

REVIEW OF ONE STOP SHOPS IN INDONESIA

**A STUDY ON ONE STOP SHOPS' LEGAL STATUS AND AUTHORITY,
PERFORMANCE, IMPACT ON BUSINESS ENVIRONMENT,
AND ASSESSMENT OF EXTERNAL SUPPORT**

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CENTER FOR DEVELOPMENT STUDIES,
BOGOR AGRICULTURAL UNIVERSITY, BOGOR**

EXECUTIVE SUMMARY

INTRODUCTION

PENSA of the World Bank Group, in association with the Center for Development Study, Bogor Agricultural University (PSP-IPB), conducted an evaluation study of One Stop Shops (OSSs) in five regions of five different provinces in Indonesia. The main objective was to evaluate the performance of OSSs in given regions in providing services to business people. The scope of the study included reviewing the internal institution of OSS, analyzing its performance and impact on the business environment, and assessing the benefits of having a support from external parties.

The study was carried out from the end of April through the end of May 2004 in Sragen of Central Java, Malang of East Java, Gianyar of Bali, Pontianak of West Kalimantan, and Pare-Pare of South Sulawesi. The study methodology included a survey method using questionnaires, and participative method using in-depth interview, observations and focused group discussions.

FINDINGS

The following are the findings of the performance evaluation of OSS.

Internal Institution

The One Stop Shops (OSSs) in five evaluated regions operate under different status ranging from *unit* status, *office* status, and *dinas* status (table 1.1). The legal forms determining the main duties and functions of the service institutions differ from each other, some are based on Local Regulation (PERDA), while others are governed by Decrees of Head of District or City. Even though the status of Malang's OSS is of *dinas* level, its authority is still limited, providing only eight types of license/permit. Consequently, the licensing services offered are not automatically more effective under higher status.

The services offered by the reviewed OSSs include licensing and non-licensing services, except the services offered by Pontianak's OSS which are licensing services only. Regarding the number of services, OSS in Sragen offers the most kind of services. It offers 28 services, 18 of them are licensing services and 10 of them are non-licensing services.

On average, OSS in Gianyar takes that shortest time in granting licenses (5.8 days) while OSS in Pontianak takes the longest time in granting licenses (10.1 days).

Table 1.1. A Comparative Analysis Among Five Reviewed OSS

ASPECTS	SRAGEN	MALANG	GIANYAR	PONTIANAK	PARE-PARE
a. Legal Status	Office (Kantor)	Dinas	Office (Kantor)	Office (Kantor)	Unit
b. Legal Forms	Local Regulation (PERDA)17/2002 and Local Regulation 15/2003	A Decision of Head of City (SK Walikota) 19/2001	A Decree of Head of the Region (SK Bupati) 759/1994, 1968/1996, and Local Regulation 4/2001	A Decree of Head of City (SK Walikota) 16/1999 and Local regulation 7/2002	A Decree of Head of City (SK Walikota) 102/2001
c. Authority	Full authority and coordination with regulating institutions (dinas)	Full authority and coordination with regulating institutions (dinas)	Coordination with regulating institutions	Coordination with regulating institutions	Coordination with regulating institutions
d. Structure of organization	One Stop Service Office (KPT) since 2003	Licensing Service (Dinas Perijinan) since 2001.	One Stop Service Office (KUPT) since 2001	One Stop Licensing Service Office (KUPT) since 2002	One Stop Service Unit (SINTAP) since 2002
e. Types of services	Licensing and Non-Licensing	Licensing and non-licensing.	Licensing and Non-licensing	Licensing	Licensing and non-licensing
- Number of license	18	7	9	8	9
- Number of non-license	10	2	7	-	3
f. Average time taken for licensing application	6.5	9.5	5.8	10.1	6.3

Source: Primary Data

The Performance of OSS

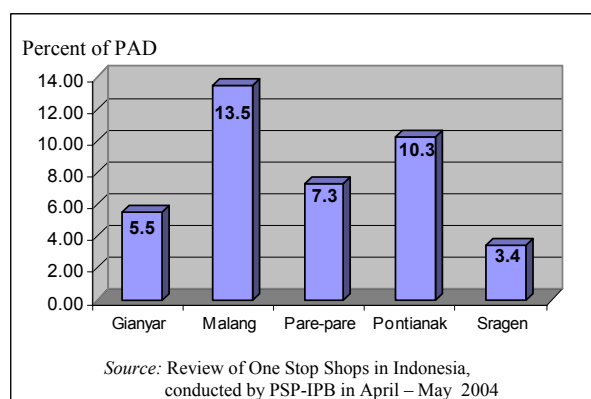
The amount of licensing services provided by the evaluated OSSs showed an increasing trend from year to year in four regions. From 2001 to 2003, there was a considerable increase in number of services provided in Gianyar, Pontianak, Pare-Pare and Sragen. In fact, the increase rate per year in Sragen reached 47.53%. Contrarily, during the same period, the licensing services in Malang decreased. Lack of socialization from the related institution as well as low awareness of business formalization among business people are considered to be the factors contributing to the decrease of services provided.

A Sign Display Permit is the most requested licenses in Gianyar, Malang, Pare-pare and Sragen. A Business Location Permit/No-disturbance License (SITU/HO) is the most requested licenses in Pontianak. The second most requested license varies among the regions; Company Registration (TDP) in Sragen; Vehicle Operation License (*Jjin Trayek*) in Malang; Advertisement Permit (*Ijin Reklame*) in Pontianak; and Business Location Permit /No-Disturbance License (SITU/HO) in Gianyar and Pare-Pare.

While functioning as an institution providing services to community, in some regions OSS is also required to generate local government revenue (*Pendapatan Asli Daerah* or PAD). The reason behind OSS establishment is not to generate revenue, but increasing of OSS' services to business people is expected to accelerate the process of business formalization in which will increase PAD.

The study also found that each OSS averagely contributed about 8.0% of PAD of its region (see chart 1.1). The figures generally exceeded the target set by respective local governments. Among the studied OSSs, the OSS in Malang is the highest contributor to its region's PAD (13.51%). This is not surprising because Malang's local economy is based significantly on trade and services. Meanwhile, the OSS that contributes least to its region's PAD is the OSS in Sragen. This is mainly due to the policy of

Chart 1.1. OSS' Contribution to PAD in Five Regions



Sragen's local government that an OSS is not established primarily to be a source of revenue, but to encourage business environment development which will bring about higher PAD in the end.

Giving a significant share to local revenue, the existence of OSS in evaluated regions has also facilitated licensing applications. Previously, when applying for 'extending' licenses or *ijin berlanjut* (type of licenses, when applied, needed certain licenses to be enclosed as requirements), business people had to visit several regulating agencies. Now, they only have to go to an OSS to apply for the license. Therefore, inevitably, OSS has improved the efficiency of business licensing.

Efficiency in Services

In general, five OSSs under the review are progressively moving toward providing prime services to customers. A well-performing OSS is capable to minimize both time and cost associated with issuing licenses. However, the existence of OSS does not necessarily reduce the customers total cost as they tend to employ a broker to process the license. It is not uncommon that a broker fee is higher than the licensing fee itself.

Table 1.2. A Comparison of Efficiency Level Among 5 OSSs

Region	Number of Staffs	Number of Services	Total Operational Cost ('000 Rp.)	Cost per Service (Rp./unit)	Total Revenue ('000 Rp.)	Revenue per Service (Rp./unit)	Number of Services per Staffs	Revenue per staffs ('000Rp.)	Revenue per Business License (Rp./Unit)
Sragen	29	42,514	427,727	10,062	1,402,209	32,983	1,466	48,352	189,057
Malang	62	18,329	926,377	50,542	5,684,226	310,122	296	91,681	368,181
Gianyar	33	170,412	479,804	2,816	1,987,856	11,665	5,164	60,238	1,887,722
Pontianak	25	7,178	358,468	49,933	5,126,147	714,147	287	205,045	714,148
Pare-Pare	20	11,871	27,825	23,440	1,120,005	94,348	594	56,000	390,921

Source: Primary Data

Conducive Business Environment

The efficiency of OSS in granting business licenses, permits and approvals plays an important role in creating conducive business environment and increasing business formalization in each region. At the same time, the length of OSS existence in the region does not play the same role. In addition, a conducive business environment is enhanced by local economic development and the implementation of relevant policies by local governments. Those policies include investment policy and capital accessibility for businesses policy.

To operate and develop a business, Small-and-Medium sized Enterprises (SMEs) need to acquire a variety of licenses, permits and approvals issued by OSS and relevant regulating agencies or *dinas*. As a licensing service institution, OSS has facilitated SMEs' access to business formalization. Nonetheless, one of the downsides of OSS is the time taken to process a license which many times exceeds the target. In addition, most of businesses stated that they spent unofficial extra fees relatively high to speed up the licensing process. (A research conducted by KPPOD in 2003 also indicated that the unofficial extra cost reached up to 60.62% of total cost.)

To date, the number of SMEs possessing business licenses is still relatively low, only 20% of total SMEs.

The Benefits of External Support

The external support/assistance for OSS development has shown significant positive impacts especially in encouraging local governments to streamline licensing process in their regions. The outstanding results of the given assistance are (1) the status of OSS Sragen has changed from *unit* level to *office* level, and the same development will take place shortly in Pare-Pare, (2) the introduction of online services using LAN, (3) an increase in the socialization of OSS, and (4) a commitment of OSS to standardize licensing process with ISO 9001 (see table 1.3).

In addition, the role of external support towards capacity building through the development of human resources and service system has resulted in OSSs' better performance.

Table 1.3. Forms of Human Resources Development Assistance Given by External Institutions.

Regencies/ City	External Facilitator	Forms of Assistance
Sragen	ADB (PT. Superintending Company of Indonesia (Sucofindo) acts as a consultant)	1) Management Training for the staffs 2) Transfer Knowledge of Multimedia 3) Quality Management Training 4) Facilitating internship and comparative study in private companies 5) ISO 9001 Certification (Plan)
Pontianak	UMA and CLG1	1) Delivering information and consultation about streamlining the services 2) Measuring the performance of licensing services
Pare-Pare	ADB (PT. Superintending Company of Indonesia and Microsoft act as consultant.)	1) Comparative study to Sidoarjo Service of Investment and Licensing (<i>Dinas Penanaman Modal Perijinan Sidoarjo</i>) 2) ISO 9001 (Plan) 3) Management Training for Staffs 4) Computer and E-Govt Training for Staffs 5) Planning to improve the quality of the institution's software by bringing in Microsoft from Surabaya

Source: Primary Data

Of all the internal and external factors that can improve good performance of OSS, the most important one is the commitment shown by the *Regent*. If the *regent*, as an executive, supported by legislative elements, is highly committed to streamline the licensing system in his region, he should delegate the authority of processing, signing, and issuing licenses to the licensing institution, in spite of its status which is still at the level of *unit* or *office*, as already practiced in Sragen and will be practiced shortly in Pare-Pare.

CONCLUSIONS

The review study found that the OSSs in five regions deliver licensing services with good performance, even though there are still some weaknesses. Also, in several regions, OSSs have given a positive impact on business environment especially for SMEs. In addition, OSSs in given regions have made a significant contribution to their local revenue and have improved the licensing process efficiency. The assistance given by external institutions has increased capacity, efficiency and performance of the OSSs.

RECOMMENDATIONS

The following are the recommendations for improving the performance of OSS.

1. Encouraging the head of Regency to commit to the development of OSS in their regions. The head of Regency can support OSS development by delegating authority to the head of the OSS to process and issue license, and by upgrading the status of the OSS, for example, from 'unit' level to 'office' level.
2. Improving facilities of OSSs to increase the efficiency and effectiveness of services by providing telephone/facsimile, photocopier, computers, LAN system, comfortable working station and other appropriate facilities.
3. Focusing on human resource development to give a prime service as well as conducting a comparative study and initiating internship programs for the staffs to learn about other regions to broaden their knowledge.
4. Apart from the knowledge mentioned in point 3, the staffs also need to understand basic macro economy knowledge. An OSS equipped with staffs who have basic macro economic knowledge will create a conducive business environment and thus attract investment to the regions.
5. Improving socialization activity and education campaign to introduce OSS to public. This can be done through local media.
6. Conducting workshop about licensing institutions to promote similar vision and mission among the relevant regulating institutions and facilitate coordination among them.
7. Implementing transparent standard procedures in licensing process in terms of cost, time, and licensing application procedure by providing complete information in a brochure, a leaflet, or an information board at the OSS.
8. Socializing the transparency of licensing process as well as requirements, procedures, and costs of the process.

Apart from the general recommendations, specific recommendations for each region are also provided as follows:

1. Sragen (*KPT Kabupaten Sragen*)

- Delegating some authority to sub-districts (*kecamatan*) to be able to process licenses for small company in order to minimize time and cost spent by customers who live far from the KPT. Therefore, sub-districts office need to improve their performance to attract businesses to process business licenses at their offices.
- The service area of KPT Sragen covers 91 km² comprising of 20 sub-districts. Because of the wide geographical area, only sub-districts inside the city have access to intensive services from KPT. Therefore, establishing more OSSs based on the service locations needs to be considered.

2. Malang (*Dinas Perijinan Kota Malang*)

- Malang Licensing Service needs to improve its performance in terms of socialization, transparency, and application simplicity. Apart from those, it is expected that in the future licensing applications which are currently processed at the regulating agencies can be transferred to Malang Licensing Service (*Dinas Perijinan*). This needs a full support from the mayor of the city.
- Malang Licensing Service needs improvements in many aspects such as policy, time taken to process a license, cost, procedure, and a mechanism of license applications.
- Based on its status as '*dinas*,' this licensing institution should provide comprehensive services.

3. Gianyar (*KP2T Kabupaten Gianyar*)

- To increase business formalization in Gianyar, this institution needs to increase licensing socialization, for example, by approaching targets such as business clusters or SMEs associations.
- KP2T's policy to take voluntary money contribution from the client, instead of imposing a fixed rate for each services, needs to be reviewed. Even though it is governed by Regional Regulation (PERDA) as the client are uncertain about how much to contribute.

4. Pontianak (*KPT Kota Pontianak*)

- In general, the cost and time taken to process licenses exceed the regulation, therefore, people still believe that "the more we pay, the quicker we get the license." The KPT should create better understanding among public.
- This institution also needs to improve the quality of its human resources as well as increasing coordination among the regulating agencies.

Given are few recommendations and comments from the clients about the licensing system desired;

- a) The government should publish transparent licensing application requirements and fee. Besides, local government, as a licensing authority, needs to find out whether businesses in the area makes progress to apply for license or declines as a feedback for further development.
- b) Application process should be quicker and cheaper by depending on the contribution.
- c) In general, the respondents in Pontianak stated that the licensing system is good enough, however, the quality of the staffs needs to be improved.

5. Pare-pare (UPT Kota Pare-pare)

- Simplifying requirements and procedure for licensing application. For example, a letter of recommendation from the head of village (*lurah*) or sub-district (*camat*) required for applying a Business Location Permit/a No-Disturbance License (SITU/HO), a General Business License (SIUP), a Building Construction Permit IMB), etc. should be replaced by a letter of notification instead.
- Reducing the cost to help the clients meet all the requirements needed for licensing application. This, however, is beyond the authority of the UPT since licensing regulations and requirements are related to the head of village (*kelurahan*) and sub-district (*kecamatan*).
- 80% of respondents in the survey stated that UPT Pare-pare lacks of socialization. Therefore, the socialization should be increased through *kelurahan* and administrative unit. The socialization can be done using a brochure, newspapers, local radio, sticker, religious preach, and etc.

To achieve all suggested in the recommendations, OSS that are not functioning well need to be assisted to increase their performance.

Table 1.4. A Summary of the Factors Affect the Performance of Evaluated OSS

Factor	Factors support the effectiveness of OSS	Factors hamper the effectiveness of OSS	Solutions	Recommendation	Action Plans
Internal	The status of OSS (office/ <i>dinas</i>) level	Limited Authority	Arranging for internal delegation system.	Reviewing the legal forms of each OSS and its main duties and functions	A study on OSS' legal forms and main duties and functions.
	Full authority	The process of delegating duties and authority does not run smoothly.	Improving OSS' authority to process business licenses.	Increasing OSS's authority.	Assisting local governments and OSS to improve the licensing institutions.
		Difficult accessibility; the location of UPT/KPT is far for business people live outside the sub-districts located in the city.	Simplifying the process of licensing by maximizing delivery system		
	Sufficient qualities of the Human resources	The quality of human resources is still low	Improving the quality of Human Resources	- Recruiting qualified staffs - Giving education and training to the staffs periodically	- Training the staffs as well as proposing apprenticeship program. - Giving Training on excellent services, organization management, and licensing techniques
	The standard of costs for licensing application is low, some even free	Lack of supporting facilities like computers, facsimile, office space, etc.	Increasing facilities	Improving OSS' facilities	Supplying supporting facilities such as software, hardware, motorcycles/cars
		Poor coordination among regulating institutions	Increasing coordination among the regulating institutions	-Institutional adjustment towards government's need and regulations -Conducting regular meeting among regulating institution to discuss licensing issues	Conducting an institutional study and arranging for the structure of the government.
		Separated licensing services (numerous regulating agency)	Promoting one-stop services	Issuing Regional Regulation (PERDA) to unite licensing applications that are not yet handled by OSS.	-Assisting the local governments and OSS -Workshop on licensing institutions.
	A mechanism of rewards and punishment for OSS' staffs.	The mechanism of rewards and punishments for staffs is not clear yet.	Clarifying the mechanism of rewards and punishment for staffs.	Issuing a clear mechanism of rewards and punishment.	Issuing a regulation for rewards and punishments.

Factor	Factors support the effectiveness of OSS	Factors hamper the effectiveness of OSS	Solutions	Recommendation	Action Plans
		Voluntary contribution of money. (no official fix rate)	Replacing the voluntary contribution with an official fixed rate.	Issuing a Local Regulation (PERDA) that governs the fixed rate to replace voluntary contributions.	Reviewing the advantages and disadvantages of voluntary contributions.
	Not using One Stop Shops (KPT) as main sources of Local Own Revenue (PAD). Cost/fee transparency	- - Lack of transparency in licensing application fee. - Longer time to process the application. - Incomplete requirements.	Providing information about a calculation index.	Informing detailed information to license applicants before issuing the license and giving an itemized calculation afterwards.	Issuing a regulation about applicants' right to know detailed calculations.
	On time services	Processing delay in the regulating institutions.	- Increasing members of evaluation team. - Maximizing coordination between OSS and regulating institutions to minimize processing time.	- Adjusting the members of evaluation team. - Increasing the activities of operational staffs.	- Reviewing overlapping requirements - Facilitating website design for internet accessibility.
	- Decree of the mayor (SK Walikota) about a specimen signature of a regional secretary (SEKDA) and Head of <i>Dinas</i> . - A mechanism for cooperation system of all types of licensing.	Using unofficial broker to apply for a license.	- Issuing a regulation about eligible applicants. - Forbid regulating institutions to process applications that do not use one-stop-office (KP2T) services.	- Issuing a regulation that a license applicant must be the direct user, or accompanied with an official letter. - Issuing a regulation that governs prevention for related <i>dinas</i> from processing applications that do not use KP2T services.	- Studying the existing regulations. - Increasing socialization.
	One Stop Shops (UPT/KPT) are conditioned as a unit of business environment development that facilitate industrial clusters and zones, and inexpensive credit for capital.				

Factor	Factors support the effectiveness of OSS	Factors hamper the effectiveness of OSS	Solutions	Recommendation	Action Plans
	<ul style="list-style-type: none"> - A simple system of licensing services. - Visiting potential clients to increase OSS's services, supported by operational car. 	<ul style="list-style-type: none"> - Several business licenses, like Tourism License, are still processed in different institution a delay. - Lack of socialization to business people. - Numerous requirements for licensing application. - Cost intensity for SMEs, for frequently extending licenses. 	<ul style="list-style-type: none"> - Increasing service delegation especially for business licenses. - Continuous socialization. - Simplifying licensing procedures. - Increasing the service quality from the staffs. - Changing the paradigm of the creation of One Stop Shops from 'source of PAD' to SMEs development 	<ul style="list-style-type: none"> - Developing capacity building of One Stop Shops. - Reform the institutions under the local governments. - Reviewing overlapping procedures and requirements. - Making use of local institutions for socialization, IT (internet) and other media. 	<ul style="list-style-type: none"> - Approaching the head of regency (The Regent and House of Representatives). - Direct socialization to business people and local media. - Maximize the use of OSS' operational vehicles. - Eliminating complicated licensing requirements. - Training and developing the quality of staffs. - Increasing institutional capacity building.
External	<ul style="list-style-type: none"> - Institutional assistance. - Training the human resources. - Internship program and comparative studies. - The form of upholding team for regional regulation (PERDA) to socialize integrated services (KPT) as one stop licensing service. - Hardware and its systems. - Workshop and discussion between the governments and business people. - Program of policy evaluation facilitated by external supports. 	<ul style="list-style-type: none"> - Insufficient knowledge of OSS' staffs. - No assistances given to certain OSS. - OSS' tendency to depend on the programs provided by external supports. - Limitation of time and fund causing several programs not conducted yet. - Assistance given only covers unit level and local governments. 	<ul style="list-style-type: none"> - Giving an assistance and support to OSS. - Increasing the knowledge of OSS' staffs. - Empowering the disposition of the institutions. - Improving assisting activities. - Adjusting the programs with the availability of time. - Widening the scope of assistances. - Assisting OSS' staffs. 	<ul style="list-style-type: none"> - Developing IT network. - Developing the role of OSS Sragen as a model for One Stop Shops. - Developing organization capacity. - Improving Human Resources. - Designing programs and activities affordable for the local governments. - Increasing the involvement of other institutions. - Integrated assistance. 	<ul style="list-style-type: none"> - Evaluating value added of OSS because of external support. - Facilitating the development of on line services (LAN) and internet. - Training on organizational management. - Administrative training. - Assistances - Comparative study to Sragen.
	<ul style="list-style-type: none"> Support and commitment from the local governments, especially from the head of the regions. 	<ul style="list-style-type: none"> Lack of support from the head of regions. 	<ul style="list-style-type: none"> Ensuring the local governments about the importance of OSS. 	<ul style="list-style-type: none"> Increasing the local government's political will. 	<ul style="list-style-type: none"> Assisting local governments and OSS to improve OSS.