



INNOVATIONS FOR SUCCESSFUL SOCIETIES

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SCHALKWYK: Today is the 9th of July, 2009. I'm here with Mr. Erwin Ariadharma, a Senior Public Sector Management Specialist at the World Bank. We're at the Jakarta Stock Exchange building in Jakarta, and I'd like to start this conversation by just asking you about the positions you've held and the role you've played in civil service reform and public sector reform in the past. Can you tell me a little bit about what you do now and the jobs that brought you to this position?

ARIADHARMA: Thank you, Mr. Andrew. I've been working with the bank since October 2008. I was hired because they believed I had kind of experience and also some significant working and also relationship with the private sectors. The World Bank believes that by bringing some people from private sector will enhance the running of the civil sector reform in Indonesia.

My duty with the World Bank is that first I have to help the senior people here to provide technical assistance to the, some line ministries and also some government agencies to reform, and secondly, to provide technical assistance to the Director-General of Tax under the Ministry of Finance, to provide kind of assistance, to help modernize the human resource management system. The third one is to provide technical assistance to other sectors that have been dealing with similar reforms project with their own respective sectors.

SCHALKWYK: Where were you working before you joined the bank?

ARIADHARMA: Prior to working with the bank, I worked for several consulting firms like Booz Allen Hamilton (McLean, Virginia), KPMG Consulting, Moores Rowland, BearingPoint and Grant Thornton. All we can call them as good reputable consulting firms in Indonesia.

SCHALKWYK: Before we start talking specifically about some of the reforms that have happened in Indonesia, could I ask you, what are the major issues and challenges facing the civil service in Indonesia at the moment?

ARIADHARMA: As far as I know, the first one is about the rules and regulations. Even though we had some good example of the organizations that have been undertaking the reform. But again, to some extent, they have been hindered, handicapped from the current rules and regulations that cannot easily accommodate the reform itself. Secondly, it is about the quality of the civil servants. It seems that most of the civil servants are inherited from the old era. I could say that more than 30-40% are those that have been not really productive in doing their jobs, but now, in several line ministries, they are able to hire some good candidates and some good fresh graduates that are able and that are keen to work in the government sector area because they're able to offer some good salaries compared to private sector; that now is happening in the Ministry of Finance.

The third one is about the bad quality of the human resource data. I mean the civil servant data, followed by one of the institutions in Indonesia, and we cannot easily find how many civil servants have this competence and quality and how many of them have specific backgrounds on something, and how many of them are very skillful in this area. So we have very bad data actually. Also, the data are not accurate, and most that I know is that some of the data we cannot rely on. For example, some people, some names have been in the database, but actually this person already passed away or already retired or something like that.

SCHALKWYK: Could you give me a very brief history of civil service reform in Indonesia in the post-Suharto era?

ARIADHARMA: Yes, actually the real reform has been started in 2006 when Ibu (title for respected women) Sri Mulyani, the Minister of Finance, found that her agency needed to be reformed because there were some pressures by the external sources like the public, from the society, and also there are some other pressures from the economic and also some political reasons. The real permutation was done in 2007, when the Ministry of Finance tried to simplify all the business process and also tried to make a better job description by doing job analysis, by doing workload analysis, to be able to find accurate person that needs to be stationed in specific units. Also she has done improvement on the management information system, in particular human information management system and also she built an overall assessment center to ensure that the people that are working with her are competent and know what they are doing.

But before that, in 2002 actually, we know that there was internal reform done by the Ministry of Foreign Affairs. They'd done it because they believed that there was some urgency to reform, even though the central authority competent in doing this MenPAN, never announced that the reform needed to be started by all the ministries. But they did it proactively back in 2002. So for years, it advanced compared to the Ministry of Finance.

SCHALKWYK: When was MenPAN established?

ARIADHARMA: MenPAN was actually established, actually it was there, but they always changed the name, but MenPAN was there since 1998, 1999 when Suharto was ousted by the people here in Indonesia. They had been tasked with advancing the competency, also capability of the old civil servants even though they just know, but they had been trying so hard to issue a kind of policy and rules that can be followed by the line ministries in order to be reformed.

As far as I know, some expectations from the line ministry and agencies to be given kind of guidance by the MenPAN, but we know that MenPAN itself is struggling to improve their competency, also capability, because most of the people are, again, inherit this situation from the old era.

SCHALKWYK: I understand that out of the, out of Sri Mulyani's reforms in the Ministry of Finance, a national reform program was developed. Could you describe what that program is, and how it developed from the Ministry of Finance reforms?

ARIADHARMA: Actually, now in the Ministry of Finance, now has been in the second stage of the reform. The first reform has been completely done, actually in the Director-General of Tax; that was done from 2006 to 2009. They covered the improvement of human resource, improvement of the business process, the improvement of the competence of the people through training assessment center. Also the organizational planning and bureaucracy improvement, tailoring to the new strategy that the Minister of Finance has been pursuing. But now, just a month ago, the Minister of Finance just launched the second chapter of the bureaucracy reform emphasizing under human resource, especially under modernization of human resource. Also the application of information technology to support the human resource management system. That will be done in the Director-General of Tax. Ibu Mulyani expects that with this pilot project in the Director-General of Tax, one unit under the Minister of Finance, all the director-generals can have role model by the Director-General of Tax.

Why Mulyani choose the director-general of tax: because this institution is responsible for receiving at least 70% of the state budget, so that is why. This is the importance of reforming the revenue side first. Then it will be then drilled out by the other director-generals after seeing the success of this Director-General of Tax.

SCHALKWYK: And that is within the Ministry of Finance?

ARIADHARMA: Yes. Actually, there are two other agencies that we can say that look at the model of the Ministry of Finance. There are two, the Supreme Audit Board or BPK (Badan Pemeriksa Keuangan) and also the Supreme Court. What I found so far, the reform that has been done by the Supreme Audit Board, they'd done it successfully, too, but now they are still reforming, and they are trying to become a lean, professional organization emphasizing on auditing the state finance. But the Supreme Court, I still—they still struggle to improve the reform gradually step-by-step because, I guess in this regard, in the judicial reform, steps need to be carefully taken compared to the Ministry of Finance, also the Supreme Audit Board.

But I can see the Supreme Audit Board replicates the success of the Ministry of Finance, because the Ministry of Finance has done it successfully, and in parallel, the Supreme Audit Board did repeat a mistake that was done by the Minister of Finance in some area, and also there is some more effectiveness that they could do compared to the Ministry of Finance. Those two institutions also used the concept of balanced scorecard to monitor the strategy, to monitor the execution of the strategy and also to monitor the performance of each unit under the head.

SCHALKWYK: Why was the Supreme Audit Board and the Supreme Court chosen out of all the other?

ARIADHARMA: Based on the—people can call it the great design of the reform of the nature made by MenPAN that they will act to put top priority first of the reform to the organization that is responsible for state revenue, and also the second one to the unit that is auditing the state revenue, and the third one: the organization that is considered as law enforcer or law enforcement and also some judicial affairs. Those three pillars need to be put into priority first. Later on some other agencies that are “less important,” will be followed.

SCHALKWYK: Okay. So when the Ministry of Finance started their reforms—.

ARIADHARMA: Precisely around 2006, I remember, yes.

SCHALKWYK: Were those part of MenPAN-led reforms, or were those within the industry itself?

ARIADHARMA: Yes, actually when Ibu Sri Mulyani was becoming a minister in 2004, the person [NAME INAUDIBLE] was first taking charge, then there was a need that after coordination with MenPAN, that Minister of Finance is—very critical to reform, because again, because the state revenue and also the number of the people in the Ministry of Finance that amounted to 62,000 all over Indonesia, and they have a vertical office all over Indonesia. So that's why this is the most strategic place to be reformed first, because once they manage it successful in Ministry of Finance, then the rest you can do it easily because this is most complex and most, I could say most complex organization in the nation because there are so many offices all over Indonesia.

SCHALKWYK: When the reform started, was there an effort to plan the reform process and the sequence in which it would go within the Ministry of Finance?

ARIADHARMA: Yes, actually, if I'm not mistake, based on the grand design by MenPAN, they divided the reform by four or five stages, 2005-2010, 2010-2015, '15-'20, '20-25. The first stage, that was 2005-2010, MenPAN is trying to provide kind of of preconditioning for the reform. While at that time again, the Ministry of Finance was chosen, even though MenPAN knows that at that time the Ministry of Foreign Affairs also did their own reform internally. They didn't follow all the guidance that has been made by MenPAN. But again, this is something I was a bit surprised, because MenPAN just released the general guidance for the line ministries to reform last year, 2008. But again, the Ministry of Finance has been undertaking since 2006. So it means that the Ministry of Finance did is proactively actually, because the minister, she saw the importance of doing the reform in her institution even without or with prior concern from the MenPAN. So that distinction I could see now. That is why there are so many line ministries; they have been concerned about the role of MenPAN back at that time, you know. Why wouldn't they just provide, in advance, guidance and everything, even for the technical guidance and how to do the reform? But again, the Ministry of Finance can do it; they did it by themselves also; that was aided by so many consultants actually at that time. They hired some good consultants to do the reform.

SCHALKWYK: The Ministry of Finance did?

ARIADHARMA: Yes.

SCHALKWYK: Were those Indonesians or foreign?

ARIADHARMA: If you know Hay Consulting; that is one of the good consultants that helped the Minister of Finance to conduct analysis and to improve and assist in job descriptions that were very poor-written, but now is very specific and very concise. Everybody knows what the objective is and the target they have to meet and fulfill. They have also done job evaluation, and they said some more grades into the current grades, actually. So that is designed in such a way now they had 27 grades compared to 17 grades as previously. But now the 27 is kind of temporary grades to accommodate additional salary for the civil servant actually in the Ministry of Finance. You cannot expect that everybody, civil servants in the Ministry of Finance, need to be reformed, but the salary remains the same, you cannot expect that. There must be a kind of justification to increase the salary of the civil servants.

SCHALKWYK: Okay, and how did the Ministry of Finance go about choosing the priority areas and why did they choose those areas?

ARIADHARMA: I guess, first it was to mainly attack first the business process. This is something that is very critical because people outside, they saw the quality of the surface of the Ministry of Finance. For example, the official from D-G Tax and from Custom and Excise. So people were concerned about the line of the service, the quality that they delivered the service, because people also believed that they don't have such a solid procedures and also business process and as standard operating procedures. So that's why Sri Mulyani first attacked the SOP first. So she is trying to improve the existing SOP, and she also was trying to streamline the business process. She was also trying to automate the area that can be automated.

So she lessened the interaction between the one that will raise the money and the public, so that would create enhancement in the good governance and also the anti-corruption things. Also she believed that human resources improvement is also very important. I have a good system here, but my people are bad in terms of competency. Then she thought, "Okay, then I have to build assessment center. I have to build a tools mechanism to measure my people's competency, and I have to have a modern training system to monitor the capability to adjust with the new system and procedure.

Also the third one: she believed that there must be an automation, as I mentioned earlier, that there should be a good, solid, and also reliable information system that supports human resource administrations. We know that here in Indonesia, especially for civil service, they don't have such an automated information system that can talk together. Even the central authority in Jakarta, they have different fragmented and partial information system. For example, like Ministry of Finance, for example, like the ministry, you can have different data that is kept by BKN (National Civil Service Agency) because the update will not be there. So many differences in terms of the quality and also the accuracy of data. So that's why it was really thought it was important to have a good database, because she wants to know which person can be put into the talent pool, which person has specific skills or that is required by the organization, which people, you know, within certain age that I can deploy later on, which people that I can promote, which people I can rotate and everything.

If you then have such system, then the minister will be confused because she doesn't have any decision to make in order to improve the human resource people in the Ministry of Finance.

SCHALKWYK: How much authority did the minister have to make these changes?

ARIADHARMA: That's a very good question, actually. As far as I know Ibu Sri Mulyani came to MenPAN and asked for exemption, because MenPAN cannot change the law. When I asked MenPAN, "Why can't we just change the law in order to accommodate the reform?" MenPAN said, "Please, Erwin, because we have to deal with Parliament members. You know, dealing with Parliament members can be years and years and doesn't involve significant resources to be involved in making a new law. So that's why a shortcut and also the better way and the most effective way is to grant kind of an exception year by year, so the Minister of Finance can have an extension. For example, like additional salary that you cannot find the law. You can build some organization structure that previously you had to consult with MenPAN first, because there is some regulation that you cannot build some structure you want. There are some strict regulations. So this is kind of exemption year by year. So the MenPAN needs to review it year by year.

SCHALKWYK: Okay.

ARIADHARMA: So the problem is that, so that's why so many people were concerned about why don't we just put into the single system, in the central net, working around the system, another extension, another extension, another extension, it is kind of not wholly integrated and an integrative system.

SCHALKWYK: What specific exemptions did she apply for, and did MenPAN ever reject any of them?

ARIADHARMA: Normally MenPAN, this is my understanding of working with MenPAN: as long as the idea is good, you know, this is for the benefit of the state, like for example, for the benefit of the state revenue. MenPAN told me once, even the minister told me that by doing the reform actually the state revenues increased by 30% from D-G Tax and also Excise and Customs success. Also the satisfaction level either internally or externally is increased by several percent now; it is about 75%. This is about the satisfaction index internally and also externally.

So as long as the proposal is legit, and also for the benefit of the state, and it creates efficiency and effectiveness, I don't think MenPAN will reject. Even like the Ministry of Foreign Affairs: they just did it before Ministry of Finance. For example, in the past, you cannot have people less than 50 years can become an ambassador, but now they can have it. Even with people with age of 40 can be an ambassador, because the Minister of Foreign Affairs asked for some exemption, too, to get kind of fast track for their program in order to accommodate some young, talented, bright people, young people, to become ambassador. That's another exemption that MenPAN granted. As long as you have a strong proposition, strong, rational, strong model, then they will approve it. They don't any reason not to approve it.

SCHALKWYK: Okay. Why is MenPAN not coming out with these sorts of models and ideas for the rest of the civil service?

ARIADHARMA: This is asked by so many people in Indonesia and also so many international donors, because again, if you look at the history of MenPAN, MenPAN is kind of the unit that receives so many people from the organization that has been undertaking major restructuring something like that. They have problems with their capacity, also their thinking framework. So that's why we all are concerned and try to help MenPAN to improve their thinking framework and also their autonomous thinking and also their capability to produce very good policies and regulations. It is about the capacity building actually and also the competency of the people. I know some people in them is very good, but it is not enough to let the institute itself, the agency itself to become a role model and to become the avant-garde of the reform. Instead of maintaining the old rules, but they are supposed to become a think tank to propose a new advanced methodology or mechanism for the rest of the nation to become more reformed—just a problem of the people, actually, that I can see.

SCHALKWYK: In the Ministry of Finance during, while the reforms were taking place, has the Ministry of Finance established its own reform management team or is it just done within the current structure. Was there a change in the structure?

ARIADHARMA: Yes, they, well actually, there are two layers here: the Ministry of Finance, actually they set up their own reform team within the Ministry of Finance. Also, this technical team needs to consult with another team which is within MenPAN. On the national level, we have the National Reform Team, chaired by MenPAN, KPK, Ministry of Finance, and in Finance also they have a technical team there, there is always consultation regularly. So they are ad hoc team here, Ministry of Finance and also ad hoc team in the MenPAN.

But later on, as far as I know, this ad hoc team will be immersed with the current staff, but the ad hoc team is still there until now, because the Ministry of Finance needs to be closely working with those ad hoc teams because this ad hoc team is like an organic team that you can employ quickly, immediately, just to resolve some pending issues and some handicaps that the Ministry of Finance is facing, like the Ministry of Finance built a specific unit called PUSHAKA. It's like a center

of harmonization, and also the follow up like the ears and eyes of the Ministry of Finance that could immediately act if there is some handicap, it could act immediately and handle it on the spot. So that's the current situation in the Ministry of Finance.

SCHALKWYK: Are those people involved on those teams permanently involved in the reform, or do they have other jobs as well?

ARIADHARMA: They have multiple tasks, actually. They have their own job that is on their job description; they also have to perform this task too. I guess if the ad hoc team is completely open, then they can do their own real core job actually, yes. They are selected based on competitive basis actually. Ibu Sri Mulyani knows good people that need to work with her.

SCHALKWYK: Could you tell me a little bit about the salary increases that Sri Mulyani has introduced?

ARIADHARMA: Yes, you know before the reform, between the new entrants and the civil servant that has been working for several, like thirty years, you can have the comparison ratio between one to three. Can you imagine? So for example, in the past the new graduate gets one million per month. So very senior people that have been working for thirty years get 3.5 million rupiahs per month. But now with additional—otherwise, they call it the performance allowance. For example like number one in D-G Tax, he could get 46 million plus 8 million, so around 60 million rupiahs per month. New entrant can get around 3.5 million per month. Now the compression is more logic, 3.5 compared to 60, so 1 compared to 20 or 15 is bigger. That's the allowance provided by the government every year that needs to be put in the state budget actually. You can imagine by 2011, state salaries need to be reformed, meaning that by 2014, probably all will get a new salary scheme. Can you imagine how many additional funds that this country must provide?

SCHALKWYK: Is there a plan to introduce that as a full salary scheme as opposed to additional allowances?

ARIADHARMA: Yes.

SCHALKWYK: Who is responsible for creating that salary scheme?

ARIADHARMA: Actually again, this is the competency of MenPAN, also the Ministry of Finance, also KPK as the watchdog.

SCHALKWYK: The anti-corruption commission.

ARIADHARMA: Yes, and normally this is going to be the domain of discussion within the central team of the reform in MenPAN actually. We know that it is going to be hard for this country to put in funds, but again, you can't expect that this institution can be reformed without additional extra pay. So then that needs to be done actually, this is the commitment from the government. So that's why, in the other end, this government also needs to think about the exit strategy. What about some percentage of people, civil servants, that are not, that are considered not productive at all. So we believe that some mechanism of early determining needs to be introduced, because that will lessen the burden of this country, and also, if you still apply this temporary scheme, additional allowance, that still creates anxiety and also some worry in the civil service, because once they come into their retirement age normally, for the calculation of the retirement, those

allowances will be gone. You can only get at maximum 70 to 80% of their basic salary, the basic salary, 1 million, 2-3 million, can you imagine? When you are productive, you can get this much. Then all of a sudden when you are in retirement, only this much. Then you will get another shock. So that's why the government needs to think about this. What about the pension scheme, what about the mechanism that the government needs to think before those people who have been experiencing the new salary, they will not think about something bad during their early retirement age? So this is something that this government needs to think of.

SCHALKWYK: Is there any criteria you have to meet in order to get the allowance within the Ministry of Finance, or is it automatic for every member of the ministry.

ARIADHARMA: *Yes, well actually, before they come up with the job grade with the assistance of Hay Consultancy, they create kind of job evaluations. So each job has been graded the worth of the job here. So once they finish the job evaluations, so every job will be put into this silo. Then everybody will have to make, automatically will get that additional allowance based on the grade. However, this will not, even though you're not performing, you still can get the same allowance, but if you don't come up, if you don't show in the office, you will be deducted, but maximum only 25% from the additional allowance, that's all. There is no extra penalty or punishment. Every teaching is related to the old regulation: if you don't show up for three months, then you can be deducted, you will be deducted your salary by this much.*

So that's why so many people believe that they should introduce the new incentive scheme that will differentiate between the performance, the most performance, the average and the less performance, something like that, because—that's why KPK also criticizes when they check. There are so many civil servants still reading newspaper, playing a game on the computer in the morning until noon. Then nothing. Even though they get the higher salaries, so that's why this is something that each of them needs to resolve actually.

SCHALKWYK: Is the Ministry of Finance the only ministry that is getting these additional allowances?

ARIADHARMA: *Three institutions, actually: the Ministry of Finance, Supreme Audit Board and also the Supreme Court. But when I ask the people from the Supreme Audit Board, they said that they get less than the Ministry of Finance, actually. They mentioned about 25% less. However this is justified, because the methodology, they have to put the process on the institution that is responsible for receiving the revenue, the accountability also is much higher than the other one.*

This year, in 2010, police, military, cabinet secretary, presidential office, will get additional allowance, too. So at least per year, there will be five or seven agencies, but that depends on how far you've done the progress, actually. For example, like police, military, they've already done some quick wins, so that's why MenPAN said okay, you passed then, you can get it next year.

SCHALKWYK: What changes in the human resources policy have been made in the Ministry of Finance?

ARIADHARMA: *They tried to adjust human resource policy and regulations. Again, there are still some there are some handicaps, because they just cannot design the regulations outside the corridor of the law actually. For example, like say the performance management. Even though in the Ministry of Finance they are trying to approach*

the new rules, but again the central competence authority that we will do is MenPAN in consultation with BKN, they have to consult with BKN (National Civil Service Agency). Also, like recruitment. Now in the Ministry of Finance, they see some needs to recruit some professionals outside, hiring persons, but based on the law, you cannot do that. So there are so many contract decrees, also regulations that cannot accommodate. Yes, the minister can play around, you know, with the regulation, but again, you cannot, outside the corridor that is set up by the government. So that is why so many people give advice, why don't we just change all the PP (Government Regulation), the government regulations, not the law because it is hard to change the law, but all the manner of the regulation here that can be easily adapted.

You need to have only very flexible regulation, then let the institution do it in more detailed things. Just give a bigger corridor, that's all. This is still an ongoing discussion.

SCHALKWYK: So why would people not want to do that?

ARIADHARMA: People want to do that, they want to do it because I guess, even though the Ministry of Finance has been considered as a very good organization, but still, there are some people that resist the change, actually. Not all people that Sri Mulyani maintains are capable people, but there are some people that are resistant. Also in the MenPAN, I believe there are some people resistant, too, as the central competence authority. They said, "Oh, we have to do it gradually, slowly, and everything." So many excuses that they say. So that's why the reform was not really giving a full kick because compared to Thailand, also Korea, when we had the seminar, person from Korea and Thailand, they mentioned about how quick they are in doing the similar reform like here, Indonesia. They said the concept is very good, but when it comes to implementation, there are some handicaps that this country had to face, especially for the regulations. So that's why in Korea and Thailand, they first reformed the regulations, that's the thing.

SCHALKWYK: What changes did the D-G Tax make to improve its operations?

ARIADHARMA: First of all, the first thing that the D-G Tax made, I remember, is that they modernized all the tax offices all around the nation, in the national level, in the sub-national level, and even there are some office they called the large tax office that have been dealing with some multinational companies. They operate just like a bank. The first time you came, then you will be welcomed. You will be greeted, friendly, charming, even by the security. It is like a bank, actually. So that's why the modernized the tax office, they improved, they trained the people, dealing directly with the public, and also, they changed the face of the office. All the business processes are streamlined. Most procedures are made efficient and everything.

This is the first appearance that the D-G Tax did in order to have a strong trust for the public. Secondly again, they just did it like, the one that I mentioned before, improve human resources, but now, like here, with the bank we helped D-G Tax modernize their human resources system actually. We broke many champions in DG-Tax to allow concessions), and there are a lot about the new HR practices and also about the new issue in HR Contemporary done by the super-top consulting firms like A.T. Kearney, Hay, Watson Wyatt. We brought those consultants to bring, kind of insight about the HR. Also we took from them private sectors that we believe can be an example for the HR good practices like Unilever, Philip Morris, some banks, Citibank and some leading oil company like Total and also Texaco and things.

SCHALKWYK: How successful was that?

ARIADHARMA: At least that study changed the mindset of those people. We intentionally brought the young talented people because they are easily to be shaped actually. But again, when they had a meeting with their senior level, there was a strong discussion. We never met in the past. But now, these young talented people can even argue about this—it's the better way in terms of the HR. They challenge their supervisor, and supervisor, we get so many appraisals, we get so many comments on the supervisor that now I have some, they call it some open-minded subordinates that always challenge my thinking. That's because we exposed them with the current HR practices, because we believe the private sector is the most far leading in terms of this implementation of HR.

Government sector, they always lag behind actually. This is also justified when we had a seminar with the Thailand, Singapore and Korea; this mentioned that even they tried to promote the PPP, the Public-Private Partnerships. So private also needs to take this government sector also to move forward together, because for something like D-G Tax, if D-G Tax in terms of the performance is better, then later on at the end of the day, the one that will take the benefit is the private sector actually. That's our effort now.

SCHALKWYK: So if I could ask you to give some specific examples of changes that were made to improve the business processes and to improve human resources management, what would those be, specifically in D-G Tax?

ARIADHARMA: For example one, from the public side, they complain they have to file all the tax reports, right? To each tax office that has been designed. But now, just this year, you can drop the tax report in almost every place that you like, like in the mall, in the market. They just put some drop box there and they act like a post officer. So that's why this requires the competency of the people, the change of the procedure and briefing. So this is a good example of how they changed. Also, the way, for example, in the past sometime we need, you're faced with the officer, but now they put everything in the website in the portal. Then they can send everything through the website; we don't even need to meet with the people. But, if we have some concerned things, they're open for discussion.

The combination of the IT and the Finance Ministry also, the procedures, they totally changed the procedure. In the past you need to meet in the office; now there is no need. That's the kind of big changes that they're doing right now.

SCHALKWYK: I wonder if we could talk a little bit about the BPK, the Supreme Audit Board. You said that when they did their reforms, they learned from the mistakes that the Finance Ministry had made.

ARIADHARMA: Yes.

SCHALKWYK: What sort of mistakes were those, and what did they do differently?

ARIADHARMA: Sorry, I could have said mistakes, but—

SCHALKWYK: They learned from the lessons.

ARIADHARMA: Yes, because as far as I know, the Ministry of Finance did it in the first place, and BPK saw it. That's why, for example, in some area, what can I say, when the professional balanced scorecard, actually. Even if I'm not mistaken, they even

faster in terms of implementation than the Ministry of Finance—did it in the first place, actually. Probably they know how to make it more effectively in rolling out the balanced scorecard. When I was part of the team, in the balanced scorecard team, in one of the units under the Ministry of Finance, that time we are together formalizing, doing our sketch on the paper about the causal and effect relationship and things.

SCHALKWYK: What relationship?

ARIADHARMA: It is like, we call it the causal and effect diagram, causal and effect relationship diagram; we call it the strategy maps. Based on a Kaplan and Norton concept, right? At the same time, BPK also did the same thing, but they did it faster actually. Somehow they know how to do it more effectively, something like that. Also about the HR strategy. Even they come up with faster and better—I'm not saying better, but they do have now an HR strategy but Ministry of Finance just has it recently. There are so many things I see because probably the number of BPK people is not that many compared to Ministry of Finance, so that's why probably they can learn something from the Ministry of Finance did less fast compared to BPK.

SCHALKWYK: So how did they learn? Did they have people come over from the Ministry of Finance?

ARIADHARMA: Yes, sometimes. I remember that time, some people they exchanged, they saw. I remember the concept balanced scorecard. I remember that time we went to BPK and to see what kind of—what will be the next step after you have the strategy maps. That I remember BPK at that time was writing the kind of procedure how to implement the balanced scorecard, then they learned from that. When it comes to implementation, they talk to each other and they know about the same thing, because the software is similar and also the concept is similar, so that's why they learn from each other.

SCHALKWYK: What were the major changes that the BPK made? What were their priorities?

ARIADHARMA: I could say that BPK is now becoming, what we call, a good organization and trusted organization compared to several years ago, and now they're auditors, we call it they're inspecting so many people now, and so many cases they can track down and give to KPK, actually. I saw that some competence of the BPK people is now amazing. I remember that time when I was working under USAID fund, we had some investigative unit for BPK even to acquire new certification in the certified Anti-Money Laundering Specialist examinations. We help them also to learn about the new technique, new investigative technique, how to crack down the case and how to track and to trace the asset and how to recover the asset and everything. So then I could see they have very good people now. So that's why KPK, I guess they're happy to receive so many files and so many investigation reports from BPK for them to put to investigate, for example in the area of money laundering, actually, they're very good now, BPK.

SCHALKWYK: What is the role of the Bureaucracy Reform Team at the national level? How do they relate to the reforms that BPK is doing?

ARIADHARMA: Actually, it is kind of coordination. They're supposed to provide a better way to provide kind of roles, policy regulation in order for all the institutions can take the reform easily in a more structured way, actually. Also now, they're about to—I guess they've done—establish small unit to evaluate the progress of the reform. Once the evaluation is okay, then they can talk again and give kind of profile to

give additional salary actually. So they're more on the coordination and also to give kind of inputs, learn from the mistakes, and how to make it more efficient and effective, what kind of handicaps that now are faced by the line ministries. They talk together and talk on how to do it in more effective way, something like that now. It's kind of like a forum.

SCHALKWYK: How much flexibility do the various institutions have in choosing their own focuses for reform?

ARIADHARMA: The time when I checked, the decree released by MenPAN, it is so flexible actually in doing the reform. They provide the general guidance, actually, and also I guess they now also try to provide the very technical guidance, too. So that's why those line ministries that want to reform, they can look at this procedure easily now. Perhaps they still need consultants to get, but not in a very massive way, actually, because the guidance is becoming clear. But again, for example, you do job analysis, you do job evaluation, it is again back to what kind of method you like to use actually. Like the Ministry of Finance, they use Hay method. That is completely different from some others that use procedures like Watson Wyatt method or the IFES method, not IFES, FAST method, even that used currently in the federal government in the US; that's completely different. So that's why there was discussion now in MenPAN, what will be the best single approach to conduct job evaluation, actually. Are they going to use Hay method, FAST method or what, like that.

SCHALKWYK: How is the, I understand that the Ministry of Finance has made some progress in terms of anticorruption efforts, particularly in terms of tax and customs, what happened to achieve that success?

ARIADHARMA: If I'm not mistaken there was certified by Transparency International and also some under Anticorruption Watch. They mentioned that overall the performance is good, but still in some areas, the ministry needs to improve. Even in one seminar, KPK showed a picture, showed a movie at that time. They put hidden camera, and they still can see some officials in the GE custom receive the bribery, receive the money. But they put it on the show on purpose just to remind everybody to improve again. But again, in terms of numbers, people believe that now it is improving, actually, even though still in some areas, in some seaports and even in some areas in the airports in some other areas need to be improved. But in general, people appreciate the reform that has been doing right now. Even though in total, our country or our institutions are still far, but compared to the Parliament, compared to some judicial institutions, the Ministry of Finance is now, in terms of anticorruption, is leading now.

SCHALKWYK: What has it done to do that? What are some of the steps they took?

ARIADHARMA: Because Sri Mulyani mentioned that now you get the additional salary, then I would never give any mercy. Once you're caught and once you're seen by somebody else, then you're in jail. That's the consequences that you need to shoulder. That is always mentioned by Ibu Mulyani in every event. So that is why now, if you reach the money, not only you would be fired, but also you need to get the kind of additional punishment by the court. Not only you're fired, or maybe you can return the money back to the country, not even that, you're also subject to be behind the bars, too. So that's good. So the administrative sanction plus also criminal sanction, too, now in the place together.

SCHALKWYK: I wonder if I could ask you some questions about donor involvement and specifically the World Bank.

ARIADHARMA: Yes.

SCHALKWYK: How much of the program is driven by Indonesians and how much of it is provided by the World Bank?

ARIADHARMA: *Actually, this is the strategy that we are trying to impose. We had provided our, appeared to be a sharing and learning, then producing big thick documents for them to read and to study. I don't think they have a time to read and to even learn from it. I guess they would have put all the documents from us into the shelf. A year later, we can see there are many spider webs there. We try to make them more active. We put them together in a forum. They learn from their peers. If possible we even can bring somebody from outside, or experts, or even from some consulting firm to share their experience. For example, we've done two roundtable discussions, in December 2008 and March 2009. They were very successful. We got so many positive comments from the Ministry of Finance, from MenPAN, from BPK, from other line ministries, because that time, we even didn't talk anything. The one that was doing the talking is the people from Malaysia, Korea, Singapore, Italy, Germany, Australia, Sweden.*

They never imposed anything; they just created a kind of awareness, kind of insight. This is a better way to do it in their own country. Whatever you do is up to you. But they believe that you know what to do. Then the first, we were able to get some kind of awareness. Then the second roundtable, we were trying to focus on the compensation & benefit. We also brought some expert from private sector, too, and they shared their experience in doing the salary restructuring in their own country. That was very interesting. Even, if I'm not mistaken, that will inspire one of the deputyship in MenPAN to reform the upcoming laws or regulations that they'd like to issue because they got some insight from the regionals.

They can see by themselves; they can prove it. This is real evidence and proof brought by other peers in the region and the other countries. They believe it. In addition, you know, you have to have a proof and evidence first, otherwise people will not follow it.

Here in Indonesia, everything needs—we need role models, that's it. If we don't have role models, then people don't want to do it. So it is a bit tactical and a bit difficult in Indonesia, you know. We just cannot say in concept, but we have to prove. Hey, this is successful in this country, this is in this county or this is the effort in this area. Then they just say okay, because we see it then we believe it. They're funny here in Indonesia.

SCHALKWYK: What relationship do you have with GTZ's (in English: German Agency for Technical Cooperation) support for good governance program and how do you deal with, what is your relationship with the other donors in Indonesia?

ARIADHARMA: *We had a very good relationship with GTZ, especially in MenPAN because they have their own implanted office in MenPAN. When we did the roundtable discussion, we also invited the GTZ, and also the Australian Public Services to facilitate the event together, and also probably from now till then, we liked to even strengthen our cooperation with GTZ and also with Australia. We believe they've done, for example, they've done this concept good, probably we can do the implementation. We don't want to interfere with something that they have been making. I guess they also don't want to intervene in the one that we have been doing. So we don't want to duplicate, we don't want to be, you know—. This*

is good, because I read the study in several countries in Europe and also in Central Asia.

One of the best ways to approach assignment in Asian countries is to foster relations, cooperation with other donors. Don't overlap, don't intervene, respect what they've done. Just continue what they've done. This is the best way to do it. We also get this confirmation from the public when we had the kind of the public forum back in February, March 2009. The public also pushed that, "Please, GTZ, please don't replicate, don't double-do, don't overlap, because it is not efficient. It is better you finalize this area then you continue, then you continue something else. So that is why we really heard, really listened to what they want.

SCHALKWYK: Is there anything else you'd like to add just from your personal experience?

ARIADHARMA: Yes, there is something I'd like to add. First, MenPAN donors need to closely work with MenPAN, actually, to improve their capacity and also their capability. They should be the forefront and spearhead of this reform, not the guidance of all the rules and regulations. So that is why I am concerned about the comment from other line ministries. So that's why like now, World Bank always stay closely with MenPAN, because we know that we need to work with the central authority. So we do hope that we will have a very good future relationship with MenPAN, too. Like the Ministry of Finance, we know that they are far more advanced now. Even when we brought them to the industry, to the private sector, even the CEO, the CFO, they are quite surprised with the thinking framework of the people from the Ministry of Finance. I don't think the Minister of Finance now needs to be really kept up carefully because they already measured, and they've done things greatly. So I guess now BPK and MenPAN need to be closely working with donors and with us. So I hope that MenPAN can also open their hands with the international donors to work together and to make the reform faster, better, more effective. I think that's my final comment.

SCHALKWYK: Okay, thank you very much for giving me your time.

ARIADHARMA: Thank you very much, Mr. Andrew.