



Digitalisation is not Enough: Evidence from Indonesian Local Government Innovation Policies

Dzunuwanus Ghulam Manar* and Laila Kholid Alfridaus
Universitas Diponegoro
Semarang, Indonesia
*ghulam@lecturer.undip.ac.id

Abstract. Since Presidential Regulation No.95/2018 regarding Electronic-Based Government known as *Sistem Pemerintahan Berbasis Elektronik* (SPBE) was enacted, many local governments in Indonesia adopted innovation policies based on digital technology to resonate with the policy. Local governments are striving to enhance digital public service innovations and SPBE architecture illustrates how the concept of integrating application digitalization into a single platform should be implemented at the provincial and regency/city levels throughout Indonesia namely Public Service Mal. Using local government-level data from several research activities during the last five years and obtaining primarily data from the interviews and confirmed with secondary data, research shows dynamic development and institutionalization of Public Service Mal. Some local governments are successful on sustaining the innovation, while others stopped in the middle of the road. Research found that key success of innovation policy, including implementation of Public Service Mal, is political leadership. It drives to implementation of sustainable and rationale policy to support existence of Public Service Mal for the whole years.

Keywords: Innovation Policy, Political Leadership, Rational Policy.

1 Introduction

Development of digital technology in the government arena is very impressive as more than 50 years digital (or electronic or information) technologies have progressively entered public administrations and increasingly expanded their involvement in diverse activities and roles [Henman, 2024]. It also has contributed to new forms of interaction between governments and citizens in many countries [Wohlers, 2009]. The adoption of these technologies at local government level has contributed to the emergence of electronic government, or e-government, designed to communicate information, deliver services, and offer additional avenues for citizens to interact with and participate in government that called digital transformation or digital innovation [Danial et al., 2022; Pittaway & Montazemi, 2020].

New digitally enabled public services can make the everyday lives of citizens easier,

Yigitcanlar et al., 2023]. The public sector, particularly local government, is currently immersed in a period of constant transformation and uncertainty to which it must respond with changes to meet the needs of its citizens including transforming how people interact, communicate, and perform tasks [Palos- Sánchez et al., 2023]. Moreover, digitalization and intelligence are developing deeply, profoundly affecting economic development trends and social operation laws that leading the reform of ideological innovation, business process innovation, organisational innovation and information technology innovation [Choi & Xavier, 2021; Lan, 2023].

Within Indonesia context, during the last five years after Presidential Regulation No.95/2018 regarding Electronic-Based Government known as *Sistem Pemerintahan Berbasis Elektronik* (SPBE) was enacted, many local governments in Indonesia adopted innovation policies based on digital technology to resonate with the policy. In Indonesia, as one of developing democratic country in Southeast Asia, digital innovation refers to the process of introducing and implementing new digital technologies that change the way individuals, organizations, and societies operate. It involves not only the development of new technologies, but also new ways of using existing technologies to create new value, improve efficiency, or create better user experiences [Afrilia et al., 2024]. Local governments are striving to enhance digital public service innovations and SPBE architecture illustrates how the concept of integrating application digitalization into a single platform should be implemented at the provincial and regency/city levels throughout Indonesia. Public service government organizations adopt innovation as a strategy to achieve better results and achieve new value along with sustainability [Qiyamullailly et al., 2024a; Asropi, 2020; A. Abdurahman et al., 2024].

These rapid progress of public sector innovation in Indonesia partly are related to democratization in general and more specifically decentralization. It is associated with the development of innovative practices in Indonesia because of bureaucratic reform would like to create a professional government bureaucracy that has characteristics, integrated, high-performance, free and clean from corruption, collusion, and nepotism, able to serve the public, neutral, prosperous, dedicated, and upholds basic values and code of ethics of the state apparatus [Widodo et al., 2022]. More importantly, the innovation is defined as a new way to improve the lives of people in need [Suranto & Darumurti, 2024]. Recent modern public service and public administration reform in Indonesia, known as Public Service Mall was established in 2017 to continue to be responsive to the needs and expectations of the community [Anisyah & Harahap, 2023]. This led to changes in the management of services and improvements to the bureaucracy, particularly at local government level [Yayuk et al., 2021]. Reform and integration of public services are often needed to overcome the problem where people can get better, more affordable, and more efficient services [Nurhayati et al., 2024a]. Minister of State Apparatus Empowerment and Bureaucratic Reform of the Republic of Indonesia (MENPANRB) regulation Number 23 of 2017 enacts the Implementation of Public Service Malls as an effort to improve the quality of public services. In its regulations, Public Service Mall (MPP) is defined as a place of activity for providing

public goods, services or administrative services as the development of integrated service functions in the central government or regional government as well as BUMN/BUMD/Private services to provide fast, easy, affordable, safe and comfortable services. [Fauzi et al., 2023]. The enactment of this law will be a breakthrough and innovation in realizing excellent service by creating a program in the service sector that later know popularly Public Service Mall [Hidayat & Stiawati, 2024]. Moreover, backed up by Presidential Regulation Number 89 of 2021 and the Regulation of the Ministry of State Apparatus Utilization and Bureaucratic Reform Number 92 of 2021 Public Service Malls become key of integration of public services provided by ministries, institutions, provincial and regencies/city governments, BUMN, BUMD, and the private sector in an integrated manner in one place as efforts to improve the speed, convenience, reach, convenience, and security of services [Rejeki & Andari, 2022; Yayuk et al., 2021].

Unfortunately, the development of Public Service Mall (MPP) meets several drawbacks. Some findings confirm about problem occurs along with development of Public Service Mall such as lack of technology, deficit of financial resources, lack of collaboration and transparency among stakeholders, and lack of management support [Wohlers, 2009; Pittaway & Montazemi, 2020; Danial et al., 2022; Cahyati, 2023; Fauzi et al., 2023]. Moreover, bureaucracy style also contributes barriers to the implementation of the innovation due to complex procedures and regulations often inhibit the flexibility and responsiveness needed for change [Qiyamullaily et al., 2024b]. Several problems with public services in Indonesia often hinder the improvement of the service itself, such as the bureaucracy, which is still convoluted, slow, and unable to provide excellent service to the community. Another problem is corruption, where many state administrators still abuse the management of state finances and inadequate infrastructure and the lack of a state budget for its development and maintenance [Rahayu et al., 2023]. Even worse, Standard Operating Procedures (SOP) for macro MPP service mechanisms are not yet available [Nurhayati et al., 2024b]. These led to situation that hindering optimalization of using technology for the sake of the people since the system is collapse and failed to perform [Napitupulu et al., 2018]. It also creates a "digital divide" that prevents some population groups from fully utilizing digital services and exacerbates already-existing social inequities [Fadillah et al., 2024; Listanto et al., 2023]. There are large number of reports or complaints received from the general population, either directly or via social media [Nahrudin & Suardi, 2021]. Therefore the service system is still based on traditional structured and rigid [Anisyah & Harahap, 2023]. More importantly it raises question on how managing public service innovation namely Public Service Mal to be survive as the local government innovation program?

2 Research Method

We gather local government-level data from several research activities during the last five years to cover the failure and success of local government innovation policy, particularly on digitalization. Data were obtained primarily from the interviews and confirmed with secondary data such as the local government policy, innovation index, and public response.

3 Findings and discussion

Democracy is an eternal ‘work in progress’. Recent OECD data and analysis sheds a stark light on challenges currently facing democracies around the world including: the crisis of citizens’ trust in government; the pernicious effects of mis- and disinformation; increased polarization and the rise of social conflict; growing pressures on civic space; the corrosive effects of corruption and lack of integrity; as well as the realities of foreign interference [OECD, 2024]. It also contains some of the most extreme diversity in political institutions to be found anywhere on earth: ranging from newly emerging democracies in Indonesia and the Philippines, episodic military rule in Thailand, a communist regime in Vietnam, and Singapore’s one-party-dominant technocracy. In Indonesia, which transitioned to democracy following Suharto’s resignation in 1998, political liberalisation has been jolted by ethnic and sectarian conflict, rampant low-level clientelism, and more recent concerns over freedom of expression, yet the broader social background is one in which the country has recovered firmly from the East Asian financial crisis and experienced two strong decades of economic growth – raising living standards for rich and poor alike [Collins, 2020].

Digital technologies are creating challenges and opportunities for established and new democracies. The past decade has seen a surprising and disturbing shift from optimism to pessimism in assessing the impact of digitization on democracy. [Porter & Tan, 2023]. However, there are positive and negative sides to the study of democracy in the digital era. The positive aspects make it easier for people to express their aspirations, form groups, protest policies, control policies put forward by governments, and so on. From this perspective, democratic countries are becoming more democratic because virtual spaces and internet access can provide opportunities for users to express their opinions and also communicating with and keeping the general public informed [Berg & Hofmann, 2021; Steinicke & Witt, 2021]. On the other hand, several negatives impact still occurs, particularly lack of feedback from people regarding services provided by the government [Nurhayati et al., 2024b]. The services are innovated with cutting edge technology, but it seems did not accommodate channel for complaint, suggest, and discussion with the people regarding the service. Therefore, there is no improvement of feedback, discussion, and personal contact between officials and citizens. Whereas it is very important to organize all of these as a manifestation of democratic governance [Yin, 1976]. Operational of digital innovation in public service mall has not provided real space for the people to be involved in government affairs in the democratic governance [Kumagai & Iorio, 2018; Gigler & Bailur, 2014; Islam et al., 2023]. In fact, Indonesia as a developing democratic country should start to fight for and pay serious attention to this [Kusnandar, 2019; [Indiahono, 2021]. Instead of being a substantive digital innovation, public service malls do not provide adequate communication space for local governments and their people. This can be proven by the availability of personal contacts, but it is difficult for the public to access and know their activities. Apart from technical problems, substantively, public service malls have not been able to become an effective tool in democratic governance, namely as a discussion space between the government and its people. It is important for digital innovation creates citizen deliberation, allows residents to discuss and decide on specific issues that have been placed on the local policy agenda and participate in any channel

available provided by the government [Oliveira & Ckagnazaroff, 2022 ;Wohlers, 2009 ; Datta et al., 2020].

The shortcomings that occurred were not without reason. Several Public Service Malls that had been inaugurated several years earlier did not improve services, both in terms of technology and human resources. In fact, when there was a change in the leadership of regional heads or heads of regional government organizations, the policies that had been made in order to pioneer and build Public Service Malls could not immediately be continued. This certainly had an impact on the operation of Public Service Malls which were disrupted, or even completely ineffective. As a relatively new policy, the digital innovation of public services in the form of Public Service Malls does not provide detailed guidance related to the technical aspects of organizing and institutionalizing Public Service Malls.

This problem leads to the institutionalization of policy and budget management that supports the operational implementation of Public Service Malls for one year. When the establishment and operation of Public Service Malls are solely to meet the demands of the Government and are related to institutional incentives for the government and local governments, it is certain that the sustainability of Public Service Malls will not run well. In fact, the momentum of establishing Public Service Malls is a very good momentum to redefine the spirit of public service that is relevant to the principles of good governance. Public service malls provide space for innovation and the creation of new ideas that can be carried out by local governments. In fact, the essence of innovation can be created and developed well when it meets the expectations and developments of the needs of the community. That means that local government bureaucracy is required to be observant in reading innovation opportunities to empower Public Service Malls as a continuation of the innovation that has been pioneered and outlined by the government.

In this context, local governments have the freedom to improvise regarding services and support that strengthen the existence of Public Service Malls. In Surabaya City and Banyuwangi Regency as the example, 2 local governments that had the initiative to build the first Public Service Mall in 2017 and became a pilot Public Service Mall throughout Indonesia, the process of institutionalization and development of innovation for Public Service Malls is carried out continuously and sustainably. For example, with digitalization. Although in the Banyuwangi Regency Government the Digital Public Service Mall will only officially be in effect in 2023, for the Surabaya City Government the digitalization of Public Service Malls has begun since 2020 along with the emergence of the Covid 19 Pandemic. The digitalization efforts carried out on Public Service Malls make it easier for the community to access Surabaya City government services from anywhere using internet access. Services that require physical presence are related to taking photos or submitting important documents for licensing services.

Moreover, the Surabaya City Public Service Mall also provides comprehensive investment assistance in Surabaya City since the applicant first comes to the Surabaya City Public Service Mall, Jalan Siola. Applicants will be assisted regarding Surabaya City licensing up to the application for the issuance of a Business License Number

(NIB) which is the domain of the government's BKPM in Jakarta. All of these services are free of charge and are fully supported by the Surabaya City Budget. In this context, Mayor Ery Cahyadi continues and develops the pioneering work that has been carried out well by the previous Mayor of Surabaya, Tri Rismaharini. Even in some parts there are touches of additional and innovative development so that the services provided at the Surabaya City Public Service Mall are more optimal. This, in addition to being related to experience and cadreship, is also related to sustainable budget policies, even being improved to serve the needs of the Surabaya City Community. Even occasionally, coordination and visits by Mayor Eri Cahyadi to ensure that services are well received by the Community are carried out spontaneously.

The relatively same thing happened to the Banyuwangi Regency Government. Regent Ipuk Fiestiandari, who is the wife of Abdullah Azwar Anas, Banyuwangi Regent 2010-2020 and the founder of Banyuwangi innovation, including the Public Service Mall, continued and improved the capacity and services of the Banyuwangi Regency Public Service Mall. Even the outreach program with the Bunga Desa service has brought the district government services closer to the community living in rural areas due to limited internet access related to challenging geographical and topographical conditions. Regarding the operational budget of the Public Service Mall, it is also a concern for the regent to continue to be improved as something related to services to the community.

4 Conclusion

From the examples above, at least we can draw a significant point about the important role of political leadership is to utilize existing policy resources. The operation and existence of the Public Service Mall as the spearhead of regional government services after the birth of the SPBE policy and the Technical Instructions for Public Service Malls from the Ministry of State Apparatus Empowerment need to be supported by the capacity of regional government policies. This is also related to the resources needed for the operation of the Public Service Mall, such as the budget and human resources that operate the Public Service Mall. Without adequate support, it is impossible for the Public Service Mall to run and function properly. The role of political leadership of regional heads is very important to ensure that the innovation policy in the form of the Public Service Mall continues to run throughout the year. If this can run well, then it is certain that the governance of the Public Service Mall can overcome operational and non-technical obstacles that cause this very good and public-beneficial innovation not to run.

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