

Research Report

**ONE STOP SHOP SERVICE AGENCY:
THE PERSPECTIVES OF INSTITUTION AND
AUTHORITY**

A Cooperation between:

Indonesia Regional Autonomy Watch (KPPOD) and
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I. INTRODUCTION

I.1 Background

Indonesia's investment climate is still considered not conducive. Such view can be seen, among others, through the Doing Business 2014 report published by the International Finance Cooperation (IFC). In the report, as a city with the biggest economy in Indonesia, Jakarta was made as a representation of Indonesia and was ranked 120 out of 189 countries in the general category of ease of doing business. Furthermore, specifically on the category of ease of starting a business, it is ranked far lower at 175, decreasing 9 places from last year's rank of 166.

The low rank in ease of doing business cannot be separated from the complexity of permit issuance and bureaucracy in this country. Based on several main indicators used by IFC, the starting a business phase was encumbered by the number of procedures which must be followed (10 procedures), the period of time that it took (48 days) and the relatively large cost that must be disbursed (20.5% of per-capita income) by a would-be investor. In 2014, the time period needed to start a business took a day longer but 2.2% cheaper compared to the previous year. To some extent, this shows the lack of improvement in easing the requirements needed to start a business for the last year. Such condition also placed Indonesia far behind the average of other Asia Pacific countries (7 procedures, 37 days) in ease of starting a business.

The results of the Doing Business 2014 report also shows that the long period of time needed to process permits in Indonesia was caused by the long procedure required by the Jakarta Provincial Government, as it falls under their authority (Figure 1)

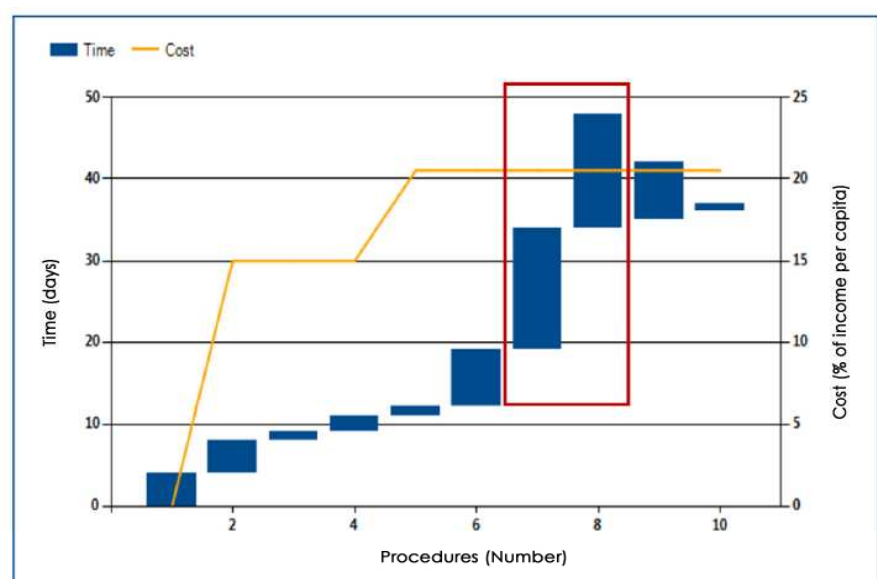
Businessmen need 15 days and around Rp 500,000.00 to obtain a Business Trading License (*Surat Izin Usaha Perdagangan* – SIUP) and a Company Registration Certificate (*Tanda Daftar Perusahaan* – TDP). However,

based on national regulation as stipulated in Trade Minister Regulation No.36/M-DAG/PER/9/2007, processing a business trading license and company registration should not take more than 3 working days and should be free from any fees (zero Rupiah). In addition to those two permits, labor registration through the Manpower Office of the Jakarta Province also need 14 working days.

Even though the Doing Business 2014 report noted that Jakarta's ease of doing business is less compared to other countries, yet in practice it can be seen that other regions has implemented many reforms to simplify ease of doing business, especially in simplifying permit requirements. One example of best practice can be seen in Yogyakarta in 2012, where a sub-national Doing Business study placed this city as number one in ease of starting a business and where the presence and performance of the OSS was seen as an important factor. OSS in Yogyakarta have a wide authority and adequate institutional capacity to implement licensing and non-licensing non-permit processes. It is also very effective in avoiding overlaps of permit issuance between various authorities and thereby unifying the servicing of permits as well as ensuring compliance

The results of the Doing Business 2014 report also shows that the long period of time needed to process permits in Indonesia was caused by the long procedure required by the Jakarta Provincial Government, as it falls under their authority

Figure 1. Procedures to start a business in Jakarta



Source: Doing Business 2014, IFC

Table 1. Procedures, time and fees of permits to start a business in Jakarta

No.	Procedure	Times (Days)	Fees
1	Acquiring standardised format of company deed certificate, obtaining clearance and approval for the Indonesian Company's name (PT) at the Ministry of Law and Human Rights (MLHR)	4 days	Inclusive in P4
2	Signing of company establishment certificate before a Public Notary	4 days	Rp 4.464.464
3	Acquiring Building Management Domicile Letter	1 day	Free
4	Acquiring Company Domicile Letter	2 days	Free
5	Payment of Non-tax State Revenue fees (PNBP) to the State Treasury through bank	1 day	Rp 200.000 (name enquiry) + 1.580.000 (non-tax fees)
6	Request of agreement from MLHR	7 days	Inclusive in P4
7	Acquiring SIUP and TDP	15 days	Rp 500.000 (TDP)
8	Registration in Ministry of Manpower and Transmigration through local Manpower Office	14 days	Free
9	Request for Workers Social Security Program (Jamsostek) participation	7 days	Free
10	Acquiring a Taxpayer Registration Number (NPWP) and a VAT Collector Number (NPPKP)	1 day	Free

Source: *Doing Business 2014*, IFC

of permit issuance period within the time period, fees and procedures as stipulated in the local regulations. By implementing parallel service in permit issuance, the Licensing Office of Yogyakarta has facilitated the issuance of permits in starting a business. Request for SIUP, TDP, business location license (*Surat Izin Tempat Usaha* – SITU), and Nuisance Permit (*Izin Gangguan* – HO) can be submitted together at the same time in the same place. It also shortened the time and procedures needed in the issuance of permits and license, making it easier and cheaper for businesses.

As Indonesia's representative to the global world, the Jakarta Province should learn from the best practice conducted by Yogyakarta.

Jakarta has all the requirements and facilities needed to give a better service in permits and license issuance compared to other regions. Nevertheless, society still complains on the long period and high costs imposed for requesting permits in Jakarta, especially business start-up permits. The long bureaucracy chain in licensing in Jakarta is mainly caused by the lack of full authority and incorrect institutional design of OSS Jakarta in processing permits rapidly (procedural), along with clarity (in requirements), ease (time) and cheaply (cost).

Based on the response from the Provincial Government and the Regional Parliament of Jakarta, it seems that steps are taken to improve the existing conditions. At the policy level, in 11 December 2013 the Provincial Government and the Regional Parliament has agreed upon local regulation on the implementation of OSS, which was recorded in the Provincial Gazette as Local Regulation No.12 Year 2013. The public should

welcome the enactment of this local regulation as an important initiative and a landmark step to reform the bureaucracy of licensing in Jakarta. In general, the local regulation includes several main clauses of an OSS: regulating the authorities, organizational structure, human resources, information technology and finance. Nonetheless, those clauses must be further elaborated further as policy instruments through regulations and operational preparations to begin the business process of licensing.

This study is aimed to re-evaluate such core regulation, with a focus on the authority and institutional aspects. It is hoped that this review may be used as an input to make

operational regulations and further guidance.

I.2. Problems Identification

Several problems that this study aims to answer are as follows:

1. Has the content of Jakarta's local regulation No.12 Year 2013 reflected the necessary arrangements needed to solve the problem of licensing in Jakarta?
2. On the follow up phase, which aspects and issues should be observed in making further regulations and operational guidance so that the local regulation can be implemented effectively?

I.3. Purpose

The purposes of this study are as follows:

1. Review the content of Jakarta's local regulation No.12 Year 2013, specifically from the perspectives of authority and institutions.

2. Formulating recommendations as inputs in creating strategies to implement the local regulation No.12 Year 2013, especially in regard to composing further regulations and operational guidance.

II. LITERATURE REVIEW

As a basis to analyse the problems that has been identified for this research, a comprehensive understanding to several concepts, laws and related literatures is needed, especially in regard to the implementation of licensing service in a region. The following are such concepts, laws and regulations, and literatures concerning the above issue.

II.1 Reform of the Licensing Bureaucracy

Improvement of service in the bureaucracy of licensing done by the Provincial Government cannot be separated from the context of bureaucratic reform. Bureaucratic institutions have roles and functions that are very significant for the conduct of governance which cannot be replaced by other institutions. Bureaucracy reform is a continuous effort where at each stage should contribute some sort of improvements or changes towards a better bureaucracy. With reference to Presidential Regulation No. 81 Year 2010 on the Grand Design of Bureaucratic Reform 2010-2025, bureaucratic reform is defined as a major change in the paradigm and management of Indonesia's governance.

Several issues that bureaucratic reform wishes to address are the reduction, and eventually elimination, of misuse of power and authority by public officials in relevant institutions; building Indonesia as a country with the most-improved bureaucracy; increasing the quality of service to the public; improving the quality of policy-making and policy execution of an institution; enhancing (cost and time) efficiency in all aspects of an organisation's responsibilities; and creating an Indonesian bureaucracy that is anticipative, proactive and effective in facing the challenges of globalisation and the dynamics of a changing strategic environment.

Efforts to reform the bureaucracy and laws that regulate businesses are considered as the basis of good governance and a necessary condition to support economic growth. One of the efforts for bureaucratic reform is conducted through reforming the bureaucracy of licensing. Several endeavours to reform the bureaucracy of licensing are to reduce

the amount and shorten the time period needed for the administrative process that a business owner should go through. The reason is due to the number of regulations burdening a business where it must allocate a lot of time and manpower to fulfill the requirements. In addition, delays and postponement in processing documents and applications to gain approval and the existence of transactional costs (retributions) became a barrier, which are caused by the uncertainty caused by the authorities during the licensing process (Jones, 2007).

Procedures are defined as phases that must be passed during the interaction process between businessmen with external parties, which in the case of licensing is a government institution. The many procedures that must be followed in the processing of permits will have impacts especially on the added intensity of meetings between businessmen with government institutions

Several endeavours to reform the bureaucracy of licensing are to reduce the amount and shorten the time period needed for the administrative process that a business owner should go through

to obtain a permit. This caused inefficiency for businessmen since they need to allocate larger resources, be it time or manpower, to follow the many procedures in various government institutions. In addition, the existence of so many procedures which requires

interaction with many government institutions has the potential to cause material losses for businessmen in the form of larger opportunity cost. Such opportunity cost reflects the large amount that a businessman must sacrifice by allocating his resources to take care of the various licensing in each government office. Therefore efforts to simplify procedures in obtaining permits becomes very important in order to cut costs, time and manpower that a businessman must allocate in his business operations.

The more procedures that a business must go through, the more costs that a business must bear. Cost is an important factor in the implementation of public service. Mardiasmo (2009) stated that in the context of public service sector, cost consists of three following items. First, input cost which is the resources needed to be allocated to provide service. Second, output cost which is cost expended to deliver the products (in the form of permit documents) to the businessman as the applicant. Third, processing cost which is measured in consideration to the function of the organisation. In this regard, simplifying licensing procedures is important to be done as a part of the effort to improve cost efficiency and reform the licensing bureaucracy, as well as to enhance the efficiency of service to the community in licensing

Simplification of procedures and easing the permit process through bureaucratic reform is also important to be done in order to increase the awareness of the

community so that they will apply for the required permits so that their business can be registered formally. Hernando de Soto (2005) exemplified that there are five factors that underscores the necessity for a business to be registered formally. First, to ascertain that all business activities conducted is in line with the existing legal framework. Second, to increase the number of tax objects as a source of income. Third, to minimise the risk for the general public arising from the conduct of a risky business activity (in determining a business' environmental feasibility, the main thing that must be identified is the type of the new business established). Fourth, to establish a legal business entity that is easily identifiable with a unique name and with all the rights and obligations attached to it (in regard to bankruptcy and/or legal obligations). Fifth, to simplify data and information availability to the government and to the general public regarding the type, sector, scale, and ownership of a business.

II.2. Institutional Reform in the Bureaucracy of Licensing

Reform of the licensing bureaucracy, specifically in the business start-up phase, is related to three areas namely institutional reform, enhancing the capacity of human resources and reforming the management with the support of information technology. Institutional reform is implemented through the establishment of a new institution as a one-stop license processing, bringing together the various licensing services which previously must be done through many institutions. On the other hand, enhancing human resource capacity can be done through crash courses for officials in order to improve their capacity in the provision of licensing service to businessmen. In addition, information technology is also needed to support the transparency of access in terms of requirements and licensing procedures for the society (Akhmaddian, 2012).

There are several models that can be implemented in the provision of an integrated service of licensing. According to Sadu (2008), an integrated licensing service model can be differentiated into two patterns namely a one-roof service and a one-stop service. One-roof service (ORS) is a service system conducted in one location where there are many services provided, which does not have any process correlation and are

served in many doors (independent service units). One-stop service (OSS) is a public service conducted in one location consisting of many type of services with inter-related processes and served through one door. There are several aspects which differentiates the concept of ORS and OSS namely in terms of authority and signatories, coordination, service procedure, supervision, service standards, institutions, achievement of targeted retribution income, and employment status. The differences between ORS and OSS in the above aspects can be seen below.

Even though it is integrated in one location, the authority and signatory in an ORS still lies in the relevant technical SKPD office. On the other hand, an OSS has all the authority needed to grant various licensing (licenses, permits, approvals and clearances). With that authority, an OSS as a single access institution can manage all the processes and regulations. Therefore, the OSS can provide all forms of licensing that are required in various levels of government administration and it will not be dependent on other institutions.

An OSS would also shorten the time period needed to gain a permit. This is due to, among others, the use of information technology for administrative matters, the need to input data one time only, and simultaneous processing of administrative requirements. With the institutionalisation of OSS, all forms of licensing and non-licensing that lies in the authority of the Region's Head can be served in one institution. It is hoped that such improvement will boost economic growth through investment increase by giving more attention to the role of small and medium scale enterprises, with the purpose of increasing the quality of public service.

In addition, there are also principles that must be observed in running an OSS. According to Government Regulation No.27 Year 2009 (Article 2), there are at least five principles to be paid attention, namely:

- a. Legal certainty
- b. Transparency
- c. Accountability
- d. Equal treatment without differentiating between countries of origin
- e. Efficiency with justice

Simplification of procedures and easing the permit process through bureaucratic reform is also important to be done in order to increase the awareness of the community so that they will apply for the required permits so that their business can be registered formally

Institutional reform is implemented through the establishment of a new institution as a one-stop license processing, bringing together the various licensing services which previously must be done through many institutions

Table 2. Differences Between One-Roof Service and One-Stop Service

ASPECT	ONE STOP SERVICE	ONE ROOF SERVICE
Authority and Signatory	Authority and signatory is on one party	Authority and signatory lies with many parties
Coordination	<ul style="list-style-type: none"> Easier coordination. Head of OSS plays a role as coordinator of various local government agencies (SKPDs) in analysing technical aspects . 	Coordination is harder since the authority and signatory lies in many other organization
Service Procedure	Simplification of procedures is easier since the Head of OSS is authorised to coordinate it	Harder to simplify procedures due to the sectoral egos of technical SKPDs
Supervision	Supervision is the common responsibility of the OSS institution and technical offices	Supervision is the responsibility of technical offices
Service Standards	Service quality is maintained at least at a minimum standard	Hard to maintain service quality due to dependence on policies of SKPDs
Form of Institution	Take the form of office or agency	Usually only acts as a receiving counter which takes the form of a working unit
Achievement of targeted retribution income	Achievement of targeted retribution income that is managed by the OSS becomes the responsibility of the OSS management	Achievement of targeted income is the responsibility of technical SKPD offices
Employment Status	Employees have the status of permanent OSS staff	Most employees status is staff of technical SKPD offices

Source: Minister of Home Affairs Circular Letter No.500/1191/V/BANGDA on Improving the National Guidance on Guidelines of One Stop Service Implementation

Table 3. Benefit of an OSS to the Regional Government, Business Sector and General Public

BENEFIT OF AN OSS	
Regional Government	<ul style="list-style-type: none"> Reducing administrative burden Increase number of formal business Improve regional investment Improve image of government performance
Business Sector	<ul style="list-style-type: none"> Avoid high-cost economy Increased access to various resources
General Public	<ul style="list-style-type: none"> Receive their right as an Indonesian citizen to get prime service

Source: Minister of Home Affairs

In Indonesia, the implementation of OSS has its legal basis in two regulations namely the Minister of Home Affairs Regulation No.24 Year 2006 and the Head of the Indonesian Investment Coordinating Board Regulation No.11 Year 2009.

II.2.1. OSS according to Minister of Home Affairs Regulation No. 24 Year 2006

Minister of Home Affairs Regulation No.24 Year 2006 on the Guidance for the Implementation of One Stop Service (OSS) is based on Presidential Instruction No.3 Year 2006 on Policy Package to Improve Investment Climate. The main idea of the Presidential Instruction is to encourage several government offices to immediately make policies, programs and

actions to improve business and investment climate, among others by simplifying the licensing process. Simplification of this permit process can then be done by placing the implementation of the licensing and non-licensing processes in one location. This process starts from the application for the permit until the issuance of the permit itself.

According to the Minister of Home Affairs Regulation No.24 Year 2006, servicing the application for licensing and non-licensing is conducted by Regional Implementing Agency for One Stop Service (*Perangkat Daerah Penyelenggara Pelayanan Terpadu Satu Pintu – POSS*), which is an agency as a part of the regional government tasked to manage all forms of licensing and non-licensing services in the region with one-

stop service (OSS) system. Simplification of service procedures is mandated through this POSS, namely: (i) servicing of application for licensing and non-licensing is done by the POSS; (ii) faster processing of business service, i.e. not exceeding standard of time that has been determined in the Regional Government Head's Regulation; (iii) guaranteeing that the cost of service will not be more than what is stipulated in the regional regulation; (iv) transparency of service procedures that can be found out easily and known by the public at every stage of the licensing and non-licensing processes, in accordance with what procedure is necessary at each stage; (v) skip such similar document required for two or more licensing application; (vi) free cost of licensing for micro, small, and medium scale enterprise that wishes to start a new business in accordance with the existing laws and regulations; (vii) providing the people with their right to gain information in regard to the provision of service.

Furthermore, in the Minister of Home Affairs Regulation it is mentioned that the degree of work of the POSS includes the provision of service for all type of licensing and non-licensing which become authority of the Regency/City. In addition, in the administrative management of licensing and non-licensing, POSS shall refer the principles of coordination, integration, synchronisation and security of the documents (Article 7). The purpose of implementing POSS is to increase the quality of public service and provide a wider access to the people in accessing public service.

To support the implementation of OSS, the form of institution that POSS takes should be an Office or Agency. Such Agency or Office will be under the authority of the Local Government Head through the Local Government Secretary (Minister of Home Affairs Regulation No. 20 Year 2008 concerning Organization and Working Procedure of OSS Unit in the Region). The Office or Agency will be supported by a Secretariat which is led by a person-in-charge, with the title of Agency Head or Office Head. The form chosen should be in line with national regulations, yet also observing the characteristics and the needs of the region, the demand for service and also the region's economic conditions.

From the aspect of authority, according to the Ministry of Home Affairs Regulation Number 24 Year 2006, POSS has the authority to sign license delegated by the Head of the Local Government. It means that all licensing which is the authority of the Local Government Head is delegated to OSS including issuance of license. OSS's authority can be seen from its role in conducting validation and signing licenses that are issued. Ideally, OSS has a thorough authority upon all licensing that has been delegated to OSS. Such authority is complete, i.e. includes all the activities from the start until the end: from application for issuance of license until signing

and delivery of the license document.

It implies that the Ministry of Home Affairs Regulation has also mandated to form an ideal agency having thorough task in performing licensing service. This means that all necessary procedures to process license is started, executed, and ended at an agency. Such process which is initiated from application stage until license document issuance stage is carried out in transparent and integrated way through one single access. The applicant only needs to meet front office staff/customer service, therefore interaction with the person in charge of licensing process and the authority holder/decision maker is minimized. With the presence of the agency, applicant only needs to come to one place and no need to have interaction with many government institutions.

The degree of OSS services and number of licenses which are delegated to the OSS depend on authorities that are responsibility of the region and availability of human resources to execute the tasks, quantitatively and qualitatively. In general, OSS services include basic license which also becomes a requirement before starting a business, business license that must be obtained in order to operate a business (operating license), non-licensing process that has not been conducted effectively by relevant local government agency or subdistrict, and such licensing that is relevant to primary economic sector development. While the authority for such licensing that has been optimally performed by regional technical implementing Unit (UPTD) remains with the UPTD. Regional economic condition also has an impact on number of licensing process that is delegated to OSS, such as volume of licensing application, complexity of matters to be considered/recommended in licensing, whether caused by complexity of spatial planning document required or level of alertness required; so that criteria and quantity of licensing process delegated to OSS in general are adjusted with condition of the region.

II.2.2. OSS according to Head of BKPM Regulation No.6 Year 2011

Aside from the Ministry of Home Affairs Regulation No. 24 Year 2006, another regulation on OSS implementation has been issued, i.e. Head of the Indonesia Investment Coordinating Board Regulation (Perka BKPM) No. 6 Year 2011. Perka BKPM refers to certain stipulations mentioned in Law No 25 Year 2007 and Presidential Regulation No 27 Year 2009. According to the Perka BKPM, a OSS is an activity to implement licensing as well as non-licensing process which has got delegation of authority from institutions or agencies having the authority in licensing and non-licensing, in which the process is started from application stage until issuance of the document, and all of which are held in one place.

OSS goal in the area of investment is to assist investor

to obtain an ease in services, fiscal facility, and information on investment, by expediting the process, simplify the service, and omit or cancel the costs for licensing and non-licensing. To reach the goal, OSS includes:

- a. Provide services for all kinds of investment license that are needed to realize investment activities;
- b. Provide services for non-licensing which contains issuance of recommendation including recommendation for limited stay permit visa, provision of fiscal and non-fiscal facilities, and information service;
- c. Provide service for public complaint due to difficulties experienced in obtaining OSS service in investment;
- d. Provide an ease in implementation of investment activities, including provision of assistance or facilitation in licensing and non-licensing which are related to implementation of the investment.

There are three kinds of OSS institution according to Perka BKPM, i.e.: BKPM as the agency to conduct OSS in investment for Central level; Division of Investment of Provincial Local Government agency (PDPPM) to conduct OSS in investment for provincial level. PDPPM, is an element to assist Local Government Head in conducting provincial local government tasks, with such institutional form following the needs of the provincial government, which undertaking main function of investment coordination at provincial level. The last one is division of investment of Regency/City Local Government agency (PDKPM) to conduct OSS in investment for regency/city level.

Delegation of licensing and non-licensing authorities is divided into several levels. At the Central level, Head of BKPM performs licensing and non-licensing services through OSS at BKPM. Such services are carried out after delegation of authority from technical minister/head of non-departmental government agency (LPND) having licensing authority. While for licensing and non-licensing services that are not delegated, the Head of BKPM will involve mediator assigned by the relevant technical minister/LPND. Similarly, at regional level (Province and Regency/City), Head of local BKPM involves mediator assigned by the Head of the region (Governor and Regent/Mayor).

At provincial level, implementation of licensing and non-licensing services are carried out by PPDPM that has obtained delegation of authority from the Governor. PPDPM is a local government agency conducting main function of coordination in investment at provincial government. Such delegated authority is one of the provincial government affairs, in this case in investment which has the degree of cross regencies/cities; other provincial government affairs are those that based on prevailing regulation on distribution of government affairs between Central, Provincial, and Regency/Municipal become authority

of the provincial government. In order to undertake the authority, there are several functions of PPDPM:

- a. Perform coordination of investment policy implementation at the province;
- b. Study and propose policy on investment service in the province;
- c. Provide regional incentive and/or an ease in investment in the province;
- d. Prepare Provincial Investment Map;
- e. Develop investment opportunity and potency in the province by empowering business agencies;
- f. Promote investment in the province;
- g. Develop investment business sector in the province through nurturing investment, such as boosting partnership, increasing competitiveness, creating healthy business competitiveness, and spreading information regarding investment activities extensively;

While at Regency/City level, local government agency conducting OSS is PDKPM. Similar with PPDPM, the agency receives authority delegation from Regent/Mayor to perform licensing and non-licensing services in the region. PDKPM also undertakes its main function to coordinate investment for regency/city level. Several functions of PDKPM are:

- a. Perform coordination of investment policy implementation at the regency/ city;
- b. Study and propose policy on investment service in the regency/city;
- c. Provide regional incentive and/or an ease in investment in the regency/city;
- d. Prepare Regency/Municipal Investment Map;
- e. Develop foreign investment opportunity and potency in the regency/city by empowering business agencies;
- f. Promote investment in the regency/city;
- g. Develop investment business sector in the regency/city through nurturing investment, such as boosting partnership, increasing competitiveness, creating healthy business competitiveness;
- h. Spread information regarding investment activities extensively;
- i. Assist in finding solution for various obstacles, and provide consultation for problems faced by investors in foreign investment activities at the regency/city.

Agency assigned to conduct OSS at provincial as well as regency/city levels is determined by a local regulation. Establishment of an agency shall be carried out not exceeding 24 months after Perka BKPM is in effect.

In summary, Perka BKPM mandates integrative OSS from central to regions. This can be seen from coordination relationship occurring between OSS agencies, at central as well as at the regions. Such coordination relationship is strengthened by mediator having a function to facilitate licensing and non-licensing which are not delegated by each authority

holder at Ministerial/Non-Departmental Government Agencies and Local Government (Province and Regency/City) levels.

III. FRAMEWORK OF THINKING

Many problems occurring in licensing service in Jakarta, such as the absence of authority for OSS to conduct licensing service and licensing process authorities that are being scattered at many local government agencies have resulted in bureaucratic, expensive, and long period of licensing service in DKI Jakarta. This situation is ironic since Jakarta is a city having the highest economy in Indonesia and also be the bench mark for international society in valuing Indonesia.

A reform on licensing bureaucracy through establishment of OSS in Jakarta must be done to increase efficiency and effectivity of licensing service. In its implementation, there are some challenges faced in establishing a special agency to handle licensing service, whether it comes from internal or external parties. However, such problem can be solved by high commitment of the Local Government Head to delegate all the authorities in licensing service to OSS.

An effort that can be carried on by DKI Jakarta local government to represent high commitment to improve licensing service is to issue a local regulation on the Implementation of OSS. Issuance of such local regulation is very important to provide a legal base to strengthen OSS as an agency assigned for conducting

licensing service in DKI Jakarta in order to make the licensing faster, more effective and efficient while still considering aspects of society interest at large.

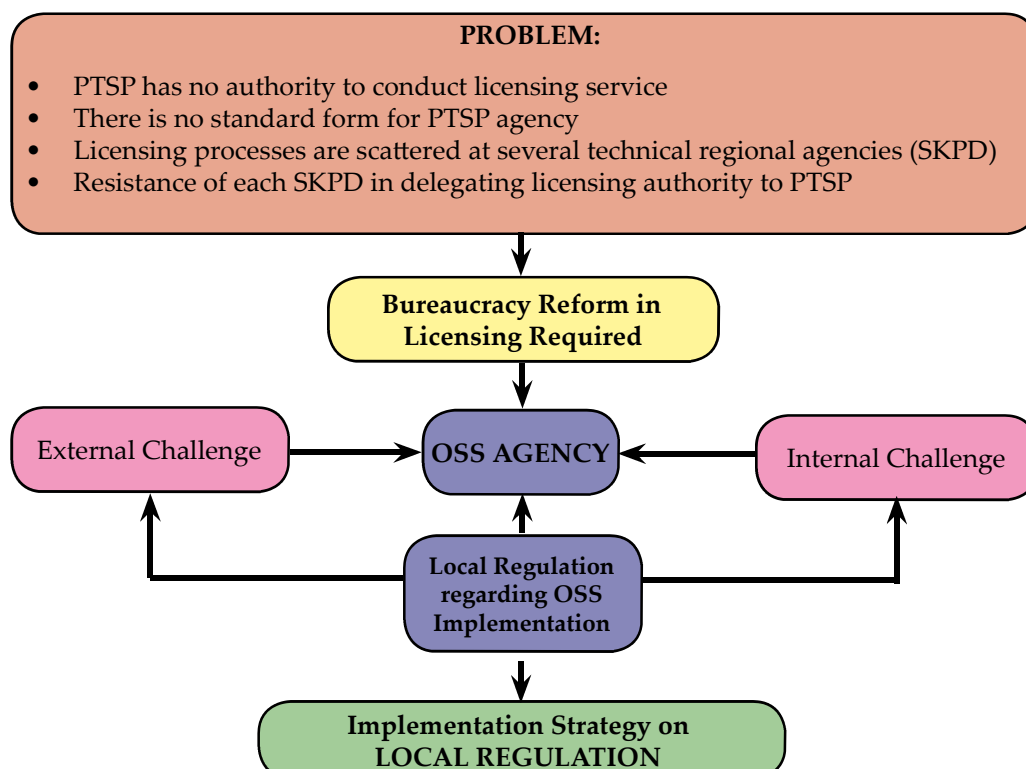
DKI Jakarta Local Regulation on OSS Implementation as the main legal framework in general arranges main aspects of licensing service, i.e. authority and institutional aspects. To make the regulation implementable, further operational regulations shall be prepared, such as Governor Regulation, Governor Decree, Standard Operating Procedure, and so on. The Study is conducted with a focus on implementation strategy to make local regulation on POSS implementable effectively therefore it can overcome problems of licensing in DKI Jakarta.

IV. RESEARCH METHOD

IV.1. Research Approach

The research is carried out using qualitative approach. In this case the research is not aimed to measure strength and direction of correlations within variables, but it is aimed to describe situation, phenomenon, condition, and process. Such qualitative approach is also called investigative approach since researcher collects data by direct, face to face interaction with people in the research area (McMillan & Schumacher, 2003). The qualitative research can also be defined as a type of research with such findings not resulted from statistical procedure or other forms of calculation (Strauss & Corbin, 2003). Its analysis is qualitative and has more focus on the essence rather than

Figure 2. The Framework of Bureaucracy Reform for Licensing Implementation in Jakarta



generalization upon a researched object.

IV.2. Kinds and Source of Data

Kinds of data used in the study are primary and secondary data. Secondary data, consist of kinds of permit that are the authority of OSSs at Provincial and Administrative City levels of DKI Jakarta, are obtained from OSS Agency at the Province and OSS Implementation Unit at the Administrative City levels. In addition to secondary data, the Study is mainly using primary data for analysis purpose. Such primary data include various information regarding OSS in Jakarta that are obtained from in-depth interview with several resource persons and also from Focused Group Discussion (FGD).

IV.3. Data Collection Method

Secondary data such as documents, statistical data, and so on are collected from various authorized agencies. The instrument in qualitative method is a person or the researcher him/herself (human instrument). To be an instrument the researcher has to have theoretical knowledge and a wide perspective so he/she will be able to ask, to analyze, and to construct social situation of the researched object and make it clearer and more meaningful. Therefore, primary data can be obtained by two ways, i.e. (1) in-depth interview, and (2) through focus group discussion (FGD) and expert meeting.

An intensive in-depth interview is conducted to explore resource person's perspective regarding OSS in Jakarta and the importance to formulate OSS local regulation as a legal umbrella. The method is selected since it is considered the most suitable to obtain information from each resource person deeply and is also flexible for implementation. This technique is chosen due to its flexibility during implementation. Although in-depth interview is carried out with a focus to discuss licensing service in Jakarta through OSS, however, during implementation it still gives some flexibility and sufficient room for researcher and resource person to explore the issue within the framework of determined interview guidelines. The interview is made for three categories of resource person, i.e. Central Government, Regional Government, and Businessmen.

a. Central Government

- Indonesia Investment Coordinating Board
- Directorate General of Regional Development, Ministry of Home Affairs

b. DKI Jakarta Provincial Government

- Bureau of Organization and Methods
- OSS Unit, Board of Investment and Promotion
- Local Government Agency of Building Control
- Local Government Agency of Spatial Planning

- Local Government Agency of Cooperatives, Micro, Small, and Medium Enterprises and Trade

c. Administrative City Government

- Head of OSS of North Jakarta Administrative City
- Head of OSS of Central Jakarta Administrative City
- Head of OSS of East Jakarta Administrative City
- Division of Working Management, Setco of Central Jakarta

d. Businessmens

- Chamber of Commerce of DKI Jakarta Province
- Indonesian Businessmen Association of DKI Jakarta Province
- Jakarta Construction Businessmen who is also the Head of Procurement of Goods and Services Association

e. Experts/OSS Watch

- Researchers having knowledge about OSS
- Donor agencies, Organization having experiences in nurturing/providing technical assistance to the regions in establishing OSS.

Data collection is also conducted using focus group discussion (FGD) method. Interaction among participants is very important in order to obtain valid results. It is important to obtain information from various angles comprehensively look a stakeholder. By using FGD method, an in-depth interview is conducted involving a number of participants as representative of relevant parties, among others Provincial Government of DKI Jakarta, businessmen society, and academicians. The FGD is focused to discuss specific topic concerning improvement in licensing service through an institutional reform of Jakarta OSS. Interactions within participants and activities in presenting opinions are very essential in order to obtain valid result through such FGD method. This is important to obtain comprehensive information from many angles of view of relevant stakeholders. The FGD is attended by resource persons from Central Government (Indonesia Investment Coordinating Board and Ministry of Home Affairs), Regional Government represented by Bureau of Organization and Method, OSS Unit of Board of Investment and Promotion, Local Government Agency of Spatial Planning, Local Government Agency of Building Control, OSS of Administrative City, Academician (LPEM University of Indonesia), and professionals (IFC and TAF).

IV.4. Analytical Method

In order to answer the aforementioned questions in this research, analytical technique used is descriptive analysis. The descriptive analysis is used to explain and to present data resulted from observation and interviews with resource persons. The analysis is used with an aim to get a depiction regarding current

and future one gate licensing services through various data and information from key resource persons. The analysis result can provide good information that can be used as a base in making decision on implementation strategy for improvement in licensing service in DKI Jakarta.

To get deep understanding regarding problem to be researched, the descriptive analysis will include Situation Analysis, Literature Review, and Regulation Review.

a. Situation Analysis

A situation analysis is a method of analysis to help researcher have clear insight, understand, manage, and respond to the problem. The aim is to collect various information regarding kinds and forms of program/policy, involved parties or community, action and strategy selected for implementing the program/policy. Situation analysis consists of some analysis such as:

1. Problem Analysis

A problem analysis is a method to determine problem root of various problems happening in the reality. The analysis is made using expectation approach and reality approach.

2. Situation Analysis

Situation analysis is an approach used to figure out objective condition of an institution or organization.

3. Needs Analysis

Needs Analysis is an approach used to present objective condition regarding the need of an institution, whether it is for the institution or for member of the institution.

In this study, situation analysis is conducted to gather various information relevant to the problem occurring during OSS implementation, objective condition of OSS, and the needs to conduct licensing service in the future.

b. Literature Review

Literature review is an analysis used to gather theoretical concepts as well as facts. A literature review includes systematic identification, findings and analysis of documents containing information relevant to the research. A literature review can be a review on the past research having a topic similar with the topic being researched, or opinions of some experts.

c. Regulatory Review

The method of regulatory review in this Study is used to analyze several regulations relevant to OSS at Central level as well as at those in DKI Jakarta Province. Especially, the Study makes a review on Local Regulation regarding OSS in Jakarta that is used as the base for establishing OSS in DKI Jakarta in order to see whether regulations contained in the local regulation can be applied as an instrument to solve the problem of licensing in Jakarta.

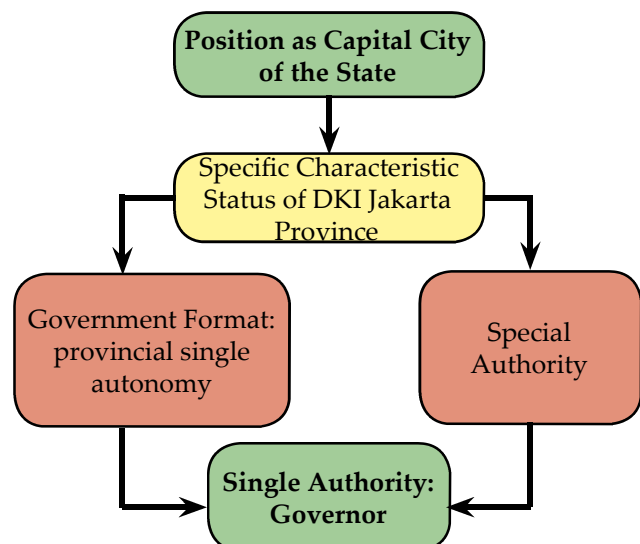
IV.5. Research Scope

The study is focused on analysis of the local regulation concerning OSS implementation as an effort to response to various barriers and challenges faced during implementation of licensing service in DKI Jakarta. Both aspects of institution and authority in licensing service that have been arranged in the DKI Jakarta OSS local regulation are the main focus to be criticized. From that point, a recommendation on implementation strategy will be formulated to make the local regulation implementable.

V. ANALYSIS RESULT

V.1. Specific Characteristics of DKI Jakarta: The Impact on OSS Structure

Figure 3. Normative Framework of DKI Jakarta Specific Characteristics



Source: KPPOD (processed)

Single Autonomy: Governor as the highest authority holder.

In Law Number 32 Year 2004 on Regional Governance, DKI Jakarta Province is determined as special capital region. At its position as the Capital City, DKI Jakarta Province is given a status as special region. Such specific characteristic can be clearly recognized at the application of single autonomy, i.e. application of the autonomy is only at provincial level. In this case, application of single autonomy gives centralized authority of governance conduct on one hand, i.e. the Governor. Having such full authority of governance is with the Governor, Heads of Regency/City in DKI Jakarta Province are regional apparatus working under the Governor and have no authority in conducting government affairs except tasks and affairs that are delegated by the Governor. At one side, centralized authority in Governor's hand can be used as a strategy for the DKI Jakarta Provincial Government

to gather all the local government agencies in DKI Jakarta and “force” them to follow policies made by the Governor, therefore it may minimize resistance occurrence at local government agencies. However, at the other sides, by having such centralized authority with the Governor, some government affairs that should have been handled at local government agency level or even at Sub District/Urban Village Administration must wait for Governor’s approval, therefore the process takes longer time.

Single Autonomy: Impact on government structure at DKI Jakarta Province.

Application of single autonomy at DKI Jakarta Province has its consequence on distinctive position of the government compared to other regions in Indonesia. Such distinction can be seen from Regency/City position in DKI Jakarta that is not an autonomous region, rather it is part of DKI Jakarta Provincial regional government. Another distinction is that the Sub District/Urban Village Administration in DKI Jakarta being a local government entity responsible directly to the Province and not to the Regency/City government. Such condition is in line with Article 13 sub article (1) Law No.29 Year 2007 on DKI Jakarta Provincial Government as Capital City of the Republic of Indonesia:

“DKI Jakarta Provincial Government consists of Region Secretariat, Local Parliament Secretariat, Local Government agencies, Local Government Technical Agencies, Administrative City/Administrative Regency, Subdistrict and Urban Village Administration”.

By such centralized authority resides with the Governor, Regency/City in DKI Jakarta only function as administration region that has no authority by its own to arrange and manage government affairs except tasks and authorities delegated by the Province. Similarly, the Subdistrict/Urban Village Administration undertakes part of regional government affairs being delegated by the Governor (Governor Regulation No.46 Year 2006 regarding Delegation of Authority on Part of Regional Government Affairs from the Governor to the Mayor of the Administrative City/Regent of the Administrative Regency, Head of Subdistrict, and Head of Urban Village Administration). Such special characteristic has an impact on the structure of licensing service provider in DKI Jakarta. DKI Jakarta has OSS on Investment at Provincial level and OSS at Administrative City level.

Having such full authority of governance is with the Governor, Heads of Regency/City in DKI Jakarta Province are regional apparatus working under the Governor and have no authority in conducting government affairs except tasks and affairs that are delegated by the Governor

Both OSSs are responsible directly to the Governor through the Regional Secretary. In the Local Regulation No.10 Year 2008 on Regional Government Organisation (OPD), DKI Jakarta Provincial Government is given a mandate to establish Board of Investment and Promotion (BPMP). The Regional Government Regulation also regulates that Regional Government Agency (SKPD) and Working Unit of Regional Government (UKPD) have the

authority to conduct licensing and non-licensing services. In addition to those stipulated in OPD Local Regulation, in order to conform to national policy on OSS formation, DKI Jakarta Provincial Government through a Governor Regulation arranges establishment of OSS Unit on Investment at Provincial level and Administrative City OSS at Administrative City levels. Such condition resulted in DKI Jakarta OSS facing many problems in performing their tasks.

V.2. Local Government Regulation on OSS conduct as an effort for bureaucracy reform of licensing service in DKI Jakarta.

The former DKI Jakarta OSS agency was not formed as a special SKPD – this was different from that stipulated in Government Work Plan (RKP) of 2013 which mentioned OSS institution as a regional government agency. DKI Jakarta OSS was just a technical agency unit under Board of Investment and Promotion (BPMPD) while the other 5 OSSs are scattered over at each Administrative City. However, these OSSs have no certain legal base for conducting their tasks and function. Delegation of authority on licensing from OSS directly working under BPMP to OSSs at Administrative Cities was not clear too. It happened because the absence of such firm regulation having the same level with Local Regulation had resulted in no standard of nomenclature to arrange position of OSS as a regional government agency. Therefore, it was required to have a local regulation on licensing service in Jakarta which was in turn could improve OSS performance in increasing efficiency of licensing service.

In 2013 there has been a change in the regional leadership, with a vision of New Jakarta with public service orientation. One of the main agenda is bureaucracy reform in licensing service emphasizing on public satisfaction aspect. In order to realize Vision Mission of DKI Jakarta, Provincial Government together with DKI Jakarta Local Parliament approved DKI Jakarta Local Regulation on Implementation of OSS (POSS). Through the Local Regulation, status of

the OSS Unit has been increased to be a Board and has been given larger authority in licensing service in DKI Jakarta.

Main substance arranged in the POSS Local Regulation includes arrangement related to increased OSS institutional status, degree of OSS authority, and stipulations relevant to OSS tasks and functions. From institutional aspect, the Local Regulation determines Board of One Gate Licensing Service (BPTSP) as licensing service provider in DKI Jakarta. Licensing and non-licensing service provider is a united, stratified, and integrated service consisting of BPTSP at the provincial level, OSS Office at Administrative City level, implementation unit at Subdistrict level, and Implementation unit at Urban Village Administration level. The form of OSS agency now is different from the former one consisting only OSS on Investment at provincial level and Administrative City OSS at Administrative City level. Besides format of the institution, other significant change arranged in the Local Regulation is an increase in OSS authority, i.e. from formerly as an administration post now it has the full authority on the whole process since receiving application document until issuing license and non-license documents. Other substances arranged includes human resource, facilities and infrastructure, and finance matters. Through this local regulation it is expected that various problems generally occurred

before now can be resolved.

In accordance with Minister of Home Affairs Circular Letter Number 500/1191/V/Bangda on Improvement of National Guidelines regarding OSS Implementation Guidelines which refers to the Minister of Home Affairs Regulation No.24 Year 2006 on OSS Guidelines, there are four phases of OSS formation in the region (Figure 4). The four phases are: 1) Preparation Stage: bring to same perception, build commitment, design OSS implementation, prepare APBD funding; 2) Phase of Policy Arrangement, System and Procedure Arrangement, Facilities and Infrastructure Arrangement, and Data Base System Arrangement; 3) Phase of Spreading Information regarding OSS Institution: launching, socialization

Figure 4. Institutional Design of OSS DKI Jakarta

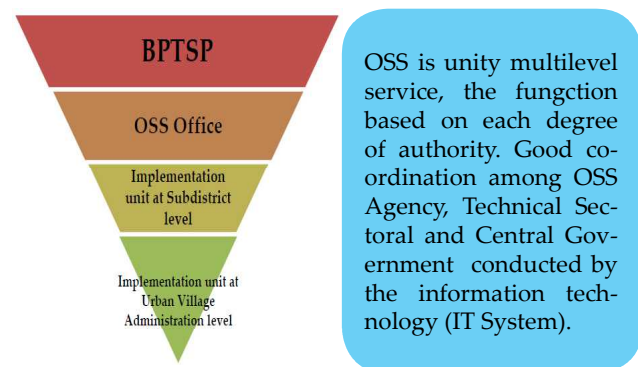
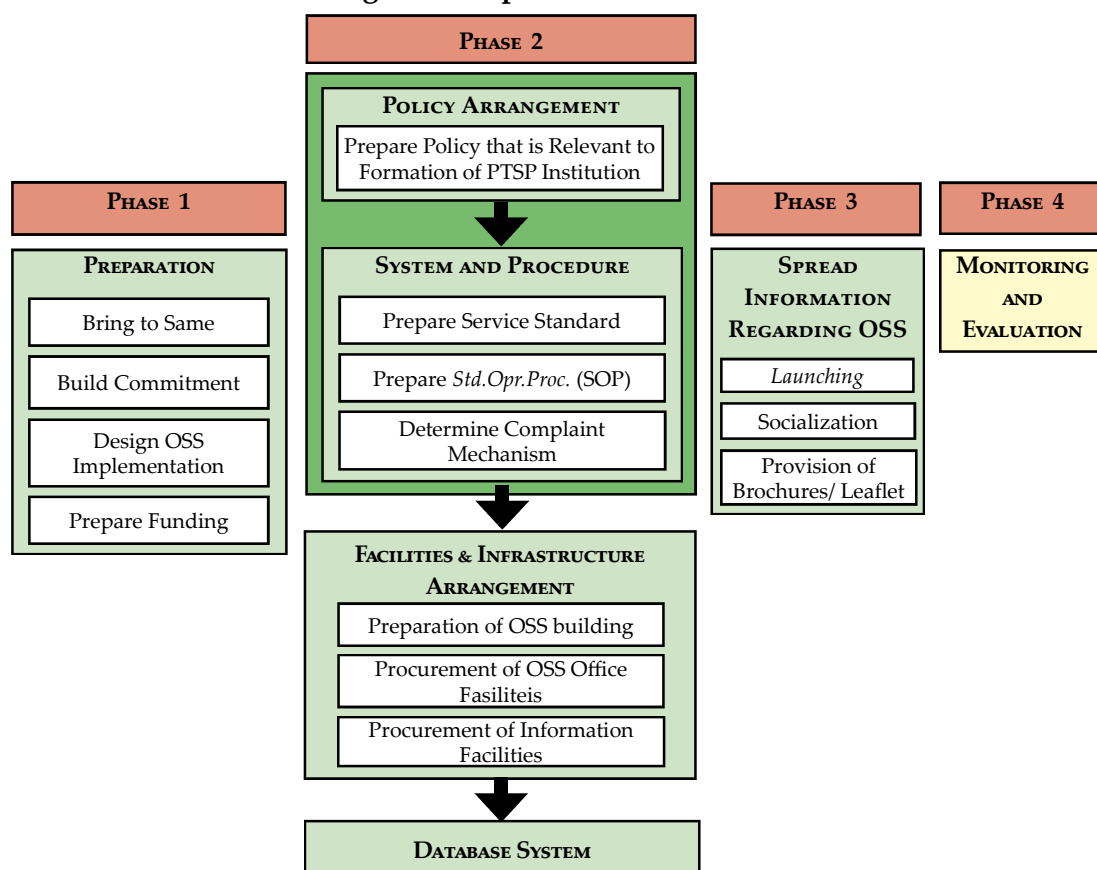


Figure 5. Steps in OSS Formation



Source: Minister of Home Affairs Circular Letter Number 500/1191/V/Bangda

and education, spreading leaflet/brochures; 4) Phase of Monitoring and Evaluation. In the context of OSS formation in DKI Jakarta, currently Phase 1, i.e. preparation to form OSS in DKI Jakarta has been completed. Having the Local Regulation on OSS approved, OSS formation is now entering the phase of policy arrangement.

The main point of Policy Arrangement Phase which will be analyzed in this Study are the policy on authority and institution form. Both policies will be analyzed deeply considering their significant role as the base to form OSS. If policy arrangement on authority and institution form is mistaken, it may cause inefficiency in its formation which in turn may have an impact on licensing and non-licensing services efficiency in general.

After approval of the local regulation, presently Provincial Government of DKI Jakarta is undertaking following Phase, i.e. system and procedure, facilities and infrastructure, and database arrangements. The Study is also directed to help preparing these elements of the Phase.

V.2.1. Authority Aspect

V.2.1.1. OSS Degree of Authority in Licensing and Non-Licensing Service

a. OSS Authority in Licencing and non-Licensing before Issuance of the Local Government Regulation

Before the local regulation approved, field study result shows that OSS Unit at provincial level as well as at Administrative City level only functions to receive application documents for licensing and non-licensing services and deliver documents that have been processed completely to the applicants. But it has no authority to process and sign license/non license document. Such authority still resides with relevant technical local government agencies.

The authorities to issue license which are now still scattered at technical local government agencies have resulted in licensing/non-licensing service in OSS being not having standards of time and cost for the service. Although each technical local government agency has made an SOP for its licensing service, however in fact there are still technical local government agencies conducting licensing services that do not conform to the SOP nor the Central Government regulation. At the other sides, OSS has no authority to impose sanction to the technical local government agency that does not follow the SOP. Resource persons from OSS Administrative City and from the province say that it is difficult for them to control and to supervise licensing service that is being handled by technical local government agency since OSS has no authority for it. It resulted in uncertainties in time and cost required for the licensing.

The uncertainty in cost is faced by businessmen in Jakarta. Based on the result of field research, resource persons from businessmen believe that 'OSS' in Jakarta right now brings no significant change on licensing service in DKI Jakarta. There are still uncertainties in time and cost required for licensing. Moreover, to process big scale permanent business trading license (SIUP), businessmen say that they have to pay millions rupiah. Whereas, referring to the Minister of Trade Regulation No 35 Year 2007 on Issuance of Permanent Business Trading License (SIUP), article 16 (1), it is mentioned explicitly that each company applying for new SIUP shall not be charged. The regulation is certainly contrary with its implementation in the field.

Findings and evaluation result made by control agencies also in line with the condition mentioned above. Several control agencies such as Provincial Inspectorate, State Auditor Board (BPK), Corruption Eradication Commission (KPK), and Presidential Work Unit for Development Monitoring and Control (UKP4) have some similar findings that OSS performance is not optimum in conducting licensing service in Jakarta because OSS has no authority in processing and signing license/non-license permits.

In addition, another problem arisen, i.e. some technical government agencies still open their OSS counters. This is not in compliance with Governor Regulation Number 14 Year 2010 concerning OSS Implementation on Investment and Governor Regulation Number 74 Year 2011 regarding OSS Implementation at Administrative City which clearly mention that other than OSS counter official, technical local government agency or other officials are not permitted to provide direct service for the applicant. Apparently sectoral agencies still refer to the Local Government Regulation No.10 Year 2008 on Local Government Organisation in which it is mentioned that sectoral agency has a task to provide licensing service. The result is, many applicants come directly to sectoral agencies, rather than OSS, to process licenses.

Another condition found that there are many applicants just come directly to sectoral local government agencies (not to OSS) to take license that has been completely processed, although the application is submitted to OSS. The sectoral local government agency can have access to contact applicants through field visit activities or through contact number of the applicant as shown in the biodata. The result is, such contact between license issuer and applicant is difficult to be minimized, and this causes further problem in administration record such as number of licenses that have been issued in the region. This situation has been disclosed by a resource person from OSS of North Jakarta Administrative City; further, it is mentioned also that total number of license/non-license completely

processed by OSS is only about 20% of the total number of those issued in North Jakarta.

b. OSS Authority in licensing and non-licensing service according to the local regulation

To overcome problem faced by former OSS due to limited authority, in the Local Regulation on OSS implementation a broader degree of OSS authority has been regulated. In the Local Regulation it has been highlighted that OSS tasks and function are no longer just as a post office, rather, it has a complete authority in licensing process, i.e. OSS as the entry gate for licensing service, OSS processes the document and issue the license.

The authority that is owned by OSS based on the local regulation is in compliance with the Minister of Home Affairs Regulation (Permendagri) Number 24 Year 2006 concerning Guidelines on Implementatin of One Gate Integrated Service. In the Permendagri (article 7) it is mentioned that: (1) OSS Agency degree

of work consists of provision of service for all forms of licensing and non-licensing which are the authority of regency/city; (2) OSS Agency manage licensing and non-licensing administration using the principles of coordination, integration, synchronization, and security of the documents.

OSS authority as mentioned in the Local Regulation is directed to a complete and ideal OSS concept, i.e. all the licensing service affairs are started, processed, and ended at OSS. This will shorten licensing bureaucracy chain in Jakarta since people no longer come to many places for licensing/non-licensing process. People and businessmen only need to come to one place, i.e. OSS, and all the required license/non-license will be processed. It is not necessary to bring all the documents to other agencies. As the result, licensing and non-licensing processes are shortened, therefore it gives an ease for the people and businessmen.

In authority delegation process of licensing and non-licensing service, one important factor determining

BOX 1

DKI Jakarta Provincial Local Regulation on Implementation of One Gate Integrated Service

Chapter IV Scope of Work

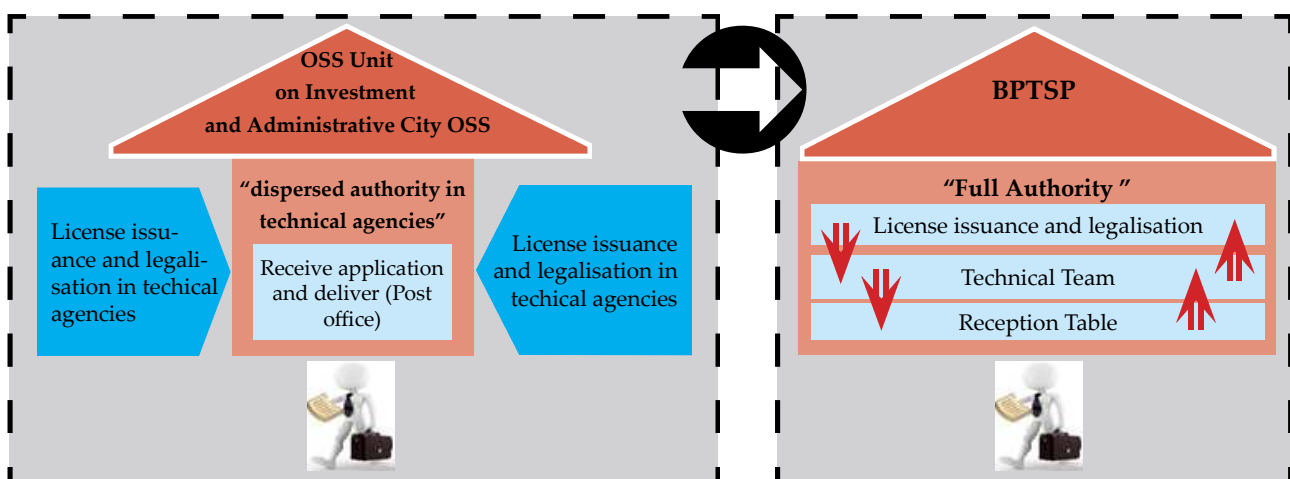
Part One Authority

Article 8

(1) Scope of Work of OSS Authority consists of:

- a. Receive application documents of licensing and non-licensing;
- b. Examine/check application documents of licensing and non-licensing;
- c. Implement technical examination/physical test of licensing and non-licensing application;
- d. Sign licensing and non-licensing documents;
- e. Deliver licensing and non-licensing documents to the applicant;
- f. Manage archives of licenses and non-licenses;
- g. Determine and impose sanctions on misuse of license and non-license; and
- h. Undertake coordination with local government agencies/local government work unit in relations with service delivery, supervision, control, and evaluation on licensing and non-licensing implementation

Figure 6. OSS Implementation Process Model in Jakarta



Source: Governor Regulation No. 74/2011 and Governor Regulation No.14/2010

Source: Local Regulation of DKI Jakarta regarding OSS

the success is the role of the Regional Head. Learning from the success of a business ease reform carried out in Yogyakarta City, the Regional Head has a very important role to ensure support from all the relevant sectoral local government agencies. Delegation of authority to OSS officials to process and issue license/non-license documents is successful. Encouraging commitment to support from sectoral local government agencies by the Regional Head is certainly an integral part of the efforts to realize implementation of integrated service of one gate pattern. In such process, awareness that delegation of licensing authority from technical local government agencies to the Licensing Agency is definitely the realization of public service improvement is developed and promoted. This also conforms to the essence of regional autonomy to provide optimum service to the community.

Such bureaucracy reform in licensing has been successful and resulting expected output, i.e. assured clear, timely, and reasonable cost of public service

as indicated by standardized operation and service procedure that is accessible for public. It has been confirmed through the study result of Sub National Doing Business conducted in 2012 which mentions that time duration to process license in Yogyakarta is 3 days shorter compared to average time needed in other cities surveyed in Indonesia.

Looking at the success of Yogyakarta City, DKI Jakarta should be able to improve its licensing service to be effective and efficient especially considering Jakarta is the Capital City of the State with the largest volume of economy in Indonesia. Delegation of authority in licensing to BPTSP mandated by the Local Regulation is the most appropriate decision to increase investment ease in Jakarta. Besides, an ease in licensing service will encourage and enable informal sector to process its business license.

At the same time this will be an effort of DKI Jakarta Provincial Government in response to the complaints from businessmens experiencing obstacles in

BOX 2

Background and Obstacle faced in Transforming UPTSA to Licensing Agency of Yogyakarta City

Integrated Licensing Service at Yogyakarta City was initiated by formation of One Roof Technical Service Unit (UPTSA). From evaluation it was recognized that service provided by UPTSA was not satisfactorily as expected. Some problems occurred such as:

- UPTSA was only a non-structural institution having a task to coordinate the tasks of technical local government agencies.
- The status of existing human resources were employees of technical local government agencies assigned to assist UPTSA.
- There were no transparency in time duration, cost, requirements as well as procedure that had to be followed in licensing process.
- UPTSA had no independent operational budget.

To overcome the problem, at the end of 2005 through the Yogyakarta City Local Regulation Number 17 Year 2005 on Formation of Organisation and Work Procedure of Licensing Agency, status of UPTSA was changed to a local government agency and was given the authority in processing and issuing license/non-license.

Such transformation of institutional form was initiated by making an inventory of existing licensing in Yogyakarta City. In line with that, preparation of human resources, budget, supporting facilities and legal base for new institution formation are conducted as a consecutive and integrated process. Encouraging commitment made by the Regional Head to technical local government agencies is certainly an integral part of the effort to speed up implementation.

The main problem faced when the process of integrated service began at the Licensing Agency are:

- Impediment in unifying work culture
- Impediment in increasing capacity of the apparatus in handling all kinds of licensing
- Impediment in collecting and in understanding all the regulations in licensing
- Impediment in making a practical administration system.

To solve the problem, within the first six months internal trainings were conducted 2 times per week to increase employees' knowledge on kinds of licensing. Trainers were recruited from internal as well as from relevant technical local government agencies.

licensing/non-licensing, in particular in uncertainties in cost and time required for the process. Having such integrated licensing service, businessmen and the society will only meet OSS front office staff and OSS technical team (if needed for field examination). By minimizing meeting between OSS officials and applicant, opportunity to scalp or to do other dirty actions can be minimalized.

V.2.1.2. Authority on Kinds of License and Non-License Service

a. Authority on Kinds of License and Non-License Service Before Issuance of Local Regulation

Before local regulation on OSS approved, Provincial OSS Unit on Investment is mandated by the Governor Regulation to perform service for 39 kinds of licences/non-licenses. Such licenses are focused on capital investment. OSS at Administrative City level is mandated to perform service for 64 kinds of licenses and non-licenses.

At its practice in the field, from 39 kinds of licenses/non-licenses which authority belongs to Provincial OSS Unit as stipulated in Governor Regulation Number 14 Year 2010, only 14 kinds of licenses/non-licenses can be processed at the OSS. Similarly for OSS at Administrative City level, from 64 kinds of licenses/non-licenses mandated in Governor Regulation Number 74 Year 2011, OSS at Administrative City of Central Jakarta can only perform services for 18 kinds

of licenses/non-licenses, while Administrative City of East Jakarta performs its service for 57 kinds of licenses/non-licenses. From indepth interview made involving resource persons from Provincial OSS as well as from Administrative Cities, this situation happens because some technical local government agencies still open their counter for licensing/non-licensing service (as has been described previously). In addition, incapable human resource in technical matters has become a reasonable factor resulting in many applications for licensing/non-licensing can not be processed at OSS.

b. Authority on Kinds of License and Non-License Service According to Local Regulation

In line with increased status of OSS authority, Local Regulation on OSS Impelementation also increases kinds of licenses and non-licenses service to be performed by OSS. In the local regulation it is stipulated that kinds of licenses and non-licenses which authorities belong to OSS agency include all licenses and non-licenses in 26 areas of local government affairs.

From preliminary mapping conducted by Provincial Government of DKI Jakarta, there are **196 kinds of licenses and 86 kinds of non-licenses** to be included in BPTSP degree of authority. Such amounts certainly are not small ones to be delegated directly to BPTSP, considering that it will need enormous preparation in terms of quantity and capacity aspects of human

BOX 3

DKI Jakarta Provincial Local Regulation on Implementation of One Gate Integrated Service Chapter IV Scope of Work Part Two Kinds of Licensing and Non-Licensing Article 9

(1) Kinds of Licensing and Non-Licensing which authorities belong to PTSP agency consist of licensing and non-licensing in the areas of:

- | | |
|--|---|
| a. Education | m. Capital Investment |
| b. Health | n. Culture and Tourism |
| c. Public Works | o. Youth and Sports |
| d. Housing | p. National Unity and In-country Politics |
| e. Spatial Management | q. Library |
| f. Transportation | r. Communication and Informatics |
| g. Environmental Affairs | s. Agriculture and Food Security |
| h. Land Tenure Affairs that belong to
Regional Government Authority | t. Forestry |
| i. Women Empowerment and Child
Protection | u. Energy and Mineral Resources |
| j. Social Affairs | v. Maritime and Fishery |
| k. Manpower and Transmigration | w. Livestock |
| l. Cooperatives, Micro, Small, and Medium
Enterprises | x. Trade |
| | y. Industry |
| | z. Regional Development |

resources and adequate IT system.

Important aspects to be given special attention in delegating authority for licensing/non licensing are: OSS readiness to receive delegation of authorities for all kinds of licensing and non-licensing service, preparation of human resources, preparation of facilities and infrastructures, and operating guidelines for the service.

■ Human Resources

In order to perform 196 kinds of licensing and 86 kinds of non-licensing services, a large number of employees will definitely be needed. Not only that, the OSS employees must understand each licensing process technically so that delegation of authority to OSS can be run smoothly.

■ Facility and Infrastructure

Facility and infrastructure supports are very important in expediting the process of authority delegation of licensing and non-licensing to OSS in particular information technology (IT) system. Based on interviews made involving resource persons from sectoral local government agencies, some information obtained i.e. each sectoral agency has its own IT system used in licensing process.

Therefore, if an authority delegation will be made from sectoral agency to OSS, a system to integrate IT system in OSS and IT system in sectoral agencies shall be prepared. Having some authorities in supervision, control, and evaluation reside with technical agencies, an online system as part of coordination instrument between OSS and technical agencies will certainly be needed.

■ Operating Guidelines for Performing the Service

Operating guidelines for performing the service in the form of Standard Operating Procedure (SOP) or Standard of Service are needed to make licensing service at OSS operational. Not only that, a clear mechanism related to delegation of authority and coordination between OSS and sectoral agencies is also required to speed up delegation of authority.

Ideally, an authority delegation process shall be made in stages and systematically. It is worth to learn from good practices carried out by some regions in Indonesia such as Yogyakarta City and Sragen, where delegation of authorities of licensing and non-licensing were conducted in some stages and be based on the needs of the society. Such licenses which have been processed through one gate integrated system in Yogyakarta City are licenses needed by public in general, and licenses considered able to boost up a raise and to develop business in particular small and medium scale businesses. From 76 kinds of licenses

in Yogyakarta City, 34 kinds have been delegated to OSS, while the remaining 42 kinds of licenses are still scattered at sectoral agencies such as Land Tenure Office, Health Agency, Agriculture and Livestock Office, and Transportation Agency. Continual efforts to add more licenses into integrated service have been undertaken by City Government of Yogyakarta in order to improve licensing service.

It also happens in Sragen Regency. Kinds of license as well as non-license delegated to OSS are amounting to 59 for licenses and 10 for non-licenses. Both kinds of license and non-license are those support investment growth in Sragen Regency.

Delegation of authority made in stages is important considering the need to make proper preparation for implementation of the integrative service. Based on experiences in other regions in Indonesia, delegation of authority made in stages in fact is successful in performing better quality of licensing service. The Circular Letter Number 500/1191/V/Bangda concerning Improvement on National Guidelines on OSS Implementation Manual mandates that it is

Delegation of authority made in stages is important considering the need to make proper preparation for implementation of the integrative service

necessary to identify licensing to decide which licensing can be delegated directly or in stages. At this stage, initial efforts to simplify procedure and

processing requirements, to deduct costs, and shorten time required for licensing/non-licensing shall be made.

According to the Circular Letter, grouping of licenses shall be made based on:

- **General category**, means that in licensing process special expertise and special tools are not necessary and therefore service can be conducted by OSS personnel. For this category, licensing authority can be fully delegated to OSS.
- **Human resources with special expertise**, means that in licensing process human resources with special expertise are involved, therefore such licensing in this category can be delegated to OSS but shall be followed by transfer of expert to OSS.
- **Sectoral consideration**, means that in processing license technical agencies will be involved to provide recommendation or consideration concerning the license application. Such licensing in this category can be delegated to OSS, but during licensing process coordination with relevant technical agencies shall be is required.
- **Special tools**, means that in processing license special tools such as laboratory, high- technology tools, and so on. Such licensing in this category can be delegated to OSS but it must be followed by delegation of tools and personnel; coordination with relevant technical agencies is also required.

BOX 4

Delegation of Authority of Licensing/Non-Licensing to PTSP at other Regions

Yogyakarta City

When acted as UPTSA, services provided were Civil Registration Certificate, Nuisance Permit, Industrial Registration Certificate, Warehouse Registration Certificate, Trading Business License, Building Construction Permit, Wastewater Discharge (SAL) Permit, Rainwater Discharge (SAH) Permit, in-gang, Land Usage Change Permit (IPPT), Land Usage Permit, Heavy Equipment Rental Permit, and so on until advice planning.

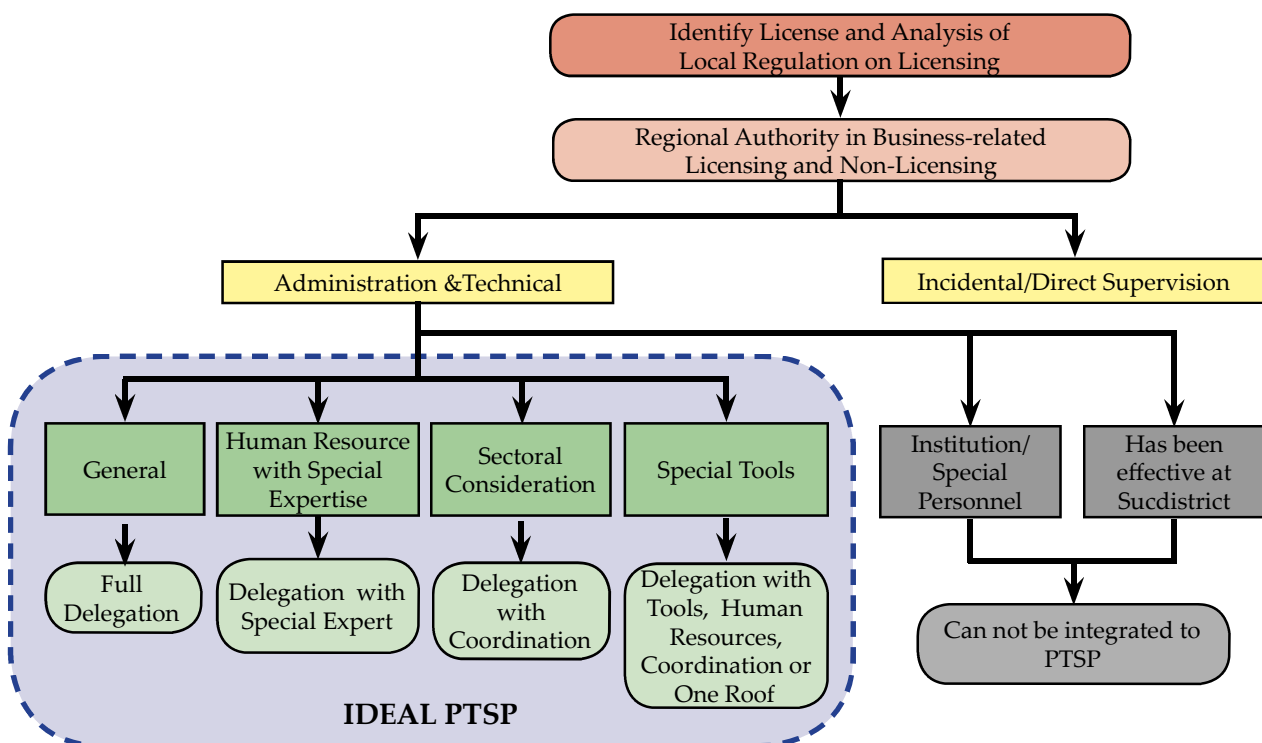
As an impact of institutional change to become a local government agency, services provided are widened. From total of 76 kinds of licenses, 34 have been delegated to PTSP. Licenses that are accommodated at PTSP are those required by public, and those considered important for boosting a raise and developing business in particular small and medium scales business sector

Non-licensing service presently conducted at Subdistrict level. Non-licensing service are not included into the main tasks of Licensing Agency due to some considerations, i.e. to provide an ease for public in obtaining non-licensing service. In addition, some licensing have been delegated to Subdistrict level, such as Building Construction Permit (IMBB), Nuisance Permit, Closing Closed Road Permit, Street Vendor Location Permit, and Boarding House Business Permit

Sragen Regency

When built, kinds of licensing/non-licensing services performed by an integrative service institution were based on public needs, i.e. 15 kinds of licenses and 8 kinds of non-licenses. When status of the institution increased to be an Office, kinds of services was also increased, i.e. 52 licensing and 10 non-licensing. After that, when the institutional status of the Office was changed to be a Board, kinds of licensing/non-licensing services has reached 59 licensing and 10 non-licensing. Kinds of services which have been accommodated in BPTSP are focused on such licensing that support investment growth in the region.

Figure 7. Grouping of licenses under Local Government Authority



Source: Circular Letter of Minister of Home Affairs No. 500/1191/V/BANGDA concerning Improvement on National Guidelines on OSS Implementation Manual

From result of the licensing mapping, it is found that such licensing that could be delegated directly to OSS are:

- Basic permit requirement to start business, such as Location Permit/Pre-Approval Letter, Land Use Permit, HO/Business Location Permit, Building Construction Permit, and so on.
- Business permits that shall be obtained to operate the business, such as Industrial Registration Certificate, Industrial Business License, Business Trading License, Company Registration Letter, and so on.
- Permits that are related to primary economic sector development, or those related to business sectors involving many businesses (micro, small, and medium scale enterprises/UMKM).

V.2.1.3. Licensing and Non-Licensing Service at OSS

a. Licensing and Non-Licensing Service Before Issuance of Local Regulation

In general, licensing and non-licensing service at OSS Unit involve OSS and sectoral agency. Flow of the licensing process when OSS status is still a Unit is shown at Figure 6. At OSS Unit there is a counter that provides information regarding various licensing processes required by applicant, including spatial planning consultation. Applicant who needs a license shall come to OSS office with the documents as required. The front office personnel receive the documents and checks for their completeness. After that such application documents are brought to relevant sectoral agencies for further process. If a field inspection is technically required as one of the stages to be followed and as a considered point for issuance

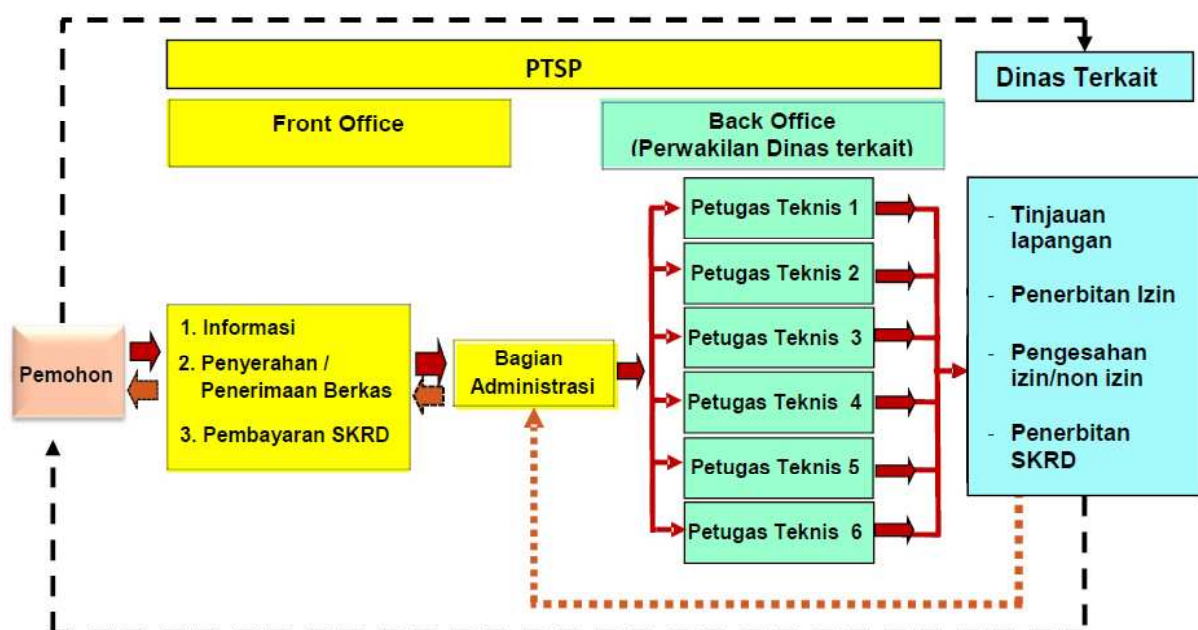
of the license, the sectoral agency has the authority to have a field visit. After examining the documents and having field inspection (if necessary), sectoral agency determines whether the application is accepted or rejected. If accepted, sectoral agency issues Local Retribution Letter (SKRD). After the licensing/non-licensing documents be processed completely, the license/non-license document is given to OSS to be delivered to the applicant.

Licensing/non-licensing service at OSS before issuance of local regulation is based on General SOP, SOP on SKRD/License/Non-License delivery, SOP on Application Document Submission, SOP on Information and SOP on Accusation and Complaint that are belong to each OSS Office. Such SOPs are mentioned in the Mayor Letter of Decree of the Administrative City, while SOP on licensing/non-licensing process is still arranged by each sectoral agency. Due to the various licensing/non-licensing characteristics, SOP issued by each sectoral agency is different from one to another. Having such condition, it is difficult for OSS to control on going licensing services. This in turn has an impact in increased risk of licensing/non-licensing delay and uncertainties in imposed cost/charge.

In addition, businessmen perceive such licensing service process as increasing licensing bureaucracy chain. Licensing which could be directly processed at sectoral agency is just to be submitted first to OSS then passed on to relevant agencies. Certainly such bureaucracy has a potency to add time required for processing the license.

b. Licensing and Non-Licensing Service According to Local Regulation

Figure 8. Flow of the Licensing Service at OSS before Issuance of the Local Regulation



Source: Primary Data (processed)

In order to respond to the complaint experienced by OSS as well as by public, local regulation mandates that all licensing/non-licensing processes shall be conducted integratively at one institution. Flow

Local regulation mandates that all licensing/non-licensing processes shall be conducted integratively at one institution

of licensing process at BPTSP based on the local regulation can be seen at Figure 9. Basic distinction of the licensing service process flow before and after legalization of the local regulation is upon licensing process. Now, licensing process has been fully delegated to OSS. All the processes at back office are no longer the authority of sectoral agencies, rather they belong to OSS. After documents received by front office staff, validation and verification are carried out by back office staff. If a field inspection is technically needed as one of stages that must be followed, and as a consideration before issuing the license, OSS is the one having the authority for field inspection.

After examination of the documents and field inspection, based on the recommendation from technical team Head of OSS decides whether application for the license is accepted or rejected. If accepted, OSS issues Regional Retribution Letter (SKRD). Then after licensing/non-licensing document has been completely processed, license will be delivered to the applicant.

Having flow of licensing/non-licensing process fully at OSS, the main benefit obtained by public in general as well as by businessmen are certainties in process flow, time and costs needed. SOP on licensing service which is arranged by OSS makes it easier for OSS to arrange and control licensing/non-licensing service

process. This is in turn has impact on decreasing risk on delay in processing license/non-license and uncertainty in charged costs

V.2.1.4. Implementation Strategy

Considering stipulation in the local regulation which delegates enormous number of licensing/non-licensing services to OSS, Provincial Government of DKI Jakarta should prepare an appropriate implementation strategy in order to support authority delegation process so that it can be applied effectively.

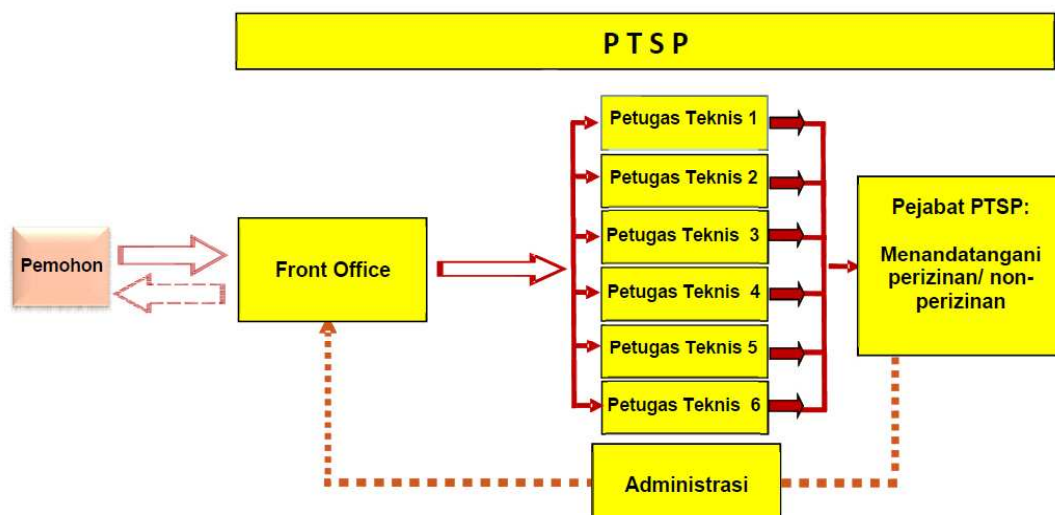
Provincial Government of DKI Jakarta should prepare an appropriate implementation strategy in order to support authority delegation process so that it can be applied effectively

The implementation strategy and Action Plan to be conducted by DKI Jakarta provincial government in order to minimize obstacles in licensing/non licensing delegation process from sectoral agencies to OSS are as follows:

1. Determination of the degree of authorities delegated to OSS shall be made through a systematic mechanism of delegation. Such activity can be carried out through stage of mapping of prevailing licensing and non-licensing until local regulation determined, along with names of originated local government agencies/local government work units that handling the licensing process before the new local regulation approved.

Resulted output is that DKI Jakarta Provincial Government will have a list of existing licensing and non-licensing kinds in DKI Jakarta. Such list is

Figure 9. Flow of Licensing Service at BPTSP



Source: Local Regulation of DKI Jakarta regarding OSS Implementation (processed)

a starting document for the new OSS to be used for classifying licensing and non-licensing processes that will be delegated to OSS.

2. From result of mapping done in stage 1, then classification on collected licensing and non-licensing is carried out. Such classification process is done referring to general Guidelines determined by Directorate General of Regional Development (Bangda), Ministry of Home Affairs and certainly takes into consideration the public needs (primary sector development) in DKI Jakarta:

- ◆ From mapping of licensing and non-licensing resulted from the abovementioned activity (a), an identification of licensing and non-licensing to be prioritized for improvement of public service performance in DKI Jakarta is made. Referring to the result of Doing Business conducted by IFC every year, and policy package on ease of business which mandates DKI Jakarta to improve performance in providing business ease, it is recommended that priority on listed licensing and non-licensing is focused on those related to business ease (basic permits and business start-up permits) and such permits to develop primary economic sector. Referring to Circular Letter of Bangda, Ministry of Home Affairs, to ease the process of authority delegation, licensing and non-licensing delegated at early stage should be those of administrative characteristics. Such delegation process of administrative licensing/non-licensing in general does not require personnel with special expertise skill, therefore the process is simple, fast, and easy. After delegation process of administrative licensing/non-licensing is completed, OSS may proceed with next stage, i.e. delegation of such kinds of licensing/non-licensing with technical characteristics which require personnel with special expertise, those require consideration from sectoral agencies, as well as those require special tools/equipment for the licensing service.

- ◆ For such licensing and non-licensing services that have been effectively performed at the levels of Subdistrict and Urban Village Administration they are not necessarily delegated but shall remain the authority of previous local government units.

3. Identification of the needs and mechanism for placement of human resources and facilities and

infrastructure to support authority delegation process. Kinds of licensing and non-licensing authorities to be delegated to OSS will also determine requirements of human resource competencies and facilities and infrastructure to support licensing and non-licensing services delegation. In this case, identification of facilities and infrastructure contains the needs for specific tools and equipment, IT system support, budget allocation, and other supporting infrastructure.

Output generated:

- a. List of human resources needed, mechanism to fulfil OSS staffing, and also the employment status of OSS executive staff. Such staffing mechanism can be strengthened in a Governor's Regulation which lines out the employment of the OSS.
 - b. List of infrastructures, supporting resources and facilities needed to realise the OSS. In order to guarantee the availability and standards of resources and facilities at each OSS institution, there should be an implementing arrangement in the form of a Governor Regulation which at least lines out the standards of resources and facilities that must be present in an OSS office, assurance of budget availability for the operations of the OSS, instructions or standard operating procedures (SOP) for the use of resources and facilities in the OSS etcetera.
4. At the phase of identification of licensing and non-licensing authorities that will be delegated, a regulatory analysis of licensing and non-licensing that has been done so far in Jakarta was also conducted. The results of the analysis showed that procedures and requirements in obtaining permits can be simplified (by terminating overlaps of regulations), reducing costs and accelerating

the time needed to process licensing and non-licensing so that the processes done in the OSS can be implemented effectively and efficiently in terms of procedures, cost and period.

Outputs generated:

- a. List of regulations that must be amended, revised or even withdrawn, such as Provincial Regulation No. 10 Year 2008 on the Organisation of Local Apparatus, several regulations related to regional revenues whose contents must be adjusted in line with the newest local regulation on OSS executor and also regulation adding the function of OSS executor (Satpel OSS) to the Sub Districts and Urban Village Administrations

For such licensing and non-licensing services that have been effectively performed at the levels of Subdistrict and Urban Village Administration they are not necessarily delegated but shall remain the authority of previous local government units

b. Establishing a standard operating procedure on the processing and service of license and non-license.

5. Arrangements for transitional period and phases that must be implemented, In addition to mechanism to transfer authority in granting license and non-license, another important issue that must be considered at the beginning of establishing an OSS is the arrangement on transition from the previous OSS into the new OSS. Such transitional period is a time period that will be used to prepare all matters needed in the process of implementing an OSS, including the process of delegation of authority from the local government agency/local government working unit (SKPD/UKPD) to the OSS, preparations in making the implementing regulation, preparations to meet the necessary staffings, facilities and infrastructure and other things needed to support the effective implementation of the OSS. Transitional provisions of the regional regulation on OSS Implementation Article 36 (1) mentioned that:

Ketentuan Peralihan, Pasal 36 (1):

“At the time that this regulation comes into effect, all other regulations related to the authority in servicing license and non-license as mentioned in Article 8 (1) for all types of license and non-license as mentioned in Article 9 (1) in Local Regulation No. 10 Year 2008 on the Organisation of Local Apparatus, all Local Regulation and/or Governor Regulation in the areas specified in Article 9 (1) are hereby annulled and declared void”.

With the above stipulation, once the OSS local regulation is enacted, other regulations regarding the service of license and non-license becomes void. Yet the service mechanism during the transitional period is not clearly written in the regulation. Ideally, there should be an article that clearly stipulates the transition, how long it should be and the services provided during the transition period. The absence of regulation on service mechanism during the transition period may cause confusion for the OSS side and for the public who will place an application for license/non-license during the transition

period. In the regulation, it was mentioned in one of the articles that arrangements for the transition period will be set by a Governor Regulation. Therefore the role of the head of the region is very important in gathering the support from all heads of local government agency (SKPD/UKPD) and minimising resistance from the sectoral SKPD/UKPD. Several items that must be considered in

making the Governor Regulation regarding the transition period are as follows:

1. Arrangement on the role of the head of the region in promoting common understanding about the implementation of OSS. In addition, the role of the head of the region is very important in coordinating all relevant SKPD/UKPD to perform their duties and responsibilities. If instructed by the Governor, it is hoped that the transfer of authority process can proceed properly and can minimise impediments, if any, that may appear during the authority transfer process.
2. Arrangement on the duties and responsibilities of each relevant SKPD/UKPD in assisting the preparation for the implementation of the new OSS. For example, the Board of Personnel Administration is tasked to make an analysis of personnel requirements that will be placed in the OSS; the Cooperatives and Small-and-Medium Enterprises Office will be responsible in identifying the service of license and non-license that is within their degree of authority. A coordination mechanism is needed in the regulation so as to avoid overlaps or contradictory issues later on.
3. Arrangement on internal socialization for relevant SKPD/UKPD in regard to the service of license and non-license. Such is needed to promote greater understanding on the implementation of the OSS so that the relevant SKPD/UKPD truly understands the OSS concept that will be done in Jakarta. Further it is hoped that the socialization will make the transfer of authority of license and non-license easier. In addition to internal socialization directly to SKPD/UKPD during this transitional period, intensive socialization must also be done to the people as the direct beneficiary of such improvement so that the public will have adequate knowledge of the OSS that will be implemented.
4. Arrangement on the mechanism of service for license and non-license that are requested during the transition period so that there is no confusion for the public that are requesting permits or for the service provider in providing those services during the transition period.

The absence of regulation on service mechanism during the transition period may cause confusion for the OSS side and for the public who will place an application for license/non-license during the transition period

V.2.2 Institutional Aspects

V.2.2.1. Institution of the OSS before the Regional Regulation

The form of institution of the OSS at the Administrative City level that is still non-structural have an impact on its temporary/ad-hoc status as an executor unit (Satpel) SKPD whose existence is under the City Management Office. Such institution was based on DKI Jakarta Governor Regulation No. 114 Year 2011 on the One Stop Shop Implementing Unit. Meanwhile, the investment field of OSS at the provincial level takes the form of a unit under the Board of Investment and Promotion (Badan Promosi dan Penanaman Modal Daerah – BPPMD) which was established based on Governor Regulation No. 223 Year 2010 dated 30 December 2010 on the Establishment of Organisation and Work Procedure of Jakarta's One Stop Shop Unit on Investment. Structurally, there was no connection at all between the OSS Unit on Investment and the Administrative City OSS.

With an ad-hoc institution status, some major obstacles appear on the field in its implementation. As several resource persons within the OSS mentioned, those obstacles are as follows:

■ **No authority in the management of human resources**

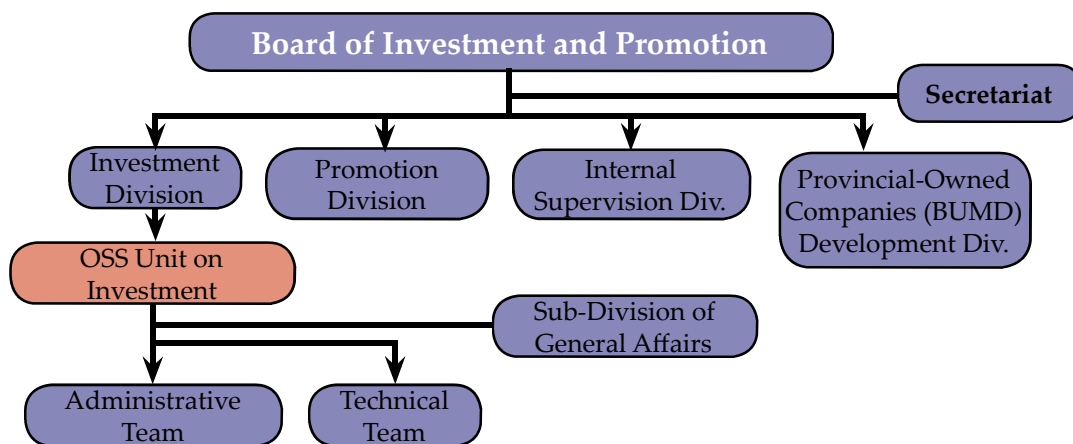
The OSS Unit (Unit satpel OSS) organisational structure consists of a unit head, manager,

technical and administrative team. The personnel in those positions are not permanent OSS employees (organic). OSS personnels are those placed from other technical local government agencies to provide assistance, from the Sub Districts and Urban Village Administrations (Kelurahan) or from the public order agency, which are still under the authority of their original units.

With such status, the OSS have a hard time in managing their personnel and human resources. OSS employees, which are loaned to them, obeys their original unit more than the rules and standard operating procedures (SOP) of the OSS. In addition, personnel rotations cannot be avoided. This is in spite of the fact that the OSS has given specialised trainings to the employee which was then rotated by their original unit, so that the OSS must give new trainings to the replacement employee. The result is an inefficiency in the personnel management.

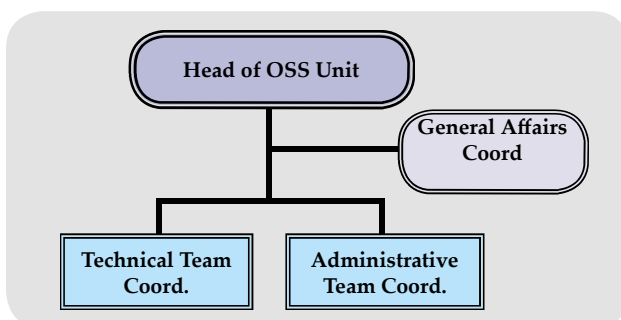
In addition, the absence of personnel management authority in the OSS causes them to have no incentive or disincentive mechanism to improve their employees' performance. The guidelines

Figure 10. Organisational Structure of OSS Unit on Investment before the Regulation



Source: Board of Investment and Promotion DKI Jakarta

Figure 11. Organisational Structure of Administrative City OSS before the Regulation



Source: Administrative City OSS

to give special support funding for the OSS employees has been stipulated in the Minister of Home Affairs Regulation No. 24 Year 2006 Article 13 (2) on the Guidelines on the Implementation of One-Stop Shop Service. The absence of such support funding makes it hard to increase the performance of OSS personnels.

■ **Vague coordination mechanism**

In the Governor Regulation that becomes the basis of the establishment of the OSS, it was stated that an OSS is led by a head who holds a IIIA echelon

status, tasked to coordinate with all the technical offices and units which are involved in the issuance of a specific permit. The head of offices that have the authority in the formulation of SOP on licensing have a II echelon status. The difference in echelon position became a coordination barrier for the OSS unit in their attempt to ensure that the proper servicing of licenses in Jakarta can be done expediently in line with the existing regulations. There has not been a special rules-based mechanism that is implemented as a coordination effort between the OSS unit with the sectoral offices in regard to monitoring and evaluating the licensing service in Jakarta. Coordination done so far is limited to personal approaches made by the OSS head to each respective head of technical local government agencies who have the authority in issuing a specific permit. This happened because there is no binding SOP that can increase the effectiveness of coordination between all related parties in the licensing service. The absence of such specific mechanism on coordination process, which should have been stipulated in a regulation, became an obstacle to expediting the licensing service in Jakarta.

■ No authority in budget management

As a non-structural entity attached to another institution, the OSS does not have their own budget which can be utilised in the implementation of various programmes to enhance the performance of service implementation of licensing or non-licensing. The absence of an operational budget to implement various programmes related to licensing implementation have an effect on the lack of innovation that the OSS should have done to increase efficiency, effectiveness and performance in their licensing service to the public. In addition, the OSS does not have the flexibility to carry out training activities that are needed in order to enhance the human resources capabilities that they have and also to further develop the necessary facilities to hasten the licensing service in Jakarta. This is ironic considering the fact that, as a main gate for public service, the OSS needs a large amount of budget to improve the implementation of licensing service. Currently Jakarta's Regional Revenue and Expenditure Budget (APBD) reaches Rp 50 trillion, but there are none allocated to provide the level of service needed in the provision of such public service as required by Law No. 25 Year 2009 on Public Service.

V.2.2.2. OSS Institutional Form in the Local Regulation on OSS Implementation

Through the Local Regulation on OSS Implementation, the institutional status of the OSS has been elevated into an Agency. Such status elevation also aims to strengthen the performance of OSS as the only institution that provides service for license and non-license in Jakarta.

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The choice of an Agency is in line with Ministry of Home Affairs Regulation No. 20 Year 2008 on the Guidelines of Organisation and Work Structure of OSS Unit. In the Regulation, it was stipulated that

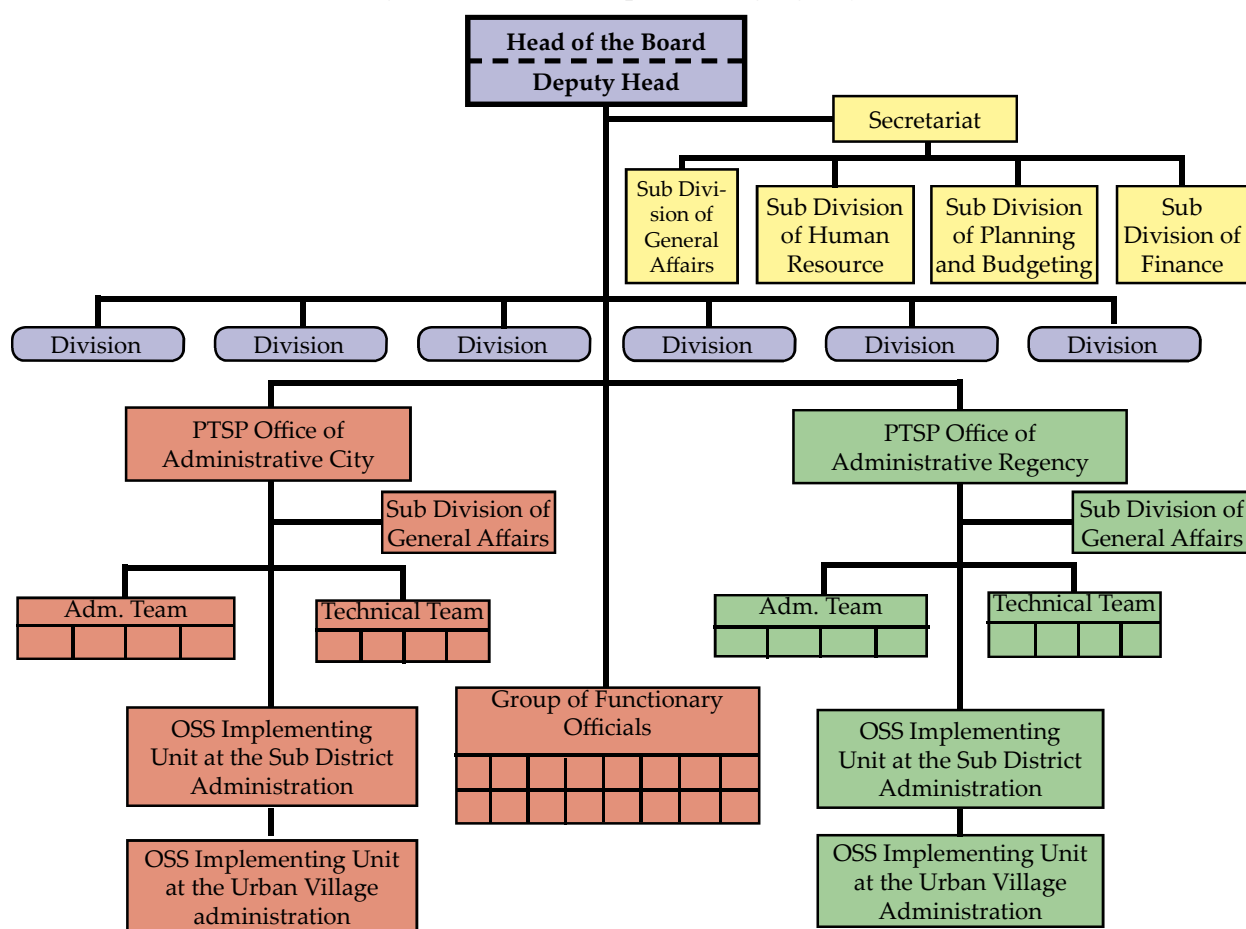
the OSS can take the form of an Agency or an Office.

The institutional form of the OSS as a stand-alone agency is different to that stipulated in Presidential Regulation No. 27 Year 2009 on the One Stop Shop Service on Investment (Investment OSS) and the Head of the Indonesian Investment Coordinating Board (BKPM) Regulation No. 6 Year 2011 on the Implementation, Development and Reporting Procedures of One-Stop Shop Service on Investment which refer to Law No. 25 Year 2007 on Investment. In the regulation it is stated that an OSS on investment is conducted by a Provincial Government Agency in Investment Affairs (Perangkat Daerah Provinsi Bidang Penanaman Modal – PDPPM), where in the context of the Jakarta Province it would be implemented by the DKI Jakarta Board of Investment and Promotion (Badan Promosi dan Penanaman Modal Daerah – BPPMD).

Further analysis in the context of the Jakarta administration, the Governor as the highest authority in the province have the power over all types of license and non-license. If all of those license and non-license authority are given to the BPPMD, whose tasks and responsibilities are not limited to the servicing of license and non-license, then the servicing of those said license and non-license will not be optimized since there are so many numbers of license and non-license that the provincial government issues. Therefore in order to have an institution that is more focused towards the servicing of license and non-license, it is a logical choice to have an OSS unit as a stand-alone agency.

The OSS institutional form as an agency is also intended to place the head of the OSS at the same echelon level as other head of technical offices. With the same level, it is expected that the transfer of authority from the sectoral local government agencies to the OSS will be easier and also facilitate

Figure 12. Organisational Structure of DKI Jakarta OSS Service Board according to Local Regulation on OSS Implementing Agency (PPTSP)



Source : Regulation on OSS Implementation

coordination in the implementation of licensing and non-licensing services between the OSS and other local government agencies.

In the local regulation on OSS Implementation, it was stipulated that the OSS implementing agency is comprised of a provincial level OSS Board (BPTSP), OSS Offices at the Administrative City/Regency levels, and OSS Implementing units at the Sub District level (Satpel Kecamatan) and Urban Village Administration level (Satpel Kelurahan) (Figure 10). Such institutional design created a seamless service unity (instead of a segmented/leveled service) that is connected through an combined, integrated information management system.

The main purpose of such design for OSS institution is to get services closer to the public. With the licensing and non-licensing service provision at Urban Village Administration level, the general public or businessman does not need to travel far to the OSS office at the city/regency level if they need to apply license/non-license. Nevertheless, it is still PPTSPible for applicants to come directly to the OSS Office or BPTSP to request license directly since all levels of OSS have the authority to accept license and non-license application. Consequently, if the

applications accepted does not fall under its authority, then the receiving OSS unit will conduct internal process by sending the application documents to the relevant OSS unit with the authority to process such documents. Therefore this can increase effectivity, efficiency and the quality of service so as to make it easier, faster and cheaper.

Another effort from the provincial government to increase the quality of service for license and non-license is by placing personnels with good public service quality in the OSS. In addition, in order to overcome the many obstacles in the human resources field, the local regulation also stipulated that personnels assigned to the OSS becomes OSS employees. This means that the OSS have the authority to manage those personnels since they are permanent (organic) employees of the OSS. Therefore the OSS can optimally manage their own employees in order to increase the quality of service of license and non-license, including by having various trainings, providing incentives or disincentives and also implementing standard operating procedures for OSS personnel.

The OSS budget management system has also been improved in the regulation. The budget needed to

BOX 5
DKI Jakarta Provincial Regulation on the One Stop Shop Service
Chapter VII Personnel
Article 11

- (1) Personnel assigned to the OSS implementing unit becomes the employee of the OSS implementing unit.
- (2) Personnel assigned to the OSS implementing unit must have expertise in the field of public service.
- (3) Expertise as mentioned in clause (2) includes:
 - a. Knowledge of license and non-license;
 - b. Knowledge in the field of public service;
 - c. Skills in the field of public service; and
 - d. Integrity in public service.
- (4) In order to fulfil the personnel expertise as stipulated in clause (2) and (3), selections and nurturing can be done as required.

BOX 6
DKI Jakarta Provincial Regulation on the One Stop Shop Service
Chapter VIII Budget
Article 12

- (1) The budget needed to implement a one stop service will be provided from Regional Revenue and Expenditure Budget (APBD).
- (2) Revenues from the implementation of OSS will form a part of the region's revenue.
- (3) Payment for fees of license/non-license will be paid through bank and will be transmitted into the account of the Regional Treasury.
- (4) Management of revenues and expenditures as stipulated in clause (1) and (2) will be done in accordance with the prevailing national and local rules and regulation on budgeting.

implement an OSS is independent and no longer attached to another institution. This will bring a good spirit for management of the budget. The OSS implementing unit will have a full authority in managing their budget. And consequently this will promote innovation of many programmes and facilities that the OSS needed to improve efficiency, effectivity and performance in providing service of license and non-license for the public.

V.2.2.3. Implementation Strategy

Getting public service closer to the people is the right purpose for the implementation of integrated license and non-license service down to the Urban Village Administration level. Nevertheless, special attention should be paid to clear delineation of authority in granting license and non-license at the BPTSP (provincial level), OSS Office (City/Regency level), OSS implementing Units of Sub District (Satpel Kecamatan) level and OSS Urban Village Administration (Satpel Kelurahan) level. Should there be no clear delineation, then it may deviate from the original purpose and confuse the general public and business sector in their license and non-license application.

Taking the form of an integrated board (BPTSP), institutionally it has the same standing as an independent local government agency which has flexibility in implementing the tasks and functions of an OSS. The OSS united structure in providing service from the provincial level to the Urban Village Administration level will make it easier for the public in applying for license and non-license; but on the other side if the transfer of authority from the previous OSS implementing unit to the new OSS Agency does not have good preparations and systematic mechanism then it may cause future inefficiency for the new OSS. Moreover implementation of the new OSS will require many personnel and technological support in building an internal coordination mechanism in each OSS unit and coordination with the central government and the public as its direct user.

Several clauses related to the status and function of the OSS in the local regulation are still too general, therefore a more detailed implementing arrangement is needed in regard to the status and function of each OSS implementing unit. Some issues that should be considered in strengthening the institutional design of the OSS are as follows:

1. Clear legal provision regarding the status of the

Sub District Administration and Urban Village Administration, in terms of its function as an implementing unit for license and non-license service (OSS Satpel) as well as its function as a local government apparatus that must perform governing tasks with authority transferred from a

a more detailed implementing arrangement is needed in regard to the status and function of each OSS implementing unit

superior level. In the OSS local regulation (Perda PPTSP) it was stipulated that Sub District and Urban Village Administration Implementing Units (Pelaksana Satpel Kecamatan dan Kelurahan) are local government units who is charged with such service while there has been no clear arrangement in regard to its authority in managing and using personnel, budget, facilities and infrastructure which are needed. Therefore further arrangements which specify the organisational structure of such OSS units are needed, which at a minimum must cover:

- Arrangements regarding tasks and functions of each OSS implementing unit, from BPTSP at the provincial level until the implementing Unit at Urban Village Administration level (Satpel Kelurahan);
- Arrangements regarding the division of tasks and functions of each OSS implementing unit, including licensing and non-licensing tasks that become the authority of each OSS implementing Unit. This should be in line with the license and non-license mapping and transfer which happen at the authority transfer process.

2. Identification of personnel, facilities and infrastructure needed to support the operations of license and non-license service at the OSS. This is done in parallel with the process of transfer of licensing and non-licensing authority, mapping of personnel, facilities and infrastructure needed. With OSS implementing units at the Sub District and the Urban Village Administration levels as the main gateway in OSS service, then the need for personnel and other supporting facilities and infrastructure should be aligned with what is available. It will also determine what level of service quality can be provided initially. Several factors that is needed in order to increase the performance of the OSS in providing prime service are as follows:

- a) **Personnels assigned to the OSS must have the appropriate capabilities in public service**, therefore its provision must be aligned to what is needed by the OSS (the kinds of license and non-license which falls under the OSS authority, its capacity, quantity and

employment status). Such activity can be done in parallel with the authority transfer

Personnels assigned to the OSS must have the appropriate capabilities in public service

process. To anticipate PPTSPible resistance coming from some technical local government agencies (SKPD), then a binding regulation is needed to set the OSS personnel. The Jakarta Provincial Government may arrange this matter by enacting a Governor Regulation on OSS personnel which regulates the following:

- The needs for personnel and the organization structure of the OSS implementing unit;
- Employment status of the OSS. Ideally personnel assigned to the OSS are permanent staff members so that the OSS will have full authority in managing them. Nevertheless, it is necessary to involve sectoral local government agencies especially in regard to technical permits.
- Assignment of personnels must take into consideration their skills and capabilities. For example, someone with administrative qualification can be assigned to the front office while the back office is filled with personnels with technical skills;
- Arrangements for personnel recruitment mechanism. Fulfilling the personnels in the OSS should involve technical local government agencies, especially in regard to technical permits and in consideration of those technical local government agencies to transfer their personnel to the BPTSP (OSS at provincial level). To fulfil the back office and for permits which require particular expertise, DKI Jakarta's BPTSP Board can recruit staffs from sectoral local government offices while for administrative (front office) purposes, it can recruit new personnels;
- Arrangements regarding OSS personnel development, for example through regular trainings and courses.
- Arrangements on rewards and punishments in order to motivate OSS personnels and increase their performance.

- b) **Clarity in budget management and support on facilities and infrastructure.**

A potential budget ambiguity may appear at OSS implementing units at the Sub District and Urban Village Administration levels. Local apparatus at the Sub District and Urban Village Administration levels tasked to become an OSS executive unit actually already have their own responsibilities in addition to providing license and non-license services.

Additional tasks of licensing and non-licensing services to their responsibility may well add

Clarity in budget management and support on facilities and infrastructure

burden in terms of work load and budgeting. Therefore a clear budget mechanism for those OSS implementing units at the Sub District and Urban Village Administration levels is needed so as to avoid overlaps in budgeting authority.

In addition to budget support, adequate facilities and infrastructure will also determine the good performance of an OSS unit. Information technology support is an important factor in increasing the efficiency of license and non-license services. Application of electronic-based OSS licensing and non-licensing services at the Urban Village Administration level to the BPTSP (provincial level) will accelerate the processing of permits with a better and integrated data administration, which also will support information transparency. The public will be at ease in accessing procedures and requirements in permit application, as well as knowing which phase their application for permit are. To ensure a standardised provision of facilities and infrastructure, including technological resources, a Governor Regulation is needed which should arrange, at least the following:

- 1) Arrangements for the facilities and infrastructure that are needed at each OSS implementing unit (BPTSP, OSS Office, and OSS units at Sub District and Urban Village Administration levels). Such facilities and infrastructure need can be adjusted to the type/kinds and scale of permits that becomes the authority at each level and also the volume of service.
- 2) Arrangements for the infrastructure standards of the license and non-license implementing unit in line with their respective tasks and responsibilities;
- 3) Arrangements for a clear budget allocation;
- 4) Arrangements for the provision of an integrated information technology system, which is synergised internally and externally in the licensing and non-licensing services. Internally for all levels of implementing units while externally in relation to the sectoral local government agencies and the general public.
- 5) Arrangements for the authority transfer process and synchronisation of all the systems at each respective sectoral local government agencies into the BPTSP (provincial OSS) system.

VI. CLOSURE

Before the enactment of the local regulation on OSS implementation, the OSS unit at the Provincial as well as the Administrative City levels still play the role as a post office. The OSS does not have the authority to issue license and non-license. The minimum authority has resulted in OSS unit being unable to conduct effective and efficient license and non-license services. Several obstacles faced by the OSS unit are uncertainties in terms of time, cost and procedures in processing license and non-license as well as applicants going directly to technical local government agencies and not through the OSS. To overcome those challenges, local regulation on OSS Implementation has given a wider authority to the OSS. The authority of the OSS in the local regulation is in line with an ideal and holistic OSS, where all services for licensing began, processed and ends at the OSS. This will shorten the bureaucratic licensing chain in Jakarta since the public will not need to visit so many places when they want to apply for various license and non-license.

With the enhancement of status of authority of the OSS, the local regulation on OSS Implementation also stipulates the kinds of permits that are included in the OSS services. The regulation stipulated that all kinds of license and non-license that falls under the authority of the OSS includes all the license and non-license in 26 areas of regional government affairs. Yet ideally the transfer of authority process is done gradually and systematically. This gradual transfer of authority is important to be done since it needs to be well-prepared in order to implement an integrated service. Based on experiences from other regions in Indonesia and in line with a Circular Letter of the Directorate General of Regional Development (Bangda), such gradual transfer of authority has proven to be successful in increasing the quality of license servicing. Several kinds of permits that can be directly transferred to the OSS are basic permits that are the basic requirements in starting a business, business permits and also permits related to the development of prime economic sectors.

After the enactment of the local regulation on OSS, the Jakarta provincial government naturally should establish an appropriate implementation strategy to safeguard the authority transfer process so that it will be effective. The implementation strategy that can be done in regard to the authority aspects is determination of the degree of authority that will be transferred to the OSS, which must be done through a systematic, step-by-step mechanism, identifying needs and mechanism for placement of personnel, facilities and infrastructure which support the gradual authority transfer process, conducting a regulatory analysis on licensing and non-licensing that have been conducting so far in DKI Jakarta, arranging an SOP on licensing and non-licensing, as

well as making guidelines for the transition period and the phases that shall be done.

From an institutional perspective, before the local regulation on OSS Implementation is enacted, the OSS is still a non-structural organisation. Such condition causes several problems, namely the lack of authority in personnel management, vague coordination mechanism and lack of authority in budget management. To response to those challenges, the local regulation on OSS Implementation increases the institutional status of the OSS into a Board. As an independent institution, it will be easier for the OSS implementing units to coordinate with relevant sectoral local government agencies and to manage

their personnel and budget optimally.

Several other items that must be considered in the process to strengthen the institutional design of the OSS are: the need to have a clear, legal base which stipulates the status of the Sub District (Kecamatan) and Urban Village Administration (Kelurahan), whether its function as implementing unit (Satpel) in conducting license and non-license services or as a local government agency having the responsibility of performing government affairs that have been delegated from upper level of Government Administration, and the need to identify personnel, facilities and infrastructure to support the operations in licensing and non-licensing services. ■





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