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RISK MANAGEMENT: A NEGLECTED VITAL INSTRUMENT IN PUBLIC ADMINISTRATION IN INDONESIA

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Abstract
Risk management is critical for more effective institutional performance, including in public institutions, although it has yet to be fully adopted by the public administration in Indonesia. Even though the New Public Management paradigm, which provides space for risk analysis through strategic management, has been adopted by the Indonesian public administration for over a decade, the practice of risk management remains limited, particularly within bank and non-bank financial institutions. In observing Indonesia's context as an extensive archipelagic state with extremely complex and varied physical, economic, social, cultural, and political environments, this article claims that the risk of failure in public administration activities will be immense if risk management is not adopted and practiced. Simply put, risk management is a must for Indonesia. The challenge is to determine just how risk management will be institutionalized, such that it can be immediately implemented. This article briefly articulates the essence of risk management, while stressing the urgency of accepting and utilizing risk management within public services and development programs.
Keywords: risk, risk management, risk culture.

1. INTRODUCTION

Public administration refers to government activities, or matters that are conducted by the government[1]. The aspect emphasized in public administration is management; hence, for it to be more efficient and productive, administration should be distinct from politics (Wilson, 1997; Goodnow, 1997). However, in reality, it is difficult, to separate administration from politics (Appleby, 1997), which means that the political environment contributes to the modification of public administration. Realistically speaking, internal factors such as psychological conditions, as well as anthropological and sociological relations also have significant influences (Waldo, 1997). The influences of such external and internal factors compel public administration to address uncertainties by avoiding, or reducing, risks. For this reason, risk analysis is currently considered to be a vital instrument in public administration and public management (Raczkowski, 2017; Postula, 2017). Several countries such as the United States, Canada,

[1] This definition is used by Barton and Chappel as quoted by Stillman II (1991) in *Preface to Public Administration: A search for themes and direction*. New York: St. Martin's Press.

United Kingdom, New Zealand, and Australia have been implementing enterprise risk management (ERM) to address risks that confront the public sector (Hardy, 2010).

The form of public administration that a country adopts is apparent from the public services that are provided, and the development of various sectors, as mandated in the constitution. In carrying out this constitutional mandate, the government establishes strategies and programs in conjunction with annual, mid-term, and long-term targets and objectives. It also develops various policy instruments and designs efficacious institutions and management. Nevertheless, in the process of accomplishing these targets and objectives, the government may experience various degrees of the risk of failure, due to obstacles that are prevalent both within and external to the government itself. These various forms of failure that the administration experiences from time to time should be taken as lessons learned by government personnel. Failure in the accomplishment of targets relating to quantity, quality, and punctuality of execution should encourage the leaders of government institutions to undertake a serious evaluation, the results of which should be taken as substantial inputs for improving the planning of programs, policies and management, as well as organization in the years to come.

It is very easy to claim that these failures are affected by factors relating to physical obstacles or the lack of funding and human resource capacities, which negatively impact the implementation of public services and development programs. Indeed, Indonesia is a considerably vast archipelagic state with complex and varied physical environments, which has become one of the government's primary obstacles. Available funding is frequently considered to be inadequate, as it is fulfills merely a portion of the budgets that are required for proposed activities, and is not enough to thoroughly accomplish projected targets and objectives. The capacities and behaviors of personnel, who are endowed with the authority to suggest, create, and implement development programs and public services comprise another obstacle, in cases where they fail to conduct good governance. Further obstacles, such as political, socio-cultural, and foreign affairs-related obstructions are also frequently mentioned in various electronic and print media.

Despite the above, measures to anticipate the various causes of failure, along with the design of strategies for the reduction of such failures, remain insufficient. It is interesting to note that quite rarely are these failures attributed to the absence of risk management practices in public administration, when the absence of these practices should be regarded as one of the central causes of failure in public administration in Indonesia. Through a study of the literature, this article raises the issue of risk management as a vital function within public administration in Indonesia, by briefly defining risk management and its application in the Indonesian context, while describing the elements involved in the cultivation of a risk culture and institutionalizing risk management in public administration.

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2. PROBLEM IDENTIFICATION

In the planning process of various developmental programs and public services, emerging risks that may cause program failure should be anticipated and thoroughly calculated, such that adequate strategies may be formulated to address them. In the world of business, risk management is heavily relied upon to minimize risks; individuals in this sector are aware of the uncertainties that may impede the efforts of organization toward the accomplishment of its objectives. The concern of risks, or risk management in the public sector; however, remains limited to the banking and financial sectors, mainly at Bank Indonesia and the Financial Services Authority (OJK), which compel bank and non-bank financial institutions to conduct risk analyses. Sectors that deal with natural disasters, such as the National Disaster Management Agency (BNPB) and relevant regional agencies, comprise the only entities that continuously pay close attention to addressing disaster risks throughout Indonesia through the provision of guidelines for community-based disaster reduction. In other sectors this awareness remains a rarity; it may even be stated that they simply have no concern for such risk analyses.

Based on an assessment by ADB (Hattari, 2015), concerns of risk assessment, either at the local or central levels of government remain substandard. Monitoring institutions at the central or regional levels pay relatively little attention to risk-based audits (Hattari 2015). In fact, the public sector faces myriad uncertainties, as the budgets required for the funding various public services and development programs are significantly large, and they continue to increase year by year. The risk of failure in the public sector, it should be admitted, is very high. There are, indeed, a few public sector institutions such as OJK, the Ministry of Administrative and Bureaucratic Reform (PANRB), Bank Indonesia, Indonesia Deposit Insurance Corporation (LPS), and the Financial and Development Supervisory Board (BPKP) that have been conducting initial communications for exchanging experiences in the implementation of risk management within the public sector in Indonesia. However, a formal and serious initiative has yet to emerge, as the inclusion of a risk analysis in planning documents at the national and regional levels is not obligated by any regulation. The intriguing question is whether Indonesia, to date, is truly in a position of significantly requiring risk management and its implementation as an integrated facet of its public administration activities?

3. LITERATURE REVIEW

a) Risk Management in the Historical Context.

Information regarding the advent of risk management and risk analysis in the public sector has been described by Covello and Mupower (1985). The authors conveyed that in the valley of the rivers Euphrates and Tigris 3200 years BCE, there was a community called the Asipu that carried out consultancies pertaining to risks, uncertainties, and difficulties in decision making. It was also explained that in approximately 950 years BCE, there was the Hammurabi Code which introduced several doctrines of risk management, which established the foundation for the institutionalization of insurance. Subsequently, in around 750 years BCE, risk management was practiced in Greece, followed by the Ancient Roman kingdoms with some additions in the types of risk management that were being offered, such as health and life insurance. Subsequent to the fall of Ancient Rome, the practice of risk management became obscured or lost. Both writers also described that between the years of 1000 to 1400 CE, risk management practices in the form of marine insurance was applied in Italy and Spain, which continued to develop until 1688, in England, where London had emerged as the central global marine insurance market. After 1700, risk management evolved into various new forms of insurance, such as fire insurance in France and the Netherlands. It then developed in the United States and England with the implementation of common law, which allowed judges to determine the compensation required when a person inconvenienced or inflicted injury upon others. Consequently, numerous developed countries began paying attention to addressing the risks associated with natural disasters, the transmission of infectious diseases, pollution, contamination and the imitation of food products, building fires, transportation-related accidents, accidents in the workplace, acid rain, radioactive waste, even nuclear war, and so forth.

The description above is regarded to be highly speculative, and several other perspectives emerged with the consideration that risk management actually has its origins in decision making theory, and as such, the arrival of risk management should be aligned with the advent of decision making theory. In this case, risk management would be estimated to have come into being at approximately the end of the 1940's or the beginning of the 1950's (Dickinson, 2001). The main reason is that in decision making, every alternative option also analyzes the burden of risks. This issue was comprehensively discussed by Hay-Gibson (2008) when elaborating various opinions on decision theory.

The emergence of risk management may also be traced back to the failures and losses experienced by large organizations, and from the pressures applied by shareholders (shareholder value concept), wherein organizations should significantly assess or pay closer attention to risks their strategic planning (Dickinson, 2001). Additionally, the advent of risk management may be due to of the promotion of management quality and the requirement of legal regulations, as well as a background of financial crises and limited resources within organizations.

b) Risk Management in the Context of Public Administration.

In the context of public administration, the introduction of risk management in the public sector may be traced back to the doctrine of the New Public Management (NPM) paradigm, which suggests that the public sector should imitate business management practices with an entrepreneurial spirit (Hood, 1991; Gaebler & Osborne, 1992). The NPM paradigm is derived from the market theory and business culture in public organizations (Vigoda, 2003). It emerged not only because of the fiscal crises in the 1970s and 1980s, but also because there were complaints of the public sector being too bulky, profligate, and inefficient. Also perceived were a decline of public service

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performance, and the lack of attention in regard to work satisfaction and development for government employees (Hope, 2002).

One of the aspects recommended to be applied in the public sector is strategic management, where it is constantly emphasized how an organization can grow and develop within an environment that is full of uncertainties (David, 2011; Steiss, 2003; Hunger & Wheelen 1990). Strategic management refers to the responses of an organization in the face of an endlessly changing environment (Ellison & Kaye, 2006), which definitely contains uncertainties and their ensuing risks. This has compelled governments in a number of countries to implement public risk management (Qiao, 2010; Postula 2017), wherein risk management has even been established as one of the contemporary management principles in public administration, as part of the discretion doctrine (Frederickson et al. 2012: 115).

c) A Brief Description of Risk Management

The concept or definition of risk management does not vary much when we examine the opinions of experts, or several other sources. In 2001, the Treasury Board of Canada Secretariat defined risk as: “the uncertainty that surrounds future events and outcome. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization’s objectives”, while in 2005, the Government Accountability Office defined risk as: “an event that has a potentially negative impact and the possibility that such an event will occur and adversely affect an entity’s assets, activities, and operations” (Hardy, 2010: 11).

Hardy (2010: 10) states that there are numerous definitions of risk, which are acceptable across various organizations and industries, but generally, risk in those definitions is always correlated with the “uncertainty of outcomes”. Risk is “an event that has a potentially negative impact and the possibility that such an event will occur” (Hardy 2010, p.12). In other words, risk is anything that impedes the accomplishment of an objective, and has a possibility of occurring. Hence, there are two dimensions of risk that should be considered, namely the level of impact that it may cause, and the level of possibility of it actually occurring.

Risk management was defined by the Treasury Board of Canada Secretariat in 2001 as: “a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on and communicating risk issues”, whereas the Government Accountability Office defined risk management as: “the continuous process of assessing risks, reducing the potential that an adverse event will occur, and putting steps in place to deal with any event that does occur”. This is a continuous process wherein a set of mitigation activities and the identification of unaddressed risks is conducted (Hardy, 2010).

In the private sector, risk management is carried out through several stages, beginning with risk identification, qualitative and quantitative risk assessment, the prioritization of risks and response plans, and risk monitoring (Mueller, 2007: 22). A more detailed description was presented by AIRMIC (2010), which begins from establishing the context, risk assessment, risk identification, risk analysis, risk evaluation, risk treatment, monitoring, review, communication, and consultation. This argument is not unlike that stated by the International Organization for Standardization (ISO) and Chartered Insurance Institute, which describe risk management as consisting of the following stages: establishing context, risk identification, risk analysis, risk evaluation, monitoring, review, and communication (Asosiasi Ahli Manajemen Asuransi Indonesia, 2014: 90).

In the public sector, lessons in risk management may be learned through the example of Canada. The Canadian Risk Management Policy that has been implemented since 1994 is aimed at protecting government-owned goods, interests, and the particular interest of government employees during government operations. All departments in the Public Service of Canada are obligated to identify, minimize, and contain risks, as well as to compensate for restoration following an adverse event, and to avert from risks of incidence. The phases undertaken in the process of risk management encompass the identification of issues, setting context, assessing key risk areas, measuring likelihood and impact, ranking risks, setting desired results, developing options, selecting strategies, implementing strategies and monitoring, as well as evaluation and adjustment (Hardy, 2010: 19).

There are various means of clarifying the types, or categories, of risk. The type of risk category is contingent on the type of organization and its environment. Some examples of risk categories are financial, operational, reputation, governance, and compliance risks (AAMAI, 2014). Financial risks encompass, among others, risks due to budget/fund reduction, failure in securing assets, error in cash flow management, reduction in monetary value, financial crime (fraud/theft), and poor budgeting. Operational risks cover, among other items, risks due to failure or inaccuracy of policy, procedures, system or activities, such as the failure of an IT system, poor quality of service, weak succession planning, poor occupational health and safety, insufficiently skilled personnel, and low work contract commitment.

Reputation risks relate to an organization's presence in an activity that may threaten its good reputation, such as being involved with questionable entities, involvement in unethical or criminal activities, and poor relations with stakeholders. Governance and compliance risks refer to oversight performed by the executive board, the unclear distribution of tasks, violation of provisions, or breach of agreement with a funding party, the violation of laws such as regulations pertaining to taxes, occupational health and safety, and data protection. Strategic risks relate to inconsistencies between conducted activities and determined objectives, as well as the failure of activities that support the accomplishment of those objectives.

Learning from the experiences of the United States federal government, there are several types of risk that are important to consider, of which among others are, health risk, security risk, financial risk, transportation safety risk, external risk, and operational risk (Hardy 2010).

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Practically speaking, there are three paradigms on risks (Carmona et al. 2014), namely: psychological, socio-cultural, and multidisciplinary paradigms. The psychological paradigm views risk from a perspective that is based on intuition, experience, and emotion. The socio-cultural paradigm is based on the idea that the perception of risk is a collection of indications that is socially constructed by institutions, cultural values, and way of life. The multidisciplinary paradigm is a mix of sociology, psychology, anthropology, and so forth, which perceives risk as a social construct, or physical change, depending on the eye of the beholder. Hence, the requirement of a common consensus.

In practice, the multidisciplinary paradigm is typically more popular as it views risk as a perception, which is caused by various approaches that are prevalent in the community. However, a dominant paradigm will surely arise, contingent on who is most influential, or who has the authority to intervene in that risk. The perception of risk in the public sector is very much influenced by the perception of the government as the entity that is authorized to protect the people.

d) Challenges

Learning from the experiences of the United States, there are several obstacles toward adopting and implementing risk management (Braig, Gebre and Sellgren 2011), which are: (1) very mission oriented with a disregard for uncertainties that are being confronted; (2) frequent changes of leaders resulting in variable styles of leadership; (3) leaders who lack knowledge of risk management; (4) program budgets that tend to be separated from operational budgets; (5) lack of clear metrics used for measuring risks; (6) complex procedural requirements; and (7) lack of risk culture and risk oriented mind-set.

One of the obstacles mentioned above is the lack of risk culture. Lessons pertaining to this may perhaps be learned from Australia's experience. In Australia's attempt to enhance the risk culture, they required a law that encourages the use of risk management; the Public Governance, Performance and Accountability Act 2013 / PGPA Act (Department of Finance, Australian Government, 2013). This regulation increased the responsibility of officials who wielded the authority to develop and maintain institutional and risk management systems. This formally provided room for risk management to effectively influence institutional performance. Thus, risk management was integrated at the top level, divisional level, and all program management units.

4. RISK IN THE INDONESIAN CONTEXT

Indonesia has several critical issues relating to situations and conditions that are in dire need of intervention through the use of risk management. These issues need to be correlated to particular risk types. As is already well recognized in the business or private sectors, the type of risk that must be taken into account has been determined so that the metrics are clear, such as in the business insurance sector, where there are strategic risks, governance risks, operational risks, organizational risks, asset and liability risks, funding support risks, and insurance risks

(AAMAI, 2014:112-120). However, in government institutions, such as the United States federal administration, the types used are health risks, security risks, financial risks, transportation safety risks, external risks, and operational risks (Hardy 2010). For the Indonesian government, risks should be determined based on the context and type of government institution, respectively.

In the following passages, brief descriptions of several critical issues that should compel Indonesia to immediately implement risk management and analysis are presented:

a) Transportation and Geographical Issues

Generally, the primary obstacle faced by development that poses a risk to the process, and the result of development and public service, is the nature factor. As an extensive and vast archipelagic state, Indonesia confronts numerous marine challenges (Cribb & Ford, 2009: 13). Inter-regional differences in terms of economy and welfare are quite significant (Hill & Vidyattama, 2014). The budget that must be provided for public services and development is extremely large to cover the costs of transportation via air, sea, and land, particularly for the island provinces such as Maluku, North Maluku, East Nusa Tenggara, West Nusa Tenggara, Bangka Belitung, Kepulauan Riau, North Sulawesi, and Southeast Sulawesi. In a number of major islands such as Papua, Sulawesi, Kalimantan, and Sumatera, there are still several regions that are difficult to access due to the very limited availability of transportation. Although the budget has technically been calculated to be enough for implementing various services and development programs, natural disturbances and transportation obstacles frequently occur, which cause budget deficits against the accomplishment of intended targets. Natural disasters such as flooding, landslides, earthquakes, tsunami, volcanic eruptions, drastic climate change, drought, and others, often disrupt the implementation of program activities and the target achievement of existing programs. At the regional or local level, these physical disturbances and obstacles should always be anticipated in the form of risk management, as an integral component of development program planning. Such conditions require the government to consider operational and financial risks.

b) Sociopolitical Issues

In addition to obstacles pertaining to Indonesia's natural setting, there are also sociopolitical obstacles in development. Indonesia's political system, which affords parties the authority to endorse their presidential and regional head candidates causes myriad problems in the country's developmental performance. The cost required for candidates to win a regional election is quite significant, and if they are incapable of preparing the required amount, the candidates often seek support from certain individuals or groups, by way of a special commitment or agreement. The interests of the parties, the interests of executive positions, and pressure from specific interest groups are frequently prioritized, at the expense of public interests. Despite having been elected by the people to hold the position as regional head, the candidate's party seemingly acts as the "principal" who bears a sense of

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privilege for having endorsed the regional head, in which the regional head as the "agent" must comply to the demands of the "principal". As the party's agent, regional heads often influence their subordinates to submit to their demands, as well as the principal's interests. The budgets for public services and development are frequently subject to manipulations, including the sale and purchase of executive positions. As broadcast via various media in Indonesia over the last several decades, there have been numerous cases of collusion, corruption, and nepotism occurring at the central and regional levels, resulting in numerous central government officials, national legislative (DPR) members, regional heads, and regional legislative (DPRD) members undergoing legal processes in court, where some were ultimately imprisoned. The manipulation of planning and budgeting enacted by executive and political elites in these regions must be regarded as posing a serious risk that disrupts target achievements of regional public services and development programs. Similar cases were also found to occur at a higher level, wherein several DPR members were involved in the manipulation and corruption of the National Budget (APBN) located in these regions. The issues above must induce Indonesia to consider and prepare for strategic risks, organizational risks, operational risks, governance risks, and financial risks.

c) Socio-cultural Issues

Socio-cultural obstacles are indeed prevalent in Indonesia, since they encompass various ethnicities, races, and beliefs, with varying qualities found among its people. The Indonesian people possess very diverse localized norms and values, customs, and habits. These differences are often considered as Indonesia's strength and beauty, yet it should also be acknowledged that they often pose a threat to state unity and integrity. This issue becomes more profound when these socio-cultural differences are coupled with economic imbalances. Certain ethnic or racial groups often apply pressure demanding that the government provide them with special attention or priority in terms of public services and development. These demands for fulfilling customary rights by the local natives are a frequent occurrence, and when these demands are not met various threats and acts of anarchy subsequently ensue. One of the prevailing issues is the demand to appoint locals (putra daerah) as civil servants (PNS), and for them to hold important offices or positions in the region. When these appointments do not take quality or competence into consideration, performance issues are bound to surface within the bureaucracy as relates to the implementation of public services and development programs. Regarding this matter, several cases in Papua, West Papua, remote areas of Kalimantan, Sumatera, and Sulawesi, as well as border areas should be considered. Another social cultural aspect pertains to the issue of land, or property, wherein a variety of land ownership systems apply; there is individual and familial ownership; however, there is also customary land that communally belongs to a certain group or clan. The risk related to land or property issues have been acknowledged by the government, and is often mentioned through various opportunities[2]. Such situations and conditions should also be considered in risk management at the local level, particularly in the planning of development programs.

d) Capacity of Human Resources and Corruption Issues

Complaints are often heard concerning the failure of public services and development programs that are indicated by inadequate targets and end results. The quality of public services and goods that are not aligned with what was promised, such as damages prior to use, delays in program completion time, a reduction in the scope of activities, mistaken target groups, and so on, frequently occur. These inadequacies may have transpired not only due to linkages with the previous subjects of discussion regarding obstacles of the natural environment, sociopolitical and social cultural settings, but also because of influences from the quality of administrators who lack professionalism, and from a mentality of corruption and conspiracy that are rampant among bureaucratic personnel who are in charge of programs, or job providers and the contractors as job recipients. Despite numerous government personnel becoming suspects and even being put in prison, this phenomenon continues to proliferate without any sense of fear toward the punishment that would be imposed if one were to violate the existing laws on corruption. As broadcast and discussed in various electronic and print media, bureaucratic personnel are often influenced by their own interests, and the interests of politics, or the party who support them, or the regional leaders and representatives. The Regional Budget (APBD) is often subject to manipulation in the interests of politics and the bureaucracy. Program or project mark-ups, illegal levies, or graft given to bureaucratic and political elites, the sale and purchase of government positions, corruption and collusion, as well as various forms of manipulation, or other crimes often rise to the surface.

The issue of corruption has been a prominent topic in various media, which continues to occur since the New Order era, both in the central and regional administrations (Wijayanto, 2009). Several examples that are often highlighted in electronic and print media are illegal transactions through banks (money laundering) revealed by the Indonesian Financial Transaction Reports and Analysis Center (PPATK), cash transactions in various currencies revealed through sting operations (OTT) carried out by the Corruption Eradication Commission (KPK), findings of budgetary abuse by the Indonesian Audit Board (BPK), and findings concerning the presence of conspiracy and dynasty in the government.

All of the above illustrate the magnitude of obstacles or threats that seriously constraint development and public services. Such corrupt mentalities and unprofessionalism are also critical risks that must be considered in risk management, primarily in the planning and implementation of public services and development programs.

[2] The Coordinating Ministry for Economic Affairs Darmin Nasution said that 44 percent of the total obstacle confronted in building infrastructure for achieving equal development is caused by land procurement (Sindo Newscom, Tuesday, April 4, 2017).

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e) Development Planning Issues

Development planning as a result of public administration in all Indonesian ministries adheres to Law No. 25/2004, in the National Development Planning System, and Law No. 23/2014 in the Regional Government, along with its ensuing regulations. However, it should be admitted that the existing laws do not regulate and obligate institutions to calculate the various forms of risks they will encounter, both at the central and local levels. As observed in the National Medium Term Development Plan (RPJMN), National Budget (APBN), Regional Medium Term Development Plan (RPJMD), Regional Government Work Plan (RKPD), and the strategic planning (Renstra) of ministries and non-ministerial institutions, along with the Renstra of local government agencies (SKPD), it may be stated that risk analysis and management are truly ignored or neglected, since they are not clearly articulated and firmly regulated as a strategic step toward the success of every public service and development program. Such analyses should be an integrated element of technocratic calculations, such that it becomes significantly more responsive toward various forms of risks. This, in contrast to merely relying on the intuitions of bureaucrats and planners, and leaving a vacuum that facilitates the domination of political decision, which are often directed toward the interests of a few elites and particular interest groups through the practices of corruption, collusion, and nepotism (KKN).

The absence of risk considerations in the National Budget Draft (RAPBN) and the Regional Budget Draft (RAPBD) provides the latitude for bureaucratic and political elites at the central and regional levels to continue carrying out various nefarious acts as it has always been throughout the years. For regions and ministries/non-ministerial institutions that are prone to KKN, special measures can surely be stipulated during the strategic planning and annual planning stages, such that they are more responsive toward the various forms of risk, which are often quite threatening. This issue serves as a warning to identify strategic risks, financial risks, and governance risks.

f) Governance Issues

Poor governance, primarily in the administration system and the laws that govern public services and development programs, also needs to be considered as a significant risk. Assessments categorized as Unqualified Opinion (WTP), Qualified Opinion (WDP), and Disclaimer Opinion (TMT) that have been employed, also indicate the level of a governmental institutions' competency in the proper and reasonable management of finances. In reality, the number of institutions that receive disclaimers remains considerable. The institutionalization of good governance values in government remains insufficient. All values of good governance such as transparency, responsiveness, accountability, efficiency, effectiveness, and so forth, have been regarded as significant values for conducting government affairs, yet these values are still not understood and remain unaccepted as necessary components of the work culture and mental attitudes of government personnel. The difficulty or failure of implementing good governance in Indonesia has been known for some time, and it is quite disconcerting (Hayes & Harahap, 2011). Lacking acceptance and implementation, these values of good governance pose a risk that must be seriously taken into account. Under such conditions, governance risks, operational risks, and financial risks must definitely be clearly identified and dealt with.

g) Community and Regional Capacity Issues

Since the implementation of decentralization in 2001, power has been shifted to regions that, in reality, still have limited capacities. The ability to implement public services and development management, particularly in the areas of planning, implementation, monitoring, and evaluation, remains relatively weak. Despite having limited capacities, a number of regional governments have attempted to carry out the regional expansion of provinces, regencies, municipalities, and even districts. Not only does this have implications for increased budgets, it also risks the failure of accomplishing the objectives and targets that have been set out (Hill, 2014).

Relatively low levels of quality and economic capacity of the community are also risks that should be taken into consideration. Indonesian communities, primarily in rural areas, still have a low education level. It is estimated that approximately 75% of the Indonesian labor force have a high school education, or lower. At such an education level, it is difficult for these individuals to enhance their economic capacity, although the government has provided several business opportunities for developing the community's economy. The facts also indicate that the purchasing power of individuals continues to decline; many loans from Micro, Small, and Medium Enterprises (UMKM) are experiencing problems for not being bankable (INDEF, 2016: 99-100). Meanwhile, most loans tend to be utilized for consumptive rather than productive purposes; there is low market support, relatively expensive transportation costs, and a minimal level of entrepreneurial capacity. Given such conditions, there is a considerably high financial risk involved with the budgets that are prepared for the development of the economies of these communities.

h) Rural Development Issues

Another risk that should also be considered is the substantial amount of rural/village fund assistance provided as the result of President Joko Widodo's policy to reduce the gap between urban and rural areas, and to strengthen the economy of rural areas, or to develop from the periphery. As many as 74,754 villages require developmental funding assistance amounting to an estimated >1 billion rupiahs each, over various sectors. Given the conditions of villages that are still underdeveloped and isolated, coupled with relatively low village administration and financial management capacities of individual village officials, or of the village as an institution, the risk of failure is quite high in relation to budget use. The Minister of Villages, Underdeveloped Regions, and Transmigration, Marwan Jafar, recalled that the implementation of the Village Law No. 6/2014 pertaining to village funds has a significant risk potential. There are at least two risks that should be anticipated, namely administration risks and social conflict

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risks[3]. Administrative risks may be triggered since village administrations remain unaccustomed to conducting the administrative management of National Budget funds, which may very likely lead to budgetary abuse or corruption. While administratively speaking, such tasks require special skills to perform. The risk of social conflict between the community and the village administration, among village personnel, and between the village administration and the regional administration may occur when village administrations are incapable of financial management, and are subsequently penalized by the regional government with a budget reduction of the Special Allocation Fund (DAK) that should be provided to the community. The capacities of the village personnel are also quite limited in drafting the Village Medium Term Development Plan (RPJMDES). Consequently, strategic, governance, operational, and financial risks should be considered.

Some of the above issues have been mentioned in an ADB Paper on Indonesia (Hattari, 2015), which mainly pertained to sector performance, problems, and opportunities. Indonesia has numerous obstacles that may significantly disrupt target achievements, development results, and public services. The executive and legislative branches of government should gain a proper understanding and awareness on the various risks that must be confronted, as they have the potential to influence the accomplishment of public services and development targets. Unfortunately, the various obstacles and threats that pose risks of failure to public services and development in Indonesia have never been systematically and continuously recorded and stored in a risk management information system, which could be utilized as inputs for improving future public services and development programs. The leaders of institutions, including the planners, seldom assess potential risks that may surface based on past experience. When analyzing, drafting, and determining the National Budget and the Regional Budget, including the government work plan (RKP) and the regional government work plan (RKPD), these various types of risks are seldom discussed; hence, they similar mistakes tend to be repeated year in and year out.

5. REGULATIONS AND INSTITUTIONALIZATION OF RISK MANAGEMENT

The previous explanations have shown that Indonesia must implement risk management as it faces numerous risks and uncertainties. Consequently, a regulation is required to obligate government institutions at both the central and regional levels to implement risk management, as well as introduce and enhance a deeper understanding of risk management via a systematic and carefully planned process of institutionalization.

As a significant instrument of public administration, risk management must be regulated in Indonesian law, and subsequently elaborated in a set of implementing regulations. As a novel public administration instrument, risk management must be institutionalized into various government institutions, both at the central and regional levels, to instill them with a risk culture or risk-aware corporate culture. The initial step of establishing a risk culture is

[3] Conveyed during a National Workshop in Facilitating the Management of Village Funds at Universitas Sebelas Maret (UNS) Solo, Friday 21st of November 2014.

through the development of a risk management curriculum, while creating training programs for senior managers and frontline personnel to participate in. Nevertheless, enhancing the skills of these individuals is not enough to create a risk culture. Conscious efforts to reinforce the entire organization's belief and understanding, to create role modeling and a formal mechanism for strengthening this risk culture will be indispensable (Brag, Gebre, and Sellgren. 2011).

Indeed, bureaucratic personnel with the mindset of being "risk-aware" and constantly committed to address risks are a necessity, as merely conducting the direct implementation of risk management is insufficient. Every organization should encourage and develop "a culture of risk management" in their day to day operations (Hardy, 2010: 17). The key to success in risk management practices relies on behavioral attributes at all institution levels (RIMS, 2009).

One of the efforts that must be considered in nurturing risk awareness, and enhancing the capacity for dealing with risks, is through education along with technical and tiered training. Another effort that can be undertaken is to make use of risk management mandatory in the planning of development programs, through the issuance of specific regulations or laws. Given such obligation, all relevant parties will be incentivized to learn to apply risk management, while those not doing so will be penalized accordingly.

Risk management promotions and campaigns may also be carried out via print and electronic media, not only to introduce the concept, but also to show the vital that role risk management has in every organization. The institutionalization of risk management can also be accomplished through a series of guides and instructions distributed by the leaders of institutions, or work units in every organization.

The institutionalization of risk management can be conducted during the drafting process of the RPJMN, RPJMD, and strategic planning of ministries and non-ministerial institutions, as well as SKPD at the provincial and regional/municipal levels. To date, there have been more analyses using the classical planning approach, which emphasizes compliance and logic, leading to the determination of strategies and programs according to the vision and mission, rather than being based on the considerations of risk analysis results. Strategies and programs based on vision and mission are often forcibly carried out, while in fact, by considering the risks, there may be a number of strategies or programs that should be initially removed, delayed, or corrected through various means in order to reduce or avoid the impacts that arise via ensuing risks.

Institutionalization efforts may also be facilitated through the continuous evaluation of failures in the implementation of strategies and programs at the national and regional levels. These results of these evaluations should then be carefully contemplated to clearly discern what went wrong, why it went wrong, what was lacking, and what was not anticipated. These results should be recorded as lessons learned in order to avoid their repetition in the future. If

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these experiences are recorded and stored systematically and continuously, all causal factors of failure would eventually be clearly defined; hence, specific solutions could be sought to minimize risks.

Additionally, the institutionalization of risk management can be achieved by integrating all work units within each government institution, at the central and regional levels, for risk assessment, particularly in program planning. The expected targets of achievement results for every year and over five-years would be given to every institution. These targets would be translated to primary performance indexes for central government institutions. Granted, the simultaneous application of these measures across all sectors of government is likely to be a daunting task; thus, in the interim, they should at least be implemented at the national level in 2018, within the scope of the ten priority programs as mandated by President Joko Widodo, which cover the following fields: (1) Education; (2) Health; (3) Housing and Settlements; (4) Business Development and Tourism; (5) Energy Security; (6) Food Security; (7) Poverty Alleviation; (8) Infrastructure, Connectivity, and Maritime Affairs; (9) Regional Development; and (10) Politics, Law, Defense, and Security.

At the provincial and regional/municipal levels, efforts toward the institutionalization of risk management should be initiated at the drafting of RKPD and RAPBD. The drafting of plans in these priority programs should continuously make use of risk management such that a risk culture will begin to be established, and risk management becomes properly institutionalized. At the regional level, a performance index should be formulated, and in order to realize the index, every institution should design and suggest programs that are based on necessities and new problems, which they routinely work to improve upon. Each work unit must assess the magnitude of risks confronted in every program and decide (based on the risk analysis) whether the proposed program is feasible to implement or not. If all calculated risk activities are carried out year by year, a risk culture is sure to be established; hence, risk management would be clearly understood and accepted as a necessity, and would ultimately serve an integral element of the overall management process.

6. CONCLUSIONS

Risk management is a vital instrument of public administration or public management (Raczkowski, 2017; Postula, 2017). This mechanism has long been practiced in several countries, as they are aware of the importance that risk management has in accomplishing the goals of public institutions. Upon observation of the context and critical issues that Indonesia is currently confronting, there is no other choice but for Indonesia to immediately adopt and implement risk management. The various types of risks confronted by every government institution must be identified, analyzed, and addressed, which is certain to improve overall institutional performance.

Therefore, efforts toward the adoption and cultivation of a deep understanding of risk management must be urgently addressed. The institutionalization process of risk management must be carried out immediately to enable its early implementation. Further, the regulations that are deemed as necessary to initiate the implementation of risk management must be drafted and applied without delay.

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