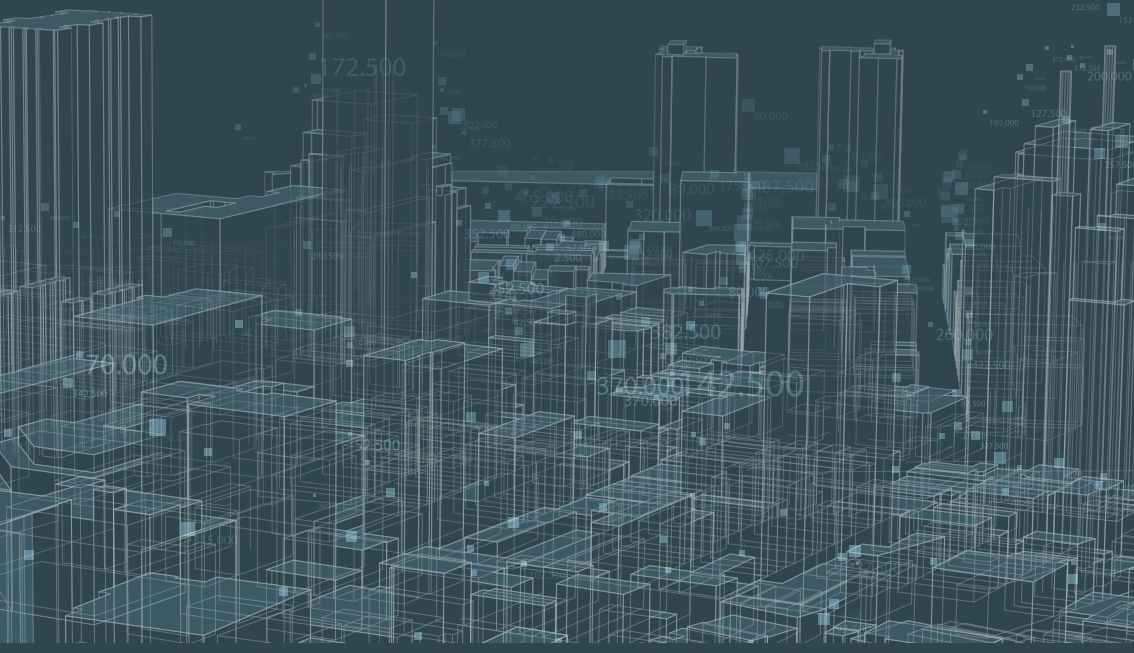
AGUS JOKO PRAMONO

IMPLEMENTING
THE POLICY FOR SUBSIDIES OF 3-KG LPG

The Application of Grindle Theory and Soft Systems Methodology



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PREFACE

Praise be to Allah, the Glorified and Exalted, for His grace and guidance, allowing for the publication of this book, Implementing the Policy for Subsidies of 3 Kg LPG, the Application of Grindle Theory and Soft Systems Methodology. I would like to take this opportunity to extend infinite gratitude to my late father and mother, H.B. Purnomo and Hj. Iin Mulyati, for the guidance they provided during their lifetimes, which shaped the writer before you today. I would also like to thank my beloved wife, Tri Endah Wahyuningsih and my children, who have all provided the support needed to complete this book.

This book was developed based on my dissertation for Goverment Studies at Universitas Padjadjaran in Bandung. The Soft Systems Methodology approach was employed to result in a study that more closely resembled the reality of policy implementation, with recommendations being applicable in practice. I hope that the Soft Systems Methodology approach is used in future policy implementation studies so that their recommendations can be more easily applied at the operational level. In addition, it is my hope that there will be more in-depth studies on the coordination and monitoring of subsidy policy implementation going forward. This is expected to produce results that can be used as a guide in developing effective institutions for implementing subsidy policies.

It is my intention that this book can contribute some knowledge and benefits for academics and observers of subsidy policy implementation, as well as practitioners who wish to improve the governance of subsidies and other social welfare programs in Indonesia. As I realize that there are many shortcomings to be addressed in refining this book, I would appreciate suggested improvements from dedicated readers.

Jakarta, March 2017

Dr. Agus Joko Pramono, M.Acc., Ak., CA.

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PREFACE

1.1. BACKGROUND

Directing subsidy to be more accurate and on target has become a significant commitment and motivation in state expenditure policy. **"Directing the subsidy to be more accurate and on target"** means that all of the subsidy as per policy should be appropriate to reach those groups of people who deserve the subsidy. Or in the case of the 3-kg LPG subsidy, the subsidy should be more precise to reach the eligible recipient targets and meet the criteria for subsidy recipient, given that currently the subsidy is actually enjoyed by a majority of community who do not meet the requirement and criteria for recipients of the 3-kg LPG subsidy. The spirit of the Draft of State Budget 2016 that subsidies should be no longer misdirected is very logical, because if the subsidies are misdirected then ultimately the main objective of subsidies, that is to improve the welfare of the poor, will not be optimal, disturbing a sense of justice, and will ultimately aggravate the State's financial burden.

Compared to other subsidies, the product of 3-kg LPG has dynamic characteristic, where the volume and price movement are strongly influenced by non-subsidized LPG. Every increase in price difference necessarily will encourage consumers to switch from non-subsidized LPG to subsidized LPG. In case the price of LPG, 12 Kilogram is increased then the supply of 3-kg LPG would instantly be reduced and the price would soar in the market. As long as the 3-kg LPG is sold at a price far lower than 12-kg LPG then the scarcity and rising of the price of 3-kg LPG caused by the rising prices of 12-kg LPG will always occur.

Several researches have shown that in general government subsidies do not reach the target groups. Even the fuel subsidy is considered more to help the rich than the unaffordable group who deserve more. Subsidy policies often lead to disagreements, either pro or contra. For those who oppose, the subsidy should be eliminated from the State budget, regardless the amount, since subsidies considered 'unhealthy' for State finances and potentially create certain community group reliance on subsidies. While others argue that subsidies are still needed to address market failures that are often unavoidable. Pros and cons of subsidies always enliven the news in the media that so often we hear the word of subsidy. However what exactly is meant by subsidy?

A subsidy (transfer) is one of form of government expenditure, also interpreted as a negative tax, which will increase the income to the recipient of the subsidy, or increase real incomes if recipients consume or buy those goods that are subsidized by the government with lower prices. Subsidies can be divided into two forms, namely subsidy in the form of money (cash transfer) and subsidy in the form of goods. In its implementation, a subsidy needs to effect changing in patterns, pursuant to conditions. For example, gradually shifting subsidy from less effective price subsidy with inaccurate targeting to become a subsidy of basic commodities for disadvantaged communities (targeted subsidy) (Suparmoko, 2003).

According to Michael P Todaro (2009), a subsidy (also called a subversion) is a form of financial assistance paid to a business or economic sector. Most subsidies granted by the government to producers or distributors in an industry are to prevent the fall of the industry (e.g., due to adverse operational environment) or an increase in the price of the product or the effort just to encourage hiring more workers (as in a wage subsidy): other examples include the subsidy to encourage export sales; subsidy on some food to sustain the cost of living, especially in urban areas; and subsidy to encourage the expansion of agricultural production and to achieve self-sufficiency in food production.

Dungtji Munawar (2013) explains that the meaning and policy of subsidy in the State Budget shall be as follows. Subsidy is a budget allocation distributed through companies and institutions that produce, sell goods and services, which meet the lives of many people in such a way that the selling price is affordable. Expenditure of subsidy consists of energy subsidy (subsidized LPG 3 Kilogram, biofuel, fuel, and Liquid Gas for Vehicle/LGV and electricity subsidy) and non-energy subsidy (subsidy on food, fertilizer subsidy, seed subsidy, PSO subsidy, interest rate subsidy program, and tax subsidies/DTP).

A subsidy is the opposite of, or opposed to, the tax; therefore, it is often also called a negative tax. The effect on the market balance is contrary to the effect of tax. Subsidy granted for the production/sale of goods is something causing the selling price to be lower. With the subsidy, the cost of the production of goods or services becomes lower so that the producers are willing to sell their products with a lower price.

According to the Financial Memorandum and draft of State Budget 2014, subsidy is the budget allocation distributed through companies /institutions that produce, sell goods and services, which meet the lives of many people in such a way that the selling price is affordable. Thus, the subsidy is an attempt by the government through the budget distribution to producers of goods and services in the framework of public services so that people can meet the needs of life with more affordable subsidized purchase price of goods and public services. Based on these explanations, it can be concluded that the subsidy is Government assistance in the form of financial assistance paid to producers and consumers of a business or economic sector for the goods /services.

Based on the references, the author comes to an opinion that the main benefit of providing subsidy in Indonesia is to help the poor to meet their needs as well as to help small enterprises in maintaining their business. On the contrary, providing subsidy also brings negative impacts, i.e. it creates less efficient consumer behaviour in the consumption of subsidized goods and services, and it is very costly for the government.

In the State Budget, subsidies are intended as government assistance to consumers or producers so that goods and services are produced with a lower price and people can buy more subsidized goods or services. The subsidy (government transfer payment) is a government policy tool for redistribution and stabilization. Subsidy is one of the mechanisms in the State Budget that is used to carry out the redistribution function. Implementation of Government's redistribution function is running in conjunction with the public welfare distribution efforts. Thus, the subsidy paid by the Government in making the goods /services become less expensive, more widely used, or even produced in order to improve public welfare. Subsidy is sometimes given to help stabilize the price of goods and services that have broad impact for the community. Implementation strives to sharpen the target of subsidies to be more focused and enjoyed by the poor of society, while still considering efficiency and State financial capacity.

In the State Budget, subsidy consists of subsidy of Energy and Non-Energy, each consists of:

A. Subsidy of Energy
   Subsidy of energy consists of:
   - Subsidy of Fuel;
   - Subsidy of Biofuel;
   - Subsidy of 3-kg LPG;
   - Subsidy of Liquid Gas for Vehicle/LGV;
   - Subsidy of Electricity.

B. Subsidy of Non-Energy
   Subsidy of Non-Energy consists of:
   - Subsidy of Agricultural consist of: Subsidy of Food, Subsidy of Seed and Subsidy of Fertilizer;
   - Subsidy Program of Interest Rate;
   - Public Service Obligation (PSO);
   - Subsidy of Tax/DTP;
   - Other subsidies.

1.2. PROGRAM OF MANAGEMENT SUBSIDY

Subsidy is a budget allocation which is distributed through companies / institutions that produce, sell goods and services, which meet the life needs of many people in such a way so that the selling price becomes affordable. Expenditure of subsidy consists of subsidy of energy (subsidy of fuel, subsidy of biofuel, subsidy of 3-kg LPG, liquid gas for vehicles/LGV, subsidy of electricity) and subsidy of non-energy (subsidy of food, subsidy of seed and subsidy of fertilizer, subsidy program of interest rates, subsidy of Public Service Obligation (PSO) and subsidy of tax which is borne by Government).

In increasing subsidy efficiency towards quality spending, the subsidy policy should be aimed, among other directions, at:
- Price stabilization;
- Maintaining purchasing power of the poor;
- Increasing productivity;
- Maintaining availability of affordable supplies;
- Increasing production competitiveness and access to capital for MSMEs.

Subsidy management programs are intended to reduce the burden of the public in obtaining their basic needs as well as to ensure that producers can provide affordable products that cater to public needs. Subsidies are provided to protect people with low-income by maintaining stability of the price of goods and services in Indonesia. Providing a subsidy is expected to help ensure that the public's basic needs are made available in adequate amounts with prices that are stable and affordable, and are right-targeted.

Photo Source : public relations of BPK RI

In Book II of Joint Financial Memorandum of the Draft of State Budget for Fiscal Year 2016, it is stated that the budget of the Subsidy Management Program in the draft of State Budget 2016 is planned to reach Rp201,363.6 billion. This figure was decreased Rp10,740.8 billion when compared with the ceiling of the Subsidy Management Program in the State Budget in 2015 which was in the amount of Rp212,104.4 billion. Most of the budget will be allocated for the energy subsidy, amounting to Rp120,957.2 billion, i.e. subsidies of fuel, LPG 3 Kilogram and LGV, amounting to Rp70,957.2 billion, and electricity subsidy amounting to Rp50,000 billion. Meanwhile, non-energy subsidy amounted to Rp80,406.4 billion, which consisted of:

1. Food subsidy, amounting to Rp20,993.4 billion;
2. Fertilizer subsidy, amounting to Rp30,063.2 billion;
3. Seed subsidy, amounting to Rp1,023.8 billion;
4. Subsidies for PSO, amounting to Rp3,752.5 billion;
5. Interest rate subsidy, amounting to Rp16,474.5 billion;
6. Tax subsidy that is borne by the Government, amounting to Rp8,099.1 billion.

1.3. SUBSIDY OF ENERGY

Quoting Wikipedia, an energy subsidy is an action that makes the price of energy at the consumer level remain below the market price, or higher than the market price for subsidized prices at the producer level. An energy subsidy also means reducing costs used by the consumer /producer for the purchase /manufacture of energy sources. This subsidy can be effected through direct transfer of funds, indirectly financing, tax exemptions, price controls, trade flow controls and market access restrictions.

While the main arguments against the energy subsidies, are that an energy subsidy:

- Especially for fossil-fuel energy subsidy, is contrary to the goal of global sustainable development and even leads to higher consumption and creates more waste, causing damage to the environment and a financial burden to the State. The majority of those who enjoy the energy subsidy are the rich in society;
- Hinders the development of un-subsidized substitute sectors;
- Sometimes falls into a large commercial sector so it can be said that it is not accurate on target, based on a study by the World Bank;
- Preludes economic sectors that have been intensive in terms of capital so that it sacrifices smaller alternative economy sectors;
- Does not consider the external costs, especially environmental external costs;
- Allows greater exploitation without considering efforts to maintain the availability of energy reserve;
- Creates loss of State's revenue from sales and gas taxes.

Energy subsidy is budget allocation distributed through companies /institutions that provide and distribute fuel oil, biofuels, Liquefied Petroleum Gas (LPG), 3-kg LPG and liquid gas for vehicle (LGV) and electricity so that the selling price is affordable for society.

Principles of subsidy policy of fuel, 3-kg LPG and LGV in 2016 shall include to:

1. Continue the provision of subsidy for diesel fuel and subsidy for (price gap) for kerosene and 3-kg LPG.
2. Implement efficiency and improve the effectiveness of the 3-kg LPG subsidy.
3. Increase the use of new and renewable energy for transportation and electricity.

4. Improve and develop the construction of city gas networks for households.
5. Improve monitoring in the distribution of subsidized fuel and 3-kg LPG among others, through the use of data and technology.
6. Increase the role of local government in controlling and monitoring the subsidized fuel and 3-kg LPG.

The amounts of the subsidies of fuel, 3-kg LPG and LGV in the draft of State Budget in 2016 were dependent on many parameters such as: Indonesia Crude Price (ICP), exchange rate of Rupiah against the US dollar, and the volume of subsidized fuel consumption that is estimated at 17.9 million kiloliters and the volume of 3-kg LPG consumption of 6.17 metric tons.

Based on various policies and parameters, the budget of the subsidies of 3-kg LPG and LGV in the draft of State Budget 2016 was planned for Rp70,957.2 billion, an increase of Rp6,282.4 billion when compared with the revised State Budget allocations in 2015, amounting to Rp64, 674.8 billion. The subsidies shall consist of, among others: certain types of fuel subsidy of the current year, which amounts to Rp20,325.9 billion, price subsidy on 3-kg LPG of Rp27,000.4 billion and subsidy of LGV, amounting to Rp6.4 billion. The higher allocation of the subsidy is caused by smaller subsidy allocation payments for the subsidized fuel, 3-kg LPG and LGV, in previous years.

From the period of 2010 until 2014, the realization of the subsidy budget increased by Rp199,255.5 billion, or growing an average 19.4 percent per year. In 2015, the subsidy budget decreased significantly, i.e. from the realization Rp391.962.5 billion in 2014 to Rp212,104.4 billion in the 2015 revised State Budget.

A sharp decline was partly due to decrease of fuel subsidy budget due to: (1) changes in the parameters of subsidy, such as the Indonesian Crude Price (ICP) which was originally US$97 per barrel in the realization in 2014 to US$60 per barrel in the revised State Budget in 2015; (2) the policy of elimination of subsidy of the “premium grade gasoline” and the policy of fixed subsidy at Rp1,000.00 /liter for diesel fuel. These policies led to the decrease of the volume of subsidized fuel from the original 46 million kilo liters (premium gasoline, diesel fuel, and kerosene) to 17.9 million kiloliters of diesel fuel and kerosene. The development of subsidy management program in 2010 until 2015 is presented in Diagram of the Development of Subsidy Management Program, 2010 - 2015 below.

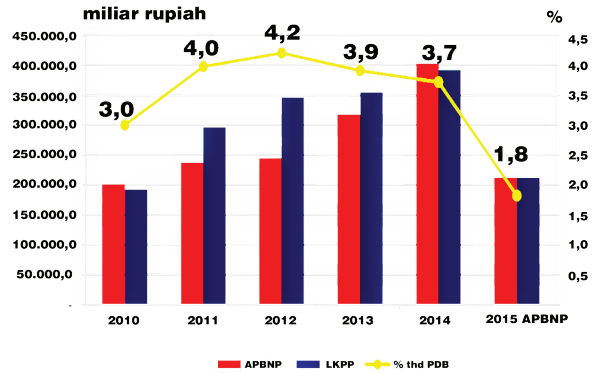


Diagram 1.1. Development of Subsidy Management Program, 2010-2015.
Source: Ministry of Finance, Republic of Indonesia.

Realization of the expenditure of energy subsidy within the period of 2010 until 2014 in nominal terms increased by Rp201,857.4 billion, or growing with an average 25.0 percent per year from Rp139,952.9 billion in 2010 to Rp341,810.4 billion in 2014. In 2015, the energy subsidy budget has decreased significantly from initially Rp341,810.4 billion in the realization of 2014 to Rp137,824.0 billion in the revised of State Budget in 2015, mainly due to the decrease in fuel subsidy budget as a result of the changes in the policy and parameter of subsidy. The development of the expenditure of energy subsidy in 2010 until 2015 is presented in the following diagram.

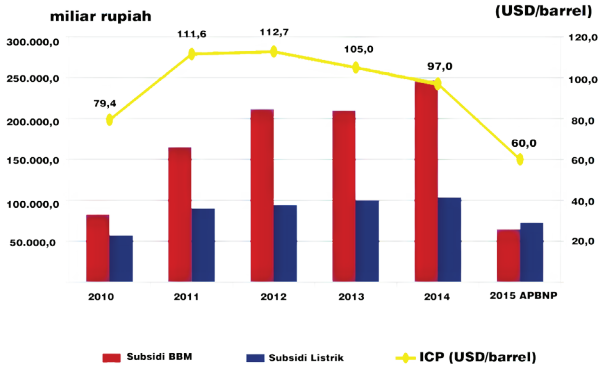


Diagram 1.2. Development of the Expenditure of Energy Subsidy in 2010-2015.
Source: Ministry of Finance, Republic of Indonesia.

The subsidies of fuel, biofuel, 3-kg LPG and LGV are provided in order to control the sale price of subsidized fuel, as one of the basic needs of society, so it can be afforded by the society, especially those on low incomes. In 2015, the premium grade gasoline shall not be included in the subsidized commodities, so that the fuel subsidy is only given to a few certain types of fuel (kerosene and diesel fuel) and subsidies for 3-kg LPG and LGV.

Within the period of 2010 until 2014, the realization of budget subsidies of fuel, biofuel, 3-kg LPG and LGV in terms of nominal is by Rp157,642.7 billion, or growing with an average 30.7 percent per year, from Rp Rp82,351.3 billion in 2010 to Rp239,994.1 billion in 2014. In 2015, the budget of subsidy for certain types of fuel, LPG 3 Kilogram and LGV decreased significantly, from initially Rp239,994.1 billion in the realization of 2014 to become Rp64,674.8 billion in the revised of State Budget 2015. The decline of the subsidies of certain types of fuel, LPG 3 Kilogram and LGV in 2015 was mainly due to the policy of the elimination of subsidy for premium grade gasoline and policy of fixed subsidy for diesel fuel, amounting to Rp1,000.0 /liter. One of the parameters of the fuel subsidy is the volume of subsidized fuel. The volume of subsidized fuel consumption in recent years tended to increase. In 2010, the volume of subsidized fuel consumption reached 38.2 million kiloliters and increased to 46.0 million kiloliters in 2014. In the revised State Budget 2015, the volume of fuel consumption dropped significantly to 17.9 million kiloliters due to elimination of subsidy for premium grade gasoline.

1.4. SUBSIDY OF LPG, CYLINDER 3 KILOGRAM

Discourse of the subsidy discussion in the public policy in Indonesia, as in all countries that still apply the subsidy policy, is often affecting the increase of political tensions. Moreover, the subsidy policy in general will have an impact on various aspects of the lives of most people. In Indonesia, for example in the case of the conversion of kerosene to 3-kg LPG few years ago triggered public demonstrations. Subsidy of 3-kg LPG is a type of energy subsidy that is closely related to almost all aspects of the bottom layer of society. The subsidy of 3-kg LPG is clearly different from the case of other subsidies. 3-kg LPG is used by households as well as by all small and micro enterprises whose sustainability is vulnerable if they do not get 3-kg LPG. This makes the issue of the existence of 3-kg LPG always sensitive to the society and media.

The phenomenon seen since the beginning of the policy implementation of the subsidy of 3-kg LPG regards the lack of achievement of the objective of the policy, notably the inaccuracy in effectively reaching the target recipients of

Photo Source : www.pertamina.com

the subsidy. Based on Minister of Energy and Mineral Resources Letter No. 3249/26 /mem /2006, dated 31 August 2006, the target of the Conversion Program of Kerosene Into LPG, which is also the target of the Subsidy of 3-kg LPG, should be:

1. Households with the following requirements and criteria:
   - Users of pure kerosene.
   - Social class C1 downward (consumption expenditure of 1.5 million per month).
   - Local residents by attaching official ID card or Family Card or a certificate from the local sub-district.
2. Micro enterprises with the following requirements and criteria:
   - Uses kerosene for cooking fuel in running the business.
   - Local resident by attaching official ID card or Family Card or a certificate from the local sub-district.
   - Attaching a certificate of its business from the local sub-district.

However, in practice the above criteria and requirements have never been properly implemented so that at the start of the conversion program it was seen that the distribution of cylinders and their accessories are less selective, and at the later stage that anyone can get or buy the 3-kg LPG. The target inaccuracy phenomenon became known by the Indonesian Audit Board has after it examined the performance of the conversion program of kerosene to LPG by focusing the audit of the two objects of examination, namely the

implementation of the procurement and distribution of first packages of 3-kg LPG. The Indonesian Audit Board noted that the implementation of the program was not supported by proper management, one of which details was a matter of the lack of adequate planning.

1.5. FOCUS AND BENEFITS OF THE WRITING

Based on all items that have been described, this writing will focus on assessing the factors that are associated with a successful policy implementation of the subsidy of 3-kg LPG in terms of the accuracy of the recipient target achievement, the root of the problem, and how the policy of the subsidy of 3-kg LPG should be implemented in order to achieve the recipient target.

This writing has theoretical and practical usefulness in explaining the process of policy implementation, in this regard is the policy implementation of the subsidy of 3-kg LPG.

1. Theoretical benefits
   Provide input to the development of the theory of knowledge relating to the policy implementation of the subsidy, especially in terms of development of the model of policy implementation of the subsidy that is effectively targeting the subsidy recipients.

2. Practical benefits
   Provide input for relevant parties in the policy implementation of the subsidy of 3-kg LPG so as to create a comprehensive and integrated system of policy implementation in the process of distribution of the subsidy of 3-kg LPG.

The author hopes that the comprehensive writing about the factors affecting the policy implementation of the subsidy of 3-kg LPG will produce a breakthrough in overcoming problems of inaccuracy of the distribution of subsidy to the recipient target, as well as creating an effective system of the policy implementation of the subsidy to the target recipient of the subsidy.

CHAPTER 2

LITERATURE REVIEW

2.1. POLICY IMPLEMENTATION THEORY

Policy is a statement by government of what is intends to do or not to do, such as a law, regulation, ruling, decision, or order, or combination of these (Thomas, 2005). Policy is divided into 3 (three) categories, namely distributive, redistributive, and regulatory policy (Theodore Lowi in Thomas, 2005). This policy further is modified into 2 (two) categories, namely protective regulatory and competitive regulatory. Distributive policy is the policy that tends to distribute a good or benefit to some segment of society, but whose costs are not deeply felt by another group in society (Later, Ripley and Franklin in Thomas, 2005).

Policy design is the process by which policies are designed, both through technical analysis and through the political process, to achieve a particular goal (Thomas, 2005). Based on such definition, there are 3 major components in the policy design, i.e.:

1. Design of the policy is a process.
2. Design of the policy is generated through the analysis of the technical and political process.
3. Design of the policy is used as a tool to achieve the purpose that has been established.

In the process of policy design, there are 5 (five) elements that must be considered by the decision maker (Thomas, 2005), i.e.:

1. The goal of the policy. Goal of the policy shall include the establishment of policy objectives to eliminate the problem; reduce the problems, but not as a whole; and prevent the situation from getting worse.
2. The causal model. A causal model shall include the establishment of a causal model, understanding that when carrying out X then it will cause Y, to understand the problem, and if the problem cannot be understood how to overcome it nevertheless.
3. The tools of the policy. Policy's tools shall include tools or instruments that are used to ensure the policy has effect on the objective of the policy, whether coercion is required or not, whether or not support is needed or merely trust or the provision of information, and the capacity building.
4. The targets of the policy. Target policy shall include anyone who is expected to be affected, whether there is a relationship directly or indirectly with the target recipient, and whether the design selection is based on the social construction of the targeted population.
5. The implementation of the policy. Implementation of the policy shall include how the program will be implemented, who will handle the implementation system, whether the selection of the design will use a top-down or bottom-up, as well the reasons thereof.

This policy is basically a policy that determines the distribution of goods or services to a particular group however the costs or benefits shall not be directly sensed by other groups. For example, the policy on agricultural subsidy has costs and benefits not directly sensed by the society other than farmers.

Regulatory policy can be divided into 2 (two) types, i.e., competitive regulatory policy and protective regulatory policy. The definition of competitive regulatory policy is a policy that limits the provision of goods or the participation in a market to a selected group of people or organization. This regulation emphasizes restrictions on the use of goods or participation in a market that enters into a group or organization, for example, trading regulation or regulation regarding the professions (Thomas, 2005).

While the protective regulatory policy is a policy that regulates some activity for the protection of the public (Thomas, 2005). This regulation is basically a regulation to avoid the negative effects of an activity in the community, for example, the policy on emissions testing on motor vehicles.

Redistributive policy is the policy that gives a benefit to one group by seeming to impose a cost on another discernible group (Thomas, 2005). This policy is intended to provide benefit to one particular group. For example, the policy on the provision of social welfare funds.

Anderson (2006) stated that "Policy implementation is the application of policy by the goverment's administrative machinery to the problem". Meanwhile, according to Edwards III (1980), the implementation of policy is the stage of policy making between the establishment of a policy - such as passage of a legislative act, the issuing of an executive order, the handing down of a judicial decision, or the promulgation of a regulatory rule - and the consequences of the policy for the people to whom it affects.

Policy implementation is closely related to designing of policy. Thomas (2005) states that design and implementation are closely related to each other because the choices made in the design of a policy will profoundly influence the way a policy is implemented, which then influences the outcomes of these policies. Selection of policy design will greatly affect the way policy is implemented which would then affect the outcomes of the policy. Nugroho (2009) states the several models of policy implementation which mentions various kinds of variables. The experts shall include: Donald Van Meter and Carl Van Horn (1975), Daniel A. Mazmanian and Paul A. Sabatier (1983), Brian W. Hogwood and Lewis A. Gunn (1978), Malcolm Goggin, Anna Bauman and James Lester (1990), Merilee S. Grindle (1980), Richard Elmore and friends (1979), George

C. Edwards III (1980), Nakamura and Smallwood (1980). The following are overviews of each implementory model, most of which as quoted from Nugroho (2009) and Subarsono (2005).

2.1.1. Policy Implementation Model by Grindle

According to Merilee S. Grindle (1980) there are two major variables that affect the implementation of the policy, namely the content of policy and implementation environment (context of implementation). The content variable of this policy shall include (1) the extent to which the interests of the target group is accommodated in the content of the policy; (2) types of benefits received by the target group; (3) the extent to which the change is expected against the policy; (4) whether the layout of the program is appropriate; (5) whether the policy has mentioned its implementer in detail; (6) whether a program is supported by an adequate resources (Subarsono, 2005).

While the policy environment variables shall include: (1) how substantial the authority, interests, and strategies of the relevant actors in the policy implementation; (2) the characteristics of the ruling institution and regime; (3) the level of compliance and responsiveness of the target group.

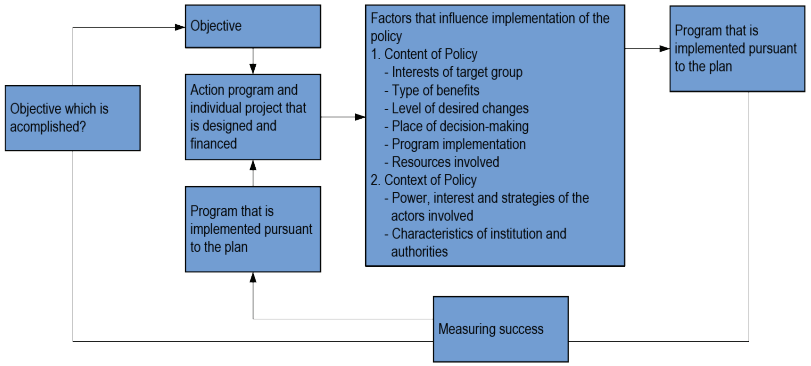


Diagram 2.1. Model of Policy Implementation of Merilee S. Grindle (Grindle, 1980).

The Grindle theory was later described where the content of the policy is explained as follows (Suwitri, 2008):

1. Party with interest is affected (interst affected).
   The created type of public policy will bring about a certain impact to the variety of political activity. Therefore, if such public policy is intended to generate changes in social relations, politics, economics, and so on, it will be able to stimulate the emergence of resistance from the relevant parties whose interest is threatened by the said public policy.
2. Types of benefits that can be obtained (type of benefits).
   Programs that provide collective benefits, or benefit to many people, will be easier to gain support and reach high level of compliance of the target groups or the public at large.
3. The extent of change envisioned.
   A long-term program requiring change of people's behavior and whose benefit is not directly or immediately sensed to the society (target group) tends to be difficult to be implemented.
4. Location of decision making.
   The more spread out the location of decision-making in public policy implementation, either geographically or organizationally, the more difficult will be the program implementation, as there will be more layers of decision making involved.
5. Program implementers.
   Program implementer ability will affect the successful implementation of the program. Bureaucracy that has active, qualified, skilled and dedicated staff for task implementation will strongly support successful program implementation.
6. Resources committed.
   Availability of the adequate resources to support the successful implementation of the program or public policy.

While context of implementation is explained as follows:

1. Power, interest and strategies of actors involved.
   Strategy, resources and power position of the implementer will determine the successful program implementation. If the political forces feel an interest in a program, they will draw up a strategy to win the competition that occurs in the implementation, so that the output of a program will be able to be enjoyed.
2. Institution and regime characteristics.
   Implementation of a program may bring conflict among groups whose interests are affected. Conflict settlement will determine "who gets what".
3. Compliance and responsiveness.

In order to achieve the objectives of the program in a specific environment, the implementer must be responsive to the needs of beneficiaries. Without sufficient responsiveness in the implementation, the implementer will lose information to evaluate program achievement and lose vital support for successful implementation.

2.1.2. Model of Edward

George Edward III (1980) confirms that the main problem of public administration is the lack of attention to the implementation. He said that without effective implementation, the decision of policy makers will not be carried out successfully. Edward advised to pay attention to four main issues for policy implementation to be effective, namely: communication, resources, disposition or attitudes, and bureaucratic structures.

Communication is in relation to how the policy is being communicated to the organization and/or public, the availability of resources to implement the policy, attitude and responsiveness of the parties involved, and how the structure of the organization as the implementer of the policy.

Resources is in relation with the availability of the supported resources, in particular human resources. It is concerned with the capability of the policy implementer to effectively carry out policy.

Disposition is in relation to the availability of the implementer to carry out the policy. Capability alone shall not be sufficient, without the willingness and commitment to implement the policy.

Bureaucratic structure is in relation with the suitability of the organization as organizer of policy implementation. The challenge is how to avoid bureaucratic fragmentation, because this type of structure makes the implementation process far less effective. Frequent ineffectiveness of policy implementation is due to lack of coordination and cooperation among government agencies.

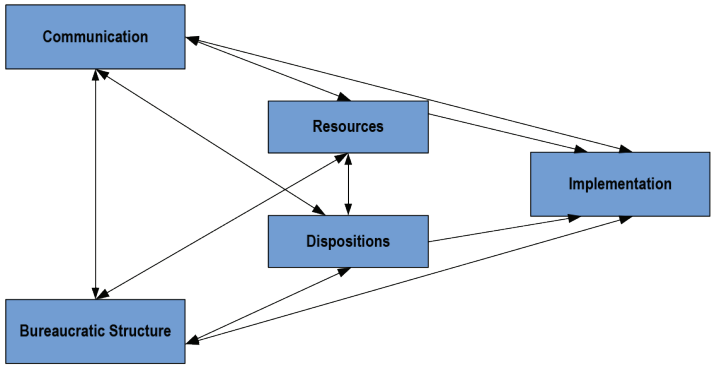


Diagram 2.2. Model of Policy Implementation of George Edward III (Edward III, 1980).

The difference between Grindle's model with the model of Edwards III in this case is that Grindle focuses on the disposition of the authority/regime/policy makers, while Edwards III has more emphasis on the disposition of the implementer. Suwitri (2008) states that "the satisfactory alternative selection process is objective and subjective, as influenced by dispositions (Edwards III, 1980), and the compliance and responsiveness (Grindle, 1980) of the policy makers". Other than disposition, both compliance and responsiveness also refer to political will. Suwitri (2008) states that "Without sufficient responsiveness in implementation, the implementer will lose information to evaluate program achievement and lose support, both of which are important for successful implementation". Political inclusion in this element presumably is still associated with the first element that addresses the power, interests, and strategy of the actors, since if the issue involves the interests of the policy makers and/or policy implementer, then the responsiveness of policy makers or implementer should also higher.

For variables within policy content, Grindle also considers that policy implementation still involves political interests. In the first to fourth element, namely interest, those affected, type of benefits, the extent of change envisioned, and the location of decision-making, it can be seen that the political role is strong. In the variable of content or policy content, Grindle also shares the same view with Edwards III and Van Meter and Van Horn. On the fifth element, namely the program implementers, it is stated that "the capability of the program implementer will affect the successful implementation of the program". This is congruent with resource factors proposed by Edwards III and Van Meter and Van Horn (Suwitri, 2008). Furthermore, the sixth element, namely the

resources committed, it is stated that “the availability of adequate resources”. Thus, the two elements (the fifth and sixth elements) of the Grindle model can be concluded as the same with resource factors as tabled by Edwards III and Van Meter and Van Horn.

Four factors of the implementation of policy tabled by Edward is less appropriate when applied in policy implementation of the 3-kg LPG subsidy since the policy includes political processes and administration or management, as well as containing the complexity of the relationships between the parties that involves more than one ministry and government agency, provincial government, regency or city government up the village or sub-district; and there is also institutions outside the government, such as Pertamina and the distribution network underneath. Policy implementation of the 3-kg LPG subsidy covers political processes and administrative or management that cannot be fully explained by the four factors of implementation tabled by Edward.

2.1.3. Policy Implementation Model of Van Meter and Van Horn

Van Meter and Van Horn limit the implementation of the policy as actions undertaken by individuals (or groups) of government and the private sector aimed at achieving the objectives set out in previous policy decisions. These actions include efforts to transform decisions into operational actions within a certain time and in furtherance of efforts to achieve large and small changes that are set by virtue of policy decisions (Winarno, 2004). According to Van Meter and Van Horn, there are four variables that affect policy implementation as seen in (Nugroho, 2009), namely:

1. Inter organizational communication and implementation activity.
2. Characteristics of the implementer agent.
3. Economic, social, and political condition.
4. Depositing of implementer.

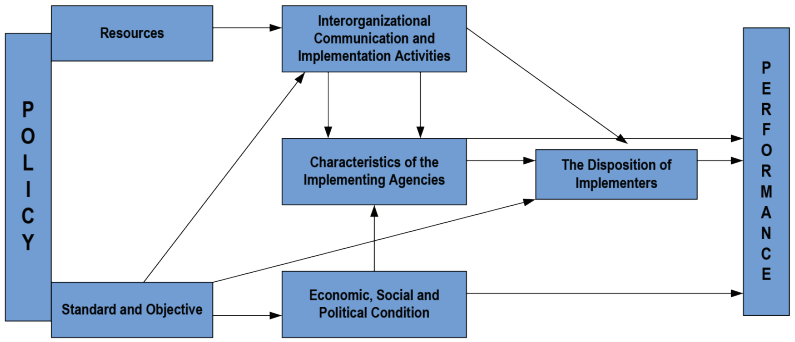


Diagram 2.3. Model of Donald Van Meter and Carl Van Horn (Van Meter & Van Horn, 1975).

Furthermore, the variables tabled by Van Meter and Van Horn are explained (Subarsono, 2005):

1. Standards and policy target. Standards and policy target should be clear and measurable so that they can be realized. If the standards and policy target is indistinct, there will be multi-interpretation, easily leading to conflict between implementer agencies.
2. Resources. Implementation of policy needs support from either human resources or non-human resources. In many cases of government programs, such as the Social Safety Net (Jaringan Pengaman Sosial/JPS) for the poor in rural areas are less successful because of limited quality of the implementer agency.
3. Relationship between the Organizations. In many programs, the implementation of a program needs support and coordination with other agencies. This requires coordination and cooperation for the success of a program.
4. Characteristics of the implementer agency. The definition of the characteristics of the implementer agency covers the bureaucracy, norms and patterns of relationships that occur within the bureaucracy, all of which will affect the implementation of a program.
5. Social, political, and economic conditions. These variables include the environmental economic resources that can support the successful implementation of policy; the extent that relevant groups provide support for policy implementation; the characteristics of the participants, i.e. support or rejection; the nature of public opinion in the environment; and whether the political elite supports the implementation of the policy.
6. Disposition of the implementer includes three important things, namely: (a)

the implementer's response to the policy, which will affect the willingness to implement the policy; (b) cognition, namely the understanding of the policy; and (c) the intensity of disposition of the implementer, namely the preference values possessed by the implementer.

In the opinion of Van Metter and Van Horn in Agustinus (2006): "The attitude of acceptance or rejection of the implementer agency upon the policy greatly influences the success or failure of public policy implementation. It is very likely to occur because the policy being implemented is not the result of the formulation of local people who know very well regarding the problems and issues that they sense. Instead, public policy usually is a top down which is very likely that the decision makers do not know and even cannot even touch the needs, wishes or problems that must be resolved".

There are similarities between the model of Grindle with models of Van Meter and Van Horn, in that they all incorporate elements of the regulatory environment as a factor affecting the implementation of the policy. Van Meter and Van Horn include "social, political, and economic conditions" as one of the factors that influences the implementation of policy, whereas Grindle refers to them as the variable of "policy context" or "environment policy".

The advantages of the Grindle model within policy environment variables include that the first elements of the environment variable as actor power, interests and strategies explain that policy content is strongly influenced by the political map of the policy progenitors. The second element of Grindle of institutional and regime characteristics describes that "the implementation of a program would bring conflict to groups whose interests are affected" (Suwitri, 2008). Here, there is resistance to a policy by a group whose interests are threatened, leading to conflict. Conflict settlement methods in an authoritarian regime would be different than settlement methods in a democratic regime.

Overall, there are similarities between the Grindle model with the models of Van Meter and Van Horn, namely in the implementation activities, the characteristics of the implementer agency/implementer, economic, social, and political situation, and disposition of the implementer. Four of these factors in the Grindle theory are divided into two larger variables which is policy content and policy context, which provide more comprehensive detail than the four variables proposed by Van Meter and Van Horn. This greater detail for the Grindle model explains why the policy implementation model proposed by Van Meter and Van Horn is not used in this research.

2.1.4. Policy Implementation Model of Mazmanian and Sabatier

Implementation is an effort to implement policy decisions. It is stated that "implementation is the carrying out of basic policy decision, usually incorporated in a statute but which can also take the form of important executive orders or court decisions. Ideally, the decision the problem(s) to be addressed, stipulates the objective(s) to be pursued, and, in a variety of ways "structures" the implementation process" (Daniel Mazmanian and Paul A. Sabarier, 1983).

The model of Mazmanian and Sabatier is a framework for Implementation Analysis. Mazmanian and Sabatier classify the policy implementation process into three variables. First, the independent variable, namely whether it is easy or not to control problems relating to the indicator theory and technical implementation issues, the diversity of objects, and what sort of change is desired. Second, the intervening variables, such as the ability of policy to structure the process of implementation with indicators of goal clarity and consistency, use of causal theory, provisions regarding the allocation of financial resources, the alignment of hierarchy among the implementer agencies, implementation regulation of the implementer agencies, recruitment of implementer officials, disclosure to outsiders, variables beyond the policy that affect the implementation process with regard to indicators and conditions of social-economic technology, public support, attitudes and constituent, support from the higher authorities, and leadership commitment and quality of the implementer officials. Third, dependent variables, such as the stages in the implementation process with five stages of understanding of the agency/ implementing institution in the form of formulation of implementer policy, object compliance, the real outcome, acceptance of such real outcome, and finally the overall of fundamental policy.

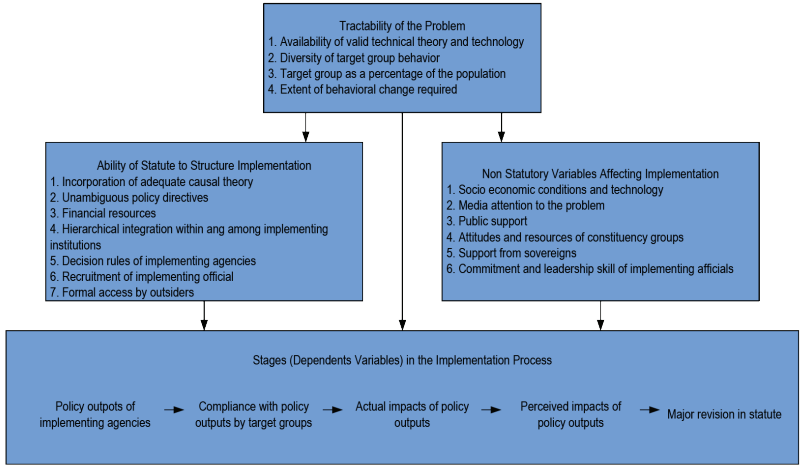


Diagram 2.4. Model of Daniel Mazmanian dan Paul A. Sabatier (Mazmanian & Sabatier, 1983).

As do Van Meter and Van Horn and Grindle, Mazmanian and Sabatier include variables of policy environment as affecting policy implementation. The main difference between the Mazmanian and Sabatier model with the model of Grindle is that in addition to policy content and implementation context which is grouped by Mazmanian and Sabatier as the statute ability to structure implementation, they also expand the variables that affect the policy to the level tractability of the problem and non-statutory variables that affect implementation.

On the variable of tractability of the problem, Mazmanian and Sabatier consider the level of technical difficulties, diversity of target group behavior, percentage of the target group to the total population (target group as a percentage of the population), as well as the expected level of change of behavior. The fourth element is the expected level of change of behavior which has the similarity with one of the elements of the policy content variable of Grindle, which is the extent of change envisioned.

In non-statutory variables, the first element is the socio economic conditions and technology which have the similarity with variable of Van Meter and Van Horn, namely the social, political, and economic conditions. The main difference is that Mazmanian and Sabatier mention the word “technology” as an integral part of the socio-economic landscape. As does Grindle, Mazmanian and Sabatier also consider politics. The second element, i.e. public support as well as the fourth element, i.e. support from the sovereign shows that public support (bottom) as well as the support of the rulers (top) determines implementation. Without the support of both sides (top and bottom) then the implementation will face obstacles; and support from the top and bottom involves a political process. According to the author, the Grindle model covers the content of the policy and the context of implementation, which are simpler (not too diverse variables and its sub-variables) perspectives on the issue of policy implementation of the 3-kg LPG subsidey as compared to the Mazmanian and Sabatier model. The model of Mazmanian and Sabatier is needlessly complicated when used to frame the issue of policy implementation of the 3-kg LPG subsidy. This is the reason why the policy implementation model proposed by Mazmanian and Sabatier is not used in this research.

2.1.5. Model of Policy Impelementation of Hogwood and Gunn

The model of Brian W. Hogwood and Lewis A.Gunn in Nugroho (2009) is set out that to implement the policy, the following requirements are needed:

1. Regarding the assurance that the external conditions faced by the implementing agency/institution will not cause any major problems.
2. Whether to implement the policy, adequate resources, including time resources, is available or not.
3. Whether alignment of required resources actually exists.
4. Whether the policy that will be implemented is based on a reliable casual relationship.
5. How many casual relationships exist.
6. Whether a relationship of mutual dependence is small or is distant.
7. Whether there is a deep understanding and agreement on objectives.
8. Whether the tasks have been specified and placed in the correct order.
9. Whether communication and coordination occur perfectly.
10. Whether a competent and authorized person can demand and get perfect adherence.

Hogwood and Gunn’s model is not suitable to be used in this reseacrh as, although the Hogwood and Gunn model is based on the concept of strategic management that leads to systematic management practice, the model gives less of a political perspective, and tends to be oriented towards a management perspective

2.1.6. Goggin Model

Malcolm Goggin, Ann Bowman and James Lester developed what is called a “communication model” for policy implementation, also called the “Third Generation Policy Implementation Model”. Goggin and his colleagues aimed to develop a model for policy implementation which is “more scientific” with the advanced approach of “method of research” with independent, intervening, and dependent variables, as well as a “communication” factor as a driving force in the implementation of the policy. The model is described as follows:

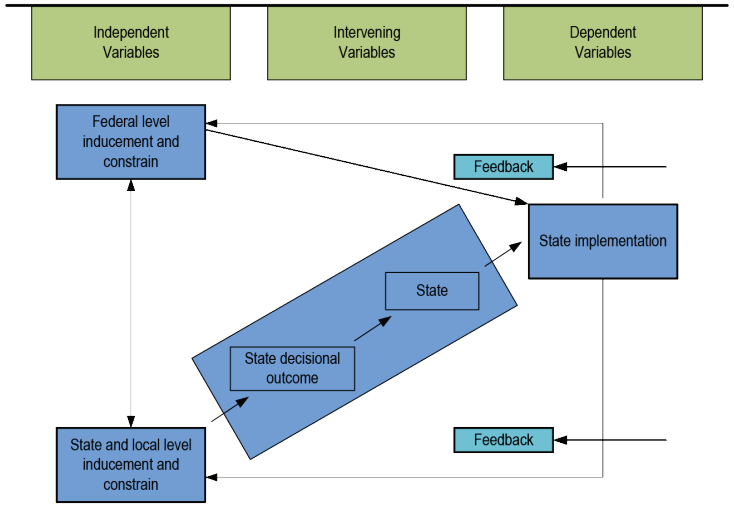


Diagram 2.5. Model of Goggin (Goggin, 1990).

This model has more emphasis on the aspects of communication, as pursuant to its name, communication model. According to the author, the analysis of the policy implementation of subsidy of 3-kg LPG requires different variables and factors that are more comprehensive, not focusing just on a communication variable. Therefore, the model of Goggin is not used in this research.

2.1.7. Selected Policy Implementation Model

There are several other models of policy implementation, such as the models of Richard Elmore (1979), Michael Lipsky (1971), and Benny H Jern & David O’Porter (1981) or the model of Nakamura and Smallwood (1980). However, because this research aims to get a clear picture of the factors in the policy implementation of the subsidy of 3-kg LPG, the author has decided to use a model of policy implementation developed by Merilee S Grindle to approach the problem research.

Policy implementation of the 3-kg LPG subsidy involves more than one ministry and agency, provincial government, and municipality, as well as institutions outside the government such as oil and gas state owned enterprise Pertamina and many distributor networks. There are a large number of parties involved with high complexity of relationships within the roles and objectives of political and business interests among the parties involved, so that according to the author it would be more relevant if approached with Grindle’s policy implementation model, because this policy implementation model covers politics and administration processes. The model describes the process of decision-making performed by a variety of actors, where the output is ultimately determined by either material or a program that has been achieved through the interaction of decision makers in the context of politics and administration or management (Grindle, 1980).

Another consideration to use the policy implementation model of Grindle is because this research also uses analytical techniques of the Soft Systems Methodology (SSM) in preparing the conceptual model of policy implementation of the 3-kg LPG subsidy, which in the process also analyzes the factors of the beneficiary, victim, actor, owner, transformation, world view and environment constraints, all of which highly correspond with the factors of policy content and context of implementation. Therefore model of policy implementation by Grindle, according to the author, is more appropriate to use.

2.2. SOFT SYSTEMS METHODOLOGY (SSM)

There are many references regarding SSM, among these are Soft Systems Methodology in Action (Checkland, Peter and Scholes, Jim, 1990); Systems, Thinking, Systems Practice (Checkland, Peter. 1988); and Soft Systems Methodology by Hardjosoekarto Sudarsono (2012), used hereafter as the main reference as Hardjosoekarto summarizes most of the concepts of SSM, and so can be deemed as a complete reference of SSM with examples of its use in Indonesia.

The understanding and position of SSM can be analyzed from various viewpoints: from the point of view of polarization between hard paradigm and soft paradigm; from popularization between the hard system thinking paradigm and soft systems of software; from development of thought typology of system versatility; and from the point of view of learning discipline. SSM is an approach to solve complex problem situations that are not structured based on a holistic analysis and thinking systems. SSM is also a participatory methodology that can help the different stakeholders to understand the perspective of each stakeholder. SSM focuses on creating a system of activities and human relationships in an organization or group in order to achieve a common goal (Hardjosoekarto, 2012).

	HARD APPROACH	SOFT APPROACH
Model Definition	A representation of the real world	A way of generating debate and insight about the real world
Problem Definition	Clear and single dimensional (single objective)	Ambiguous and multidimensional (multiple objective)
People and Organization	Not taken into account	Are integral parts of the model
Data	Quantitative	Qualitative
Goal	Solution and optimization	Insight and learning
Outcome	Product and recommendation	Progress through group learning

Table 2.1. Difference among the Approach of Thinking in System (Hardjosoekarto, 2012).

SSM is also the methodology used to support the structuring of thought in the complex of organizations and the community. Against this problem, SSM is a process to identify, formulate the root of the problems and its solutions, find and bring together the opinions of the parties involved as implementer, decision makers, users, and taking into account the environmental conditions and the general view of society /political /social culture. In terms of more modest means, SSM is a structured approach to solve unstructured problems.

SSM is a learning system directed at complex situations faced by humans as well as a generator for improvement action, which is the action that which is considered reasonable for all parties involved. SSM is a search process that generates action. The action is not the end of a process; rather it is a hypothesis which will be tested in the real world. Testing is a learning process for constructing a better system in accordance with their lessons. Here are some characteristics of SSM (Hardjosoekarto, 2012):

a. SSM is a process to manage. Managing is a way to achieve something that is targeted. In this context, SSM manages in a flux of ideas and events on a reciprocal basis. The real world can be seen as a flux, which raises means to react to the flux, i.e. to understand and evaluate, make decisions and act that generates feedback for further actions.
b. These processes will take place continually over time. Individuals or groups of different autonomous experiences will have a different understandings and evaluations, therefore producing different actions. Furthermore, a manager must have ability to manage a different understanding of this, although sometimes there is an overlap between one and another. The overlapping condition causes them to have to work together. Different understandings derived from differences in the interpretation or interpretation of the facts and the use of logic, meaning, and different myths from objects that exist and how they relate to one another. Taking a simple example, an ecologist tends to have different views that those of an economist.
c. SSM is an articulation of a complex social process to understand the world of the myth, meaning and logic expressed in the model, hypothesized and tested in a participatory manner. This participatory way is useful for reducing biases from perspectives of singular certain angles. The meaning here means giving meaning to reality that can be different for each person. For example, trees can mean something potential for trade, or something that should be respected because there is a spirit, or something that should be saved from the greed of people to cut them down.

2.3. THE VIEWS ABOUT SUBSIDY

Subsidy is a payment made by the government to companies or households to achieve certain goals that make them able to produce or consume a product in larger quantities or at a cheaper price. Economically, the purpose of the subsidy is to reduce prices or increase the output (Milton H. Spencer and Orley M. Amos, Jr., 1993).

A subsidy (transfer) is one of the forms of government spending also interpreted as a negative tax that will increase the income of those receiving the subsidy or an increase in real incomes of those consuming or purchasinge goods

subsidized by the government. Subsidy can be divided into two forms, namely in the form of money (cash transfer) and in the form of goods or subsidies unnatural (in-kind subsidy) (Suparmoko, 2001).

According to the Financial Memorandum and Draft of State Budget and Revenue Expenditure 2014, the subsidy budget allocation is distributed through companies /institutions that produce, sell goods and services, and affects the lives of many people in such a way that the selling price is unaffordable for society.

Therefore, subsidy is an attempt by the government through the budget distribution to producers of goods and services in the framework of public services so that people can meet the necessities of life with a more affordable purchase price of the subsidized goods and public services. So the subsidy is government assistance in the form of financial assistance paid to producers and consumers of a business or economic sector for the goods /services. For decades, the government has used subsidy policy in order to achieve a number of social and economic goals. Notably, subsidy policy aimed is at poverty alleviation, infrastructure development, and the development of health and education facilities.

Facing the fiscal pressures caused by the high kerosene subsidy, the Indonesian government launched a program of transfer of kerosene to LPG to reduce the kerosene subsidy in 2007. The program provides subsidy of 3-kg LPG from the conversion program until today, although the conversion program is almost over completely. Simultaneously with other needs taken care of by the government, the determination of the allocation of public financial resources for subsidy is a difficulty for the Government.

The growing public conflict now tends to lead to any item that can be subsidized. The author argues that if the subsidy is able to produce real benefits, the subsidy policy should be maintained; however the subsidy must be aimed only for production activity, and not for consumption activity. On the other hand, in order that the subsidy policy achieve its objectives, coordination and supervision action should be planned and implemented with the best possible means and always comply with prevailing rules.

2.4. FRAMEWORK OF THOUGHT AND RESEARCH PROPOSITIONS

President of the Republic of Indonesia Regulation No. 104 of 2007 concerning Supply, Distribution, and Establishment of the Pricing of Liquefied Petroleum Gas, 3-kg LPG, stipulates that in order to ensure the provision and procurement of fuel in the country and reduce subsidy of fuel oil in order to ease the burden on state finances, there needs to be a substitution of the use of kerosene to Liquefied Petroleum Gas.

President of the Republic of Indonesia Regulation No. 104 of 2007 was clarified by Minister of Energy and Mineral Resources Regulation No. 26 of 2009 concerning the Provision and Distribution of 3-kg LPG mandates the distribution of 3-kg LPG to use a closed distribution system. The closed distribution system for LPG is the distribution system of LPG to households and micro-enterprises that has Control Card. A Control Card is an official identification card given to households and micro business, as the target of LPG, 3 Kilogram as a surveillance tool in the distribution of 3-kg LPG. The Control Card is aimed at the objective that this subsidy be achieved, namely that benefits can be provided to subsidy recipients, namely households and micro-enterprises, that is with correct targeting, at a suitable price, in the right quantity, and with supply availability guaranteed.

Minister of Energy and Mineral Resources Regulation No. 26 of 2009 was supported by Minister of Internal Affairs and Minister of Energy and Mineral Resources Joint Regulations Nos. 17/th2011 and 5/Th.2011 stipulating that for implementation of the kerosene to Liquefied Petroleum Gas conversion program to be done with correct targeting, at the right price, in the right quantity, and with guaranteed supply, the development and monitoring of the closed distribution of Liquefied Petroleum Gas shall be required with a need to involve the participation of the provincial and regency/city governments.

In the effort to assess the implementation of the of 3-kg LPG subsidy policy with questions focusing on the factors that determine the success of the policy, this research builds the framework as set out in Diagram 2.5. Based on the theoretical study on the implementation of the policy developed by Grindle, there are two major variables that affect the implementation of the policy, namely the content of policy and context of implementation, it can be noted that theoretically there is the content of policy and context of implementation that determines success in achieving policy objectives, namely: content of policy shall include (1) the extent to which the interests of the target groups accommodated in the contents of the policy; (2) types of benefits received by the target group; (3) the extent to which the change of policy is desired; (4) whether the program is appropriately placed; (5) whether the policy has been mentioned its implemented in detail; and, (6) whether a program is supported by adequate resources. While the context of implementation include (1) how significant the actor power, interests, and strategies in policy implementation; (2) the characteristics of the institution and the regime that is ruling; (3) the level of compliance and responsiveness of the target group.
Subsequent the analysis using Soft Systems Methodology is conducted, to produce a model of policy implementation as the solution of this research. Here is presented Diagram 2.6, Framework of Thought of the Research of Policy Implementation of the Subsidy of LPG, 3-kg LPG.

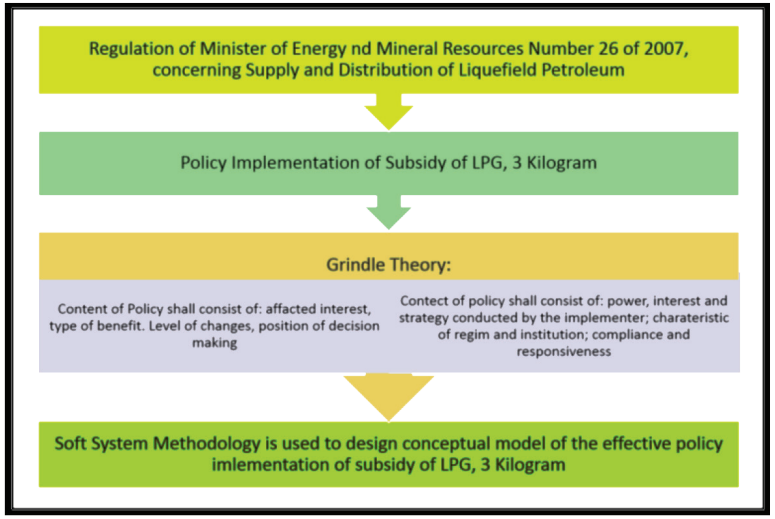
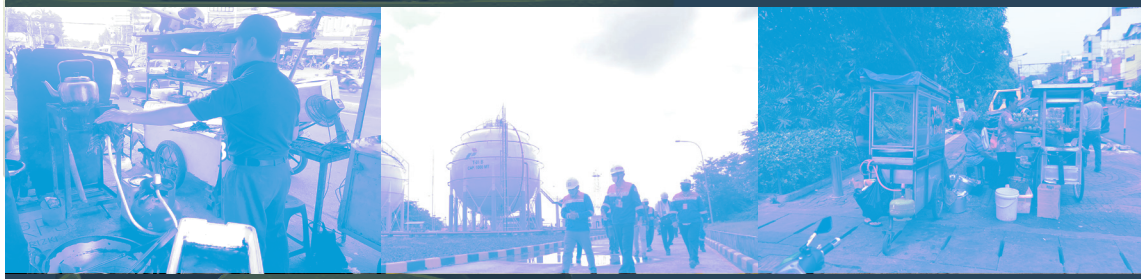


Diagram 2.6. Framework of Thought of the Research of Policy Implementation of the 3-Kg LPG Subsidy.

CHAPTER 3

ANALYSIS OF FACTORS THAT NEED TO BE CONSIDERED IN THE SUBSIDY POLICY IMPLEMENTATION OF 3-KG LPG



Winarno (2002) states that the policy implementation is the administration tool where various actors, organizations, procedures and techniques work together to implement policy in order to achieve the desired effect or objectives. Furthermore Rusli (2013) suggests that conceptually, the implementation of a policy or program contained in the policy is the action to achieve the goals set out in a decision. This action seeks to transform what was stated in decisions into operational patterns and achieve what has been desired, either significantly or through a small number of changes as decided on in advance.

Furthermore Saefullah (2007) states that the level of policy implementation concerns how or to what extent a policy can be implemented in the real world. Further, implementation is a complex phenomenon which may be understood as a process, output, and result.

This is explained further by Grindle (Grindle, 1980) that there are two important aspects in policy implementation, namely: content of policy and context of implementation of the administrative activities that affect the implementation of the policy itself. In detail, it is explained as well by Grindle (1980) that aspects of policy content shall include: the interests affected by the policy (interests affected), the types of benefits that will be generated (types of benefits), the level of change to be expected (extent of change envisioned), location of decision-making, program implementers, and resources committed. While aspects of the context of implementation shall include: actor power, interests, and strategies, institutional and regime characteristics, compliance and responsiveness.

3.1. CONTENT OF POLICY

3.1.1. Interests affected

Interests affected by the policy relate to the various interests of those who are influenced or affected by the implementation of policy. As explained: “Public interest in term of social objectives: the public interest is the pursuit of social objectives of efficiency or social justice. Conversely: It is not in the public interest when political decision makers choose policies that give special privileges for groups that have narrow self-interested objectives contrary to the best interest of voters and society at large” (Hillman, 2009).

The implementation of of the 3-kg LPG subsidy policy is able to accommodate the interests/needs of the target group which consists of disadvantaged households and micro-enterprises. The accommodation of the interests of the target group is to avoid conflicts that may arise as a result of the implemented policy. Conflicts can occur because the target group considers that the implementer agency, in this case Pertamina, could not guarantee their rights in getting 3-kg LPG in a timely manner and with an appropriate price pursuant to the Highest Retail Price (harga eceran tertinggi, HET) at retail level.

In general, the subsidy implementation by the government brings a positive impact to consumers or producers, among other means by:
1. Helping to improve economic quality;
2. Helping low-income groups in terms of meeting economic needs;
3. Preventing the occurrence of bankruptcy in businesses.

A policy is established and implemented in relation to many interests, incluing the interests of individuals, groups, organizations, government institutions/ agencies (executive) or political body (legislature), at the local, regional until the national levels, as contingent on policy implementation level and the environmental influenced by such policy. Parties that have an interest in a policy, whether the individual, group, organization, or institution shall be referred to as the stakeholders. In view of public sector organizations and the non-profit sector, stakeholders shall be defined as stated by Freeman (1984) as “any group or individual who can affect or is affected by the achievement of the organization’s objectives”.

In relation to those that having interest with the implementation of policy, Rusli (2013) reveals that there are many stakeholders of a policy that should be involved in the policy process. The stakeholders of the policy shall be construed widely, not only the stakeholders who become parties or are subjects directly related to the policy, but also parties or other factors that are directly or indirectly related to the policy process, including the physical environment such as nature and other inanimate objects, such as the machinery or technology used in each process or the cycle of the policy.

In line with this approach, the target group of the LPG 3 Kilogram Subsidy is the disadvantaged households and micro-enterprises. Referring to the concept of interest, then, the target group of the policy is not the public in general but people with a certain predefined criteria. Therefore, the concept of interest that needs to be explored in this case is the interest of a group of people who is categorized as the target group, and not the interests of many people or public interests (general will).

To accommodate the interests of the target group the government has established the 4 T principles jointly through Minister of Domestic Affairs Regulation No. 17 of 2011 and Minister of Energy and Mineral Resources Regulation No. 5 of 2011. 4T shall be defined as the accurate on target, accurate on volume, accurate on price and guaranteed availability.

Accurate on target: **occurs** when the subsidized LPG is used for micro enterprises and households in accordance with Minister of Energy and Mineral Resources Regulation No. 26 of 2009, Article 20 paragraph (2).

Findings from Focused Group Discussions organized by the Audit Board of Republic Indonesia (BPK) on 10 December 2014 on the monitoring of 3-kg LPG Subsidy policy suggest that the most crucial problem pertaining to the 3-kg subsidized LPG is inaccurate targeting, or mistargeting. Although the original purpose of this program is the conversion of kerosene into LPG and not restricting the use of LPG. In the event that the original purpose of this program is the conversion of kerosene into LPG, it can be said that the objectives have been achieved successfully, proven by the habits of the people who used to be very dependent on the use of kerosene; however, now they use LPG.

At this moment, in general the custom on using kerosene has been able to be left behind; however the complaints from the public that often arise relate to LPG that is difficult to obtain. Therefore, the problem is the availability of LPG for targeted households. When the targeted households do not get what they are entitled to, then a possible reason is inaccuracy in the distribution channel. Referring to data mentioned by the Marketing Director of Pertamina, it is only about 35% of the total subsidy of 3-kg LPGs that is accurate on target, i.e. 1.9 million MT of the total 5.2 million MT. There is about 3.3 million MT or 3,300 million kilogram of LPG that were inaccurate. The value of the subsidy per kilogram of 3-kg LPG is Rp 5,000 which means there is a leak of Rp 5,000 multiplied by 3,300 million kilogram/year. From such multiplication, the budget for the subsidy of LPG that is not on target reaches Rp 16.5 trillion/year.

Accurate on Volume: it is necessary to study the accuracy of the volume of each 3-kg LPG, whether it is accurately 3 Kilograms. The difference price of 3-kg LPG and 12-kg LPG is the causative factor of gas injection from 3-kg LPG to 12-kg LPG which is not subsidized. Injections are usually carried out by agents and stations to earn double profits. The effect of such injection is that the volume of the cylinder is not accurately 3 Kg. Former Chairman of the Governance Reform Team of Oil and Gas, Faisal Basri, has made comments regarding the alleged inaccuracy of the volume of the 3-kg LPG, although this has been refuted by Pertamina. Complaints about the lack of accurate volume of the 3-kg LPG was also reported several times by users of the 3-kg LPG to the Municipal Government Office in Bandung, which serves consumer complaints.

Accurate on Price: the local government can set the Highest Retail Price in accordance with local conditions. However, the problem is that there is no guarantee that the retail price at the final point received by consumers will be

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the same as the Highest Retail Price. With open distribution patterns, retailers in the shops or stores can sell at a price far above the price specified by the Highest Retail Price. It is compounded by the scarcity of LPG which often occurs in some areas, resulting in a price at the final point sometimes out of control. Mass media often report about the uncontrolled price of 3-kg LPG due to the scarcity or delayed supplies. However even without any scarcity, the price will almost be always above the Highest Retail Price. This is because of the presence of retailers who dominate the trading of 3-kg LPG in a community, where in terms of distribution channels, this retailer is also a controlling station of 3-kg LPG and such condition is not acknowledged by any regulation.

Guaranteed availability: it is the duty of the government to ensure the availability of energy in sufficient quantities to fulfill the needs of the community. Although Pertamina constantly strives to fulfill the supply of 3-kg LPG, but the fact is that the delay of supply often occurs in some areas, causing unrest of the people in need. Scarcity can be caused by the migration of the 14-kg LPG to 3-kg LPG, a growing number of families and small businesses exceeding forecasts, or foul play of unscrupulous agents or LPG stations of LPG that carries out the injections. In general, even though there has been delay of supply that often occurred in some areas, the problem of the scarcity of 3-kg LPG can be overcome.

From the analysis of the 4T, accurate on target, accurate on value, accurate on price and the guaranteed availability, it can be concluded that these four indicators have not been realized in accordance with policy. The target group is often disturbed by inaccuracy of target recipient, scarcity, price that is over the Highest Retail Price, and volume of 3-kg LPG less than 3 kilograms.

An ideal policy would be a political decision that can accommodate public interests rather than just the interests of policy makers and a few other people or specific groups to gain benefit from the policy. Further, it is stated that: “Interest groups are defined as groups of individuals and or institutions united by shared opinions or intersts and organized together in a effort to influence political outcomes. Interest groups sometimes try to pressure government directly and other time, prefer to keep their distance from government even while they seek to shape public attitudes and beliefs. In comparing how interst group operate across countries, we will see that interest group can be either partners or competitors with government” (Grigsby, 2012).

Different from other communities such as society-based groups, student groups, professional groups or political party groups, the target group of the subsidy of 3-kg LPG, which consists of disadvantaged households and micro-enterprises, are compared to those other groups not as directly organized or possessing influence over political policy or able to pressure the government through protest, discussions, writing articles in mass media to establish public opinion and beliefs about their complaints and demands. Luckily, a few parties either individually or in groups often voluntarily become the mouthpieces of the target group in voicing their interests, which frequently happens in speaking about the scarcity of 3-kg LPG and its price that is over the Highest Retail Price. Individually many people are voicing the fate of the target group in relation to the scarcity and the high price of 3-kg LPG in the social media, in particular Twitter. While the print, electronic and on-line mass media are very enthusiastically reporting the fate of the target group when 3-kg LPG became scarce and its price is over the Highest Retail Price. This shows that social media activists who were partly not a target group of 3-kg LPG understand about the subsidy of 3-kg LPG. The price of 3-kg LPG that exceeds the Highest Retail Price and the inaccuracy of target are not just ignored but to be disclosed as the valuable information for related parties.

3.1.2. Type of benefits

Any implemented policy certainly has certain types of benefits which will be sensed by either the implementer of the policy and target groups/target policy. The definition of a policy benefits means the advantages /benefits received through the implementation of a policy, either directly sensed and in accordance with the collective needs, or not directly sensed and hidden by other needs during the process of policy implementation. Benefits will be obtained by parties who have interests related to the policy, such as policy makers, policy implementers, agencies/institutions, and the community at large. These types of benefits such as what would be obtained/received by the target group of an implemented program/policy. With respect to the benefit obtained by the stakeholders, Grindle (1980) states that: “All parties will voluntary execute and help the implementation of a program, if they obtain benefit from what is programmed by the government, the success of a program will be achieved, if the program is profitable for all parties”.

The target group desires that program/policy benefits can be sensed without they have to wait for a long time, they do not understand that all the requirements have to be fulfilled so that the policy implementation will run smoothly according to the plan and can achieve the objectives. It is important to give an understanding to the target group that the benefits of the program/policy shall not be only for themselves (group or individual) but to the institution as well as a form of government responsibility.

Basically, the purpose of policy implementation of the subsidy of 3-kg LPG is to improve welfare and quality of life and is also expected to provide various types of benefits, both for policy makers and the receiver of the policy or community target group in accordance with the main objective of the policy. For the government, the policy implementation of the conversion of kerosene had to be carried out continuously considering the high demand and national dependence on kerosene at that time. As an illustration, in 2009, the price of kerosene in the market was Rp5,660/liter, while the government sold with the Highest Retail Price of Rp2,250/liter. This means that there is a difference of Rp1,410/liter which must be borne by the government. The need of kerosene for 50 million heads of households approximately was 9.9 million kiloliters, or nearly 10 billion liters per year. It means that in that year the government issued no less than Rp 14 trillion just to meet the expenditure of kerosene.

In 2011 the program of the conversion of kerosene into LPG reached nearly 48 million heads of households and Small and Medium Enterprises (SMEs) across almost all the territory of Indonesia, which is recognized by the Ministry

of Energy and Mineral Resources as the greatest energy conversion program in the world, both in terms of economic scale and the coverage area, and program objectives. Moreover, the world LPG market closely followed this particular implementation of energy conversion program as this conversion from kerosene to LPG in Indonesia would affect the balance of LPG in the world.

Initially, the kerosene to LPG conversion program was guided by a strong desire to remove the subsidy for kerosene. Consumption of kerosene had been constantly increasing the burden on the state financial budget. In fact, the subsidy of kerosene had been shown to be not completely on target. Deviation in use of the subsidized kerosene outside of the disadvantaged people target group was not by a few but by industry and affluent people. Also, the use of LPG replacing kerosene was shown to provide economic advantages. The use of LPG which has a calorific value of 11254.61 Kcal/Kg (Kerosene at 10478.95 Kcal /Kg), meaning that one liter of kerosene is equivalent with 0.57 Kg LPG, with LPG consumption providing cost saving in the amount of Rp 16,500 to Rp 29,250 for each Head of Household who was the target of this conversion program. As for the state, the conversion program in the first 8 years provided cost savings of more than Rp 25 trillion.

As a matter of fact, in addition to economic reasons, the conversion of kerosene into LPG also provided other benefits such as the use of clean and environmentally friendly energy. Compared to kerosene, LPG consumption is not only more inexpensive since it has a higher calorific value, but it is cleaner as well. LPG combustion produces no smoke and is basically odorless, while the combustion of kerosene, which contains a specific form of carbon, produces smoke as well as releases a carcinogenic gas.

Therefore the use of LPG plays a role in reducing carbon emissions. A form of the international community concerns related to the temperature of the earth, or better known as the Clean Development Mechanism (CDM). The rising of global temperatures is believed due to the increase of carbon emissions as greenhouse gases. Various attempts were made by people in the world to suppress carbon emissions.

Based on scientific studies, the content of the emission of kerosene carbon gas is greater than that of LPG. Every combustion of one kilogram of kerosene will potentially generate carbon gas emissions of 19.6 mg. While combustion of LPG with similar unit of weight will produce 17.2 mg of carbon gas emission. The difference of 2.4 mg that if considering an energy efficiency of LPG is 47.3 GJ/ton and of kerosene is 44.75 GJ/ton, then the use of LPG gas will reduce the emission of carbon gas, namely 8.8 mg.

In a random survey conducted by Pertamina, for each Head of Household, the consumption of 3-kg LPG is for an average of six days. This shows that each Head of Household burns LPG at about 0.5 Kg per day. The use or consumption of LPG will be even greater for the Small and Medium enterprises, such as peddlers or small shops, with some of these consuming 3 kg of LPG every day. Nevertheless, there are also households take longer than 6 days to consume 3-kg of LPG.

If it is assumed that the consumption or use of 3-kg LPG is for a period of 6 days or 0.5 Kg each day, then the production of carbon gas is 4.4 mg lower for each of the Head of Household compared if the use of kerosene is maintained. Based on data from the distribution of the first conversion phase that reached approximately 47,900,000 units, then every day at least 210,760,000 mg emission of carbon gas occursand for one month, this would reach 6,322,800,000 mg lower than had use of kerosene been maintained. While for one year, this was likely approximately 73,873,600,000 mg lower than if the use of kerosene was maintained.

Based on a simulation conducted by the Centre of Atmospheric Sciences and Climate, the National Institute of Aeronautics and Space, the use LPG on the conversion program of kerosene into LPG generates carbon gas emissions that are 0.15 per cent lower than had the program not been applied. This means that the use or consumption of LPG can reduce the production of carbon gas or the CO2 emissions by 0.15 percent compared to the use of kerosene.

Photo Source : www.pertamina.com

The results of a computer simulation for a specific period up to 2010 show that carbon gas emissions before the implementation of the conversion program reached 31,178,596,000 tons, while for a similar period after implementation of the conversion program show a figure of 31,076,116,000 tons. The results of carbon gas emissions when compared with estimation of emissions from some sources show differences in scale. Reduction of CO2 or carbon gas emission in the conversion program of kerosene into LPG generates a significant contribution to Indonesia's role in the implementation of CDM. Indonesia as the Non-Annex I country actually is not required to reduce emission of carbon gas as agreed under the Kyoto Protocol. However, in the involvement of Indonesia in the UNFCCC which results the Bali Road Map and G20 meeting, Indonesia is committed to reduce the emission of carbon gas.

The widespread use of LPG, which now has replaced kerosene through the conversion program, has significantly reduced emissions of carbon gas. The program which was originally more oriented in economics has contributed to the implementation of the CDM in the country. Although not large, the contribution of the reduction of carbon gas emission in the program of the conversion of kerosene into LPG proves that the efforts to implement activities that make the environment cleaner and healthier are not always harmful to the economy. In fact otherwise it can generate economic value.

Before the government chose LPG as the substitute fuel, the government had planned to replace fuel oil with coal briquettes; however apparently they are not cheaper, are rare in the market, and the effects of their combustion is bad for the environment. LPG is considered as a clean energy, practical, fast to be heat up, more economical and safe. Based on research conducted study centers for Energy and Mineral Resources, Trisakti University, to cook the same type of cuisine, the cost incurred by using LPG is only 40% of the cost of cooking using the kerosene. LPG is evaluated as non-complicated technology and inexpensive so that it can be operated easily by the whole society.

No.	Description	Type of LPG			
		3-kg LPG	LPG, 12 Kg	Kerosene (liter)	Coal Briquettes (Kg)
1.	The use: Kg/liter/day	0.6	0.6	1.5	6
2.	Price (Rp)/Kg	2,800	2,500	4,000	900
	Rupiah/Day	1,680	1,500	6,000	5,400
3.	Maintenance of Stove/Cylinder	Easy	Easy	Hard	Easy
4.	Distribution	Easy	Easy	Rare	Rare

Table 3.1. Comparison of Type of Energy Consumed by Households.

From the above table it can be seen that LPG is the most inexpensive cost of energy, is easily available and provides other benefits to the target groups, and for the government, such policy of the conversion of kerosene to gas is an effort in efficiency of energy consumption.

Rationalization of the energy consumption is a positive effort to reduce a large subsidy. In fact, the infrastructure for LPG had not been arranged as well as was the infrastructure for kerosene, which had been consumed for decades. The problem became more complicated when some local governments were afraid to implement a policy of energy conversion in their areas because they believed that the infrastructure for LPG in the area was not sufficient, the immaturity of coordination among government agencies and community cultural reasons.

In the end when compared to kerosene, LPG has many benefits for the target groups, namely:

- Clean and environmentally friendly
- Not causing odors that interfere with the taste of food
- Easy to use and movable for mobile micro enterprises

3.1.3. Extent of change envisioned

A policy would bring changes as its consequences. Changes are not special phenomena in public/government organizations, as they would facilitate the attainment of a goal. Garna (2002) stated that: "Changes would always occur

in any and all societies, as mankind and their social lives are both the subjects and the goals of change, regardless of how it was initiated. The change process might happen in various speed, slow, steady, and swift, or in an evolution and revolution. Changes may happen in either sequential or non-sequential manners, to be brought by the community's potentials or externally, which leads to the unfolding of certain series of changes".

From the aforementioned perspective, it can be seen that change is something dynamic in the sense that it adjusts to the changes that ensue, whether they be from internal environments (community/organization) or from external environments. Change may transpire slowly, steadily, or swiftly. It could also happen in a sustainable manner (in stages) or independently (stand alone).

Policies/programs that are implemented towards a target group are expected to change the way they think, their attitudes and their behaviors. These changes in mindsets, attitudes, and behaviors will change their habits in activities, making them better. A source of change is a dimension that emphasizes the factors behind why a change takes place. Andrain (1992) explained that there are three impersonal sources of change and one personal. The impersonal sources of change are: confidence, organization, and technology, while the personal source of change is leadership.

Further, in order for an expected change to transpire, it must be founded on something that is plausible and desirable, originating from policy-makers; in this case, it requires a set of systematic beliefs - "ideology" – which determines the suitability and virtue of the changes to occur. Belief in the meaning of change will motivate people/stakeholders to work towards achieving the targeted change and not passively accepting the status quo. Conviction in the values held provides reasons, direction, and (moral) justification for the expected change.

Although initially there were a lot of doubts about the program, the successful conversion from the use of kerosene to LPG became a landmark phenomenon in energy conversion in Indonesia. The program successfully changed the community's habit, one that had been passed from generation to generation, from using kerosene to using LPG. This is not simply a technical-methodic change, but also full of social and cultural aspects.

The method of change is a dimension that aims to identify how changes might happen, whether changes occur naturally or deliberately planned, whether the fundamental method of change is through violence (revolutionary) or non-violence (reformist). Changes that are organic and deliberately planned are attempts to organize (Andrain, 1992).

Another dimension of change would be the level of change, i.e. the rate of speed. Changes are always present in any communities, but some communities change more quickly compared to others. In a modern society, changes can happen much faster. Rapid advancement of technology, new methods in organization expand possibilities to change. The dominant beliefs also put greater emphasis to fast-moving changes in a number of sectors in the society (Andrain, 1992).

With regard to the main objective on converting the use of kerosene to LPG, i.e. to cut the subsidy, the government provided a price subsidy. This policy has been in place for many years and it burdened state finance. The consumtion of kerosene prior to the conversion program was 12 million kilolitres (KL) per year. At that time, the subsidy reached Rp 25 trillion. This figure changed following the basic assumption of the price and volume of crude oil. Of the total volume of kerosene, the users' profile showed that 10 per cent were very poor, 10 per cent were poor, 50 per cent were middle-income people, and 20 per cent were well-to-do people. LPG is an alternative to kerosene. The most important reason for the conversion was that the LPG production cost is less than that of kerosene. The non-subsidized cost of production for kerosene was Rp 6,700/litre while the subsidized cost of production would be Rp 2,500/litre. For an amount that equals to one unit of kerosene, the non-subsidized cost of production for LPG is Rp 4,200/litre while the subsidized cost was Rp 2,500/litre. The use of LPG absolutely reduces the consumption of subsidized kerosene. Since the program started in 2007 up to end of 2010, 44,673,000 initial cylinders were distributed throughout Indonesia, and this exceeded 100 per cent of the target. Targeted beneficiaries consumed 3,793,000 metric ton (MT) of LPG. Up to 11,317,000 KL of kerosene was withdrawn. Savings amounted to Rp 19.34 trillion.

In addition to savings for state finances as reflected in the State Budget (APBN), the kerosene-to-LPG conversion program also created cascading impacts in the public's general economic activities. Procurement of more than 44 million of LPG stoves had revived the domestic LPG stove industry. After the conversion program was initiated, there were 34 manufacturers of LPG stoves with total capacity of 55 million units per year. Manufacturers of accessories also grew along with the consumer needs to use LPG stoves. The needs to have 100 million 3-kg cylinders of LPG had also spurred the growth of domestic manufacturing industries. The growth of supporting industries to the kerosene-to-LPG conversion program absorbed hundreds of thousands of direct workers. It is estimated that the number of indirect workers was even higher. Economic activities also occurred alongside the LPG distribution, from the production site to imports for consumers. There were also some developments

in infrastructure, including in transporting vessels, that prompted investment in transportation, maintenance (of LPG Bulk Transport and Charging Stations/ SPBEs), and regular refuelling stations and distribution. The distribution channels also provided business opportunities for people to become agents, subagents, and base stations/distribution points. As LPG has a higher calorific value than kerosene, the small traders who converted to use LPG claimed to have reaped greater profits of between 10 to 15 per cent. For the same amount of cost to procure kerosene, LPG at least provides higher production efficiency. Similar savings were experienced by household consumers for household fuel expenditures.

3.1.4. Site decision making

There are three levels of decision making in relation to the hierarchy of policy making process, i.e.: policy level, organizational level, and operational level. The author concurred with the hierachy policy level from Bromley (1989), that the policy level was in the Ministry of Energy and Mineral Resources, the organizational level was in the District and City Governments as the consequence of regional autonomy concerning the power to organize the communities in the distribution of the 3-kg LPGs, and the operational level was in Pertamina and its distribution channels.

In terms of location of decision-making, the three levels in the hierarchy of the policy making process are: policy level, organizational level, and operational level. When the subsidy program for the 3-kg LPG started, the Ministry of Energy and Mineral Resources acted as Program Coordinator. It was also tasked to carry out outreach programs, supervision, and verification in the provision and distribution of the 3-kg LPGs. This is why from the start of the program the whole Ministry of Energy and Mineral Resources was directly involved in both policy and field implementation. The Ministry also undertook coordination functions with other agencies, and particularly with subnational government as the government organization at the local level that can be engaged directly in implementing the conversion program.

PT. Pertamina held quite a significant role. This oil and gas state-owned enterprise (SoE) was tasked to handle the procurement of LPG and the procurement of 3-kg LPG cylinders for initial launchof a starting package. This SoE also initially distributed the starting package to the intended beneficiaries of the program. It also had the role to refill the 3-kg LPG cylinders as well as to ensure that the supplies and distribution of the 3-kg LPGs actually reached the agents to then be distributed to consumers.

3.1.5. Program implementers

In every policy implementation, the determining factor of success is the program implementers, where the roles and responsibilities of such program implementers is the primary prerequisite to ensure the success of program implementation. For a program to be implemented smoothly and to achieve the prescribed targets and objectives, there is a dependence largely upon those appointed or tasked with implementing said program. Implementers are those who are closely connected to the execution or implementation of policies (Grindle, 1980). They are the administrators at all levels of the bureaucratic hierarchy. They are the officials that the middle level, which in this case is the Provincial and Municipality/District level, responsible for the expected results. The Ministry of Energy and Mineral Resources decides everything related to program implementation as well as the program impacts. Implementers are key actors in program implementation.

If implementers want to administer a particular policy, they must be able to apply what is desired by the policy makers. However, when the attitudes or views of the implementers differ from those of the policy makers, the process of actualizing a policy becomes increasingly difficult. Policy implementers must possess managerial as well as technical skills. This is required because program implementers are faced with, or consistently interacting with, target groups who have various limitations (Edward III, 1980).

The following is capabilities as a concept: “Capabilities as the skill, knowledge, experience, attributes and behaviours that the individual needs to perform a job effectively” (Hartley, 2010). Capabilities consist of skills, knowledge, experience, and behaviors, which each individual policy implementer must possess in carrying out their duties in an effective manner. These capabilities are simultaneously closely related to the abilities that implementers must possess, in which ability includes the education, skill, training, and experiences of the employee (Heffron, 2008).

With regard to competencies, they are defined as: “Underlying characteristics of an individual, which is causally related to criterion-referenced effective and or superior performance in a job or situation.” The meaning of underlying characteristic is a competency that is an inherent part of a person’s personality and has been evident for a long time and can be used to predict behavior in various duties and work situations. Causally related is where competencies cause or predict behavior and performance. Criterion-referenced means competencies do in actuality predict who will perform something well or badly, as measured by specific criteria or standards. Competencies are a number of

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characteristics that underlie a person and demonstrates the way they act, think, or to generalize situations appropriately in longer term (Spencer and Spencer, 1993).

The characteristics of employee competencies are the possession of knowledge, capabilities, as well as having initiatives and innovativeness in various work dimensions, as can be seen through skills and attitudes in: (1) solving problems with an orientation on efficiency and productivity, quality and attention to environmental impacts; (2) horizontal and vertical communication as well as the development of internal work networks; (3) controlling personal emotions, develop friendships and objectivity of perceptions; (4) continuously wanting to learn; (5) personal development to link work competencies with individual competencies; (6) advance to seek new ways of optimizing the quality of customer services; (7) the ability of employees to strengthen each other (synergy) to persistently improve product quality and customer service quality (Mangkuprawira and Hubies, 2007).

Managerial skills relate to the implementer's ability to direct the target group in managing their business operations, while technical skills involves the management of tools used by the target group. Target groups do not have managerial and technical skills; hence they would require guidance by implementers who have the skills and the competence in these fields to be responsive towards the problems that arise from the target groups. Policy implementers must possess capabilities, competencies, commitment, and be consistent in administering a policy in a manner that is true to the direction provided by policy makers (Rusli, 2013).

In order to reduce the rising kerosene subsidies, the government established a conversion program for kerosene to LPG through Presidential Regulation No. 104 of 2007 concerning the Supply, Distribution, and Pricing of 3-kg LPG. This conversion program process is described as follows:

a. Data Collection of Potential Recipients
   The data collection of potential package recipients for 2007 was conducted by Pertamina. Since 2008 the work was conducted by third party consultants appointed by the Directorate General of Oil and Gas [for] Initial Package Procurement.
b. Distribution
   Initial package distribution was conducted by Pertamina through a distribution contractor appointed by Pertamina.
c. Supervision and Verification
   Supervision and verification of initial package distribution for 3-kg LPGs was carried out by the Directorate General of Oil and Gas and implemented by third party consultants. The supervision of initial package distribution was conducted at delivery points during the distribution process (on the spot supervision). This activity encompasses the documentation and calculation of the number of packages distributed as witnessed by the village authorities.
   Meanwhile, the verification activities were divided into two: verification of the proper quantities and proper targets. Verification of proper targeting was conducted in two ways, on-the-spot and post-document verification. The verification of proper quantities was conducted by updating the initial package recipient list (DP3) and the verification results were written in an official report of on-the-spot verification of proper quantities.
d. Payments
   The procurement and distribution of initial packages were initially funded by Pertamina, and then Pertamina billed the Government. The submission of an invoice is accompanied by an attachment of a Debit Memorandum, Tax Invoice, Official Verification Report for the Supply and Distribution of Initial Packages, Receipts, and Official Reports of the Delivery of Documents on Conversion Package Procurement. Based on these documents, the Directorate General of Oil and Gas issued a Pay Order (Surat Perintah Membayar, SPM) to effect the issuance of a Fund Disbursement Order (Surat Perintah Pencairan Dana, SP2D) by KPPN (the State Treasury). In order to ensure that the conversion program would be executed according to its purpose, monitoring and facilitation was conducted by the Monitoring and Facilitation Team formed and established by the Minister of Energy and Mineral Resources.
e. Withdrawal of Kerosene

The withdrawal of kerosene aimeds to determine the absorption level of 3-kg LPGs that had been distributed to the public. The withdrawal process was only administered in areas where conversion had reached 80%.

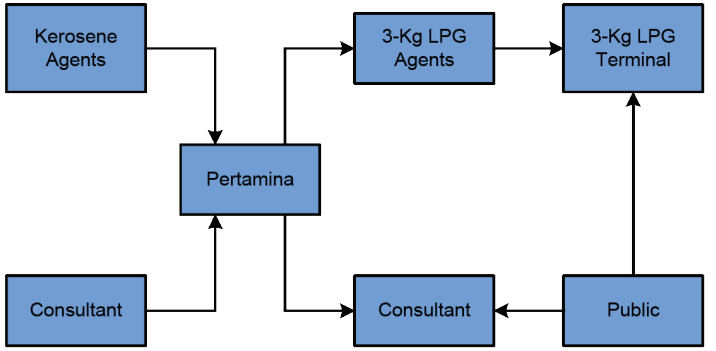


Diagram 3.1. the Schematic Flow Chart on Kerosene to LPG Conversion Program.

Technically, the process of converting the use of kerosene to LPG was as follows:

a. Pertamina determined which regions would have the conversion program, based on infrastructure readiness.
b. Pertamina coordinated with the local government (Pemda) regarding implementation, and disseminated the information to distributors and also to Kerosene Terminals in that region.
c. The Kerosene Distributor submits an application to become a distributor for 3-kg LPG to Pertamina, complete with the administrative documents and a list of their Terminals to be converted into 3-kg LPG Terminals.
d. Consultants provided an implementation schedule for enumeration and distribution at the area to Pertamina.
e. Pertamina approves the appointment of the temporary distributors of 3-kg LPG and approved the consultant's implementation schedule above for release to the public.
f. The 3-kg LPG distributors redeemed the new cylinders at the Pertamina Depot to stock in 3-kg LPG Warehouses and Terminals.
g. If the Kerosene Distributor had not submitted an application to become a distributor for 3-kg LPG within 10 days after distribution, a declaration of refusal to become a distributor for 3-kg LPG was prepared for signing.

In reality, only the Ministry of Energy and Mineral Resources, the Ministry of Industry, and Pertamina were heavily involved in the program for converting kerosene to LPG in 3-kg cylinders.

1. Ministry of Energy and Mineral Resources
   The Directorate General of Oil and Gas in the Ministry of Energy and Mineral Resources prepared policies, norms, standards, procedures, and criteria, as well as provided technical guidance and evaluation in the field of downstream oil and natural gas and also monitored the National Program for the Conversion of Energy from Kerosene to LPG in 3kg cylinders by:
   a. Completing tasks in coordination among relevant agencies;
   b. Assisting in settling the legal matters regarding the National Program for the Conversion of Energy from Kerosene to LPG in 3kg cylinders.

   In addition, the Inspectorate General of Energy and Mineral Resources as the chairperson of the monitoring team formed the Implementing Team for Monitoring and Facilitation of the 3-kg LPG Cylinders Program through the Inspector General of Energy and Mineral Resources Decision Nos. 250.K/73/IJN/2009 and 01.K/73.07/IJN/2010. The Implementing team was comprised of 12 members as representatives of the Monitoring and Facilitation Team with tasks to:
   a. Conduct research/re-verification of verification results obtained by the Verification and Supervision Team of the Director General of Oil and Gas;
   b. Visit the 3-kg LPG cylinder factories in order to understand the process of production and quality testing of the cylinders as well as the initial package post production;
   c. Settle legal matters and issues in implementing the National Program for the Conversion of Energy from Kerosene to LPG in 3kg Cylinders;
   d. Assist in monitoring the implementation of the National Program for the Conversion of Energy from Kerosene to LPG in 3kg Cylinders.

2. Ministry of Industry
   The Ministry of Industry was tasked with establishing quality standards for the conversion package product to provide protection to the public recipients of the conversion packages. The Ministry of Industry has issued several regulations on the quality standards/Indonesian National Standard (SNI) for steel cylinders for LPG and gas stoves. In relation to this, the Ministry of Industry also established the prices for steel cylinders for 3-kg LPG and single burner LPG gas stoves along with their accessories.

3. PT. Pertamina (Persero)
   The assignment of Pertamina as the supplier and distributer of 3-kg LPG was stipulated in Minister of Energy and Mineral Resources Decision. Other units involved in the implementation of this program were LPG and gas product players as implementers of the procurement for 3-kg

cylinders, stoves, hoses, and regulators, as well as the data collectors and package distributors. Meanwhile, the implementation of data collection and package distribution is the responsibility of Pertamina regional offices at the local level, the implementation of which was contracted to a third party. There have been many criticisms on the outcomes from the consultants who implemented data collection. These criticisms primarily address the inaccuracy of the data employed as a basis for providing control cards. As a result, many parties were against the conversion program because they have suspected from the start that inaccuracy in targeting and open distribution would occur as a consequence of the inaccurate data collection. In a number of regions, the local governments even refused to implement conversion if the data has not yet been improved.

Although there have been many criticisms concerning the inaccurate targeting and the inability to conduct closed distribution in a consistent manner, in 2013, Pertamina was re-confirmed as the operator for policy implementation of the subsidized 3-kg LPG based on 2013 Minister of Energy and Mineral Resources Decision No. 1732 K/10/MEM/2013 concerning the Assignment of PT. Pertamina (Persero) in the Supply and Distribution of Initial Packages of Liquefied Petroleum Gas (LPC) in 3 Kg Cylinders.

3.1.6. Resources committed

The availability of numerous resources required to support policy implementation is absolutely necessary. If this condition cannot be met, the policy is sure to experience obstacles in its implementation. In that event, the policy will not reach its targets or objectives, perhaps even sparking conflict in society. Those resources may be in the form of facilities and infrastructure utilized by implementers in operation activities, both administrative and otherwise in the field, with detailed scheduling of the activities so that all stages of the policy that have been planned proceed accordingly.

Policy implementers must be supported by adequate resources to enable the process to run smoothly. Resources relate to assets than an organization needs to have, both in terms of raw materials used to produce goods or services and in the form of personnel, financial, managerial aptitude, skills and functional abilities. In short, vital resources encompass adequate staff (numbers and quality); sufficient information to make decisions, clear authority to perform duties and responsibilities; and the proper facilities required, such as buildings, equipment, land, and supplies. Financial resources are another important aspect for the success of policy implementation. Each level of government

Photo source : www.pertamina.com

has financial capacity. Sources may be derived from government revenue or taxation. The greater the financial capacity of the government, the greater the success of policy implementation.

An organization must have the sufficiency of resources above to be able to perform its duties and responsibilities well according what has been established or designed. As further confirmed by the opinion of Edwards III (1980): “Important resources include staff of the proper size and with the necessary expertise; relevant and adequate information; the authority; and facilities (including building, equipment, land and supplies)”. In a more general context, resources function as input in a system-organization with economic and technological implications. Economically, resources are related to costs or direct sacrifices expended by the organization, which in turn reflects the value or potential usefulness in its transformation into output. Meanwhile, technologically, resources are related to the transformation ability of an organization (Tachjan, 2006).

Resources are important for good policy implementation. The indicators used to determine the extent to which resources influence policy implementation comprises of (Edward III in Agustino, 2006):

1. Staff
   The primary resource in policy implementation is the staff or employees. The failures often seen in policy implementation are caused by staff/ employees who are inadequate, insufficient, or incompetent in their field. The addition of staff members and implementers alone is not enough to resolve the issues of policy implementers, yet adequate staff with the

requisite expertise and abilities (competent and able) are needed in policy implementation.

2. Facilities and infrastructure
   Facilities and infrastructure are a vital factor in policy implementation. Implementers may have sufficient staff, who are able and competent, but the absence of supporting means (facilities and infrastructure) would render the policy implementation unsuccessful. The facilities and infrastructure that must be available to primarily support the operational activities would include:
   - Data Collection of Potential Subsidy Recipients;
   - Initial Package Procurement;
   - Distribution;
   - Supervision and Verification.
3. Budget
   The procurement and distribution of initial packages was initially funded by Pertamina, and thenPertamina billed the Government.

Consequently, in terms of resources required to support policy implementation for the subsidized 3-kg LPG, the author is of the opinion that they were adequate.

Thus concludes the explanation of the policy content regarding the subsidized 3-kg LPG analyzed using Grindle's theory. The importance of policy content in policy implementation of the subsidized 3-kg LPG is primarily the interest affected by the policy, which is 4 T: targeted, timely, true weight, and true prices. These are determining factors in obtaining the desired outcome in implementing policy for subsidizing 3-kg LPG. The success of achieving the 4 T depended on the roles of implementerPertamina, in their ability to be a creative policy implementer in addressing and overcoming problems on the ground and be dynamic in interacting with the varying interests of parties that may influence the policy implementation for subsidized 3-kg LPG.

3.2. CONTEXT OF IMPLEMENTATION

The Context of Implementation aspect comprises of power, interests, and strategies of actors involved, institutional and regime characteristics, along with compliance and responsiveness. The context of policy implementation is closely related to policy environment. The policy environment is a larger system that encompasses and therefore influences policies, which are a subsystem within. There are several types of policy environments, some of which are concurrent in the process of influencing the subsystems within. Policy environments in general are categorized into two groups, the policy environment that is physical in nature and that which is non-physical (social, economic, political, cultural, and so on) (Rusli, 2013). In brief, Grindle (1980) propounds that: "A brief listing of those who might be involved in the implementation of any particular program would include national level planners; national, regional, and local politicians; economic elite groups, especially at the local level; reciepient groups; and bureaucractic implementors at middle and lower levels".

If policy is a tool intended to achieve an objective, then policy environment is that process which plays a role in determining whether or not it succeeds. Without question, it is not the only factor influencing policy, whether from its formulation, implementation, and evaluation of performance in achieving objectives, as there is also the physical environment, such as information technology, natural conditions, climate, and others. All of these either directly or indirectly exert a large impact on the effort to achieve policy objectives (Rusli, 2013). Below is further elaboration on the context of policy regarding the 3-kg LPG subsidy.

3.2.1. Power, interests, and strategies of actors involved

Power, interests, and strategies of actors involved in policy implementation occur to the extent that these political elite have an interest in leveraging the power they have to reap advantages and profit.

The strength or power, interests, and strategies employed by the actors involved to smooth the way for the implementation of a policy must be calculated. If they are not taken into account, there is a high probability that the policy will not proceed as planned. The success of policy implementation is closely correlated to bureaucratic performance. Bureaucratic performance is the result of pushing and pulling between various powers that each bring their respective values, including legislative bodies, government organizations, professional organizations, political organizations, and the like. In other words, the nature of this performance fluctuates often, depending on the stronger dominance or pressure point in this struggle. Ideally, the result is a compromise between those various values; however, with the frequency of internal conflicts, the difficulty of reaching such a compromise is evident (Saefullaah, 2010).

The power possessed by each actor is different, with the definition of power being: "At its most fundamental level, power can be defined as an ability to influence an event or outcome that allows the agent to achieve an objective and/or to influence another agent to act in a manner in which the second agent, on its own, would not choose to act" (Grigsby, 2012).

At its core, the power possessed by these actors is the power to influence events or results, and from these results, said actor is able to achieve objectives

and/or control other actors to act and/or not act of their own volition. Thus, the characteristic of power is the ability of an actor to influence or control an objective or influence and control another actor to act in accordance to the former's will. The ability to influence or control another actor by leveraging or directing the entirety of one's potential power/capability into an action is to achieve an objective, which is one's interest.

One of the aspects of the resources an actor has is the ability to select the appropriate strategy. In policy implementation, the actors must select and be able to enact that strategy through actions to facilitate the achievement of objectives or interests through policy implementation. The actors involved have particular interests in the implementation of a policy and the respective parties attempt to ensure that their interests are provided for through various methods, in accordance with the allocation of resources and direct the policy implementation to achieve desired results. The objective of prioritizing the interests of the respective actors often prompts political conflict, requiring a decision as to whom the power is given, whose interests are considered, and the strategies of the actors involved.

In power, interests, and strategies of actors in policy implementation, as Grindle (1980) stated: "What is implemented may be a result of: a political calculation of the interests and groups that are competing in the struggle for limited resources, the response of policy implementers, and the actions of the political elite, which as a whole interact in the existing institutional context. As a result, the analysis of the implementation of a particular program can reveal the assessment of "the ability of power" of an actor, the interests involved, as well as the strategies to achieve an objective and the character of each institution as a platform for interaction".
From the explanation above, it is shown that actors have interests that they pursue through the right strategic actions between actors. The actors in the implementation of the subsidy policy for 3-kg LPG is Pertamina as the party appointed by the Ministry of Energy and Mineral Resources for procuring and distributing the 3-kg LPG cylinders. The power wielded by Pertamina in procuring and distributing 3-kg LPG was substantial as it was the sole recipient of this mandate from the government. This is reasonable as Pertamina has the facilities and infrastructure that best met the requirements for procurement and distribution of the 3-kg LPG cylinders throughout Indonesia. The interest of Pertamina in procuring and distributing the 3-kg LPG cylinder throughout Indonesia was quite substantial because it was a highly profitable business for Pertamina.

The strategy of Pertamina was to optimize efficiency and effectiveness in the distribution processes by engaging consultants in collecting data for the control card in the initial stage of the kerosene conversion program, along with the involvement of marketing networks, whose hierarchy starts from SPBE, agents, and terminals for 3-kg LPG cylinder handling, from the very start of the kerosene conversion program up to the distribution phase of 3-kg LPG cylinders. In this manner, distribution was effectively swift, massive, and targeted as intended throughout Indonesia, achieved with a relatively good level of efficiency. Based on the mapping conducted by the author, the scope of activities involving consultants and marketing networks are:

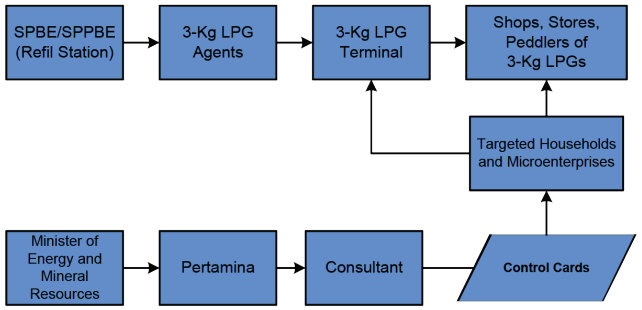


Diagram 3.2. Flow Chart on Policy Implementation of 3-Kg LPG Subsidy.

- Consultants collected data of potential holders of control card for the subsidized 3-kg LPG, while handing out control cards to households and micro-enterprises recorded as targets for the subsidized 3-kg LPG with assistance from the village and local authorities.
- The 3-kg LPG agents redeem 3-kg LPG cylinders at SPBE/SPPBE to become the stock at the 3-kg LPG Warehouses and Terminals that partnered with them.
- Target households and micro-enterprises purchase the 3-kg LPG at the Terminals or to warung (shops), stores, or peddlers selling the 3-kg LPG.

3.2.2. Institution and regime characteristic

Institutional and regime characteristics are the roles within the policy implementation environment, and as such, the characteristics of powerful institutions and the regime that play a role in policy implementation that must be recognized. A healthy organizational profile bears the following features: focus on quality, as evidenced by the best quality products, processes, individuals, and structure; responsive towards customers/consumers, prioritizing customer satisfaction as the service philosophy, cost effectiveness, enforcing costs

Photo source : public relations of BPK RI

according to organizational needs; innovation, ability to address organizational challenges; quick response, in the form of responsiveness in responding to the demands or changes; good communication, characterized by clear, prompt, and accurate organizational communication; individual dedication, as exhibited by strong motivation to work towards achieving the objectives of the organization; cooperation, as displayed by individuals coming together to perform tasks/work according to a division of responsibilities (Dive, 2004).

Policy implementers may already know what must be done/worked on, and they have the appropriate attitude and resources to implement policy, yet may be late in implementing it due to the unwieldy bureaucratic structure, i.e. the standard procedures for the implementation and division of work. (Edward III, 1980). In this context, Pertamina as the program implementer characteristically tended to act tactically and opportunistically instead of bureaucratically and procedurally in addressing realities on the ground. This negatively affected the operationalization of the closed distribution system for 3-kg LPG. The author is of the opinion that the failure to implement closed distribution in its entirety began with the characteristics of implementers who tended to act tactically and opportunistically, in addition to being less than compliant and consistent in administering the policy according to existing regulations. On the other hand, coordination between the institutions involved in implementation was also tenuous, leading to a lack of ability to support each other to ensure the program succeeds.

Furthermore, support from local government on an institutional level also determined success of policy implementation. The local government has access to mobilize people to directly interact with community life every day. The local government also better understands the characters of their communities, the tendencies, and how to sway their opinions. The environment where policy

is implemented likewise influences its success. Therefore, it is necessary to recognize the characteristics of local governments that will impact the implementation of a policy.

There was support from local governments for the subsidized 3-kg LPG program. This support appeared real with the formation of implementation coordination teams by regional governments. This is understandable as the policy to subsidize 3-kg LPG would be extremely beneficial in increasing public welfare, which indirectly leads to improving the image and reputation of the respective region head. A successful policy implementation for subsidizing 3-kg LPG in a region can raise public support for the Bupati, or Mayor, in said region, where intentionally or otherwise, these elected officials tended to endeavor to apply for as many subsidized 3-kg LPG for their constituents as possible.

3.2.3. Compliance and responsiveness

Compliance and responsiveness is the extent to which policy implementers practice these principles in addressing real situations on the ground, and in facing beneficiaries in their efforts to provide adequate services. The compliance and response of implementers depends on creativity, closeness with other stakeholders, as well as the existence of support or repudiation of political institutions. Compliance is closely related to the enforcement of a set of rules where: “Throughout the literature concerned with regulatory enforcement, it is typically claimed, rather ambiguously, that the purpose of regulatory enforcement is to secure compliance’. But with what must compliance be secured? Regulatory theorists appear to use the phrase not only by reference to compliance with the collective goals underpinning a regulatory scheme, but also by reference to compliance with regulatory standards” (Yeung, 2004).

From this standpoint, the objective of enforcing regulation is to secure compliance. In the theory of regulation, compliance can refer to collective objectives that underlie a regulatory scheme, or compliance that refers to obedience to regulatory standards: “In short, it is possible to distinguish between ‘rule compliance’ on the one hand and ‘substantive compliance’ with collective goals on the other, and the two may not always be coextensive” (Yeung, 2004).

This affirmation demonstrates that compliance comes in two forms: compliance with regulation (rule compliance) and compliance with the collective objectives (substantive compliance). Policy implementation is a process of a series of decisions and actions taken by the state directed towards the fulfillment of an established mandate. Implementation, in this perspective, is often aligned with state compliance, or meeting the demands of legal procedures within

the specified period. The statement contains a sense that there shall be no modification or change in a policy decision that might contradict the intent of the policymakers.

The realization of policy implementer compliance can be seen through discipline, as: “Discipline is management action to enforce organizational standards (Davis and Newstorm, 1985).” This definition can be interpreted as the application of management to reinforce the guidelines or regulations within an organization. In a government organization or institution, this discipline fundamentally means learning, obedience, adherence, faithfulness, and respect to the prevailing provisions/regulations and norms. As a binding and integrating factor, discipline is a force that can compel implementers to conform to the regulations and work procedures that have been established, because it is deemed that objectives can be achieved by adhering to these rules. In the event of a violation or deviation from these rules, the implementers themselves are subject to sanctions as they have performed work that is in violation of or does not comply with the regulations and work procedures applicable within the organization.

In the context of policy implementation to subsidize 3-kg LPG, the policy compliance of policy implementers, in this case Pertamina, was lacking. It can be seen that there are several significant provisions that were not being applied on the ground. One example is the provision regarding closed distribution. Several parties approached in the field revealed that the closed distribution system had been a determining factor for the success of the policy to subsidize 3-kg LPG. Nevertheless, the closed distribution system in reality only came to pass at the beginning of the conversion program, and as Pertamina later received a large quantitative target from the government for distribution, it loosened the transaction standards for the purchase of 3-kg LPG, where the control cards were no longer necessary for purchase. Moreover, Pertamina allowed the emergence of 3-kg LPG retailers, which should not exist in a closed distribution system. The inoperative closed distribution system was a cause for chaos in the 3-kg LPG subsidy program. Without a closed distribution system, the distribution chain became difficult to control. If the distribution chain could not be controlled, then the targeted subsidy beneficiaries became unconstrained. This is the fact on the ground, where each terminal and even agent had several customers in the form of retailing warung (shops) and retail stores as additional channels in the distribution chain. There were even a number of convenience stores known to be part of the distribution chain and acting as retailers, although it is clear that the majority of customers of those convenience stores are the middle to upper class people.

There was also a shortfall of implementer’s concern in encouraging as well as motivating groups not included as targets to adhere and be accountable to the policy on the 3-kg LPG subsidy, as there were only a few appeals in the form of a banner placed at each 3-kg LPG terminal. These appeals were directed at businesses such as restaurants, factories, and others who are not the targeted micro-enterprises.

Responsiveness is an ability possessed by policy implementers in addressing the demands or needs of the organization or the public. The aspect of responsiveness influences the success of policy implementation (Grindle, 1980), where bureaucracy must be responsive towards public needs related to the benefits received so as to provide better service. Without adequate attention to the ability to respond during implementation, policy implementers will suffer limitations in obtaining information to evaluate program outcomes and support that is imperative to the success of the policy.

Responsiveness is a criteria used to select alternatives to be recommended, based on the consideration of whether said alternative meets the needs, preferences, or values of the public (Dunn, 2000). Furthermore, in its relation to quality service, responsiveness is the “willingness to help customers and provide prompt service” (Zeithaml, Parasuraman and Berry, 1990). Responsiveness is the willingness to assist customers and provide prompt service. It is the organization’s ability to identify public needs, plan services, and develop public service programs according to the needs and aspirations of the public. Responsiveness is included as one performance indicator of public organizations because it directly illustrates an organization’s ability to carry out its mission and objectives, primarily in meeting the needs of the public. Responsiveness is paramount to public service because it is proof of an organization’s ability to recognize public needs, to formulate agenda and service priorities, as well as to develop public service programs in line with the needs and aspirations of the public. An organization with low responsiveness will automatically display poor performance.

Interviews with respondents from the Office for Cooperatives and Small and Medium Enterprises (Dinas KUKM) and the Office for Industry and Trade (Perindag) of the city of Bandung show that the low responsiveness of policy implementers of the subsidized 3-kg LPG was caused largely by non-existence of a well-developed coordination between the implementers and the local government. The non-intensive communication between the relevant agencies lead to a slow response to addressing the various issues related to the 4 T of the subsidy policy. Further, the data that was used to specify the target groups and the progress had not been updated for a long time. This indicates that the

responsiveness of policy implementers for the subsidized 3-kg LPG program was unsatisfactory.

3.2.4. Other Factors Affecting Implementation of the 3-Kg LPG Subsidy Policy

Aside from content factors and the context that has been thoroughly detailed above, the author found several other factors that were critical to the process of the 3-kg LPG policy implementation, namely Supervision and Human Resources.

Supervision is the process of setting the performance measures and taking appropriate actions to support the achievement of expected results in line with the aforementioned performance measures. “Controlling is the process of measuring performance and taking action to ensure desired results” (Schermerhorn, 2002). Supervision is a process to ensure that all activities are carried out as planned, “The process of ensuring that actual activities conform to the planned activities” (Stoner, Freeman & Gilbert, 1992). Supervision is an important side of the government’s management function in resolving on actions by comparing the “das sollen” (standards) with the “das sein” (actual situation) that have been obtained. Winardy (1999) stated that: “Gap as a problem is a deviation from a standard (or from certain objective to be reacted)”. The deviation between what is desired and the ensuing reality necessitates supervision in order to decide on follow up steps to correct the divergence that is occurring or has transpired. The function of controlling does not merely comprise of supervising and confronting the fact that digressions exist, but focuses more on correcting such deviations that occur, both internally and externally. This supervision is performed in order for the implementation and operation to proceed, and the results to succeed (finish) in accordance to what has been planned or stipulated.

The root of all supervision is plans (Atmosudirdjo, 1982). Proper planning enables supervision to measure the progress made in an effort to achieve desired objectives and targets, allowing corrective steps to be taken if said progress is considered unsatisfactory (Ruky, 2002). Planning and supervision are two sides of the same coin (Winardi, 1979). Planning and supervision are very closely related, leading to them being referenced to as Siamese twins in management (Handoko, 1998). It is possible for various plans to fail if the leadership does not carry out proper internal and external supervisory actions. Supervision cannot be performed without proper planning.

Supervision may be directed either internally or externally (Winardy, 1990). Internal supervision from the government standpoint is supervision conducted by authorities within the internal environment of government organizations.

Referring to the views of these experts, supervision of policy implementation regarding 3-kg LPG is a crucial issue. This is because the subsidy program for 3-kg LPG is a well-planned program in the interests of many people and has a clear legal basis. It would have been extremely difficult to ensure the success of the program without adequate supervision in its execution. Particularly since the subsidy program for 3-kg LPG had been proven to not be on target. If not anticipated with maximum supervision, it will cause further digressions by irresponsible parties. As a subsidized product, the distribution of 3-kg LPG should already be regulated through stringent and clear regulations, with its execution supervised closely by the government.

Supervision of the distribution of 3-kg LPG was not only aimed at safeguaring the subsidies so that they were on target and not misappropriated. It was also to ensure the stability of the predetermined Highest Retail Price. The supervision of 3-kg LPG distribution is basically regulated and established in Minister of Home Affairs and the Minister of Energy and Mineral Resources Joint Regulations No. 17/2011 and No. 5/2011, article 21 to 28. It is stated that the supervision of the 3-kg LPG program is tiered supervision involving the Ministry of Home Affairs and the Ministry of Energy and Mineral Resources. The Ministry of Home Affairs conducts supervision through the Director General of Community and Village Empowerment (PMD), in coordination with the Governor, the Regional/Provincial Government, the Subdistrict (Kecamatan) to the Kelurahan (Village) and RT/RW (Neighborhood/Community Unit). Meanwhile, the Ministry of Energy and Mineral Resources conducts supervision through the Director General of Oil and Gas on closed distribution and the businesses supplying/ distributing 3-kg LPG.

Unfortunately, the parties mandated by this regulation have evidently barely been proven to carry out their functions and roles to the maximum extent. The Highest Retail Price that the public receives is often out of control, the quota always swells, and those enjoying the products are not all part of the target group and micro-enterprises. Therefore, the supervision of 3-kg LPG distribution is essential from upstream to downstream so as to be on target. Supervision as one of the management functions is the means of control considered most effective in producing implementation that proceeds according to the previously established standards.

In the policy implementation for the subsidized 3-kg LPG, in addition to the inherent supervision that had been applied by implementers to the distribution networks, the author is of the opinion that stronger involvement of District and Municipality Government in supervision is greatly required. The supervision to be undertaken by the local government may take various forms, such as by engaging Supervisory Authorities that are specifically tasked and have a role supporting inherent supervision. Alternatively, it could also be through the involvement of community-level actors, referred to as Community Oversight (Pengawasan Masyarakat, Wasmas). Wasmas is conducted by all levels of society, whether individuals or groups, press and/or Civil Society Organizations, as a form of active participation of the community in social control. Where necessary, supervision should also be based in appropriate information technology systems to make the process more effective.

The use of Information and Communication Technology (ICT) is one of the fitting solutions to solve the problems in supervising the 3-kg LPG distribution. The utilization of ICT in policy implementation overcomes obstacles regarding geography, time, and costs related to supervision. To ensure that the distribution of 3-kg LPG proceeds accordingly, PT. Pertamina has for the past few years taken initiative to administer an IT-based Monitoring System for 3-kg LPG, known as SIMOL3K. With SIMOL3K, it is hoped that the needs and consumption of 3-kg LPG in a particular region can be recorded and monitored well, allowing better targeting for 3-kg LPG use. Yet SIMOL3K has only been piloted in selected cities.
It is the opinion of the author that if the SIMOL3K is utilized for monitoring, particularly for regions that are located remotely or deep in the interior, there will be problems with infrastructure. An IT-based system is yet to be relied upon given its dependence on internet infrastructure and the competence of human resources who will operate the system. Ultimately, the author can conclude that supervision has not been conducted in accordance with the mandate as prescribed in article 21 to 28 of Minister of Home Affairs and the Minister of Energy and Mineral Resources Joint Regulations Nos. 17/2001 and 5/2011.

In addition to the ICT system to support supervision, another important supporting factor for supervision is the availability of human resources to perform supervisory duties. Successful supervision is greatly determined by the factor of human resource competence. No matter how superior the supervision system that has been created, if the implementing human resources are not competent, then it is almost certain that the program will not proceed as intended.

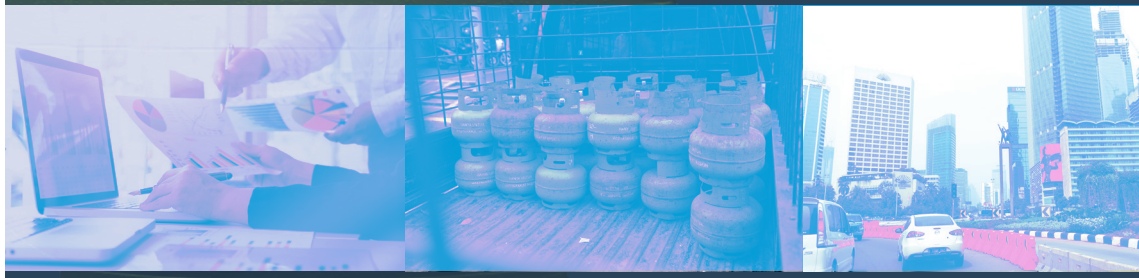
The author finds conditions in the field that indicate that supervision has not progressed as intended, partly due to the shortcomings of the implementing officers in the supervision of distribution for 3-kg LPG, such that the supervision system inherent in the distribution network is unable to anticipate digressions well. Unscrupulous Agents and Terminals who transfer the subsidized LPG to the non-subsidized cylinders were more frequently discovered and reported by community members instead of Pertamina officers.

Upon receiving these reports from the public, Pertamina officers then move to resolve the issue by reporting the matter to the police. Likewise, supervision of violations perpetrated by Agents and Terminals in relation to operational boundaries and Highest Retail Price is also lacking, as was the supplying of subsidized 3-kg LPG to retailers. The author is of the opinion that for better performance of the supervision inherent in the policy implementation of the 3-kg LPG subsidy, it should be supported by external supervision conducted by the District and Municipality Government along with their respective authorized bodies at the urban/rural village levels.

The application of a method for suitable inherent supervision and external supervision must be considered, along with the support of competent supervisory human resources, both in terms of skills and integrity, so that the true objectives of the policy to subsidize 3-kg LPG can be realized.

CHAPTER 4

POLICY IMPLEMENTATION OF THE 3-KG LPG SUBSIDY WITH SOFT SYSTEMS METHODOLOGY APPROACH



The results of the implementation of the 3-kg LPG subsidy policy in this study are approached with Soft System Methodology (SSM), which phasing process is described in Diagram 4.1. as follows:

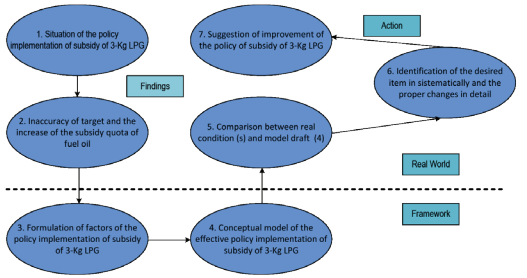


Diagram 4.1. Phases of SSM for the Policy Implementation of 3-Kg LPG Subsidy.

Based on the phases of Soft Systems Methodology (SSM), the overall activities will be divided into 7 (seven) phases of activities as described in Table 4.1.

	Phases	Description of Activities
1	Analysis of the situation of the policy implementation of the 3-kg LPG subsidy	Analyze of the ineffectiveness problem of closed distribution system of the 3-kg LPG subsidy through literature, media news analysis, interviews and Focus Group Discussions
2	Identification of the problems of inaccuracy of target and the increase of subsidy quota of 3-kg LPG	Identify the problems of inaccuracy of target and the increase of subsidy quota of 3-kg LPG through literature, media news analysis, interviews and Focus Group Discussion
3	Formulation of factors of implementation of 3-kg LPG subsidy policy	Analyze the factors of the policy content and implementation context of the 3-kg LPG subsidy policy referring to the Second phase above
4	To design the conceptual model of the effective policy implementation of the 3-kg LPG subsidy	• Analyze the gap between the objectives of the 3-kg LPG subsidy policy with the results of implementation of the 3-kg LPG subsidy policy • To design the conceptual model of the effective policy implementation of the 3-kg LPG subsidy by referring to the formulation of factors of the content and context (phase 3) and benchmarking against the various existing conceptual models of the effective policy implementation of the subsidy
5	Identify the various discrepancies of the model and the real world	Identify potential gaps that will occur when a design model is implemented in the real world at this time and that will come through in in-depth interviews with relevant parties
6	Discussing the desired changes	Discussing the desired changes through in-depth interviews with relevant parties
7	Completion the design conceptual model of effective implementation of the 3-kg LPG subsidy policy	Completion the design conceptual model of the effective policy implementation of the 3-kg LPG subsidy based on input from relevant parties on the ground

Table 4.1. The Phases of SSM.

4.1. DISCLOSURE OF THE PROBLEM SITUATION

At this phase the author reveals problems that have been known and documented. Problem disclosure is increasingly sharp and comprehensive in Chapter 5 by using the theory of Grindle. In general its can be stated that this study is a research of the policy implementation of the 3-kg LPG subidy, which in fact was imprecise in terms of not targeting only the target groups of the eligible people, which means the majority of beneficiaries were in fact not eligible target groups. If we refer to the figures mentioned by marketing director of Pertamina, it is only about 35% of the total subsidy 3-kg LPG that is accurate on target in the target group. Another fact of the ineffectiveness of the closed distribution system is that the purpose of reducing the burden of energy subsidies and improving the welfare of poor people was not achieved.

Activities of problem identification were unstructured, and structures the problems as phase one and two of the SSM were started by studying a wide range of literature relating to the policy implementation, followed by interviews of relevant resource persons associated with the snowball sampling technique. The literature study was conducted intensively since August 2014 to read, assess and record the data taken from various sources related to the policy implementation of the 3-kg LPG subsidy.

Several kinds of data including articles were obtained from a variety of print and online media regarding the policy implementation of the 3-kg LPG subsidy. Data searching was started from the Ministry of Energy and Mineral Resources, Pertamina, and the Bandung municipal government, as well as the Hiswana Migas (the Entrepreneurs Association of the Commerce of Oil and Gas), Bandung and Sumedang Branches as associate of the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Station, Agents, and the Sales Base of the 3-kg LPG, to dig deeper into various issues appearing in the policy implementation of the 3-kg LPG subsidy.

SSM focuses on the creating of a system of activities and human relationships in an organization or group in order to achieve a common goal. In the development of a Rich Picture of structuring the situation with regard to the policy implementation of the 3-kg LPG subsidy, there is reference to 4 (four) regulations, namely:

1. President of the Republic of Indonesia Regulation No. 104 of 2007 concerning Supply, Distribution and Pricing of the Liquefied Petroleum Gas, Cylinder 3 Kilogram;
2. Minister of Energy and Mineral Resources Regulation No. 26 of 2009 concerning the Provision and Distribution of LPG;

3. Minister of Energy and Mineral Resources and Minister of the Domestic Affairs Joint Regulations Nos. 17 and 05 of 2011 concerning the Development and Supervision of Closed Distribution of Specific LPG in the Region; and
4. Director General of Oil and Gas Decision Letter No. 25297.K/10/ DJM.S/2011 concerning Technical Guidelines on Implementation of Closed Distribution of the Specific LPG.

Having described the analysis of the policy implementation by using the Grindle theoretical approach, three factors are revealed of policy implementation outside the factors of the content of policy and context of implementation, which are the coordination among the relevant parties factor, the distribution control factor, and data used as basis for determining the receiver of the factors for subsidy. To deepen the analysis of the various problems of policy implementation of 3-kg LPG subsidy, the author believes that further analysis using soft system methodology is needed. This is because the research of the policy implementation of the subsidy of 3-kg LPG has unstructured problems and involves many stakeholders with different interests, as described in the analysis as set forth in Chapter 5 with the Grindle theory.

4.2. RICH PICTURE (RP)

Policy implementation of the 3-kg LPG subsidy has in fact seen imprecision in terms of not targeting only the group of eligible people, which means the majority of beneficiaries are in fact not of the eligible target group. If we refer to the figures mentioned by the Marketing Director of Pertamina, then it is only 35% of the total subsidy of 3-kg LPG that is accurately on target in the eligible group. Another fact of the ineffectiveness of closed distribution system is that the purpose of reducing the burden of energy subsidies and improve the welfare of poor people target group could not be achieved. The 3-kg LPG subsidy continued to increase due to the widespread use by households and businesses which are are not in the target group, as well as due to the practice of cheating, especially by unscrupulous agents that switch (known more popularly as “inject”) the contents of 3-kg LPG cylinders to LPG 12 kilogram cylinders in order to get more profits.

From the description as given in Chapter 5 regarding the factors of policy implementation, a Rich Picture (RP) can describe these to help define the steps of thinking about the situation of the problem in the real world towards thinking about what should be done about the situation of the problem in the real-world (Hardjosoekarto, 2012). The creation of the RP is based on the disclosure of the problem situation on the ground that aims to clearly illustrate the problem that exists in the real world. RP is presented in graphic form and is flexible so it is easy to structure, although there is no formal or standard technique in such creation. The RP-making process is the result of casting experience and perception of SSM practitioners of real-world situations that are considered problematic by the process of identifying and linking a series of related concepts (Hardjosoekarto, 2012). After study is taken using the Grindle theory, as well as deeper interviews and direct observation on the ground, an RP is revealed which shall be as follows:

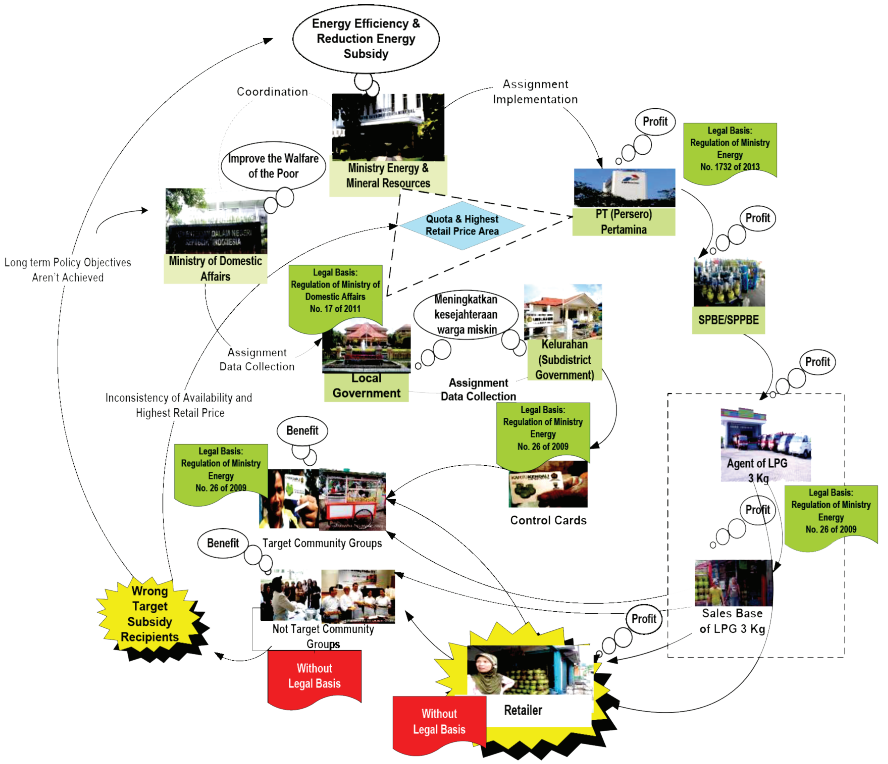


Diagram 4.2. Rich Picture of Policy Implementation of the 3-Kg LPG Subsidy.

This Rich Picture (RP) has been revealed from the findings obtained from in-depth interviews of the various competent problem owners who arefrom the Ministry of Energy and Mineral Resources Pertamina, and the Bandung Municipal Government, agents, and the Sales Base of 3-kg LPG and who understand the problems of the policy implementation of 3-kg LPG.

In a work meetings of Commission VII of the House of Representatives with the Minister of Energy and Mineral Resources, dated February 3, 2015, the Government through the Ministry of Energy and Mineral Resources together with Commission VII of the House of Representatives agreed on the subsidy of LPG 3 kilograms in the Draft of Budget of the State, Changes in 2015, amounting to Rp 28.274 trillion. Minister of Energy and Mineral Resources, Sudirman Said explained that the consumption growth of 3-kg LPG is 15 percent per year. In anticipation of its scarcity, the government raised the subsidy of 3-kg LPG to become 5,766 million tons, an increase compared with the realization in 2014 which amounted to 4,988 million tons. The figure was obtained on a proposal from the regional governments. Since 2009, average growth reached 15 percent per year with details as follows: 1.8 million users are households, 4.57 million are the micro-businesses, while 123,000 are small businesses, and plus the migration of approximately 10 percent, so that eventually the figures reaches 5,766 million tons. Although the amount of the 3-kg LPG subsidy was agreed, the House of Representatives noted that the government should improve the distribution. The distribution problem was considered to cause the subsidy to not be on target. The House of Representatives found that the lower level society generally experienced that it was difficult to get the 3-kg LPG. And if it was available, the selling price was higher than the Highest Retail Price established by the Local Government. The House of Representatives also assess that the validity of the migration rate of 10 percent should be re-examined.

The root cause of many problems of the target inaccuracy can be traced from the early period of the conversion of kerosene. Coordination between the Ministry of Energy and Mineral Resources with the local government as decision makers at central and local levels was less coherent, resulting in data that was not entirely valid. The reference data currently being used for poverty alleviation programs, namely data based on BPS survey in 2011, was not yet available at the beginning of the kerosene conversion program. Valid data was a resource to ensure that Household and Business targets get the control cards. On the other side, the parties concerned, especially the Ministry of Energy and Mineral Resources and Pertamina had a characteristic that they were reluctant to consider failure in performing the tasks, so that they prioritized the achievement of quantitative targets, especially at the beginning of the implementation of the conversion program, and this tended to generate data that was not entirely valid.

With regard to the policy of the Minister of Energy and Mineral Resources Regulation No. 26 of 2009, the eligible target to get the control cards shall only be the Household and Micro Business; however, due to reference data thatwas not entirely valid, there were Households and businesses that were not part of the target group but they received a control card as well, and contrarywise eligible Households and Enterprises that fulfilled the appropriate target criteria did not even receive a control card. Coordination between the Ministry of Energy and Mineral Resources with the local government as the owner and decision maker was less cohesive, resulting in data not entirely valid. On the ground, the chaos caused by inaccurate data ultimately was the reason for a lot of people not included in the target criteria to buy 3-kg LPG not having a Control Card. Besides this, the quantitative target distribution of Pertamina to any Agent caused all Agents to not apply the rules that required the use of the Control Card and not use the appropriate record in the Logbook in order to achieve the distribution target. Violation of the rules of distribution of a closed system started from many such incidents in all regions during the early conversion from kerosene. Finally, violations of the rules becomes more normalized because so many people who were not eligible or did not fulfill the target criteria were also demanding to be able to buy 3-kg LPG without the need to demonstrate the Control Card, so that it becomes a common practice that the purchase of 3-kg LPG shall not be accompanied by showing a Control Card. Furthermore, the rule that required the buyer to demonstrate a control card in order to purchase the 3-kg LPG became not applicable anymore. Moreover, after the violation of this rule become a common practice and the Ministry of Energy and Mineral Resources as an owner and decisions maker policies, Pertamina as having inherent supervisory authority to the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, and the local government up to the Sub-district as the spearhead for monitoring the 3-kg LPG distribution together did not expressly forbid such implementation, then the Agent and Sales Base became courageous to make a retailer network, where agents and the Sales Base supplied the 3-kg LPG. Since that time the closed distribution system, de facto, was not implemented any further. The closed distribution system became, de facto, an open distribution system. Moreover, in addition to retailers in the form of stalls and shops, then appears retailers in the form of peddlers of 3-kg LPG, and even lately the mini-market network also became a reseller.

In the end, it was not only the targeted Household and Micro Business and those with control cards that became the beneficiaries of this policy, but also Households and businesses that were not included in the target, and that number was far beyond the target group that enjoyed the benefit of the 3-kg LPG subsidy. On the other hand, Pertamina also received a benefit with the increased profit from the distribution of 3-kg LPG, as did the LPG Bulk Filling

Stations/LPG Bulk Transportation and Filling Stations, Agents, Sales Base, and retailers who also enjoyed the benefit from the enlarged profit by the sharp rise in sales volume.

The 3-kg LPG subsidy policy and its implementation issues are interesting to be studied in depth by using the SSM method. Activities of the problem identification and structuring the unstructured problems as phase one and phase two of the SSM method, shall be started by studying a wide range of literature relating to the 3-kg LPG subsidy followed by interviews with relevant resource persons associated with the snowball sampling technique. The study of the literature conducted intensively since August 2014 read, assessed and recorded the data taken from various sources related to the 3-kg LPG subsidy, including articles obtained from a variety of print and online media on the implementation of the policy of the subsidy of 3-kg LPG.

Furthermore, there are three phases of analysis carried out in phases to make RP in order to understand the real-world situation, namely the first, second and third analysis as described below.

4.2.1. First Analysis, Role Analysis

This analysis aims to identify the parties who played an important role in the transformation process as expected in the study, namely client, practitioners, owners of the issues addressed in the policy implementation of the subsidy of 3-kg LPG, which are formulated as follows:

Clients	Government, in particular: The Ministry of Energy and Mineral Resources, Ministry of Domestic Affairs and Local Regional Governments
Practitioners	Author
Owners of issues addressed	PT. Pertamina (Persero), Provincional Governments and Local Regional Government

Table 4.2. Client, Practitioners, Oweners of Issues Addressed.

There are many actors associated with policy implementation of the 3-kg LPG subsidy. To identify the actors that are really relevant to the focus of this study, the author examines the distribution channel of 3-kg LPG, which consists of the actors of the distribution of LPG, namely Pertamina, Agents, Sales Base, and Resellers. From the disclosure of the problem situation, it is identified the relevant sectors and can run a combination of the following roles:

1. Actors that are directly involved are the parties that have roles and are directly related to the value chain process of utilization and distribution, such as suppliers, users and intermediaries. The identified actor in this group is Pertamina, as a supplier of the subsidized LPG. Furthermore, users are disadvantaged people and micro enterprises. In this study, disadvantaged people and micro-enterprises are the parties affected by the results of the research on real-world problem situations and on the owners of issues addressed.
2. The actors, who are not directly involved, are the parties who have an important role but are not directly involved in the value chain process of utilization and distribution, such as providers of resource supporting functions to analyze the problem.
3. Determinants or policy-makers are the government as the policy determinant authority, both regulatory and non-regulatory. In this study, the central government in this case the Ministry of Energy and Mineral Resources, and the local regional governments in this regard are Bandung, municipal government, a party who had a problem and was affected by the results of research on problem situations in the real world, or owner of issues addressed.

4.2.2. First Analysis, Role Analysis

The second analysis is focused on social analysis to identify the elements of the roles, norms, and values which are related to each other in order to obtain a more comprehensive picture, regarding the circumstances of real-world problems. At this phase, the author refers to the disclosure of problem situations to analyze the social role of the owner of the issues addressed, using a policy framework of Bromley (1989). Here are the results of the second analyze:

1. The role is the social position that marks the difference between actors who have relation with the policy implementation.
   a. Policy level: the Ministry of Energy and Mineral Resources, as a component of the central government that had the mandate to be responsible for the 3-kg LPG subsidy, is playing a role in policy-making, coordinating the policy implementation with stakeholders, and monitoring and evaluating the policy implementation of the 3-kg LPG subsidy as a whole.
   b. Organizational level: Bandung municipal government played a role in formulating technical policies, plans, and monitoring and evaluation of the distribution of 3-kg LPG that supported the strengthening of a closed distribution system in its territory.
   c. Operational level: Pertamina played a role as the supplier and distributor

of 3-kg LPG and was in charge of controlling the strengthening activities of the closed distribution channel system of 3-kg LPG; LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, Agents, and Sales Base played a role as the closed distribution channel system of 3-kg LPG that served as the implementer of the closed distribution system of 3-kg LPG on the ground and dealt directly with the users.

2. Norms are the expected behavior associated with the role.
   a. Policy level: the Ministry of Energy, the Ministry of Energy and Mineral Resources , as a component of the central government that had the mandate to be responsible for the policy of the 3-kg LPG subsidy, was expected to have a norm as a leader that is very responsible in achieving the objectives and accountable to the policy implementation of the subsidy of LPG, the Ministry of Energy and Mineral Resources, as a component of the central government that had the mandate to be responsible of the policy of the subsidy at the national level.
   b. Organizational level: Bandung municipal government as tactical policy maker, as well as the one that conducted monitoring and evaluation of the distribution of 3-kg LPG is expected to have norms as authority that obeys the central government policy and is responsible for providing the data of people that are entitled to the subsidized 3-kg LPG, authorizing the establishment and operation of Agents and Sales Base of 3-kg LPG as well as supervision of the implementation of a closed distribution system in its territory.
   c. Operational level: Pertamina as the supplier and distributor of 3-kg LPG, which is in charge in controlling the strengthening activities of the closed distribution channel system of 3-kg LPG, is expected to have a norm as a leader as well as an effective manager and obey the rules of the closed distribution process control of 3-kg LPG as well as the inherent supervision thereof; the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Station, Agents, and Sales Base serves as the chain of the closed distribution system of 3-kg LPG on the ground and in dealing directly with users, Pertamina is expected to have a norm as the spearhead of service excellence and adhere to the rules of a closed distribution system of the 3-kg LPG.

3. Value is the standard or criteria of the behavior in accordance with the role.
   a. Policy level: the Ministry of Energy, the Ministry of Energy and Mineral Resources , as a component of the central government that had the mandate to be responsible for the policy of the 3-kg LPG subsidy, is expected to have the value of a strong commitment and consistent work towards achieving an expecting result of the policy implementation of the subsidy of 3-kg LPG, namely to maintain the budgetary burden of subsidies so that it will not experience the significant increase caused by misdirected and irregularities in the distribution process, and ultimately to improve the welfare of households and micro enterprises that were the target group.
   b. Organizational level: the Bandung municipal government as the leader in the monitoring of the closed distribution of 3-kg LPG is expected to have a value of transparency and accountability in the monitoring of the closed distribution of 3-kg LPG.
   c. Operational level: Pertamina as a leader as well as an effective manager obeying the rules in controlling the closed distribution process of 3-kg LPG is expected to have capability to develop commitment and responsibility, provide stimulation and facilities, as well as create a conducive environment for the operation of the closed distribution system, as well as having synergy between the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, Agents, and the Sales Base of 3-kg LPG; each of the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, Agents, and Sales Base acts as the spearhead of excellent service and adheres to the rules of the closed distribution system of 3-kg LPG, is expected to have a value that is more concerned with the interests of the target group and the sustainability of the business rather than the pursuit of big profits in the ways that are not appropriate.

Based on the regulated provisions in this study, social position which marks the difference between the owners of the issue shall be as follows:

a) The Ministry of Energy and Mineral Resources was responsible for determining planning of an annual sales volume of 3-kg LPG, establishing the reference price and the retail price of 3-kg LPG, and specifying the requirements and procedures for the assignment to the Enterprise;
b) The Ministry of Domestic Affairs had the following roles:
   1. Together with the Director General of Oil and Gas conduct the socialization and coordination in the implementation of closed distribution of Specific LPG to local regional governments;
   2. Facilitate the local regional governments for the smooth supply and distribution of the specific LPG in the area;
   3. Facilitate the local regional governments in establishing the Highest Retail Price of the Specific LPG which is above radius of 60 Km from the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Station; and
   4. Set up a working guideline of the Provincial/District/Municipality Coordination Team.

c) Pertamina had an important role. This state-owned company engaged in oil and gas is in charge of the procurement of LPG and the cylinders of 3-kg LPG for the first package. This state-owned company was also conducting distribution of the first package to the people who were the target of this program. It also played a role in recharging the 3-kg LPG cylinders as well as the supply and distribution of 3-kg LPG up to the agents to be further passed on to the consumers.

d) Municipality Government/Local Regional Government had a role, which included:
   1. Socializing and joint coordinating with Heads of Districts, and other related SKPD, and other related parties in the implementation of the closed distribution of Specific LPG;
   2. Facilitating stakeholders to smooth supply and distribution of Specific LPG on a distributor level of the Specific LPG to the Users of the Specific LPG and User Groups;
   3. Together with the Heads of Districts and other related SKPD in facilitating, verification and registration of households and micro enterprise, users of Specific LPG and channeling institutions;
   4. Together with the governor in facilitating the establishment of the Highest Retail Price of the Specific LPG at the handover point in Sub Distributor referring to the National Highest Retail Price established by the Minister of Domestic Affairs;
   5. Providing permits for establishment of facilities for the supply and distribution of Specific LPG, which includes to issue licenses of location permit of the supplier institutions and the establishment of LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, zoning, building,, Environmental Management Effort/ Environmental Monitoring Effort (UKL /UPL), permission from neighbors, traffic feasibility in accordance with its authority;
   6. Facilitating the Heads of Districts and Heads of Villages/Sub-districts in the distribution of the control card based on the results of data collection and/or verification of the users of specific LPG who have been determined by the Director General of Oil and Gas;
   7. Establishing users of the Specific LPG as the recipients of the control card, flow distribution through the supplier institution and the distribution area which is in accordance with the arrangement results of the Director General of Oil and Gas; and
   8. Submitting a proposal to the Director General of Oil and Gas of the addition and /or subtraction of the user of Specific LPG who use control cards based on the proposal of the Head of Sub-district/Head of Village through the Head of District.

e) Author has a role in designing the whole process of intervention research for the improvement that can be executed by the client.

Elements of Norms

The expected behavior related to the role in this study shall be as follows:

- Ministry of Energy and Mineral Resources has a norm to adopt a policy based on community needs considerations by managing energy resources efficiently.
- Ministry of Domestic Affairs has a norm to improve the welfare of the people as mandated in the legislation as a determinant of population policy.
- Pertamina has a norm to carry out the distribution of the 3-kg LPG subsidy in an accurate and on target manner according to Minister of Energy and Mineral Resources Decision No. 1732K/10/ MEM/2013.
- Logal Regional Government has norms to set quotas and the Highest Retail Price and implement the policy implementation of the 3-kg LPG subsidy of, in accordance with the conditions of the city/region.

Element of Value

In the analysis of value, it is always associated with the standards in accordance with the role (Hardjosoekarto, 2012). The standard value that is associated with roles can be seen from the various interviews conducted, showing that the deviation from value is usually due to strong market pressure. Standards or criteria for appropriate behavior and dynamic in this study are as follows:

- Ministry of Energy and Mineral Resources has a value to manage energy resources efficiently.
- Ministry of Domestic Affairs has a value to improve the welfare of the society.
- Pertamina has a value to carry out the distribution of the subsidized 3-kg LPG in accurate on target to the target group.
- Local Regional Governments have a value to set up the quota and the Highest Retail Price and implement the policy implementation of the 3-kg LPG subsidy in its relevant region.

4.2.3. Third Analysis, Political Analysis

Activities in the third analysis focus on studying the structure of power in situations and its controlling process, how to control the power settings and the effect of the inherent power control process. Analysis of the Political System occurs from a process in which different interests try to be accommodated. Accommodation

of interests is carried out, modified or excluded by the politics related to the disposition of power. Therefore politics is related to activities associated with the power to manage the relationship among the different interests. In the third analysis, political analysis in practice is done by asking how it is the expressed in the situation being researched. Can it be formed in a question of what kind of forms shall the power be expressed in? Which mechanisms are obtained, used, protected, maintained, abandoned, or released? The examples of mechanisms, among others, are: the formal authority of the role, intellectual authority, personal charisma, external reputation, direct access to important information (or no access), membership or not of various committees or small formal groups, the authority to write meeting notes, and others (Checkland, 1990). Political analysis gives an overview of a powerful force in deciding whether or not something happened. Political analysis focuses on two things: to find the setting or the preparation of power (disposition of power) and the process for filling the inherent power of the actor (nature of power).

Through this activity, we can identify a political system that is believed to determine many things, including decisions that it may or may not do. Here are the results of the third analysis:

1. Disposition of power:
   a. Policy level: The highest authority in policy implementation of the 3-kg LPGis the central government through the Ministry of Finance as budget authorizor, the Ministry of Energy and Mineral Resources as responsible in the policy implementation at the national level, and the Ministry of the Domestic Affairs Interior which subsequently gives a mandate to the local regional government in charge of policy implementation in the various areas.
   b. Organizational level: local regional governments have authority to prepare and coordinate the parties to implement the policy, as well as integrating activities to support the implementation and monitoring of the closed distribution system of the 3-kg LPG policy within regional development.
   c. Operational level: Pertamina as the leader of the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, Agents, and Sales Base of 3-kg LPG has the power to direct the ability of the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Station, Agents, and Sales Base LPG in a chain of distribution activities of 3-kg LPG that are accurate on target and accountable.

2. Nature of power:
   a. Policy level: the Ministry of Energy and Mineral Resources together with the Ministry of Finance have authority in managing the institution of the policy implementation of the 3-kg LPG subsidy and in allocating the budget.
   b. Organizational level: local regional government has authority to develop policy instruments and to conduct coordination of distribution as well as the monitoring in the area.
   c. Operational level: Pertamina has the ability to enhance the role and patterns of interaction with the relevant stakeholders to synergize local regional government agencies and the distribution channels of 3-kg LPG.

Photo Source : www.pertamina.com

4.3. ROOT DEFINITION OF RELEVANT PURPOSEFUL ACTIVITY SYSTEM (RD)

Analysis of the findings of this research focuses on problem solving interest. This analysis phase is the third phase, namely the phase of thinking about the problem and analyzing the findings of research conducted after the first and second phases, i.e. the problem situation considered problematic and the problem situation expressed as a part of the real world, which contains the disclosure of problematic issues and researches the findings in accordance with the data collection techniques used by the author. In SSM, which is carried out in this phase is to formulate a system that is relevant to the problematic situation in the real world that will be used as a tool to help formulate remedial measures, enhancements, or changes in the real-world situation: this is named root definition (RD). Moreover, RD is a structured description of a system of

human activities that are relevant to the problematic situation that is the focus of the research of SSM with an action basis (Hardjosoekarto, 2012). According to Checkland, in making the RD, we must follow the standard formula of PQR. The formula is “do P, by Q, in order to Achieve R” (Checkland and Poulter, 2006) or “a system to do X by Y in order to Achieve Z” (Checkland and Scholes, 1990). In order for RD to be controlled and can be used as a basis for the preparation of the conceptual model of fourth phase, RD needs to be tested and refined by analysis tools of BATWOVE and 3E (Efficacy, Effectiveness, and Efficiency). Determination of RD in this study refers to policy content and the context of policy implementation from the theory of Grindle, resulting in improvement of RD as a form of the policy implementation of the subsidy of 3-kg LPG. RD research results are described as in following Table 4.3.

FAKTOR	ROOT DEFINITIONS
Institutional (RD 1)	Closed systems in the distribution of 3-kg LPG (P) through the re-collection of data of the receiver of 3-kg LPG, and the realignment of supply chains of 3-kg LPG, and strengthening the monitoring (Q) aims to ensure appropriate targeting of the subsidy of 3-kg LPG in order to reduce the burden of the increasing of budget of subsidy, and the increase public welfare target group (R).
Monitoring (RD 2)	The monitoring system against the closed distribution of 3-kg LPG (P) through the organization of the Ministry of Energy and Mineral Resources, Provincial Government, Regency/Municipality/District/Sub-district Government, civil society groups and neighborhood associations, and Pertamina (Q) aims to ensure the accountability of the subsidy of 3-kg LPG in order to reduce increase of the burden of subsidy, and improve the welfare of the target (R).
Distribution (RD 3)	Implementation of the closed distribution of 3-kg LPG (P) through the chain of distribution of 3-kg LPG consisting of Pertamina, the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, Agents, and Sales Base (Q) aims to ensure appropriate targeting of the subsidy of 3-kg LPG in order to reduce the increase of the budgetary burden of the subsidy, and to improve community target group (R)

Table 4.3. Root Definition for the three Factors of the Policy Implementation.

Root Definition 1 (Institutional) referring to institutional factors is: “The closed systems in the distribution of 3-kg LPG (P) through the re-collection of data of the receiver of 3-kg LPG cylinders , and the realignment of supply chains of 3-kg LPG, and strengthening the monitoring (Q) aims to ensure appropriate targeting of the 3-kg LPG subsidy in order to reduce the subsidy burden on the budget, and the increase public welfare target group (R)”. Implementation of the 3-kg LPG subsidy is a government policy, in this case the Ministry of Energy and Mineral Resources and the Government as owner and decision maker, conducted by Pertamina as Actor/Implementer through other actor of the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, Agents, Sales Base, and Resellers. Actually, Energy and Mineral Resources Regulation No. 26 of 2009 does not provide a legal basis on the presence of retailers as the Regulation only manages the distribution of 3-kg LPG as carried out by the Business Entity, as the holder of the LPG Commercial Business Permit, in this case Pertamina, with distribution only to the Users of 3-kg LPG which shall be the households and micro businesses that meet the criteria. In order to ensure smooth distribution of 3-kg LPG, Pertamina as the Business Entity, as the holder of LPG Commercial Business Permit who receives assignments on the supplying and distribution of 3-kg LPG, may appoint sub Distributors (Sales Base) of 3-kg LPG based on the proposed list of Distributors (Agent) of 3-kg LPG. It is thus clear that the participation of retailers does not have a legal basis. It is not allowed in supply chains of the Sales Base; however, in reality there were many retailers also supplied under the Sales Base.

In the policy content are factors including of the type of benefits that will be produced (type of benefits), where in the implementation of the 3-kg LPG subsidy, types of benefits that will be generated for the 4 (four) appropriate policy goals, namely:

1. Targeting the households and micro enterprises pursuant to the established criteria as the valid beneficiaries;
2. Accurate on the gas volume;
3. Accurate on the quality of cylinders and gas; and
4. Accurate on the selling prices which is according to the established Highest Retail Price.

In connection with the four accuracies, the 3-kg LPG is then to be distributed via a closed distribution system in order to ensure the achievement of the 4 (four) the targets of accuracy.

With reference to the Root Definition 1 (Institutional) and the explanation mentioned above, in order that the Root Definition 1 can be controlled and can be used as a basis for preparing the conceptual model then it is necessary to be tested and refined by analysis tool of BATWOVE and the 3E (Efficacy, Effectiveness, and Efficiency). Analysis BATWOVE is a step of testing and refinement of RD, thus ensuring that the formulation of the RD is truly relevant to human activity system as a basis for preparing the conceptual model. Here is the analysis BATWOVE of RD 1 (Institutional):

B	Benefeciaries	• The target group of Households and Macro Business obtain the subsidy • Pertamina, LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Station, Agent and Sales Base obtain the business profit
A	Actors	Pertamina, LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Station, Agent and Sales Base
T	Transformation	To make the institutional coordination of the policy implementation of the subsidy of LPG 3 Kg becomes effective by the closed distribution system.
W	Weltanschauung	To ensure the accuracy of the target of subsidy and to reduce the burden over the budget of subsidy
O	Owners	Ministry of Energy and Mineral Resources and Municipality/Regency Government
V	Victims	• The target group of Households and macro business is difficult to get 3-kg LPG, while the price is over the Highest Retail Price. • Government assumes the burden of the subsidy budget which is inaccurate target
E	Environtment constraint	• The distribution system of 3-kg LPG is already very open • Criteria used in the data collection is not in accordance with the conditions in the current site • Systems and monitoring procedures are not effective in the open distribution systems

Table 4.4. Analysis BATWOVE – Institutional (RD 1).

Directorate General of Oil and Gas in coordination with local regional governments determine the Household and Micro-enterprises are eligible with due regard to the criteria obtained from the collection of data of the Household and Micro Enterprise that are entitled to receive the subsidy of 3-kg LPG according to the criteria stated in the Regulation of the Minister of Energy and Mineral Resources Number 26 of 2009 concerning the Supply and Distribution of LPG, and Letter of Decree of the Director General of Oil and Gas Number 25297.K/10/DJM.S/2011 concerning Technical Guidelines on Implementation of Closed Distribution System of the Specific LPG. Annex III of the Regulation of Minister of Energy and Mineral Resources Number 26 of 2009 states that the Directorate General of Oil and Gas in coordination with the Provincial /Regency /Municipality Government implements the data collection of households and micro enterprises as the user of Specific LPG that fulfill the following criteria:

a. Have Citizen Identity Card or Seasonal Identity Cards and family card in the area being recorded;
b. Have income of no more than Rp 1.500.000,00 (one million five hundred thousand Rupiah) per month which is evidenced through the paycheck or they spend no more than Rp 1.500.000,00 (one million five hundred thousand Rupiah) per month or by statement letter of disadvantage issued by local sub-district or village.

Letter of Decree of the Director General of Oil and Gas Number 25297.K/10/DJM.S/2011 stated that the Director General of Oil and Gas conducts verification, validation and registration of the Household and Micro-enterprises that are eligible to receive a control card with facilitated by Provincial/Regency/Municipality of Local Government. Households that are eligible to receive a control card are those which fulfill the following criteria:

a. Have identity card and family card (KK) or other identification endorsed by the Heads of Sub-Districts/Heads of Villages based on proposal from the relevant civil society groups and neighbourhood associations;
b. Not using LPG other than Specific LPG for cooking purposes;
c. Have income or expenditure of not more than Rp. 1,500,000 (one million five hundred thousand Rupiah) per month or evidenced by the certificate of disadvantage issued by the relevant sub-district or village which is based on the economic level prevailing in the region.

While micro enterprises that are entitled to receive Control Card shall fulfill the following criteria:

1. Having the net worth of less than Rp. 50,000,000 (fifty million Rupiah), excluding land and buildings; or
2. Have an annual sales turnover of less than Rp. 300,000,000 (three hundred million Rupiah).

Root Definition 2 (Monitoring) that refers to the monitoring of the distribution of 3-kg LPG is the policy of the government, in this case the Ministry of Energy and Natural Resources and the Government as owner and decision maker, conducted by Pertamina as Actor /Implementer through the Actor to supply of the chains of the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Station, Agents, and Sales Base, with the aim of improving the welfare of the disadvantages and reducing the burden of subsidy (Weltanschauung/Word View) through the conversion program of kerosene and the subsidy of 3-kg LPG (Transformation) that is targeting the households and micro-enterprises which shall be in accordance with the specified criteria (Beneficiary) and will be closed distribution with the effective monitoring so that to will not experience the open distribution (Environment constraint), and therefore it does not become a heavy burden for the government subsidy, and will eventually interfere with efforts to improve the welfare of households and micro-businesses target (Victim). Here is the analysis BATWOVE of RD 2 (Monitoring):

B	Benefeciaries	• The target group of Households and Macro Business obtain the subsidy • Pertamina, LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Station, Agent and Sales Base obtain the business profit
A	Actors	Ministry of Energy and Mineral Resources, Municipality/Regency Government, and Pertamina
T	Transformation	To make the monitoring of closed distribution system becomes effective.
W	Weltanschauung	To ensure the effectiveness of the implementation of closed distribution system and the accountability of the subsidy of 3-kg LPG
O	Owners	Ministry of Energy and Mineral Resources and Municipality/Regency Government
V	Victims	• The target group of Households and macro business is difficult to get 3-kg LPG, while the price is over the Highest Retail Price. • Government is in difficulties to assume the burden of the subsidy budget which is inaccurate target.
E	Environtment constraint	• System and procedure of monitoring in the Regulation of the Minister of Energy and Mineral Resources is less operational • The role of the Municipality as well as the line underneath are weak because of the lack of coordination between the relevant agencies • Logbook is not working properly

Table 4.5. Analysis BATWOVE – Monitoring (RD 2).

Coordination in order to strengthen the monitoring of the closed distribution system that consists of the Ministry of Energy and Mineral Resources, Provincial, Regency/Municipality Government, Sub-district/Village, civil society groups and neighborhood associations, and Pertamina only runs at the beginning of the kerosene conversion program. However after the success of kerosene conversion program, Provincial, Regency/Municipality Government, Sub-district/Village, civil society groups and neighborhood associations are not adequately any further in the monitoring of the distribution of 3-kg LPG.

While Root Definition 3 (Distribution) that referring to the implementation of the distribution of 3-kg LPG is conducted by Pertamina as Actor /Implementer through the distribution chain, i.e. the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Station, Agent, and Sales Base. The participation of retailers is beyond the existing policy and institutional distribution so it cannot be controlled. Here is the analysis BATWOVE of RD 3 (Distribution):

B	Benefeciaries	• The target group of Households and Macro Business obtain the subsidy • Pertamina, LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Station, Agent and Sales Base obtain the business profit
A	Actors	Pertamina, LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Station, Agent and Sales Base
T	Transformation	To make the closed distribution system becomes effective
W	Weltanschauung	To ensure the subsidy target accuracy and to reduce the burden of subsidy budget
O	Owners	Ministry of Energy and Mineral Resources and Provincial, Municipality/Regency Government
V	Victims	• The target group of Households and macro business is difficult to get 3-kg LPG, while the price is over the Highest Retail Price • Government assumes the burden of the subsidy budget which is inaccurate target
E	Environtment constraint	• The participation of retailers in the final distribution chain is already very well established on the ground • The existence of the fraudulent practice of injection of the content of cylinder of 3-kg LPG into cylinder of LPG, 12 Kilogram • The non-target Households and Enterprise are common to use 3-kg LPG

Table 4.6. Analysis BATWOVE – Distribution (RD 3).

The most crucial problems which should be solved by Pertamina is to evaluate and reorganize the network of distribution chains of the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Station, Agent and Base in order to ensure that the close distribution system of 3-kg LPG reaches the whole community of the target group and there is no fraudulent practices of injection committed by unscrupulous agents or Sales Bases. Pertamina should also dare to prohibit Agent and the Sales Base to supply the 3-kg LPG to retailers.

4.4. CONCEPTUAL MODEL

The conceptual model is a set of the structured activities that is the embodiment of RD and BATWOVE (Benefeciaries, Actors, Transformation, Weltanschauung, Owners, Victims, Environtment constraints), which consists of operational subsystem and monitoring and control subsystem on the system in the existing environment (Checkland and Scholes, 1990). The SSM conceptual model is a tool that allows discussion, debate, and dialogue focused on the situation and issues related to what a system should do. Making this

conceptual model is based on two systems that have been selected from the RD, i.e. the closed distribution system of 3-kg LPG and the monitoring of the closed distribution system of 3-kg LPG. Subsequently each system is made a model of activity. In the first system, the closed distribution system of 3-kg LPG, and the activities undertaken can be itemized as follows:

1. Identification of activity in the Conceptual Model Root pursuant to the Root Definition 1 (Institution)
   Institution (RD 1): Closed systems in the distribution of 3-kg LPG (P) through the re-collection of data of the receiver of the 3-kg LPG subsidy, and the realignment of supply chains of 3-kg LPG and strengthening the monitoring (Q) aims to ensure appropriate targeting of the 3-kg LPG subsidyin order to reduce the burden of the increase of budget of subsidies, and to increase public welfare target group (R).
   Activity:
   a. Coordination within the framework of the institutional strengthening of the policy implementation of the 3-kg LPG subsidy which consists of the Ministry of Energy and Mineral Resources, provincial, Regency/ Municipality Governments, as well as Pertamina.
   b. Coordination within the framework of the data re-arrangement of the receiver of the 3-kg LPG subsidy by using reference data from the Ministry of Social Affairs for Household and Micro Enterprises, as well as comparative data from the villages/sub-districts.
   c. Arrangement of systems, strategies and action plans, as well as implementation guidelines and technical guidelines of the data collection of the receiver of the 3-kg LPG subsidy.
   d. Arrangement of systems, strategies and plans, as well as technical and operational guidelines of action of the closed distribution system and its monitoring.

   Analysis 3E (Efficacy, Efficiency, Effective):
   - Efficacy: The increased of the coordination among of the Ministry of Energy and Mineral Resources, Provincial, Regency/Municipality Governments, as well as Pertamina in the policy implementation of the 3-kg LPG subsidy.
   - Efficiency: Using the human resources of the regency/municipality governments, districts and villages/sub-districts, civil society groups and neighbourhood associations in the activities of data collection and distribution control cards so it will be efficiency in terms of cost and the time consumed.
   - Effective: The increased effectiveness of the institutions for the policy implementation of the 3-kg LPG subsidy.

2. Identification activity in the Conceptual Model Root pursuant to the Root Definition 2 (Monitoring)
   Monitoring (RD 2): The monitoring system of the closed distribution of 3-kg LPG (P) through the organization of the Ministry of Energy and Mineral Resources, Provincial Government, Regency /Municipality /District /Sub-district Government, civil society groups and neighbourhood associations, and Pertamina (Q) aims to ensure the accountability of the 3-kg LPG subsidy in order to reduce increase of the burden of subsidy, and improve the welfare of the target (R).
   Activity:
   a. Coordination within the framework of the monitoring of the closed distribution system which consists of strengthening of the policy implementation of the 3-kg LPG subsidy which consists of the Ministry of Energy and Mineral Resources, Provincial Governments, Regency/ Municipality/District/Sub-district Govenrnments, civil society groups and neighbourhood associations, and Pertamina.
   b. Arrangement of plan of the implementation and monitoring of the closed distribution system of 3-kg LPG by using an IT system.
   c. Implementation of monitoring of the closed distribution system of 3-kg LPG in accordance with plan.
   d. Monitoring the implementation of the closed distribution system of 3-kg LPG.

   Analysis 3E (Efficacy, Efficiency, Effective):
   - Efficacy: The increased of the coordination among of the Ministry of Energy and Mineral Resources, Provincial, Regency /Municipality Government, as well as Pertamina in the monitoring of the closed distribution system of 3-kg LPG, supported by IT system.
   - Efficiency: Using the Human Resources of the regency/municipality governments, districts and village/sub-districts, civil society groups and neighbourhood associations in the activities of the monitoring of the closed distribution system of 3-kg LPG so it will be efficiency in terms of cost and the time consumed.
   - Effective: The increased of effectiveness of the monitoring of the closed distribution system of 3-kg LPG.

3. Identification of activity in the Conceptual Model Root pursuant to the Root Definition 3 (Distribution).

4. Distribution (RD 3): Implementation of the closed distribution of 3-kg LPG (P) through the chain of distribution of LPG 3 Kg consisting of Pertamina, the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations,

Agents, and Sales Base (Q) aims to ensure appropriate targeting of the 3-kg LPG subsidy in order to reduce the increase of the budgetary burden of the subsidy, and to improve the community target group (R).
Activity:

a. Pertamina improves the infrastructure of the distribution of 3-kg LPG and re-arranges the network distribution chain, i.e. the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, Agent and Sales Base to ensure the close distribution system of 3-kg LPG is able to reach all society of the target group.
b. Re-arrangement of the requirement and criteria to join the Sales Base of 3-kg LPG so that retailers can participate in Sales Base based on the new requirement and criteria, and accordingly prohibit the participation of retailers.
c. Socialization of the provision of the closed distribution system of 3-kg LPG to the public.
d. Implementation of the closed distribution system of 3-kg LPG pursuant to the implementation plan.
e. Monitoring the implementation of the closed distribution system of 3-kg LPG.

Analysis 3E (Efficacy, Efficiency, Effective):

- Efficacy: Increased coordination among of the distribution chain, i.e. the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Station, Agents, and Sales Base in implementing the closed distribution of 3-kg LPG.
- Efficiency: Using the network distribution chain of the experienced LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Station, Agents, and Sales Base.
- There will be efficiency in terms of Human Resources, costs and time consumed.
- Effective: The increased of effectiveness of the implementation of the closed distribution of 3-kg LPG.

4.5. COMPARISON OF MODELS AND THE REAL WORLD

This phase is the phase to compare the conceptual model with the real world view and perception of the situation for the improvement of the previous activity. Checkland suggests four ways of doing comparisons, i.e. informal discussions, formal discussion, scenario writing, and real-world modeling (Checkland and Scholes, 1990). The author has conducted in-depth interviews with 3 (three) respondents that have experience in handling the policy implementation of the 3-kg LPG subsidy. The respondents are:

1. Respondent 1 from Municipality Government of Bandung, who has experience since the beginning of the kerosene conversion program.
2. Respondent 2 from Region 3 of Pertamina, who has experience since the beginning of the kerosene conversion program, and handles the distribution of LPG in 20 Regencies and cities.
3. Respondent 3 from Hiswana Migas Bandung, who has experience as a kerosene dealer since 1987 until the kerosene conversion program, and since then is an agent of 3-kg LPG.

In-depth interviews with the three respondents were done to compare the model that has been established by the author with the reality on the site, so it is expected that the model can be fixed with reference to the criticism and input given by the three respondents. Results of interviews are described by the author in the form descriptions, as follows:

Confirmation Result of the Conceptual Model of RD-1 (Institution):

Institution (RD1)	Closed systems in the distribution of 3-kg LPG (P) through the re-collection of data of the receiver of the 3-kg LPG subsidy, and the realignment of supply chains of 3-kg LPG, and strengthening the monitoring (Q) aims to ensure appropriate targeting of the subsidy of 3-kg LPG in order to reduce the burden of the subsidy increases on the budget, and to increase public welfare target group (R).
	Activity:
1.	Coordination within the framework of the institutional strengthening of the policy implementation of the 3-kg LPG subsidy which consists of the Ministry of Energy and Mineral Resources, provincial, Regency/Municipality Governments, as well as Pertamina. The issue of poor coordination was confirmed by the respondent from Pertamina who actually believed that coordination was non-existent. Meanwhile, it was also stated that coordination at the subnational level (district/municipality government) was crucial as the issue is related to energy.
2.	Coordination was done within the framework of the data re-arrangement of the receiver of the 3-kg LPG subsidy of by using reference data from the Ministry of Social Affairs for Household and Micro Enterprise, as well as comparative data from the villages /sub-districts.

According to Hiswana from Migas Bandung, the data from Ministry of Social Affairs was not valid, and that improvement in data collection mechanism is needed.

3. Arrangement of systems, strategies and action plans, as well as implementation guidelines and technical guidelines of the data collection of the receiver of the subsidy of 3-kg LPG.
The district/city government mentioned the importance of re-developing the system, strategy, plan of actions, as well as the operational guidelines and technical implementation guidelines in collecting the data of beneficiaries of the 3-kg subsidized LPGs. Arrangement of systems, strategies and plans, as well as technical and operational guidelines of action of the closed distribution system and its monitoring.
After the system, strategies and plans, and guidelines are applied, there needs to be closed-system distribution and on-going supervision.

Root Definition 1 (Institution) aims to build a model of a closed distribution system so that program implementation is accurate and on target through the preparation of technical and operational guidelines of the closed distribution system.

Institutional coordination is an attempt to synchronize an understanding among the parties involved in program implementation; therefore, overlapping roles and responsibilities will not occur. Therefore we need a good understanding of the provision of prevailing laws and regulations related to the policy implementation of the of 3-kg LPG subsidy. With a good understanding of the provision of prevailing laws and regulations, it is expected that all teams can adopt or even give detailed feedback on these regulations so that it will be operational on the ground. After all teams have the same understanding of provisions of prevailing laws and regulations and reinforce the same with more detailed provisions, it is then expected to generate a manuscript of the technical and operational guidelines for the closed distribution system to address the diverse situations on the ground.

Having obtained such a guideline manuscript of the technical and operational requirements for the closed distribution system, then before examination by the public, it is necessary to reinforce the same by consultation with the Ministry of Energy and Mineral Resources. The results of this consultancy would then be expected to become the standard operational and technical guidelines to be implemented in the regency/municipality throughout this phase.

Confirmation Result of the Conceptual Model of RD-2 (Monitoring):

Monitoring (RD2)

The monitoring system against the closed distribution of 3-kg LPG (P) through the organization of the Ministry of Energy and Mineral Resources, Provincial Governments, Regency/ Municipality/District/Sub-district Governments, civil society groups and neighborhood associations, and Pertamina (Q) aims to ensure the accountability of the 3-kg LPG subsidy in order to reduce increasing the budgetary burden, and improve the welfare of the target (R).

Activity:

1. Coordination within the framework of the monitoring of the closed distribution system which consists of strengthening of the policy implementation of the subsidy of 3-kg LPG which consists of Ministry of Energy and Mineral Resources, Provincial Government, Regency/Municipality/District/Sub-district Governments, civil society groups and neighborhood associations, and Pertamina.
The respondents' opinion: for district/city governments, there needs to be coordination and supervision in implementing the closed-system, and Pertamina needs to engage with the local governments in their operations to distribute the 3-kg LPGs.
2. Arrangement of implementation plan and monitoring of the closed distribution system of 3-kg LPG by using IT system.
To facilitate the supervisory system and to maintain data accuracy in the closed distribution system of the 3-kg LPG, good IT system support is needed. According to the respondents, IT can be used in areas with good internet connection and competent human resources.
3. Implementation of monitoring of the closed distribution system of 3-kg LPG in accordance with the plan.
There is a need to have a comprehensive and detailed work plan on the closed distribution of 3-kg LPGs.
According to the respondents, municipality governments should have a comprehensive work plan that involves local government apparatus down to the neighborhood/community level (RT/RW).
4. Monitoring the implementation of the closed distribution system of 3-kg LPG.
The three respondents stated that there is a need to have stringent monitoring and control that is supported by law enforcers to avoid conflicts with communities that could no longer access the 3-kg LPG.

Root Definition 2 (Monitoring) aims to build a model of the monitoring of the closed distribution system so that the accountability of the program implementation can be maintained through the improvement of the target group data.

Monitoring of the policy implementation of the 3-kg LPG subsidy requires efforts to improve the target groups' data. In the absence of valid data, then the distribution of the 3-kg LPG subsidy will be uncontrollable. Therefore to control the distribution of the product of the improved data of target group is a very important issue. Whereas data being recommended is the data of the Social Protection Card based on Ministry of Social Affairs in 2013, which is 15.5 million of the target households that having clear data, by name by address. This data has been used to distribute the BLSM. If there is improvement of data, then the improvement efforts of the target group's data can be done by meetings of villages/sub-districts. In such village meetings, there are several phases that need to be done in, as follows:

a. Determine a household name that will be replaced.
b. Consolidation of the number of households that can be replaced.
c. Determine the replacement name of the household (must not exceed the quota).

Furthermore, make coordination with the District Social Welfare Workers (the "TKSK") in the districts, regarding the following:

a. Recapitulation (amount) of households that were replaced and the replacement, as well as the Social Security Cards (KPS) that were withdrawn.
b. Getting a blank Certificate of Poor Households (the "SKRTM") from TKSK for the recapitulation of the number (amount) of the replacement households.

Next is to help the Substitute neighborhood associations to fill the SKRTM and ratify the same by the signature of the Head of Village/Sub-Districts, and the last phase is conveyed the SKRTM to the replacement households.

Having obtained valid data of target group then a closed distribution system can be monitored. Related to the monitoring mechanisms, after being confirmed on the ground, the concept of monitoring that is applied is the IT-based monitoring.

Confirmation Result of the Conceptual Model of RD-3 (Distribution):

Distribution (RD3)	Implementation of the closed distribution of 3-kg LPGs (P) through the chain of distribution of 3-kg LPG consisting of Pertamina, the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, Agents, and Sales Base (Q) aims to ensure appropriate targeting of the 3-kg LPG subsidy in order to reduce the increasing budgetary burden of subsidy, and to improve community target group (R).

Activity:

1. Pertamina improves the infrastructure of the distribution of 3-kg LPG and re-arranges the network distribution chain, i.e. the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, Agents and Sales Base to ensure the close distribution system of 3-kg LPG is able to reach all of the target group.
   The three respondent parties stated that the distribution infrastructure of 3-kg LPG cylinders must be geographically and demographically distributed, as well as rearranging the distribution chain network to ensure a distribution system that is able to reach all target group communities wherever located.
2. Re-arrangement of the requirement and criteria to become the Sales Base of 3-kg LPG so that retailers can participate in the Sales Base based on the new requirement and criteria, and accordingly to prohibit the participation of retailers.
   The city government respondent stated that adjustments were needed to select retailers that were suitable to be bases, and explicitly prohibited the participation of retailers.
3. Socialization of the provision of the closed distribution system of 3-kg LPG to public society.
   All three respondents stated that it is important to socialize regulations to the community so that the community understands the requirements and criteria of those entitled to receive 3-kg LPG.
4. Implementation of the closed distribution system of 3-kg LPG pursuant to the implementation plan.
   All three respondents stated the need for consistency in implementing the plans that had been prepared in order to revitalize the closed distribution system of the 3-Kg LPG.
5. Monitoring the implementation of the closed distribution system of LPG 3 Kilogram.
   All three respondents stated the need for close monitoring and control and were supported by law enforcement officials to avoid conflicts with the community who could no longer get 3 kg LPG cylinders.

Root Definition 3 (Distribution) aims to ensure the accuracy of the target of the 3-kg LPG subsidy in order to reduce the increasing subsidy burden and improve the welfare of the target group through the distribution chain of 3-kg LPG which consists of Pertamina, the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, Agents, and the Sales Base.

In this case, the necessary understanding of the subsidies for public welfare means that the subsidy is not permanent for specific groups, should, for example, an increase in the welfare of those who had entered the target group occur. If at any time, if all people had a prosperous economic condition, there would be no need for the subsidy program. To achieve this, it is necessary to involve the supervision of the whole administrative hierarchy of local government, village and district heads through to civil society groups and neighbourhood associations. With layered oversight like this, it becomes easy to detect anyone who is eligible for an LPG subsidy and those who are not eligible. Naturally this pattern will also help provide social sanctions against the users of 3-kg LPG but not from the target group. Besides, Pertamina itself also needs to monitor the distribution network attached underneath. If there are violations committed by agents or the Sales Base, Pertamina can impose sanctions. Likewise, if there are good retailers then they may consider to be promoted to the status of the Sales Base.

4.6. CHANGES SYSTEMICALLY CULTURALLY DESIRABLE AND FEASIBLE

In phase six, i.e. phase of determining changes, there is analysis and interpretation of problematic situations based on the comparison that has been done in the previous phases. The related changes are systematically desirable changes (acceptable system) and culturally feasible (culturally possible). There are three aspects that must be considered in making repairs, improvements, or changes, i.e. the changes related to the structure, changes related to the process, and changes related to attitude (Checkland and Poulter, 2006). Change phases are acceptable and feasible in this study when talking about how to build or restore the data collection system, monitoring system and distribution system of 3-lk LPG. With reference to the Bromley policy, it is divided into three (3) levels, namely the policy level, organizational level and operational level within the policy process hierarchy framework.

4.7. DRAFT OF THE ENHANCED CONCEPTUAL MODEL

After the phases of SSM, starting form the situation analysis of policy implementation of subsidy of 3-kg LPG, identifying problems of inaccuracy target and the increase of quota of the subsidy of 3-kg LPG, formulate policy content and context of policy implementation of the 3-kg LPG subsidy, designing a conceptual model of the effective policy implementation of the 3-kg LPG subsidy, identifying gaps with real-world models, and discussing the desired changes, the final phase is to enhance the design of the effective conceptual model of policy implementation of the 3-kg LPG subsidy. The following is presented table table 4.7. Referring to Table 4.7. Conceptual Model of the Policy Implementation of the 3-kg LPG Subsidy above, the effort to revitalize the closed distribution system of 3-kg LPG, shall be as follows:

	Institution (RD 1)	Monitoring (RD 2)	Distribution (RD 3)
Root Definition	Improvement of closed system in the distribution of 3-kg LPG by the re-collection of data of the receiver of subsidy of 3-kg LPG, and the realignment of distribution chain of 3-kg LPG, and strengthening of monitoring	Improvement of the closed distribution of 3-kg LPG that is carried out by Ministry of Energy and Mineral Resources, Provincial, Regency/Municipality Government, District, Village/Sub-district, civil society groups and neighborhood associations, and Pertamina	Improvement of the closed distribution of 3-kg LPG closed through the distribution chain consisting of Pertamina, LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, Agent and Sales Base
Desirable	The re-collection of data of the receiver of subsidy of 3-kg LPG using the reference data from the Ministry of Social Affairs and supported by the data of SKRTM from the districts, and the realignment of the distribution chain of 3-kg LPG without the presence of retailers, as well as the strengthening of the monitoring carried out by the municipality governments /local governments and their subordinates	Monitoring system of the closed distribution of 3-kg LPG to be implemented by the Ministry of Energy and Mineral Resources, Provincial, Regency/Municipality Governments, Districts, Villages/Sub-districts, civil society groups and neighborhood associations (the external monitoring) and Pertamina (the internal monitoring)	Implementation of a closed distribution of 3-kg LPG shall go through distribution chain of 3-kg LPG, which consists of Pertamina, LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, Agents and the Sales Base, and eliminating the participation of retailers
Feasible	Currently does not use reference data of KPS from the Ministry of Social Affairs and has not been supported by SKRTM from the District; supply chains are mostly retailers that should be prohibited from participation; and monitoring is very weak because of the open distribution system	Monitoring of the distribution of 3-kg LPG is very weak because of the open distribution system; therefore, the closed monitoring system has to be rebuilt	Implementation of a closed distribution of LPG 3 Kg to be ineffective because the retailer who actually controlled the last distribution chain of 3-kg LPG and dealing directly with the public community.
Possible Action	Ministry of Energy and Mineral Resources make coordination for institutional strengthening of the policy implementation of subsidy of 3-kg LPG in order to improve the systems and procedures for data collection, monitoring systems, and distribution systems 3-kg LPG	Monitoring of the distribution of 3-kg LPG must be rebuilt by involving Provincial, Regency/Municipality Governments, Districts, Villages/Sub-districts, civil society groups and neighborhood associations, and the police to enforce the law	Closed distribution of 3-kg LPG to go through distribution of 3-kg LPG, distribution chain consisting of Pertamina, , LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, Agents and the Sales Base, and eliminating the participation of retailers

Tabel 4.7. Model Final.

Referring to Table 4.7. Conceptual Model of the Policy Implementation of the 3-kg LPG Subsidy above, the effort to revitalize the closed distribution system of 3-kg LPG, shall be as follows:

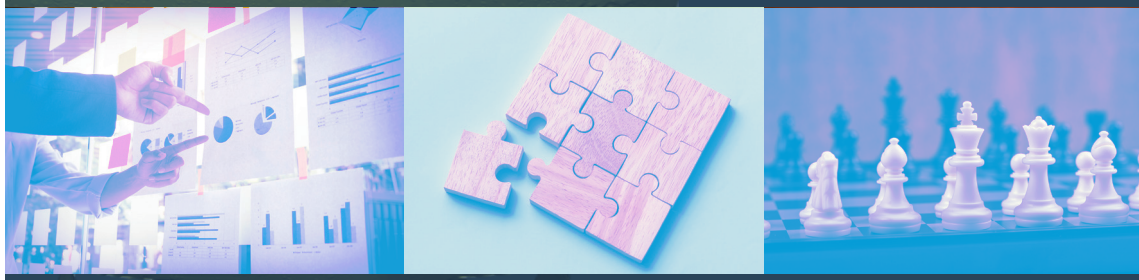
1. The Ministry of Energy and Mineral Resources must immediately coordinate for institutional strengthening of the policy implementation of subsidy of 3-kg LPG in order to improve systems and procedures for data collection, monitoring systems, and distribution systems 3-kg LPG. Coordination aims to revitalize the closed system in the distribution of 3-kg LPG through the following steps:
   - Re-collection of data of the Household and Micro Business as the candidate receiver of the subsidy of 3-kg LPG by using reference data of KPS from the Ministry of Social Affairs and supported by SKRTM or other similar from the villages/sub-districts passed to the districts.
   - Realignment of 3-kg LPG distribution chain by eliminating the participation of retailers.

2. The monitoring of the closed distribution system of 3-kg LPG basically should be conducted by the Ministry of Energy and Human Resources Agreement, Regency/Municipality Government, District, Villages/Sub-districts, civil society groups and neighborhood associations (external monitoring) and Pertamina (internal monitoring). However to increase the effectiveness of the monitoring of the distribution of 3-kg LPG, assignment of responsibility and authority needs to be made that is more adequate to the regency/municipality governments, Districts, Villages/Sub-districts, civil society groups and neighborhood associations and shall be supported by the police for law enforcement.

3. Closed distribution of 3-kg LPG shall be through the distribution chain which consists of Pertamina, the LPG Bulk Filling Stations/LPG Bulk Transportation and Filling Stations, Agents, and the Sales Base, and eliminate the participation of retailers.

CHAPTER 5

CONCLUSION AND RECOMMENDATION



This chapter outlines conclusions on a series of studies that have been conducted by using the Grindle theory and methodology of SSM, as well as some of the recommendations that are the suggestions given by the author.

5.1. CONCLUSION

Based on the problems that are being studied as well as the writing of the results of research and discussion that has been described, it can be concluded that the policy implementation of the 3-kg LPG subsidy has not run as stipulated in Minister of Energy and Mineral Resources Regulation No. 26 of 2009 concerning the Provision and Distribution of Liquefied Petroleum Gas. The results showed that in the policy implementation of the subsidy of 3-kg LPG, factors covering aspects of policy content and context of implementation have not been implemented properly due to a closed distribution system that cannot be performed.

The 3-kg LPG subsidy policy was successful in term of changing the habits of the people in the target group, changing from the use of kerosene into the use of LPG. However, medium and long term objectives of policy of the 3-kg LPG subsidy, to increase the welfare of the target group was not fully achieved due to problems in the type of benefits that should be received by the target group, where the Highest Retail Price was not fully achieved as the price of 3-kg LPG reached at the retail level was above the Highest Retail Price.

The position of power by Pertamina is very strong because Pertamina was the implementer in the procurement and distribution of 3-kg LPG. On the other hand, Pertamina, as a business entity, must have a strategy that that has a priority toward its business interest. By using the SSM approach, it is known that in addition to the target groups which enjoy the benefit from the policy implementation of the subsidy of 3-kg LPG, Pertamina and the business performers under Pertamina, namely LPG Bulk Filling Stations, Agents, the Sales Base and retailers of the 3-kg LPG also enjoyed benefit in the form of financial gain. Increasingly, ineffective implementation of a closed distribution system of 3-kg LPG increased the volume of sales, so a greater financial benefit was obtained.

Referring to some of the weaknesses of the policy content and the context of implementation of the 3-kg LPG subsidy, generally it can be concluded that the policy implementation of the 3-kg LPG subsidy did not succeed because the subsidy was enjoyed by communities which were not targeted in numbers greater than the target community itself, and the Highest Retail Price cannot be kept due, primarily, by the participation of retailers of 3-kg LPG, that were not planned to be in the distribution chain.

Other important findings obtained from this study is that the ineffectiveness of a closed distribution system due to weakness factors of the monitoring of the implementation and coordination between institutions, as well as the source of reference of data which is less valid in the determination of beneficiaries of the subsidy. By the SSM approach, it is obtained from the conceptual model of the policy implementation of the 3-kg LPG subsidy through a closed distribution system by strengthening the institutional factors, monitoring, and distribution.

5.2. RECOMMENDATION

Recommendations are divided into two groups, namely academic advice and practical advice. Academic advice consists of advice relating to the scientific development in the future. This means it is involving scientific agendas that need to be developed further related to the study of the science of government. While practical advice shall be relating to the practical suggestions that are implementable in the practice of the policy implementation of the 3-kg LPG subsidy.

5.2.1. Academic Advice

1. It is necessary to consider the use of Soft Systems Methodology approaches in studies of policy implementation so that research results is closer to the reality of policy implementation in the site, as well as suggestions that can be applied at the level of practice.
2. It is necessary to conduct in-depth research to find out why the implementation of subsidy policy is often weak in terms of coordination and monitoring therefore causing inapproriate targeting and objectives that cannot be achieved.

5.2.2. Practical Advice

1. It is suggested to strengthen institutions through the intensified coordination among stakeholders, which led by the Ministry of Energy and Mineral Resources.
2. The Ministry of Energy and Mineral Resources, in this case the Directorate General of Oil and Natural, must monitor closely the distribution of 3-kg LPG, especially at the level of the distribution chain of Agents and the Sales Base as final distribution channels.
3. In order to improve the performance of monitoring, it is suggested to establish a monitoring system based on information technology by utilizing the data of an electronic ID card, which allows the Ministry of Energy and Mineral Resources and Local Governments to monitor the distribution of the 3-kg LPG.

4. To strengthen the monitoring, it is suggested to give authority to the municipal governments/local governments, as well as strengthening the role of law enforcement agencies in conducting the monitoring.
5. It is necessary to establish a system and procedure of a closed distribution system which is more clearly communicate so that the actors on the ground can execute the closed distribution system appropriately.
6. It is necessary to make refinement of the terms and criteria of the recipients of the subsidy of 3-kg LPG by using a valid source of data reference and considering the socio-economic situation of society today and in the next few years.
7. Implementation of the closed distribution system must stop at the Sale Base level, while retailers that are considered eligible can be considered to elevate their status to join the Sales Base.

ATTTACHMENT

MINISTER OF ENERGY AND MINERAL RESOURCES
REPUBLIC OF INDONESIA
MINISTER OF ENERGY AND MINERAL RESOURCES REGULATION
NUMBER 26 OF 2009
CONCERNING THE
SUPPLY AND DISTRIBUTION OF
LIQUEFIED PETROLEUM GAS

IN THE NAME OF GOD ALMIGHTY

MINISTER OF ENERGY AND MINERAL RESOURCES

Considering :

a. that in order to meet the need of Liquefied Petroleum Gas consumers and to support the energy diversification program, as well as support the construction of Liquefied Petroleum Gas infrastructure and enhance the role of Businesses, regulation of the integrated, transparent, accountable, competitive, and fair supply and distribution of Liquefied Petroleum Gas is needed;
b. that based on the considerations referred to in point a, it is necessary to establish the Minister of Energy and Mineral Resources Regulation concerning the Supply and Distribution of Liquefied Petroleum Gas;

In view of :

1. Law Number 5 of 1999 concerning the Prohibition of Monopoly and Unfair Business Competition (State Gazette of the Republic of Indonesia of 1999 Number 33, Supplement to the State Gazette of the Republic of Indonesia Number 3817);
2. Law Number 8 of 1999 concerning Consumer Protections (State Gazette of the Republic of Indonesia of 1999 Number 42, Supplement to the State Gazette of the Republic of Indonesia Number 3821);

3. Law Number 22 of 2001 concerning Oil and Gas (State Gazette of the Republic of Indonesia of 2001 Number 136, Supplement to the State Gazette of the Republic of Indonesia Number 4152);

4. Government Regulation Number 36 of 2004 concerning Downstream Oil and Gas Business Activities (State Gazette of the Republic of Indonesia

Number 4436) as amended by Government Regulation Number 30 of 2009 (State Gazette of the Republic of Indonesia 2009 Number 59, Supplement to the State Gazette of the Republic of Indonesia Number 4996);

5. Presidential Regulation Number 104 of 2007, dated 28 November 2007 concerning the Supply, Distribution, and Pricing of 3 Kilogram Cylinders of Liquefied Petroleum Gas;

6. Presidential Decree Number 187IM of 2004 dated 20 October 2004 as repeatedly amended, the latest by Presidential Decree Number 77IP of 2007 dated 28 August 2007;

7. Regulation of the Minister of Energy and Mineral Resources Number 0007 of 2005 dated 21 April 2005 concerning the Requirements and Guidelines for the Administration of Business Licenses in Downstream Oil and Gas Business Activities;

8. Regulation of the Minister of Energy and Mineral Resources Number 0020 of 2005 dated 20 July 2005 concerning the Organization and Working Procedures of the Department of Energy and Mineral Resources;

9. Regulation of the Minister of Energy and Mineral Resources Number 0048 of 2005 dated 30 December 2005 concerning Standards and Quality (Specifications) and Supervision of Oil, Gas, other Fuels, LPG, LNG, and Processed Products Marketed Domestically;

10. Minister of Energy and Mineral Resources Regulation Number 021 of 2007 dated 19 December 2007 concerning the Supply and Distribution of 3 Kilogram Cylinders of Liquefied Petroleum Gas;

11. Minister of Energy and Mineral Resources Regulation Number 19 of 2008 dated 13 April 2008 concerning the Guidelines and Work Procedures for Consumer Protection in Downstream Oil and Gas Business Activities;

RESOLVES:

To Stipulate :

MINISTER OF ENERGY AND MINERAL RESOURCES REGULATION CONCERNING THE SUPPLY AND DISTRIBUTION OF LIQUEFIED PETROLEUM GAS.

CHAPTER I
GENERAL PROVISIONS

Article 1

In this Ministerial Regulation, the following terms apply:

1. Crude Oil is hydrocarbon resulting from natural processes, which under conditions of atmospheric pressure and temperature exists in liquid or solid state, including asphalt, mineral wax, ozocerite and bitumen, extracted by mining processes, but excluding coal or other hydrocarbon deposits existing in a solid state obtained from activities not related to Oil and Gas mining activities.

2. Natural Gas is hydrocarbon resulting from natural processes, which under conditions of atmospheric pressure and temperature exists in a gaseous state, which is obtained from Oil and Gas mining processes.

3. Liquefied Petroleum Gas, hereinafter abbreviated as LPG, is a hydrocarbon gas that is liquefied under pressure to facilitate storage, transportation, and handling, that is fundamentally comprised of propane, butane, or a mix of the two.
4. Business Entity is a company in the form of a legal entity conducting a type of business that is: permanent, continuous, and established in accordance with the applicable laws and operate and domiciled within the territory of the Republic of Indonesia;

5. Business License for LPG Trading is a license granted to a Business Entity to engage in LPG Trading activities for the purpose of benefit and/or profit.

6. Distribution Activities are activities for the distribution of LPG owned by a Business Entity holding a Business License for LPG Trading by a Distributor in the distribution area designated by the Business Entity holding a Business License for LPG Trading.

7. LPG Distributor is a cooperative, small enterprise, and/or private national business entity appointed as an agent by a Business Entity holding a Business License for LPG Trading to conduct Distribution Activities.

8. Bulk LPG Users are consumers or users of common LPG who use LPG in bulk.

9. Special LPG is LPG that is a fuel with certain features due to specific

conditions such as the users/usage, packaging, volume, and/or price, which remains in need of subsidies.

10. Common LPG is LPG that is fuel whereby its users/usage, packaging, volume, and price are not afforded subsidies.

11. Special LPG Distribution Area is a specific area based on geographical boundaries allocated to a Business Entity holding a Business License for LPG Trading to carry out its assignment of Special LPG supply and distribution.

12. Means and Facilities are the means and/or facilities that are owned or controlled by a Business Entity and used to support and implement LPG supply and distribution.

13. LPG Scarcity is a condition where the public need of LPG is unmet in a certain region in a certain time, as caused by disruption in LPG supply and distribution

14. Closed Distribution System for Special LPG is a system for distributing Special LPG for households and micro-enterprises using Special LPG and registered with the use of Control Cards.

15. Control Card is an official identification card provided to households and micro-enterprises using Special LPG and used as a supervision tool for the distribution of Special LPG.

16. Minister is a minister whose tasks and responsibilities encompass Oil and Gas business activities.

17. Director General is a Director General whose tasks and responsibilities encompass Oil and Gas business activities.

18. Directorate General is a Directorate General whose tasks and responsibilities encompass Oil and Gas business activities.

Article 2

The regulation of LPG supply and distribution in this Ministerial Regulation covers supply and distribution activities for LPG as a (pressurized) fuel or (refrigerated) refrigerant in the form of a package or in bulk.

Article 3

The regulation as referred to in Article 2 encompasses LPG supply, LPG distribution, LPG users, the closed distribution system for special LPG, LPG selling price, LPG standards and quality, oil and gas safety, utilization of domestic potential, as well as guidance and supervision.

CHAPTER II
LPG SUPPLY

Article 4

LPG Supplies may come from domestic LPG production or from LPG imports.

Article 5

1. Domestic LPG production as referred to in Article 4 comes from Oil and Gas processing and the results of field processing in upstream business activities.

2. Domestic LPG production as referred to in paragraph (1) must prioritize meeting domestic LPG supply needs.

3. Oil and Gas processing as referred to in paragraph (1) is performed by a Business Entity holding a Business License for Crude Oil Processing and/or a Business Entity holding a Business License for Natural Gas Processing according to the provisions of the law.

4. LPG originating from field processing in upstream business activities as referred to in paragraph (1) must be sold to a Business Entity holding a Business License for LPG Trading with a delivery point at upstream activity locations.

Article 6

1. LPG supplies originating from imports as referred to in Article 4 is conducted by a Business Entity holding a Business License for LPG Trading according the provisions of the law.

2. The importing of LPG by a Business Entity as referred to in paragraph (1) is conducted after obtaining a recommendation from the Director General on behalf of the Minister and a license from the Minister of Trade.

Article 7

1. Direct Users of LPG can import LPG after obtaining a recommendation from the Director General on behalf of the Minister and a license from the Minister of Trade.

2. Direct Users of LPG as referred to in paragraph (1) comprises of LPG consumers or users for personal use and not to be marketed or traded.

Article 8

1. Business Entities holding a Business License for Crude Oil Processing, Business Entities holding a Business License for Natural Gas Processing, and/or Business Entities holding a Business License for LPG Trading are prohibited from exporting LPG if domestic LPG needs have not been met.

2. In the event that domestic LPG needs have been met, the Business Entity as referred to in paragraph (1) may export LPG after obtaining a recommendation from the Director General on behalf of the Minister and a license from the Minister of Trade.

Article 9

1. Business Entities holding a Business License for Crude Oil Processing and Business Entities holding a Business License for Natural Gas Processing may own or control means and facilities for the transportation and/or storage of LPG as a continuation of their Processing Business Activities.

2. Business Entities holding a Business License for Crude Oil Processing and Business Entities holding a Business License for Natural Gas Processing in the supply of LPG may sell LPG to Bulk LPG Users and/or Business Entities holding a Business License for LPG Trading as a continuation of their processing business activities.

3. In the event that Business Entities as referred to in paragraph (2) conduct LPG Trading Activities with those other than Bulk LPG Users and/or Business Entities holding a Business License for LPG Trading, they are obligated to have a Business License for LPG Trading.

CHAPTER III
LPG DISTRIBUTION

Section One
General

Article 10

1. LPG distribution may only be conducted by Business Entities holding a Business License for LPG Trading.

2. LPG distribution activities as referred to in paragraph (1) are differentiated into the distribution of Common LPG and the distribution of Special LPG.

Section Two
Distribution of Common LPG

Article 11

1. The distribution of Common LPG may be conducted by Business Entities holding a Business License for LPG Trading, which are operating under a mechanism business practices that are reasonable, fair, and transparent.

2. In implementing the distribution of Common LPG, the Business Entity holding a Business License for LPG Trading as referred to in paragraph (1) must conduct Common LPG Distribution Activities to small scale users and customers, transportation, and households through the LPG Distributor appointed by the Business Entity holding a Business License for LPG Trading by a selection process.

3. Business Entities holding a Business License for LPG Trading as referred to in paragraph (1) may directly distribute Common LPG to Bulk LPG Users and users in transportation through the Means and Facilities managed and/or owned by them.

Article 12

1. Business Entities holding a Business License for LPG Trading in carrying on its business activities must own or control Means and Facilities for transportation and storage, including a bottling plant for LPG in support of its Trading activities.

2. In the event that the Business Entity as referred to in paragraph (1) only conducts Trading Activities for LPG as a (pressurized) fuel or (refrigerated) refrigerant in bulk form, it must have and/or control transportation and/or storage Means and Facilities.

3. Business Entities as referred to in paragraph (1) and paragraph (2) may control means and facilities for the transportation of LPG by utilizing the LPG transportation Means and Facilities of a Business Entity holding a Business License for LPG transportation.

4. In the event that the control of LPG transportation Means and Facilities as referred to in paragraph (3) is not derived from the Business Entity holding a Business License for Transportation, the obligation is control of LPG Transportation Means and Facilities for a duration of at least 3 (three) years for land transport or 1 (one) year for sea transport, as evidenced by a contract for control of Means and Facilities, which shall be the responsibility of the Business Entity holding a Business License for LPG Trading.

5. Business Entities as referred to in paragraph (1) and paragraph (2) may control storage Means and Facilities or control storage Means and Facilities equipped with a bottling plant for LPG by utilizing the storage Means and Facilities of a Business Entity that has obtained a Business License for LPG Storage.

Article 13

1. Business Entities conducting LPG filling activities (bottling plant) with LPG storage activities must possess a Business License for LPG Storage.

2. Business Entities conducting filling activities (bottling plant) with LPG transportation activities must possess a Business License for LPG Transportation.

3. Business Entities conducting filling activities (bottling plant) with LPG trading activities must possess a Business License for LPG Trading.

Article 14

Based on the nature LPG filling activities (bottling plant) and to provide certainty in the conduct of business activities, Business Entities only conducting LPG filling activities (bottling plant) must possess a Business License for LPG Storage.

Article 15

In distributing LPG, Business Entities holding a Business License for LPG Trading are obligated to:

a. ensure the continuity of LPG distribution in its distribution trade network, including by:
   1. have operational reserves of LPG amounting to a minimum of 7 (seven) days for Common LPG as calculated by average daily distribution volume from the year before;
   2. have working reserves amounting to a minimum of 3 (three) days and operational reserves amounting to a minimum of 8 (eight) days for Special LPG as calculated by average daily distribution volume from the year before;
   3. ensure and have an emergency response plan for the supply and distribution of LPG that can be implemented within 24 hours of a supply disruption which may cause a failure or unavailability of Special LPG in a Special Distribution Area; and
   4. provide, own, or control of Means and Facilities for LPG Trading;
b. guarantee the standards and quality/specifications for LPG as stipulated by the Minister;
c. use equipment that meets applicable standards;
d. ensure the accuracy of LPG weight in accordance with the measurement requirements for LPG cylinder that are distributed to the level of LPG consumers;
e. ensure work safety and health as well as environmental management;
f. meet the conditions agreed to in the LPG sales agreement;
g. be committed in improving services to LPG users;
h. adhere to and comply with the laws and regulations.

Article 16

1. Business Entities holding a Business License for LPG Trading as referred to in Article 11 paragraph (2) must, in appointing LPG Distributors, prioritize cooperatives, small businesses, and/or private national business entities that are integrated based on a cooperation agreement.

2. LPG distributors as referred to in paragraph (1) must own storage (warehouse) and transportation Means and Facilities for LPG cylinders to support their Distribution Activities in their distribution areas.

3. PG distributors as referred to in paragraph (1) may conduct Distribution Activities for Bulk LPG Users.

4. LPG distributors as referred to in paragraph (3) may utilize and/or control transportation Means and Facilities owned by other parties.

5. LPG distributors conducting distribution activities for LPG in packaged or bulk form may use or control Means and Facilities for sea/river transportation in a manner consistent with the laws and regulations.

6. LPG distributors must engage in Distribution Activities in the distribution area designated by the Business Entity holding a Business License for LPG Trading and must have a Distributor Certificate.

7. LPG distributors are prohibited from engaging in filling LPG cylinders (bottling plant).

8. In the cooperation agreement as referred to in paragraph (1), it must at least contain the following obligations:
   a. Business Entities holding a Business License for LPG Trading must ensure the continuity of LPG distribution in its distribution trade network;
   b. Business Entities holding a Business License for LPG Trading and Distributors must guarantee the standards and quality/specifications for LPG as stipulated by the Minister;
   c. Business Entities holding a Business License for LPG Trading and Distributors must use equipment that meets the applicable standards;
   d. Business Entities holding a Business License for LPG Trading and Distributors must ensure the accuracy of LPG weight;
   e. Business Entities holding a Business License for LPG Trading and Distributors must ensure work safety and health as well as environmental management.

Article 17

1. Business Entities holding a Business License for LPG Trading as referred to in Article 11 paragraph (2) must report the appointment of a Distributor to the Minister through the Director General in order to be provided with a Distributor Certificate.

2. The report as referred to in paragraph (1) must at least contain the name of the Distributer, the cooperation agreement/letter of appointment for the Distributor, as well as the Means and Facilities owned by the Distributor.

3. In the even that data on the appointment of the Distributor as referred to in paragraph (2) is declared compete and correct, in no more than 10 (ten) business days the Director General shall provide a Distributor Certificate.

4. The Distributor Certificate as referred to in paragraph (3), must at least contain:
   a. the name and address of the Distributor;
   b. the name of the Business Entity holding a Business License for LPG Trading
   c. the number and date of the cooperation agreement/letter of appointment;
   d. distribution area;
   e. active period for the Distributor Certificate.

5. The Distributor Certificate as referred to in paragraph (4) is issued to the Distributor through the Business Entity holding a Business License for LPG Trading.

6. In the event that data on the appointment of the Distributor as referred to in paragraph (3) is declared incomplete and incorrect, the Director General shall provide a notice to the Business Entity holding a Business License for LPG Trading regarding the non-issuance of the Distributor Certificate along with the reasons.

Section Three
Distribution of Special LPG

Article 18

1. The distribution of Special LPG is conducted by Business Entities holding a Business License for LPG Trading to Special LPG Users for households and micro-enterprises, the implementation of which is through an assignment from the Director General on behalf of the Minister.

2. The assignment for the Supply and Distribution of Special LPG as referred to in paragraph (1) is effected through the direct appointment and/or tender based on the Special LPG Distribution Area determined by the Minister.

3. In distributing Special LPG, Business Entities holding a Business License for LPG Trading as referred to in paragraph (1) must conduct Distribution Activities for Special LPG through a Distributor for Special LPG appointed by the Business Entities holding a Business License for LPG Trading through a selection process.
4. In order to ensure proper distribution of Special LPG, Business Entities

holding a Business License for LPG Trading that have been assigned the supply and distribution of Special LPG may appoint a sub-Distributor for Special LPG based on the proposal of the Distributor for Special LPG.

Article 19

1. The Guidelines and Procedures for the Assignment of the Supply and Distribution of Special LPG by directly appointment as referred to in Article 18 paragraph (2) shall be regulated in Exhibit I of this Ministerial Regulation.

2. The Guidelines and Procedures for the Assignment of the Supply and Distribution of Special LPG by tender as referred to in Article 18 paragraph (2) shall be regulated in Exhibit II of this Ministerial Regulation.

CHAPTER IV
LPG USERS

Article 20

1. LPG users are comprised of Special LPG Users and Common LPG Users.

2. Special LPG Users as referred to in paragraph (1) are household and micro-business consumers using Special LPG in the 3-kg LPG cylinders with a price regulated and established by the Minister.

3. Common LPG Users as referred to in paragraph (1) are consumers using LPG in the 12 kg cylinders, 50 kg cylinders, and/or in other packaging or in bulk and consumers of LPG as a refrigerant.

CHAPTER V
CLOSED DISTRIBUTION SYSTEM FOR SPECIAL LPG

Article 21

1. The arrangements for the Closed Distribution System for Special LPG include the determination of the users and delivery points for Special LPG through the use of Control Cards.

2. The guidelines and procedures for the Closed Distribution System for Special LPG as referred to in paragraph (1) shall be regulated in Exhibit III of this Ministerial Regulation.

Article 22

1. The implementation of a Closed Distribution System for Special LPG is conducted by the Director General in stages according to the Special LPG Distribution Area.

2. The implementation of a Closed Distribution System for Special LPG application in paragraph (1) must consider:
   a. the purchasing power of Special LPG Users;
   b. ensuring and continuing the supply and distribution of Special LPG;
   c. the availability of Means and Facilities for Special LPG distribution.

3. The Director General supervises the Closed Distribution System for Special LPG.

4. The implementation of supervision as referred to in paragraph (3) is conducted by the Director General together with related institutions, primarily the Regional Government, Police Force, and Business Entities assigned to the supply and distribution of Special LPG.

CHAPTER VI
LPG SELLING PRICE

Article 23

The selling price of LPG consists of the selling price for Special LPG Users and the selling price for Common LPG Users.

Article 24

1. The LPG selling price for Special LPG Users as referred to in Article 23 consists of the benchmark price for Special LPG and the retail price for Special LPG.

2. The benchmark price for Special LPG as referred to in paragraph (1) is the price based on the benchmark established by the Minister.

3. The retail price for Special LPG as referred to in paragraph (1) is established by the minister based on the agreement reached with relevant agencies coordinated by the Coordinating Minister for Economic Affairs in accordance with the provisions of the law.

4. In consideration of the local conditions, the public purchasing power, and reasonable margins along with Means and Facilities for the supply and distribution of LPG, the Provincial Government together with the District/ City Government establish the Special LPG highest retail price (HET) for Special LPG Users at delivery points of sub-Distributors for Special LPG.

Article 25

1. The selling price of LPG for Common LPG Users is established by Business Entities with reference to:
   a. LPG benchmark price;
   b. the purchasing power of domestic consumers;
   c. the continuity of supply and distribution.

2. The establishment of LPG selling price as referred to in paragraph (1) must be reported to the Minister

CHAPTER VII
LPG STANDARDS AND QUALITY

Article 26

Each LPG product marketed and put into circulation must meet the standards and quality (specifications) for LPG that have been established in accordance with the laws and regulations.

Article 27

1. Business Entities holding a Business License for Crude Oil Processing and Business Entities holding a Business License for Natural Gas Processing that supply LPG shall be responsible for the LPG standards and quality produced for the large scale consumers and/or the Business Entities holding a Business License for LPG Trading.

2. Business Entities holding a Business License for LPG Transportation shall be responsible for the standards and quality of LPG transported by it.

3. Business Entities holding a Business License for LPG Storage shall be responsible for the standards and quality of LPG stored by it.

4. Business Entities holding a Business License for LPG Trading shall be responsible for the standards and quality of LPG distributed and marketed through its distribution trade networks to the level of LPG consumers.

CHAPTER VIII
OIL AND GAS SAFETY

Article 28

Business Entities engaging in the supply and distribution of LPG are obligated to:
a. ensure and be responsible for the cylinder use, equipment, accuracy, and measuring systems that are in accordance with the provisions of the law;
b. ensure the application of proper engineering principles, standards and quality for LPG;
c. ensure oil and gas safety, which is comprised of public safety, worker safety, environmental safety, and installation safety in accordance with the provisions of the law;
d. Convey information regarding safety in the LPG utilization and usage to LPG Users. In LPG utilization and usage, LPG Users must observe LPG utilization and usage safety.

Article 29

In LPG utilization and usage, LPG Users must observe LPG utilization and usage safety.

CHAPTER IX
UTILIZATION OF DOMESTIC POTENTIAL

Article 30

1. Business Entities engaging in the supply and distribution of LPG must prioritize the utilization of domestic goods, equipment, services, technology, as well as engineering and construction capabilities.

2. Prioritizing the utilization of domestic goods, equipment, services, technology, as well as engineering and construction capabilities as referred to in paragraph (1) is enacted should the goods, equipment, services, technology, as well as engineering and construction capabilities is produced or possessed domestically and meets the quality standard and delivery time at competitive prices.

CHAPTER X
GUIDANCE AND SUPERVISION

Article 31

1. The Director General administers guidance and supervision of LPG supply and distribution.

2. The implementation of guidance and supervision as referred to in paragraph (1) includes:
   a. the administration of Business Licenses;
   b. LPG standards and quality (specifications);
   c. priority (allocation) of domestic LPG utilization;
   d. the continuation of LPG supply and distribution;
   e. LPG selling price at a reasonable level;
   f. the application of proper engineering principles;
   g. Oil and Gas safety, which is comprised of public safety, worker safety, environmental safety, and installation safety;
   h. environmental management;
   i. the development of the environment and local communities;
   j. ensuring improved service to customers;
   k. with regard to compliance with the provisions of the law.

Article 32

The Director General shall coordinate with the Department of Home Affairs for the administration of guidance and supervision, which includes:
a. adherence to the Highest Retail Price (HET) for LPG in the Special LPG Distribution Area;
b. continuous supply and distribution of LPG at the level of LPG distributors to LPG consumers;
c. permit for the location of Means and Facilities for LPG supply and distribution.

Article 33

In pursuit of effective supervision of LPG supply and distribution, the Director General may form a Supervising Team for LPG Supply and Distribution.

Article 34

Business Entities engaged in the supply and distribution of LPG are obligated to submit a report on their business activities to the Minister through the Director General every 1 (one) month and at any time as required, on the LPG supply, LPG distribution as well as Means and Facilities used.

CHAPTER XI
ADMINISTRATIVE SANTIONS

Article 35

1. Business Entities in violation of the provisions as referred to in Article 6, Article 8, Article 11 paragraph (2), Article 12, Article 13, Article 14, Article 15, Article 16 paragraph (1) and paragraph (8), Article 17 paragraph (1), Article 18 paragraph (3), Article 26, Article 27, Article 28, Article 30, and Article 34 shall be liable to sanctions from the Director General on behalf of the Minister in the form of a written warning, suspension, cessation, and revocation of the Business License in accordance with provisions of the law.

2. The written warning to the Business Entity as referred to in paragraph (1) shall be issued by the Director General on behalf of the Minister no more than 3 (three) times.

3. In the even that the Business Entity after receiving a written warning as referred to in paragraph (3) continues to repeat the offense, the Minister may suspend its business activities.

4. In the even that the Business Entity holding a Business License does not conform to the established provisions during suspension period as referred to in paragraph (3), the Director General on behalf of the Minster may freeze its business activities.

5. In the event of a written warning, suspension, and cessation of business activities as referred to in paragraph (2), paragraph (3), and paragraph (4) the Business Entity is provided the opportunity to eliminate the violation or fulfill the stipulated conditions within no more than 60 (sixty) days of the declaration for cessation.

6. In the event that at the end of the 60 (sixty) day period as referred to in paragraph (5) the Business Entity holding the Business License has not eliminated the violation and fulfilled the stipulated conditions, the Director

General on behalf of the Minister may revoke the Business License of said Business Entity.

Article 36

Distributors who do not comply with the provisions as referred to in Article 16 paragraph (2), paragraph (6), paragraph (7), and paragraph (8) and Article 26 shall be sanctioned by the Distributor through the Business Entity holding a Business License for LPG Trading in the form of a written warning and a revocation of the Distributor Certificate in accordance with the provisions of the law.

CHAPTER XII
OTHER PROVISIONS

Article 37

In the event of LPG scarcity causing a spike in the price of LPG, the Director General may engage an emergency response, including:

a. Obligating Business Entities to utilize the Means and Facilities owned and/or controlled by them, including their Distributors, together with other parties;
b. Task Business Entities to supply and distribute LPG to meet consumer needs;
c. Coordinate with Regional Governments and other related agencies;
d. Prioritize LPG production resulting from Oil and Gas refineries and resulting from field processing in upstream business activities to meet the domestic LPG needs.

CHAPTER XIII
TRANSITIONAL PROVISIONS

Article 38

At the time this Ministerial Regulation comes into force:

a. in no more than 1 (year), Business Entities that have engaged in the supply and distribution of LPG are obligated to conform to the provision of this Ministerial Regulation.
b. in no more than 1 (year), LPG filling activities (bottling plant) must be in compliance with the licensing provisions of this Ministerial Regulation.
c. Business Entities holding a Business License for LPG Trading that have been appointed for the supply and distribution of 3-kg LPG cylinders may continue with said assignment until the end of the designated period.

CHAPTER XIV
FINAL PROVISIONS

Article 39

When this Ministerial Regulation comes into force, the Minister of Energy and Mineral Resources Regulation Number 21 of 2007 concerning the Supply and Distribution of 3 Kilogram Cylinders of Liquefied Petroleum Gas, insofar as it regulates the auction procedures and direct appointment for the supply and distribution of Special LPG, is revoked and declared not valid.

Article 40

This Ministerial Regulation comes into force on the date of promulgation.

For public cognizance, this Ministerial Regulation shall be enacted through publication in the Official Gazette of the Republic of Indonesia.

Promulgated in Jakarta
on 29 September 2009
MINISTER OF ENERGY AND MINERAL RESOURCES,

signature

PURNOMO YUSGIANTORO

Enacted in Jakarta
on 29 September 2009
MINISTER OF LAW AND HUMAN RIGHTS
REPUBLIC OF INDONESIA

signature

ANDI MATTALATTA

OFFICIAL GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2009 NUMBER 333

Copy is in conformity with the original
DEPARTMENT OF ENERGY AND MINERAL RESOURCES
Head of the Legal and Public Relations Bureau

Sutisna Prawira

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CURRICULUM VITAE OF THE AUTHOR

Dr. Agus Joko Pramono, M.Acc., Ak., CA.

Career History:

1. BPK RI Vice Chairman 2019 - present
2. BPK RI Board Member II 2014 – 2019
3. BPK RI Board Member III 2013 - 2014
4. BPK RI Expert Advisory Staff on State and Local Government Owned Enterprises (BUMN/BUMD) and Separated State Assets 2012 - 2013

Formal Education:

1. Doctoral Degree in Goverment Studies – FISIP Universitas Padjajaran Bandung, Graduated in 2015
2. Master's Degree in Accounting, Universitas Gajah Mada Jogjakarta 2009
3. D4 program in STAN (State Accounting Academy) Jakarta 2004
4. D3 program in STAN (State Accounting Academy) Jakarta 1993

Non-Formal Education:

1. Training Course on Criminal Investigation (Indonesian National Police 2005)
2. South Pacific Conference on Internal Audit Institute of Internal Audit (Australia 2011)
3. Study Tour on Education in Singapore (2011)
4. Study Tour on Government Management in Malaysia (2011)
5. Professional Internal Auditor, Centre for Accounting Development, STAN (2010)

Teaching Experience:

1. D.III and D.IV Accounting Programs, STAN
2. BPKP – Performance Based Budgeting System (2004-2005)
3. PPAK STAN
4. Postgraduate Studies at Universitas Pancasila – Public Finance (2009-2013)

Overseas Assignments:

1. ASEANSAI Assembly Meeting Brunei Darussalam (2013)
2. INTOSAI Working Group on IT Audit Kuwait (2014)
3. Driving Government Performance: Leadership Strategies that Produce Results. Harvard, USA (2014)
4. Accountability of State Authority and Outreach Program in Indonesian Embassy in Cairo, Egypt (2014)
5. World Congress of Accountants (WCOA) Rome, Italy (2014)
6. Interim Audit on 2014 Financial Statement of the Indonesian Central Bank (BI) in New York, USA (2014)
7. Interim Audit on 2014 Financial Statement of the Indonesian Central Bank (BI) in London, UK (2014)

Awards and Decorations:

Bintang Mahaputera Nararya (2014) – the Star of Mahaputra, awarded to a civilian who has given extraordinary service to the motherland.