility, in the sense that the tool/matrix does not have to be performed (or written) within a particular chapter or section of a thesis. In this study for example there is flexibility in utilising the matrix/tool on a case study by case study basis or compiled into a ‘master matrix’ that portrays all state asset management legal products and interviews involved (separated by case study ‘marker’) in the study.

The good governance evaluation matrix is applied to each regional government (regency/city/provincial government) involved as a case study in this study, of who have established any state asset management-related specific laws, policies, and guidelines. The application of the good governance evaluation matrix is separated by each regional government to ensure ease of reading and pattern-making.

Based on the categorisation codes as outlined in sub-section 8.1.2 of this chapter, Table 8.1 outlines the Key utilised for each subsequent good governance evaluation matrices in this study.

TABLE 8.1 KEY FOR GOOD GOVERNANCE EVALUATION MATRIX

Category	Conceptualisation of Good Governance within SAM Law/Policy/Technical Guideline	Understanding and/or Implementation of Good Governance based on Interviewee opinions
●	Explicit mention ONLY	Explicit mention ONLY
●●	Explicit mention AND Clear Guideline	Explicit explanation, understanding and/or implementation evident
●○	Implicit mention and guideline	Implicit explanation, suggest understanding and/or implementation
○	No mention, very loose/some relevance	No mention, very loose/some relevance
	Blank – not applicable or unable to answer	Blank – not applicable or unable to answer

8.2. Good governance Evaluation Matrix for Case Studies

Chapters 5-7 of this study Gorontalo Province’s government structure DIY Yogyakarta government structure, and DKI Jakarta government structure. The government structure of each Province dictates the role of decentralisation and regional autonomy; with decentralisation and regional autonomy found within each regional government (regency, city, provincial government) in Gorontalo and DIY Yogyakarta, and DKI Jakarta preferring a centralised structure.

Therefore the application of the good governance evaluation matrix is separated into each regional government, in recognition of specific government structure. This will not only allow for ease of reading and pattern-making, but also a platform for analysis on the role that organisational structure and decentralisation and regional autonomy play in state asset management reform.

Tables 8.2 to 8.6.4 outline the application of good governance evaluation matrix on each regional government involved as case studies within this study.

TABLE 8.2 GOOD GOVERNANCE EVALUATION MATRIX FOR GORONTALO PROVINCIAL GOVERNMENT

Central / Regional Government	SAM Legal Product	Section and/or Article	Good Governance Principles				
			Transparency	Accountability	Efficiency	Regulatory Compliance	Stakeholder Participation
Gorontalo Provincial Government	Governor Regulation 23/2007	Section 1 Articles 1-4. (Definition of state assets and SAM)	●	●	●○	●○	○
		Section 2 Articles 5-6 (Identification of SAM lifecycle and activities, SAM related actors)	●	●	●○	●○	○
		As understood and/or implemented	○	○	○	○	○
		Section 3 Articles 7-10 (Planning and Budgeting of state assets)			○	○	○
		As understood and/or implemented	●●	●●	○	●	○
		Section 4 Articles 11- 15 (Acquirement and/or procurement of state assets)	●	●○	●	○	○
		As understood and/or implemented	●	●	○	●●	○
		Section 5 Articles 16-20 (Storage and Distribution of state assets)	○	○		○	○
		As understood and/or implemented	○	○			
		Section 6 Articles 21- 24 (Usage and/or allocation of state assets)		○	○	○	○
		As understood and/or implemented	○		○	●	○

		Section 7 Articles 25 - 30 (Administration of state assets, including: recording, inventory, reporting)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
		As understood and/or implemented	●●	●●	<input type="radio"/>	●○	<input type="radio"/>
		Section 8 Articles 31 - 44 (Utilisation of state assets, including: criteria for utilisation and forms of utilisation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
		As understood and/or implemented			●○		●○
		Section 9 Articles 45 - 49 (Securing and Maintenance of state assets)	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>
		As understood and/or implemented				●○	
		Section 10 Articles 50 - 52 (Valuation of state assets)		<input type="radio"/>			<input type="radio"/>
		As understood and/or implemented				●○	
		Section 11 Articles 53 - 55 (Disposal and reporting deletion of state assets)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
		As understood and/or implemented	●	●●	<input type="radio"/>	●●	<input type="radio"/>
		Section 17 Article 87 - 88 (Hand-over or Change-over of state asset ownership)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
		As understood and/or implemented			<input type="radio"/>	●○	●○
		Section 13 Articles 82 - 83 (Training, Monitoring, and Controlling of SAM practices)	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	
		As understood and/or implemented					<input type="radio"/>

		Section 14 Article 84 (Funding allocated to state asset management activities)					○
		As understood and/or implemented	●○	●○		●○	
		Section 15 Article 85 (Insurance excess of state assets)	○		○		
		As understood and/or implemented				●●	

TABLE 8.3 GOOD GOVERNANCE EVALUATION MATRIX FOR GORONTALO REGENCY

Central / Regional Government	SAM Legal Product	Section and/or Article	Good Governance Principles				
			Transparency	Accountability	Efficiency	Regulatory Compliance	Stakeholder Participation
Gorontalo Regency	Gorontalo Regency Regulation 28/2008	Section 1 Articles 1 - 3 (General information: definition of state assets, SAM, SAM activities.)	●	●	●	●●	●
		As understood and/or implemented	●●	●●	○	●●	●
		Section 2 Articles 4 - 6 (SAM-related actors: identification, definition, and job description)	○	○	○		○
		As understood and/or implemented		●○	○	●●	
		Section 3 Articles 7 - 8 (Planning and Budgeting)			○	○	○
		As understood and/or implemented	●●	●●	○	●●	○
		Section 4 Articles 9 – 10 (Procurement and/or acquirement of state assets)	●	●	●	○	
		As understood and/or implemented	●●	●●	○	●●	●○
		Section 5 Articles 11 - 16 (Allocation (for utilisation) of state assets)	○		○	○	
		As understood and/or implemented	○	○	●○	●○	○
		Section 6 Articles 17 – 28 (Utilisation of state assets)	○	●●	○	○	●●
		As understood and/or implemented	○	○	○	●○	

		Section 7 Articles 29 - 33 (Securing and maintenance of state assets)	○	●●	●●	●●	○
		As understood and/or implemented				●○	
		Section 8 Articles 34 - 37 (Valuation of state assets)		○		○	
		As understood and/or implemented	●○	●○		●	
		Section 9 Articles 38 - 41 (Disposal and reporting deletion of state assets)				○	
		As understood and/or implemented	●○	●○	○	○	●○
		Section 10 Articles 42 - 60 (Change / hand-over of state asset ownership)	○	○	○	●●	●●
		As understood and/or implemented	●●	●○	○	●●	●●
		Section 11 Articles 61 - 66 (Administration (record keeping, inventory, and reporting) of state assets)	○	○		●●	
		As understood and/or implemented	●●	●●	●○	●●	○
		Section 12 Articles 67 - 68 (Training, Monitoring, and Controlling)		●●		●●	
		As understood and/or implemented	●●			●○	●○
		Section 13 Articles 69 – 71 (Other SAM related rules and regulations)				●●	●●
		As understood and/or implemented	●○	●○	○	○	●○
		Section 14 Article 72 (Insurance and sanctions)				●●	
		As understood and/or implemented	●○	○		●●	○

		Section 15 Article 73 (Transition of SAM laws)	○			○	○
		As understood and/or implemented	● ●			● ●	
		Section 16 Article 74-75 (Closing of state asset management regulation)				●	
		As understood and/or implemented					

TABLE 8.4 GOOD GOVERNANCE EVALUATION MATRIX FOR GORONTALO CITY

Central / Regional Government	SAM Legal Product	Section and/or Article	Good Governance Principles				
			Transparency	Accountability	Efficiency	Regulatory Compliance	Stakeholder Participation
Gorontalo City Government	3/2008 on Governing of Gorontalo City	Section 1 Article 1, Section 2 Article '2 Section 4 Articles 13 - 22 (specificities of Gorontalo City government Income, Regional finance, and State asset Body)				●	○
		As understood and/or implemented	●○	○		●○	○
		Section 4 Article 13 - 15 (Organisational hierarchy, tasks, and function of the Income, Regional finance, and State asset Body).	○	○		○	
		As understood and/or implemented	○	●	○	●○	●
		Section 4 Article 16 - 22 (Organisational structure within Income, Regional finance, and State asset Body)	○	○			○
		As understood and/or implemented	●○			●	
		Section 1 Articles 1 and 2 (Tasks and function of the Head of Income, Regional finance, and State asset Body)	○	○	●●	●●	
		As understood and/or implemented	○	○		●	○

		Section 2 Articles 1 - 8 (tasks and function of the Secretary of Income, Regional finance, and State asset Body)	○	●●	○	●●	
		As understood and/or implemented	○	●○	○	●○	○
		Section 3 Articles 1 - 8 (Task and function of the Income Division of the Income, Regional finance, and State asset Body)	○	○	○	●●	
		As understood and/or implemented	●			●	
		Section 4 Articles 1 - 8 (Task and function of the Budgeting and Treasury division)	○	○	●●	●●	○
		As understood and/or implemented	●○	●○		●	
		Section 5 Articles 1 - 8 (Task and function of the Accounting division)	●●	●●		●●	○
		As understood and/or implemented	●○	●●	○	○	
		Section 6 Articles 1 - 8 (Task and function of the State Asset Management division)	○	○	○	●●	○
		As understood and/or implemented	●○	●	●○	●	○
		Section 6 Articles 3 and 4 (Task and function of the Regional state asset / resource monitoring sub-division)	○	○		○	
		As understood and/or implemented	○	○	○	●●	○
		Section 6 Articles 5 and 6 (Task and function of the State asset investment sub-division)	○	○		●●	
		As understood and/or implemented	●○	●○	○	○	○

		Section 6 Articles 7 and 8 (Task and function of the General public service and regional-owned state enterprises sub-division)	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<input checked="" type="radio"/> <input checked="" type="radio"/>
		As understood and/or implemented	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>

TABLE 8.5 GOOD GOVERNANCE EVALUATION MATRIX FOR DKI JAKARTA

Central / Regional Government	SAM Legal Product	Section and/or Article	Good Governance Principles				
			Transparency	Accountability	Efficiency	Regulatory Compliance	Stakeholder Participation
Jakarta Special Capital Region	Regional Regulation 17/2004	Section 1 Article 1 (Definition of state assets, SAM, SAM actors, activities within SAM life cycle)	○		●●	●●	●●
		As understood and/or implemented	○	○	●○	●●	●○
		Section 2 Articles 2 - 3 (Intention and Objectives (goals) of state asset management practice)		●●	●	○	
		As understood and/or implemented	○	○	○	○	●●
		Section 3 Articles 4 – 6 (Position, authority, tasks, and function of appointed SAM-related actors)		○			●●
		As understood and/or implemented			○	●●	
		Section 4 Articles 7 - 15 (Planning and Procurement / Acquirement of state assets)	○	○	○	○	●●
		As understood and/or implemented	●○	●○	○	●●	●○
		Section 5 Articles 16 – 20 (Storage and distribution of (acquired/procured) state assets)		○		○	○
		As understood and/or implemented			○	●○	●●

		Section 6 Articles 21 – 24 (Inventory of state assets) As understood and/or implemented	○	○		○	●●
			●●	●●	○	○	○
		Section 7 Articles 25 – 29 (Maintenance) As understood and/or implemented	○	○		●○	●○
		Section 8 Articles 30 – 32 (Security) As understood and/or implemented				●●	●●
						●○	●○
		Section 9 Articles 33 – 37 (Utilisation) As understood and/or implemented	○		○		●●
						●	
		Section 10 Articles 38 - 52 (Change of legal status) As understood and/or implemented	○	○	●●	○	●●
			●○			●●	●●
		Section 11 Articles 53-54 (Management of state assets that are not funded by regional budget) As understood and/or implemented	○	○		●●	○
			●○		●○	●○	○
		Section 12 Articles 55 – 56 (Training, Monitoring, and Controlling) As understood and/or implemented				○	○
						●○	
		Section 13 Article 57 (Funding allocations) As understood and/or implemented				○	○
			●●	○		●●	●○
		Section 14 Article 58 (Insurance of state assets) As understood and/or implemented				●●	
			●	●		●○	

		Section 15 Article 59 (The dispute of state assets)			●	●●	●●
		As understood and/or implemented					
		Section 16 Article 60 (Administrative sanction)				○	●●
		As understood and/or implemented	○	○		●○	●
		Section 17 Article 61 (Transition of SAM laws)					●●
		As understood and/or implemented				●	

TABLE 8.6 GOOD GOVERNANCE EVALUATION MATRIX FOR YOGYAKARTA PROVINCIAL GOVERNMENT

Central / Regional Government	SAM Legal Product	Section and/or Article	Good Governance Principles				
			Transparency	Accountability	Efficiency	Regulatory Compliance	Stakeholder Participation
Yogyakarta Provincial Government	Governor Decree 37/2010	Section 1 (The Income, Regional Finance and State Asset Management Body of Yogyakarta has authority to utilise and manage regional state assets)		○			○
		As understood and/or implemented	●			●	●○
		Section 2 (Utilisation of state assets must be in support of the Income, Regional Finance and State Asset Management Body's task and function)	○	○		○	
		As understood and/or implemented	●○	●○	○	●○	●○
		Section 3 (If state assets are not utilised in such a manner, the head of the Income, Regional Finance and State Asset Body must 'return'/handover the state asset to the Governor through the protocol of state asset manager (i.e the regional secretary).	○	○	○	●●	○
		As understood and/or implemented	●	●	●○	●	●○

TABLE 8.7 GOOD GOVERNANCE EVALUATION MATRIX FOR YOGYAKARTA PROVINCIAL GOVERNMENT

Central / Regional Government	SAM Legal Product	Section and/or Article	Good Governance Principles				
			Transparency	Accountability	Efficiency	Regulatory Compliance	Stakeholder Participation
Yogyakarta Provincial Government	Governor Regulation 207/2004	Section 1 Article 1 (General information section on regional-owned housing in Yogyakarta Province)			○	●●	●
		As understood and/or implemented	○	○	○	●●	○
		Section 2 Articles 2 - 3 (Residence of regional state-owned housing)				○	
		As understood and/or implemented				●○	●●
		Section 3 Articles 4 - 7 (Procedure for residing in a regional state-owned housing)				●●	
		As understood and/or implemented		○		●●	○
		Section 4 Article 8 (Residence abiding rules and regulations)	○	○		●	○
		As understood and/or implemented		○		●○	○
		Section 5 Article 9 (Rent and payments)			○		
		As understood and/or implemented	●			●	
		Section 6 Article 10 (Cancellation of Right for Residence Letter)		○		●●	

		As understood and/or implemented	●			●○	●○
		Section 7 Articles 11 - 15 (Rights, responsibilities, prohibitions, and sanctions)		○	○	●●	
		As understood and/or implemented	○			○	
		Section 8 Article 16 (Return of regional state-owned housing)	○	○		○	
		As understood and/or implemented	○	○		●○	
		Section 9 Article 17 (Special considerations)				○	
		As understood and/or implemented				●○	
		Section 10 Article 18 (Transition of regulations)			○	○	●
		As understood and/or implemented	●○			●○	
	Technical Guideline 207/2004	Section 1 Articles 1-3 (Pre-requisite to reside in state-owned housing)	○	○		●●	○
		As understood and/or implemented	●○			●○	●○
		Section 2 Article 4 (Rental amount on regional state-owned housing)				●●	
		As understood and/or implemented	●○	○		●○	
		Section 3 Article 5 (Timeframe and the conclusion of residence permit)		○	○	○	
		As understood and/or implemented	○	○		●	
		Section 4 Article 6 (Concession on regional state-owned housing)				●●	

		As understood and/or implemented	○			○	
		Section 5 Article 7 (Return of regional state-owned housing)	○	○		○	
		As understood and/or implemented	●○			●●	○
		Section 6 Article 8 and 9 (Prohibitions attached to a regional state-owned housing permit)			○	●●	
		As understood and/or implemented	○			○	
	Governor Decree 161/2009	Section 1 (Regional state asset (RSA) requirement list and maintenance list of Yogyakarta Provincial government)	○	○			○
		As understood and/or implemented				●○	
		Section 2 (RSA requirement list and Maintenance list are drafted by the Income, regional state asset and finance management Body)	○	○		●	
		As understood and/or implemented	●○	●○		●●	
	Governor Decree 49/2010	Introduction Section (Governor decree regarding the disposal of regional state-owned buildings and deletion from inventory reporting)					
		Section 1 (Disposal of state-owned buildings, and deletion from inventory reporting of 2010 financial year)	○	○		●	
		As understood and/or implemented	●○			●○	

		Section 2 (Disposal of state-owned buildings will be in the form of selling)			○		○
		As understood and/or implemented	●○	○	○	●○	
		Section 3 (The proceeds will be deposited at the Treasury division of SAM Body)	●●	○			○
		As understood and/or implemented	●●	●○	○	●●	
		Section 4 (Any costs that arise from the establishment of this decree will be added to the 2010 regional budget, through the Treasury division of the SAM Management Body)	●●	○		○	○
		As understood and/or implemented	●○	●○		●●	
	Governor Decree 60/2010	Title and Introduction Section (Governor decree on disposal and change of ownership of state-owned land and/or buildings)					
		Section 1 (Deletion of state-owned land and/or building from the regional state asset inventory report)				●●	
		As understood and/or implemented	●	○	○	●	
		Section 2 (Hand-over of state-owned land and/or building prioritised to: Bantul Regency, KulonProgo Regency, and Gunungkidul Regency)	●●		○	●	●●
		As understood and/or implemented	●○		○	●○	●●

		Section 3 (The act of 'gift-giving' as detailed in section 2 of this decree is recorded in a memorandum inventory report)	●	○		●	
		As understood and/or implemented	●○	●○		●●	○
	Governor Decree 110/2010	Title and Introduction Section (Governor decree on disposal and change of ownership of state-owned buildings)					
		Section 1 (Deletion of state-owned building from state asset inventory report)				●●	
		As understood and/or implemented	●	●	○	●○	
		Section 2 (Change of ownership of state-owned buildings will be performed in a manner of the sale)			○		
		As understood and/or implemented	○	○	○	●○	○
		Section 3 (The proceeds from the sale is deposited to the Treasury division of the Income, regional finance and state asset management Body)	○	○			○
		As understood and/or implemented		○		●	
		Section 4 (Costs associated to this decree will be added to the 2010 regional budget, through the Treasury division of the Income, Regional Finance and State Asset Management Body)	○	○			
		As understood and/or implemented	○	○		○	

TABLE 8.8 GOOD GOVERNANCE EVALUATION MATRIX FOR SLEMAN REGENCY

Central / Regional Government	SAM Legal Product	Section and/or Article	Good Governance Principles				
			Transparency	Accountability	Efficiency	Regulatory Compliance	Stakeholder Participation
Sleman Regency Government	Regency Head Decree 33/2009	Title and Introduction (Regency head decree on the Task, function, structure of the Regional finance and state asset management Body)					
		Section 1 Article 1 (Identification and definition of SAM-related actors and positions)				○	○
		As understood and/or implemented				●●	●●
		Section 2 Articles 2-3 (Organisational position, task, function, and organisational structure)	○	○	○	○	○
		As understood and/or implemented	●○			●●	
		Section 3 Articles 4-11 (Detailed description of task and function: Secretary/Administration Division)	○	○			○
		As understood and/or implemented	●●	●●	●○	●●	
		Section 3 Articles 12-21 (Detailed description of task and function: Income Division)	○	○		●●	○
		As understood and/or implemented	●●	●●	○	●○	
		Section 3 Articles 22 - 29 (Detailed description of task and function: Expenditure Division)	○	○		●●	○

		As understood and/or implemented	●●	●●	●○	●●	●○	
		Section 3 Articles 30-37 (Task and function: Resources / State Asset Division)	○	○		●●		
		As understood and/or implemented	●○	●○		●		
		Section 3 Articles 38-45 (Task and function: Inventory and Reporting Division)	○	●●		○		
		As understood and/or implemented	●●	●●	○	●●	●○	
		Section 3 Article 46 (Task and function: Technical Implementer Division)			○			
		As understood and/or implemented	●	○	●○	●●	●○	
		Section 3 Article 47 (Task and function: Functional group – called upon as needed)			●			
		As understood and/or implemented	○	○	●●	●●	●○	
		Section 4 Articles 48-54 (Organisational and/or work Principles in performing task and functions)	○	●●	○	●●	○	
		As understood and/or implemented	●●	●●	●○	●●	●○	
		Section 5 Article 55 - 57 (Closing Section and socialisation of regulation)	○			●●	○	
		As understood and/or implemented	●○	○	○	●●	●●	
	Regional Regulation 7/2008	Chapter 11 (Sleman Regency Regulation on Regional Finance Management. Chapter 11 addresses Regional Resource and State Asset Management)						

		Section 1 Article 97 (State Asset Management include the management of: regional petty cash, performing loans, investment, state assets, and contingency funding)	●	●		●●	○
		As understood and/or implemented	●○	●○	○	●●	○
		Section 2 Articles 98-99 (The management of regional petty cash)	○		●●	○	
		As understood and/or implemented	●○	●●	○	●●	○
		Section 3 Articles 100-102 (The management of regional performing loans)		○		●●	
		As understood and/or implemented	●○	●○	○	●○	○
		Section 4 Articles 103-104 (The management of regional investments)					○
		As understood and/or implemented		●○		●○	
		Section 5 Paragraph 1, Articles 105-107 (Definition of regional state assets and activities within its lifecycle management)				●●	○
		As understood and/or implemented	●○	●○		●●	
		Section 5 Paragraph 2, Articles 108-109 (Planning and Budgeting of regional state assets)	○		○	●●	○
		As understood and/or implemented	●●	●●	○	●●	○

		Section 5 Paragraph 3, Articles 110-111 (Procurement and Acquirement of state assets)	●	●	●	●●	
		As understood and/or implemented	●○	●○	●	●●	●●
		Section 5 Paragraph 4 Article 112 (Delivery acceptance, Storage, and Distribution of state assets)					○
		As understood and/or implemented			○	●	
		Section 5 Paragraph 5, Article 113 (Allocation (for utilisation) of regional state assets)			○		●●
		As understood and/or implemented	○		○	●	○
	Regional Regulation 7/2008	Section 5 Paragraph 6, Articles 114-117 (Administration of regional state assets)	○			●●	
		As understood and/or implemented	●●	●○	●	●●	○
		Section 5 Paragraph 7, Articles 118-119 (Utilisation of regional state assets)			○		
		As understood and/or implemented			○	○	
		Section 5 Paragraph 8, Articles 120-122 (Securing and maintenance of regional state assets)				●●	○
		As understood and/or implemented			○	○	
		Section 5 Paragraph 9, Articles 123 (Economic valuation of regional state assets)	○				

		As understood and/or implemented	○			●○	
		Section 5 Paragraph 10, Articles 124 (Disposal of regional state assets)			●●		
		As understood and/or implemented			○	○	
		Section 5 Paragraph 11, Articles 125-128 (Hand-over or change of ownership of regional state assets)			○	●●	○
		As understood and/or implemented	●○			●●	●●
		Section 6 Articles 129-130 (The management of contingency funds)	○	○	○	●	
		As understood and/or implemented	●●	●●	○	●	●○
		Chapter 2 Article 3 (General principles in regional finance management, which includes SAM)	●	●	●	●	●
		As understood and/or implemented	●●	●○	○	●●	●○
Sleman Regency Government	Regional Regulation 7/2008	Chapter 3, Section 1 Article 5; Section 2 Article 6 (Regional finance management authorities and coordinators, including those allocated a state-asset related role)				●	●
		As understood and/or implemented	●○	●○		●●	○
		Chapter 3, Section 3 Article 7 and 8 (Regional finance management Managers, including those allocated in a state-asset role)	○	○		○	
		As understood and/or implemented	●○	●○		●○	

		Chapter 3, Section 4 Article 9 (Regional finance/budget user and/or regional state asset user)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
		As understood and/or implemented	●●	●○	●	●●	●○
		Chapter 3, Section 5 Article 11 (Regional finance/budget and/or regional state asset technical implementer related govt official)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
		As understood and/or implemented	●○	●○	●●	●●	○

TABLE 8.9 GOOD GOVERNANCE EVALUATION MATRIX FOR YOGYAKARTA CITY

Central / Regional Government	SAM Legal Product	Section and/or Article	Good Governance Principles				
			Transparency	Accountability	Efficiency	Regulatory Compliance	Stakeholder Participation
Yogyakarta City Government	City Mayor Regulation 10/2008	Detailed explanation of the tasks and functions of the building and regional state asset body and the divisions and sub-divisions within it	●	●	●	●●	○
		As understood and/or implemented	●●	●●	●○	●●	●○

8.3 Observations Based on the Good Governance Evaluator Tool/Matrix

Upon establishing Table 8.2-8.9 and evaluating state asset management laws, policies, and technical guidelines as per coding guidelines in section 8.1.2 of this chapter, several emerging patterns are observed/noted.

Section 8.2 of this chapter will detail each emerging pattern identified, which incorporates preliminary analysis of potential cause-effect relationship, linkages with literature, and linkages to other emerging patterns.

8.3.1 First Observation: Difference in State Asset Management Laws and Policies Structure

Table 8.2-8.9 details all sections and clauses of each state asset management laws, policies, and technical guidelines that were available for this study, illustrating the differences in regulation structure that is adopted by each regional government. Table 8.2-8.9 suggests that there are two regulation structures adopted by regional governments:

a) *State Asset Management Laws and Policies that are structured as per the State Asset Lifecycle*. This structure is also evident in Law 6/2006 and Law 38/2008 on Central/Regional State Asset Management, which are considered to be the national umbrella laws. Therefore it can also be said that regional governments who have adopted this structure in their state asset management laws and policies are adapting the structure of the national umbrella laws.

b) *State Asset Management Laws and Policies that are structured based on the task and function of each state asset management related body/division/unit*. Regional governments who adopt this structure is observed to have a potential for higher amount of state asset management laws, policies, and technical guidelines; as some regional governments each law/policy governs one task/function of a state asset management related body/division/unit only.

The relationship between the regulation structures adopted and level of good governance conceptualised, and the level that an integrated good governance and state asset

management approach is understood and implemented, is yet to be established – however Table 8.2-8.9 does provide several interesting observations.

Gorontalo city for example, does not follow the state asset management reform principles or lifecycle regulation structure; rather they follow the task and function regulation structure. However Table 8.2-8.9 suggests that there is a high level of confirmation coded symbols in good governance principles such as transparency, accountability, and in particular regulatory compliance.

This may prove to be a successful factor in obtaining the second highest best opinion from external audit body, which exemplifies a higher level of state asset management reform and higher level of understanding and implementation of an integrated good governance and state asset management approach.

Gorontalo city regional government has a main strength in following regulations and technical guidelines. That is, it has been contended by many interviewees that one of the main challenges in state asset management implementation is the lack of government official's willingness – which is further fuelled by incomplete guidelines on how to implement rules and regulations. Gorontalo city addresses this in a more systematic manner; instead of providing 'abstract' rules and regulations, they have provided explicit function and tasks guidelines, whereby each task or function is based upon following a set of rules and regulations (hence the high level of regulatory compliance coded symbols).

In short, Gorontalo city has made it easier, simpler, for its government officials to, potentially without realising, perform tasks and functions that are based on a set of rules and regulations. The ability to simplify guidelines potentially lends a hand to the implementation of state asset management reform, and contributes to the second best opinion Gorontalo city received from external audit body. Although the second best opinion suggest the need for further review and improvement in state asset management practices, it is interesting to observe that despite the divergence that Gorontalo city took in organising its state asset management law structure, they achieved a similar level of external audit opinion to regional governments who ensured alignment to the structure of the national umbrella laws for state asset management. Thus it is questioned whether or not there is a relationship between the structuring of state asset management laws and policies and the level that state asset management reform is implemented, with current observations suggesting the contrary. This leads to further questions surrounding the

necessity of ensuring direct alignment to the national umbrella law in order to achieve the highest level of external audit body opinion, which suggests higher level of state asset management reform; or perhaps more correctly the necessity of having one set of law structure to ensure the implementation of state asset management reform.

8.3.2 Second Observation: The Choice to Establish Specific/Tailored State Asset Management Laws and Policies

The second observation made based on Table 8.2-8.9 is that not all regional government have established a tailored/specific state asset management laws and policies. It can be said that there is a divergence within regional governments on the matter of specific regional government state asset management laws, whereby one group of regional governments emphasised the need and importance of specific regional state asset management laws (hence these were evident and analysed in Table 8.2-8.9) and another group believes in directly adopting the national umbrella laws due to its infancy in state asset management understanding and experience. The latter group of regional governments believe that it is crucial to learn from the national umbrella law first, ensuring correct and high level of understanding and implementation of state asset management reform, prior to establishing specific regional state asset management laws. This brings the question of whether the choice to establish specific regional state asset management impact the level that state asset management reform is understood and implemented.

North Gorontalo regency and Sleman regency for example, have chosen to not establish specific set of regional state asset management laws and regulations. Both regencies have put forward similar reasons for not establishing specific regional state asset management laws, where both regencies have identified subscribing to the 'learn before you create' school of thought in understanding and implementing state asset management reform. Sleman regency for example believes that at present (time of writing) there is insufficient knowledge and experience in the field of both state asset management practices and law writing. Hence government officials of Sleman regency believe that in the short term it is 'wiser' to implement national umbrella laws directly, whilst learning through a trial and error framework the unknown territory of managing state assets. At the same time the regency can increase their knowledge and capabilities regarding the complexity of implementing good state asset management practices and law writing. A long term goal

that has been identified by Sleman regency is evaluating the need to for specific regional state asset management laws and policies, in particular identifying how to adapt national umbrella laws in state asset management within the context of Sleman regency's unique characteristics.

There is an interesting twist to Sleman Regency's approach to state asset management law however. Instead of complete absence of legal product that governs state asset management, Sleman regency has established sections and clauses that discuss state asset management in certain parts of other governing related laws and policies.

This is evident in Sleman Regency Head Regulation 7/2008 regarding Regional Financial Management, where within the law, Chapter 11 (containing 6 sections and approximately 33 articles) addresses regional resources and state asset management. Specifically within Chapter 11, section 5, Paragraphs 1-11, Articles 105-128 are dedicated to detailing laws that govern state asset management in Sleman regency. The structure of this section and articles follow the structure of the national umbrella laws, congruent to the stages in the state asset management lifecycle. Another example is found in the Sleman Regency Head Regulation 33/2009, which explains the task and functions of the Regional financial and state asset management Body, and in particular details the task and functions of each division and/or sub-division that corresponds to a stage in the state asset management lifecycle.

It is interesting to observe the existence of state asset management related section and clauses, for Sleman regency interviewees have provided "no specific state asset management law" comments.

This raises interesting questions in regards to what is considered to be a 'regional specific state asset management law', for if the definition to regional specific state asset management law is the presence of legal products (i.e sections and clauses) governing state asset management found within any laws and regulations established by a regional government, then Sleman regency does, in fact, have specific state asset management laws – for there is proof of sections and clauses that govern state asset management practices within a legal document established by a regional government. However if the definition of 'regional specific state asset management law' is a legal document established by a regional government that is specifically titled *state asset management* only and the contents of it specifically refer state asset management related matters only;

then Sleman regency interviewees' are correct in their opinion that Sleman regency does not have a specific set of state asset management laws - for there is an absence of a legal document that is specifically titled and discusses state asset management.

North Gorontalo regency, similar to Sleman regency, has also chosen to directly adapt the national umbrella laws, for slightly different reasons. North Gorontalo regency also subscribes to the 'learning while doing' school of thought, and have also identified insufficient knowledge and experience in state asset management as a justification for adapting the national umbrella law; however they have also listed infancy in institutional structure and resources as justifications. North Gorontalo regency believes that they are at an infancy stage in their institutional structure due to the early age of their establishment, where state asset management related resources are limited to two personnel (at the time of writing). Hence North Gorontalo believes that the establishment of specific regional state asset management laws and policies are not of immediate concern and need, for the choice of directly adapting the national umbrella law exists and North Gorontalo needs to prioritise the development of institutional framework for the regency and ensuring high level of human resources capacity and capability. In North Gorontalo regency's case however, the national umbrella laws of state asset management are adopted purely, without any other sections or clauses regarding state asset management practices in other governing laws and policies.

Similar to Sleman regency, North Gorontalo regency also received the second best level of opinion from the external audit body (in the last audit performed in 1st Quarter of 2010). Interviewees from both regional governments have emphasised the direct adoption of national umbrella laws, however as detailed in the above observation there is ambiguity in the matter of what is considered to be specific regional state asset management laws and policies. Nonetheless both regional governments achieved similar level of external audit body opinion in regards to state asset management reform implementation, which further emphasises the question of the supposed positive relationship between state asset management laws and policies (structure as per first observation – section 8.2.1, or choice between specific/adoption of national umbrella laws) and the level of state asset management understanding and implementation. It is contemplated whether the legal structure or which state asset management laws and policies adopted are in fact factors that strongly impact state asset management reform, or perhaps there are other factors that impact the level of state asset management reform. As suggested by Mardiasmo

(2009) a recurring challenge in any public policy reform in Indonesia seems to not stem from the legal products that govern change, rather it is from the people who are delegated to implement change. Mardiasmo (2009) further explains that the amount of laws, policies, rules, regulations, etc that govern a particular public policy (for example in this case state asset management) is abundant, however the level of people with sufficient knowledge, understanding, and willingness to implement said legal products do not match the high volume of existing legal products. This further strengthen the thought that a causal relationship between the structure and/or existence of state asset management law and level of state a state asset management reform is, in fact, null or minimised.

8.3.3 Third Observation: Varying Depths of Explanation in Detailing State Asset Management related Actors

The third observation that can be made from Table 8.2-8.9 is the varying depths of explanation regarding state asset management related actors' task and function within existing state asset management laws and policies.

Table 8.2-8.9 not only illustrates the difference in law structure adopted by regional governments in their specific regional state asset management, but also indicates the depth that state asset management related actor's task and function are discussed or detailed within the law. The regional secretary body of Yogyakarta city government for example has established a legal product that outlines the organisational structure of the various government bodies within the Yogyakarta city government, detailing the task and functions, and the number of each level of echelon within a government body. For example, the Building and Regional State Asset Body, is recorded to consist of 13 government officials in total, comprising of 1 high level official, 4 middle level officials, and 8 low level officials; as illustrated in Figure 8.1.

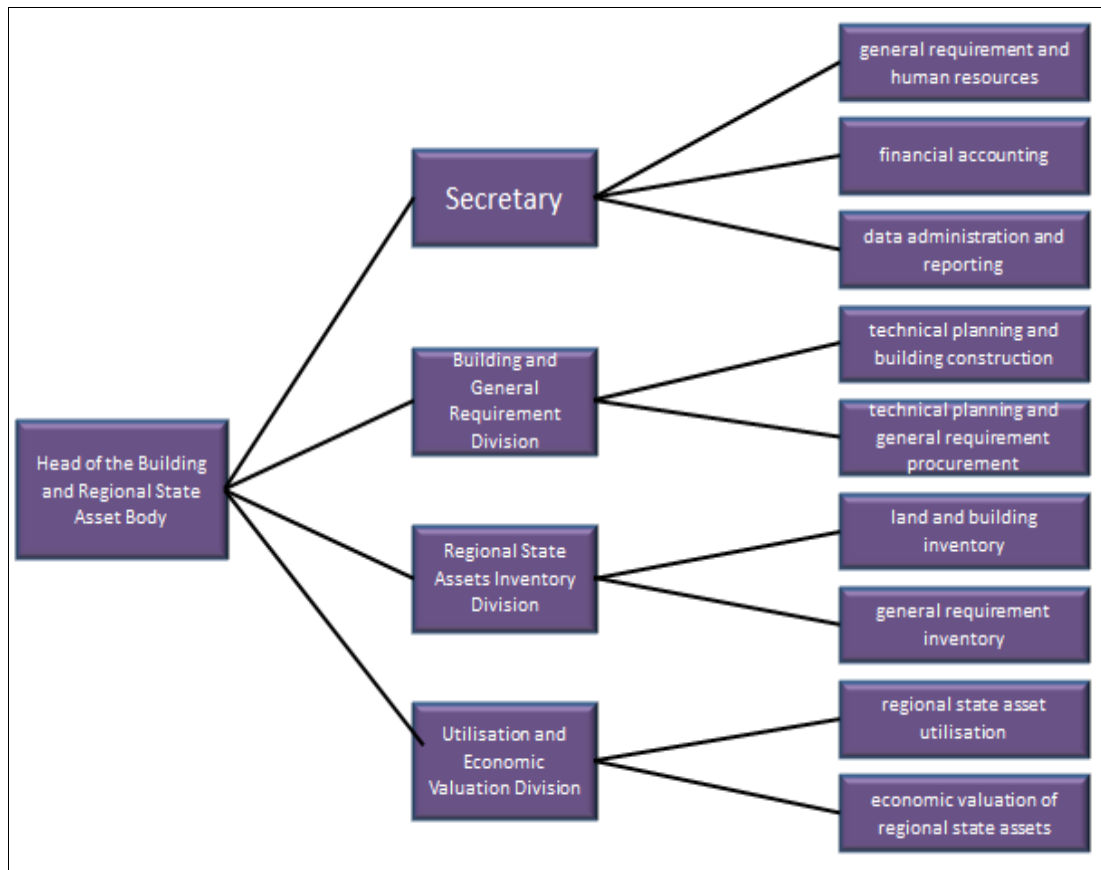


Figure 8.1 Organisational Chart of the Regional State Asset Body in Yogyakarta City

Figure 8.1 provide an illustration of organisational structure within Yogyakarta City's regional state asset body/division. It is perhaps astounding to discover that only 13 government officials are responsible for state asset management in a city that is of approximately two hundred and fifty years old, and is considered to be a special region in Indonesia. However one must remember that the concept of state asset management was recently reformed and introduced widely in 2006, and as Yogyakarta city interviewees have explained in Box 8.1:

Box 8.1 Limited Human Resources for State Asset Management Positions in Yogyakarta City

"finding people that has the skills and willingness to be part of this body is hard; not only is state asset management not yet popular - its considered to be unimportant and second best so people are not really interested, specific knowledge such as asset management and risk management is not yet taught in both our universities or our bureaucratic training program, therefore we don't really have a large pool to draw from – we do the best we can with economists, accountants, bureaucrats with good record in following orders and eager to learn, and few technicians".

Box 8.1 provides an explanation to the limited size of the regional state asset management body in Yogyakarta city, whereby similar opinions are also found in other regional governments throughout the data collection process. It is interesting to observe that Yogyakarta city received the best opinion possible from the external audit body, in particular as the size of their state asset management body is considerably lower than other regional governments. DKI Jakarta for example has a regional state asset management body with approximately 50 personnel, Gorontalo provincial government has approximately 35 personnel, and Sleman regency has approximately 25 personnel. It can thus be concluded that, based on available information, compared to other regional state asset management bodies within this case study Yogyakarta city has a small state asset management body/division.

It is further interesting to link the achieved external audit body opinion and the size of state asset management body, in particular to identify whether there is a causal relationship. Yogyakarta city, with (currently at the time of writing) a state asset management body of 13 government officials achieved best level of opinion from the external audit body in the first quarter of 2010. In the same external audit body evaluation period, DKI Yogyakarta received a 'disclaimer' external audit body opinion (equal to third best), Gorontalo provincial government received second best opinion, and Sleman regency also received second best opinion. This preliminarily suggest that implementation of state asset management reform may not be dependent upon the size of the state asset management body. This observation provides an interesting platform for the discussion of optimum regional state asset body/division size and level of state asset management knowledge required to achieve a desired key performance indicator (i.e external audit

body opinion) which is believed by interviewees to indicate the level of state asset management reform within the regional government.

8.3.4 Fourth Observation: Varying levels in Good Governance conceptualisation within SAM laws and policies, and its understanding.

The objective of formulating Table 8.1 was to evaluate the level that good governance principles are conceptualised within state asset management laws and policies, and the level that such conceptualisation is understood and implemented.

In regards good governance conceptualisation within the state asset management law, Table 8.1 suggests variance in three main matters:

- a) The level of good governance conceptualisation within a state asset management law/policy
- b) Which good governance principle is mostly conceptualised within a state asset management law/policy
- c) The level that good governance conceptualisation within state asset management laws and policies are understood and implemented by public policy implementers

Based on the categorisation of confirmation filled circles/ non-filled circle as per section 8.1 of this study and its allocation in Table 8.1; the categorisation of high, medium, and low level of conceptualised is organised in Table 8.10.

TABLE 8.10 GOOD GOVERNANCE (GG) CONCEPTUALISATION AND UNDERSTANDING CATEGORY

Level of Conceptualisation and Understanding	Conceptualisation Category	Understanding Category
Low Level	Blank in all five GG principles <i>or</i> ● in one/two GG principles <i>or</i> ○ In one/two GG principles.	Blank in all five GG principles <i>or</i> ● in one/two GG principles <i>or</i> ○ In one/two GG principles.
Low-Medium Level	● in some GG principles <i>or</i> ○ In some (more than one) GG principles	● in some GG principles <i>or</i> ○ in some GG principles, <i>or</i> ●○ In one/two of GG principles
Medium Level	○ In all five GG principles <i>or</i> ● in all five GG principles <i>or</i> ●● in one/two GG principles	●○ In some GG principles <i>or</i> ●● in one/two GG principles <i>AND</i> ○ in other GG principles
Medium-High Level	●● in some GG principles <i>and</i> ○ in other GG principles	●○ In all five GG principles <i>or</i> ●● in some GG principles
High Level	●● in all five GG principles	●● in all five GG principles

8.3.4.1 The level of good governance conceptualisation within a state asset management law/policy

The exercise of comparing Table 8.10 and the good governance evaluator matrix (Table 8.2-Table 8.9) suggest that good governance is conceptualised at varying levels in different clauses and sections within state asset management law, regardless of the SAM law structure (as identified in sub-section 8.2.1). In comparing Table 8.10 and Table 8.2-8.9 it is found that there is medium to high level of good governance conceptualisation in sections that specifically addresses matters such as: a) planning and budgeting, b) acquirement and/or procurement of the state asset, c) reporting of state asset, and d) the change of ownership process of a state asset

In regards to the level of good governance conceptualisation within SAM law based on regional groupings, it proved to be quite difficult to categorise, for there is a variance in the level that good governance is conceptualised within each section, chapter, and article within each state asset management law. That said, it is observed that there is an absence of high level good governance conceptualisation in all regional governments that were involved in this study, where a select few are of the medium-high and medium level category, and most are in the low or low-medium level of good governance conceptualisation. Hence it is preliminary concluded that there is a variance in the degree that good governance is conceptualised within Indonesian regional government state asset management laws.

8.3.4.2 Good governance principle mostly conceptualised within a state asset management law/policy

Analysis of the good governance evaluator matrix (Table 8.2-8.9) based on categorisation levels as in Table 8.10 also reveals which good governance principle is most referred to and is conceptualised explicitly. These are symbolised by the amount of filled/non filled circles for each good governance principle, whereby only confirmatory filled circles (● hence explicit mention), and not non-filled circles (○ which suggest implicit meaning), are taken into account.

It is observed that *Regulatory Compliance* principle is most referred to and explicitly mentioned in state asset management laws across all regions. In sections and clauses that explicitly mention regulatory compliance principle there is an emphasis on the need to

perform state-asset related tasks and functions (or lifecycle) in accordance to all applicable regulations, laws, and standards – for example according to relevant governor decrees, international standards, or ensuring the correct chain of command is adhered to in the decision making process.

Both *Transparency* and *Accountability* principles are found to be the second most referred to, and explicitly mentioned and explained in state asset management law sections/articles. The mention and explanation of *Transparency* and *Accountability* are mostly found in sections/articles that detail state asset management matters such as reporting, provision of information, and providing accountable justification (including audit of reports) of decisions made (mostly to the regional people's representative) regarding state assets.

Stakeholder Participation and *Efficiency* governance principles conceptualisation is also sighted, and explicit mention of the principle and how to conceptualise both principles are also evident. However there is a tendency for *Stakeholder Participation* and *Efficiency* governance principles to be mentioned in specific parts of the state asset management law – for example *Stakeholder Participation* is mentioned in sections and articles that specifically discusses the change of ownership of state assets only and *Efficiency* tend to be mentioned in sections and articles that specifically discusses utilisation of state assets only. Hence *Stakeholder Participation* and *Efficiency* are not explicitly evident throughout the state asset management law in the manner that *Regulatory Compliance* is. Although *Transparency* and *Accountability* are also found in specific sections only, both governance principles' conceptualisation are found to be explained in depth, whereas *Stakeholder Participation* and *Efficiency* are mostly found to be implicitly adhered to.

In analysing which good governance principle is highly conceptualised in state asset management laws, the finding that *Regulatory Compliance* is most explicitly mentioned and explained is, to a certain extent, a surprise; for based on review of literature concerning Indonesian public policy reform and related state asset management reform, and the opinions of interviewee's, there seems to be a heavier emphasis on the conceptualisation of *Transparency* and *Accountability* good governance principles. This suggests the potential misunderstanding between the perception of interviewees and the 'black and white' content of state asset management laws. Such a misunderstanding can be explained by the thoughts of Mardiasmo (2010) which has been discussed in section

8.2.2 of this chapter. As suggested by Mardiasmo (2010), there is a high level of hard control (laws, regulations, etc) in governing public policy reform, but low level of soft control (educating public policy implementers, workshops, etc) to ensure implementation of the public policy reform. The misunderstanding can be explained in two ways: *firstly* there is a high level of hard control – hence regulatory compliance is automatically emphasised in state asset management laws and policies, and *secondly* there is low level of soft control which leads to interviewees incorrectly identifying transparency and accountability as a main factor in good governance conceptualisation.

The finding that *Regulatory Compliance* is most explicitly mentioned and explained in regional state asset management laws is a further surprise if compared to the good governance principles emphasised by the Directorate General of State Assets (DJKN), who, through its Roadmap to Strategic Asset Management 2006-2009 (as discussed in Chapter 2 – Literature Review and Chapter 6 – DJKN case study chapter) emphasised the conceptualisation of *Transparency* and *Accountability*, and in particular *Efficiency* through its ‘highest and best use’ motto. That said, it is acknowledged that due to decentralisation and regional autonomy regional governments have the authority to establish specific regional state asset management laws and policies, which explains the divergence in which good governance principles are emphasised in state asset management related laws and policies.

8.3.4.3 Understanding and Implementation of Good Governance conceptualised in SAM laws and policies

The good governance evaluator tool is also utilised to identify the level that good governance conceptualisation within state asset management laws and policies are understood and implemented by public policy implementers. Based on the comparison of filled circle/non-filled circle in Table 8.2-8.9 and categorisation of its significance in Table 8.10, it can be commented that, as with the level of good governance conceptualisation within state asset management laws and policies, there is also a variance in the level that it is understood and implemented; ranging from high, medium, and low.

There are several interesting observations regarding the level of understanding and implementation, which raises complexities in ensuring the implementation of state asset management reform.

The ***first interesting observation*** is that there seems to be *a discrepancy in the explicit conceptualisation of a good governance principle and the level that it is understood and implemented*, where an explicit conceptualisation does not seem to guarantee a high level of understanding and implementation. An example is DKI Jakarta, where explicit conceptualisation and in-depth explanation of accountability and stakeholder participation are identified within sections and articles of SAM law; yet interviewees do not exemplify high level understanding, with discussions on accountability and stakeholder participation being limited to only acknowledging the existence of the term within the state asset management law. Interviewees explained the low level that good governance conceptualisation within state asset management laws and policies are understood and implemented by highlighting the low level of state asset management reform training and knowledge that government official receives; whereby those at high level government (echelon 1) are identified to have more opportunities to gain knowledge than those at middle or lower level of government structure (echelon 2 or echelon 3). As there is an abundance of middle and lower government echelons compared to high level government echelons (as suggested in Figure 8.1, whereby there is one high echelon personnel and 12 middle/lower echelon personnel) the potential of finding high level of understanding and implementation diminishes, and the discrepancy in state asset management knowledge becomes more obvious/evident within a regional state asset management body/division.

A ***second interesting observation*** is the varying levels of good governance understanding within the state asset lifecycle. The state asset lifecycle is found in sections of the regional state asset management law and policies in two ways: a) specific sections or clauses that directly refers to and explains a particular stage of the state asset lifecycle, or b) sections or clauses that details the task and function of a sub-division within the regional state asset management body, whereby the contents of these sections can be related to definitions and/or descriptions of a particular stage in the state asset lifecycle.

Based on the comparison exercise of Table 8.2-8.9 and Table 8.10, the variance in the level that good governance is conceptualised within state asset lifecycle is understood and implemented are as below:

a) **Higher level of good governance understanding** and implementation in the **early stages of state asset lifecycle** (in particular planning and budgeting; and procurement or

acquisition of state assets) and the **end/reporting stage of state asset lifecycle** (i.e. financial reporting and/or inventory reporting of state asset).

b) Some/**mid-level understanding of good governance** principles in the **change of ownership/handover of state assets stage**

c) **Low understanding** and implementation of good governance principles in the **middle state asset lifecycle stages** such as storage and/or distribution, allocation and utilisation, and securing and maintenance of state assets.

The observations above provide supporting evidence to the 'lack of caring culture' (in state assets) argument provided by Pardiman (2009) and Hadiyanto (2009) in their explanation of a stagnant state asset management reform, where there is more of a focus on ensuring that the government has provided a fair, transparent, and accountable procurement process to the public; as well as ensuring that financial reports and inventories are up to date and complete in the event of an audit or a request for report from bodies of higher authority – rather than ensuring maximised utilisation and maintenance scheduling of state assets. Furthermore the observations above also supports the theory that there is an incomplete sense of ownership or stewardship towards state assets, as put forward by Kaganova and Peterson (2006), whereby the main challenge in state asset management reform is to change the perception of those who manage it -from perceiving state assets as a free good to one where state assets are a source of wealth, hence more emphasis on maximising utilisation and maintenance.

A third interesting observation is the varying levels of understanding and implementation for different good governance principles. Based on the number of filled and non-filled circle in the good governance evaluator matrix (Table 8.2-8.9), it can be concluded that:

a) Higher level of understanding and implementation in transparency, accountability, and regulation compliance principles

b) Some/mid level of understanding and implementation in efficiency and stakeholder participation principles

It is interesting to see efficiency not highly understood and implemented, for integrated governance and asset management initiatives such as those introduced by Cornish and Morton (2001), Kommonen, Kortelainen, and Raikkonen (2006), and Woodhouse (2004;

2006) emphasised the need to articulate and conceptualise efficiency in state asset management practices. It is even more surprising if compared to the main objective of the Directorate General of State Asset's motto, whereby they have pushed the notion of 'highest and best use of assets' (Hadiyanto 2009), which implicitly emphasises the need for efficiency in asset management.

To a certain extent it is not surprising to find transparency and accountability as highly understood and implemented, as the two good governance principles were also the two most highly understood in previous research regarding good governance understanding and implementation within government practices (see Mardiasmo 2007; Mardiasmo Barnes Sakurai 2008); as well as it being explicitly mentioned in the Directorate General of State Asset's roadmap to strategic state asset management (Hadiyanto 2009).

The contrast in stakeholder participation principle conceptualisation (high) and understanding and implementation (mid-level) prove to be an interesting complexity, in particular as analysis of state asset management laws, regulations, and technical guidelines indicate high level of coordination with third parties and stakeholders - such as other regional governments, central government, builders and contractors, developers, government bodies (external audit body, regional people's representatives for example), and the society itself. It is an added complexity to identify mid-level understanding of stakeholder participation conceptualisation within state asset management practice, as the implementation of each state asset lifecycle stage to a certain extent depend on the input and actions of named stakeholders – thus there is a need for higher level of understanding in aspects such as who are the stakeholders, their level and form of participation, and their role in ensuring good state asset management practices.

8.4 Analysis and Concluding Comments

Section 8.2 of this chapter has provided interesting observations based on the Table 8.2-8.9 (the good governance evaluator tool) or a comparison exercise between Table 8.2-8.9 and Table 8.10 (categorisation of good governance understanding and implementation). Linkages towards interviewee opinions, literature review, and supporting relevant document analysis were also provided; both as an explanatory tool as well as a pattern

building tool. Section 8.3 provides an analytical view of all the observations made in section 8.2 and conclude the chapter.

8.4.1 Analysis of Observations

An emerging complexity is the absence of a direct causal relationship between the intricacies in ensuring/having the 'perfect' regional specific state asset management laws and policies and related point of views, with the level of opinion received from the external audit body – which is perceived to be an indicator of the level/quality of state asset management reform by Indonesian government officials.

For example, there does not seem to be a 'guaranteed' model/structure of state asset management law, or guaranteed level of understanding, that will ensure the achievement of highest opinion from the external audit body. Yet the Indonesian regional government are focused on establishing what they consider to be the 'best practice' in state asset management law and policies, inexplicably so, that they at times 'forget' the crucial need of implementing said laws and policies. Comments from interviewees have hinted on their belief that state asset management implementation will not happen without the establishment of 'best practice' in the structure and content of state asset management laws and interviewees, yet the analysis of section 8.2 in this chapter fails to find a direct causal relationship between such state asset management laws and policies intricacies with the level of opinion awarded by external audit bodies.

There seem to also be an inconsistency in the relationship between the level that good governance principles that are explicitly mentioned and explained in state asset management laws and the opinion received from the external audit body. For example observation of the good governance evaluator matrix (Table 8.2-8.9) show higher amount of non-filled circle (○ which suggest implicit meaning) in Sleman regency's state asset management laws' assessment than that of Gorontalo regency, yet they both received the highest possible opinion from the external audit body. Similarly, Sleman regency has lower amount of filled circles (● hence explicit mention) than Jakarta provincial government, yet (at the time of writing) Sleman regency achieved highest level of opinion from the external audit body and Jakarta provincial government achieved third best level of opinion. Therefore there does not seem to be a positive relationship between the level of good

governance conceptualisation explicitness and the opinion awarded by the external audit body.

Furthermore, in analysing which good governance principle is emphasised in state asset management laws and the impact it has on the level of opinion from the external audit body, there is only a weak correlation, evident within the case studies involved in this study but questioned in terms of its transferability to any other regional governments in Indonesia. It is observed that regional government state asset management laws that puts an emphasis on regulatory compliance has, to a certain extent, achieved a higher level of audit opinion from the external audit body; where this is applicable in regencies such as Sleman and Gorontalo regency, however this relationship is weakened by the fact that Jakarta provincial government, who also emphasised regulatory compliance in their state asset management laws, achieved a much lower level opinion than that of Sleman and Gorontalo regency. Moreover, other regencies who have emphasised accountability and transparency principles; such as Yogyakarta province, Yogyakarta city, and Gorontalo province; were (at the time of writing) awarded differing levels of opinion by the external audit body. Therefore to establish a definite causal relationship between which good governance principles to emphasise in state asset management laws and the potential opinion awarded by the external audit body seems to be without definite direction, as argued above.

In regards to the level of good governance understanding and implementation within state asset management practices, there is also difficulty in confirming causal relationships between the level of good governance understanding and the opinion awarded by the external audit body. To a certain extent this may seem to be impossible, for rationale commands that a high level of good governance understanding and implementation should result in the highest level of opinion from the external audit body. Prior to illustrating examples of this contradiction, it is important to note that the 'rating' provided in the good governance evaluator matrix is based on the average level of good governance understanding and implementation as portrayed by interviewees involved in this study, and as it is the average level that is accounted for, it is possible that individual competencies are not precisely portrayed. Also as there is a reliance on the opinions of interviewees, this observation is correct at the time of writing, for human resources capabilities have the potential to change overtime.

It is difficult to predict the relationship between the level of good governance understanding and level of opinion awarded by external audit body, for there are only weak positive examples. Sleman regency, Gorontalo regency, and Yogyakarta city government for example, have recorded (as per Table 8.2-8.9) high *level of good governance understanding and implementation*, as well as the *highest level of opinion* from the external audit body. However this relationship cannot be strongly affirmed due to the below evidence:

a) Jakarta provincial government and Yogyakarta provincial government, who by average show *medium-high level of good governance understanding and implementation* (as per Table 8.2-8.9), at the time of writing they were awarded *third and second best opinion*, respectively.

b) Gorontalo city, which on average showed *low-medium level of good governance understanding and implementation* (as per Table 8.2-8.9), achieved the *highest possible opinion* from the external audit body

c) North Gorontalo regency and Gorontalo provincial government, who has illustrated *medium level of good governance understanding and implementation* (as per Table 8.2-8.9), was awarded *second best possible opinion* by the external audit body.

It is based on the observations above that it is concluded that there is almost an absence of causal relationship between the (average) level of good governance understanding and implementation with the level of state asset management opinion awarded by the external audit body.

8.4.2 Concluding Comments

Based on the examples and evidence presented in section 8.2 and the analytical comments in sub-section 8.3.1, as well as assuming the accuracy of the level of opinions awarded by the external audit body in portraying the level of state asset management reform implemented (as believed by interviewees of this study); it is questioned whether there is a positive causal relationships between aspects such as law structure, good governance principles emphasised, etc; in determining the quality or level of state asset management practices.

Or perhaps the ultimate optimum level of regional state asset management, or the maximum performance of state asset related actors, is all a coincidence of idiosyncrasies of a variety of factors; where the interactions of these factors to ensure optimum state asset management practices are too random or too intricate for it to be established in definite causal relationships. If so, the interactions of such factors become dependent upon the situation and condition at one given time factors, as well as being dependent upon human nature (i.e state asset management implementers), and thus the outcome can never be correctly predicted.

To a certain extent such a 'dramatic' thought may be justified, for Indonesia' state asset management reform began in 2006 and thus is considered to be an infant public policy reform that is continuously developing. In the words of several interviewees, the current state asset management reform is perceived as "an evolving process that is changing very rapidly with time, evident by the annual revision of national umbrella laws". This study also question the role of factors such as political history and bureaucratic culture in state asset management reform, which are claimed to be inseparable to the state asset management practices of a country by Kaganova (2006) and other state asset management researchers. Hence the combination of a rapidly evolving state asset management reform and the unknown role of political history and bureaucratic culture in establishing and implementing said reform, results in a divergent/variance level that is too great in a country where each regional government has the authority to create specific state asset management laws and regulations, policies, and technical guidelines.

That said however, the argument of (Bessant, 2010) regarding the 'myths that we believe in' and the potential notion of 'rhetoric excuses' in public policy reform implementation, provides somewhat of a challenge to the thoughts above. The 'brush off' of coincidental idiosyncrasies of factors that play a role in the achievement of optimum state asset management implementation is just yet another 'myth' that we believe in as we struggle to find a definite causal relationship between factors in state asset management practices and its measure of success. Or perhaps, the 'myths that we believe in' lay in the supposedly rational beliefs of state asset management variable interactions (for example high level of good governance understanding should lead to high level of state asset management results) and/or, the need for such definitive causal relationships to exist; and thus the incomplete linkages in definitive causal relationships lends a path to 'rhetoric excuses'.

It is therefore concluded that the preliminary findings and thoughts emerging from this section has provided a wealth of platform in which to perform more in-depth analysis, in particular surrounding the factors (such as political history, bureaucratic culture, human resources, law structure, etc) that play a role in Indonesia's state asset management reform. Such an in-depth analysis is needed to provide an answer to the research questions of this study and to create a framework that explain the strength of relationships between relevant factors and state asset management reform in Indonesia.

9. Findings

This chapter provides bullet point answers to the research question, based on common themes directly relating to the research question that was found throughout the data collection and analysis process. As identified in Chapter 4, the methodology chapter, the analytical approach applied in this study is that of a thematic analysis, involving the grouping of data collected into themes that relate directly to the research question of this study.

The bullet points or themes provided in this chapter are at this stage preliminary in nature; however these themes provide a potential framework and direction for developing further analysis. As the methodological approach of this study is qualitative, where applicable each theme/bullet point will be supported by comments of interviewees.

9.1 Research Question One

Research question one (RQ1) of this study reads: To what extent is good governance principles embedded in the approaches, laws, and policies of Indonesian state asset management?

Indonesia's state asset management is primarily governed by the following three laws, which are known as the 'national umbrella laws'. These three national umbrella laws were drafted by the central government, and socialised to regional governments through a training and workshop programs, as well as direct implementation assistance from government officials of the Finance and Development Supervisory Agency and home affairs ministry. The three national umbrella laws in state asset management are:

1. Law number 6/2006 on and Central and Regional Government State Asset Management
2. Law number 38/2008 which is a revision of Law number 6/2006 in particular addressing the standard public accounting system that is used to frame financial reports and regional state asset management
3. Home affairs ministry decree number 17/2007 on Regional State Asset Management.

The above three national umbrella laws are further disseminated to regional governments, where in almost all regional governments (with the exception of DKI Jakarta due to its government structure and decentralisation/regional autonomy preferences) utilises these laws as a legal base or main consideration in drafting and establishing provincial, regency, and city level government specific/individual state asset management laws and policies. Each regional government specific state asset management laws are conceptualised within the corridors of the national umbrella laws however they are individualised in order to cater for the regions unique characteristics. It is found that each regional government.

The government internal auditor body (BPKP) has recently released a technical guidance document for regional state asset management (RSAM) implementation. The framework that BPKP has chosen to base the technical document of is illustrated in Figure 9.1:

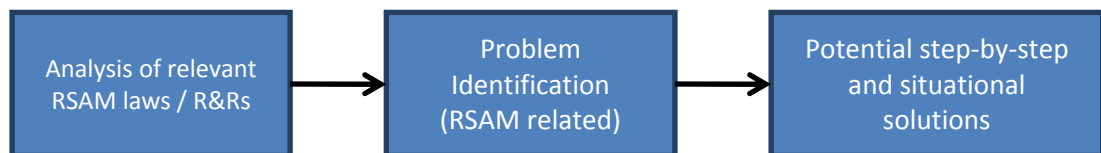


Figure 9.1 BPKP's (Government Finance and Development Supervisory Agency) Framework for Implementation of State Asset Management Laws and Policies.

In the technical guideline to regional state asset management implementation established by BPKP all relevant laws, rules and regulations, ministry and presidential decrees, and any other supporting legal knowledge is provided and discussed in detail. BPKP provided an explanation to each legal entity; in terms of its origin, aspects considered and addressed challenges, and information of further documents that may provide deeper explanation to the each legal entity. The emphasis of BPKP's technical guideline to regional state asset management laws is to discuss how each level of governing body within a regional government might be able to translate the national umbrella law clauses into individualised regional state asset management clauses. In this document BPKP also provided a breakdown of the state asset management (SAM) cycle, in particular in regards to its implementation at regional government level.

In the technical guideline to regional state asset management BPKP also discusses the conceptualisation of good governance within state asset management laws, in particular how to ensure implementation of conceptualised good governance principles in state asset management day to day practice. In doing so the technical guideline provided its

own understanding of the role of good governance in public policy, as well as what is considered (by BPKP) to be an effective implementation plan to ensure that good governance is not only conceptualised in laws and policies, but also implemented in practice. This is outlined in Figure 9.2:

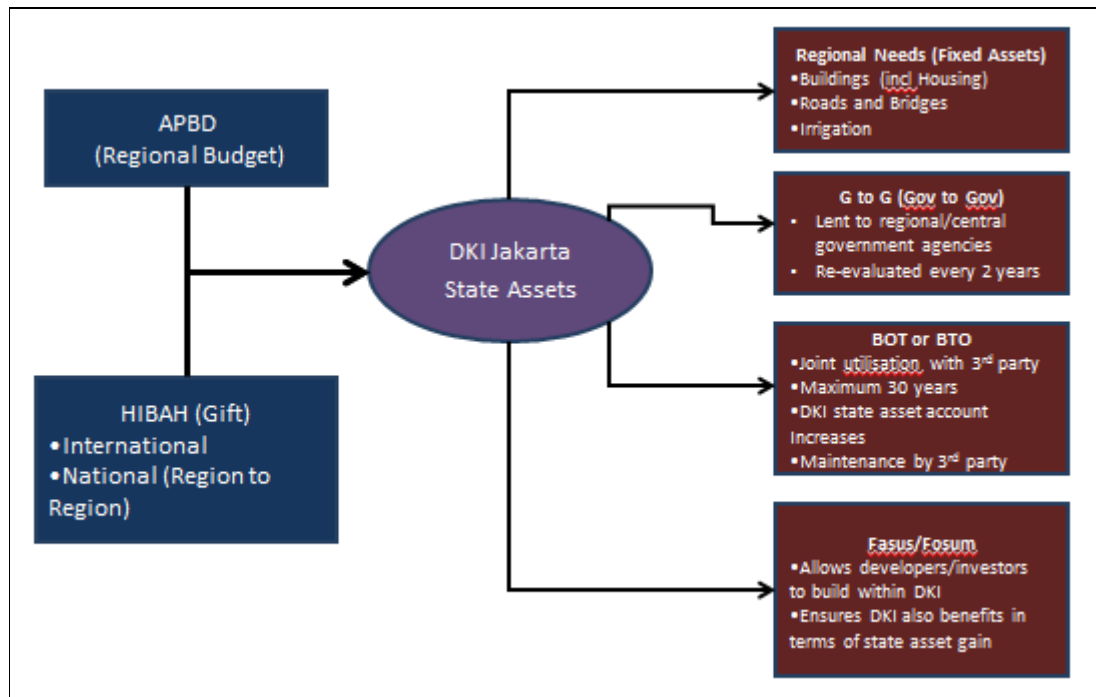


Figure 9.2 Role of Good Governance in Public Policy and Best Practice in ensuring it implementation in day to day governing.

Figure 9.2 notes that BPKP believes in three conditions for good governance implementation (within a public policy): a) commitment, b) competence, and c) conducive environment. The ability to identify these three requirements, to a certain extent, signal a level of understanding of why good governance is not fully implemented or conceptualised in public policy and its practice, and what is needed to ensure good governance implementation. This to a certain extent show an awareness of what needs to be further developed in terms of human resources as well as the surrounding environment for policy implementation. Figure 10.2 also identifies the five stages of good governance implementation: a) understanding and socialisation, b) diagnostic assessment, c) norming, d) forming, and e) continuous development. The five stages to ensuring good governance implementation in day to day governing provided by BPKP has the potential of acting as a framework that can be utilised by government entities and regional governments, in

particular in adapting to the various needs, characteristics, and culture of the government entity/regional government.

Therefore it is argued by central government (officials) that the establishment of a technical guideline for regional state asset management has provided clear guidelines for the implementation of state asset management reform. This is further emphasised as the Finance and Development Supervisory Agency (BPKP) has committing to providing state asset management related assistance to any regional government, in order to ensure uniformity in the interpretation and implementation of state asset management reform. In this assistance capacity BPKP will also be functioning as a ‘help-desk’ for regional governments upon identification of challenges concerning the state asset management reform. As further explained by central government officials in Box 9.1:

Box 9.1 BPKP’s Role in Assisting Regional Government Implement State Asset Management Reform

“...BPKP must always provide correct guidance and direction, and can be ‘looked-up to’ by other government institutions, so that they (other government institutions) does not feel the need for creating other guidance, or look for other guidance in exemplifying accountability and internal audit/monitor and control system...”

“...BKP must help and assist other government institutions in implementing asset management, even if it means providing a specific assistance or consultancy team to ensure the implementation of SPIP guidelines and turning the government institution as a prototype. in particular in regional government institutions as it is still pre-mature at that level. That way regional governments are self-reliant, they can assist themselves, and be more independent – that is, they are able to follow the corridor of regulations more independently and perform these tasks without the constant monitoring from central government...”

Therefore in theory, if one was to conclude on the level of good governance conceptualization and implementation in state asset management laws based on the specificity of ‘action plan’ in ensuring good governance implementation by BPKP as per Figure 9.1 and 9.2, it would be logical to assume that there is high level of good governance conceptualisation in state asset management laws and policies.

However upon analysis of state asset management laws and policies (i.e the legal documents) it is found that the conceptualisation of good governance in various Indonesian state asset management laws and policies exists; however it is found to be at varying levels of conceptualisation. The discrepancy of good governance conceptualisation level is evident in the good governance evaluator tool/table as per Chapter 8 of this study), where the spectrum/level ranges from low to high. The discrepancies, or variations, are detailed as below:

Firstly, state asset management umbrella laws, such as Law 6/2006 and Home Affairs Ministry Decree 17/2007 states good governance principles as the basis and adhering pillars for consideration in drafting the legal product. However the conceptualisation of specific good governance principles in specific sections/articles is not explicitly evident.

Secondly, regional state asset management laws, also refer to good governance principles as the basis and adhering pillars for consideration in drafting the legal product. The difference is that in the available regional state asset management regulations for this thesis, it was evident that transparency, regulatory compliance, and accountability principles were explicitly expressed in a number of sections and articles.

Thirdly, in state asset management technical guidelines established by BPKP, good governance principles such as transparency, accountability, and regulatory compliance are explicitly identified and explained. Participation and efficiency good governance principles are at times implicitly expressed, its conceptualisation deduced from detailed description of the state asset related task or function in selected sections/clauses.

Therefore preliminary findings suggest there is awareness of the importance to explicitly conceptualise good governance principles, however the level of its conceptualisation is diverse. It can be deduced that **as a state asset management guideline increases in its technicality or implementation focus, the level of good governance identification and explanation of how to conceptualise it in state asset management practices also increases.** It is also noticed that **transparency, regulatory compliance, and accountability are the three most explicitly mentioned and explained in great depth**, followed by efficiency. Stakeholder participation is implicitly discussed and/or assumed.

9.1.1 Explicit and Implicit Conceptualisation of Good Governance in SAM Laws and policies

Technical guidelines to regional state asset management published by the Finance and Development Supervisory Agency provides detailed explanation of set activities within each stage of RSAM, in which each section or clause refers to good governance principles both explicitly and implicitly.

Here an **explicit example** would be the mention of each principle, such as “...to reach efficiency...” or “...to ensure accountability of financial reports...” or “...to ensure transparency in the procurement process...”

An **implicit example** on the other hand would be the indirect addressing of each principle, such as “...the planning of regional state asset must take into account current available assets and its condition...” (Which implicitly refers to efficiency) or “...it is empirical that each procured asset is recorded correctly in order to provide reliable results for the financial report...” (Which implicitly address accountability) or “...audit of asset related reports must be performed by the internal audit team as well as a selection of external government official members with auditing background...” (Which implicitly address transparency).

Regulatory compliance is at times found to be implicitly addressed, whereby in the beginning of each section or clause there is a specific mention of which laws, rules and regulations, governor decree, or a particular section of a regulation that needs to be taken into account / adhered to during the process/implementation of tasks and functions within the selected section/clause. Participation is more often than not implicitly addressed, however its mention was found to be limited only in the first and second stage of the state asset life cycle, which are the planning and procurement stage. Here participation is hinted through the mention of the regional people’s representatives’ involvement in providing feedback to state asset planned needs and planned procurement process.

Hence it can be concluded that transparency and accountability are more often addressed explicitly, whereas other good governance principles (stakeholder participation, efficiency, and regulatory compliance) are frequently addressed implicitly. Therefore although each good governance principles is addressed in different manners, at different frequency, and

at different level of explicitness; it would be *incorrect to assume* (or draw the conclusion) that good governance principles are *not* conceptualised within RSAM/SAM law, policies, and technical guidelines.

9.1.2 Contradicting Views in Interviewees Perception of Regional State Asset Management

It is interesting to observe the contradictions between interviewees' perception of good governance conceptualisation and RSAM implementation and the black and white RSAM related information found in the regional state asset management technical guidelines drafted and published by the Finance and Development Supervisory Agency (BPKP).

One of the main contradictory issue is the fact that only a small number of interviewees were able to provide an explanation regarding the conceptualisation of each good governance principle, yet upon review of the RSAM technical guideline document conceptualisation of good governance is evident – albeit varying in levels of explicitness and depth. A high percentage of respondents have skirted around answering this issue, which suggests low knowledge in the matter. A percentage of respondents have also provided a negative response in the sense that they believe good governance principles are not yet conceptualised in RSAM law, rules and regulations, and technical guidance. These government officials believe that one of the weaknesses in the state asset management reform is that there is an incomplete 'rules of the game', which increases the level of confusion among regional government officials on a variety of issues. Two of these issues are: a) which law they are required to follow, and b) how to implement the law. Box 9.2 illustrates supporting arguments for an incomplete 'rules of the game' in regional state asset management.

Box 9.2 Supporting Arguments for Incomplete ‘rules of the game’ in Regional State Asset Management

“...When someone is managing the budget, or the financial side of things, there are definite rules and there is someone who looks after policies and everyone is aware of the ‘rules of the game’. This is very different to state asset management because we don’t have this system yet. First of all the ‘rules of the game’ is not there, monitoring is not there...people will only report something if an asset is broken or missing, and once there is such a report then they will act on it and start to investigate it...”

“...Again I stress that with finance the rules of the game is there, and its being played very well. In fixed assets we don’t have these rules of the game yet, and yet the management of fixed assets is just stuck together with finance...”

“...The rules at central government and regional government is the same i think, both functions/roles are just forward slashed in the rules and regulations, so in terms of unit or division organisational chart they might be one unit or division, but in reality sometimes there are two people running the position. This just further shows that there are no real “rules of the game” in RSA, they are still confused and simply saying its the same as finance management...”

The opinions of interviewees in Box 9.2 suggest a contradiction to the ‘black and white’ documented evidence, as a regional state asset management technical guidelines exists - drafted and published by the Finance and Development Supervisory Agency (in conjunction with home affairs ministry department). It is in this document that the ‘rules of the game’ are found, for the document provide in-depth explanation of the national umbrella laws to assist implementation and provide a picture of what is considered to be ideal practices, as well as providing contingency problem solving for each stage of the state asset management cycle is detailed.

Furthermore, a small percentage of interviewees indicated that good governance principles might be conceptualised in RSAM laws, however they have also expressed their uncertainty as to what level is good governance conceptualised and whether or not the conceptualisation is implemented within the state asset management practice. As evident in interviewees’ observation in Box 9.3:

Box 9.3 Interviewees Opinion on Level of Good Governance Conceptualisation in State Asset Management Laws

"...In regards to good governance in state asset management, i think all of the current rules and regulations relating to state asset management have already started to adhere to good governance principles.."

"...In terms of good governance conceptualisation in state asset management understanding, almost every year in BPKD there is already socialisation of regional state asset management. All of this information can be found in the governor decree from a long time ago, but yeah, maybe what we need is to make some adjustments – only the application needs to have more understanding from the state asset manager. All of the legal products that govern every aspect of state assets are there. The only question is how can we ensure that there is best practice in implementation and how can we ensure that this is kept at a high quality standards..."

"...In terms of whether or not good governance is conceptualised in state asset management laws, rules and regulations, etc; the main gist of it is that we feel that it is already conceptualised. This is the characteristic of a government official, a bureaucrat. Why i say that we have, its because people simplify the rules and regulations – they want the simple version only. The main problem obviously is whether or not we have implemented as per what we have constructed or planned? Have we conceptualised good governance, and later implement it, as we are supposed to? This is the part that we don't know.

An interesting factor was found in the thematic analysis of which interviewees support the argument that good governance is conceptualised in state asset management laws and policies. It is identified that interviewees who identified the conceptualisation of good governance in RSAM legal apparatus are high level officials, whereas those who skirted the question or explicitly commented on the low level of good governance conceptualisation are either middle or lower level officials.

9.1.3 Concluding comments

Findings, discussions, and arguments surrounding the level of good governance conceptualisation in state asset management as in section 9.1 of this chapter suggests that there is a discrepancy two ways:

First, there is a discrepancy in the level of explicitness and depth that each good governance principle is conceptualised in any state asset management legal product – be it national umbrella laws, technical guidelines, or regional government state asset management laws.

Second, there seems to be a discrepancy in the perception of interviewees surrounding the level of good governance conceptualisation in state asset management legal products and the evidence of good governance conceptualisation in the state asset management legal products itself.

That said however, *it can be concluded* that there is awareness in the need to conceptualise good governance principles both within state asset management laws and policies, and in the implementation of said laws and policies. The level that good governance principles are conceptualised is varyingly sporadic, however to assume or comment that there is no conceptualisation of good governance principles in state asset management legal products would be incorrect.

9.2 Research Question Two

Research question two (RQ2) of this study read: To what level is an integrated good governance and state asset management approach understood by Indonesian state asset managers?

9.1 Role of State Asset Managers

It is necessary to address the role of ‘Indonesian state asset managers’, for in Indonesia the role of ‘state asset manager’ has varying descriptions and understanding depending upon the laws, rules, regulations, and technical guidelines that govern state asset management practices in each regional government.

As identified in section 9.1 of this chapter, although there are national state asset management laws that act as “national umbrella laws”, each regional government (provincial, regency/district, city level) have the authority to draft and establish their own set of state asset management laws and policies. An effect of this can be seen in the definition and job description of ‘state asset manager’, as analysis of varying regional state asset management laws have suggested variance in what is considered to be a ‘state asset manager’ in each regional government.

Law 6/2006 on central and regional state asset management (one of the national umbrella laws), identifies three levels of government officials authorised to manage state assets:

- a) **Authority holder** of regional state asset management (such as provincial governor, head of regency/district, city mayor; hence known as the asset governors due to its highest ‘power’ in the authorised government official chain),
- b) **Regional state asset manager** (usually this position is held by the regional secretary),
and
- c) The **regional state asset users** (usually the head of [each] regional division/unit).

The Home Affairs ministry decree 17/2007 regarding regional state asset management, along with the technical guidance to regional state asset management drafted and published by the Finance and Development Supervisory Agency, provide a ‘state asset manager’ structural chart as illustrated in Figure 9.3:

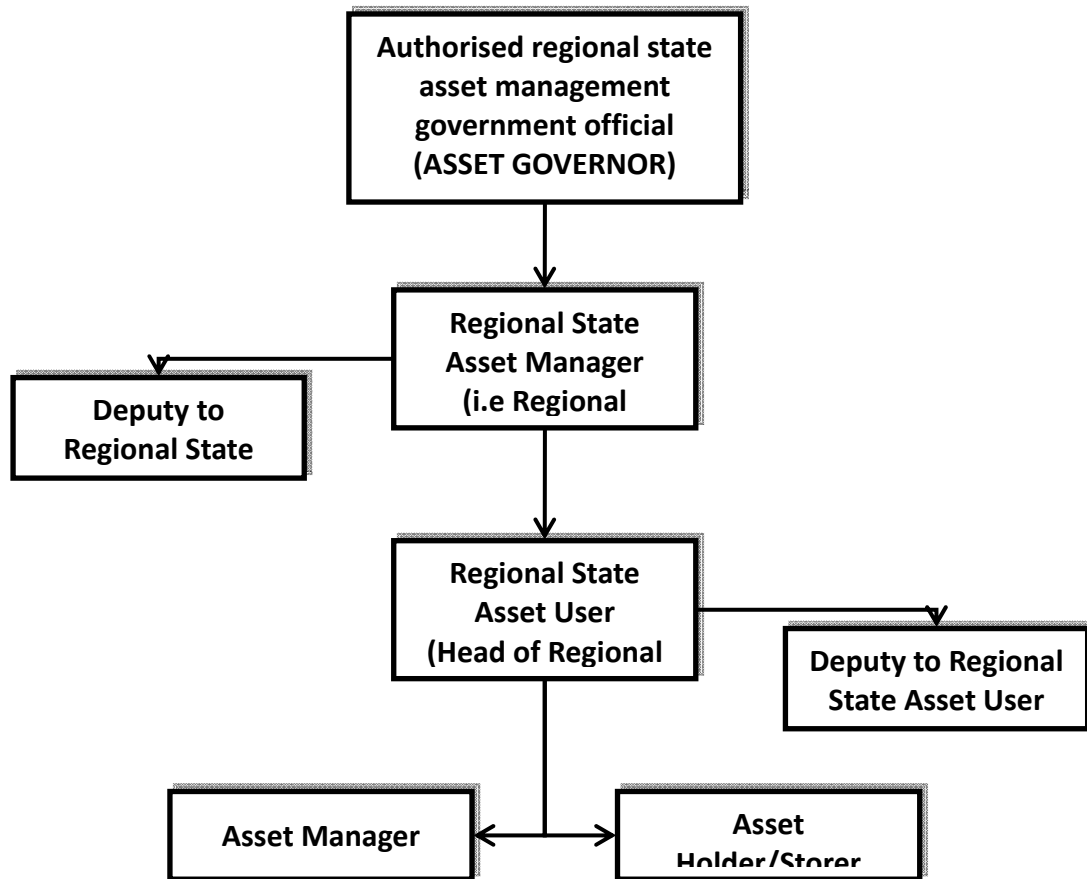


Figure 9.3 State Asset Management Structural Chart as Identified by the Home Affairs Ministry Decree 7/2007 on Regional State Asset Management.

According to the national umbrella laws and the technical guidance to regional state asset management as drafted by BPKP, the authorised regional state asset management government official (or ‘asset governor’) is the head of the region.

Home affairs ministry decree 17/2007 further specifies that a head of the region at provincial level it is the *governor*, at district or regency level the *head of the regency/district*, at city level the *mayor*. Table 9.1 provides detailed information on the authorities and responsibilities of each state asset management related actor, as well as the legal product that govern their behaviour, It is acknowledged that the Directorate General of State Asset have been appointed as the central government’s state asset governor and manager by the Ministry of Finance; which lends an explanation as to why state asset management actor task and function clauses at regional government level is found in the Home Affairs Ministry decree, for a main function of the Home Affairs

Ministry Decree is to assist and guide governing matters performed by regional governments.

TABLE 9.1 TASK AND FUNCTION OF STATE ASSET MANAGEMENT (SAM) RELATED ACTORS AT REGIONAL GOVERNMENT, AS PER HOME AFFAIRS MINISTRY DECREE 17/2007 ON REGIONAL STATE ASSET MANAGEMENT

Regional Government Position	SAM Actor	Legal Product	Task and Function
Head of the region	Asset governor	Section 5 Article 1	<ol style="list-style-type: none"> 1. Establish regional state asset management policies 2. Establish the utilisation, usage, or change over/hand over of ownership of lands and buildings 3. Establish policies relating to securing of regional state assets 4. Present/provide suggestion of regional state asset ownership handover 5. Agree/approve to regional state asset ownership handover and disposal within the scope of its jurisdiction 6. Agree/approve to regional state asset utilisation suggestions for regional state assets other than
Regional secretary	State asset manager	Section 6 Article 2	<ol style="list-style-type: none"> 1. Appoint the government official whose function is to manage and store regional state assets. 2. Examine and approve the regional state asset assets requirement plan 3. Examine and approve regional state asset maintenance requirement plan. 4. Facilitate the utilisation, ownership hand-over, and disposal of regional state assets as approved by the head of the region. 5. Coordinate the recording and inventory of regional state assets 6. Monitor and controlling related functions of regional state asset management.
Head of general equipment division/unit	Deputy regional state asset manager	Section 6 article 3	Coordinating regional state asset management implementation at reach regional working unit/division
Head of a regional working unit/division	State asset user	Section 6 article 4	<ol style="list-style-type: none"> 1. Put forward a regional state asset requirement plan for the regional working unit/division. 2. Put forward an "established status" request for authorisation and utilisation of regional state assets. 3. Record and inventory of regional state assets 4. Secure and maintain regional state assets 5. Suggest change ownership or handover of regional state assets. 7. Hand-over land and building that is not utilised for the implementation of the working unit's main functions. 8. Monitoring and controlling activities 9. Draft and present quarterly and annual regional state asset utilisation report.

Regional Government Position	SAM Actor	Legal Product	Task and Function
Head of regional technical implementer unit	Deputy to regional state asset user	Section 6 article 5	As per detailed task and functions found in Section 6 Article 4.
	State asset storer or holder	Section 6 article 6	Receiving, storing, and distributing regional state assets that are located within the regional state asset user and deputy to regional state asset user jurisdiction.
Individual asset groups within each regional working unit	<i>Asset manager</i>	Section 6 article 7	<ol style="list-style-type: none"> 1. Record all regional state assets that are currently located and utilised by each regional working units into the regional asset inventory card and main inventory book in accordance to the regional state asset inventory book codification. 2. Record maintenance/service of regional state assets into the maintenance card. 3. Prepare a quarterly and annual regional state asset user report of all regional state assets within the unit. 4. Prepare a disposal suggestion report for broken regional state assets or regional state assets that are no longer in use.

Table 9.1 provide a detailed description of task and functions of state asset management related actors at regional government level. An observation that can be made from Table 9.1 is that It seems that there are many overlapping state asset related roles. For example, between the *state asset user* and the *deputy to state asset user*. The separation of these two positions may cause further confusion, as the creation of this position suggests unidentified differences or separate functions, repetitive tasks, further hierarchy and hence paperwork, and ultimately, if all the suggested are true, a lower level of efficiency in regional state asset management.

A state asset management related role identified in Table 9.1 is the *regional state asset storer and holder*. It is questioned whether the role of the regional state asset holder/storer is in accordance with state asset management literature, as to date a position or a function that is relatively similar in state asset management literature is yet to be found. It is also questioned whether the role increases or decreases efficiency, as it seems that there is an “extra” position in the regional state asset management structure - having a central regional state asset warehouse or storage area potentially complicates regional government working units in accessing regional state assets (for use, rent, etc).

Law 6/2006 specifies that the *asset governor* at central government level is the Ministry of Finance, acted by the Directorate General of State Assets (DJKN), and whereas state asset related functions at regional government level is governed by Home affairs ministry regulation 17/2007, as detailed in Table 9.1. It is observed that there are different “actors” playing the role of *asset governor*. For example at central government level it is a directorate general – or an organisational body, whereas at regional government level it is the head of the region – a person. Interestingly, despite the guidance-monitor relationship between central government and regional government hinted in state asset management technical guidance, 85% of interviewees believe that there is low learning or coordination relationship between the two asset governors. Interviewees acknowledge the presence of DJKN in regional government jurisdiction, however it is identified that their function is to manage central government’s state assets that are located in that particular regional government, not to assist regional governments in implementing state asset management reform. Only 15% of interviewees indicate that the DJKN has provided assistance or guidance in regards to state asset management, whereupon the assistance provided was more due to personal relationships (i.e a person seeking the advice of someone they know at DJKN) rather than a programmed assistance/training provided by DJKN to regional government state asset management actors.

There is however, agreement from all interviewees that there is need for such a specific assistance/training programme between state asset actors at central and state actors at regional level government. As illustrated in Box 9.4:

Box 9.4 Imbalance Relationship between Central Government Asset Governor and Regional Government Asset Governor

“...we need their help, the directorate general state asset people should provide some sort of socialisation or one on one training on how to be a state asset manager, governor, etc. Because remember we didn’t have these positions before the state asset management reform so none of us at regional government knows what we are supposed to do...”

“...if they are here at advisory capacity, then at least they can tell us whether we are doing the right job or not – I have never been a state asset manager before, and no one else in the regional government has, so its not like i have a predecessor that I can go to for advice...”

“I think that should be part of their job, especially since they are the Directorate General of State Assets, so they have the specific knowledge, isn’t that why we have someone like that at central government level? To help us? I mean they [central government – red] are the ones who asked us to reform our state asset management in the first place...”

Box 9.4 not only illustrates the dysfunctional relationship between central government *asset governor* (or any other state asset related actors) and regional government *asset governor*, it also illustrates the fact that the role of an *asset governor* or *asset manager* is a foreign concept to regional government officials – mainly due to the incomplete state asset management approaches in the past that do not identify such state asset roles. Therefore it is important to take into account the infancy in experience of regional government being a state asset actor or even just being associated with state asset management, for on-site observation and document analysis have identified that there are no predecessors in state asset related positions prior to 2006.

9.2 State Asset Management Actors’ Level of Understanding in an Integrated Good Governance and State Asset Management Reform

Following the discussion of who is considered to be the state asset governor, manager, and user, as well as the complexities that surround the relationship between central government state asset management actors and regional government state asset management actors in section 9.1, one is equipped to further understand the complexities in (attempting to) deduce the level that an integrated good governance and state asset management approach is understood by Indonesian state asset managers.

9.2.1 Varying levels of Understanding

The level that an integrated good governance and state asset management approach is understood by Indonesian state asset management actors vary, depending upon three factors:

- a) The existence of specific regional government state asset management laws and policies within the regional government,
- b) The balance between the government official's education background, past positions, and the level of state asset management training he or she has received,
- c) The echelon level of the government official (i.e high, middle, low level) which is more often than not congruent with the state asset management related position he or she holds.

These three factors are further explained below:

9.2.1.1 First factor: The existence of a specific regional government state asset management laws, regulations, within the regional government.

In discussing the answers to research question 1 it was identified that regional governments have the authority to create their own set of state asset management rules, regulations, laws, policies, technical guidelines; providing that it is within the corridor of the 'umbrella laws'. It is found that although regional governments have the authority to create their own 'rules of the game' so to speak, in the field of state asset management not all regional governments do make/have their own set of state asset management 'rules of the game'.

Few reasons were given for this, the first being that the government structure and level of regional autonomy of a particular regional government only allows certain provisions for the creation of specific 'rules of the game'. DKI Jakarta for example, its government's structure indicates that regional autonomy is implemented at provincial level only, whereupon each district is an 'arm extension' of the provincial government. Therefore specific regional state asset management 'rules of the game' exists at the provincial level only and each district (i.e east Jakarta, west Jakarta, north Jakarta, central Jakarta, and south Jakarta) reports to the provincial government.

This is in contrast with other provinces, and in particular in this thesis Gorontalo and DIY Yogyakarta, whereupon their regional autonomy is extended to city level – hence there are provincial, district, and city state asset management 'rules of the game'.

The second reason for inconsistency in the existence of regional state asset management 'rules of the game' is *the level of readiness of each regional government*. Few regional

governments made the conscious decision to refer/adhere to the national umbrella laws instead of creating a specific/individualised state asset management laws and policies. This choice is made by few regional governments due to the fact that state asset management reform is a “new” concept and that resources (human, capital, knowledge, etc) within the regional government is evaluated to be non-supportive of drafting and publishing of specific ‘rules of the game’.

These reasons are evident in certain districts such as North Gorontalo Regency - who has recently established themselves after separating from their ‘original’ district of Gorontalo Regency. As North Gorontalo Regency is approximately three years old, regional government officials feel that they do not have sufficient human and capital resources or the state asset management knowledge to draft and established specific state asset management knowledge. The regency does have a state asset management division, as required by Law 6/2006 and Home Ministry Affairs Decree 17/2007, wherein within the division they have chosen to directly adapt or adhere to the national umbrella laws. Another example is Sleman district in DIY Yogyakarta, who believes in the ‘learning by doing’ philosophy and that creation of specific ‘rules of the game’ prior to experiencing state asset management practice as outlined in national umbrella laws suggests the opposite.

The third reason that is suggested by interviewees regarding incomplete specific regional ‘rules of the games’, is that it is perhaps simply not a main concern, or an urgent matter, for the regional government in question. It is recognised that the drafting and process of establishing new laws and regulations is extremely lengthy for regional governments, where there are many policies that are already drafted however is still in consultation with the people’s representatives’ body and is waiting for consideration, discussion, or establishment. This is the case of both DKI Jakarta (provincial level) and Yogyakarta City, whereupon both regional governments have started to consider and draft specific state asset management ‘rules of the game’. However, interviewees from both regional governments also identify other matters that are considered to be ‘urgent matters’ - more so than state asset management.

The above explanation regarding the inconsistent existence of specific regional state asset management ‘rules of the games’, provides a strong explanation for the *positive correlation between level of integrated good governance and state asset management*

understanding and the level of specific state asset management 'rules of the game' present. Based on interviewees' responses it can be identified that the extent of good governance conceptualisation in state asset management understanding is limited as the concerning province, regency, or city may not yet have a specific regional state asset management laws and policies. This is applicable in regional governments such as DKI province, DKI cities, North Gorontalo regency, and Sleman district/regency; those who are yet to establish specific regional state asset management laws and policies. The level of good governance in state asset management knowledge is found to be increasing with the existence of specific state asset management 'rules of the game'. For example government officials in Gorontalo regency, Gorontalo provincial government, and Yogyakarta provincial government; who were able to provide specific state asset management 'rules of the game', were also able to explain how good governance principles are exemplified in state asset management practices. Accountability and Transparency were the two good governance principles whose conceptualisation within state asset management laws interviewees were able to explain, which is to be expected as in the discussion to answering research question 1 the two good governance principles were two out of the three most mentioned and discussed in state asset management laws and technical guidelines.

9.2.1.2 Second Factor: The balance between the government official's education background, past positions, and the level of state asset management training he or she has received

Another factor that plays a role in the level of good governance in state asset management understanding is the capability of the human resource themselves, balancing the educational background of the government official, bureaucratic experience, and level of state asset management training/socialisation received. Accounts from interviewees has suggested that state asset management is not yet captured in the 'bureaucratic curriculum' nor university curriculum, whereupon this comment is based on the observation (or fact) that there are no government officials with specific educational background in state asset management. Rather those in state asset management positions have educational backgrounds in accounting, with some having secondary education in public policy or public administration. In short, in terms of formal education, there is a shortage of regional government officials specifically educated in the area of state asset management.

That said however, there are interviewees (who, upon observation are high level government officials) who believe that state asset management related training is provided to government officials, however these take on a more informal and internal role, whereby knowledge gained from external training programmes (i.e Finance and Development Supervisory Agency meetings, home affair ministry meeting attendance, consultancy, etc) are shared with members of the regional government. Such an informal approach to state asset management related education is captured in Box 9.5:

Box 9.5 Informal State Asset Management Related Education

"...In terms of good governance conceptualisation in state asset management understanding, almost every year in BPKD there is already socialisation of regional state asset management. We give training on things like how to record state assets information, how to do administration related tasks, maintenance of all legal documents, what we do if state assets are lost, how to dispose of state asset, etc..."

"...I suppose you can call it state asset management training, but these are given by regional governments for regional governments – or by central governments for regional governments. It is not something that you can go and learn at university or that national school where all aspiring bureaucrats go to...its not like there is an academic book or module that can be learned from..."

"...there is some state asset management training, but its more like workshops and discussions of central government's experiences or a colleague case study trip to another province where supposedly there is best practice in state asset management..."

Box 9.5 has illustrated the available formal training in state asset management, which can be deduced to minimum, and is dependent on the experiences of other regional government officials. A positive correlation is found between the level of state asset management training received and the level of good governance conceptualisation in state asset management understanding. It was observed that government officials who have had the opportunity to attend training programs were able to provide a commentary on how good governance principles are conceptualised within SAM laws and policies. It was also observed that government officials who are yet to receive any state asset

management training were unable to provide a detailed account of good governance conceptualisation in state asset management – rather they skirt around the issue.

An interesting observation is that *the discrepancy in good governance conceptualisation in state asset management understanding and knowledge is congruent with the 'state asset management structure'*. It was found that those 'higher' in the structure – such as asset governor and regional state asset manager – were able to provide a commentary on how good governance is conceptualised in state asset management. However those of a 'lower' structure, such as regional state asset user, asset manager, and asset holder/storer; provided commentary that is in tangent to the questions (i.e skirted around the topic). This suggests that their level of understanding and knowledge is not yet at par with the asset governor and regional state asset manager.

Such a discrepancy in good governance conceptualisation in state asset management understanding and knowledge suggest complexities, in particular as according to interviewees “the day to day activities in state asset management is left to the head of regional working unit/division and his/her team [the regional state user, asset manager and asset holder within the unit/division – red], the regional state asset manager has a coordinating (and collating) role as well as controlling, whereas the asset governor has a more guidance and monitoring role”. This quote, which was found consistently in all regional governments surveyed, suggests that the 'lower level' government officials are the policy implementers, yet high level of knowledge and understanding is not evident at this level. This suggests the need for high level of knowledge and understanding needs to be disseminated throughout the state asset government official structure, as high knowledge that sits on a policy conceptualisation level may not be congruent with the low level of knowledge that sits on a policy implementer level.

9.2.1.3 Third Factor: The echelon level of the government official (i.e high, middle, low level)

The echelon level of a government official is identified as one of the potential factors causing a discrepancy in the level of good governance conceptualisation in state asset management understanding. It is found that the asset governor and regional state asset manager in Indonesia tends to be of high level echelon (i.e echelon level 1 or level 2), and regional state asset user tend to be middle level echelon (i.e either echelon level 2 or level 3), and asset manager and asset holder/storer as low level echelon (level 3 or level 4). The

differing in echelon level suggests differences in level of educational background, length of service, capabilities and past performance, and job description.

Regional government officials have commented that the differing in echelon does not end in educational background, capabilities and past performance, and job description; they also believe that the differing in echelon also results in 'discrimination' of training and socialisation programmes opportunities. These comments are supported by the findings of a study in good governance understanding by Mardiasmo (2007), as it was found that different opportunities in attending good governance related training programs exists for different echelon levels, where the level of training opportunities increases with the echelon level. It was found that there was a tendency for the high and middle echelon levels to be exposed to training programs, and low echelon levels tend to have to rely on the information given to them by their superiors (Mardiasmo 2007). These findings link to state asset management training, where interviewees' statements support or echo the findings of Mardiasmo (2007).

The disparity in capability expansion opportunities has several multiplier effects, the main one being a discrepancy in expectation and ability to deliver between high level and middle/low level officials. High level officials are provided opportunities relating to public policy drafting, current issues developments, academic discussions, etc. On a positive side this results in high level officials increase their idealism and best practice knowledge regarding public policy matters, where they are highly enthusiastic in reforming public policy and creating new laws. However on a negative note, due to the high level of knowledge there is a potential of 'over confidence' in the ability of the rest of the government official body to perform a reform – in particular the perception that a best practice needs to be in place within a very short amount of time. Middle and low level officials meanwhile, have limited opportunities to attend training and educational programmes, which suggests a lower level of knowledge regarding policy drafting, policy reform, and creating technical guidelines to implementing policies – yet these levels are acknowledged as the implementers of policies. Therefore there is a disconnect in the expectation of high level officials and the ability of middle and lower level officials to deliver. As explained by government officials in Box 9.6:

Box 9.6 Mismatch in Expectation of High Level Officials and Ability of Middle-Lower Level Officials

“...So not only do we have low level of law knowledge, the policy maker at the time of drafting the law did not consider the environment in which the law is meant to be implemented, the capability of the implementers were not considered. Thats why for the past 5 years we have received disclaimer opinion – sometimes the government is blamed: how is it that we make the rules, the law, but we can not implement it? Maybe its because we have too many brilliant and clever people, too many people in the policy making position have PhDs and so they think everyone else in the government has PhDs...”

“...The rules of the game is there, however who is going to implement it? We have this phenomena in Indonesia, where the clever people will make rules and regulations, policies, reform of something, etc; and they believe that the implementer is as clever as they are – this shows that the ‘big guns’ or policy makers do not think about implementation stage when they are drafting the laws and policies – they only care that the laws and policies sound good on paper without thinking whether this is realistically implementable or not. More often than not the supporting infrastructure is not there either. So how can the policy become a reality? The rules and regulations, the policy, is way ahead than the infrastructure and capability, so the implementation progress and process is very very slow. So there is a discrepancy between the what is being asked for (the regulations) and what can be delivered (the capability, infrastructure, etc). We really need to pay more attention to the environment surrounding the policy – the society, capability, etc...”

An interesting observation made by a small percentage of interviewees, who also explicitly professed their inability to explain how good governance principles are conceptualised, is that one of the reasons why they are unable to answer interview questions regarding good governance conceptualisation in state asset management is that policy makers are not trained, or does not have the capability/knowledge, in the area of translating good governance principles into any particular laws, rules, and regulations. Rather good governance is a soft concept that they consider and aim to adhere to throughout their implementation of any public policy. Therefore these interviewees believe that low understanding is not a matter of ignorance, rather it is a case of incompetence. There is an agreement and awareness that explicit conceptualisation of good governance is needed in

all public policies; however as policy makers they do not know, or does not have the capability, to do so. As expressed by a particular government official in Box 9.7:

Box 9.7 Incompetency of Government Officials in Conceptualising Good Governance within Public Policy

“...In regards to good governance conceptualisation, I think that the knowledge of my friends here in the department, at the time of policy making, is very minimum – I think they might have been given a workshop on policy making or something along those lines, however in terms of actually implementing this knowledge when they are making policies, I don’t think that this knowledge has been effectively understood. I don’t think they have been taught how to conceptualise good governance in any kind of legislation articles though, even though they know what is meant by good governance. But then again I think teaching government officials how to conceptualise good governance in legislation will be quite hard, but I think the main point is that the ability of our constitutional and legislation makers are not there yet...”

Interestingly the small percentage of interviewees who contributed to Box 9.7 has utilised the interview as an opportunity to critique the fact that the central government officials seem to be ‘content’ in keeping good governance as a soft concept, and seem to be blindsided in its assumption that good governance principles is equally understood by all government officials in Indonesia. They (the small percentage of interviewees) have also utilised the opportunity to emphasise the needs for a formalised training or workshop that discusses how to conceptualise good governance principles in law writing.

It can be concluded from these opinions that although good governance may be explicitly conceptualised in state asset management laws, rules, and regulations at different levels (as per answer to RQ 1), there is an awareness that it should be, however the follow up or realisation of this awareness is impeded by lack of knowledge or limited capability in how to conceptualise good governance in a law writing context.

9.2.2 Varying level of State Asset Management Cycle Knowledge

The second observation regarding government officials’ understanding of good governance conceptualisation in state asset management laws and policies is **that there is a variance in their level of knowledge for each state asset management cycle.**

According to the technical guidelines for regional state asset management as published by BPKP, the following makes up the state asset management cycle in Indonesia. This cycle is noted to be congruent with state asset management cycle in state asset management literatures of Kaganova (2006), Cornish and Morton (2001), and Komonen, Kortelainen, and Raikkonen (2006):

- a) Regional state asset requirement planning and budgeting
- b) Procurement and acquisition of regional state assets
- c) Usage of regional state assets
- d) Utilisation of regional state assets
- e) Securing and maintenance of regional state assets
- f) Valuation of regional state assets
- g) Disposal of regional state assets
- h) Ownership hand-over of regional state assets
- i) Administration of regional state assets
- j) Guidance regarding regional state asset management
- k) Monitoring and controlling activities relating to regional state asset management.

It is found, for all interviewees, that their first reaction or explanation when asked the question of how is good governance conceptualised in state asset management life cycle, is to provide an account of how inventory, planning, procurement, and reporting is evident in state asset management practices. Interviewees are able to provide a detailed account of the steps or practices that are of norm in those four select state asset lifecycle stages, where they are also able to explain how good governance principles (in particular accountability, transparency, and efficiency) are conceptualised.

However interviewees did not identify nor explain the practices of other stages in the state asset management life cycle, until they are prompted to do so by the interviewer (at this stage the interviewer identified other stages within the state asset lifecycle). Even then interviewees did not provide a detailed account of the common practices in other state

asset lifecycle stages, nor did they provide an explanation of how good governance is conceptualised within these stages. Rather they either (once again) skirted around the explanation of each stages by explaining that those stages are performed by the regional working units, or, admittance that they have no knowledge of the interconnected and continuous nature of the state asset management lifecycle. Interviewees believed that state asset management practices are separate functions performed by separate units/groups within the regional government office. The differing abilities of interviewees to explain the conceptualisation of good governance in other stages of state asset management cycle is evident in Box 9.8:

Box 9.8 Good Governance Conceptualisation within State Asset Management Life-Cycle

“...Maybe for inventory and the system to ensure good inventory the gorontalo government already have that in place, I think they have already started with good practices in this area, however valuation and certification that is related to ownership is still a main problem. If maintenance i think its relatively good, because there are rules and regulations that govern that...”

“...The more comprehensive and detailed guidelines I think can be found in the home ministry regulation number 17 on regional state asset management. There the guidelines have started from planning to last disposal (of the asset). All of these stages are already governed by rules and regulations, but then again i do admit that the implementation of these rules and regulations might be a different story altogether. We have already performed analysis and established a summarising conclusion...”

“...I think we are definitely transparent and accountable. I mean we do e-procurement, we publicise who we choose on the newspaper, we even put out the call for suppliers in the news paper – that shows that we are transparent...”

“...I’m not sure about anything else that we do in state asset management, I’m probably not the best person for you to talk to, however I do know that we have e-procurement and that whenever something has happened that is state asset management related – like a building is vandalised, we always publicise this in the newspapers...”

Box 9.8 suggests limited knowledge regarding the conceptualisation of good governance principles within the state asset management cycle, concentrated on certain stages such as planning, procurement, reporting, and inventory.

An explanation for this is the possibility that these four stages has been pushed or focussed upon by the Indonesian government, which, if one is to look at the reasons behind low/bad opinion from the external audit body – such as disparity in reporting, lack of ownership certification and legal paperwork, and lack of knowledge regarding the detailed information of state assets – is congruent to efforts in ensuring better opinion from the external audit body.

That said, though understood, the explanation above do not provide sufficient reasoning as to why government officials are not aware of the different stages in state asset management, and more importantly the interconnected and continuous nature of the state asset management lifecycle. Arguments such as: a) newness of state asset management reform, b) discrepancy in state asset management training and socialisation programs exposure, c) discrepancy in the educational background of government officials, and d) the disconnect relationship between central and regional government in regard to information dissemination were provided by interviewees as reasons to the low understanding surrounding state asset management lifecycle.

A disconnect in central-regional government relationship in ensuring equal knowledge of state asset management reform knowledge and implementation is best described by the following quotes in Box 9.9:

Box 9.9 Impact of a Disconnect between Central and Regional Government in State Asset Management Reform

“...I think these DJKN (Directorate General of State Assets – rd) representatives can actually be utilised more in the regional governments, particularly since they have offices in the regional governments – maybe this will close the physical distance between central and regional government. There is one in gorontalo too, but the effectiveness in assisting the regional government office in each jurisdiction is unknown at this point – again because they concentrate more on managing state assets funded by the central government budget and because as far as I know their role in regional state asset management is unknown...”

“...I think a really important factor to be considered is the fact that regional government officials feel that central government officials are not helping us in making state asset management reform any easier. Its like they know things about state asset management that they are not sharing to us...”

“...We see DJKN people all the time, but they are busy with looking after central government’s assets here. Well why not help us or show us how they are managing their assets? So that we can learn from them and ask questions?...”

Box 9.9 suggest the need for increased joint effort between central and regional governments, identifying further needs for socialisation programs and training facilities that specifically provide government officials detailed information on state asset management cycles and the continuous connecting nature of the cycle. The central government has replied to the pleas or regional government, by creating and ensuring an assistance-advisory relationship between the Finance and Development Supervisory Agency (BPKP) and each regional government, as illustrated in Box 9.10:

Box 9.10 Assistance-Advisory Relationship between BPKP and Regional Government

“...What we need to do is increase the commitment of regional governments, and the way that we can do that is by increasing the collaborations between BPKP and regional governments, where we build a strong partnership with each inspectorate in each regional government so that they also monitor and perform asset management. That way there is a strong commitment between central and regional government, and state asset management is no longer a central government initiative that needs to be taught to regional governments whereupon implementation of it is based on necessity or compliance towards regulations; rather it becomes a part of regional government institutions and is ingrained within their day to day practices that is performed out of a feeling of ownership, responsibility, and awareness...”

“BPKP is committed to assist regional governments in any way possible, in their governing and provision of public service. This includes state asset management. Especially as we are the one who wrote the technical guideline to regional state asset management, so we know the document best. Therefore it is our duty to assist regional governments...”

Although Box 9.10 illustrate the efforts that are made by BPKP to assist regional governments in the implementation of state asset management reform, it is agreed by all interviewee participants that the assistance-advisory role implemented by BPKP is still at an early stage- in particular as it is evident in few regional governments only. Therefore it is suggested by regional government officials that there is a need to further increase the amount of signed memorandum of understanding between BPKP and regional governments in establishing an assistance-advisory relationship to implement good state asset management practices. Such an memorandum of understanding need to specify the commitments of both parties, whereby BPKP is committed to outsource its government officials to hands-on assistance and regional government offices are committed to shifting its asset management practices to be more aligned with the national umbrella laws.

9.3 Research Question Three

The third research question (RQ3) of this study reads: Does decentralisation and regional autonomy impede implementation of systems that integrate good governance and state asset management? If yes, how?

Decentralisation and regional autonomy does impact the implementation of an integrated good governance and state asset management system, in particular as each autonomic region – whether it is at provincial level, regent/district, or city – have the ability to create their own state asset management laws, rules and regulations, and technical documents.

Although these ‘individual’ state asset management legal apparatus must be aligned to its umbrella laws (6/2006, 17/2007, 96/2007, 38/2008), the writing and approval of these legal apparatus is also adapted to the regional government’s capabilities, resources, political and economic priorities, etc. An important reminder in regards to regional state asset management laws etc is that it is written by regional government employees, where the education and knowledge and experience in law writing also varies from minimal to the highest level.

9.3.1 Four Influences of Decentralisation and Regional Autonomy

The first influence of decentralisation and regional autonomy is the ‘quality’ of the state asset management laws drafted and published, and the level that good governance is conceptualised within state asset management legal products. As expressed by interviewees: in Box 9.11:

Box 9.11 Impact of Decentralisation and Regional Autonomy in the ‘Quality’ of State Asset Management Laws and Policies established by Regional Government

“...There is a definite effect or impact of decentralisation. With decentralisation state asset management are completely given to the regional government, and they have to really manage it themselves. Sometimes decentralisation in one province is only at provincial level (like Jakarta) and some you can find decentralisation and regional autonomy up to regency and city level (like Gorontalo, West Java, and Yogyakarta). The problem is, the management of RSA at whatever level in the regional government is still nominated underneath the finance/budget division, they don’t have a system where it is delegated up until the asset users...”

“...state assets (i.e public schools). That’s at the national/central government level. Regional governments, because of decentralisation and autonomy, can make their own laws governing certain aspects of government (which include asset management) – although those laws have to be within the corridor of the national law, but still there is their own interpretation based on their government’s objectives etc. So there are governor decrees, head of regency decrees, etc. This shows that there are a lot of rules and regulations in place, maybe even too much as there is opportunity for interpretation...”

The second influence of decentralisation and regional autonomy is in regards to the **regional state asset government official hierarchy structure**, for despite a structure recommended by the umbrella laws and detailed in the technical guidelines drafted by the Finance and Development Supervisory Agency, **each regional government has the authority to adapt the structure accordingly based on capacity and capabilities in the regional government office**. As identified by interviewees in Box 9.12:

Box 9.12 Impact of Decentralisation and Regional Autonomy on Regional State Asset Government Hierarchy Structure

“...Constitution number 17 on national finance has provided guidance in delegating authority regarding state asset management. The difference in Gorontalo is that at the end of the day they followed the ministry of home affairs regulation and delegated the authority (and ownership) of regional finance and state assets to the regional secretary – yet the function of regional secretary is not the same as the regional finance body/division, especially since the regional finance body as the asset disposer they will make policies on asset related matters. Therefore in conclusion in regards to authority and ownership alone there will be, or there is currently, a difference between national/central level and regional/provincial level...”

“...For example: according to our (supposedly) state asset management system it is a condition that national state asset or regional state asset is only owned by one party – the ministry of finance. However this is different in the regions/provinces, which is why the ministry of home affairs regulations on regional state asset management has stated that the asset owner at regional/provincial level is the regional secretary – yet if we compare the function between regional secretary and ministry of finance it is not the same...”

The third influence of decentralisation and regional autonomy on state asset management laws, policies, and practice; **is regarding the divide of state asset ownership** (and with it management, legal, and administrative responsibilities) **when a new regional government is established** (or proclaimed). This is particularly evident if its proclamation is a result from its separation from a larger regional government (for example, an area within the jurisdiction area of provincial government separated and created/proclaimed themselves as an independent area – hence a new regional government). This act of regional autonomy phenomena more often than not result in a transition period where there is high level of confusion and disorganised activity regarding state asset ownership, maintenance, ownership certificates, person responsible, etc. This is evident from the account of interviewees as in Box 9.13.

Box 9.13 Impact of Decentralisation and Regional Autonomy on State Asset Ownership

“...If there is a state asset whose ownership is split between two regional governments (due to a regional government separating from another regional government and creating their own regency or city for example) there could be potential problems if the split in ownership was not done in accordance to the rules and regulations and the split was not managed effectively – for example when it comes to ownership certificates and other legal paperwork. Sometimes the state assets that were originally owned by the one regional government before it was split into two is gifted to the new regional government, however if the process of this gifting, if you are not careful in drafting the change of ownership report for example, there could be problems later on...”

“...For example when a new district is established, where the new district was established by separating from a former bigger district, there might be some state assets that used to belong to the bigger district but due to a separation in jurisdiction now belongs to the new district. But then again this is relatively seldom. The interesting this is, maybe according to the district, provincial govt, or city level government they have gifted or delegated a particular state asset to another district or government jurisdiction, however there is no record of it in the BPKP north Sulawesi representative office, and yet we are supposed to help them with their internal auditing process...”

The fourth influence of decentralisation and regional autonomy on state asset management practices is in the sense of how regional culture and traditional way of doing things might have an impact on state asset management practices.

This is especially evident in ‘special’ regions such as DKI Jakarta (who received ‘special’ status due to its duality in being a region as well as the capital city of the country) and DIY Yogyakarta (who received its ‘special’ status as it is one of the regions in Indonesia that is governed by a sultanate kingdom as well as a civil law government – hence their region head is a sultan and a governor at the same time). These cultural and historical characteristics play an important role in shaping the region’s government organisation structure, perception of state assets, and in particular the ownership of state assets.

In terms of government organisation structure for example, the ‘standard’ government structure for regional governments in Indonesia is that there is autonomy at every level of

government – province, regency/district, and city; where each of these levels have their specific laws and policies, technical guidelines, and ‘way of doing things’ (all of which is applicable to state asset management also). DKI Jakarta however, due to its special status, does not follow this ‘standard’ government structure, whereupon autonomy is found at provincial level only, making the four cities of DKI Jakarta an ‘extended arm’ of the provincial government - without autonomy. This means that all rules and regulations are drafted and established by the provincial government and is followed/implemented by the four cities within Jakarta, making the city mayors of Jakarta’s position likened to that of the head of a government body as opposed to head of a region.

In regards to state asset management this means that the only regional state asset management laws, rules and regulations, and technical guidelines are drafted and published by the provincial government; where through its regional finance body state asset management data and reports are collated, collected, and reported. Therefore city finance bodies are a division of the regional finance body, functioning, to a certain extent as the state asset manager and the regional finance body functions as the state asset governor. This relationship is discussed in Box 9.14

Box 9.14 Impact of DKI Jakarta Regional Government Structure on State Asset Management

“...The regional finance division of a regional government (i.e BPKD) functions as a consolidator, where we do all of the recording, inventory, and coordination of all state assets in DKI Jakarta. All of our state assets are spread out among 722 working units, or in DKI we call them regional working units (SKPD) – for example hospital, village heads, schools, ministry department regional offices, bureaus, and certain organisational and other government bodies. Each of these working units are responsible for the state assets that has been allocated to them, they are both the asset user as well as manager. Therefore the responsibility of state asset lay with the head of the working units, even if BPKD is the one who coordinates all state assets – for example a state asset is lost or damaged, that becomes the responsibility of the head of the working unit....”

The organisational structure of DKI Jakarta is found to be different than other regions in Indonesia, which suggests strengths and weaknesses.

One of the main strength of this arrangement is that there is higher level of uniformity between each city and provincial government, in terms of the 'regional specific' laws that is followed and the philosophy that undermines state asset management practice. Another strength is that due to state asset management being implemented by one body, there is free flow of human resources and information. What this means is that there is higher level of coordination between government officials of differing capabilities to ensure the practice of state asset management is performed, and information gained from training/seminars are disseminated throughout the regional finance body and its city divisions.

On the other hand there are compounded complexities that must be resolved, particularly as DKI Jakarta has been in existence since 1945 and their vast amount of assets equals that of many international companies in Indonesia (Bank Mandiri for example) or an area of Indonesia (East Indonesia for example)(Bae, 2010). As explained by DKI Jakarta government officials, captured in Box 9.15:

Box 9.15 Impact of Regional Government 'Age' in State Asset Management

"...Our assets date from 1945...that is a long time ago, and who knows where they are right now? What is the condition, who owns it, etc? There are many historical things in Jakarta, many old buildings and land, and because we never had a proper state asset management system, we don't really have any records of anything..."

"...Jakarta is big. Very very big. I think our state assets equal the state assets of the whole of east Indonesia or something like that, its quite intimidating. And how are we going to manage all of these assets? We don't have enough knowledge or man power, and we have so many assets that even if we have successfully located and create legal paperwork for a group of assets there is another group that we have neglected..."

DIY Yogyakarta proves to provide another set of challenges, one that is more based on *historical culture*. DIY Yogyakarta is a region that is governed by both a civil law as well as a royal kingdom, whereupon there is one head of government who plays the dual role of a governor as well as a sultan/king. Therefore the region is not only governed by civil law but also monarchy laws.

In state asset management this means that not only do practices need to adhere to national umbrella laws such as government regulation 6/2006 or home affairs minister regulation 17/2007, they also need to adhere to royal laws and regulations, which is mostly based on the Javanese culture.

In DIY region a 'standard' regional government structure exist, in the sense that the region is divided into provincial, district/regency, and city level; and that autonomy is located at each level. Hence each of the government at these levels have the authority to draft and established their own set of state asset management laws, rules and regulations, and technical guidelines; however in practice / implementation of these laws there has to take into consideration royal laws / Javanese.

The duality in governing has a multiplier effect in all aspects of government, including state asset management. One of the impact of this duality is a *confusion in state asset ownership*, as there is a need to distinguish which parts of a building complex for example, is owned by the state government (thus a state asset) and which is a owned by the royal palace (thus a royal asset), as the treatment towards either assets are different. State assets are managed based on the regional state asset management of the province/district/city (if such a law is in existence) or the national umbrella laws (if regional law is non-existent), whereas royal assets are managed in a different manner (i.e Javanese culture) by a body/division within the royal palace. This is illustrated in Box 9.16:

Box 9.16 Impact of Duality in Government on State Asset Management

“...In Yogyakarta, because they are a special region due to being the only legitimate sultanate in Indonesia, there are many lands that is known as “Sultan Ground”. Therefore originally every land in Yogyakarta was owned by the sultanate, and over the years the sultan has tried to maintain this – in particular when there are sultanate related buildings or houses on the land. However over the years some of this land has been sold or given as a gift to the Yogya government so that parts of their (the sultanate) land can be used by the greater population and not only for the royal family and their entourage. That said there is still a lot of sultan ground, and these are used – have been used – by anyone granted by the royal family for years. For example those who have dedicated themselves to serving the royal family for centuries and generations have lived in accommodation or houses on the palace ground – all without fees or taxes to the Jogjakarta government. So there is this whole area of houses, sometimes even found or spread in different places in Jogjakarta, that are located in Jogjakarta but can not be claimed as public assets because they are on sultan ground – these houses are managed separately altogether by the royal family and their “abdi dalem”, without interference from the jogja government...”

As with the government structure arrangements of DKI Jakarta, the arrangement of DIY Yogyakarta also presents strengths and weaknesses.

On one hand there are rules and regulations that govern the management of assets whether it is of state asset or royal asset status, there are clear guidelines of how to differentiate both, and to a certain extent the management load of DIY civil government officials are lessen as the responsibility of asset management throughout the whole region is performed in collaboration with another body. This is thought to minimise the chances of malpractice in state asset management as there are two bodies responsible for state asset management, and a higher potential in gaining good opinion from the external audit body.

On the other hand the duality of government can cause confusion (in particular as lack of ownership certificates and legalities are identified as a main challenge of this region) and creates complexities should there be a conflict between civil law and royal law/Javanese culture. In contrast with DKI Jakarta however, due to the duality of government and in particular strong Javanese culture that bonds the people of DIY Yogyakarta together, the philosophy of state asset management in this region is ‘working together to achieve what

is best for the family’, as opposed to ‘for the best opinion from external audit body’ that is the philosophy of DKI Jakarta. To a certain extent this prove to have high level of impact on state asset management as government officials are hinting at compromises being made (regarding state asset ownership, or maintenance, or disposal) to ensure ‘family values’ is still being upheld.

9.3.2 Double Edged Sword of Decentralisation and Regional Autonomy

The decentralisation and regional autonomy regime was established in 2001, whereby regional governments established as a result of this regime and post-2001 is considered to be ‘new regional government’. Regional governments established pre-2001 is thus considered ‘old regional government’. This has led to decentralisation and regional autonomy is found to have a double edged sword impact on state asset management practices.

On one hand, interviewees believe that ‘new regional governments’ have a higher possibility to gain the best opinion possible from the external audit body as ‘new regional governments’ have limited amount of state assets to account for, less history, ‘fresh’ financial reports that can be easily traced, and less complexity regarding their state asset affairs. Box 9.17 explains why newly established regional governments are perceived to have simpler state asset management challenges:

Box 9.17 Simplified State Asset Management Challenges in ‘New Regional Government’

“...Most of the time those new regional governments get a WTP opinion from BPK because they are still new, they can still answer if BPK ask them questions. But i think that potentially in 5-6 years they wont be able to answer these questions anymore. The same applies to gorontalo, now after 8 years of being established they too might start to find difficulties in answering the questions, particularly questions that relates to RSAs...”

“...The city of gorontalo has been around forever, even before the province of gorontalo, and you can see the stark difference, because the city of gorontalo has accumulated so much in the way of asset that they have much more trouble in RSAM than the rest of the regencies in Gorontalo...”

On the other hand, newly established regional governments face the challenge in the level of preparedness for managing a vast and complex state asset inventory in terms of: human resource capacity and capability, regulatory and technical guidelines infrastructure, supporting infrastructure, and transition procedures (including ownership certificates). Therefore it is evident that there is potential a negative influence of decentralisation in state asset management, as explained by few interviewees in Box 9.18:

Box 9.18 Challenges in State Asset Management for 'New Regional Government'

"...However because the regional government wants speed and rapidity in ensuring that they have all of the necessary facilities, then the central government gives them land. But i think that with these kinds of situations there must be a clear contract, in gorontalo most of the time the land that their building is built on is rented from the central government. This we need to sort out. We can not leave this to keep on going, to keep on accumulating, or otherwise it wont be manageable..."

"...There is very minimum human resources, in terms of those who actually understand asset management and have had experience, especially in new regencies like ours..."

9.3.3 Concluding Comment

Based on the discussions in section 9.3.1 and 9.3.2 of this chapter it can be concluded that decentralisation and regional autonomy does have an influence in state asset management practices, as the unique characteristics (both in terms of government structure and historical culture) of each region impacts state asset management rules and regulations, the day to day practice of state asset management, and most importantly the philosophy that is adapted by each region.

9.4 Research Question Four

The fourth research question (RQ4) of this study reads: What influence does Indonesian political history and bureaucratic culture have on the understanding and implementation of an integrated governance and state asset management approach?

A debate exists on the question of what influence does Indonesian political history and bureaucratic culture have an impact on the understanding and implementation of an integrated governance and state asset management approach, whereby interviewees are divided into three main 'groups'.

9.4.1 Political History and Bureaucratic Culture Play a Strong Role in State Asset Management Reform

The first group comprise of 40% of interviewees, who strongly agree that Indonesian political history and bureaucratic culture plays a large role in the understanding and implementation of integrated governance and state asset management, whereby they believe that Indonesian political history and bureaucratic culture has a hindering influence to state asset management reform. Their argument mainly focuses on three aspects: the level of neglect that Indonesian state assets has experienced that it is beyond 'saving', the impossibility of re-shaping the mindset of government officials in terms of the value and role of state assets and the 'privilege/ job pricing' of responsibilities attached to managing it, and the ingrained lack of caring culture that is more of a norm in a bureaucratic setting (as opposed to in the private sector). These arguments are evident In Box 9.19:

Box 9.19 Strong Agreement for Impact of Indonesian Political History and Bureaucratic Culture in State Asset Management Reform

“...But the reason why this is still happening is the historical factor, where historically for as long as I remember the regional secretary is always considered to be the highest operational power in the regional government (straight below the governor), so the regional secretary is considered to be the asset owner, which means that he also governs or arranges the monitor and controlling process of state asset management...”

“...We are used to this way of state asset management for over 32 years, it is not easy to change our behaviours – and all of this is political history. Our bureaucracy has a culture too and for state asset management reform to be implemented, this culture would need to be changed...”

“...In our history, there has never been state asset management specific laws and way of doing things, its not in our culture either to have all of these procedures for these assets. So there is a need to adapt and change, to make room for state asset management reform...”

9.4.2 Political History and Bureaucratic Culture Does Not Play a Strong Role in State Asset Management Reform

The second group comprise of 45% of interviewees who strongly believe that Indonesian political history and bureaucratic culture does not play a role in the understanding and implementation of integrated governance and state asset management, and hence has minimum influence over state asset management reform.

Rather this group of interviewees believe that the stagnant situation of Indonesian state asset management reform at present is caused by the **imbalance between ‘hard control’ (i.e laws, regulations, etc) and ‘soft control’ (i.e people management, increasing knowledge, etc)** within the reform.

Interviewees believe that there is a high level of ‘hard control’, whereby there are abundant levels of constitution law, rules and regulations, ministry decrees, governor/regent head/city mayor regulations, and technical guidelines; all attempting to govern the practice of state asset management. On the other hand, the knowledge and

understanding of relevant government officials regarding legal products of state asset management reform is found to be not on par with the level of detail and comprehensiveness of the legal products.

Interviewees also believe that there is more of a concentrated effort to develop the legal products instead of increasing the knowledge of relevant government officials through educational and training programs, as well as support network for state asset management implementers.

Furthermore, interviewees believe that those state asset management legal products are introduced at a speed that is above and beyond the capabilities and capacities of government officials. Government officials have often complained that they are still learning a particular law however a revised version of said law is already introduced. Hence there is an imbalance between ‘hard’ and ‘soft’ control, as evident in Box 9.20

Box 9.20 Imbalance of ‘Hard’ and ‘Soft’ Control as an Impediment to State Asset Management Reform

“...its not political history exactly. In my opinion, especially when it comes to auditing, controlling and monitoring the implementation of public policy, we have a very distinctive weakness. We have too much hard control – in other words we have too many rules, regulations, ministry decrees, technical guidelines, regional laws, etc all trying to control or ensure the implementation of something...”

“..more bureaucratic culture than political history i think. Indonesia has a lot of hard control, however it lacks in soft control –not really enough attention in developing the human power or the people who are policy implementers, both in terms of providing them with necessary knowledge, training, and tools; but also helping them with refreshing their mindset on new innovations. What we need to do is to ensure that bureaucratic reform is not just a rhetorical, but is actually something that we are doing seriously and realistically with real results. Bureaucratic reform is more than just changing the people or replacing older bureaucrats or recruiting from a certain demographic (i.e more academics or more entrepreneurs), it is about ensuring we have the right person for the right position, we have a clear contract of key performance indicators, and that we support government official with needed tools, knowledge, and most importantly ensure a change in mindset, more open to innovations as opposed to holding on to the ‘old ways of doing things’...”

9.4.3 Political History and Bureaucratic Culture *May* Play a Strong Role in State Asset Management Reform

The third group, 15% of interviewees believe that political history and bureaucratic culture may have a role in the level of integrated good governance and state asset management approach, however they are unsure of the level of its influence, rather professing that implementation of good governance and state asset management practices depend on ‘the people’ that are implementing it.

Although this may seem to be on the same page of arguments as the previous group (subsection 9.4.2), the difference here is that the focus is on each individual personality, willingness, commitment, and level of stewardship; as opposed to the training and support that a government official might receive. This argument on ‘it depends on the person’ is also different to the first group as there is more of a focus on individuals than the bureaucracy or government officials as a whole. As expressed by few interviewees in Box 9.21:

Box 9.21 Individual Characteristics as Impediment Variable to State Asset Management Reform

“...In terms of whether or not political history plays a part in state asset management implementation, I don’t think so, but maybe. I think this is all purely based on the awareness of each state asset user and manager. We need to have stricter controls: for example if there is procurement then a report needs to be drafted immediately. Sometimes these kinds of report are not drafted, procurement not reported, etc. This then becomes the main impediment – the main source of the problem. The question becomes: is it because the person did not know about rules and regulations? Or is it because of the person’s negative tendencies? (i.e personality related)...”

“...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...”

“...It may be history, but i think its more about the person. I mean, regional finance division of a regional government (i.e BPKD) functions as a consolidator. The working units provide a report to us by filling in and recording assets details. The weakness with all of this process is, is that it is not automatic. At the moment we wait for a person to tell us what is happening. we are depending on a human, sometimes they forget, sometimes information they provide is not 100% accurate...”

9.4.4 Concluding Comment

Sub-section 9.4.1, 9.4.2, and 9.4.3 have provided the three different sides of perspective on whether or not political history and bureaucratic culture play a role in state asset management reform. It can be concluded that political history and bureaucratic culture does play a role – however the level of its influence is questioned. Less than 50% of interviewees identified political history and bureaucratic culture as a dominant influence in the implementation of state asset management, whereby interviewees have instead identified the imbalance between ‘hard’ and ‘soft’ control (and the need to increase ‘soft control), and the nature (knowledge and willingness) of the people who are implementing asset management reform policies.

10. Analysis of Influencing/contributing factors and the Notion of ‘Excuse Rhetoric’

The following chapter analyses all of the influencing/contributing factors to state asset management reform in Indonesia as provided by interviewees of this study. This chapter starts with a discussion of support and opposing opinion for each impeding variable, also based on the opinions of interviewees of this study. As the methodology approach of this study is of qualitative nature, quotes from interviewees are utilised as a justification tool and to provide clarity in all arguments. To further strengthen the analysis performed, a parallel will be drawn with the findings of the pilot case study, in particular in comparison to the influencing/contributing factors identified by interviewees of the pilot case study. An objective of this chapter is to conclude on similarities and differences of influencing/contributing factors provided, and discussing in-depth the reasoning behind each influencing/contributing factors, in order to find commonalities that potentially provides an answer to Indonesia’s state asset management reform is at a stagnant pace and is proving to be a challenge to implement.

The method that is employed in this analysis is a thematic analysis, whereby influencing/contributing factors are identified through interviewee’s opinions and document analysis of state asset management related reports. Interviewees’ opinions on influencing/contributing factors to state asset management reform are then categorised as either *‘supporting’* or *‘opposing’*. This method provided a clear indication of how many interviewees agree, or support, an impeding variable to be valid; as well as how many interviewees opposed the validity of an impeding variable.

Table 10.1 provides a list of influencing/contributing factors that are identified by regional governments, the number of interviewees that support the validity of an impeding variable (i.e real value), and the percentage (of interviewees) that this represents. In reading Table 10.1 it is important to note that the number of interviewees of this study is 74 personnel, where each personnel was asked to provide their opinion on the validity of impeding variable. Therefore the information in Table 10.1 provides an illustration of how many

interviewees, out of 74 personnel, supports the validity of an impeding variable. Figure 10.1 converted the number of support for each impeding variable into a percentage value (of interviewees), providing further ease in identifying the level of support for each impeding variable. The level of ‘opposing views’ or non-support is not explicitly provided in this chapter, nor is it created into a table or percentage graph, mainly as it can be deduced from the level of support for each impeding variable. However opposing views or non-support for each impeding variable is explored and provided in each section of this chapter in the form of interviewee comments.

TABLE 10.1 LEVEL OF SUPPORT FOR EACH IMPEDING VARIABLE, IN NUMERICAL AND PERCENTAGE VALUE; IN INDONESIAN REGIONAL GOVERNMENT

Impeding Variable	Number of Support (out of 74 interviewees)
Prematurity/Infancy of Reform	70
Human Resource Capacity/Capability	66
Need More Time	62
Inconsistency and Uncertainty	44
Incomplete Automated System	15
Lack of Incentive and Sanction	23
Third Parties and Society	37
Low Legality/Paperwork	60
Dysfunctional Stewardship	69
Incomplete Monitoring and Control System	41
Mismatch in Western Ideology	46
Institutional Deficit	51
Assumption within Governance	8
Ambiguity in State-Asset Roles	20
Low Policy Writing Training	13
Mismatch in Policy Maker and Implementer Expectations	45
Incomplete Training Program	50

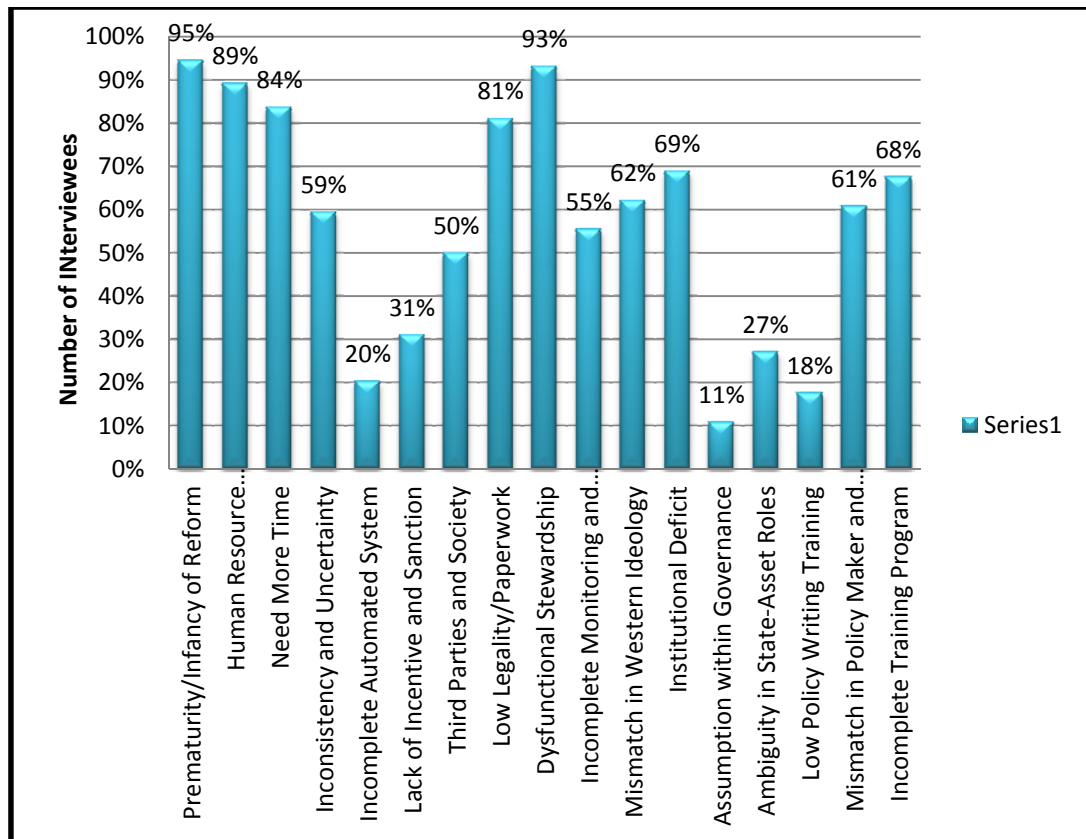


Figure 10.1 Level of Support for Impeding Variable in Percentage Value; for Indonesian Regional Government

Sub-sections of this chapter will discuss the level of support provided by Indonesian regional government employees for each impeding variable to an integrated governance and state asset management approach, as illustrated in Table 10.1 and Figure 10.1. Each section is dedicated to discussing the impeding variable in question in depth and provide supporting and opposing comments from interviewees.

10.1 Impeding Variable 1: Prematurity of State Asset Management Reform

An impeding variable to state asset management reform, as identified by regional government officials in Indonesia, is the pre-maturity of the reform itself, or the ‘newness’ of the reform itself, is identified as an impeding variable to state asset management reform implementation by 95% of interviewees.

As discussed in section 2.4 chapter 2 (literature review, reform of state asset management in Indonesia), 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. It is also reasoned by interviewees that, learning from past experience of good governance reform post Asian Financial Crises, any big-bang type of reform in Indonesia does not take years to fully implement and exemplify, rather it takes decades, and predicted to be fully implemented only after one generation has passed.

The above comments surrounding the prematurity of state asset management reform is congruent with the works of Mardiasmo (2009) on slow and lengthy implementation of reforms in Indonesian government and the findings of Mardiasmo (2007) on influencing/contributing factors to good governance practices, where in Mardiasmo's (2007)⁶ studies interviewees also provided the same reasoning/impeding variable to low level of good governance understanding and implementation. Interviewees justified the influencing/contributing factors of 'prematurity' to the ingrained old ways of doing things, which prove to be too deeply ingrained that even a slight mind-shift towards new reform can take years to understand and implement. Comments in regards to prematurity of state asset management reform is also congruent with the analysis of the Directorate General's Roadmap towards Strategic Management, as discussed in section 2.6 chapter 2 of this thesis, which highlighted the stagnancy of completing each objectives in every year of the roadmap. Therefore the fact that state asset management reform is only four years old suggest that it is yet to reach maturity stage, it is yet to be identified as the 'usual way of

⁶ It is noted that Mardiasmo (2007) and Mardiasmo (2009) are not the same author. The full reference for Mardiasmo (2007) is Mardiasmo, D. (2007). *Good Governance Implementation and International Alignment: The Case of Regional Governments in Indonesia*. Master of Business (Research), Queensland University of Technology, Brisbane, Queensland. Full reference for Mardiasmo (2009) is Mardiasmo. (2009). Kebijakan Desentralisasi Fiskal di Era Reformasi: 2005-2008. In A. Abimanyu & A. Megantara (Eds.), *Era Baru Kebijakan Fiskal: Pemikiran, Konsep, dan Implementasi*. Jakarta: PT Kompas Media Nusantara. It is noted that different data/empirics from different authors gave rise to the same conclusions

doing things' by interviewees. Rather the reform is still in the developing stage, gaining acceptance as the 'way of doing things' within Indonesian government.

Box 10.1 provides accounts from interviewees supporting the validity of the pre-maturity of state asset management reform as an impeding variable:

Box10.1 Support for Prematurity of State Asset Management Reform as an Impeding Variable

"...that the rules and regulations that govern state asset management 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..."

"...And because it is still very new, there are still some resistance in applying asset management according to the laws that governs it..."

The account of interviewee's comments in Box 10.1 provide further support to the validity of state asset management prematurity as a valid impeding variable. It can be deduced that the prematurity of state asset management reform has led government officials to be unsure of how to perform state asset management practices, and that many are still coming to terms with the fact that there is now a new way of doing things – of which may be completely different to the old way of doing things. That said, the comments as per Box 10.2 allude to the thought that perhaps it is not the fact that the reform is new (in age), rather it seems that the Indonesian government subscribe to a lengthy process in accepting a new way of doing things as their 'usual' way of doing things, replacing the old way of doing things that has been ingrained for more than 32 years.

10.2 The ‘people’ – State Asset Management related actors.

The ‘people’, or state asset management related actors, are identified as an impeding variable to state asset management reform by 89% of interviewees. This categorisation falls under the human resource capacity and capability in Table 10.1 and Figure 10.1, where it is the human resources identified in both statistics are state asset management related actors. Within this impeding variable (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 impeding variable is supported by 93% of interviewees and incomplete training in state asset management laws, policies, and implementation as an impeding variable are supported by 68% of interviewees. Such high level of support for dysfunctional sense of stewardship perhaps explain the opinion of Wardhana (2009) in regards to ‘neglecting culture’ of state assets (discussed in section 2.3 of chapter 2 – literature review), whereby both government officials and the Indonesian society view state assets as a free good and thus did not create systems to ensure its maintenance, management, and performance. 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 impeding variable to state asset management reform.

(Mardiasmo, 2010b) in his opening speech upon accepting his new position of the head of the Finance and Development Supervisory Agency 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 impeding variable. 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 10.1), 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 10.1), 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.

Hence it is this willingness and commitment to change their perception of state asset management and how to treat state assets that are of a challenge. The challenge that ‘the people’ provide in state asset management reform is explained by interviewees in Box 10.2:

Box 10.2 Support for The ‘People’ as an Impeding Variable

“...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! I think this is the key to everything in government, whether it is implementing or conceptualising good governance, or implementing good practices in state asset management – the key is that the people are implementing it, the government officials, the asset manager and user, etc – they are the ones who are actually in charge of the implementing...”

“...I have to agree that sometimes us at higher level are more about conceptualising, drafting, etc...but that said we also take into consideration our capabilities. And when the

key is people, you need people that has all of the three personality, equally at a high level, to be co-existing, so that the job can be done properly. And we need people like this at all levels, not only high level, but all the way to the most technical level, like the asset user or manager. And to guarantee this...this is the biggest gamble that one can make in implementing a particular policy..."

"...For example we already have a certification of state asset management section, and if the people who work in this section are good natured then everything will be looked after well, however if the people who work in this section turns out to have negative tendencies (i.e small corruption, misrepresentation of information, etc) then we are in trouble. 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..."

Box 10.2 illustrates the support for the 'people' as an impeding variable to state asset management reform. From the various comments surrounding the 'people' in Box 10.2 it can be deduced that the 'people' does not only refer to technical capabilities and capacity of a person (for example surrounding asset management knowledge and experience), it also refers to personalities of current state asset management related actors – in particular their willingness to 'change' and accept the new way of doing things, as well as their commitment in implementing the reform.

10.3 The notion of 'Time' and "I need more time"

Time is considered to be an impediment to state asset management reform by government officials, with 83% support. The notion 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. Thus there are very limited information concerning them – it is this 'limited information' that is resulting in low levels of 'best opinion' from the external audit body. Box 10.3 illustrates the complication of state asset management practice for state assets procured/acquired prior to the state asset management reform.

Box 10.3 Complication of State Assets Procured Prior to State Asset Management Reform

"...So when BPK [the external audit body –red] comes in to do their audit they will check for these information and its not there – those who gets a bad opinion from BPK is usually due to asset mismanagement. If you factor in RSAs [state assets –red]that has been in existence for a long time, from years ago, everything becomes more and more complicated. If its only this year's RSA then it might still be doable to back track, in fact for new regions it will still be easy. But if it has been accumulated over the past years then you no longer remember what was its first condition (when you buy it), how it has been utilised, the maintenance, who it was utilised by, etc..."

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. As explained by government officials in Box 10.4:

Box 10.4 Regional Government ‘Age’ and State Asset Management Complication

“...Most of the time those new regional governments get a WTP opinion [best possible audit opinion –red] from BPK [external audit body –red] because they are still new, the asset is still at minimum or low scale level, they can still answer if BPK ask them questions about where is the RSA and what condition is it in, who utilises it etc. But i think that potentially in 5-6 years they wont be able to answer these questions anymore. The same applies to gorontalo, now after 8 years of being established they too might start to find difficulties in answering the questions, particularly questions that relates to RSAs that they acquired in the first or second year of being established...”

Box 10.3 and Box 10.4 alludes to the perceived advantage for new (post 2001) regional governments over old (pre 2001) regional governments, however it can also be seen that this advantage is not permanent, in the sense that it is not a system-related advantage, rather it is an advantage based on the ‘race of time’ – that is, the newness of the regional government and the low amount of state assets that it is currently managing. In order for new regional governments to maintain this advantage they have to create an ingrained state asset management system whilst their state asset management numbers are still ‘manageable’ – the aim here is to ensure that further accumulated/procured state assets are systematically treated.

The third sense of ‘time’ as an impeding variable 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 10.5.

Box 10.5 Opposing statement to 'I need more time' as an Impeding Variable

"...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 Finance and Development Supervisory Agency, all we have to do is follow that and implement it, is not like we don't have to make everything by ourselves. The Finance and Development Supervisory Agency have already provided us with the system, all we need to do is implement. Why do we need more time?..."

Box 10.5 illustrates strong comments of opposing statements in the face of ‘I need more time’ as an impeding variable, 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 impeding variable.

10.4 Inconsistency and Information Uncertainty

The fourth impeding variable to state asset management reform is inconsistency of state asset management laws and policies, which leads to information uncertainty surrounding what is considered to be best practice in state asset management. This impeding variable is supported by 59% of interviewees, suggesting that there is high possibility of it being a valid impeding variable to state asset management. Interviewees’ agreement of this impeding variable links to (Shenhav, 2003) theory of asset management related actors as a system that needs consistent, coherent, and detailed information to ensure performance.

Interviewees who support this notion have emphasised the different state asset management laws, policies, and practices found between regional governments, or between the central government and regional government. These interviewees commented that there seems to be an inconsistency in state asset management practices adopted by regional government departments, where varying interpretations of the national umbrella law (set by central government) are evident.

Interviewees have identified decentralisation and regional autonomy as a reason for this inconsistency, for the authority to establish one’s state asset management laws and policies suggests an individual tailored state asset management practices in each regional government. Ritonga’s (2009) discussion on how decentralisation and regional autonomy increases the variance in level of understanding and implementation of innovative public policies, as discussed in section 2.6 of chapter 2 (literature review), reminds policy makers of this possibility, in particular for a country that is multicultural within its own nation (see discussion of how uniqueness of local government’s political and cultural history impact public policy implementation, section 2.3 Chapter 2). Interviewees have identified that as a result of such inconsistency, information uncertainty exists – in the sense that

government officials are unsure whether their own state asset management practice is a best practice, or what is considered to be best practice. This experience is captured in Box 10.6.

Box 10.6 Support for Inconsistency in State Asset Management Practices and Information Uncertainty as an Impeding Variable

“...A big challenge in our state asset management at the moment is inconsistency. What I mean by this is inconsistency in the law that governs state asset management as well as inconsistency in people’s views on what is asset management and how to do asset management, and of course there is inconsistency in the way that different regions decide to do their state asset management (which is affected by their government structure, but also other things)...”

“...one my main concern is what if i’m doing something wrong? Everyone is doing different things – even north gorontalo and we’re supposed to be within a regional government! I don’t know whether what I’m doing is right or not, whether this is what state asset management is supposed to be like. I’ve never done it before and there is no consistency on what is the right of way of doing it...”

“...I have been to several state asset management training, the ones held at central government. And it seems like everyone has a different interpretation of what needs to be done. Yes we have to put the record on the financial report, but for which state asset, I don’t know. In our region over Rp 10 million is considered an important asset so we have to report it. But in another region, its Rp5 million. Which one is right? I don’t know...”

A difference in opinion between interviewees regarding this particular impeding variable is evident, as 41% of interviewees oppose the notion of inconsistency and information uncertainty as an impeding variable. These opinions are captured in Box 10.7.

Box 10.7 Opposing Arguments for Inconsistency and Information Uncertainty as Impeding Variable

“...why is there inconsistency? There should not be inconsistency – all regional government laws need to be within central government laws, and we have a national umbrella in state asset management. So how can there be inconsistency? When all of our laws are based on the national umbrella?...”

“...yes I suppose there will be some inconsistency, after all each regional government is different. We have different assets, different needs, etc. But is that a cause for non-implementation? I don't think so. As regional governments, when we establish a law, we consider everything. So the laws we have established works for us, and is within central government laws. Thats all we need to know...”

“...You cant help different laws, whether in state asset management or in other things that we do. Why? Because we have autonomy. If inconsistency between regional government laws is a source for non-implementation, then nothing will work, nothing will get done – as we will always be in search of uniformity. Thats not how Indonesia works. So inconsistency should not hinder implementation of state asset management at all...”

This group believe that inconsistency does exist, however it is not an impeding variable to state asset management reform – rather it is a product of decentralisation and regional autonomy, one that results in tailored state asset management. It is argued that what is right, or considered to be best practice, for each regional government is different – hence the authority for establishing specific and tailored state asset management. Therefore inconsistency is not considered as an impeding variable, rather information uncertainty that stems from it is considered to be a product of regional governments that are ‘nit-picking’ or being overly cautious in their ways of governing; or even more extreme – attempting to find an ‘excuse’ for non-implementation of state asset management reform.

10.5 Incomplete (computerised/automatic) System in State Asset Management Practice

Interviewees have identified incomplete computerised or automated system in state asset management practice; to assist with matter such as inventory recording, lodging maintenance strategies/updates, and in general keeping track of the state asset's condition and utilisation; to be an impeding variable to state asset management reform. It is argued that the absence of such an automated system has led to further difficulties in implementing the required practices of state asset management reform – hence leading to further inefficiencies. Box 10.8 illustrates how an incomplete automated system impedes the implementation of state asset management reform.

15% of interviewees agree to this notion; however in comparison to other influencing/contributing factors in other sections within this chapter, whom received 60-95% support, it can be concluded that this impeding variable is not supported.

Box 10.8 Support for an Incomplete Automated System as an Impediment Variable

“...However it is possible to avoid these difficulties, by having a database of information that is reliable, timely, and accurate; as well as an integrated system/programme that is computerised, performed by government officials who care about state asset management, then there should not be any weaknesses. Again, it is a combination of strong, computerised system and personal willingness that will ensure the implementation...”

“...The weakness with all of this process is, is that it is not automatic yet between the time that the asset was bought or procured, or capital expenditure, and the time that it is then recorded as our state asset. So there is a lag of time, it is not automatic, and we depend on the information that people gave us. That kind of information is not even automatic yet..”

“...I believe this is the part where we have mediate the process, step in and ensure that there is a system whereby when there is a state asset that has changed ownership it is automatically recorded. We have done this once and now have introduced the SIMDA to them, but it is still a continuous challenge until everyone understand and can implement SIMDA correctly...”

Figure 10.1 suggests that 15% of interviewees agree to the notion of incomplete automated system as an impediment variable; however in comparison to other influencing/contributing factors in other sections within this chapter, whom received 60-95% support, it can be concluded that this impeding variable is not supported. Looking at Box 10.8, although the comments provided are meant to support an incomplete automated system as an impediment variable, further analysis suggests that these comments do not really identify an automated system as a guarantee to implementation of state asset management reform. Rather it alludes to an automated system as a tool within state asset management that allows state management related actor to implement the reform. Hence the level of state asset management reform does not depend on whether an automated system is present or not, for how the automated system is utilised is dependent on the state asset management related actor. It is therefore concluded that an incomplete automatic system as an impediment variable lack support from interviewees of this study – hence an invalid impediment variable.

10.6 Incentive and Sanctions

The next proposed impediment variable to be analysed is the incomplete incentive and sanction system, which according to 31% of interviewees is the reason behind low level state asset management implementation. Interviewees argue that state asset management related responsibilities are highly complex, in particular as there is now the requirement of learning a new system. Yet interviewees feel that the current remuneration system does not recognise this complexity, nor does it penalise or sanction non-compliance. It is felt that despite the higher level of complexity the remuneration level of a state asset management related actor is equal, or at times lower, than those within the same echelon level. It is also felt that the same level of remuneration is rewarded to the state asset management related actor regardless of whether there is high or low level of compliance to the new state asset management reform – hence there is no incentive to perform at a higher level or ensure that there is high compliance level. This opinion is captured in Box 10.9.

Box 10.9 Support of Lack of Incentive/Sanction as an Impediment Variable

“...What i mean is that its not clear how the government reward asset managers through remuneration, how much is awarded for this particular KPI [key performance indicator – red] , etc – everything is standard government official wages, yet the responsibilities, or I should say the weight of responsibility for those who work or deals with assets are at a different level than others – I think there should be more incentives and rewards for those who deals with assets because there are higher level of responsibility...’

“...I guess another problem that is stopping state asset management from being implemented is the fact that there are no sanctions – both for the government of society. For example those privately owned luxury houses – there is no sanction if you don’t have certificate or legal papers, so people don’t see it as a necessity. Same with government, up until now, even with BPK audit opinions that are negatively affected by bad state asset management practices, there is still no sanction if a government department does not do proper inventory or have all of their land certificates etc...”

“...We need to add to this by having an incentive and sanction policy, where if there is an asset user who is out of line or do not look after the state asset that he or is allocated to, then the person is sanctioned accordingly...”

Box 10.9 provides arguments that support lack of incentive and sanction system as an impeding variable. However 69% of interviewees does not support this impeding variable. The main argument here is that high level complexity is integral to any government related work, and that a dependence on a sanction and incentive system may have the opposite effect to long term state asset management reform sustainability; in the sense that the level of incentive would have to be continuously increased to make compliance ‘attractive’. These interviewees believe that regardless of an incentive or sanction system state asset management actors should have a high level of commitment in ensuring a best practice in state asset management that are within their care, as it is part of their role in providing public service to the society.

It is therefore concluded that identifying the lack of an incentive and sanction system as an impediment variable contain certain dangers, for there are high risks associated with a

dependence on incentive program (or higher incentives) to ensure compliance and implementation of state asset management reform.

10.7 Third Parties and the Society

Third parties and the society is identified by 50% of interviewees as an impediment variable to state asset. This suggests, even before analysis, that there is an equal divide as to whether or not third parties and the society is a valid impeding variable. Interviewees refer to the private sector, in particular building developers that are contracted by private sectors. Interviewees identifies a less than favourable experience with building developers and/or third parties, where building developers are identified as an impeding variable due to non-compliance to state asset management rules and regulations set by the regional government. This experience is detailed in Box 10.10.

Box 10.10 Support for Third Parties as an Impediment Variable

"...We also face the challenge of managing building developers who do not comply with town planning. the building developers of the malls know that as part of the permit to build they need to also build pedestrian crossing or some kind of asset/facility that can be used publicly; then hand over to the DKI government so that we can manage it. However they don't do this..."

"...there are state assets that are not yet certified and lacking legality documents, but is located within the jurisdiction of DKI Jakarta, yet it is managed under the authority of a third party or someone else..."

Therefore the role of third parties, in particular developers, is deemed to be negative for state asset management reform as they have a tendency of bending the rules or pursue other options that are more financially attractive for them, Box 10.10 suggests that these third parties less concerned with compliance or external audit body opinions. That said however, a small number of interviewees provide an added opinion that although third parties may be at fault, the regional governments, as the government representative in charge, need to also take responsibility and negotiate more binding agreements, as well as produce and implement stricter controls towards ensuring developers' regulatory

compliance. These interviewees argue that third parties or building developers will always seek more financially beneficial terms of agreement, and perhaps shirk their responsibilities in doing so, hence the government as an enforcement authority needs to exercise stricter monitoring and control system.

The 'Society' is identified by interviewees as the greater society, in the sense that they are the population that populate the regional government. Interviewees believe that the society play a crucial role in state asset management – particularly as the purpose of state asset management is to a certain extent increase public service and ensure the society is able to access public service. Therefore the society functions as a state asset user (for example utilisation of public hospital, school, or park) as well as state asset governors where the government/state asset managers are accountable towards the society for their care towards state assets. To a certain extent the society holds power here, as they are voters, and hence they are also a monitor/controlling body on its own whereby they are able to protest against any misbehaviour towards state assets and demand for corrective action. Done appropriately, this particular function will have positive impact on state asset management reform whereby there is a coordinated check-balance control of state asset management between the government officials and the society, in a context that promotes transparency, accountability, participation, and efficiency. This approach is deemed most ideal by government officials, whereby the government and society work hand in hand maintaining state assets and ensure good state asset management practices, as evident in Box 10.11:

Box 10.11 The Crucial Role of Society in State Asset Management Reform

“...In terms of the society, i think they actually need to be a ‘body’ that helps maintain the RSA. For example pedestrian walkway. The society knows that the government has put up signage saying that this pedestrian walkway is for pedestrian only and is owned and managed by the government. We actually rely on reports from the society...”

“...I think that the government should mostly ask the society to help the government maintain RSAs because ultimately these assets are there for their own benefit as well. I think this is important so that there aren’t any misuse in the utilisation of RSAs in particular buildings, other fixed assets, and land...”

However the society can also prove to be a challenge in state asset management, whereby the society are the offenders – in the sense that the society lacks a feeling of stewardship towards state assets and thus are comfortable with putting graffiti on public buildings (schools, hospitals, etc), damaging public property, utilising public property for their own benefit (for example setting up a shoo illegally on the pedestrian walkway or secluded area within public buildings area), and not reporting misbehaviour concerning state assets to the government official. Furthermore, it is acknowledged that there is low level of state asset management practice within the society. Hence they are not aware of aspects such as the asset management cycle, processes within a state asset management practice (for example the necessary systems), or the risks associated with non-compliance to state asset management laws and policies. Interviewees believe that the low level of knowledge has lead to ignorance, which leads to instances of offence against a state asset. As described by government officials in Box 10.12:

Box 10.12 Society as an impediment variable to State Asset Management Reform

“...sometimes the society is also to blame. They vandalise, or they put graffiti on a new government building, or they use a public hall but did not clean the hall after using. And so we get complaints, and then we have to have a team visit the site, do damage report, and then arrange for maintenance, etc. The problem is the society does not realise that they have disadvantaged themselves in the process...for example the un-cleaned public hall. It will be closed for maintenance and we get more complaints saying people want to use it. They don’t also realise that there are processes and paperwork that needs to be done when something like this (vandalism) happens. So I think the society can sometimes contribute to making it hard for us to do state asset management...”

“...the only problem is sometimes the society doesn’t even know that this particular RSA (regional state asset management) is an RSA and is owned by the government, and furthermore, most of them would probably have never even heard of the term state asset management, let alone understand what its about and how it works, or what their roles are. This makes it difficult for us to put policies in place to be honest...”

“...So that the society knows that we can all monitor the usage of RSA together, we can all work together in maintaining the asset. If the society does not know this, and they don’t know what RSAs are, then how can they participate?...”

The comments provided in Box 10.11 and Box 10.12 indicates the divide in opinion as to whether or not third parties and the society are impediment factors to state asset management reform, as interviewees recognise the role that regional governments play in relation to interacting with third parties and the society. With third parties there is a need for stricter monitoring and control, and with the society there is a need to further educate them on what is state asset management and what is their role in ensuring best practice in state asset management. It is therefore concluded that the notion of third party and the society is not an impeding variable, rather it is a learning curve for government officials.

10.8 Legalities – Incomplete Legal 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 10.13;

Box 10.13 Support for Incomplete Legal Paperwork as Impediment Variable

“...In gorontalo there are buildings who was built without a certificate or even a permit (to build), they (regional government) only ask the builders or developers to pay the tax (to increase regional government income), and that is it...”

“...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. If they had cared enough about this previously, or from the beginning, I don’t think it will be a problem...”

It is reasoned that incomplete legal paperwork are a casualty from the old state asset management practice, whereby there was low importance on complete paperwork and inventory system. Regional government officials described inventory in the ‘old’ state asset management system as a simple hand-written note in a notebook or single book-keeping journal, without a systematic approach that requires legal approval and details such as condition and utilisation of the state asset. To a certain extent this reasoning provides further evidence to the lack of ‘caring culture’ shown towards state assets prior to the state asset management reform, whereby duty of care (towards state assets) was not highly expressed for the state assets to be appropriately recorded and inventoried according to state asset management standards.

Interviewees have identified that (in this early stage of state asset management reform) there is high focus on ensuring the legality and ownership certificates of any affected state assets within the jurisdiction; as well as a focus on updating an inventory system which has been “too long neglected”. This is not surprising, as 81% of interviewees have identified incomplete legal paperwork as impediment variable to state asset management reform. Hence it is concluded, based on the level of support given by interviewees, that incomplete legal paperwork is a valid impeding variable to state asset management reform.

10.9 Low Stewardship / Dysfunction perception of Custodianship

Low stewardship and/or dysfunctional perception of custodianship have been identified by interviewees as a potential impeding variable to state asset management. This is supported by 93% of interviewees, which leads to the believe that it is indeed a valid impeding variable. 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 10.14.

Box 10.14 Support for Low Stewardship / Dysfunction Custodianship as Impeding Variable

“...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. 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...”

“...There is a lack of stewardship and the feeling of responsibility towards an asset...and of

course this has multiplier effect. If people do not care about the asset that they are supposed to look after then the chances of them neglecting the asset is high..."

"...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.

It is therefore concluded, based on the 93% of interviewees support and the comments as per Box 10.14 that low stewardship and dysfunctional stewardship is a valid impediment variable to state asset management reform.

10.10 Low Monitoring and Control

Low monitoring and control surrounding state asset management practices is identified as an impediment variable by 55% of interviewees of this study. The percentage value reported suggests that there is a divide in opinion of whether or not low monitoring and control is an impediment variable to state asset management. This is mainly explained by

half of interviewees believing there is a need for definite and tighter control systems to ensure implementation of new rules and regulations, whereas half of interviewees believe that if there is a high level of willingness and commitment towards implementing new rules and regulations, then control and monitoring becomes obsolete. The purpose of control and monitoring then becomes as an evaluator tool as opposed to an enforcer tool. This debate is illustrated in Box 10.15m which provides both sides of the argument.

Box 10.15 Support for Low Stewardship / Dysfunction Custodianship as Impeding Variable

“...The main problem obviously is whether or not we have implemented what we have planned? The problem is we do not have tight controls yet in regards to assets that are part of the specific facility/general facility type. It is for things like this that we do not have the tight controls yet...”

“...We need to have stricter controls too: for example if there is procurement then a report needs to be drafted immediately and presented within a certain span of time. Sometimes these kinds of report are not drafted, procurement not reported, etc. This becomes the main impediment...”

“...I think we rely too much on strict controls to be honest. I mean, what if the control is loosened just a little bit? Does that mean that we will not follow rules and regulations? The concept of monitoring and control is as a check and balance thing, it is not supposed to be a lifeline in ensuring that new rules are enforced. This should come from the realisation that as government officials...”

“...I don't think we need more control – otherwise the government will be too regulated, and we will depend on control too much. If people are willing and committed to the new rules and regulations, it will happen – with or without tight control...”

Box 10.15 illustrates the equal debate in support and opposing opinions surrounding whether or not low monitoring and control is a valid impeding variable to state asset management reform. It is evident that there are different needs within the regional government in order to ensure the implementation of new rules and regulations – for example some may need stricter controls to keep oneself ‘on track’ whereas others may

not. It then becomes a difficult task to ascertain whether or not low monitoring and control is a valid impediment variable, in particular as what is strived is long term sustainability of best practice in state asset management – something that results in high level of commitment, aided by evaluating tools such as monitor and control measures.

10.11 Inconsistencies and Contradictions surrounding Impediment Factors

This chapter has highlighted and discussed many influencing/contributing 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, the role of third parties and the society, incomplete state asset management system and automated inventory process, dysfunction custodianship/low stewardship, low monitoring and control, inconsistency and uncertainty regarding state asset management practices, incomplete legal paper and ownership certificates of state assets, and incomplete incentive and sanction system.

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. Inconsistencies and contradictions are evident in three ways:

- a) between interviewees’ opinion and paper-based regulations/technical guidelines,
- b) between opinions of different echelon levels in a regional government
- c) at times, within the opinion of each interviewee themselves.

10.11.1 First Inconsistency

The first inconsistency is evident between interviewees’ opinion and paper-based regulations, mainly in regards to the existence of clear guidelines and the presence of good governance conceptualisation within state asset management laws and policies. A majority of interviewees provided the opinion that there is a need for further technical guidelines and lack of detailed good governance conceptualisation, however when compared to state asset management laws, policies, and technical guidelines the opposite

is found. The good governance evaluator tool as per chapter 8 of this study proved that good governance is conceptualised within state asset management legal products, and although it is recognised that its conceptualisation is a mix of implicit (for participation and efficiency) and explicit (for transparency, regulatory compliance, and accountability), it cannot be said that good governance is not conceptualised in state asset management legal product.

It is recognised that a minority of interviewees acknowledged this, however it is also acknowledged that they struggle to provide in-depth explanation regarding how good governance is conceptualised in state asset management legal products. It is also found that a specific technical guideline that addresses regional state asset management exists, where it was drafted and published by the Finance and Development Supervisory Agency (BPKP). The technical guideline provides an interpretation of each state asset management law, of each section within the law that relates to state asset management actors and life-cycle, and trouble-shooting guide if challenges are found. Ironically each regional government is 'accompanied' by the Finance and Development Supervisory Agency in their governing, in the sense that a dedicated team of Finance and Development Supervisory Agency employees are physically stationed within the regional government office for a period of time in an 'assistance' role in implementing new reforms or laws affecting the regional government.

Therefore it is observed that there is inconsistency between interviewee's views and the 'paper-based evidence', concerning regional state asset management technical guidelines and whether or not good governance is conceptualised in state asset management legal products.

10.11.2 Second Inconsistency

The second inconsistency is found between opinions of different echelon levels in a regional government regarding why certain influencing/contributing factors 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 on why inconsistency and uncertainty regarding state asset management practices exist.

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 Finance and Development Supervisory Agency to oversee/accompany the process of understanding and implementing state asset management reform. Therefore high level government officials are perplexed at the arguments presented by lower level government officials regarding the cause of uncertainty and inconsistency in state asset management practices. High level government officials are further perplexed by the confusion of which state asset management legal product to follow, as it has been socialised that the national umbrella exists, however each regional government are authorised to create their own set of state asset management legal products, provided national umbrella laws are considered in the drafting process, to cater for regional uniqueness and characteristics. Hence it has been

socialised that regional governments follow the state asset management legal products created by each regional government, and only to refer to the national umbrella laws if further clarity is needed or in the absence of a regional state asset management legal product due to a variety of reasons.

The two examples above provides evidence to the inconsistency and contradiction that exists between different echelon levels of regional government officials in regards to what 'each' believe to be the cause behind certain influencing/contributing factors. Not only does this inconsistency provide interesting analysis, it also has the potential of multiplier effect in the attempts to address each impeding variable, as a difference in opinion of what causes the variable might result in further discrepancy on views of how an impeding variable should be addressed.

10.11.3 Third Inconsistency

The third 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 impeding variable. 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 factors 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, whereupon Bessant (2010) drew a parallel between the reasons provided by government officials in El Salvador and Australia concerning youth related public policies; concluding that there is a

myth within which all government officials live in – one that explains the ideas and idealistic of policy makers and the reality of implementation of such policies.

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. More often than not however such an institution is ‘imaginary’ as the existence of such an institution within a government is questioned – that is, the number of government institutions with these specific functions are questioned (Bessant 2010). One of Bessant’s (2010) findings, in which she surprised herself, was the similarities between the reasoning provided to her by El Salvador government officials and Australia officials in terms of challenges to public policy implementation.

In regards to state asset management reform in Indonesia, two parallels regarding ‘influencing/contributing factors to implementation’ are drawn upon.

The first one is between the influencing/contributing factors to state asset management reform in Indonesia and the influencing/contributing factors to asset management reform as identified in the pilot case study – whereby the pilot case study focused on a government enterprise in Australia. Here similarities exist with Bessant’s (2010) studies, in the sense that Indonesia is considered to be a developing country and Australia a developed country, and the policy in question is a public policy to be implemented by government bodies. It is found that both government officials of Indonesian regional government and the Australian government enterprise provided similar impediment factors to the implementation of reformed (state) asset management policies: time, uncertainty, low monitoring and control, low incentive and sanction, dysfunctional custodianship/stewardship, etc (see comparison of figure 10.1 and 10.2). This suggests that the conceptualisation and implementation of an integrated governance and asset management approach is found to be challenging in both economies – implicating perhaps

a universal set of impediment factors that a country and/or an organisation should be aware of. Drawing from Bessant's (2010) studies, the uniformity in which all government officials face the similar problems in implementing new public policies suggest that perhaps government officials live within the same myths that they have created and believe in.

Another parallel that is drawn upon is between the current study and another study of Mardiasmo (2007) regarding the influencing/contributing factors to good governance understanding and implementation within regional governments in Indonesia. In this parallel both studies have the same objectives of understanding why new reforms are facing challenges, utilises similar methodological approach, and are focused on regional governments within Indonesia. It is observed that similar influencing/contributing factors were provided to Mardiasmo (2007) regarding the varying levels of good governance understanding and implementation despite it being actively introduced post Asian Financial Crisis. In Mardiasmo's (2007) case the interview process was performed in 2006, approximately 5-6 years since the re-introduction of good governance in Indonesian government and the establishment of the National Governance Body. It is observed that 'time' and 'newness' was also considered an impeding variable in Mardiasmo's (2007) study, which is interesting as the two factors are also mentioned in this study, yet this study is performed approximately 3 years after the introduction of state asset management reform.

It is therefore concluded that similar impediment factors are presented by government officials regarding the introduction of a new public policy reform, regardless of the level of country advancement (i.e Indonesia – developing and Australia-developed) or the type of reform introduced (state asset management or good governance). This finding, coupled with the ideas of Bessant (2010) provokes the thought that perhaps influencing/contributing 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. Hence 'excuse rhetoric' refers to the real 'excuse' being implicitly found within the impeding variable provided.

11. Discussion

11.0 Introduction

This chapter aims to provide an in-depth discussion of identified interesting themes, preliminary research question answers, and found influencing/contributing factors to state asset management reform implementation. Not only does this chapter provide an in-depth discussion of crucial themes found in previous chapters, this chapter also attempts to find the relationship or linkages between each crucial theme and explore the role that each relationship/linkage play in Indonesia's state asset management reform.

The structure of this chapter is based on 'crucial themes' evident in previous chapters.

'Crucial themes' that will be discussed in this chapter include:

1. The relationship between government organizational structure and level of understanding and implementation of state asset management reform,
2. The role of societal tendencies and characteristics, along with traditional culture, as a medium of state asset management reform interpretation and thus, implementation.
3. The 'goodness of fit' between western ideologies and experience of other countries as a theoretical aspiration for the national umbrella laws and implementation expectation of said laws, and the realities of Indonesian regional governments (which include human resource, infrastructure, and institutional capacity and capability).
4. Political history, in particular the relationship between central and regional government, and its role in understanding and implementation of state asset management reform.

It is important to note, prior to continuing with this chapter, that the items for discussion are, to a certain extent, interlinked with one another – and in some cases discussion of one 'crucial theme' may provide clearer explanation for the next 'crucial theme'. Therefore it is expected that although a structure is attempted, the possibility of cross-discussion with other chapters and sections is also large.

11.1 Government Organisational Structure

Chapters 5, 6, 7 – the three write up of case studies chapter outlining state asset management reform in three regional governments have illustrated the current government structure for each region. Each chapter suggests a difference between the government structures of each regional government. It is these differences that will be discussed in this section, and the potential role it plays state asset management reform. Figure 11.1 provides a graphical illustration of the different government structures that are present in the central government and the three regional governments. Figure 11.1 also color codes the existing state asset management laws and policies that is subscribed by a regional government – the purpose of this is to graphically illustrate the variance in existing state asset management laws and policies in Indonesia.

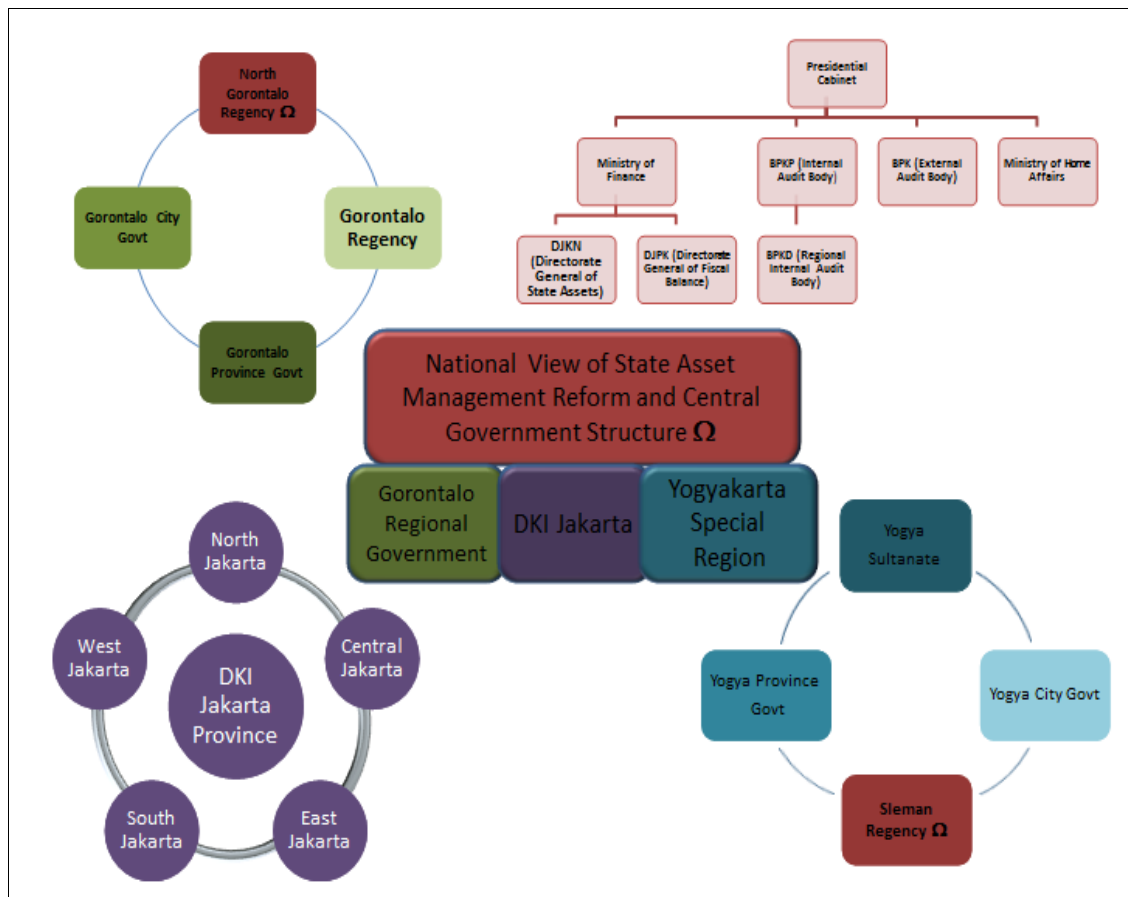


Figure 11.1 Diagram Representation of Variance in Government Structure and State Asset Management Laws and Policies Adopted

Figure 11.1 illustrates different government structures in existence, be it between the central government and regional government or between regional governments. Gorontalo and Yogyakarta for example have similar government structure, whereby each government entity is of equal footing and hence decentralization and regional autonomy is present at each government entity. This is evident by the variance in colours within a regional government, signposting differences in state asset management laws and policies for each government entity is authorized to establish individual state asset management laws and policies. It can also be seen that there are government entities who chose to adapt the national view (or central government's laws and policies) of state asset management. Figure 11.1 illustrates Jakarta's individuality in state asset management laws and policies, whereby they have established their own set of laws and policies that is adhered to by all government entities within the region. This stems from Jakarta's unique government structure, as suggested in Figure 11.1, whereby all government entities are extended arms of government from the Jakarta Provincial Government, and thus decentralization and regional autonomy is present at provincial level only and not at other government entities.

Figure 11.1 indicates the relationship between variance of government structure and state asset management laws and policies adapted whereby there is direct causal link between the two factors. **This suggests an incomplete sense of cohesiveness (or perhaps unity) of what is viewed or understood to be state asset management, and even possibly how to implement state asset management.** This in turn can have a multiplier effect of unequal implementation of state asset management, or even limits the possibility of a standard measure of state asset management. The level of inconsistency is high and each state asset management laws and policies were drafted and established tailored to the unique characteristics of each regional government, whereupon regional governments in Indonesia are characterized by a high variance in traditional customs, societal culture, political history, and religious beliefs.

Although such an observation may be expected due to the decentralization and regional autonomy that Indonesian government has implemented since 2001, it is questioned, both based on Siddik's (2009) warnings regarding the impact of decentralization and regional autonomy and Mardiasmo's (2009) findings of inconsistent institutional framework between regional governments in Indonesia; whether Indonesia is ready for such a disjointed approach to state asset management, or could the non-cohesiveness of state

asset management views, coupled with what seems to be **institutional deficit** in Indonesian regional governments, be the real reason for a stagnant state asset management reform.

The **institutional deficit** evident in Indonesian regional governments potentially **lend complexities in the embodiment of governance within state asset management approach and implementation of state asset management reform in the form of insufficient 'support'** to allow for the many competing policies within a regional government, as each government body/agency are attempting to manage state assets within the same/one territory (i.e one area of regional government). Here the term 'competing state asset management policies' can be understood in two ways:

a) **Competing state asset management policies governing the management of a particular state asset.** For example, a public school is classified as a state asset building by the local government and hence according to the local government should be managed by the specific state assets laws and policies they have established. However a public school is also under the authorities of the Ministry of Education, where the regional Education department is an extended arm of the national Ministry of Education, who also has a set of policies and guidelines on how a public school building should be maintained and managed. Hence a public school's management is governed by two laws: specific regional state asset management laws and the Ministry of Education laws; where due to the nature of specific SAM regional laws, there is a high potential for the two laws to be inconsistent with one another.

b) Competing state asset management policies between governing governments within a regional government, or between one regional government (as a whole) and another regional government, whereby **government bodies are 'competing' to have the 'best' state asset management laws and policies, and implementation of said laws and policies.**

Interviewees involved in this study have illustrated a 'competition' like picture of state asset management practices, whereby more often than not government bodies and agencies are, to a degree, competing in terms of the extent that they have aligned themselves to the national view of state asset management, as well as best results in their implementation of state asset management concepts. Case studies interviewees has identified their yardstick for state asset management 'success' is the audit opinion provided by the external audit body; whereby their main goal is to receive the highest

possible opinion (WTP). The competitiveness between regional governments' bodies and /or agencies is potentially a double edge sword, where on one hand it fuels a 'short term end-result' phenomenon.

A negative result of the 'short term end-result' approach to state asset management is particularly highlighted by the Directorate General of State Assets, Hadiyanto (2009c), who explained that regional government bodies become obsessed or focused on receiving the highest possible opinion from external auditors. Hence they prioritize financial reports presented to the external audit body, and sometimes 'forget' that state asset management is a system – one that needs to be 'set up' in accordance to standards and established laws, ensuring supporting infrastructures. Hence their practice of state asset management is, when compared to literature discussing state asset management practices or in comparison to the national view of state asset management, incomplete. *Therefore, if regional government bodies continue to view state asset management as a 'competition' and maintain a 'short term end-result' view, it is feared that their current policy, practice, or current achieved audit report is unsustainable.* This is evident in the fluctuating external audit results (for example a score of WTP – best possible in one quarter and then WDP – second best in the following quarter). This suggests uncertainty in future state asset management policies and practices.

In conclusion, a **'crucial theme'** for Indonesia's state asset management reform and the embodiment of governance within seems to not the variance in government structure or the variance in state asset management laws and policies. **Rather it is the institutional deficit that supports or allows for such a variance to be evident and exiting within state asset management laws and policies.**

11.1.1 Assumption behind Governance and its Impact on SAM reform

A main objective of this study is to explore the extent that good governance is embodied in Indonesian state asset management, both at central government and regional government; hence it is important to discuss the characteristics of governance principles – in particular the assumption within governance.

Figure 11.1 provides a graphical illustration of the inconsistency in the governing structure of regional governments in Indonesia and the inconsistency in state asset management

laws and policies established and adopted by each governing body. One can, potentially, draw the conclusion that the inconsistency of governing structure is the reason behind the inconsistency of state asset management laws. To a certain extent, there is some truth in this as the decentralization and regional regime gave each governing body authority to establish their own set of laws and policies, and hence an inconsistency in the structure of governing body logically indicates high potential in inconsistent laws and policies.

Another view to this argument however is that the inconsistency in state asset management practices may not be a cause for incomplete state asset management reform, rather it is a result of an assumption related to the nature of governance - referring back to the works of Mardiasmo, Tywoniak, Brown and Burgess (2008) - both at central government and regional government level.

A main assumption in the exemplification of good governance principles in various policies and reforms (both in the public and private sector) is that there is a unilateral or unidirectional movement towards one understanding of good governance (Mardiasmo, Tywoniak, Brown and Burgess 2008). The direction taken seem to be that of a western influence – at times found in an international institution’s published idealism or best practice, and is then included or becomes an influential source in a country’s public policy. For example, in the case of Indonesia - international governance standards, auditing standards, and public sector accounting standards; as well as practices of other countries considered to be more ‘developed’ and are detailed in academic studies have become the theoretical basis and a strong influence in the drafting and establishing of state asset management national umbrella laws (Law 6/2006, Law 38/2008, and Home Affairs Ministry Decree 17/2007).

Mardiasmo, Tywoniak, Brown and Burgess (2008) identifies one of the main ‘danger’ in the embodiment of governance within a policy, and introducing said policy to an organization. It is the assumption that there will be automatic understanding and perception (of governance embodiment within the policy) throughout the organization, where the understanding and expectations of high level managers will automatically ‘trickle down’ the organization to all parts within the organization (D. Mardiasmo, 2008; D. Mardiasmo, Tywoniak, Brown, & Burgess, 2008a; D. Mardiasmo, et al., 2008b). Linking back to Indonesia’s state asset management reform challenges, there seems to be an assumption from central government that once a national view of governance embodiment within

state asset management policies is established and published, then regional governments will automatically follow suit and have similar understanding, perception, and interpretation.

This suggests ignorance to the fact that there are different governance models already existing (even if it is perhaps implicitly and not 'realised') in different regional governments – all of which were/are shaped by existing formal and cultural education. Thus it is important to acknowledge the natural tendency of a regional government (or to be more specific public policy makers and implementers of a particular country) to return to their own way of doing things (or some might say 'old' and 'traditional') in the face of even the slightest notion of uncertainty, disagreeableness (in perception), and inconsistency (between old and new way of doings things).

It is therefore concluded, based on the discussion in section 11.1 of this chapter that, two main forces seems to be hindering the implementation of a nation-wide state asset management reform:

- a) Institutional deficit that hinders the existence of varied state asset management laws and policies**
- b) Central government's subscription to the assumption that their embodiment of governance will automatically be adopted by regional governments at similar level of understanding, perception/interpretation, and willingness to implement.**

11.2 Uncertainty Avoidance and 'Traditional Culture' as Voice of Reason

Interviewees of this study have, as a whole, expressed high level of confusion on what law, policies, or technical guidelines should or need to be adhered to for state asset management. This is potentially explained by the high inconsistency in state asset management policies as identified in Figure 11.1. A high level of confusion in which state asset management legal products to implement has further complications such as hindrance to best practices in state asset management, further mismanagement or at times neglect, under the belief that it is preferable to not implement any laws and policies for fear of implementing incorrect laws and policies. It is therefore crucial to observe and

analyse the voice of reason that regional government employees use in determining the appropriate approach, measures, and action regarding state assets management.

One of the potential 'voices of reason' that a government official (or a government body) might turn to, in the face of confusion, is the traditional beliefs or societal culture that are the main roots of the regional government in question. Interviewees have suggested that during times of confusion they are more likely to refer to traditional culture or what is considered to be 'the right thing to do' according to societal beliefs and the local culture. A potential challenge with this line of thinking is, that there are differing traditional beliefs and societal culture between regional governments, as well as between governing entities within a regional government (for example depending on what traditional tribal views the governing body is located in). This potentially brings the complexity in state asset management to a heightened level, for the reverence back to traditional beliefs and social culture suggest further inconsistency between the approaches taken by each regional government body, and quite possibly multiplies the 'physical distance' between the national view of state asset management and the regional view – thus heightening the consequences in subscribing to the (negative) assumptions within governance.

It is therefore interesting, and to a certain extent necessary, to examine the traditional culture and societal beliefs that the case studies within this study would potentially revert back to in the face of confusion. It is also important to perform an analysis relating to the physical distance between national view and regional government view in state asset management interpretation. To enable this analysis a Johari window, as discussed in section 4.3.1 (methodology chapter – sampling methods) is utilized. The concept of Johari Window was also utilised by Mardiasmo (2007), who explored the level of good governance understanding and implementation in Indonesian regional governments. The Johari window utilized is illustrated in Table 11.1.

TABLE 11.1. JOHARI WINDOW OF CASE STUDIES AND ‘VOICES OF REASON’ INFLUENCE.

	Near to Capital	Far from Capital
Old	DKI Jakarta Special Capital Region	DIY Yogyakarta Special Region
	a) World city. Eclectic mix of: new international views, Dutch colonization governing system and legalities, and Batavia culture	a) Sultanate Monarchy system b) Traditional Javanese Culture c) Islamic strength
New	DJKN (Directorate General for State Asset. Not regional government, but an extended arm of Central Government, Government Agency)	Gorontalo regional government
	a) International standards, academic literature on best practice of SAM b) Complexity in Intergenerational Bureaucrats (?) and Bureaucratic culture (?)	a) Islamic strength b) Potential influence from International institutions and/or direct international investors

The Johari Window compares two factors on each axis, in which each category is reflected within its quadrants (Davis, 2005; Horine, 1990; Sole, 1997). The two factors on each dimension (X and Y) of the window define the identification of Indonesian specific conditions, and thus the content of each quadrant identifies regional government samples. The Johari window is utilised for several reasons. First of all, the discussion of available state asset management literature (as per Chapter 2 of this thesis) indicates a dearth in Indonesian state asset management literature, where many western models, such as those developed by Kaganova (2006) do not apply to Indonesian current economical and political conditions (ADB, 2004a; Azra, 2005; Kristiansen & Trijono, 2005; Tambunan, 2000). Secondly, identification of the two variable trajectories (X and Y axis) and contents of each quadrant (window) as a regional government sample will trigger a series of questionable relationships, addressing the purpose of this study.

The X axis of the Johari Window is labeled ‘Near and Far’, signalling the distance (in kms) between a regional government and the central government. This variable is justified in three ways.

Firstly, government observers such as Mardiasmo (2009) and Siddik (2009) commented that in the face of decentralization and regional autonomy, which signals independence of

regional governments in their way of governing, there is a tendency for those located closer to the central government to have more 'physical contact' with the central government, be it in the form of direct face-to-face consultation, attendance at governing related conferences/workshops/training provided by central government, or visitation occurrence. Therefore according to both Mardiasmo (2009) and Siddik (2009), there is a tendency for a higher level of 'physical distance' with the increasing kilometers distance between a regional government and central government.

Secondly, Mardiasmo's (2009) and Siddik's (2009) views are supported by the opinions of interviewees involved in this study, where they have commented that the number of internal audits officials offering technical assistance in implementing state asset management decreases with the increase of kilometers distance between regional government and central government. Interviewees provided examples of DKI Jakarta (identified as 'near' to central government) of having a team of approximately twenty government officials from the Finance and Development Supervisory Agency, whereas Gorontalo regency (within Gorontalo regional government) who is identified as 'far' from the central government has the resources of six external audit body government officials to assist in SAM related matters. Although this may be debated as coincidental; interviewees have also provided information relating to higher transfer/relocation and/or transport costs, and the reluctance of government officials in relocating to regional governments (considered to be) far from the central government.

Thirdly, Mardiasmo (2007) in her work regarding good governance understanding in Indonesian regional governments in Indonesia found a positive correlation between the physical distance (to central government) and the amount/level of direct support in policy drafting and implementation, whereby those nearer to central government (in Jakarta) was found to be receiving more direct assistance and correspondence compared to its far counterparts.

The Y axis of the Johari window is labelled "Age of Regional Government" ranging from old to new. The age of regional government is measured based on a division of regional government established before decentralisation and regional autonomy (before 2001) and after decentralisation and regional autonomy (2001). 'Old and New' variable is considered to be important as the establishment of decentralization and regional autonomy signal the large delegation of authority to regional governments and their ability to set specific laws

and policies based on unique regional government characteristics, aims, and objectives. Mardiasmo (2007) and Mardiasmo and Barnes (2008) found a correlation between the 'old and new' variable and the level of good governance understanding and implementation, where newer (established post decentralization and regional government in 2001) regional governments and agencies have a higher level of good governance understanding and implementation.

In terms of state asset management there is yet a definite link between 'new and old' status and the level of state asset management implementation as appraised by the external audit body; however there are instances that alludes to a relationship. For example 'older' regional governments such as DKI Jakarta has received disclaimer and second best opinion, and 'newer' regional government such as Gorontalo (and the governing bodies within it) receiving second and first best opinion. That said, a positive link is yet to be made as another 'older' regional government, DIY Yogyakarta, has had external body's opinion results that mirror that of Gorontalo's – a 'newer' region. As the main objective of this study is to explore the level or extent that governance is embodied within state asset management, it is important to also consider the level of good governance understanding within the regional government itself. Hence drawing a link between Mardiasmo's (2007) findings relating to the age of a region and the level of governance understanding within a region, and the similarity of this study in terms of context and geographical nature, it is thus justifiable to utilize similar factors to categorize sample regional case studies in the Johari window.

Another important function of the Johari Window is to clearly illustrate the variance, or divergence, of traditional beliefs and societal cultures that each regional government utilizes as their 'voice of reason' in the face of state asset management related confusion. These are detailed within each Johari Window pane/box, where any grounds for reason, other than the state asset management laws, policies, and technical guidelines are listed. The 'voices of reason' identified in each Johari Window pane/box are based on the opinion of interviewees of this study, where they were asked semi-structured questions regarding organizational structure, traditional values, and societal structure. In particular, as they identified their confusion regarding state asset management laws and policies, they were asked questions regarding how they make decisions relating to state asset management. Answers to this question are then compiled to provide a list of the 'voices of reason'

utilized throughout their decision making in the face of uncertainty of state asset management guidelines.

The Johari Window as per Table 11.1 illustrates the variance in the 'voice of reason' utilized, whereby each regional government draws from a different set of voice of reason. This suggests that in the event of state asset management related confusion, utilizing the voices of reason to make decisions may in fact increase the level of inconsistency in state asset management practices in Indonesia.

DIY Yogyakarta for example, may 'return' to its monarchy/Javanese roots, whereby the Sultan applies Javanese laws and ways of doing things in state asset management. The question here of course is the extent that the Javanese/Monarchy ways and laws may differ to the national view of state asset management, which is, at the writing of this thesis is suspected but not definitely known. One of the known differences is in regards to the state housing, whereby the national view governs the eligibility of residency based on the length of government service (Government of Indonesia 2006)⁷, whereas the Javanese tradition disagrees with this, favoring the route of 'family' and the number of generations that has lived in the public housing questioned (Sutimin, 2010)⁸. Another difference is in the acquirement stage of the state asset management lifecycle, where the national view takes into consideration, predominantly, economic cost and utilization capacity. The Javanese view does take economic cost into consideration; however it also takes into account religious or mythical beliefs of the Javanese society. For example, it is believed that there is a straight line connecting the Sultanate's palace, Mount Merapi, and the South Sea (which is believed to be the residence of Queen of the South Sea, also believed to be the Sultan's second Queen); which signifies a direct line of prayers, luck, prosperity, and security. Therefore in Javanese/Monarchy way of doing things, building or purchasing a state asset on or near this 'direct line' will be vetoed, even if according to the national view it is of cost benefit and high utilization level. The two examples show that there is a divergence in the manner in which state asset management practices are approached and implemented, however in order to establish a definite divergence/convergence conclusion there is further need for a compare and contrast of the two views in all stages of the state

⁷ Based on Law 6/2006 on State Asset Management

⁸ Personal communication

asset management lifecycle as well as in the task and functions of all state-asset related division.

Another example is Gorontalo region, who according to Gorontalo regional government interviewees would utilize a strict(er) Islamic law⁹ and perhaps the ideas that were introduced to them by international institutions and international investors on best practices of governing, in their moment of uncertainty regarding state asset management practices. One example provided relate to the management of monetary interest gained from public housing rents. Interviewees identified that in the national view, the interest gained from public housing rents are identified as profit and an income to the national budget; whereas in Gorontalo, if there was ever any uncertainty regarding the interest of a particular state asset's rent, the Syariah law (Islamic law) in banking is applied, whereby gained interest is accumulated and dispersed to all stakeholders to ensure equal financial benefit (from said interest). Hence the interest gained is not identified as profit and recorded in the regional budget as profit, but viewed upon as 'income' that needs to be equally dispersed to involved parties (stakeholders). There are also examples of similarities between national view and Gorontalo view however, where it is suspected that the similarity comes from the fact that Gorontalo government officials will also utilize international institution and international investor practices as their voice of reason. Examples provided by Gorontalo interviewees show similarities in principles such as economic cost and utilization level, the understanding of transparency and freedom of information, and the notion of efficiency – in particular in the acquirement/procurement, maintenance, and disposal stages of the state asset management lifecycle

This of course is quite different to what Yogyakarta regional government utilizes as their voice of reason, however the extent that they differ, between in each other (in respect to state asset management lifecycle only) and in comparison to the national view, is yet to be identified. That said it is of importance to acknowledge that there are potential differences – both in terms of how the voices of reason will impact state asset management practices between both regions, and in comparison to the national view – and that these differences can cause further complexities which may provide further challenges in ensuring the implementation of the reform.

⁹ Based on personal communication with a Gorontalo regional government employee.

The examples of differing traditional beliefs and societal culture in state asset management approach and practices discussed in this section strengthen the argument that decentralization and regional autonomy has, through the resulting inconsistency in state asset management laws and policies across Indonesian regional government of such a regime, potentially (and perhaps indirectly) lead to the incomplete understanding and implementation of state asset management reform.

11.3 Mismatch between ‘West’ and ‘East’ Ideologies in SAM Practices

The central government draws aspires to align its state asset management laws and policies to international standards published by international institutions, academic literature in state asset management, and the experiences of (what is deemed to be) more developed countries such as USA, Canada and Australia. The Directorate General of State Assets, as an extended arm within the Ministry of Finance at Central government level, thus also utilizes similar resources in their drafting and establishment, including state asset management national umbrella laws Law 6/2006 on Central and Regional State Asset Management and later its revision Law 38/3008. The Ministry of Home Affairs, again as an extended arm of the Central Government, also draws from the same types of sources, exemplifying it in its drafting and establishment of one of the state asset management national umbrella laws: Home Affairs Ministry Decree 17/2007 on Regional State Asset Management.

The Johari window as per Table 11.1 identifies the voices of reason utilized in the face of state asset management policy confusion. It is apparent that there basic, core differences between the seeds of thought in each regional government/agency’s government officials. According to Mardiasmo (2009) despite the authorized delegation of law drafting and establishing to regional governments as a result of decentralization and regional autonomy regime, there is an expectancy of the national laws to be the considered in the drafting of regional government laws, and that any regional specific laws and policies established should be within the corridor of national laws.

It appears that there are three forces determining the ‘shape’ of a regional government’s specific set of state asset management laws and policies. The ‘base’ of state asset

management laws and policies in Indonesia is the central government’s interpretation of international standards and academic literature. This is cultivated into the national view of state asset management, whereby there is expectancy from the central government for regional governments to establish its own laws and policies, but, within the corridor of the national view to ensure equal implementation of state asset management in all regional governments. The regional government themselves must also consider regional government specific characteristics, traditional beliefs and social culture, political history, and governing objectives (McCarthy, 2005). Hence the ‘*recipe*’ for specific regional state asset management laws, policies, and technical guidelines can be illustrated as per Figure 11.2.

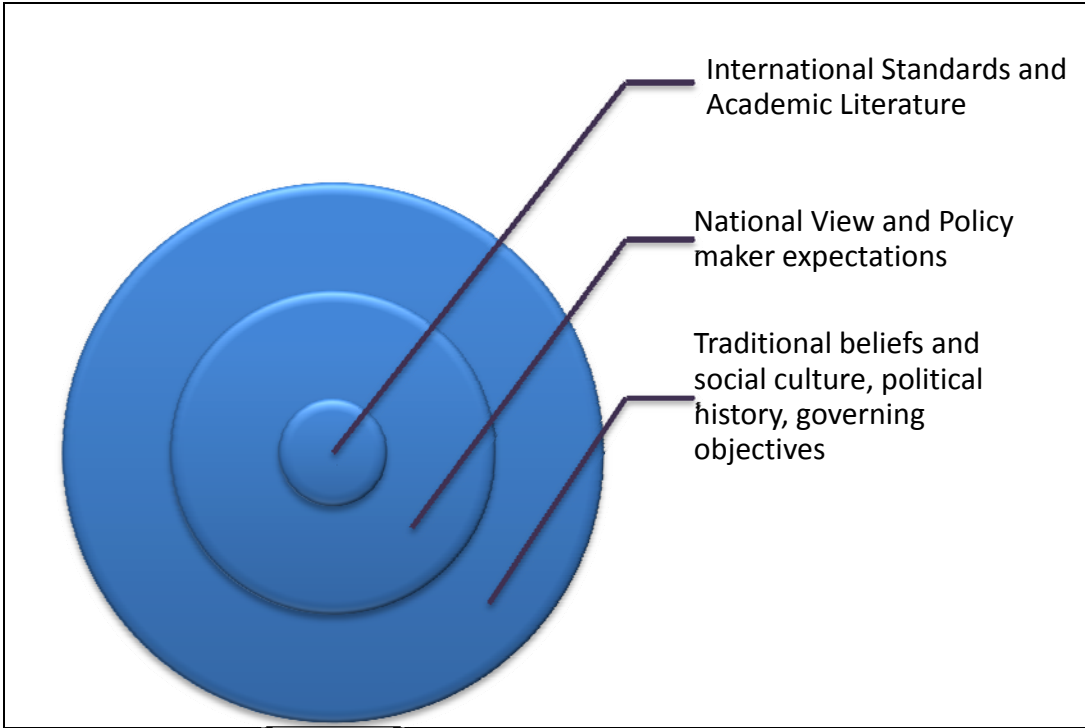


Figure 11.2 Johari Window of Case Studies and ‘Voices of Reason’ Influence.

Based on the ‘*recipe*’ for specific regional government state asset management laws and policies (as per Figure 11.2) and the high expectancy rate of central government for alignment and implementation of the national view (to state asset management); it seems that the central government policy makers are indirectly obliging regional governments to also align and embody adapted inspirations from international standards and academic

literature. It is interesting, and to a certain extent perplexing, to observe this expectation (and the level that it is expected) as interviewees both at central and regional government bodies acknowledge the differing levels of state asset management knowledge across regional governments and variance in the capacity of human resources available in each regional government. It is further a perplexing expectation as these (international) standards are not the 'usual' voice of reason utilized by regional governments in their decision making (McCarthy, 2005; Silver, 2003). It appears that **the 'fit' between the 'base' of national view on state asset management and regional government traditional beliefs and societal culture** (as exemplified in some of the examples provided by interviewees in section 2 of this chapter) is similar to that of a square peg being pushed into a circular hole, suggesting a (potential) never ending battle of gaining/reaching equal levels and quality of state asset management reform implementation, and perhaps even the never ending search for a 'perfect system'.

Therefore it is concluded that another '**crucial theme**' in Indonesia's state asset management reform is **the potential misalignment, or adaptive inability, of international standards and/or accepted state asset management academic literature (that the central government draw upon) in the unique characteristics of Indonesian regional government which include variance in 'voices of reason' and capacity and capability.**

In discussing the support for the above statement, the following three arguments are provided.

11.3.1 Argument 1: Incomplete Capacity and Capability

There is a heavy reliance on 'people' (public policy implementer) to implement state asset management reform, however their capacity and capabilities are yet to support the adoption of international standard based public policy reform.

Indonesian public policy implementation commentators, such as Mardiasmo (2004; 2009) and Pardiman (2009) firmly believe that there is a heavy reliance on the people (i.e government body/agency officials) as the policy implementer. Hence 'the people' (or the policy implementer) becomes a key variable in the success or implementation of a public policy reform, including in the case of state asset management reform. Based upon on-site observation and analysis of interviewees involved in this study, the 'present situation' of

policy implementers across all regional government involved as case studies in this study is as follows:

Firstly, government officials are continuously struggling to increase the capacity and capability of state asset management knowledge and expertise, be it from formal and non-formal training. Regional governments are also finding it a challenge to sustain state asset management knowledge as there is a high turnaround and/or transfer rate (to another government agency, regional government, or central government) of a regional government official who have been recently trained in the area of state asset management or have gained expertise from fieldwork, thus no longer contributing to the (original) regional government.

Secondly, state asset management reform policy implementers are at present in the 'learning stage' of international standards and accepted state asset management literature. It is observed that at the time of writing interviewees were able to provide the names of key international standards (for example international auditing standards) and examples of books or sources of literature relating to state asset management however the depth of understanding is limited to identification of said examples and vague definition of key concepts within each source. *Hence there is an incomplete understanding of the international standards and accepted state asset management literature that are the 'voice of reason' of state asset management at national view itself, as well as a low understanding of the link between these sources and current state asset management policies and practices.*

Thirdly, as discussed in Chapter 10 (analysis of influencing/contributing factors to state asset management reform), the notion of 'willingness', or rather the variance in the level of willingness to implement public policy reform is considered to be a valid and important challenge in the implementation of state asset management reform. A prime example of this is provided by a large portion of interviewees, as described below:

The central government has devised a database/online regional government financial and state asset management system, known as SIMDA, which was introduced widely in conjunction with technical assistance from the Finance and Development Supervisory Agency (BPKP), whereby assistance offered include knowledge provision, technical guidelines, and step by step implementation guidelines. However regardless of this there is

still a low level of SIMDA utilization, as employees are showing reluctance to use the new system and are unwilling to correctly use the system. As one interviewee puts it:

“we have put this new system in (SIMDA), but still we are not getting them right...we have put in a simpler online/computer entering of state asset related information system, but still people are not using it, or they are using it incorrectly...I think this is mainly because of laziness or lack of willingness to use it or do it right, we have certainly spent a lot of money and time in introducing SIMDA and providing guidelines, sending them to the central government office for workshops and training, etc...but still, the result is disappointing...as I said before, no matter how good the system, if the people implementing it is not committed and willing, then the system will not be implemented”

The example above alludes to the low level of willingness to change, which suggests a challenge in ensuring the implementation of a state asset management practice that is based on foreign procedures and/or international institutions – in particular if there is a disparity between these procedures and the traditional way of doing things (i.e managing state assets).

Fourth, according to Hofstede’s (2004) study on cultural dimensions of power distance, uncertainty avoidance, collectivist/individualism, and masculinity/femininity; the Indonesian society is considered to be of high uncertainty avoidance, where a high Uncertainty Avoidance (UAI) indicates the society’s low level of tolerance for uncertainty. Hence in an effort to minimize or reduce this level of uncertainty, strict rules, laws, policies, and regulations are adopted and implemented, where the ultimate goal is control, in order to eliminate or avoid the unexpected which explains the society’s adverse view of risk and reluctance to accept change (Hofstede 2004). In regards to policy reforms, especially those that are considered to be ‘big bang’ by the Indonesian society, there is a tendency for high level of resistance (or perhaps more correctly reluctance) in implementing ‘new ways of doing things’ - in particular if there is a low or no direct relationship between the ‘new way of doing things’ and the traditional beliefs, social culture, or ‘old way of doing things’ that the government officials are highly familiar with. The high level of uncertainty avoidance suggests a higher potential of regional government employees to ‘abandon’ or ‘give up’ in situations where there is state asset management policy or practice confusion and/or inconsistency in guidelines, and return to the familiarity of their basic ‘voice of reasons’.

11.3.1 Argument 2: Suitability of 'Western Ideologies'

There is a heated debate between Indonesian regional government officials regarding the suitability of international standards and 'western ideologies' (or experiences of more developed countries) as a source of reference for Indonesian specific public policy reform (Bjork 2003; Devas 1997; McCarthy 2005; Silver 2003).

There is an abundance in literature (Soesastro, 2000) (for example Soesastro 2000, etc) voicing the incompatibility of adopted western international standards and the unique characteristics of the Indonesian society, be it from the resources, knowledge capacity, and level of 'readiness' (or maturity) point of view. The same is advocated by Mardiasmo (2010) for state asset management reform laws and policies, where its aspiration to comply with international standards and international best practices are perhaps not appropriate for Indonesia's current situation, in particular within the context of 'east meets west' compatibility. Mardiasmo (2010) questions the suitability of Indonesian public policy makers drawing upon these international standards (in this case for state asset management), in particular surrounding 'the mismatch' in the below areas:

- a) western ideologies and eastern traditional culture,
- b) the level of state asset management knowledge and education (in particular as there is yet to be a formal education system that explores state asset management as main stream),
- c) availability of information, as interviewees of this study has identified the dearth of state asset management related resources readily available to them,
- d) the perception towards state assets, whereby according to interviewees the Indonesian society have a tendency to view state assets as a free good as opposed to state assets being a source of income as suggested in the 'western view' through international standards,
- e) the experience surrounding state asset management practices, for it is only recently in 2006 that Indonesia have become increasingly aware of the need to correctly manage state assets and thus established a state asset management practices reform.

The last point of Mardiasmo's (2010) list of 'mismatch' above seems to be a reverberating question among interviewees involved in this study, with many also questioning the 'readiness' for Indonesia to attempt to adopt and embody what they (interviewees) consider to be 'developed' and 'westernized' point of view, when there are many imperfections – such as incomplete understanding of state asset management practices at a very basic level and rarity of government employees with high level of experience within state asset management practices - within current regional government bodies. Therefore there is a level of doubt in the interviewees' mind on whether or not Indonesia, in particular regional governments, are in fact 'ready' to be faced with the (indirect) expectation from central government to implemented adopted international standards and accepted state asset management literature.

Controversially, a discussion with interviewees regarding the international standards and accepted state asset management literature that the central government has adopted within their national view (and expectancy of regional governments establishing SAM practices within the corridor of the national view) raised a heated debate. Interviewees who disagree with the central government 'basing' their reforms (and thus the laws and policies that comes with it) on international standards further questions why the central government felt the compulsory need to base their drafting and establishing of public policy reform, and why they did not formulate a public policy reform that is 'purely' Indonesian based on past experience and current Indonesia specific needs and conditions. The same group of interviewees goes on to further identify the 'failure' of past experiences in adapting to international standards, in particular those that (they believed) were forced on to Indonesia during the Asian financial crises, such as standards established by the International Monetary Fund and World Bank in the areas of banking and finance. A small group of interviewees raised the argument that it is not possible to expect regional government officials to have the same level of knowledge and experience relating to the international standards; whose point was accentuated by the low ability of regional government officials in providing in-depth explanation of the international standards and accepted state asset management academic literature. The debate continued with interviewees questioning whether current international standards and accepted state asset management literature drawn upon by the central government are even the 'correct ones' – able to be translated into Indonesia's specific needs and conditions, and are

flexible enough for regional governments to adopt without compromising on traditional beliefs and societal culture.

On one hand however, a group of interviewees showed their support in the matter, suggesting that perhaps the central government only use such international standards as guidance, and that the experience of Asian financial crises in 1997 clearly shows a need for guidance from a third party. They continue on to illustrate the need for drawing upon a more developed state asset management system, policies, and technical guidelines as they believe that Indonesian government officials are at its infancy in drafting and establishing state asset management laws and policies, considering that the history of state asset management practices in Indonesia is deemed to be 'sketchy' and very short.

It is interesting to observe the diversity in opinion surrounding the suitability and the appropriateness of the central government aspiring to alignment (or adoption) with international standards and accepted state asset management literature, for such diversity suggest a potential divide in the willingness of regional government officials to ensure their alignment with the national umbrella laws - thus having a multiplier effect on the implementation of state asset management reform.

11.3.2 Argument 3: Mixed Results in Past Reforms Aspired by 'Western Ideologies'

Past experience in the implementation of Indonesian public policy reform that are aspired by international standards and 'western ideologies' have suggested mixed results, where there are instances of success and incomplete implementation; and similar challenges associated with each public policy reform.

State asset management reform in Indonesia is not the first and only instance of public policy that is inspired by the increasing realization of a public management phenomena at an international level, and nor is it the first public policy reform that draws/aspires from international standards and accepted internationally acclaimed academic literature. Past experience include public policy reform on public audit standard reform, public sector accounting reform, banking and finance reform, and good governance committee reform. Each of these reforms are aspired by relevant international standards and known best practices of what Indonesia considers to be more developed countries (or, as interviewees of this study puts it – the 'western view'), where the central government has aspired to

align Indonesia's public policies and adapt said international standards. The central government believes in the need to align with international standards to regain Indonesia's place in the international business and affairs arena post-Asian financial crises recovery, proving that Indonesia is a favourable for investment and bilateral/multilateral trade destination. Although interviewees recognize the importance and logical sense of the central government's line of thinking, a debate similar to the one illustrated in *argument 2* continuous to exist.

Indonesia's past experience of public policy reform that are aspired by international standards, accepted internationally acclaimed academic literature, and/or best practices of other developed countries; have proven to be a lengthy and complicated process. A common denominator of each experience is the identified challenge of needing 'more time' - to further study and prepare government officials to fully understand new public policies and to provide a more thorough socialization period of any new public policies. Public policy and governance Indonesian academics, who are also government officials, such as Mardiasmo (2010a) and Abimanyu (2009) have both signified the need for Indonesian governments (central and regional level) to 'jiggle' the fit of said international standards and other countries' best practices in order to find the 'right' adaptation for Indonesian condition and situation. However they have also identified a weakness in Indonesia's timeline during the adoption of international standards, where the Indonesian government have a tendency to introduce the public policy reform prior to ensuring that the 'jiggling for fit' period is complete – hence the central government have a tendency to introduce the reform/new public policy first, and jiggle and evaluate later. It is the fragmented, trial and error process in the adoption of international standards and other countries' best practices that is reflected in the continuous revision of public policy laws and policies, which causes regional governments to stand uneasy and cautious, for they are uncertain of when there might be a revision of any public policy laws and policies, and hence the need to re-study, re-train, and re-socialize.

Therefore it can be learned from past experiences, in public policy reforms aspired by international standards, that the practice of adopting and adapting international standards and drawing aspirations from the processes of other (developed) countries is an intricate, long, and troubled process in Indonesia, perhaps not only from the question of suitability of international sources, but also the process that the Indonesian government implement to fully adopt and adapt these sources.

11.4 Concluding comment

The exploration of ‘crucial themes’ (of state asset management reform in Indonesia) emergent from previous chapters has provided a clearer picture of the different factors in play, which is further illustrated in Figure 11.3.

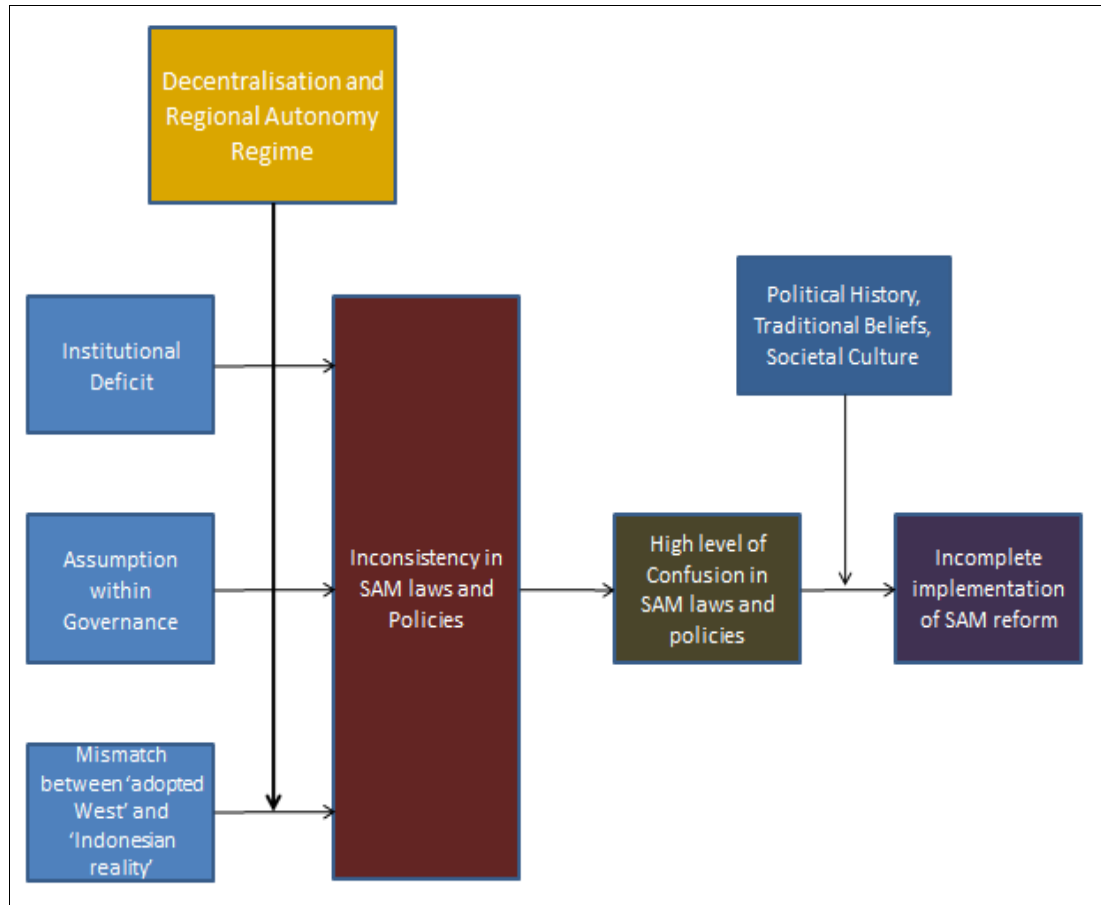


Figure 11.3 Factors at Play in Indonesian State Asset Management Reform Implementation

Figure 11.3 summarizes the main points of this discussion chapter, illustrating the pathway that leads to incomplete implementation of state asset management reform.

Based on the discussion throughout this chapter, three independent factors and two dependent factors are identified as the root to an incomplete implementation of state asset management reform. Figure 11.3 suggests three independent factors:

- a) institutional deficit,

- b) the assumption of automatic equal understanding and implementation within governance as a system
- c) the potential mismatch between the adopted west ideologies captured in international standards and developed countries' state asset management approach and the Indonesian reality/unique characteristics.

These three independent factors interact with a dependent variable that is Indonesia's decentralization and regional autonomy regime. This results in an inconsistency of state asset management laws and policies – for each regional government entity have an individual view on matters such as adopting an international standards, human resource capacity and capability, infrastructure and system readiness, state asset management history, 'voice of reason' (as discussed in section 11. 3), and political, economical, and social conditions and objectives.

A compare and contrast of state asset management laws that are available in this study have shown a divergence in the structure that is adopted. Two main structures are identified:

- a) Clauses and sections within the law are based on the phases of state asset management cycle. For example; the first clause of the law details processes of state asset planning, followed by procurement and/or acquirement process of the state asset. This is in line with the state asset management cycle, where the first stage is planning followed by purchase/procurement of the asset.
- b) Clauses and sections are structured based on the groupings of sub-divisions within the state asset management body (or division), and hence are focused on the task and functions of a sub-division. For example; a clause might detail the task and functions related to the sub-division whose main concern is reporting (financial and non-financial) of state assets, which reflects the accounting sub-division in the organisational chart of the state asset management division/body.

The variance in structure alludes to an inconsistency in the perception of how state asset management laws should look like, which may be a side effect of an institutional deficit in the drafting and establishment of legal products. Such an inconsistency may also result in regional governments (or public policy implementers) being uncertain in terms of which is the 'correct' state asset management law structure in order to achieve highest level of

state asset management reform implementation – a question that resonates in all levels of regional government bodies.

Drawing from the works of Hofstede (2004) regarding high uncertainty avoidance level and comments from interviewees, the uncertainty experienced in implementing state asset management policies have resulted in regional government officials to draw upon their traditional beliefs and societal culture as ‘voice of reason’ to provide guidance on the ‘correct’ management of a particular state assets.

As discussed in section 11.3, the makeup of ‘voice of reason’ in each regional government differs according to their political history, traditional beliefs and societal culture; interjecting further inconsistency in the view, approach, and decision based in state asset management practices – which results in (perhaps) further divergence from the national view of state asset management, and hence hindering the aim of an equal implementation of state asset management reform.

The discussion surrounding incomplete state asset management reform in Indonesia seem to follow the train of thought of other state asset management researchers such as Kaganova, Peterson, and McKellar (2006), Dow and Gillies (2006), and others, whom all resonate the inseparability of political history and nation-specific characteristics and (political, social, economical) objectives from state asset management laws, policies, and practices. The experience of Indonesian regional governments directly reflect the relationship between political history and nation-specific characteristics and objectives, and state asset management practices, however it also takes the relationship further for it adds the element of cultural dimensions based on Hofstede’s work (in particular regarding uncertainty avoidance) and traditional/societal culture in the ‘variable mix’ that impact state asset management practices.

Decentralization and regional autonomy as a dependent variable and strong contributing factor to the variance of national view (of state asset management) interpretation, contents, and structure of specific state asset management laws and policies resonates the warnings of Siddik (2009) regarding the dangers of implementing a decentralization and regional autonomy regime. In chapter 2 of this thesis, literature review, Siddik (2009) warned that the main risk of implementing such a regime is the risk of uneven interpretation and/or implementation. Again the Indonesian regional government experience support/prove this warning, however it seems that in Indonesia there is even a

greater risk for inconsistency in public policy view/interpretation and/or implementation, for (based on section 11.3 of this chapter) there is a higher variance in the traditional beliefs, history, and societal beliefs that potentially impacts the 'reality' decision making in state asset management, regardless of laws and policies in place.

Mardiasmo's (2007) findings in her work regarding the level of good governance understanding and implementation, and the factors impeding high level understanding and full implementation, supports and provide further explanation for the imperfect understanding of governance embodiment within state asset management policies.

Mardiasmo (2007) concluded that political history and bureaucratic culture has a direct and positive relationship with the level of good governance understanding and implementation, where it was proved that regional governments of 'newer' age have a higher level of good governance as opposed to 'older' aged regional governments. The justification put forward by Mardiasmo (2007) is that 'newer' aged regional governments, those established post the introduction of decentralization and regional autonomy regime in 2001, have less of a political history 'build up', where these regional governments were established (i.e separated from their previous regional governments in order to extricate themselves from previous political history under Soeharto's 32 years of presidency) in order to 'start fresh' and on a different path from the previous governance system – hence their likeliness to 'return' to 'old way of doing things' and/or resist the 'new way of doing things' are low. Older aged regional governments however (pre-decentralization and regional autonomy regime in 2001) were found to have a lower understanding and implementation level, supporting the argument put forward by Mardiasmo (2007), for case studies of 'older' regional governments have professed difficulties in embracing 'new governance'.

The Johari Window (Table 11.1) has identified DKI Jakarta and Yogyakarta as 'older' regional government and the Directorate General of State Assets (as a government agency) and Gorontalo regional government to be 'newer' regional government. Comparing the Johari Window categorization of regional government and the good governance understanding and implementation column of the good governance evaluator (chapter 8), a relationship between the age of regional government and level of good governance understanding is found, however it seems that one can no longer generalize a regional government (i.e a province) as one entity whose understanding of good

governance is at one level, for the good governance evaluator show that there is a variance of good governance understanding and implementation within government bodies of a regional government. That is, there is a different level of understanding between provincial government level, regency, and city government level.

Examples include the variance in good governance understanding between Gorontalo regency and North Gorontalo regency, whereby Gorontalo regency prove to have a higher level of good governance understanding and Implementation compared to North Gorontalo – despite geographically located within the same regional government of Gorontalo Province. The same is also found in DIY Yogyakarta regional government, where there is a higher level of good governance understanding and implementation in Sleman regency compared to Yogyakarta provincial government. As one regional government entity, Gorontalo regional government ('new' in the Johari Window) does prove to have a higher level of good governance understanding and implementation compared to DKI Jakarta and DIY Yogyakarta ('old' in the Johari Window) – hence in alignment with Mardiasmo's (2007) findings, however the observation that governing bodies within a regional government have variance levels of good governance understanding and implementation provides another dimension to the concluding relationship between age of a regional government and the level of good governance understanding and implementation.

11.2.1 Stagnant State Asset Management Reform: Excuse Rhetoric?

An area of discussion stems from Chapter 10, in particular the discussion regarding influencing/contributing factors to state asset management reform and the potential of 'excuse rhetoric' – as suggested by Bessant (2010). Bessant's (2010) arguments of what is an excuse rhetoric and how it plays a role in public policy reform in developing countries to a certain extent seems to align with Indonesia's state asset management reform, especially as there are divergent opinions in supporting and/or denying the role of an identified impeding variable as discussed in Chapter 10 of this study.

However as evident in this chapter, independent and dependent factors were able to be identified and their pathway/role leading to an incomplete state asset management reform illustrated. Thus it seems that the argument of 'rhetoric excuse' is actually a film – a smokescreen perhaps, that conceal the real (and perhaps at times painful, for said

independent and dependent factors are results of past and current Indonesian government's decisions, regime, etc) intricacies of introducing a public policy reform in Indonesia; for these issues are far too ingrained within the Indonesian societal culture for it to support a public policy reform that are of a 'big bang' scale or are drawn from aspirations that does not fit into the Indonesian way of doing things.

11.2.2 Main Learning

There are two main learning, based on the discussion of '*crucial themes*' in previous sections. These are:

11.2.2.1 Main Learning 1

A hanging question, or a wicked problem, seem to exist in the minds of regional government officials: is a standardised, equal implementation objective in state asset management reform suitable for Indonesia? Would such an approach guarantee the increase in state asset utilisation, management efficiency, and wealth creation? If standardisation is the preferred method, or is the goal, in state asset management reform; then how does the approach, or the current state asset management reform framework (which is assumed to be in the blueprint drafted and established by the central government), facilitate factors such as different state asset type, context, and value?

The variability of state asset management laws, policies, and practices within regional governments in Indonesia is high; however there are also many of these regional governments who have been awarded highest or second highest potential opinion by the external audit body. This suggests that there are 'good' practices of state asset management existing within regional government. Therefore it is believed that the high level of uncertainty currently experienced should not be of prominent existence and furthermore, creating tension between regional governments. Rather it should be utilised as a dialogue and rich learning experience between regional governments in a compare, contrast, what works what does not, frame of mind.

The learning experience in particular should focus on how well the law work in governing day to day realities, as a point of reference and as a voice of reason (to address uncertainties), and pin point any gaps that are currently existing in the system. This may be

the pathway to a standardised approach, as it is based on patterns learnt by regional governments in performing state asset management (rather than being told to have a standardised approach as per the national umbrella law) – hence minimising the inadequacy of the current legal system (i.e one that does not cater for variance in specific regional government laws and policies) and institutional misfits in roles of state asset management actors. The dialogue between regional governments on what works and what doesn't, may in fact, result in a unique early solution.

In the exercise to find a unique state asset management approach what is strived for is a state asset management system that ensures compliance and avoidance to potential risks such as corruption concerns, misuse of funds and/or allocation of state assets, inappropriate utilisation of state assets, and non-compliance (to regulations associated with state asset management) by third parties (i.e developers, contractors, private sector) and the society. If this approach is taken, there is potential for non-uniformity or standardisation, in the sense that state asset management laws and policies, even practices, may differ between the national view and regional government vies, and between regional governments. However there is a shared learning of what works and what does not, based on regional government's experiences and the variety of unique characteristics/factors that impact on state asset management practices. There is also a shared approach towards what is considered to be best practice, in the sense that 'best practice' refers to the minimisation of potential risks.

11.2.2.2 Main Learning 2

Each regional government, based on their voices of reason (including traditional culture and ways of doing things as discussed in the Johari Window in section 2 of this chapter) potentially also have a different perception and/or interpretation of good governance principles such as accountability, efficiency, regulatory compliance, etc. According to (Sampford, 2003, 2008)) the components of governance are: rules, ethics, incentives, and institutional construct – all of which needs to be aligned in order to achieve the implementation of governance. The question then becomes whether or not government officials understand the intricacy within governance – for example if they are able to

identify and explain in-depth the four components that are needed to implement *good governance*¹⁰.

This question is deemed to be a crucial wicked problems as: a) institutional deficit, according to (Sampford, 2009, 2010) is one of the effects in not having adequate knowledge of all four components of governance (rules, ethics, incentives, and institutional construct); and b) if this is the case, then it is possible that the answer, or the road to improved *good governance* conceptualisation and implementation within state asset management reform is identified.

One of the major discussions in this thesis, and the underlying current of this conclusion chapter, is the goodness of fit between the sources of influence in state asset management laws and policies with Indonesian unique characteristics and traditional way of doing things and voice of reason. Therefore the dilemma here, is whether or not the current components of governance – i.e rules and audit – is the accepted good governance traditions of Indonesia? This is deemed a concern as it then becomes a double edged sword. On one hand it has been discussed that a misfit of new reform/public policy with traditional way of doing things may unintentionally lead to challenges in the implementation of said reform, in particular as the Indonesian society is deemed to have a high uncertainty avoidance nature and past reforms introduced have proved to suffer from this misfit. On the other hand however, as discussed in the previous paragraph, a governance of rules and audit alone has, so far, resulted in variance levels of *good governance* understanding and variance in the implementation of state asset management practices.

Therefore it is necessary to perhaps change the question from ‘to what extent do government officials in Indonesia understand the concept of governance’, to ‘what is governance within the context of Indonesia’. This will allow an identification of what is

¹⁰ The term *good governance* refers to a checklist system that is the definition and list of principles provided by international institution such as the World Bank, the IMF, the UN, and Transparency International. This holds a different meaning to good governance, as the term good governance in this study refers to the interpretation, understanding, and implementation of *good governance* as professed by interviewees of the study.

deemed to be *good governance* in a 'traditional' Indonesian sense, and to see how it compares with other ideas (i.e international institution, western ideas). This step is considered crucial, as the Indonesian government is attempting to reform its public policies and incorporating *good governance* into their daily governing. If there is a misfit in the interpretation of *good governance* and the good governance traditions of the Indonesian society, then there is fundamental wicked problem that will challenge the conceptualisation and implementation of good governance in any public policy reform.

it is important to understand these potential contradictories and instead of compartmentalising cultural differences and chalking it up as an impeding variable to state asset management best practices. Perhaps the answer is to build a state asset management system that takes on board *good governance* and unique good governance traditions within the context of Indonesian (or perhaps even more specifically regional government) government – thus creating a state asset management practice that indeed minimizes potential risks from all angles, in particular that of misinterpretation and discomfort.

12. Conclusion and Recommendations

The formulation of best practice in state asset management, one that ensures the efficiency and maximum performance of state assets yet also minimises any potential risks by adhering to *good governance* principles, is a central tenet of discussion for many governments; due to the increasing awareness of the crucial role that state assets play in the provision of public service and wealth creation. This is reflected in the many governments worldwide who have reviewed and/or reformed their state asset management laws and policies, pledging an adherence to *good governance* principles to reach their goal in achieving best practices. Indonesia is one of these countries, introducing state asset management reform in 2006 and also pledged to adhere to good governance principles.

That said, this (state asset management reform in 2006) is Indonesia's first experience with formal state asset management laws and policies, as prior to reform there is very little evidence of a structured state asset management system and/or framework. Therefore there are many intricacies surrounding Indonesia's state asset management, in particular ascertaining the level of *good governance* conceptualisation within laws, policies, and practices; as well as how well the reform is implemented. A literature review as per chapter 2 of this study identified the dearth in academic discussion regarding state asset management, both prior and/or post reform.

Hence the focus of this study is to explore the intricacies and complexities surrounding state asset management reform in Indonesia, in particular the experience of regional governments throughout this reform, as Indonesia has introduced autonomy to its regional government – allowing them to create tailored approach in public policy and its implementation. To do so four research questions are poised, as per chapter 3 of this thesis; which provides guidance or direction in exploring the intricacy of state asset management reform in Indonesia. *These four questions are:*

RQ1. In what way and to what extent is *good governance* conceptualised in Indonesia's State Asset Management laws and policies?

RQ2. To what level is an integrated good governance and state asset management approach understood by state asset management related employees (both at central and regional government level) as asset managers?

RQ3. To what extent, and how does, decentralisation and regional autonomy regime potentially adds complexity to the implementation of reformed state asset management practices?

RQ4. How does Indonesian political history and bureaucratic culture impact understanding and implementation of reformed state asset management practices?

In answering the above four research questions graphical illustrations of data (for example Figures 12.1 to Figures 12.5 in the sub-sections below) are provided, in order to support the answers (or discussion of answers) for each question. These figures are recognised as one part of the evidence presented in order to answer research questions, representing the bigger picture of data collected from case study samples. While it is recognised that Figures 12.1-Figures 12.5 cannot be used as a deductive approach, it provides support to the contextual nature of emerging themes. Thus it is important to view Figures 12.1-Figures 12.5 as representation of data and indication of emerging themes only, to be read in conjunction with the interview excerpts provided throughout the thesis.

12.1 Answers to Research Questions

12.1.1 Research Question 1: Law and Policies of State Asset Management

Research Question 1 of this study is regarding the level or extent of good governance conceptualisation and understanding within state asset management laws, policies, and practices in Indonesian regional government. The simple answer to the question is that it varies, in such a proportion that attempting to find a general pattern and a causal effect linkage proved to be a vain effort. There is variance between:

a) The national view (i.e central government view of how good governance should be conceptualised in state asset management laws) and regional government view (at large),

b) Government bodies within the regional government (province, regency, and city government level)

c) Between regional governments, and also between the different echelon levels within a government body.

*Good governance*¹¹ principles are evident in each state asset management laws and policies, whereby out of all five good principles emphasised in this study stakeholder participation, accountability and transparency are explicitly sighted within laws and policies – as illustrated in figure 12.1. Figure 12.1 is sourced from the *good governance* evaluator in chapter 8, and also illustrates the level that each *good governance* principle is conceptualised within Indonesia state asset management laws and policies. It suggests that, in percentage values, for each *good governance* principle there is an imbalance between it being explicitly sighted, explicitly explained, and vaguely explained; with a higher level of percentage of *good governance* principles being vaguely explained. What this means is that *good governance* principles are implied within each state asset management laws, whereby the description of task and functions, or activities within a clause aligns or corresponds to one of the other three good governance principles. For example although stakeholder participation, accountability, and transparency are explicitly sighted, detailed guidelines of how these are to be exemplified in day to day management of state assets is lowly evident.

¹¹ The term *good governance* refers to a checklist system that is the definition and list of principles provided by international institution such as the World Bank, the IMF, the UN, and Transparency International. This holds a different meaning to good governance, as the term good governance in this study refers to the interpretation, understanding, and implementation of *good governance* as professed by interviewees of the study.

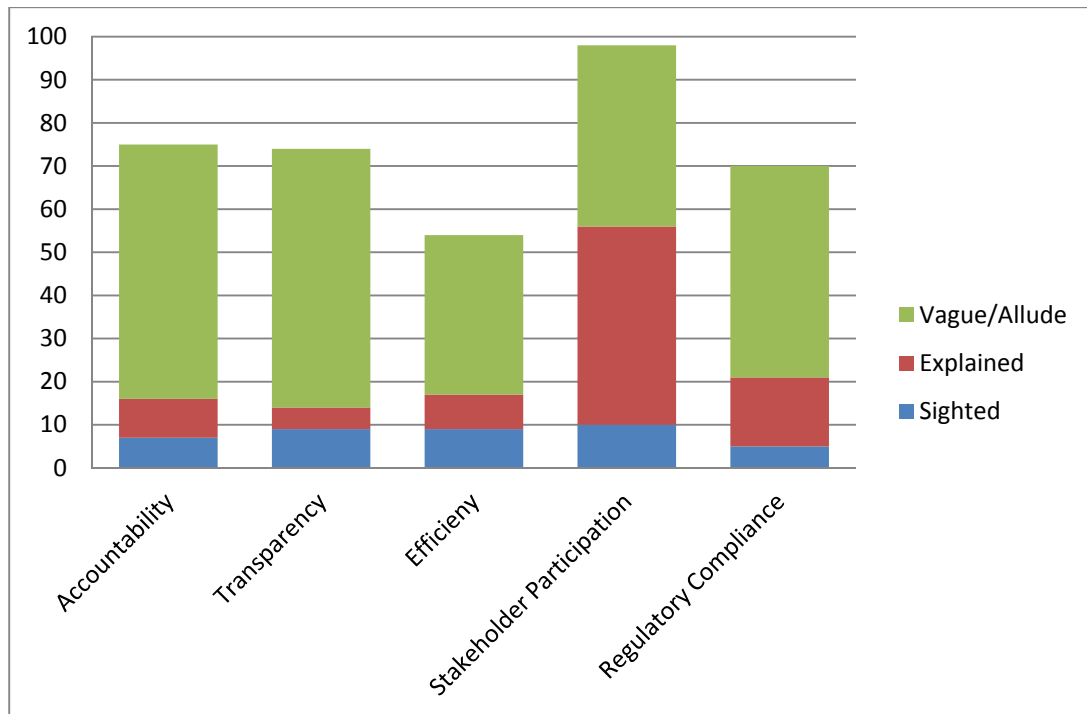


Figure 12.1 Breakdown of Good Governance Principles Conceptualised in Indonesia State Asset Management Laws and Policies

According to central government interviewees, in particular the directorate general and the Finance and Development Supervisory Agency, *good governance* principles are further explained in the Finance and Development Supervisory Agency’s technical guidelines for regional government state asset management; however regional government interviewees have suggested low awareness of the technical guidelines, which minimises the function of the technical guideline.

12.1.2 Research Question 2: Integration between Good Governance Principles and State Asset Management

Research Question 2 questions the extent of good governance understanding and implementation within state asset management laws, policies, and technical guidelines that is evident within regional government officials. Understanding of good governance conceptualisation within state asset management laws and policies is also evident at varying levels, in particular between a) different echelon levels of a regional government, and b) between regional government and central government officials. Figure 12.2 and 12.3 illustrates the level of good governance understanding and implementation within

state asset management at central government level (figure 12.2) and at regional government level (figure 12.3).

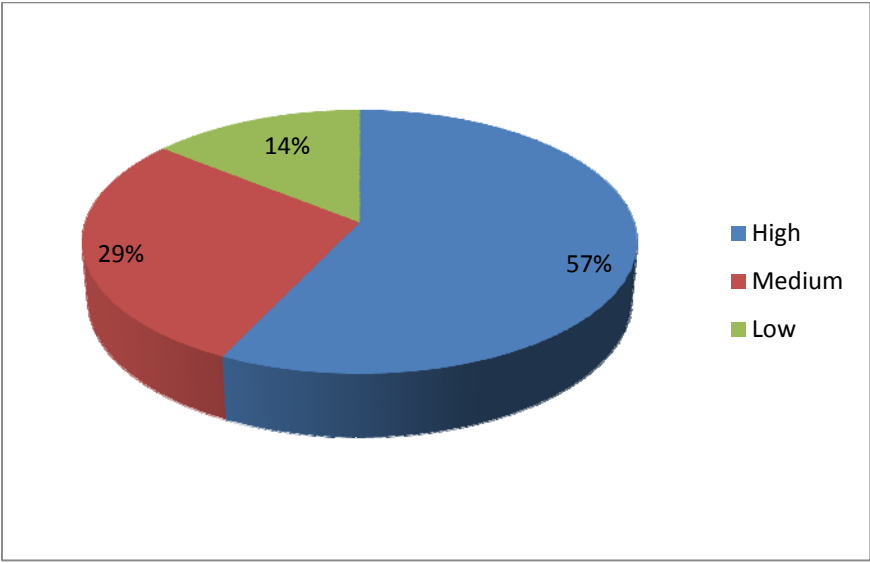


Figure 12.2 Level of Good Governance and State Asset Management Understanding at Indonesia Central Government

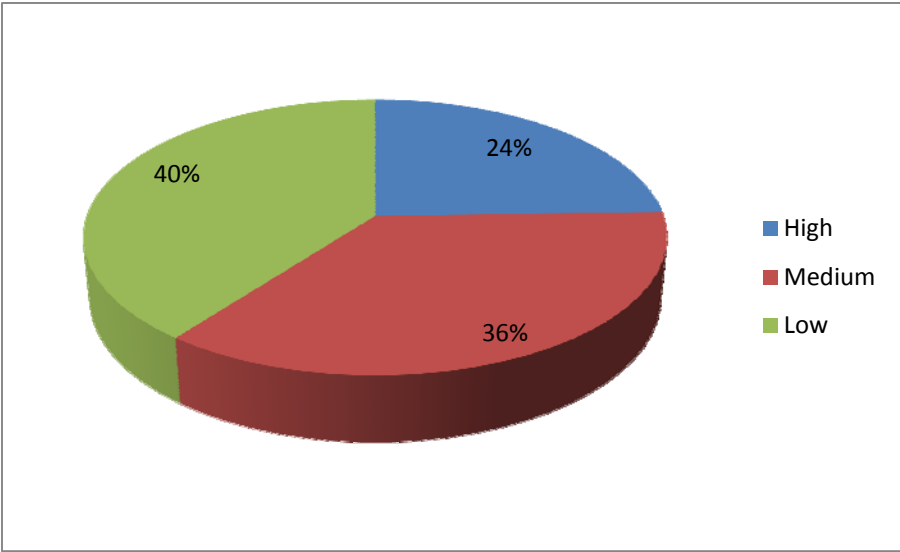


Figure 12.3 Level of Good Governance and State Asset Management Understanding at Indonesia Regional Government

Figure 12.2 and 12.3 illustrates the discrepancy in good governance and state asset management understanding between regional and central government level, whereby there seems to be an opposite level of understanding – the highest percentage at regional government level (40%) have low level understanding whereas the highest percentage at central government level (57%) have high level of understanding. This explains, and lends

to, the mismatch in state asset management implementation level between the central government and regional government. The central government, due to their high level of understanding expects high level of state asset management implementation – whereby they have projected their understanding and abilities on the subject of state asset management to regional government officials. On the other hand, regional government officials are challenged in implementing state asset management laws and policies due to their low level of understanding – however this may not be realised by the central government, sparking issues and tension between the two levels of government.

The second variance in good governance and state management understanding is between echelon levels, as illustrated in figure 12.4.

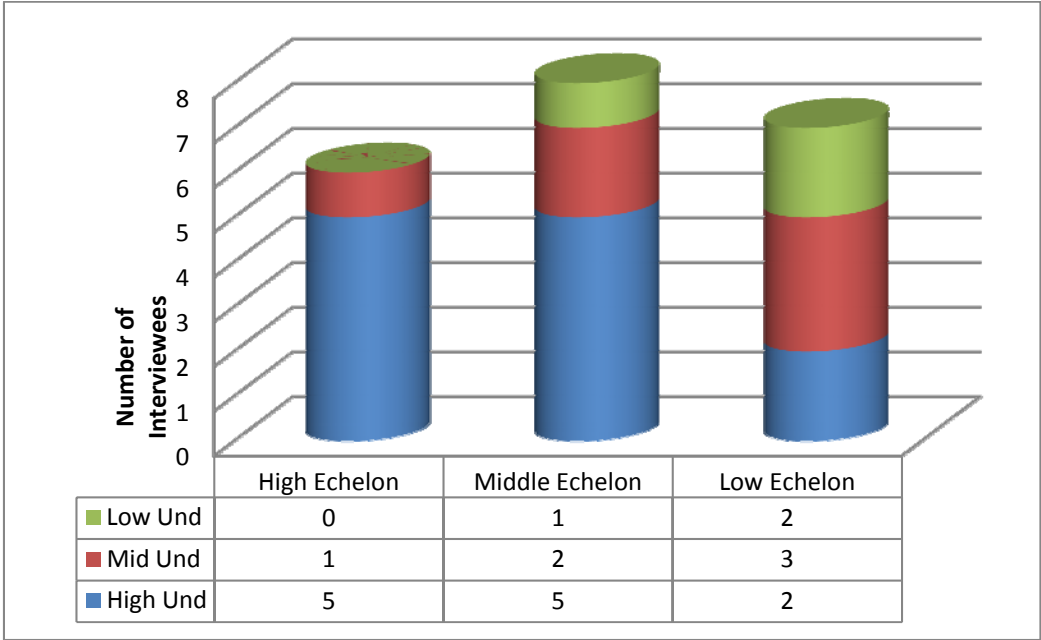


Figure 12.4 Spread of Good Governance and State Asset Management Understanding in Central Government based on Echelon level

Although Figure 12.4 only provides data from the central government point of view, it provides an understanding of the difference in level of understanding between echelon levels. Figure 12.4 suggests that high level of understanding tend to be evident in high or middle level echelon, and only a small number of low level echelon are within the category of high level of understanding. Likewise the number of high level echelon with low understanding is zero. Based on analysis of interviewees involved in this study, it seems

that the level of understanding in how good governance is conceptualised within state asset management increases as the echelon level increases – hence the level of understanding corresponds with the echelon level of a regional government.

It is positive that higher level echelon have a higher understanding of good governance conceptualisation in state asset management laws and policies for they are the policy drafter and maker, and thus a high level of understanding will lead to conceptualisation of good governance principles within the clauses of state asset management law. The low level of understanding found in lower levels of regional government is concerning, for they are the ‘frontline man’ – they are the policy implementer and the ones managing state assets on a day to day basis.

The reason for this discrepancy is discussed in Chapter 9, preliminary answer to research question, which includes factors such as incomplete training in state asset management laws/policies/technical guidelines, unequal opportunity to attend training (there is a tendency for high or middle level echelons to go), and perhaps the most important one; a discrepancy in the level of knowledge/technical training required to implement the new state asset management reforms and the actual capacity of government officials for up to the introduction of the reform there are no formal education/training related to state asset management. Hence there is a need to encourage the increase in state asset management knowledge and good governance conceptualisation within it, as a first step to ensure a level playing field between the policy maker (high level officials) and the policy implementer (middle and low level officials) – with the objective of decreasing the disconnect in expectations between both parties.

12.1.3 Research Question 3: Implementation of SAM Policies

Research question 3 asks whether or not decentralisation and regional autonomy regime that was introduced in 2001 by the Indonesian government impacted state asset management reform implementation at regional government level.

A simplistic answer to the research question is that decentralisation and regional autonomy does have an impact on state asset management reform implementation. The ability to provide such a simplistic answer comes from the fact that the central government (i.e the national view of state asset management) has the expectation of a standardised state asset management approach/interpretation and practices throughout

Indonesia, and yet due to decentralisation and autonomy regime introduced in 2001 regional government have the authority to create and establish their own specific set of state asset management laws, policies, and technical guidelines; taking into account/consideration the national view but more so the unique characteristics and needs of the regional government such as state asset type and value, socio-economic and political objective, and any other voices of reason, in particular traditional culture or ways of doing things.

As a result of such 'freedom' in state asset management policy drafting have resulted in many 'versions' of state asset management, to the degree that there is a variance in state asset management practices within government bodies (i.e. provincial, regional, and city government) in a regional government. As discussed in chapter 11 (discussion chapter), although such 'freedom' is celebrated, the institutional deficit at regional government has induced a reverse effect, in the sense that instead of building the confidence in government bodies regarding how to manage their state assets in a best practice-good governance manner, it has resulted in confusion of what is best practice in state asset management, for there is a high level of inconsistency in what is considered to be state asset management. As identified in chapter 11, this confusion has forced regional government officials to return to their original 'voices of reason' (which includes traditional culture or ways of doing things prior to the introduction of state asset management reform) in order to make confident decisions regarding day to day state asset management practices. As illustrated in the Johari window within chapter 11, each regional government involved in this study has varying 'voices of reason' which, if used as a point of reference in the face of confusion, have the potential of further increasing the inconsistency in state asset management practices and policies.

Therefore decentralisation and regional autonomy does impact the implementation of a standardised state asset management reform, in the sense that it highlights the institutional deficit that does not support and/or accommodate the variance in individually designed state asset management practices based on a set of 'voices of reason' – which includes traditional culture and political history.

12.1.4 Research Question 4: Political History and Bureaucratic Culture

Research question 4 questions the influence of Indonesia' political history and bureaucratic culture on an integrated good governance and state asset management approach, in particular its role in the level of understanding and implementation. A simple answer to this question is that political history and bureaucratic culture plays a strong and crucial role in the acceptance, shaping of perspective, level of understanding, and extent of implementation of an integrated good governance and state asset management approach; whereby the after effects of such factors coming into play is, to a certain extent, a gamble, for there are both positive and negative potential outcomes.

Chapter 11 has identified both positive and negative ways in which political history and bureaucratic culture has contributed to the implementation of state asset management reform. Take the discussion on 'voices of reason' found in chapter 11 for example. The need to revert back to original 'voices of reason' was mainly due to a bureaucratic culture that is risk averse and has low tolerance for ambiguity – hence upon facing a high level of inconsistency there is a tendency to revert to familiar voices of reasoning or familiar way of doing things.

The tendency to revert to familiar ways of doing things in the face of uncertainty is potentially a negative role of bureaucratic culture. This potential is increased if one was to refer to the political history of Indonesia, in particular remembering the ingrained governing behaviours that are synonymous with thirty two years of Soeharto's era.

However there is also a positive in this event, in the sense that reverting to familiar voices of reason and way of doing things reinforces that Indonesian regional government is made up of a diversity of traditional beliefs, ways of doing things, societal culture, capacity and capabilities; reminding the central government (who, in this scenario has the expectation of standardised, or equal level of implementation) of the diversity of regional governments and the factors within it that increases the challenge in aiming for an equal and standardised implementation of state asset management reform.

Furthermore, the realisation of diversity and reversing into familiar voices of reason leads to the discussion of the goodness of fit between the current state asset management reform laws and policies (and hence the sources of said laws and policies) and the realities

of Indonesian regional government, opening up further discussion in the mismatch in expectancy between central and regional governments and ways to address current and potential challenges in order to move forward to an improved approach of state asset management. This brings us to the discussion that perhaps there is a need for and Indonesian specific state asset management, one that sits comfortably between regulatory compliance (both at national and international standards) and traditional cultures/way of doing things. Such a discussion can be identified as a positive role of political history and bureaucratic culture, in the sense that it is a 'wake up call' for both central and regional government officials, in particular realising that current approach to state asset management reform is imperfect and providing areas of improvement.

The good governance evaluator tool in chapter 8 illustrates a variance in the structuring of state asset management laws, whereby two main schools of structuring seem to be evident: clauses based on the state asset management life-cycle and clauses based on the task and functions of the state asset management division/body. This is linked with the regional government's organisational structure – of which is a product of the political history and bureaucratic culture within the particular regional government office. As discussed in chapter 11, such variance have cause regional government officials to question whether the state asset management practice that they subscribe to is in fact best practice, for they see other regional governments having different laws and policies. To a certain extent this relates to the maturity of regional governments themselves, and their grasp of how decentralisation and regional autonomy operates. Again this is a product of political history and bureaucratic culture, where after 32 years of centralised governing their understanding and interpretation of decentralisation and regional autonomy itself is imperfect.

Political history and bureaucratic culture also plays a role in the understanding of good governance principles, be it in regards to the definition of the principles itself or the conceptualisation of said principles within the context of public policy implementation. This conclusion is made based on the opinion of interviewees in their account of what each good governance principle signify and how it is conceptualised in state asset management policies and implementation, as well as research relating to good governance understanding and implementation by Mardiasmo (2007) and research relating to the impact of bureaucratic generation gap on good governance by (Mardiasmo & Barnes, 2009). Mardiasmo and Barnes (2009) argued that bureaucratic culture is segregated

depending upon when a government official joined the civil services, with a clear separation between government officials joining the civil services post Asian financial crisis and prior to the Asian financial crises.

The rationale here is that government officials employed prior to the Asian financial crises were educated in 'bureaucratic school' and governed under the characteristics of Soeharto's 32 years in power (categorised as 'older' bureaucratic generation); whereas those employed post Asian financial crises are largely sourced from the private sector, international institutions, and academic (categorised as 'newer' bureaucratic generation) – hence having a varying perspective, experience, and approach to governing. This observation is supported by a majority of interviewees in this study, whereby it is observed that there is a variance in the 'mentality' and 'attitude' towards change; older bureaucratic generation expressed higher levels of doubt, reluctance, and 'impossibility' of such change whereas 'newer' bureaucratic generation expressed the opposite and tend to have idealistic opinions on how things should be governed.

Compiling the definitions and examples of understanding between Mardiasmo's (2007) study on good governance and interviewees of this study, it can be concluded that there is a slight variance in the definitions provided, as well as examples of how good governance principles can be exemplified in day to day governing (in this case, within the context of state asset management). For example, those within the category of older bureaucratic generation defined accountability as the act of ensuring important matters are reported correctly to the correct people; whereas the newer bureaucratic generation interpret accountability as complying with the public sector accounting standards, international auditing standards, and ensuring a 360 accountability system. This is further reflected in opinions regarding conceptualisation of accountability in state asset management. The 'older' bureaucratic generation has described accountability in state asset management reform as a reporting tool, to be done on an annual basis and submitted to superiors in order to ensure good audit ratings. The 'newer' bureaucratic generation expressed a difference in opinion, describing accountability in state asset management as a system to ensure check and balance between all stakeholders involved in state asset management, involving government officials, auditors, third party (i.e private sector builders and developers), and the society.

Such a difference is deemed to be a product of political history and bureaucratic culture, whereby older bureaucratic generation's opinions are influenced by past political regimes and bureaucracy culture, and newer bureaucratic generation's opinions are based on academic literature and international institution ideals. Again, in this case, political history and bureaucratic culture is playing both a negative and positive role at the same time. It is perhaps negative that the older and newer bureaucratic generation have a mismatch in opinion, perspective, and ways of doing things within the sphere of state asset management (or other public policy reform); in the sense that there is potential for tension and delays in implementing a particular policy in the short term. However on the other hand, a positive can be extracted, in the sense that such tension and delay may open up the discussion floor on how to bridge any differences in perspectives, opinion, etc; fostering a mutual learning cycle that leads to a long term system based on mutual understanding.

12.2 State Asset Management Reform in Indonesia: A Wicked Problem

Throughout the writing of this thesis numerous influencing/contributing factors to state asset management reform is identified by interviewees. Chapter 10 of this thesis analyses the validity of each impeding variable, based on the level of support existing within interviewees. This analysis is captured in Figure 12.5, providing a graphical illustration of the level of support for each impeding variable.

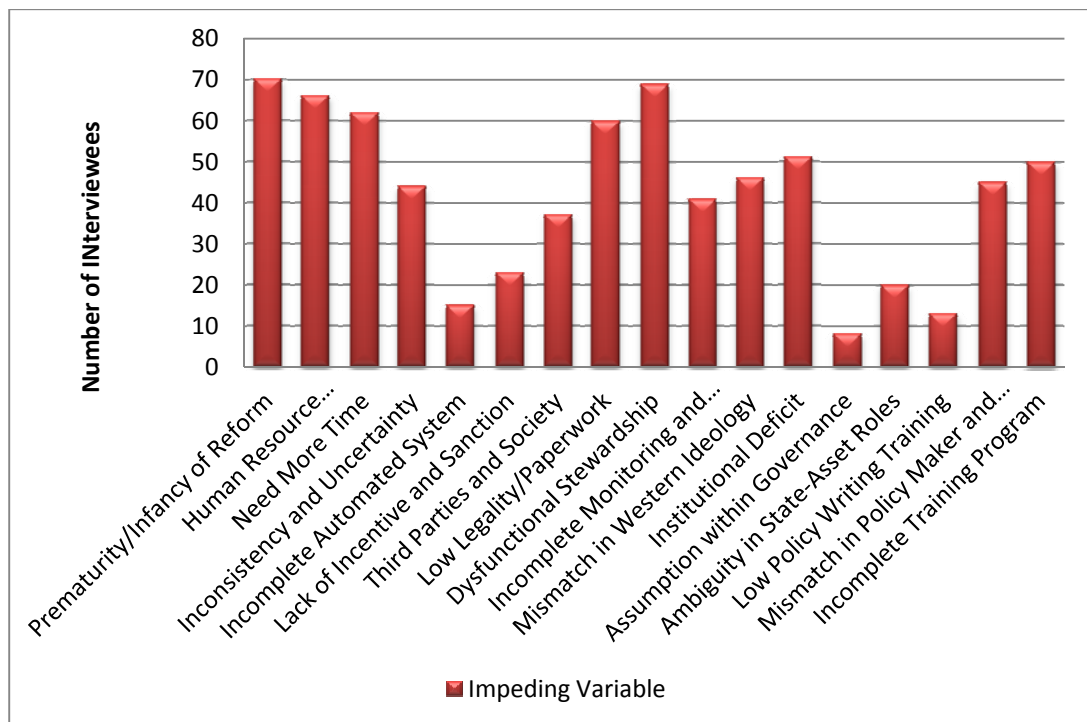


Figure 12.5 Support for Influencing/contributing factors as Identified by Interviewees.

Based on the findings of Figure 12.5 several ‘interesting questions’ were identified – most as a result of compare and contrast exercise; be it between interviewees’ comments, available academic literature, on-site observation, or state asset management related documents such as laws, policies, and technical guidelines. The myriad of questions, interpretation possibilities, and interdependence in influencing/contributing factors surrounding the understanding and implementation of Indonesia’s state asset management reform suggests that it is a wicked problem for the Indonesian government, one that needs to be mapped out in such a way to understand all factors that play a substantial role within it and the relationship between each of this variable.

The notion of a wicked problem is not new in public management, having been explored by many researchers (for example Brown 2008, etc) in previous public management related studies. That said, it is important to establish the definition of wicked problems within the context of this research. Upon analysis of main findings of the study and experience of Indonesian state asset management public policy makers and implementers, it can be concluded that for the purposes of this study, *wicked problems* are defined as a

complex, intricate annexes of multiple and varying elements, where solving of only one part of the problem may cause failure of solving the problem at large, or it may exacerbate other parts of the problem. In this situation there is a need for a high level of understanding of all elements or factors (within the problem) and the existing intertwining relationship and its impact on the problem, as failure to establish such understanding may lead to incorrect strategies being put in place. The existence of such a wicked problem thus calls for a strategic plan that will address all elements or factors simultaneously in order to improve the situation.

Drawing from the discussion in chapter 11, Figure 12.6 provides a diagram representation of the various factors that play a role in the stagnant understanding and implementation of Indonesia state asset management reform, signifying the relationship strength between each variable present. From Figure 12.6 it can be concluded that there are three factors as a wicked problem to Indonesia's state asset management reform are the inconsistency of (state asset management) laws and policies, uncertainty in expectation and interpretation of said policies, and low understanding of state asset management reform philosophy and *good governance principles*. The three wicked problems are a result, or reinforced, by five influencing/contributing factors that received the highest level of support from interviewees of this study. These are (in no particular order): human resources capacity and capability, institutional deficit, misfit between western ideology that inspired state asset management reform and Indonesian reality, political history and traditional belief, and mismatch between the expectations of the state asset management policy maker and policy implementer.

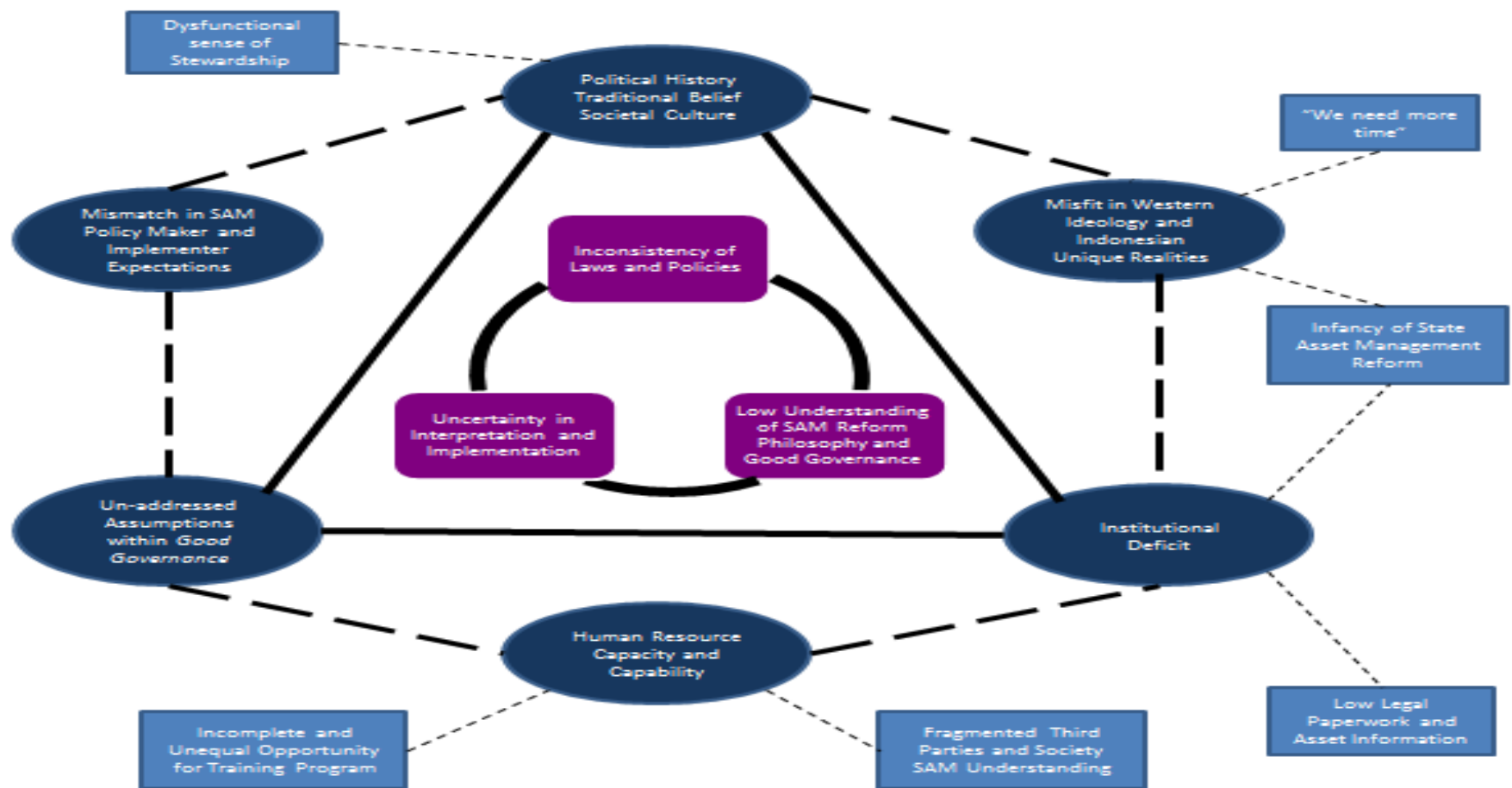


Figure 12.6 The Intricate Relationship of Influencing/contributing factors as a Wicked Problem in Indonesia's State Asset Management Reform

Figure 12.6 suggests that all five influencing/contributing factors contribute to the three wicked problems in a cyclic manner, whereby there is an equal contribution to all three wicked problems. This is true to a certain extent, however further discussion as per chapter 11 suggests that three can be identified as core influencing/contributing factors, lending a high level of direct relationship to the three wicked problems. Influencing/contributing factors outside the hexagon cyclic relationship are identified influencing/contributing factors that lend to the eventuation of one of the influencing/contributing factors within the hexagon cyclic relationship. The purpose of their inclusion within the diagram is to allow a policy maker or implementer to trace the root of an impeding variable.

Decentralisation and regional autonomy suggests that regional governments are authorised to create their own state asset management laws and policies, where each regional government has its own unique characteristics. The factors that contribute to Indonesia's stagnant state asset management reform as identified in figure 12.6 applies to both central and regional government, however due to unique characteristics of regional governments it is recognised that there might be differences in what is considered to be important factors to an integrated good governance and state asset management approach at either central or regional government. Figure 12.7 provides an illustration of this, as well as the factors of an integrated approach to state asset management and governance as per the international institution and other countries view. This is provided to show a comparison in what is considered to be important for the exemplification of good governance within state asset management policy by each viewpoint.

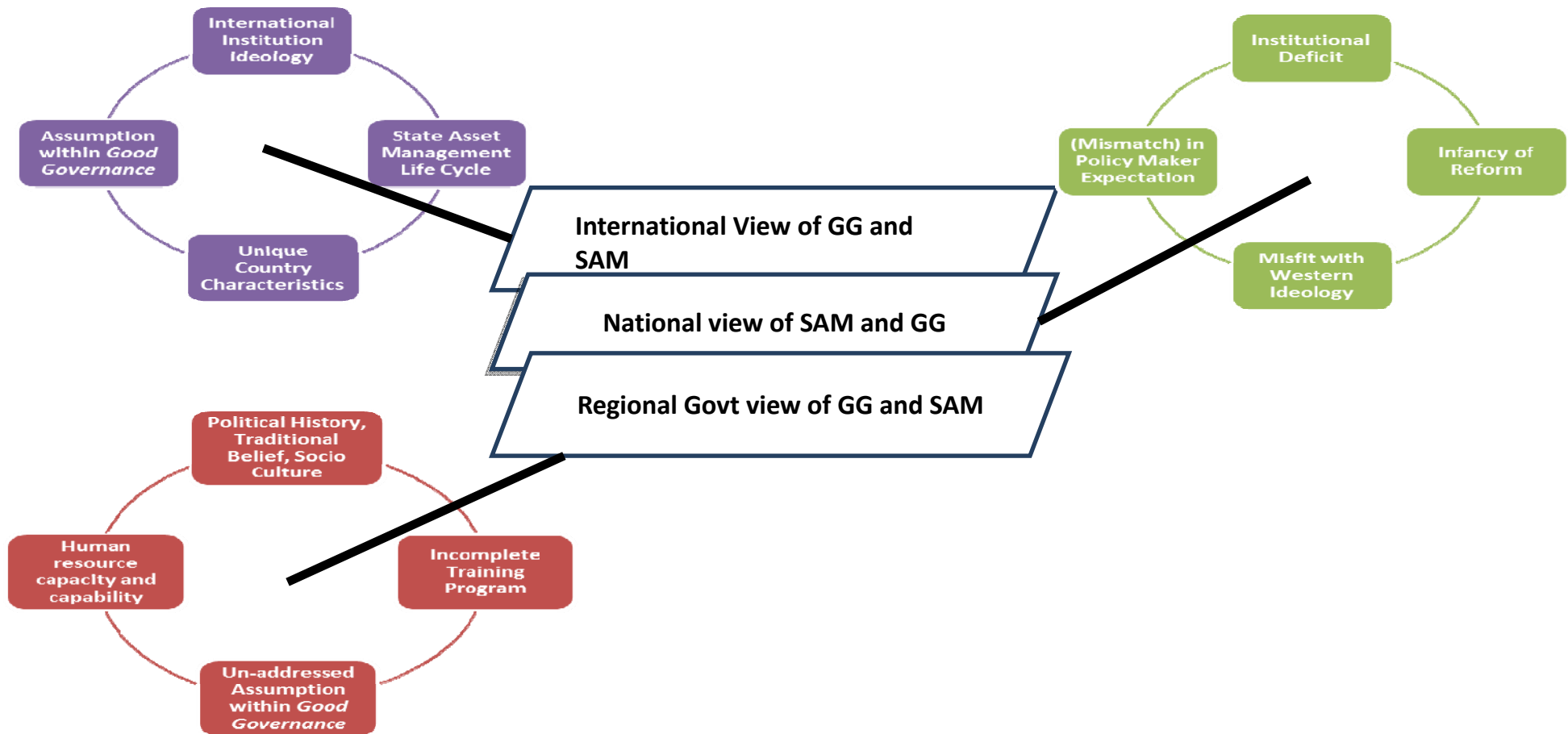


Figure 12.7 Factors in an Integrated Good Governance and State Asset Management in each level of Government

Figure 12.2 does not only show the differing factors considered to be an important variable by each viewpoint (i.e international, national, and regional government), it also captures the journey of interpretation of an integrated good governance and state asset management approach from the international view to the regional government view.

Figure 12.7 clearly illustrates the discrepancy between the international view and regional view. For example adherence to state asset management life-cycle is an important factor in the international view, yet it is not one of the important factors for regional government - to them it is the political history and traditional way of doing things (in managing state assets) that is important. Another example is the asymmetry of opinion in regards to factors influencing state asset management implementation between national and regional government – as per figure 12.7 infancy of reform and institutional deficit is considered to be an influential factor; yet these are not identified by regional government, for regional government have identified incomplete training program and human resource capacity and capability (which in turn is not identified by national government). Such asymmetry between national and regional government in the factors that influences state asset management implementation suggests further complexity in attempting to address the reasons for a stagnant reform. Figure 12.7 further show the low congruence between international, national, and regional view of an integrated governance and state asset management approach; indicating that current state asset management reform seem to be a reform that is not a ‘best fit’ – be it in relation to international, national, or regional viewpoint.

Figure 12.7 hence further emphasises the notion that state asset management reform in Indonesia is indeed a wicked problem, for without congruence in the three viewpoints it becomes difficult to break down the challenge at hand and identify the starting point of problem solving. Rather what is needed is a strategic plan that will allow problem solving at different levels of the viewpoint, otherwise other challenges will either be ‘left out’ or exacerbated and may still pose as a challenge.

12.3 Main Learning of Study

A main learning of this study is that in the face of cultural, traditional ways, and political history related complexities in solving a universal problem; a custom solution in state asset management is deemed necessary - one that involves all the different elements of law.

By accepting the differences that makes a regional government (or even a nation such as Indonesia in this case) unique, and that there are potential learning from each interpretation and/or perception of state asset management policies and practices; a rich learning and interactive atmosphere is cultivated, where there is a shared respect for each other's 'version' of state asset management and the ability to extract positive aspects of each other's state asset management practices. The emphasis here is that the rich learning environment between government bodies regarding state asset management will support the evolution, or the emergence of a state asset management practice that is not based on what is considered to be 'right for all', rather it is 'right for one' for a government body, where the 'right' state asset management fulfil two main criteria: a) whether or not the policies and practices introduced sits comfortably within the context of the government's and society's culture or ways of doing things, and b) whether or not it minimises potential risks associated with management of state assets such as misuse of funds, inappropriate utilisation of state assets, and incomplete financial and non-financial reporting.

To achieve said rich learning environment there seems to be the need to move from a directive to a more consultative approach, ensuring symmetry in understanding and expectations between all parties responsible in managing state assets. A consultative approach seems to be most needed between:

- a) Policy maker/writer (in Indonesia's case high level echelon) and policy implementer (middle and lower level echelon)
- b) In a centralised government structure (i.e DKI Jakarta and DJKN) between the 'head' and its 'arms'
- c) Central government (in drafting/conceptualising) revisions of Law 38/2008 on regional SAM in the future (as well as its guidelines) and regional government (who will be adapting/implementing these revisions in their own regions); to encourage consultative/participative approach and create more realistic objectives and goals (in regards to SAM implementation).

Doing so addresses an abundance of issues currently experienced by Indonesian state asset managers, as expressed in Chapter 10. This include ambiguity in which law/policy to follow, overlap in state asset management laws/policies, and differing opinions on state asset management definitions, perception, assumptions, and level of knowledge. Such a consultative approach may also minimise the difference in view points (of influencing factors to state asset management reform as per figure 12.7) between national and regional governments, further enhancing the pathway to agreed strategies in achieving full implementation in state asset management reform.

12.4 Future Research

One main future area for research follows from the discussion of Figure 12.6 in this chapter, which is the formulation of a strategic plan in order to address the state asset management as a wicked problem in Indonesia. It is not the intent of this thesis to provide such strategic plan, or to provide a set of recommendations. Rather the purpose of this study is to provide an in-depth exploration of understanding and implementation of state asset management reform in Indonesia, and factors that play a role in shaping such understanding and implementation. As it is found that state asset management reform in Indonesia is indeed a wicked problem with a set of influencing/contributing factors that needs to be strategically addressed at the same time, it is thus an area of great importance for future research.

In order to perform the main future area of research as identified above, other future research areas exist. An area for future research is to further continue exploring the intricacies and dance of governance within state asset management in other, or all, regional governments within Indonesia; in order to enable further in-depth observation and more generalised findings. An interesting area within this future research would be to involve the opinion and participation of the external audit body, in particular analysing the appraisal and/or audit system that is utilised and how it is utilised to measure the level (or quality) of state asset management practiced in a government body.

A follow up study to this thesis is also prevalent, in particular as one of the main impediment variable identified in this study is the notion of 'infancy' of the reform and the

need for 'more time' to achieve the implementation level and outcome desired. Hence a follow up study questioning the validity of the need for 'more time' based on level of good governance understanding and implementation within state asset management in the mid-term future is desirable, for not only does it provide an 'up-to-date' experience in state asset management but also discusses the validity of the impediment variable – which seems to be a constant variable in the implementation of new public policy reform in Indonesia, and also in many public policy reform related studies (i.e Bessant 2010).

This study has a focus on the state asset management public policy maker and public policy state implementer from the government's point of view, however, as identified in chapter 9 of this study there are other parties crucially involved in the implementation of state asset management policy and practices – namely the society and other third parties (i.e private sectors such as building developers, etc). The importance of these parties in state asset management practices is highlighted in chapter 9 of this study, whereby government officials (interviewees) have identified the need for further coordination between the government, third parties (private sector), and the society – both within the capacity of regulatory compliance and as the government's 'eyes and ears' and social audit tool in the practice of state asset management. Therefore a future research project stems off this, exploring the level of state asset management understanding existing in both third parties and within the society, and performing a compare and contrast analysis between the perspectives and approach towards state asset management between the government, society, and third parties.

Lastly, an area for future research concerns the state asset management itself, questioning the transferability of its elements in various contexts; including cultural, bureaucratic, and political context. This is perhaps slightly of a radical nature to some, however, as advocated by Kaganova (2006) and her colleagues, each country across the world seems to experience challenges in implementing state asset management elements – especially if a country is striving for full, synchronised, and continuous implementation of the life cycle stages – and are continuously reforming laws, policies, and practices to find the 'right mix' that will support and ensure the implementation of state asset management practices. To a certain extent this relates to the discussion surrounding the double edged sword of assumptions surrounding (good) governance, whereby countries are continuously aiming to conceptualise governance in all areas of governing, however, due to the assumption that the implementation of governance is instant and equally disseminated within the

organisational structure once its principles is embedded in any laws and/or policies, there seems to always be a constant struggle to reach optimum implementation of governance within organisations and countries. Hence questions have arisen, questioning whether or not governance is, in fact, as transferable as it seems.

12.5 Importance and Contribution of Study

12.5.1 Research Gap

The importance of this study is signified by its theoretical and practical contribution, as well as the gaps in state asset management research and discussion as identified in section 7 of Chapter 2 (literature review); where it is clear that there is a **research gap** surrounding state asset management research in Indonesia in two ways:

a) There is a dearth of research discussing Indonesia's experience in state asset management, where it is limited to a comment found in Kaganova's (2006) work – proclaiming that Indonesia's specific country condition/characteristics would evidence an intricate and complex state asset management practice. However despite the comment there is no further research or discussion to provide an in-depth exploration to the comment. Hence it can be concluded that there is a dearth of research discussing Indonesia's state asset management experience, both at central and local/regional government level.

b) Indonesia's reform in state asset management in 2006 is acknowledged by Kaganova (2006) and the Indonesian government, however studies exploring the road to reform and post-reform implementation is absent. Therefore any challenges, implementation experience, or public policy drafting experience is yet recorded or explored prior to this study.

In terms of state asset management literature/research itself, Kaganova (2006), who has explored in-depth the various 'versions' of state asset management in different countries; have identified that politics and state asset management are inseparable, where both are linked together and determines the direction of the other. A **research gap** in her extensive research is the consideration of aspects such as bureaucratic culture, political history (hers emphasise more on the political flavour of the present registration), and

societal/traditional culture (i.e ways of doing things) – all of which are referred to as ‘voices of reason’ in this study. This also reflects state asset management literature at large (both that discusses various country’s experience or the private sector’s), whereby there is a dearth in exploring the ‘goodness of fit’ between the policy and the nature of its implementers, as well as discussions that explore the ‘back-up plan’ that policy implementers ‘fall’ on in the face of high level uncertainty both in the policy that they have to implement and how to implement it.

This leads to the contributions of this study, both theoretically and in the practical sense.

In a theoretical sense, this study contributes to four streams of literature or areas of study.

12.5.2 State asset management literature

This study contributes to state asset management literature, or perhaps even wider, contributing to the realm of asset management area of study. Following from the discussion in the previous paragraph, this study contributes to state asset management literature (and asset management at large) by considering political history, bureaucratic culture, and traditional societal culture as independent factors that plays a role in the asset manager or asset user (i.e policy implementers) perspective and approach to implementation of asset management related laws, policies, and technical guidelines. By highlighting the factors that shape the policy implementer’s perspective and approach to implementation of a policy, the ‘back-up plan’ that policy implementers utilise in the face of inconsistency and uncertainty (regarding the policy) becomes apparent and can be factored in the drafting of asset management related policies and procedures.

12.5.3 Public Policy Reform

The second area of study is public policy reform, in particular within the context of governing in Indonesia post Asian Financial Crises. This study identifies wicked problems and themes for consideration by the Indonesian government in their drafting, establishing, introducing, and enforcing of public policy reform, in particular ‘reminding’ them of the need to ensure a goodness of fit between the adapted policies and practices of acclaimed best practices in the International (i.e institution and other country’s) standard context

and academic research with the reality of unique characteristics (in particular in terms of human resources and their mindset) that makes Indonesia, Indonesia.

12.5.4 Good Governance Literature

The third area of study or literature discussion is good governance, in particular the assumptions within its conceptualisation and/or exemplification in policies and practices.

This study further highlights three crucial themes in good governance implementation:

a) That good governance remains a double edged sword – the guarantee of success that is related to its (good governance) implementation is dependent upon many factors, yet without it an ensued comic order is evident;

b) That many subscribes to the assumption that once good governance is introduced in a policy, practice, or the thoughts of high level organisation structure there will be a trickling dissemination effect whereby equal understanding and level of implementation is evident in all levels of the organisational structure – something that is proven to be a dangerous assumption to subscribe to within this study;

c) That there is still a lively debate surrounding what is good governance and what is considered best practice in good governance conceptualisation and implementation. This then leads to the crucial discussion of the notion of good governance and standardisation, and the role of country unique characteristics in such a standardisation or convergent approach.

This study has discussed the level of knowledge, in-depth understanding, and implementation of good governance within the context of state asset management; highlighting the variant levels that is evident in this study due to divergence in each interviewee's level of knowledge exposure, traditional culture, and political history – hence emphasising the challenges in envisioning a convergence in the conceptualisation and implementation of good governance.

12.5.5 Local Government Research

The fourth area of research that this study contributes to is in regards to governing at local government level research, in particular debating the merits of a decentralisation and regional autonomy in implementing national public policy reform and provision of public

service. This study has highlighted the challenges that decentralisation and regional autonomy bring in implementing a national public policy reform, in particular if convergence or standardisation is strived for, as each regional or local government differs in their regional objectives, financial and human resource capital, and experience in certain policy fields. Hence this study suggest embracing divergence in a rich learning context, whereby regional/local governments learn from each other on the subject of best practices and trouble shooting in policy implementation, and formulate a tailored approach to policy implementation – one that satisfies both the requirements of the central government but also the needs and unique characteristic of the regional/local government.

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