

PROCEEDINGS A4 – PFM CONFERENCE

PUBLIC REFORM FOR GOOD GOVERNMENT GOVERNANCE

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PASCASARJANA UPN VETERAN JAWA TIMUR

(University of Pembangunan Nasional Veteran of East Java)

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PUBLIC REFORM FOR GOOD GOVERNMENT GOVERNANCE

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Dr. Indrawati Yuhertiana, MM.,Ak.
University of Pembangunan Nasional “Veteran” JawaTimur
On the Occasion of the Opening Ceremony for
A4PFM International Conference 2012”
13-14 November 2012
Post Graduate Building, UPN “Veteran” JawaTimur, Surabaya, Indonesia

Distinguished Guests, Distinguished Participants, Ladies and Gentlemen,

First of all, we would like to express our appreciation and gratitude to all participants who have joined in our International Conference on “The Asia-America-Africa-Australia Public Finance Management Conference”.

For the time being, University of Pembangunan Nasional “Veteran” JawaTimur has always have high concern in supporting any researches , especially in public finance management sector. This event has been our interest not only to provide time and space for any academicians, researchers, practitioners, but also to anyone who are interested in discussing, sharing, and deliberating their thoughts, issues, and best practices .

We are so helpful with many sides who have been the pioneer in making this conference happened. This masterpiece of research may not be possible without the contribution of them that cannot be mentioned all. We hope this conference can be a beneficial and meaningful part to inform and publish any excellent reports in public finance sectors not only in local area but international one.

Thank you very much for your coming to Indonesia, especially in Surabaya.

Welcome Greeting From Rector Of UPN East Java

Prof. Dr.Ir. Teguh Soedarto, MP

The Rector of University of Pembangunan Nasional “Veteran” East Java
On the Occasion of the Opening Ceremony for
“ A4PFM International Conference 2012”
13-14 November 2012
Post Graduate Building, UPN “Veteran” East Java, Surabaya, Indonesia

Distinguished Guests, Minister of Research and Technology, Bapak Prof. Mardiasmo, Keynote Speakers, Distinguished Participants

Ladies and Gentlemen,

AssalamualaikumWr.Wb.

It is a great honor to welcome all participants today to this International Conference on “The Asia-America-Africa-Australia Public Finance Management Conference”.

We believe that your presence will bring positive energy in order to facilitate and encourage the development of its implementation not only in the local system but also in international one. Furthermore, we will understand how it can react to any further changes. These changes, or reformation, can support the effectiveness and strategy of good practice in public finance management work. Constantly, we do understand that in performing a good practice in public sector, we must consolidate and find ourselves in a form of a well-functioning system. By then, we can achieve greater contribution that can mean a lot to a better public finance management.

Now, allow me once again give a warm welcome to all of you as a part of University of Pembangunan Nasional “Veteran” JawaTimurbig family. I wish all of you success in meeting the objectives.

Thank You. WassalamualaikumWr.Wb.

Rector of University of UPN Veteran East Java
Prof. Dr. Teguh Soedarto, MP

Opening Address

Prof. Mardiasmo, Ak., MBA., PhD.
Chairman of Financial and Development Supervisory Agency (BPKP)
Chairman of The Indonesian Institute of Accountants

Bismillahirrahmanirrahiim,
Assalamualaikum warahmatullahi wabarakatuh,
Good morning, my best wishes for all of us.

Your Excellencies, Ladies and Gentlemen, participants of the Public Finance Management Conference.

Alhamdulillah, first of all, praise God Almighty, as His approval that we can still gather in this place in a healthy state *wal afiat*, for attending conference that will take place during these two days forward.

Ladies and Gentlemen,

We could never separate changes from our world, because we have considered it as a certainty. All aspects of life will change, either in a positive or negative connotation. The same thing happened in the field of financial management, the domain field of most participants present here at this moment. In fact, it is considered to be among the most rapid changes, concomitant with the development of financial instruments and transactions. These changes affect a vast area, both in the private and public sectors. One example of the changes in the private sector is the convergency of accounting and reporting standards with the implementation of International Financial Reporting Standards (IFRS). This convergency requires an adjustment to the accounting standards applicable in various countries. Another example is the various developments in the financial industry, either in the capital markets, banking, and other financial institutions. The development is characterized by a range of new regulations governing procedures for the management, supervision, and establishment of instruments needed to support the business processes within the finance industry.

Likewise, is in the aspects of financial management in the public sector. I am convinced that these changes occurred in almost any country. The range in this area is much more extensive than private sector because it is related to the interests of people in the country, so it will make the possibility for creating more complex dynamics in the implementation. Increasingly critical public demand on transparency and accountability of public funds is a major factor in pushing improvement and perfection of public sector financial management. Indonesia, for example, has conducted various forms of reformation of the public finance management system as part of the holistic reformation process of the state system. The important milestone of this reformation was marked by the publication of legislation package governing the state financial management in 2003 and 2004, which comprises of Act No. 17 of 2003 on State Finance; Act No. 1 of 2004 on State Treasury, and Act No. 15 of 2005 on the Audit of the Management and Responsibility of State Financial. The provisions contained in the state financial legislation package has been set out in its subordinate implementation regulations bearing various new standards or systems, such as government accounting standards, systems in the planning, budgeting and management of state revenue and expenditure, as well as the government internal control system. These ongoing reformation processes of course do not stop at that certain point, but I think it will keep on evolving in terms of every development taking place.

Distinguished Ladies and Gentlemen.

Within the scope of the institution, whether it is a state or an organization, in fact any changes should always be followed by new perspectives and new working procedures. Or in other words, an institution will succeed in adapting to its environment changes by doing innovation continually. But keep in mind that the development of innovation should resolve the problems and needs of the related environment. I believe that such innovation arises from research and development (R&D) activities, because research is a process to encompass and analyze a

problem in a systematic and objective manner for the advancement of science, while development is a process to improve the functions, benefits and applications of science that resolve the problems and fulfill the user's need. Reflecting on the experience of many well-developed countries, we can see that the driving force of their innovation process is based on research and development activities.

In relation with this conference held today, where there will be dissemination of various research results, I believe that innovation and reformation in concept and practice of financial management in public sector should ideally also derived from qualified results of research and development. Research is expected to capture all phenomenon and emerging issues that influence the public sector financial management. Then they are analyzed systematically and objectively and become a concept that explain the phenomenon. The next step is to integrate the concepts into existing system or become foundation of a new system, and finally being implemented in the public sector policy. Thus, the concepts borned from this research become a foundation of providing assurance that any policies taken or systems developed were based on an adequate scientific framework and receive public legitimation. If this process is well maintained, I believe that the role of researchers and research institutions will become increasingly important as backbone of transformation and reformation process of a nation.

In my opinion, what I've described previously represent expectation of stakeholders of public sector researchers. This challenge should be answered by researchers by resulting qualified and applicable research, which means that it should be a link and match between the needs of the stakeholders and the results of the research. Therefore, researchers should have a strong analytical skill in capturing and exploring issues related to public sector policy. Thus, it's expected that there is no gap between research conducted and stakeholders needs. However, among high stakeholders expectations, we realize that there are some limitations faced by public sector researchers, such as limited number of researchers, funds constraint, and low incentives. Obviously, it should be a concern of all related party in developing various aspects of public sector research.

Ladies and Gentlemen,

Today, we are attending a conference themes "*Public Reform for Good Government Governance*". Let this theme gives a message to all of us, that the wish for reform has become a collective consciousness of every nation. Spreading reformation spirit in public sector is our effort to create and maintain the upright of clean government and good governance principles, which is universally admitted to be foundation in creating service excellent for the society. This will establish a logical relationship framework that good governance is the source of gaining public trust, because the society satisfaction to the service served by government will increase public trust. Some events in various countries have taught us that a regime will collapse when the government failed to create and maintain such good governance.

Generally speaking, public sector cannot be separated from the role of bureaucracy as the main component in government execution. Recognizing the important of the role of bureaucracy, Indonesia has initiated the reform process of the state officials in 2006. In fact in its early stages, bureaucratic reform was carried out in institutions related to financial management, namely the Ministry of Finance and the State Supreme Audit Board (BPK). This shows that the Indonesian government's view on the state financial management reform is its key priority. For state officials, the bureaucracy reform is a fundamental change in the paradigm and governance of the Indonesian government.

All elements of the bureaucracy are strongly encouraged to carry out this reform agenda as to achieve the expected objectives, such as:

- to minimize and eventually eliminate any abuse of public power by officials and public servants;
- realizing a state with the *most-improved bureaucracy*;
- improving the quality of public services;
- improving the quality of formulation and implementation of government's policies/programs;
- increasing efficiency (cost and time) in implementing all aspects of organizational tasks;
- developing an anticipatory, proactive and effective Indonesian bureaucracy in dealing with globalization and dynamics changes of strategic environment.

To achieve these objectives, it was determined that the target area of changes for the bureaucracy reforms covers all aspects of government management, that are the organization, governance, legislation, human resource personnel, oversight, accountability, public services, as well as the mind set and culture set.

Due to the relatively large bureaucratic organizations of the republic, the bureaucracy reform will come into contact with thousand processes of inter-functions of the government, involving millions of employees, and require a large amount of budgets. Besides, the bureaucratic reforms also need to restructure the governance management process from its highest to lowest level, and to make a gradual breakthrough steps, concrete, realistic, sincere, out-of the-box thinking, and accompanied by changes of paradigm. Therefore, the reform process will perform by conducting revision and establishing various regulations, modernizing various policies and practices governing the management of the central and local governments, as well as adjusting the task functions of government agencies with a new paradigm and roles.

It is certainly not an easy thing to carry out this process, but with a strong commitment from all parties involved, the expectation from the reforms implementation can surely be realized.

Distinguished Ladies and Gentlemen,

That is an overview of reforms implementation in Indonesia, particularly in the public sector, that is on-going and will still continue to the future. I am sure that there are many success stories on the reforms implementation in other parts of the world, with a variety of models in accordance with its inherent characteristics and uniqueness of each country. That is why I truly appreciate the convening of this conference, which was attended by researchers and observers from various countries, as a forum to exchange ideas and sharing knowledge on various issues related to the reform of public sector management, particularly the financial public sector.

We will, of course, in this event obtain information on current and contemporary issues concerning the public sector reform development of each country, along with the responding concepts of such issues.

The presence of researchers from four continents, namely Asia, America, Africa and Australia will present various ideas from their researchs that will certainly enrich the insights of all conference attendance. In addition, it would be possible that the concept applied to a country will be an applicable benchmark to other countries. This shall be the value of this conference and became a valuable "souvenir" for each participant to take along to their respective countries.

Distinguished Ladies and Gentlemen,

And thus, that the matters I can convey. I look forward that the conference can proceed smoothly, so as to bring great benefits for all of us.

By saying Bismillahirrahmanirrahim, I declare the public financial management conference officially opened...

Thank you, Wassalamualaikum Warahmatullahi Wabarakatuh

Surabaya, November 13, 2012

Head of BPKP

Signed

Mardiasmo

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