FINAL REPORT

Integrating Economic Analysis into Better Regulation: Political Economic Pathways for Institutional Reform in Indonesia

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Glossary

APINDO	Indonesian Employers Association
APBN	State Budget / Anggaran Pendapatan dan Belanja Negara
Bappenas	National Development Planning Agency
Bapperida	Regional Development Planning, Research and Innovation Agency
BIA	Budget Impact Analysis
BPHN	National Law Development Agency / Badan Pembinaan Hukum Nasional
BP BUMN	State-Owned Enterprises Regulatory Body
B-READY	Business Ready
BRF	Better Regulation Framework
BRIDA	Regional Research and Innovation Agency
BRIN	National Research and Innovation Agency
BRU	Better Regulation Unit
CBA	Cost-Benefit Analysis
CE	Chief Economist
CEA	Cost-Effectiveness Analysis
CIPS	Center for Indonesian Policy Studies
CMEA	Coordinating Ministry for Economic Affairs
CMSA	Constant Market Share Analysis
DBT	Department for Business and Trade
DEN	National Economic Council / Dewan Ekonomi Nasional
DfE	Department for Education
DJPP	Directorate General of Legislation / Direktorat Jenderal Peraturan Perundang-undangan
DPD	Regional Representative Council / Dewan Perwakilan Daerah
DPR	House of Representatives / Dewan Perwakilan Rakyat
DPRD	Regional House of Representatives / Dewan Perwakilan Rakyat Daerah
DRCA	Desk Review and Comparative Analysis
DWP	Department for Work and Pensions
FCDO	Foreign, Commonwealth & Development Office
FGD	Focus Group Discussion
GES	Government Economic Service
GRP	Good Regulatory Practice

HHI	Herfindahl-Hirschman Index
IKK	Policy Quality Index / Indeks Kualitas Kebijakan
iREG	Indicators of Regulatory Policy and Governance
IVUK	Immersion Visit to the United Kingdom
KemenPAN-RB	Ministry of Administrative and Bureaucratic Reform
KII	Key Informant Interview
KPI	Key Performance Indicator
LA	Legal Analysis
LAN	National Institute of Public Administration
MoJ	Ministry of Justice
NPV	Net Present Value
OECD	Organisation for Economic Co-operation and Development
PDD	Policy Dialogue and Dissemination
Perpres	Presidential Regulation
Perpu	Government Regulation in Lieu of Law
Prolegda	Regional Legislative Programme
Prolegnas	National Legislative Programme
RCA	Revealed Comparative Advantage
RIA	Regulatory Impact Assessment
ROAMEF	Rationale, Objectives, Appraisal, Monitoring, Evaluation, Feedback
ROCCIPI	Rule, Opportunity, Capacity, Communication, Interest, Process and Ideology
RPJMN	National Medium-Term Development Plan
RPJPN	National Long-Term Development Plan
RPC	Regulatory Policy Committee
RUU	Draft Law / Rancangan Undang-Undang
SCP	Structure-Conduct-Performance
SDI	One Data Indonesia (Satu Data Indonesia)
SM-KII	Stakeholder Mapping and Key Informant Interviews
SSEARIH	South and Southeast Asia Research and Innovation Hub
SUR	Survey
UK	United Kingdom
WGI	Worldwide Governance Indicators

Executive Summary

This report presents findings from the study assessing the institutional and political economy feasibility of strengthening economic analysis within Indonesia's regulatory system, particularly through the integration of Regulatory Impact Assessment (RIA) and potential institutional arrangements such as a Chief Economist (CE) function. The study draws on desk research, comparative analysis, survey responses, FGD, Key Informant Interviews, and lessons from the United Kingdom.

The study indicates that Indonesia already has an important legal foundation for evidence-based regulation, the Law 12/2011 which established the basic framework for the formation of laws and regulations, including the requirement for the draft laws and regional regulations to be accompanied by Academic Papers. The amendment of Law 12/2011 in 2019 strengthened the regulatory making process by introducing stronger provisions for post-enactment monitoring and review. The second amendment of Law 12/2011 in 2022 further improved the regulatory making process by including an explicit recognition of Regulatory Impact Analysis (RIA) as one of the tools to support the preparation of Academic Papers.

However, the existence of a legal basis has not yet translated into consistent and high-quality use of evidence based and economic analysis across government. The main challenge is weak institutionalisation. In practice, RIA and economic analysis are often prepared late in the policy process, sometimes after the preferred policy option or draft regulation has already been determined. Analysis is frequently treated as a procedural requirement rather than as a substantive input to policy design. Fewer than half of surveyed ministries and agencies reported undertaking internal economic analysis. Analytical capacity across ministries is also uneven that some institutions already use relatively advanced tools. However, these capabilities are concentrated in selected institutions.

A major institutional gap is the absence of a clearly designated senior official responsible for economic analysis in most ministries. Some larger institutions, such as the Ministry of Finance, The National Development Planning Agency (Bappenas), the Ministry of Trade, the Ministry of Health, and the Ministry of Agriculture, already have policy or research units that perform functions like parts of a Chief Economist role. However, most ministries lack a senior analytical function with the authority to review the economic quality of policy proposals, challenge weak assumptions, ensure proper options analysis, and support RIA before decisions are made.

The study identifies five key bottlenecks. First, there is a shortage of economics-trained staff within ministries. Second, budgets for rigorous analysis are limited, fragmented, and often project based. Third, top-down policy directives and compressed timelines often reduce the opportunity for substantive RIA. Fourth, poor data availability and inconsistent methodologies limit analytical quality. Fifth, bureaucratic culture often treats analysis as a compliance requirement rather than as a value-adding input to decision-making. Together, these constraints create a mismatch between Indonesia's formal RIA framework and the institutional conditions needed to implement it effectively.

The United Kingdom provides useful comparative lessons. The United Kingdom (UK) embeds economic analysis within the ROAMEF policy cycle: Rationale, Objectives, Appraisal, Monitoring, Evaluation, and Feedback. Within this system, Chief Economists are part of the system to deliver analytical quality assurance. They review impact assessments, challenge weak evidence, support professional development, and advise senior decision-makers on the economic implications of policy choices.

The UK experience also shows that an effective RIA requires clear mandates for each unit involved in RIA, internal analytical leadership, professional standards, trained economists, quality assurance mechanisms, and consequences for poor-quality analysis. These lessons are directly relevant for Indonesia as it seeks to move from formal recognition of RIA in legislation toward credible and consistent implementation in the policy making process.

The report recommends introducing a Chief Economist function in selected ministries. The function should institutionalise economic analysis inside government and ensure that major policy and regulatory proposals are supported by credible evidence. The Chief Economist should help ministries identify policy problems, clarify the rationale for government intervention, assess market or policy failures, compare regulatory and non-regulatory options, estimate costs and benefits, assess budgetary and distributional impacts, and evaluate whether proposed regulations are proportionate and aligned with national development priorities.

The Chief Economist should be in a senior official position supported by a small technical team. Its core responsibilities should include analytical assurance, strategic challenge, capability building, and coordination. Analytical assurance would involve reviewing the quality of RIA, CBA, BIA, and other major policy assessments. Strategic challenge would involve questioning weak assumptions, incomplete evidence, and narrow policy options. Capability building would involve strengthening the analytical skills of ministry staff. Coordination would connect policy units, legal bureaus, planning units, data units, and external research partners to deliver quality economic analysis, RIA and Academic Paper.

The report concludes that strengthening economic analysis in Indonesia's regulatory system requires both technical guidance and institutional architecture that connects legal mandates, ministry-level analytical leadership, central professional coordination, regulatory quality review, reliable data infrastructure, and civil service incentives. Introduced through a phased pilot, placed initially within existing Expert Staff structures, supported by DEN and DJPP, and formalised through targeted legal and administrative instruments, the Chief Economist function can help Indonesia improve regulatory quality, strengthen evidence-based policymaking, support Organisation for Economic

Co-operation and Development (OECD) accession, and build a more predictable, inclusive, and growth-enhancing regulatory environment.

1. Introduction

Regulation is an important tool for achieving governments' social, economic, and environmental policy objectives (OECD, 2020). The quality of regulatory outcomes depends heavily on the quality of regulatory design and the decision-making process. Well-designed regulatory frameworks are associated with stronger economic performance, including higher growth and labour productivity (Kaufmann et al., 2005; McLeish and Ramalho, 2006; Jacobzone et al., 2010; Djankov, Parker and Kirkpatrick, 2012). In contrast, weak regulatory design and poor implementation can create uncertainty, increase compliance costs, and lead to an unfavourable business environment (OECD, 2021).

Global governance and regulatory quality indicators indicate that Indonesia is facing persistent challenges in both regulatory design and implementation, which may constrain investment, competition, and productivity growth. World Bank's Worldwide Governance Indicators (WGI) shows Indonesia's regulatory quality remains below regional peers such as Viet Nam, Singapore, Thailand and most Organization for Economic Cooperation and Development (OECD) countries (World Bank, 2025). Similarly, the World Bank's 2025 B-READY indicators also reveal there is a gap in both regulatory framework quality and operational efficiency in Indonesia's regulatory landscape.

For Indonesia, improving regulatory quality is critical in advancing economic transformation and achieving long-term development objectives, including its Vision 2045. An earlier study by Center for Indonesian Policy Studies (CIPS) in 2025, *Unlocking Indonesia's Economic Potential Through OECD Accession*, frames OECD accession as a pathway for Indonesia to move towards a more predictable, rules-based, and OECD-aligned regulatory environment. Indonesia's OECD accession can support regulatory convergence, strengthen investor confidence, and contribute to higher investment and growth.

Currently, Indonesia's regulatory landscape is characterised by a large and fragmented stock of regulations across national and subnational levels, often resulting in overlaps, inconsistencies, and duplication. This condition contributes to administrative burdens and confusions in the implementation which result in lower policy predictability. RIA, widely adopted by OECD countries, provides a systematic and evidence-based approach to strengthening regulatory quality by embedding economic reasoning and evidence-based analysis into policymaking. For the case of Indonesia which had already adopted RIA, strengthening RIA can help address systemic issues of over-regulation and support more coherent, efficient, and accountable regulatory outcomes.

Among OECD jurisdictions, no single template defines good regulatory practice; each has evolved its own arrangements in response to its own political settlement, administrative tradition, and reform pressures. The United Kingdom is one such case, and a particularly instructive one for this study for three reasons. First, its Better

Regulation architecture is among the most documented and externally scrutinised, which allows the working parts — analytical, institutional, and political — to be examined in some detail. Second, the UK has gone further than most peers in separating the production of regulatory analysis from its challenge, an institutional design choice that speaks directly to Indonesia's coordination and quality-assurance gaps. Third, ongoing UK–Indonesia cooperation on regulatory reform makes the UK a practically accessible reference point for sustained learning and exchange. The discussion that follows therefore treats the UK not as a model to be transplanted, but as a working example from which Indonesia can draw selectively as it builds arrangements suited to its own institutional realities.

The United Kingdom's experience reveals that effective regulatory quality depends on having an analytical basis that is further reinforced by a coordinated governance across stakeholders. The UK embeds the ROAMEF policy development cycle as the analytical foundation of its Better Regulation Framework (BRF), ensuring that regulatory proposals are appraised against explicit rationale, options, costs and benefits, and post-implementation review requirements. Within this framework, Chief Economists serve not merely as technical specialists but as institutional guardians of economic quality, inhibiting roles from analytical assurance to mediating analytical standards and political decision-making. This function is reinforced by a whole-of-government infrastructure which includes GES, the Regulatory Policy Committee, and Better Regulation Units (BRUs), distributing analytical capacity and maintaining accountability across departments.

This report presents findings based on desk research, stakeholder engagement, immersion visit to the UK and policy analysis. The analysis draws on multiple sources of evidence, including literature and document review, surveys, Key Informant Interviews (KIIs), and FGDs, supported by qualitative data analysis. The report covers three main areas: (i) brief discussion on the OECD quality regulation practice and the United Kingdom Chief Economist function; (ii) Indonesia's regulatory and institutional context, including key gaps in Indonesia's regulatory system; and (iii) findings on institutional readiness, political economy dynamics, and legal pathways (iv) key findings on immersion visit to the UK, and (v) feasible reform options.

2. Study Framework and Research Questions

This study adopts an integrated analytical framework combining institutional analysis, political economy analysis, and comparative learning to assess the feasibility of strengthening economic analysis within Indonesia's regulatory system, with the following overarching research question: **to what extent is it politically and institutionally feasible to introduce Chief Economist roles or similar mechanisms within Indonesian ministries to strengthen RIA and support more evidence-based policymaking?**

To address the research questions, the study examines institutional readiness by looking at existing capacities, organisational arrangements, and current analytical practices across ministries, as well as identifying gaps in technical skills, human resources, and organisational capacity. It also applies a political economy perspective to understand the incentives, interests, and power dynamics that shape regulatory processes, including stakeholder roles, inter-ministerial coordination, and potential sources of support and resistance to reform.

3. Methodology

This study applies a mixed-methods approach combining desk review, survey, FGDs, and KIIs to generate evidence on regulatory governance, institutional capacity, and the feasibility of strengthening economic analysis in Indonesia. The study also benefits from the immersion visit to the UK.

Desk reviews and comparative analysis were conducted, drawing on academic literature and policy documents. In parallel, a survey was administered to assess the extent to which economic analysis and RIA are currently undertaken, capturing information on analytical functions, institutional arrangements, capacity, and the feasibility of introducing Chief Economist roles, with a total of 27 responses received. A series of FGDs was conducted with key ministries and regulatory institutions to explore current practices, challenges, and institutional dynamics related to economic analysis and RIA, as well as political, legal, and coordination aspects, with 27 participants attending. In addition, KII were conducted with 12 respondents, including high-level officials, to provide deeper insights into organisational capacities, institutional constraints, and influence dynamics shaping the use of economic analysis in policymaking.

4. Regulatory Practice

4.1. The OECD quality regulation practice

Since 1997, the OECD has consistently guided members towards regulatory reform. RIA has been used as regulatory reform tools. The first survey of RIA implementation across OECD members was carried out in 1997 which identified concrete best practices in building governmental analytical capacity, using methods such as benefit-cost analysis, collecting data, and consulting the public (OECD, 1997). This publication became the benchmark that shaped much of the OECD's later work on regulatory quality.

In 2012, the OECD Council on Regulatory Policy and Governance recommended members to commit at the highest political level to an explicit whole-of-government policy for regulatory quality including the implementation of RIA. In practicing RIA, it is based on five core principles: strong political commitment, appropriate institutional design, strengthened administrative capacity and accountability, proportionate and targeted methodologies, and continuous evaluation and improvement. Consequently, an effective RIA depends not only on technical guidelines, but also on the broader governance system in which it operates (OECD,2012).

For Indonesia, strengthening its RIA framework would directly support both the accession process and post-accession performance as the OECD systematically evaluates members' regulatory governance using the Indicators of Regulatory Policy and Governance (iREG), a composite index that assesses stakeholder engagement, RIA practices, and ex post evaluation. While iREG does not measure the substantive quality of regulations, it captures the strength of regulatory processes and institutional arrangements. As such, developing a robust RIA framework would position Indonesia more favorably within this evaluative framework and signal readiness to meet OECD governance standards.

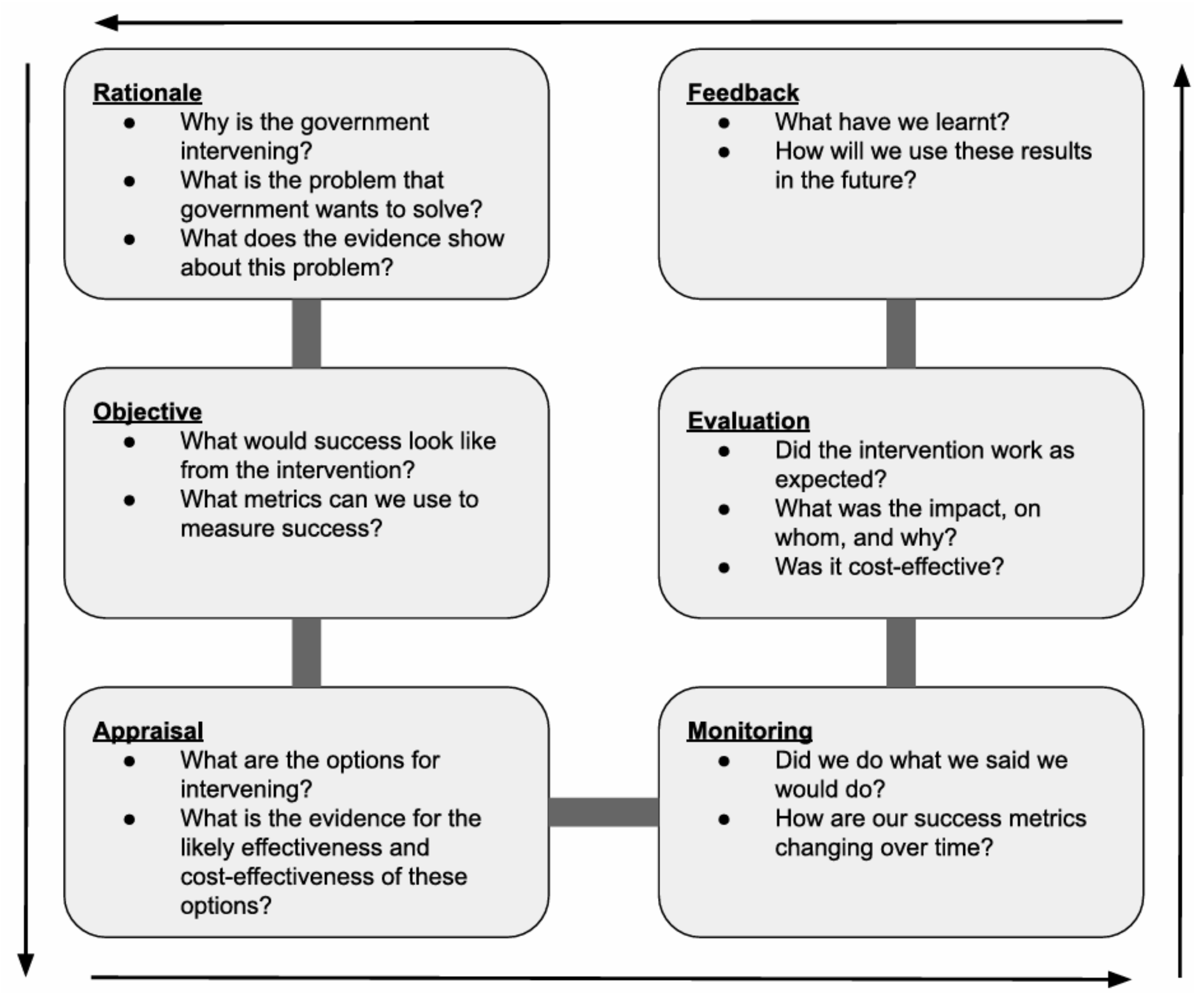
Box 1. The OECD Indicators of Regulatory Policy and Governance (iREG)
The first iREG was published in 2014 covering 34 OECD members plus the EU. The 2024 surveys covered 38 OECD members plus the EU. Based on the 2024 iREG, regulatory impact assessment is relatively the strongest area, among the three dimensions with an average score of 2.3 for primary laws in 2024, followed by stakeholder engagement at 2.3 for primary laws, while ex post evaluation remains much weaker at only 1.34, indicating that governments are generally better at assessing proposed regulations than at systematically reviewing whether existing regulations actually work in practice. (OECD, 2025).

4.2 The UK model: lessons for Indonesia

4.2.1 How does the UK implement the quality regulatory practice?

The UK's regulation-making practice broadly follows the logic of the OECD Good Regulatory Practice (GRP) framework establishing that the government intervention should be justified, policy options should be assessed, regulatory burdens should be considered, analytical evidence should be scrutinised, and regulations should be reviewed after implementation. Our interview with several UK government officials revealed a standard government-wide approach to policy development that flows from an initial assessment of the rationale in policy change, and ends with evaluation and feedback, as illustrated in the ROAMEF Policy Development Cycle in Figure 1. ROAMEF, which originates from HM Treasury's Green Book, is not merely a conceptual reference but serves as the analytical foundation for the UK's formal regulatory governance system. Crucially, ROAMEF is not self-implementing: realising its logic across government requires an institutional architecture, such as the BRF that holds departments accountable to it in practice (Department for Business and Trade, 2023).

Figure 1. ROAMEF Policy Development Cycle



Source: Adapted from DBT interview during the UK immersion visit, as documented in Svara Institute and Bahar Institute (2026)

The BRF translates the analytical logic of ROAMEF into formal institutional requirements: regulatory proposals affecting business must undergo Impact Assessments structured around the ROAMEF cycle—covering rationale, options appraisal, costs and benefits, and post-implementation review—with each stage subject to scrutiny by designated bodies. In line with the OECD's principle to optimise institutional design, multiple institutions operate in synergy within the BRF to produce high-quality RIA. Internal units, such as BRUs, ensure that policy teams comply with BRF requirements at an early stage, while central oversight from the Department for Business and Trade (DBT) reduces fragmentation across departments (DBT, 2023).

The policymaking process in the UK is strengthened by a whole-of-government approach, including key players from various levels. Cross-ministerial coordination is led by Cabinet sub-committees, which make the final decisions on whether to proceed with regulatory proposals, particularly those affecting business. At the ministerial and departmental level, the Cabinet Office oversees cross-government policy coordination and issues binding guidance, including principles for public consultation, while HM Treasury provides technical guidance on appraisal, evaluation, and CBA. Line ministries and departments are responsible for implementing these requirements, including preparing impact assessments that clearly set out the costs and impacts of proposed regulations.

Within departments, the institutional structure further reinforces regulatory quality. The Regulation Directorate within the DBT sets the overall regulatory framework, supports the application of Better Regulation principles, and issues guidance on post-implementation reviews. In parallel, Chief Economists embedded in each department ensure the provision of consistent and credible economic advice throughout the policymaking process.

External actors also play an important role in strengthening accountability and analytical capacity within the UK regulatory system. The Regulatory Policy Committee (RPC) is an independent advisory body that provides external scrutiny of government impact assessments and regulatory proposals, assessing whether the analysis of costs, benefits, and wider impacts meets the required standards. Alongside this, the Government Economic Service (GES) serves as the professional body for economists across the UK Civil Service, recruiting and training economists who provide economic analysis and advice to support government policymaking. Together, RPC and GES reinforce regulatory quality by combining independent scrutiny with enhanced analytical capacity across government.

4.2.2 The role of economic analysis and the Chief Economist

Economic analysis plays a central role in the UK government, it is beyond RIA. Across the interviews with the UK government officials, economic analysis was described as a discipline that brings rigour, structure, and logical reasoning to policy problems. It helps identify market failures, clarify the rationale for government intervention, compare policy options, quantify costs and benefits, assess value for money, and evaluate whether policies have achieved their intended outcomes.

As a senior professional role that does economic analysis, the Chief Economist combines four main functions: analytical assurance, professional leadership, capability building, and strategic challenge. Across departments, Chief Economists are not simply technical specialists but institutional guardians of economic quality within the policy process.

The Chief Economist has an assurance and sign-off role. In several departments, impact assessments or business cases must be reviewed by the Chief Economist's Office or senior analytical leadership before they are submitted for external scrutiny or used in major internal decision-making. The Department for Education (DfE) described an iterative process in which policy teams draft impact assessments, the central economics team provides feedback, revisions are made, and the Chief Economist signs off the final version before submission to the RPC where relevant. The Department for Work and Pensions (DWP) similarly stated that one of the Chief Economists' responsibilities is to sign off cost-benefit analyses and RIA as fit for standard, ensuring that the correct processes and economic reasoning have been applied.

Chief Economists perform a professional leadership function. They act as heads of the economics profession within departments, maintain links with the GES, support recruitment and professional development, and ensure that economists are aware of standards, guidance, and learning opportunities. DWP's co-Chief Economists[1], for example, lead an economist community of around 200 economists and support capability-building in areas such as econometrics.

Chief Economists also play a critical challenge function. Their role does not only validate analysis but are also responsible for challenging policy proposals that lack evidence, rely on weak appraisal, or fail to consider credible alternatives. DfE described challenge as one of the Chief Economist's objectives, particularly in relation to value-for-money analysis, investment committee decisions, spending review processes, and decisions not grounded in evidence. The Ministry of Justice (MoJ) interview similarly illustrated how economic and analytical staff may challenge policy assumptions, including by highlighting when evidence does not strongly support a stated policy rationale.

Finally, Chief Economists help mediate between analytical standards and political decision-making. HM Treasury officials explained that if a Chief Economist is not satisfied with an impact assessment, the work can be sent back for further analysis; however, ministers ultimately retain decision-making authority. The Chief Economist therefore operates as a powerful professional gatekeeper, but not as a veto player over policy.

However, the institutional design and responsibilities of Chief Economists are not uniform across UK government departments. While the role follows common professional standards, its implementation varies depending on each department's mandate, analytical needs, and institutional context. The placement and responsibilities of Chief Economists have evolved to reflect these differences, resulting in a model that is adapted to each department's circumstances rather than implemented through a single central blueprint.

This variation is also reflected in institutional placement and organisational structures In some departments, the Chief Economist is also the Director of Analysis; in others, the role is combined with a Deputy Director post or located within a wider analytical structure. The FCDO case is particularly instructive because the Chief Economist and analysis function support a broad range of diplomatic and geopolitical questions, even though formal regulatory sign-off is only a small part of the role.

[1] DWP operates a co-Chief Economist model, where the role is jointly held by two people who also serve as heads of profession. Both have a dotted analytical line to the Chief Analyst but are line-managed within policy-facing directorates. This model is designed to keep economists close to policy customers.

4.3 Indonesia's regulatory and institutional context

4.3.1 Indonesia's regulatory making framework

The regulation making in Indonesia is primarily governed by Law 12/2011 on the Establishment of Law and Regulation which established a standardized, binding method for law and regulation making including the procedures and stages for formulating the laws. It also stipulates that the draft of laws and regional legislation must be supported with Academic Paper (*Naskah Akademik*), a scientifically justified document resulting from legal research or assessment as well as other research on issues regulated in the draft Law.

Law 12/2011 also established Indonesia's hierarchical regulatory frameworks with the Constitution the highest, followed by Decrees of the People's Consultative Assembly (*Ketetapan MPR*), Laws or Government Regulations in Lieu of Law (*Undang-Undang/Perpu*), Government Regulations (*Peraturan Pemerintah*/PP), Presidential Regulations (*Peraturan Presiden/Perpres*), Provincial Regulations, and Regency/Municipal Regulations. In addition to this hierarchy, Indonesian law also recognises other regulations issued (i.e. Ministerial Regulation/*Peraturan Menteri)* by authorised institutions, if they are mandated by higher-level regulations.

Law No. 12/2011 was amended in 2019 to strengthen the quality and sustainability of law-making with the Law 15/2019. It improves the legislative process from planning to monitoring and review after a law has been enacted. The amendment introduced stronger mechanisms for post-enactment evaluation, including monitoring and review of the laws for effectiveness, implementation problems, and reference for future legislative planning.

Second amendment to Law 12/2011 was undertaken in 2022 with Law No. 13/2022. It strengthens provisions on meaningful public participation, introduces electronic law-making, the omnibus method, and updates on techniques for preparing the Academic Papers. The Regulatory Impact Analysis (RIA) was explicitly introduced through Law 13/2022 as a methodological tool together with Rule, Opportunity, Capacity, Communication, Interest, Process and Ideology (ROCCIPI).

The formation of laws and regulations in Indonesia consists of five main stages: planning, drafting, deliberation, enactment or stipulation, and promulgation. These stages apply across different types of laws and regulations, although the specific procedures vary depending on the hierarchy, issuing authority, and legal form of the regulation.

The planned legislations for a certain period are usually listed in the National Legislative Programme (*Program Legislasi Nasional*/*Prolegnas*) for that particular year. However, in certain circumstances, a draft law may also be proposed outside the *Prolegnas*. The House of Representatives (DPR) or President may submit a bill outside *Prolegnas* to address extraordinary circumstances such as conflict, natural disasters, or other situations of national urgency, provided that this urgency is jointly agreed by the DPR body responsible for legislation and the minister or head of institution responsible for law-making affairs.

A draft law may be proposed by the DPR, the President, or the Regional Representative Council (DPD) for matters within its constitutional mandate. In principle, draft laws are prepared based on *Prolegnas* to ensure that legislative initiatives are planned, coordinated, and aligned with national priorities, although draft laws may also be proposed outside *Prolegnas* under specific urgent circumstances.

Once a draft law enters the legislative process, the proposing institution prepares the required supporting documents, including the Academic Paper (*Naskah Akademik*). The Academic Paper provides the research-based justification for the proposed law, covering the background, objectives, legal and empirical basis, scope of issues, and expected direction of regulation. It also creates an important entry point for economic analysis, including RIA, to assess the expected costs, benefits, risks, and impacts of the proposed law on affected stakeholders.

After the Academic Paper and draft law are prepared, the process proceeds to drafting, harmonisation, deliberation, enactment, and promulgation. For government-initiated bills, the responsible ministry or agency prepares the draft and may establish an inter-ministerial committee, while harmonisation is coordinated by the ministry responsible for law-making affairs. The draft law is then deliberated by the DPR and the President, enacted after joint approval, and promulgated in the State Gazette (*Lembaran Negara Republik Indonesia*/LNRI). Since Law No. 15 of 2019, the regulatory cycle has also included post-enactment monitoring and review to assess implementation and inform future legislative planning.

The Law no 12/2011 also regulates the legislation process of regency and city (*Kota and Kabupaten*) level legislations following the decentralization at regency and city. The planned regional legislations for a particular year are compiled through the Regional Legislative Programme (*Program Legislasi Daerah*/*Prolegda*). The heads of local government (Bupati and Walikota) discuss the Regional House of Representatives (DPRD).

4.3.2 RIA in Indonesia

RIA was first introduced in the early 2000s as part of broader regulatory reform efforts, supported by international organisations such as the OECD and the World Bank. The focus at that time was on awareness-raising rather than system-wide implementation. Early initiatives to promote its application were led by Bappenas, including the development of practical guidance in 2008 to support its use in policymaking (Ministry of Law, 2026).

Efforts to further formalise RIA continued over time, including introducing it to higher level regulation, in Law 13/2022. Based on Law 13/2022, RIA serves as an analytical tool to assess the potential impacts of the proposed regulation, the results of which are subsequently incorporated into the preparation of the Academic Paper (*Naskah Akademik*). Together, RIA and the Academic Paper are intended to ensure regulatory quality by providing a structured analysis based on rational, critical, objective, and impartial scientific principles (Ishom, 2019). Nevertheless, the integration of RIA into Indonesia's regulatory making process faces ongoing challenges in institutionalisation and consistent application across government (Retnosari & Syaif, 2024). We update and elaborate the challenges based on our survey and FGDs with key stakeholders in the following sections.

5. Institutional Readiness for Economic Analysis and RIA

Economic analysis is an important element of RIA implementation. This section discusses how economic analysis is conducted within Indonesia's government based on the survey and FGDs. We also place Indonesia's practice alongside the UK case to see what each arrangement reveals about how analytical functions take shape in different settings.

5.1 Prevalence and forms of economic analysis and RIA

5.1.1 Economic analysis: procedural purposes rather than substantive ones

From the survey, we found that slightly fewer than half of surveyed ministries and agencies (48.1%, or 13 out of 27) undertake internal economic analysis. The main purposes cited are for evaluating policy and regulatory impact, drafting new regulations, and evaluating budget utilisation. These findings are consistent with the FGD series, in which most participating institutions reported that economic analysis is not universally mandatory. Rather, it tends to be triggered only under specific conditions: when a regulation carries significant fiscal implications; when drafting primary legislation (RUU) or cross-sectoral regulations; or when a policy is assessed as strategically significant or likely to generate broad public impact. Moreover, even where economic analysis or RIA is formally required, its implementation often remains procedural rather than substantive. Across many participating institutions, Academic Papers and similar analytical documents are prepared only after policy drafts have already been completed, a sequence that is inconsistent with the principle of evidence-based policymaking.

In terms of the type of economic analysis employed, CBA is the most frequently cited method, although its depth and quantitative rigour vary significantly across and within institutions. The more specialised methods applied in institutions with stronger analytical capacity. For example, the Business Competition Supervisory Commission (KPPU) uses Structure-Conduct-Performance (SCP) analysis, Herfindahl-Hirschman Index (HHI), and Critical Loss Analysis. The Ministry of Trade applies Revealed Comparative Advantage (RCA) and Constant Market Share Analysis (CMSA) through a dedicated trade intelligence system. The Ministry of Health uses CEA and BIA, while other ministries apply Input-Output Analysis to assess economy-wide regulatory effects. These tools are generally used to perform economic analysis in the institutions, either for feeding the RIA assessments or other analytical purposes throughout the policy cycle.

In contrast, the UK framework embeds economic analysis from the outset of the policy cycle through the ROAMEF cycle, which requires departments to assess the rationale for intervention, appraise options, and estimate costs and benefits before any regulatory proposal is advanced. The primary analytical instruments, such as RIA, business cases, and Green Book appraisals, are distinct tools serving different purposes, underpinned by structured departmental guidance and standard templates.

5.1.2 Fragmented units of economic analysis responsibilities

In most Indonesian ministries, a dedicated position or unit formally responsible for economic analysis remains rare. Only a small number of institutions have dedicated research or policy units, tasked with special mandate to provide high-level evidence-based assistance including economic analysis. For example, the Ministry of Finance has the Badan Kebijakan Fiskal (BKF/Fiscal Policy Agency) which is now named Directorate General for Economic Strategy and Fiscal (DJSEF) to provide macroeconomic and fiscal analysis to support the ministry's regulatory and budgetary functions. Bappenas has a Deputy for Economic Affairs, an echelon 1 level position. The Ministry of Trade has Trade Policy Agency (Badan Kebijakan Perdagangan/BKP), an echelon 1 level position which conduct trade related studies and analysis and the Ministry of Health has established the Badan Kebijakan Pembangunan Kesehatan (BKPK/Health Development Policy Agency), an echelon 1 level position to undertake health policy research which includes economic analysis. The Ministry of Agriculture maintains Pusat Sosial Ekonomi dan Kebijakan Pertanian (PSEKP/Centre for Agricultural Socioeconomic and Policy Research), an echelon 1 position as a dedicated research and policy unit. These bodies represent the closest existing analogues to a Chief Economist function in Indonesia's current institutional landscape, combining internal research, evidence support, and policy advisory roles more systematically than the generalist arrangements found in most ministries.

In most cases, analytical responsibilities are dispersed across generalist policy analysts, who often lack specialised economics training, and legal drafting units that frequently lead the regulatory process without economic input. Under Presidential Regulation 78/2021, the research and development functions previously housed in respective ministry (Balitbang units) were consolidated into BRIN (National Research and Innovation Agency), which now hosts approximately 14,000 researchers and engages ministries through a formal research coordination mechanism (FKRI)[2]. While intended to centralise national research capacity, the transition has in practice left many ministries without their former in-house analytical infrastructure. Based on the FGDs findings, BRIN was never cited to be involved in RIA or Academic Paper of regulations and laws proposed by line ministries. The survey further confirms that only 23.1% of respondents have

[2] FKRI is BRIN's communication forum with ministries/agencies, together with the Ministry of Finance and Bappenas, to identify and coordinate policy research, research, and innovation needs from ministries/agencies, industry, and regional governments. BRIN describes FKRI as a mechanism to align research and innovation priorities with national development planning and to support evidence-based policymaking. Sources: BRIN (2026) and FKRI BRIN (n.d.)

appointed expert staff (*Staf Ahli*) responsible for conducting economic analysis. This indicates that most ministries have no dedicated highest-level official (echelon one level) responsible for the Chief Economist role. As a result, most institutions remain heavily dependent on external consultants for technical evaluations, limiting the development of internal capacity or retention of institutional memory.

In the UK, the same set of functions — quality assurance of economic analysis, professional standards for economists, and external scrutiny of impact assessments — is organised through a layered arrangement that has developed over time. Within each department, economic analysis is consolidated under a Chief Economist who provides quality assurance and sign-off on impact assessments. This internal function is supported by two further institutions: the Government Economic Service (GES), a cross-government professional body that maintains recruitment standards, technical frameworks, and continuing development for economists; and the Regulatory Policy Committee (RPC), an independent body that scrutinises impact assessments for proposals with an equivalent annual net direct cost to business above £10 million. The arrangement is one way of distributing these functions across internal, professional, and independent layers; it is not the only way, and its working parts reflect choices shaped by the UK's own administrative history.

5.2 Organisational bottlenecks and capacity gaps

Based on the survey and FGDs, economist's role and economic analysis function are not yet fully integrated into the policy making cycle. The study identifies five interconnected bottlenecks in the institutionalisation of evidence-based governance in Indonesia: shortages of economics-trained staff, limited budgets for performing rigorous studies and expert hires, top-down political directives that bypass analytical requirements, constrained technical capacity, and a bureaucratic culture that treats analysis as a compliance checkbox.

5.2.1 Human resources: economics training deficit

The survey reveals that amongst 13 ministries conducting internal economics analysis, 69.2% do not require the head of their economic analysis unit to have an economics background. While size of the analytical team varies across institutions, even the better numbered-staffed analytical units are composed predominantly of generalist policy analysts with broad administrative responsibilities, leaving limited time for rigorous analytical work. This structural barrier drives the offloading of analytical work to external providers, including donor-funded technical assistance programmes.

By contrast, the UK government recruits economists for economic analysis functions intentionally and sets standardised recruitment, quality assurance, technical frameworks and structured learning and development programs through GES. An entry into economic analysis function in the UK government requires a first or upper second-class honours degree in economics, or a postgraduate degree in economics or a joint economics degree which at least 50% of credits are in economics, providing a consistent baseline of analytical competence. Within departments, economists are organised along a clear career ladder from entry-level Assistant Economist through to Chief Economist at Senior Civil Service level, with the Chief Economist responsible not only for analytical assurance but also for professional capability-building within the department, including training, quality standards, and cross-government coordination.

5.2.2 Budget: constrained, rigid and fragmented

FGD findings also reveal that limited fiscal capacity and rigidity in fiscal use planning restricts rigorous analytical studies and hiring of specialist economists. Respondents who use external consultants, report annual budgets in the range of IDR 100–250 million for most institutions, with one agency reporting above IDR 500 million. Consultant budgets are fragmented across project-based allocations rather than constituting a sustainable analytical capacity investment. Meanwhile, the UK government treats economist capacity as a recurrent personnel investment, where GES membership fees are paid by departments, economists are permanent civil servants at defined grade levels, and the cost of maintaining an in-house analytical function is considered integral to departmental operating expenditure.

5.2.3 Political will: compressed timelines and top-down directives

Top-down policy with compressed timelines represents another structural barrier. Regulatory products driven by high-level political directives frequently allow timeframes within which a substantive RIA or CBA is not feasible. As highlighted from an interview with the DEN, even where analytical capacity exists, the sudden and urgent nature of many policy requests prevents sustained engagement requiring deep analysis. Proper analysis is then perceived as process-slowing rather than decision-improving, creating institutional pressure to complete documentation after the policy decision has already been taken. This pattern systematically undermines the value of any analytical product, regardless of the technical quality of the team producing it.

5.2.4 Technical capacity: methodological inconsistency

Inconsistent methodological standards further limit analytical quality. The majority of surveyed institutions (63%) reported the absence of a formal mechanism for validating the quality of economic analysis. The mechanisms that do exist are predominantly ad hoc (inter-unit coordination meetings, technical discussions, or FGDs with stakeholders) rather than systematic. An interview with BRIN noted that while 14,000 government-linked researchers are nominally available, their outputs are not systematically connected to the regulatory process in the line ministries. Apart from the nature of BRIN research that is mostly related to innovation and technology, the bottleneck stems from limited internal capacity within the line ministries to formulate research directives, interpret technical outputs, and translate findings into regulatory inputs.

5.2.5 Bureaucratic culture: analysis as compliance

Across FGD sessions, participants consistently characterised economic analysis as a procedural compliance requirement rather than a value-adding input to decision-making. Over time, this establishes a compliance-oriented mindset in which the objective is to produce required documentation within the minimum feasible time, rather than to engage in substantive analysis. A further cultural dimension is a transparency deficit: analytical documents produced by external consultants are often treated as proprietary and not publicly disclosed, meaning that even where analysis has been conducted it does not become a public accountability reference. Meanwhile in the UK departments, the Chief Economist's sign-off function, which requires analytical quality to be validated before ministerial submission, converts compliance-oriented documentation into substantive policy input.

These five constraint categories form a mutually reinforcing system. The gap extends beyond central ministries to the sub-national level, as found from an interview with a regional planning agency in South Kalimantan. Economic analysis at the regional level is typically confined to project financing metrics such as Net Present Value (NPV) and payback period, with no formal quality assurance mechanism in place. Regulatory processes are further weakened by political bypasses, where regulations are advanced without the planning agency's analytical input, making substantive review impossible within available timelines. This sub-national evidence suggests that Indonesia's institutional readiness for evidence-based policymaking reflects not only unevenness across central ministries, but qualitatively different constraints at the regional level.

The consequence is a structural mismatch between Indonesia's formal regulatory framework, which now includes a well-designed RIA process under the Ministry of Law 2026 Guideline, and the institutional conditions required to implement it at quality. Closing this gap requires more than technical guidelines. It requires changes to incentive structures, professional development pathways, data systems, and the political economy of analytical accountability; areas in which the Chief Economist function offers a systematic institutional response.

5.3 Preparedness to embed a CE function

The survey reveals that 74.1% of respondents reported no existing legal precedent for a dedicated economic advisory or analyst position within their ministry. The remaining 25.9% who identified existing mechanisms point to: *Staf Ahli Bidang Ekonomi* (Ministerial Expert Staff for Economic Affairs), *Staf Khusus Menteri* (Special Ministerial Staff), and dedicated policy or research units. Throughout the FGD sessions, broad agreement emerged for a dedicated economic analysis leadership role, with diverged views on form. Institutions with stronger analytical capacity expressed support for a formal Chief Economist position with real decision-influencing authority. Other newer or smaller ministries preferred strengthening existing mechanisms such as expert staff, planning bureaus, or policy centres, rather than creating a new structural position.

Within the existing institutional setting, there are several placement options for the Chief Economist function:

5.3.1 Internal Roles Within the Ministry/Agency

1. Directly under the Minister, for example as an Expert Staff position, where proximity to the top decision-maker is seen as essential for influence.
2. Strengthening existing policy/research units, such as planning bureaus or policy centres, seen as more politically feasible and requiring less budget and staffing investment.

5.3.2 External Roles Inter-Ministry/Agency

1. Utilising economic analysis capacity from BRIN to supply cross-cutting economic research to ministries and regions lacking internal capacity.
2. Centralised leadership at Coordinating Ministry level to support economic analysis of line ministries under its coordination. CMEA already has an informal CE-equivalent: a senior economic advisor reporting directly to the Coordinating Minister, providing high-level economic analysis and advice.
3. Advisory support from DEN to provide economic analysis, especially for wide-impact policies/regulations.
4. Embedding a CE function within gatekeeping institutions such as the Ministry of State Secretariat and DJPP (Ministry of Law), where existing legal harmonisation processes could be complemented with structured economic analysis of draft regulations at the point of review.

5.3.3 Hybrid Model

A permanent CE function within the line ministry sets the analytical framework, ensures quality control, and maintains institutional memory, while specialist external consultants are engaged selectively for technically complex or politically sensitive analyses.

The following table provides an indicative comparison across CE implementation options, drawing on estimated budget required to set up staffing and potential legal pathway.

Table 1. Comparative Assessment of CE Placement Options

	A1. *Staf Ahli* (Expert Staff) under Minister	A2. Existing Policy/Research Unit	B1. BRIN	B2. Coordinating Ministry	B3. DEN	B4. DJPP	C. Hybrid Model
Description	Existing *Staf Ahli* re-designated as *Staf Ahli Bidang Analisis Ekonomi* with small support team	CE function embedded within existing internal research or policy centre (e.g., DJSEF/ BKF, BKPK, PSEKP)	BRIN's researcher pool deployed to supply cross-cutting economic research to ministries and regions	Shared CE function at Coordinating Ministry level serving line ministries within its coordination cluster	DEN provides economic analysis advisory support, especially for wide-impact policies	CE function embedded within DJPP to provide economic scrutiny at the point of regulatory harmonisation review	Permanent internal CE sets the framework and ensures quality; specialist external consultants engaged selectively for complex or sensitive analyses
Staffing requirement	Reassignment of existing *Staf Ahli*; 2–4 analyst hires or reassignments for support team	Leverages existing research staff; targeted upskilling; no new structural position	No new ministry staffing; reliance on BRIN's existing 14,000-researcher pool	CE and analytical team based at coordinating ministry; line ministries contribute demand	Relies on DEN's existing analytical capacity; no new ministry-level hire required	Economic analysis unit led by Echelon II; recruit new team members with economic analytical background or significant upskilling from existing predominantly legal drafter workforce	Permanent internal CE plus ad hoc external specialists; staffing demand varies by analytical complexity
Estimated cost	No additional cost for CE position; support team est. Rp 46–56 million/month; full CE team est. Rp 91.4 million/month	Minimal if unit already exists; incremental upskilling costs only	No direct cost to requesting ministry if BRIN-funded; procurement arrangement	Cost shared across cluster ministries; no duplication of CE positions per line ministry	Minimal additional cost if embedded within DEN's existing structure	A unit led by d Echelon II and supported by officers: est. Rp 48.1 million/month; no per-ministry cost	CE team cost as per option A1 (est. Rp 91.4 million/month) plus variable consultant costs of Rp 100–500+ million per complex study

	A1. *Staf Ahli* (Expert Staff) under Minister	A2. Existing Policy/Research Unit	B1. BRIN	B2. Coordinating Ministry	B3. DEN	B4. DJPP	C. Hybrid Model
			available if ministry co-funds				
Legal/procedural pathway	Nomenclature change via *Perpres* or *Permen* coordinated with KemenPAN-RB; no new legislation required	Mandate adjustment via internal ministerial regulation; lowest procedural burden	Governed by existing FKRI coordination mechanism (*Perpres* 78/2021); procurement rules apply	Formalisation via coordinating ministry regulation or *Perpres*; builds on existing coordination mandate	Formalisation via DEN's internal regulation or inter-ministerial agreement	Requires adjustment to DJPP's mandate and internal workflow; no new legislation required	Combination of A1/A2 pathway for internal CE plus standard procurement rules for external consultants
Advantages	Direct ministerial access; no new budget line; achievable across all ministries simultaneously via single KemenPAN-RB directive	Builds on existing capacity; politically feasible; cost-efficient for larger ministries	Addresses analytical supply gap for smaller ministries; cross-domain coverage; no (or less) ministry budget implication	Cost-efficient for cluster of line ministries; consistent with coordinating ministry architecture; CMEA informal CE already operational	Provides cross-cutting advisory function for high-impact policies; leverages DEN's existing strategic mandate	Single quality-gate captures all regulations at harmonisation stage; no per-ministry cost	Combines institutional continuity with flexible external specialist capacity; quality control maintained internally
Limitations	Advisory rather than decision-making authority; influence depends on ministerial access and political capital	Limited applicability as most mid-size and smaller ministries lack dedicated research units	Not a substitute for internal CE	Line ministry uptake depends on coordination culture; analytical distance from technical regulatory detail	Advisory function only; DEN mandate primarily focused on economy; not embedded in ministry regulatory workflows	DJPP staff predominantly legal drafters; economic scrutiny at harmonisation stage is too late to shape substantive policy design; bottleneck risk	Implementation complexity higher than either option alone; requires clear scoping of internal vs. external roles

	A1. *Staf Ahli* (Expert Staff) under Minister	A2. Existing Policy/Research Unit	B1. BRIN	B2. Coordinating Ministry	B3. DEN	B4. DJPP	C. Hybrid Model
Well suited for	All ministry sizes as near-term entry point; especially where no internal research unit exists	Large ministries with established internal research centres	Smaller ministries and sub-national agencies as supplementary resource	Mid-size and smaller ministries within a coordinating ministry cluster	Cross-cutting and high-impact national policies requiring independent economic perspective	Complementary function within an existing quality-gate institution	Ministries with nascent internal CE capacity seeking to extend reach for complex analyses

Source: Authors

Box 2. Notes on financial figures

Salary estimates are drawn from Bappenas salary benchmarks used in the study's financial modelling, covering base salary (*gaji pokok*) and performance allowance (*tunjangan kinerja*) at the relevant job class.

- A full CE team under the internal placement options (Option A1) is estimated at approximately Rp 91.4 million per month, comprising: one Chief Economist at Echelon I, job group IV/D, and job class 16 (est. Rp 35.7 million/month); two *Analis Madya* at job group IV/A, job class 12 (est. Rp 32.3 million/month combined); and two *Analis Muda* at job group III/C, job class 10 (est. Rp 23.4 million/month combined). Annualised, this amounts to approximately Rp 1.1 billion per year, broadly comparable to two to three substantive external consultant engagements (Rp 100–500+ million each) on a non-recurring basis, while generating continuous institutional capacity and institutional memory.
- CE unit led by Echelon II and supported by two officers (Option B4) is estimated at Rp 48.1 million/month. This is comprised of one Chief Economist at Echelon II, job group IV/B, and job class 15 (est. Rp 23.1 million/month); and two *Analis Madya* at job group IV/A and job class 11 (est. Rp 25 million/month combined). Annualised, this roughly amounts to Rp 577.4 million per year.
- External consultant costs under the Hybrid Model (Option C) are variable and governed by procurement regulations.

Interviews with KemenPAN-RB and CMEA shared the same view that informal CE arrangements may already be operational in some institutions, although distributed across existing workflows involving multiple units within ministries or even inter-ministries. Therefore, CE formalisation should build on existing capacity rather than creating parallel structures. Large ministries (Ministry of Health, Ministry of Finance) already maintain internal research centres capable of performing CE-equivalent functions, as outlined in the A2 option above.

The capacity gap is concentrated in mid-size and smaller ministries that lack the budget and critical mass of economists needed to establish independent analytical units. FGD participants endorsed a cluster-based CE model (B2 option), in which a shared CE unit serves a group of thematically related ministries, as more feasible than a ministry-by-ministry approach, aligning naturally with Indonesia's existing coordinating ministry architecture. A distinct structural nuance emerges at the sub-national level, where the CE role is conditional on a top-down central government mandate.

An interview with the Ministry of Finance provides the most concrete near-term feasibility assessment. The respondent confirmed that reassigning one existing Expert Staff position to carry the economic analysis function (A1 option), for example labelling it as *Staf Ahli Bidang Analisis Ekonomi*, would have minimal financial implications. The procedural pathway requires coordination with KemenPAN-RB on nomenclature changes in the ministry's *Perpres* or *Permen*. KemenPAN-RB's respondent confirmed that this pathway is institutionally viable. Once obtaining written approval from KemenPAN-RB, the legal pathway to install a chief economist function into the organization of respective ministries can be carried out. A possible pathway by leveraging the existing legal and administrative instruments, without introducing new legal regimen, is further discussed in the following chapters, notably in section 7.5 and 8.4.

Box 3. Recommended Qualification Requirements for a Chief Economist Position in Indonesia

The Chief Economist should possess a strong foundation in economics and public policy analysis, combined with the ability to assess the economic impacts of regulatory and policy proposals. Given the strategic role of providing evidence-based advice across government, expertise in economic evaluation, particularly CBA, is essential.

First Priority Qualifications

- Doctoral degree (S3/PhD) in Economics, Development Economics, Applied Economics, Public Economics, or Public Policy.
- Demonstrated capability in economic analysis and policy evaluation.
- Experience conducting CBA, or completion of specialised CBA training prior to assuming the position.

Second Priority Qualifications

- Master's degree (S2) in Economics, Development Economics, Applied Economics, Public Economics, or Public Policy; or
- Master's degree (S2) in another discipline, with a Bachelor's degree (S1) in Economics.
- Experience conducting CBA, or completion of specialised CBA training prior to assuming the position.

6. Political Economy and Institutional Feasibility

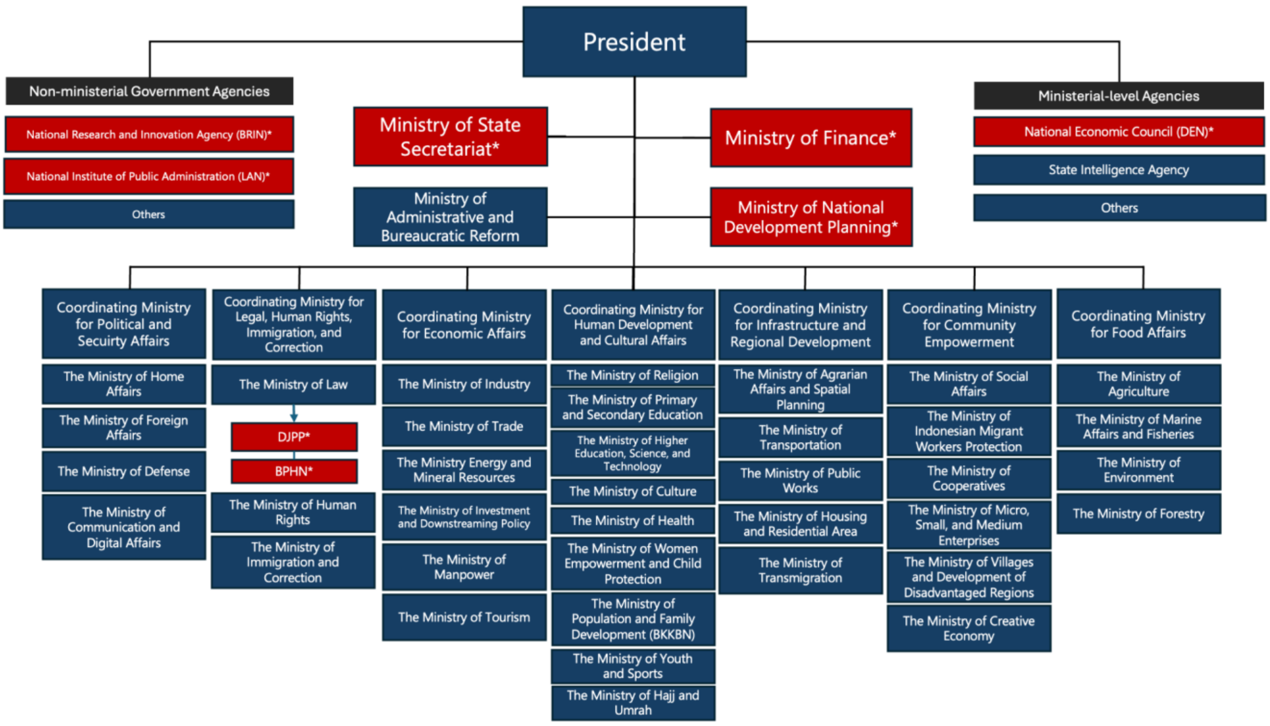
6.1 Stakeholder mapping and Institutional Roles

Stakeholder mapping is a critical component of regulatory reform because it provides a comprehensive understanding of the institutional ecosystem within which regulations are developed, implemented, and enforced. By identifying the key actors involved in policymaking and examining their roles, interests, capacities, influence, and relationships, stakeholder mapping helps reveal the formal and informal dynamics that shape regulatory outcomes. This understanding is essential for assessing the feasibility of reform initiatives and identifying both opportunities and constraints for the adoption of policy tools such as RIA.

Beyond formal institutional arrangements, stakeholder mapping helps policymakers understand how incentives, coordination mechanisms, and power relationships influence decision-making in practice. It can also identify potential champions, opponents, and strategic partners whose support is necessary to facilitate implementation, build reform momentum, and sustain change over time. As such, stakeholder mapping provides an important foundation for designing regulatory reforms that are both technically sound and politically feasible.

Figure 2 shows the hierarchical government structure in Indonesia which provides a foundation for understanding how responsibilities are distributed across government and how different actors contribute to the design, coordination, oversight, and implementation of regulatory policies. Each institutional level performs a distinct function within this ecosystem, underscoring the importance of stakeholder mapping as a basis for effective regulatory governance.

Figure 2. Indonesia's government structure



Note: *Discussed further in Table 2.

Source: Presidential Communication Office, updated using various sources

Indonesia's governance architecture comprises a large and diverse set of public institutions, including 48 ministries, 6 ministerial-level agencies, 26 non-ministerial government agencies, and more than 500 provincial, district, and municipal governments. Ensuring coherent policy making across this institutional landscape can be challenging, particularly where responsibilities overlap across sectors and levels of government.

Within this system, technical ministries play a central role in regulatory policy making. They are typically responsible for identifying policy issues, developing regulatory proposals, and overseeing implementation within their respective sectors. As a result, the quality of regulatory outcomes depends significantly on the capacity of ministries to generate and use evidence, assess policy options, and coordinate with other affected institutions (Figure 3).

Figure 3. The Flow of Regulatory Making Process

Stage	Key actors
Planning	• Technical ministry/agency • Ministry of Law; • Ministry of State Secretariat; • President; • House of Representatives and Regional Representative Council
Drafting	• Technical ministry/agency • Ministry of Law • Relevant ministries and agencies • Ministry of State Secretariat
Deliberation	• **Draft laws:** House of Representatives and President; • **Government Regulations, Presidential Regulations, and ministerial or agency regulations:** Inter-ministerial discussion
Enactment or Stipulation	• **Draft laws:** President after joint approval • **Government and Presidential Regulations:** President • **Ministerial or Agency Regulations:** Minister or head of agency
Promulgation	• **Ministry of Law** • **Ministry of State Secretariat for presidential-level regulations** • **Technical ministry or agency**

Source: Authors' elaboration based on Law No. 12/2011; Presidential Regulation No. 87/2014; Minister of Law Regulation No. 1/2024; and Presidential Regulation No. 148/2024 jo. Presidential Regulation No. 1/2026

The development of regulatory proposals is established under Law No. 12 of 2011 on the Formulation of Laws and Regulations. Regulatory instruments, including laws, Government Regulations, Presidential Regulations, and ministerial or agency regulations, generally follow a common sequence of planning, drafting, deliberation, enactment or stipulation, and promulgation. Although these stages apply across different types of instruments, the actors involved and the approval procedures vary according to the legal status of the regulation.

For government-initiated draft laws, the relevant ministry or government agency prepares the draft and coordinates its development within the government before it is submitted for deliberation. A draft law can only be enacted following joint approval by the House of Representatives (DPR) and the President. In contrast, the development of subordinate regulations is conducted primarily within the government and does not require approval by the DPR.

For Government Regulations, Presidential Regulations, and ministerial or agency regulations, the initiating ministry or agency is responsible for preparing the draft. The Ministry of Law, particularly DJPP, supports the process through regulatory planning, drafting assistance, harmonisation, and legal review. For regulations issued under presidential authority, the Ministry of State Secretariat also plays an important role in facilitating presidential approval to initiate the process, coordinating the finalisation of draft regulations, and managing promulgation procedures.

Once drafting and harmonisation have been completed, Government Regulations and Presidential Regulations are stipulated by the President, while ministerial and agency regulations are stipulated by the respective minister or head of agency. Following stipulation, the regulation is officially promulgated and published, thereby acquiring legal force and becoming legally binding. Although the specific procedures and approval requirements differ across regulatory instruments, the overarching framework is intended to promote consistency, legal certainty, and coherence throughout Indonesia's regulatory system.

Improving the regulatory making process

Beyond the formal regulatory-making process, regulatory quality is shaped by a broader ecosystem of institutions that influence policy development, coordination, evidence generation, and oversight. Based on series FGDs and In depth Interviews for this study, Table 2 lists potential roles for each agency for better regulatory making.

Table 2. Key Stakeholders in Promoting Better Regulation

No	Stakeholders	Legal and Regulatory Basis	Potential Role in Strengthening Economic Analysis in Regulatory Policymaking
1	Ministries (Technical)	Under Law No. 39 of 2008 on State Ministries, as amended by Law No. 61 of 2024, technical ministries are responsible for administering government affairs within their respective sectors and serve as the principal initiators of laws and regulations related to their policy mandates.	Lead the implementation of integrating economic analysis into regulatory development through evidence-based Academic Papers, RIA, economic impact assessments, and stakeholder consultations, helping ensure effective and efficient regulatory outcomes.
2	Coordinating Ministries	Established under Law No. 39 of 2008, as amended by Law No. 61 of 2024, coordinating ministries are responsible for facilitating cross-sectoral policy coordination and ensuring consistency in the planning, formulation, and implementation of government policies within their respective domains.	Promote policy coherence, facilitate inter-ministerial coordination, and reduce fragmented or overlapping regulatory initiatives. Given Indonesia's complex institutional landscape, the Coordinating Ministries play an important role in ensuring that regulatory development reflects a whole-of-government perspective.

No	Stakeholders	Legal and Regulatory Basis	Potential Role in Strengthening Economic Analysis in Regulatory Policymaking
3	Bappenas	Under Presidential Regulation No. 195 of 2024, Bappenas is responsible for formulating, coordinating, and synchronising national development planning policies. Bappenas also leads the SDI initiative under Presidential Regulation No. 39 of 2019, which promotes the integration, standardisation, and interoperability of government data across ministries and agencies.	Promote the alignment of proposed regulations with national development priorities and long-term economic objectives. Through its stewardship of SDI, it can also strengthen the evidence base for regulatory decision-making by improving data quality, accessibility, and interoperability, thereby supporting more robust RIA, CBA, and the preparation of evidence-based Academic Papers.
4	DJPP	Under Presidential Regulation No. 155 of 2024 (Articles 13–14), DJPP is responsible for formulating and implementing policies on legislation, including regulatory planning, drafting, harmonisation, deliberation of bills, promulgation, and the monitoring and evaluation of laws and regulations.	Manage key stages of the legislative process, promote the systematic integration of economic analysis into regulatory development including to encourage the use of RIA, CBA, and assessments of administrative burdens and economic impacts during the planning, drafting, and harmonisation of laws and regulations, thereby strengthening the quality and evidence base of regulatory proposals.
5	National Law Development Agency (BPHN)	Under Presidential Regulation No. 155 of 2024 (Articles 29–30), BPHN is responsible for national legal development, including the monitoring and review of laws, analysis and evaluation of legislation, and the development of legal analysts.	Support the institutionalisation of evidence-based regulatory practices by developing and standardising methodologies for economic analysis, including RIA. It can also promote the integration of economic evidence into the preparation of Academic Papers, regulatory reviews, and ex-post evaluations of laws and regulations.
6	Ministry of State Secretariat	Under Presidential Regulation No. 148 of 2024, as amended by Presidential Regulation No. 1 of 2026, the Ministry of State Secretariat is mandated to provide technical, administrative, and analytical support to the President and Vice President in state secretariat affairs. This includes support for the preparation of initiation approval (*izin prakarsa*) for draft laws and regulations, the finalisation of draft laws and regulations, draft Presidential Decrees and Presidential Instructions, and the promulgation of Laws, Government Regulations in Lieu of Law, Government Regulations, and Presidential Regulations.	Ensure Technical Ministries adopt more robust analytical standards across government. By promoting greater consideration of evidence, policy rationale, and anticipated impacts, the ministry could contribute to more coherent and effective regulation.
7	Ministry of Finance	Under Presidential Regulation No. 158 of 2024, the Ministry of Finance is mandated to formulate and implement policies relating to fiscal management, public finance, and financial sector development, placing it at the centre of economic policy formulation and fiscal decision-making within government.	Strengthen regulatory decision-making by ensuring that proposed regulations are informed by rigorous economic and fiscal analysis. Through its participation in the review and deliberation of regulations with implications for the State Budget (APBN), the Ministry can assess fiscal sustainability, evaluate potential economic impacts, and estimate implementation costs. Its input can help promote more evidence-based, fiscally responsible, and effective policymaking.

No	Stakeholders	Legal and Regulatory Basis	Potential Role in Strengthening Economic Analysis in Regulatory Policymaking
8	DEN	Under Presidential Regulation No. 160 of 2024, DEN is responsible for providing advice and recommendations to the President on accelerating the implementation of strategic economic policies and priority programmes.	Support evidence-based regulatory decision-making by providing strategic advice on proposed laws and regulations. This may include assessing economic impacts, identifying policy risks, and evaluating alignment with national development priorities. The Council can also encourage the systematic use of economic evidence in policymaking and advocating for regulatory reforms that consider the broader economy-wide implications of regulatory decisions.
9	BRIN	Under Presidential Regulation No. 78 of 2021, BRIN is responsible for conducting research, development, assessment, and application activities to support national development.	Strengthen evidence-based regulatory policymaking by providing research, data, and analytical evidence to support the development and evaluation of laws and regulations. Through its collaboration with Regional Research and Innovation Agency (BRIDA), Regional Development Planning, Research and Innovation Agency (Bapperida), BRIN can also help connect policy needs at the national and regional levels with relevant research and analytical expertise, thereby improving the quality of economic analysis in policymaking.
10	National Institute of Public Administration (LAN)	Under Presidential Regulation No. 93 of 2024, LAN is responsible for public administration, including the formulation of technical policies, institutional guidance, and capacity development for the state apparatus. LAN also developed the Policy Quality Index as a tool to assess the quality of government policies based on policy processes, outcomes, and evidence-based principles.	Support the institutionalisation of evidence-based policymaking by strengthening the capacity of policy analysts, developing technical guidance, and promoting the use of policy quality assessment tools. It can also help foster a culture of evidence-informed policymaking within the public sector, contributing to the long-term institutionalisation and sustainability of regulatory governance reforms.
11	Affected stakeholders, including business associations such as Indonesian Employers Association (APINDO), employers, workers, and other groups subject to or affected by regulation.	None	Contribute to regulatory quality by representing private-sector perspectives in policy discussions and regulatory consultations. APINDO can provide feedback on the practical implications of proposed regulations, helping policymakers better understand potential economic impacts, implementation challenges, and unintended consequences.

Source: Authors

The institutions listed in Table 2 have distinct but complementary roles in strengthening evidence-based regulatory policymaking and aligning Indonesia's regulatory framework with OECD GRP.

As the primary initiators of regulatory proposals, technical ministries and agencies should lead the integration of economic analysis into regulatory development through the preparation of evidence-based Academic Papers, RIA, economic impact analyses, and stakeholder consultations. These technical ministries operate within sectoral clusters overseen by the Coordinating Ministries, which can promote policy coherence, facilitate inter-ministerial coordination, and reduce fragmented or overlapping regulatory initiatives. Given Indonesia's complex institutional landscape, the Coordinating Ministries play an important role in ensuring that regulatory development reflects a whole-of-government perspective.

Bappenas occupies a strategic position through its responsibility for national development planning and coordination. By linking regulatory initiatives to national priorities, and through its leadership of the Satu Data Indonesia (SDI) initiative[3], Bappenas can strengthen the use of data and evidence across government.

Within the Ministry of Law, DJPP can promote the systematic integration of economic analysis into regulatory development, including the use of RIA to improve the quality and evidence base of regulatory proposals. BPHN complements this role by developing methodologies and standards for economic analysis and encouraging the integration of economic evidence into Academic Papers, regulatory reviews, and ex post evaluations.

As a key stakeholder for regulations issued under presidential authority, the Ministry of State Secretariat can help ensure that regulatory proposals are supported by robust analysis and clear policy rationales, and due consideration of anticipated impacts, thereby contributing to more coherent and effective regulation.

The Ministry of Finance can contribute to regulatory quality by ensuring that regulatory proposals with implications for the government budget (APBN) are informed by robust economic and fiscal analysis. This can help promote fiscally sustainable, evidence-based and effective policymaking.

The National Economic Council (DEN) can support regulatory quality by providing strategic advice on proposed laws and regulations, promoting the use of economic evidence in policymaking, and encouraging regulatory reforms that consider broader economy-wide impacts. These contributions can help strengthen the effectiveness and coherence of the regulatory framework.

BRIN can support regulatory quality by providing research, data, and analytical evidence for the development and evaluation of laws and regulations. Through collaboration with BRIDA/Bapperida, BRIN can also help connect national and regional policy needs with relevant research expertise.

The National Institute of Public Administration (LAN) can support the institutionalisation of evidence-based policymaking by strengthening the capacity of policy analysts, developing technical guidance, and promoting the use of policy quality assessment

[3] SDI is a government initiative aimed at establishing an integrated, accurate, up-to-date, and shareable data governance framework across public institutions. As of 2026, the SDI Portal contains more than 579,000 datasets and connects 75 ministries/agencies, 31 provinces, and 334 regencies/cities, strengthening data sharing and interoperability across levels of government. Beyond expanding data availability, SDI has established key governance instruments such as the *Rencana Induk Data* (RID) Pembangunan Nasional, which is used to support the end-to-end process of producing the National Medium-Term Development Plan (RPJMN)

tools. It can also help foster a culture of evidence-informed decision-making across the public sector and support the long-term sustainability of regulatory governance reforms.

Affected stakeholders, including APINDO, can contribute to regulatory quality by providing private-sector perspectives through policy discussions and regulatory consultations. Their input can help policymakers better understand potential economic impacts, implementation challenges, and unintended consequences, leading to more practical and effective regulatory outcomes.

6.2 Institutional coordination and trust in policy processes

As shown in the previous section, Indonesia's policy-making environment is characterised by a multi-layered institutional structure involving numerous ministries, agencies, and subnational governments with interconnected responsibilities. While this structure enables specialised expertise and broad policy coverage, it can also create coordination challenges where mandates overlap across sectors and levels of government. To promote policy coherence, the government has established several Coordinating Ministries with responsibility for aligning policies and programmes across sectors. Nevertheless, stakeholders consistently described inter-ministerial coordination as costly, time-consuming, and often ineffective. Strengthening coordination mechanisms will therefore be important for reducing regulatory overlap, improving policy coherence, and enhancing the overall effectiveness of government interventions. Effective inter-ministerial policy coordination can help identify and eliminate duplicative programmes and regulations, thereby reducing fragmentation and promoting more coherent policymaking (Saner & Winanti, 2015).

FGD participants consistently highlighted coordination as a key mechanism for enabling ministries and agencies to work towards shared policy objectives. While sectoral silos remain a persistent challenge, participants pointed to several emerging initiatives aimed at strengthening collaboration across government. For example, cross-ministry civil servant internship programmes have been introduced to foster professional networks and facilitate greater understanding of the mandates and constraints faced by different institutions. Such initiatives are valuable because effective coordination depends not only on formal governance arrangements but also on informal relationships, professional trust, and regular channels of communication. Stronger coordination can also support more systematic data sharing, enabling policy analysts to draw on a broader evidence base and undertake more comprehensive assessments of policy and regulatory proposals.

The role of trust emerged as a recurring theme in discussions with key informants. Consistent with the literature on policy coordination and evidence-informed policymaking (Cairney, 2017), participants noted that the production, sharing, and utilisation of evidence are shaped not only by technical capacity but also by the degree of trust that actors place in one another's expertise, motives, and analytical processes. Research suggests that evidence is more likely to influence policy decisions when it is perceived as credible, relevant, and produced by trusted sources (Doberstein, 2016). In the absence of such trust, even rigorous analysis may be disregarded or underutilised. Trust also facilitates coordination by reducing barriers to information sharing and collaboration across organisational boundaries. Building confidence in evidence therefore requires not only analytical capability but also institutional arrangements, professional networks, and common standards that strengthen relationships between evidence producers and decision-makers. As a result, trust can be understood as a critical enabler of both effective inter-ministerial coordination and evidence-informed policymaking.

Experience in OECD countries, such as the United Kingdom, demonstrates the importance of embedding coordination within formal policy-making processes rather than relying solely on dedicated coordinating institutions. The UK complements central coordination mechanisms through structured arrangements such as departmental BRUs, which support departments in complying with regulatory requirements and ensuring alignment with the government's BRF (DBT, 2023). For Indonesia, strengthening the authority and effectiveness of Coordinating Ministries may form part of the solution. Equally important, however, is the development of more robust policy-making and regulatory management processes that institutionalise consultation, evidence sharing, and analytical review across government. Together, these reforms could help reduce regulatory duplication, improve policy coherence, and foster a stronger culture of trust and collaboration within the public sector.

6.3 Institutional Arrangements for Inclusive Policymaking

Inclusive policymaking depends not only on the quality of policy analysis but also on institutional arrangements that enable affected stakeholders to participate meaningfully throughout the policy development process. While robust evidence is essential for informing policy choices, inclusiveness is ultimately determined by governance arrangements that promote transparency, stakeholder engagement, inter-agency coordination, and accountability. These arrangements help ensure that policy decisions are informed by a broad range of perspectives while strengthening public trust in government.

Indonesia has established an institutional and legal framework that provides a foundation for inclusive and evidence-informed policymaking. The preparation of laws and regulations typically involves stakeholder consultations, the development of a *Naskah Akademik* as the analytical basis for legislation, inter-ministerial coordination during policy formulation, and legislative scrutiny by the DPR. These practices are reinforced by Law No. 12 of 2011 on the Formation of Laws and Regulations, as amended by Law No. 13 of 2022, which recognises the public's right to provide meaningful input during the legislative process. The law requires policymakers to ensure public access to draft regulations, supporting documents, and opportunities for stakeholders to express their views before regulations are finalised. Collectively, these arrangements provide an institutional basis for participatory policymaking, although the quality and consistency of their implementation continue to vary across ministries and sectors.

Within this institutional context, a Chief Economist (CE) function would complement rather than replace existing mechanisms for inclusive policymaking. By providing rigorous economic and distributional analysis of proposed policies and regulations, the CE can identify potential trade-offs, unintended consequences, and impacts on different population groups. Such analysis would strengthen stakeholder consultations by providing participants with a clearer understanding of the expected economic and social implications of policy options, thereby improving the quality of policy deliberation. Rather than assuming responsibility for stakeholder engagement, the CE would strengthen the analytical foundation upon which consultation, coordination, and political decision-making are based.

This institutional design is broadly consistent with experience across OECD countries, where inclusive policymaking is supported through a combination of public consultation, ex ante impact assessment, and transparent governance processes (OECD, 2020). Within this broader framework, Chief Economists contribute independent analytical expertise while stakeholder participation and democratic accountability remain the primary mechanisms through which policy choices are legitimised. Indonesia's existing legal and institutional arrangements therefore suggest that establishing a Chief Economist function would represent an incremental strengthening of existing regulatory processes, rather than requiring a fundamental redesign of the country's policymaking architecture.

6.4 Implementation challenges and institutional considerations

In addition to the institutional readiness challenges discussed in the previous chapter, the establishment of a Chief Economist function may also face obstacles arising from prevailing mindsets, incentives, and decision-making practices within the policy environment. From a political economy perspective, one of the most significant challenges is the prevalence of top-down policymaking combined with compressed decision-making timelines. Regulatory initiatives are often driven by high-level political priorities that require rapid implementation, leaving limited opportunity for rigorous ex ante analysis and meaningful stakeholder consultation. As a result, analytical assessments may be undertaken retrospectively to support decisions that have already been made rather than to inform policy design from the outset. Under such conditions, analytical functions risk being perceived as administrative requirements that slow policy delivery rather than as tools that enhance policy quality, effectiveness, and legitimacy.

Interviews further suggested that these time pressures are frequently reinforced by political considerations. Several informants noted that ministers may face strong incentives to prioritise politically expedient solutions over analytically robust policy options, particularly when responding to pressure from the legislature or other influential stakeholders. In such circumstances, evidence-based recommendations may be modified or set aside to avoid political confrontation, facilitate compromise, or maintain policy momentum. While political considerations are an inherent feature of policymaking, the result can be a reduced role for evidence in regulatory decision-making and weaker incentives for ministries to invest in rigorous analysis during policy development.

The effects of these dynamics extend beyond government institutions. Business stakeholders highlighted that frequent policy changes and regulatory reversals can create uncertainty and undermine confidence in the regulatory environment. Based on the KII with APINDO, for example, noted that labour market regulations have undergone four major revisions over the past decade, generating persistent uncertainty for employers and investors. Such instability can increase compliance costs, complicate long-term planning, and reduce confidence in the predictability of the regulatory framework. More broadly, it may weaken the credibility of government efforts to promote a stable and conducive environment for investment and economic activity.

Taken together, these findings point to a broader challenge: the limited institutionalisation of analytical processes within policymaking. Where evidence generation and utilisation depend heavily on individual leaders or specific circumstances, analytical insights may not consistently inform policy decisions. Strengthening the institutionalisation of the role of economic analysis within government could help address this challenge by increasing the visibility and credibility of evidence, improving transparency around policy choices, and ensuring that the implications of alternative policy options are more systematically accessed and communicated. Over time, this could contribute to a policymaking environment in which evidence plays a more consistent and influential role alongside political and administrative considerations.

6.5 Political, bureaucratic, and cultural enablers

Several key determinants of successful regulatory reform emerged from the FGDs and key informant interviews, pointing to three interrelated enabling factors: political, bureaucratic, and cultural. While each dimension plays a distinct role, their effectiveness ultimately depends on how they reinforce one another in supporting stronger regulatory governance and the systematic use of evidence in policymaking.

From a political perspective, a compelling external reform narrative can provide a powerful catalyst for change. Participants frequently identified Indonesia's OECD accession process as a particularly important opportunity to strengthen regulatory quality and align domestic practices with GRP standards. Within Indonesia's predominantly top-down policymaking environment, such external commitments can translate into stronger leadership direction and create momentum for reforms that might otherwise be difficult to sustain. The influence of OECD accession operates through several channels. First, the accession process provides a formal and externally validated assessment of Indonesia's regulatory practices, creating a visible benchmark against which progress can be measured and communicated. Second, meeting OECD standards requires coordinated action across ministries and agencies, strengthening incentives for cross-government collaboration and policy coherence. Third, the accession timeline introduces a degree of political urgency. For senior policymakers, strengthening regulatory governance becomes not only a technical objective but also a matter of national credibility and international standing. Collectively, these dynamics can help mobilise political support for reforms that improve regulatory quality, strengthen coordination, and promote more systematic use of evidence in decision-making.

However, external reform pressure alone is unlikely to produce lasting change if the use of evidence remains heavily dependent on individual leaders. Experiences within Indonesia's planning system illustrate this vulnerability. Several stakeholders noted that the coherence and analytical quality of development planning have varied across ministerial tenures, with changes in leadership often accompanied by shifts in priorities and approaches. Strengthening and institutionalising analytical functions through formal mandates, performance frameworks, and professional networks would help ensure that analytical capability is embedded within government structures rather than reliant on individual champions. Such arrangements may take different forms, including strengthened advisory roles, dedicated analytical units, or a Chief Economist function. The objective is not only to improve the quality of policy decisions but also to make evidence-informed governance more resilient across political and administrative cycles.

From a bureaucratic perspective, aligning incentives within the civil service system is equally important. Participants emphasised that analytical quality is rarely recognised explicitly within existing performance management arrangements, limiting incentives for officials to invest in rigorous policy analysis. Embedding evidence-based requirements into Key Performance Indicators (KPIs), policy development procedures, and performance frameworks could help institutionalise demand for analytical inputs and strengthen the routine consideration of evidence throughout the policy cycle. Such reforms would encourage ministries to integrate economic analysis and other forms of evidence more consistently into policy development rather than treating them as discretionary or compliance-oriented exercises.

Cultural factors also emerged as an important enabling condition. Participants observed growing openness to analytical and evidence-based approaches, particularly among younger and mid-level policymakers. Increased exposure to policy analysis, RIA, CBA, and cross-ministerial collaboration has contributed to a greater appreciation of the value of evidence in policy development and implementation. While this trend is encouraging, interviewees emphasised that cultural change cannot be assumed to occur organically or sustain itself over time. Continued investment in professional development, analytical skills, and opportunities for cross-government learning will be required to reinforce these emerging norms and practices.

The development of a strong evidence-informed policy culture requires a long-term process that extends beyond formal mandates and analytical requirements. In the United Kingdom, for example, the influence GES has been built over decades through sustained investment in professional standards, training, peer networks, and career pathways for economists in government. This has helped establish rigorous analysis as a valued professional competency and an integral component of policy development. The UK experience demonstrates that strengthening analytical capacity is not solely a matter of institutional design; it also requires the development of a professional community that promotes common standards, continuous learning, and the consistent application of evidence in decision-making.

These findings underscore the importance of aligning political commitment, bureaucratic incentives, and cultural norms in support of regulatory reform. These dimensions should not be viewed as independent levers. Political drivers such as OECD accession are most effective when they create incentives for bureaucratic reform and strengthen demand for analytical rigour. Likewise, cultural openness to evidence-based approaches is more likely to endure when reinforced by institutional structures that reward analytical excellence and provide opportunities for professional development. Reform efforts that focus on only one dimension risk losing momentum when confronted by institutional inertia in the others. By contrast, mutually reinforcing political, bureaucratic, and cultural reforms are more likely to create the conditions necessary for the sustained use of evidence, stronger analytical capability across government, and lasting improvements in regulatory quality and policy effectiveness.

7. Feasible Pathways for Implementation and Sustainability

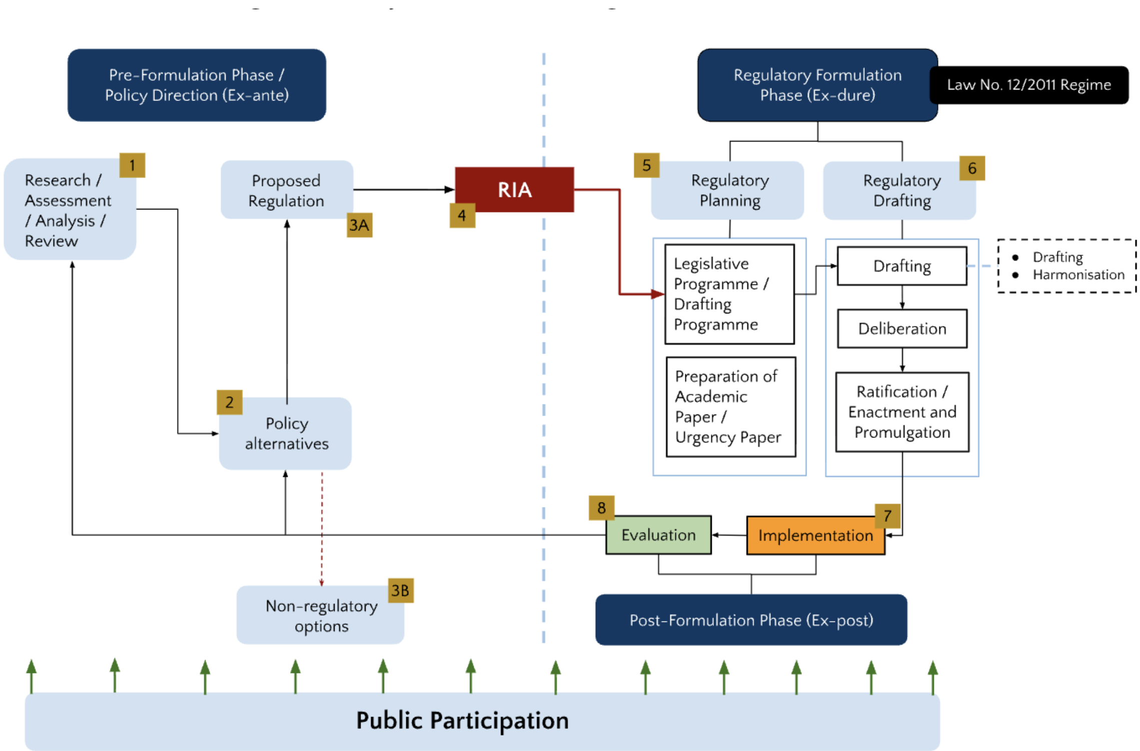
7.1 Main legal gaps in the current framework

While Law No. 12 of 2011 and its amendments establish the foundation for evidence-based policymaking, important gaps remain within the broader regulatory framework. First, the mandatory application of impact analysis is still limited in scope, clearest for laws and regional legislation, while government regulations, presidential regulations, and especially ministerial regulations are not yet subject to the same clear and mandatory requirement. This is a significant limitation because ministerial regulations are among the instruments most frequently issued by ministries and agencies. Second, there is still no formal institutional mechanism to assess the quality of the impact and economic analyses prepared by initiating ministries and agencies. As a result, analytical practice varies widely across institutions and there is no common quality standard. In legal terms, therefore, the main issue is no longer the absence of any legal basis, but the limited coverage and weak enforceability of the current framework.

7.2 Existing mandates to support institutionalization

Several existing instruments could support stronger institutionalisation of economic analysis without requiring a wholly new framework. First, the 2018 Academic Paper Guidelines issued by the House of Representatives' Centre of Lawmaking has already recognised the use of structured analytical tools, including RIA, CBA, ROCCIPI, and human rights impact assessment, in the preparation of legislative bills. Second, the Policy Quality Index introduced by LAN in 2025 creates an administrative incentive for ministries and agencies to improve the quality and use of impact analysis, including economic analysis, in policymaking. According to our interview findings, performance in this index may also affect institutional performance allowances. Third, the 2026 RIA Guidelines issued by the Ministry of Law are intended to serve as a common methodological standard for preparing RIA and the impact analysis section of Academic Papers for laws, government regulations, and presidential regulations. The Guidelines illustrate the lifecycle of the law-making process, from problem identification and assessment of policy alternatives to regulatory planning, drafting, implementation, and evaluation which is already consistent with OECD GRP (Figure 4). This framework is important because it positions RIA not merely as an administrative document, but as an analytical tool to support evidence-based decision-making throughout the regulatory process.

Figure 4. Lifecycle of Law-Making Process in Indonesia



Source: Authors' adaptation from Ministry of Law (2026), RIA Guidelines, p. 14

To support its application, the 2026 RIA Guidelines introduce a screening mechanism to determine whether a RIA is required. Under this mechanism, RIA is undertaken when a proposed regulation imposes costs and obligations, does not fall within exempted categories, and is not classified as urgent. The Guidelines specify several exemptions, including laws on state budget approval, revocation of laws, enactment of government regulations in lieu of law (*Perppu*), criminal and procedural law, regulations implementing court decisions, internal administrative regulations, and delegated regulations derived from higher-level regulations that have already undergone RIA. They also recognise that certain regulations may be classified as urgent, for example where immediate regulatory action is needed to respond to emergencies, extraordinary circumstances, conflict, natural disasters, or other nationally urgent situations.

7.3 Feasible pathways introducing Chief Economist in Indonesia

A structured and phased approach is imperative to support Indonesia's shift from a voluntary evidence-based policymaking framework to a binding regulatory system. Immediate full-scale implementation would risk administrative bottlenecks, particularly given the limited pool of qualified economists within the civil service. Accordingly, the Chief Economist framework should be introduced through an initial pilot phase, enabling the Government to test institutional arrangements, strengthen capacity, and refine inter-agency coordination prior to broader national rollout.

Considering the economic importance of the policies and drawing on the feasibility assessment undertaken in Chapter 6, which identified leadership commitment to demonstrate early successes as key enabling factors, as well as findings from FGDs and KIIs on ministerial preparedness, the initial roll-out is proposed to target the following strategic institutions, supported by institutions relevant to the improvement of the regulatory:

a. Coordinating Ministry for Economic Affairs (CMEA)
   As the principal institutional driver of Indonesia's OECD accession, CMEA possesses the requisite mandate, convening power, and strategic commitment to serve as the lead champion for the Chief Economist (CE) function.
b. Ministry of Health
   This institution exhibits exceptionally strong internal political buy-in. Having already begun integrating economic analysis into its sectoral policy drafting, it offers a contained scope and an ideal environment for securing rapid, visible results.
c. Ministry of Trade
   This ministry provides a highly mature operational baseline, supported by a structured, comprehensive framework for RIA implementation and technically capable human resources.
d. Ministry of Industry
   This ministry offers robust, fully developed RIA guidelines and skilled analytical talent, ensuring the CE function can be implemented smoothly.
e. Ministry of Manpower
   The ministry is responsible for labour market policy and currently employs external economists to assist at the Ministry.

The pilot should be implemented as a time-bound initiative with clearly defined objectives, performance indicators, and review milestones.

The pilot phase should be built in the ecosystem outline in Table 2 in Section 6 by including a Chief Economist function alongside strengthened economic analysis within the RIA process would allow participating ministries to test the practical value of the model in a controlled setting. Systematic monitoring and evaluation would provide evidence on its costs, benefits, and contribution to regulatory quality, thereby informing decisions on whether and how the approach should be expanded across government.

7.3.1 Institutional Placement of the Chief Economist

As elaborated in Chapter 5.3 (Table 1), the two most viable institutional options within the current government structure for Chief Economist position are Expert Staff (*Staf Ahli*) and Director General (*Direktur Jenderal*). However, institutionalising the Chief Economist at the Director General would require significant organisational restructuring which will require impact evaluation and take time to finalise. Accordingly, the position would be better placed as Expert Staff to the Minister (*Staf Ahli Menteri*), allowing it to be integrated within the existing civil service framework with minimal structural disruption. This approach would also allow the role to operate within established administrative and remuneration structures, facilitating implementation under current legal frameworks. Positioning the Chief Economist at this level would provide direct access to ministerial decision-making while maintaining functional independence from line directorates, thereby supporting the systematic integration of evidence-based economic analysis into policy formulation. To ensure operational effectiveness, the role should be supported by a dedicated analytical team with appropriate technical capacity.

7.3.2 Central Oversight by DEN

Findings in Chapters 5 and 6 indicate that the application of economic analysis in Indonesia faces structural challenges, particularly concerning fragmented recruitment practices, a lack of standardized competencies across institutions, and a shortage of qualified human resources to serve as economic analysts. To overcome these bottlenecks, Indonesia requires a centralized mechanism capable of coordinating professional standards and competency development for economic analysts across all government agencies.

By way of illustration, the United Kingdom Government addressed a similar challenge by establishing GES to integrate the governance of state economists. A key takeaway from this model, while accounting for the distinct political and administrative conditions of each country, is how a best-fit centralized system can assure quality and safeguard the technical independence of economists from routine administrative interference.

In the Indonesian context, National Economic Council (DEN) is the most suitable institution to assume this coordinating function. Given its strong mandate and institutional positioning, DEN could expand its role to serve as the governing body for the nation's economic policy workforce. Under this expanded mandate, DEN would oversee recruitment, talent management, and quality assurance for Chief Economists and economic analysts across pilot ministries and subsequent state institutions, acting as an anchor for a high-quality, independent economic expertise ecosystem.

7.3.3 RIA Review within DJPP

A key lesson derived from the UK's civil service model is the necessity of an independent, authoritative body to evaluate the quality of economic evidence and RIA prior to the adoption of legislation. In Indonesia, this review function could be embedded within

DJPP, building on its established mandate to harmonise and scrutinise draft regulations. Modeled after the institutional approaches of the UK's RPC, such arrangement can be operationalized through establishment of a dedicated RIA review function at the Echelon II level within DJPP. To ensure administrative feasibility amid resource constraints, this function would prioritize the scrutiny of primary legislation (*Undang-Undang*) and its implementing regulations that carry high-stakes or wide-ranging impacts. Locating this function within an existing institution would support institutional coherence, minimise administrative disruption, and avoid duplication of oversight mechanisms. Strengthening the linkage between legislative clearance and the quality of supporting economic analysis would also reinforce incentives for compliance, enabling instruments such as the Policy Quality Index (*Indeks Kualitas Kebijakan*/IKK) to operate more effectively in improving regulatory outcomes

7.4 Strategic Accelerators for Institutional Readiness and Framework Deployment

Effective implementation of the proposed pathways requires targeted measures to address immediate capacity constraints within the civil service. In addition to longer-term institutional development, Indonesia could deploy a set of strategic accelerators to support the timely rollout of the Chief Economist framework. These include leveraging digital infrastructure, strengthening engagement with external technical expertise, and drawing on international peer support. Such measures would help bridge existing analytical gaps, support institutional readiness, and reduce implementation risks during the initial pilot phase across key economic ministries.

7.4.1 Leveraging GovTech for Automated Data Pipelines

The effective implementation of mandatory RIA is often constrained by the administrative burden associated with data collection and baseline economic analysis. To address this challenge, the rollout of the Chief Economist framework could be closely aligned with national GovTech initiatives.

The use of integrated government data platforms would enable the automated provision of macro-fiscal and sectoral data to Chief Economist units within pilot ministries. Reducing reliance on manual data aggregation would help alleviate administrative constraints and allow limited economic expertise to focus on higher-value analytical functions, including policy simulation, regulatory assessment, and forward-looking economic modelling.

7.4.2 Strengthening External Expert Engagement and Academic Collaboration

In addition to leveraging digital infrastructure, expanding access to external expertise can further support analytical capacity during the initial rollout phase. To this end, target ministries, in coordination with DEN, could establish structured arrangements to engage academic institutions, economic think tanks, and independent research organizations.

Such arrangements could include the formation of formal advisory networks or partnerships to support specialized analytical tasks, including statistical analysis, econometric validation, and evidence synthesis. Drawing on external expertise in this manner would provide an additional analytical resource, enabling pilot ministries to maintain rigorous evidence-based policymaking standards while reducing reliance on longer-term civil service recruitment processes.

7.4.3 International Peer Support and Technical Assistance

In addition to domestic capacity-building measures, international peer support can play an important role in strengthening implementation during the initial phase. In this context, Indonesia could explore bilateral cooperation arrangements with the United Kingdom to facilitate technical assistance and peer-to-peer engagement with the UK civil service.

Such arrangements could include the temporary placement of experienced advisors within the DEN and selected pilot ministries. This would support the transfer of technical skills, the development of consistent RIA evaluation practices, and the provision of hands-on guidance in addressing implementation challenges. Strengthening access to international expertise in this way would help shorten the learning curve and support alignment with established international practices in regulatory governance.

7.5 Institutional and Legal Framework for Implementation

At this stage, the findings indicate that there is no need to create an entirely new legal regime to gear towards evidence-based policymaking. Rather, what is needed is to strengthen the existing one by making RIA and economic analysis more consistently mandatory, broadening their application across the hierarchy of regulations, and clarifying which institution is responsible for reviewing compliance and analytical quality. To achieve this, four targeted legal and administrative reforms must be executed:

7.5.1 Institutionalizing the Chief Economist Role

To institutionalize the Chief Economist as Expert Staff to the Minister across all government institutions, an adjustment to Presidential Regulation No. 140 of 2024 (as amended) would be required to mandate ministries to dedicate one Expert Staff position to be filled with a Chief Economist along with its roles and duties. Nevertheless, as the reform is initially limited to institutions in the pilot phase, amendments could instead be made, at this stage, to the relevant presidential regulations governing those ministries.

The amendments would ideally be made to Presidential Regulations (PR) concerning those institutions, such as: (i) PR No 143 of 2024 on Coordinating Ministry for Economic Affairs; (ii) PR No. 167 of 2024 on Ministry of Industry; (iii) PR No 164 of 2024 on Ministry of Manpower; (iv) PR No 168 of 2024 on Ministry of Trade; (v) PR No 169 of 2024 on Ministry of Energy and Mineral Resources; (vi) PR No 184 of 2024 on the Ministry of Investment and Downstream Services; (vii) PR No 198 of 2024 on Ministry of Tourism; (viii) and PR No 105 of 2025 on State-Owned Enterprises Regulatory Body. Those selected institutions would also need to issue the implementing regulations to define the role's duties and functions.

7.5.2 Expanding the Mandate of DEN

Granting DEN a central role in the recruitment and management of Chief Economists and supporting analysts would require targeted amendments to Presidential Regulation No. 160 of 2024 on DEN. These amendments would need to incorporate the Council's expanded mandate and functions within the regulatory framework, specifically by defining its duties and functions regarding the recruitment, selection, performance evaluation, and overall management of Chief Economists and economic analysts. In addition, DEN would need to issue internal implementing regulations to operationalize these responsibilities and ensure effective implementation.

7.5.3 Establishing an Echelon II Reviewing Unit within DJPP

Establishing a Chief Economist position in an Echelon II unit within DJPP to serve as the core technical reviewer of RIA requires an amendment to the relevant the Ministry of Law Regulation No 1 of 2024 on Organization and Work Procedure of Ministry of Law.

7.5.4 Mandating RIA and Economic Analysis Compliance

Since RIA is currently mandatory only for Laws (*Undang-Undang*) and Regional Regulations (*Peraturan Daerah*), extending the requirement for impact analysis, including economic assessment, to other forms of regulation, such as Government Regulations (*Peraturan Pemerintah*), Presidential Regulations (*Peraturan Presiden*), and Ministerial Regulations (Peraturan Menteri), would necessitate amendment to Presidential Regulation No. 87 of 2014. Specifically, amendments to Articles 27 to 32 of the regulation could be introduced to incorporate mandatory and comprehensive RIA within the Urgency Draft (*Naskah Urgensi*) for regulatory proposals exceeding a specified economic threshold. Additional provisions could also be included to govern the planning and drafting procedures for Ministerial Regulations (*Program Penyusunan Peraturan Menteri)*, thereby ensuring alignment with minimum RIA and economic analysis requirements. However, such reform would require substantial political support since it would significantly reshape existing law-making practices across ministries by introducing broader ex-ante analytical and procedural requirements into the regulatory process.

As an interim measure, the 2026 RIA Guidelines could instead be revised to encourage initiating ministries to provide impact assessments for proposed regulations beyond Laws, thereby promoting broader adoption of evidence-based regulatory practices without requiring immediate legislative amendment.

In practice, Ministers and Heads of Agencies can advance these reforms by initiating regulatory proposals within the existing legal framework. Proposals related to the Chief Economist function, the expansion of DEN's mandate, and the establishment of an RIA review unit within DJPP would be coordinated with the Kemen-PANRB and enacted through appropriate legal instruments. While the pathway is feasible, its effectiveness will depend on the alignment of legal mandates, institutional oversight, and administrative capacity. Ultimately, to enhance institutional sustainability and strengthen the legal basis of these reforms, the government could pursue amendments to Law No. 12 of 2011. Such amendments would allow the RIA framework to be formally embedded within the main body (*batang tubuh*) of the law, rather than being referenced primarily through implementing guidelines or appendices. Anchoring the RIA mandate at the statutory level would provide greater legal certainty and reinforce its role within Indonesia's regulatory governance framework.

7.5.5 Legal Pathway Staging

To support the implementation of these four targeted reforms, the following matrix outlines the regulatory instruments, the primary stakeholders involved, the prediction timeline, as well as the respective staging phases:

Table 3. Legal Pathway Staging

Regulatory Instrument/Reform	Stakeholders & Role	Staging	Estimated timeline for amendment*
Amendments to specific Presidential Regulations governing pilot institutions to institutionalize CE in Staf Ahli positions	a. Pilot Ministries: Initiator b. Ministry of PAN-RB: Structural and Institutional Approver c. Ministry of Law (DJPP): Legislative Harmonizer d. Ministry of State Secretariat: Administrative Reviewer e. President: Final Enactor	Phase 1: Immediate Top priority for reform to make an impact	≤1 year to 2 years
Amendment to Presidential Regulation No. 160 of 2024 to expand the mandate of DEN	a. DEN: Initiator b. Ministry of PAN-RB: Functional and Institutional Approver c. Ministry of Law (DJPP): Legislative Harmonizer d. Ministry of State Secretariat: Administrative Reviewer e. President: Final Enactor	Phase 2: Parallel Pursued in parallel or shortly after Phase 1 so that central professional infrastructure catches up with the role rather than lagging behind it.	<2 years
Amendment to Ministry of Law Regulation No. 1 of 2024 to institutionalize reviewing unit in DJPP	a. DJPP: Initiator b. Ministry of PAN-RB: Functional and Institutional Approver c. Ministry of Law; Final Enactor and Promulgator	Phase 3: Medium-Term Activated only once a working CE function exists in pilot ministries to provide substantive analytical content for the gate to review against.	<2 years

Regulatory Instrument/Reform	Stakeholders & Role	Staging	Estimated timeline for amendment*
Amendment to Presidential Regulation No. 87 of 2014 to broaden the RIA's mandate	a. Ministry of Law: Initiator and Drafting Coordinator b. Ministry of State Secretariat: Administrative Reviewer c. President: Final Enactor	Phase 4: Long-Term Enacted across the civil service only after the pilot ministries demonstrate the practical feasibility and institutional benefits of the expanded RIA framework.	≥1 year
Amendment to Law No. 12 of 2011 to broaden the RIA's mandate	a. Executive/Legislative: Initiator b. DPR: Statutory Approve c. President: Final Signatory	Phase 5: Long-Term Consolidation Ultimately, to enhance institutional sustainability, the government can pursue statutory amendments to Law No. 12 of 2011 to formally embed the RIA framework within the main body (*batang tubuh)* of the law, building upon the track record established by these four targeted reforms.	≥2 years

** Estimated from the commencement of policy discussions to the enactment of the amended regulation*

Recognizing that institutional reforms rarely unfold in a perfectly linear fashion, there is a strong possibility that the targeted reform instruments will not move forward simultaneously due to the distinct political economies and varying degrees of bureaucratic resistance they face. In navigating this asymmetric progress, the strategic priority must be placed on immediately advancing the Chief Economist function in Pilot Ministries and the Reviewing Unit in DJPP, as these instruments serve as the critical entry points for generating early momentum.

If this prioritized track moves forward but the central mandate from the DEN remains stalled, the reform must pivot to a decentralized approach to prevent a total standstill. In such a scenario, each pilot ministry will temporarily conduct its own independent recruitment and talent management processes to operationalize the CE function immediately while waiting for the formal DEN mandate to be amended. To maintain institutional consistency, the new Reviewing Unit in DJPP will develop quality standards and organize joint training.

8. Conclusion

8.1 Introducing a Chief Economist Function

Indonesia can introduce a Chief Economist function in ministries to strengthen the quality of evidence based regulatory and policy decision-making. A Chief Economist function can help close the implementation gap in the quality regulation making process by institutionalising economic analysis inside ministries. The role should not be understood merely as an individual technical expert, but as a senior analytical function responsible for ensuring that major policy and regulatory proposals are supported by credible evidence, sound economic reasoning, and clear assessment of policy options. The Chief Economist can help identify the rationale for government intervention, assess market failures or policy failures, review regulatory and fiscal impacts, and ensure that proposed interventions are proportionate, efficient, and consistent with national development objectives.

The function is important for building institutional memory and reducing excessive reliance on external consultants. At present, analytical work is often fragmented across generalist policy units, legal drafting teams, and externally commissioned studies. This limits continuity, weakens quality assurance, and prevents ministries from developing sustained analytical capability. By establishing a Chief Economist function supported by a small analytical team, ministries can gradually build internal capacity, improve the consistency of RIA and economic analysis, and ensure that evidence is embedded earlier in the policy cycle.

Introducing Chief Economists will also support Indonesia's OECD accession agenda. OECD GRP emphasises RIA, stakeholder engagement, ex post evaluation, and institutional arrangements that ensure analytical quality. A Chief Economist function can help Indonesia move from formal adoption of RIA toward more credible implementation, by creating a clear institutional owner for economic analysis within ministries and strengthening accountability for regulatory quality.

The Chief Economist function can also improve the inclusiveness of policymaking as it will ensure comprehensive socio-economic analysis of a proposed regulation, not only assess aggregate economic gains, but also examine who benefits, who bears the costs, and how policies affect different groups, including women, youth, low-income groups, small businesses, and regions. This will ensure that regulatory reform supports both economic efficiency and inclusive development.

8.2 A Phased and Adaptive Model

Introducing the Chief Economist function should be done through a phased approach rather than immediate full-scale implementation across all ministries. A gradual approach is more feasible because analytical capacity varies significantly across ministries, and the pool of qualified economists within the civil service remains limited. A pilot phase would allow the government to test institutional design, clarify mandates, develop working procedures, and refine coordination mechanisms before broader rollout.

The most feasible near-term model is to designate an existing Expert Staff to the Minister as the Chief Economist or *Staf Ahli Bidang Analisis Ekonomi*, an echelon 1 level position. This position provides direct access to the minister while maintaining a degree of functional independence from line directorates. It will also avoid major organisational restructuring and can be implemented within the existing government structure. Compared with creating a new Director General position which requires a major change in structure in the Ministry, the Expert Staff model is administratively simpler, less costly, and more politically feasible.

The Chief Economist should be given a clear mandate covering four core functions. First, Chief Economist provides analytical assurance by reviewing the quality of economic analysis, RIA, CBA, BIA, and other major policy assessments before submission to further regulatory making process, usually through the Secretary General at the Ministry. Second, the Chief Economist provides strategic challenges by questioning weak assumptions, incomplete options analysis, and regulatory proposals that are not supported by sufficient evidence. Third, Chief Economist supports capability building by mentoring analysts, strengthening methodological standards, and promoting the use of economic tools across the ministry. Fourth, Chief Economist supports coordination by linking relevant policy units within the ministry, e.g. technical unit in the respective Directorate General and legal unit under the Secretary General.

Ideally, the Chief Economist is supported by a small technical team of economists or policy analysts with relevant quantitative and policy analytical skills. The team does not need to replace external expertise entirely. Instead, Indonesia can adopt a hybrid model: the internal Chief Economist unit should set analytical standards, define the scope of analysis, review outputs, and preserve institutional memory, while external consultants, universities, think tanks, and technical partners may be engaged for complex or specialised studies.

To enhance GRP, a coordinating mechanism to support common standards across ministries should be established. The study recommends an expanded role DEN to coordinate professional standards, competency development, recruitment guidance, training, and quality assurance for Chief Economists and their supporting analysts. The coordinating mechanism is necessary to avoid fragmented practices across ministries and gradually create a government-wide economic policy profession.

In parallel, the study recommends strengthening the role of DJPP in reviewing the quality of RIA and economic analysis attached to regulatory proposals, particularly policy proposals that have substantial economic impact. DJPP will not replace the analytical role of ministries but rather act as a quality gate to ensure that major regulations submitted for harmonisation are supported by adequate evidence and economic assessment. This will create stronger incentives for ministries to conduct analysis earlier and more seriously.

The implementation model should therefore combine three levels: ministry-level Chief Economist functions, central professional coordination through DEN, and regulatory quality review through DJPP for policy that has substantial economic impact. This layered structure would adapt relevant lessons from the UK model while remaining consistent with Indonesia’s institutional context.

8.3 Piloting

The first phase should be implemented through a pilot in ministries and agencies whose policies have significant economic impact so that improved economic analysis can generate visible benefits.

The recommended pilot institutions are:

1. Coordinating Ministry for Economic Affairs;
2. Ministry of Industry;
3. Ministry of Manpower;
4. Ministry of Trade; and
5. Ministry of Health.

These institutions are suitable for piloting because of the economic importance and leadership commitment. The ministries oversee policy areas with direct implications for competitiveness, investment climate, health, employment, trade and industrial development. Regulatory decisions in these sectors often affect businesses, workers, and consumers, while shaping regional economies, and public finances. Strengthening economic analysis in these institutions would therefore provide an early test of whether the Chief Economist function can improve regulatory quality and policy coherence. The pilot should also include two other institutional anchors. First, DEN to support the pilot by developing competency standards, training modules, and a community of practice for Chief Economists and economic analysts. Second, DJPP to test a RIA and economic analysis review mechanism during regulatory harmonisation. Together, these institutions will ensure that the pilot is not limited to individual ministries but also strengthens the wider regulatory governance system.

The pilot should run with clear deliverables. Each participating ministry should identify priority regulations or policy proposals for economic analysis; prepare or strengthen RIA using common guidance; submit major analyses for Chief Economist review; document lessons from implementation; and report on how analysis influenced policy design. After the pilot, the government should evaluate the model based on analytical quality, timeliness, institutional acceptance, coordination effectiveness, and contribution to better regulatory decisions.

8.4 Using Existing Instruments

The recommendation will not create an entirely new legal regime to introduce the Chief Economist function. The reform can be implemented by strengthening existing legal and administrative instruments. The priority should be to clarify institutional mandates, assign responsibility for analytical quality, and connect RIA requirements with ministry-level economic analysis.

First, the Chief Economist function can be established through amendments to the relevant Presidential Regulations governing the organisation and functions of pilot ministries. For a broader government-wide rollout, the government may consider adjusting Presidential Regulation No. 140 of 2024, as amended, to recognise the Chief Economist or *Staf Ahli Bidang Analisis Ekonomi* function across ministries. During the pilot phase, however, it will be more practical to amend the specific Presidential Regulations of participating ministries or use relevant ministerial regulations to define the function, duties, workflow, and reporting line.

Second, each pilot ministry needs to issue an implementing ministerial regulation or ministerial decree to operationalise the Chief Economist function. This instrument will define the Chief Economist's role in reviewing RIA, CBA, BIA, policy options, distributional impacts, and ex post evaluation. It will also specify the requirement for policy and legal drafting units to consult the Chief Economist early in the regulatory process, before the draft regulation has been finalised.

Third, KemenPAN-RB needs to be involved in clarifying nomenclature, organisational design, and competency requirements. A written approval from KemenPAN-RB could be used as a near-term instrument to require pilot ministries to designate one existing Expert Staff position to carry the Chief Economist function. This can be a high-leverage administrative step because it can be implemented without creating a new echelon structure or requiring new legislation.

Fourth, DEN's mandate needs to be expanded through amendment to Presidential Regulation No. 160 of 2024 on the DEN. The amendment will allow DEN to coordinate professional standards, recruitment guidance, training, talent development, and quality assurance for Chief Economists and economic analysts across ministries.

Fifth, the RIA review function within DJPP needs to be established by amending the relevant Minister of Law regulation governing DJPP's organisation and functions. This amendment will create or assign an Echelon II-level function responsible for reviewing the adequacy of RIA and economic analysis attached to major regulatory proposals. The review should focus on analytical quality, proportionality, clarity of policy options, cost-benefit reasoning, and consistency with RIA guidelines.

Sixth, the government should consider amending Presidential Regulation No. 87 of 2014 to expand the mandatory use of RIA and economic analysis beyond laws and regional regulations. The amendment will require impact analysis for government regulations, presidential regulations, and ministerial regulations that meet specified economic or social impact thresholds. This is needed to address one of the main gaps in the current framework, given that many economically significant rules are issued below the level of law.

As an interim step before amending Presidential Regulation No. 87 of 2014, the 2026 RIA Guidelines issued by the Ministry of Law needs to be updated to encourage ministries to apply RIA and economic analysis to major government regulations, presidential regulations, and ministerial regulations. This would allow broader adoption of evidence-based regulatory practice while the legal framework is being strengthened.

The recommended legal pathway is incremental: begin with ministerial and administrative instruments for the pilot, strengthen DEN and DJPP mandates through targeted regulatory amendments, and then expand mandatory RIA requirements through amendment to Presidential Regulation No. 87 of 2014. This approach is legally feasible and administratively realistic without creating a new legal regime, but to make the existing evidence-based policymaking framework more operational, enforceable, and institutionally supported.

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