

Inter-Local Government Cooperation in Indonesia



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Inter-Local Government Cooperation (ILGC) in Indonesia

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List of Abbreviation

BAPPEDA	: Badan Perencana Pembangunan Daerah
ILGC	: Inter-Local Government Cooperation
LGs	: Local Governments
MOU	: Memorandum of Understanding
RM	: Regional Management
RPJMN	: Rencana Pembangunan Jangka Menengah Nasional (National Medium-Term Development Plan)
SKPD	: Satuan Kerja Pemerintah Daerah or Local Governments' agencies
TKKSD	: Tim Koordinasi Kerja Sama Antar Daerah

List of Content

1. INTRODUCTION	5
2. WHY COOPERATE?	6
3. OVERVIEW ON ILGC IN INDONESIA	7
4. WHY IS IT SO DIFFICULT?	9
4.1. Basis For Cooperation	9
4.2. Institutional Arrangement	10
4.2.1. The need for institution	10
4.2.2. Level of Authority	12
4.3. Actors.....	12
4.2.3. Lack of Understanding	13
4.2.4. Unclear role and responsibilities.....	13
4.2.5. National Goverment.....	14
4.4. Regulatory Framework.....	14
5. RECOMMENDATION & CONCLUSION	16
5.1. Recommendation	16
5.2. Conclusion	17

INTER-LOCAL GOVERNMENT COOPERATION IN INDONESIA

1. INTRODUCTION

Inter-Local Government Cooperation¹ (ILGC) is one of the most relevant yet challenging issues in the context of local autonomy. Often, Local Governments face problems that can only be solved through a cooperation with other LGs. Theoretically, ILGC enables LGs to reduce externalities and create synergies and efficiencies in public service delivery, without giving up their autonomy. ILGC is relevant to improve public service delivery. However, the concept of ILGC in Indonesia which started since the beginning of decentralization in early 2000 has not fulfilled the expectations. Many ILGC institutions became inactive after signing the Memorandum of Understanding (MOU). Many are struggling to even hold a meeting among the LG members after the MOU is signed. There are only very few ILGCs that have real activities. One of them is Kartamantul, an ILGC institution in the Province of Yogyakarta that is often put forward as a best practice for ILGC. Meanwhile, other ILGC such as Barlingmascakeb which stood out a few years ago are now experiencing problems as well.

This writing aims to provide a picture about the condition of ILGC in Indonesia and its challenges. We do not assume that all problems of ILGC will be discussed in this brief writing. The writing consists of several sections starting with the reason why LGs should cooperate. Then, it is followed by an overview on ILGC in Indonesia. The next part is about challenges faced by ILGC. Among the many factors, we only discussed four factors that we consider as the main contributing factors that make ILGC is difficult to implement. Recommendations follow the discussion of challenges.

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¹ The terminology :“ILGC” refers to the cooperation while “ILGC institution” refers to the institutional setup.

2. WHY COOPERATE?

The argument for decentralization is to bring public services closer to the people. It is widely assumed among academics and among policy makers alike that decentralized provision of public goods enhances efficiency. However, in reality decentralization does not automatically result in efficiency. In fact, there is the danger that it leads to service duplication and competition among local governments to attract economic development. Moreover, decentralization also brings about interjurisdictional externalities and diseconomies of scale in production of public services. The question of how to address externalities has been a subject of considerable theoretical and empirical interest.

This is where the argument for inter-local government cooperation is put forward. ILGC becomes pertinent when a region faces various issues that require cooperation across administrative boundaries in order to be resolved. Inter-Local Government Cooperation (ILGC) or inter-regional cooperation or inter-governmental cooperation may be defined as an arrangement between two or more Local Governments (LGs) for accomplishing common goals, providing a service, or solving a mutual problem. ILGC can be a collaboration of the area adjacent to each other (regional) as well as areas not adjacent to each other.

ILGC is about delivering public goods or services. With respect to public goods and services, there are two hierarchical issues: 1) division of policy responsibilities between central and local governments, and 2) provision choices for efficient supply of public services². Theoretically, responsibilities between central and local governments is divided based on the potential externalities associated with the public service. The central government is assigned with responsibilities for public activities that have significant spillovers, while local governments are given responsibilities for public activities with limited or absent spillovers. In Indonesia, this division is regulated by Law 32/2004 in which the central government is assigned with responsibility to handle 5 affairs or *urusan* while LG are responsible for other *urusan* which consisting of compulsory and optional affairs. The division of responsibilities between the central and local government is in reality rarely ideal causing potential inefficiencies in service provision. There are several reasons accounted for this³. First, cities/districts provide a range of goods and services that are not only pure public goods. Second, many services do not match political boundaries in terms of their benefit coverage. This results in inter-jurisdictional externalities. Third, public goods, like private goods, are subject to economies of scale.

In regards with choices for efficient supply of public services, public choice theory says that political fragmentation as a result of decentralization will enhance choice and efficiency in service provision. However, this political fragmentation makes it difficult to address economic development, service provision or democratic voice at the regional level. To this, consolidationists argue that regional government is the solution. But, support for regionalism is weak because LG are not so willing to

² Manoj Shrest, *Inter-Local Fiscal Cooperation in the Provision of Local Public Services – The Case of Large US Cities*. Askew School of Public Administration and Policy. Florida State University.

³ Ibid.

lose their autonomy. Alternatives such as inter-local government cooperation or functional consolidation (specific to a service) have been much more popular.

A broader framework to understand ILGC among local governments in service provision is provided by institutional collective action – an extension of individual collection action framework (Ostrom, 1990). As ILGC is achieved through mutual bargaining between or among affected LG, such mutually agreed arrangements will likely to be Pareto-enhancing⁴. Therefore, some believe that institutional collective action is a viable alternative solution addressing inter-jurisdictional externality problems in service delivery without giving up local autonomy⁵.

3. OVERVIEW ON ILGC IN INDONESIA

Before we discuss the challenges of ILGC, now let us have a quick glance about the existing ILGC institution in Indonesia. ILGC is a relatively new issue in Indonesia starting in early 2000 although an ILGC institution like Kartamantul has done some initial talks before that. As mentioned above, most of the ILGC have not been very successful.

Based on its form, ILGC institution in Indonesia can be distinguished into 3 types:

1. *Badan Kerjasama* (Joint Cooperation)
 - *Badan Kerjasama* is usually established by a structural mechanism (local government administration) and all of the activities are run by LG officials of member districts or cities.
2. *Sekretariat Bersama/Jaring Pelayanan Publik* (Joint Secretary/Joint Public Service)
 - *Sekretariat Bersama/Jaring Pelayanan Publik* is an ILGC institution that focuses on public service provisions. The core activities of the public service are conducted by the local agencies (Satuan Kerja Pemerintah Daerah or SKPD) whereas the coordination activities are carried out by non civil servants.
3. Regional Management
 - Regional Management (RM) which is adopted from Germany and Austria is an ILGC institution that focuses on local economy development or investment activities in the region. RM's daily operations are carried out by professionals.

In terms of the purpose, there are 2 types of ILGC in Indonesia. The first type is set up with a purpose to primarily improve public service delivery. These are ILGC like Kartamantul, Kedu Plus, Subosukowanasraten, etc. The second one is established to increase the regional economy activities. ILGC institution like Regional Management that is facilitated by Ministry of Less Developed Region (KPDT) are intended for this purpose. They include Barlingmascakeb, AKSESS, Jonjok Batur, etc.

⁴ Ibid.

⁵ Changhoon, Jung and Juchan, Kim.

The table below shows a brief comparison among the type of ILGC institutions:

Table 1. Comparison of ILGC Institution

No.	Aspect	Type Of ILGC Institution		
		<i>Badan Kerjasama (Joint Cooperation)</i>	<i>Sekretariat Bersama (Joint Public Service)</i>	Regional Management
1.	ILGC Institution	BKAD Subosukowonosraten, BKAD Pawonsari, BKPS Jabodetabekjur	Sekretariat Bersama Kartamantul, Kedungsepur, Kedu Plus	Barlingmascakeb, Sampan, 10 RM fasilitasi KPDT
2.	Initiator	<ul style="list-style-type: none"> Central Government: <ul style="list-style-type: none"> – BKAD Pawonsari Provincial Government: <ul style="list-style-type: none"> – BKAD Subosukawonosraten (with GIZ) – BKSP Jabodetabekjur (initiate of Ministry of Home Affairs) 	<ul style="list-style-type: none"> Provincial Government: <ul style="list-style-type: none"> – Kartamantul – Kedungsepur (through spatial planning i.e. priority region) 	<ul style="list-style-type: none"> Central Government: <ul style="list-style-type: none"> – 10 RM (by KPDT with the help of LEKAD) Provincial Government: <ul style="list-style-type: none"> – RM Barlingmascakeb LG: <ul style="list-style-type: none"> – RM Sapta Mitra Pantura
3.	Recruitment Process	No professional recruitment because government officials of ILGC members run the activities of ILGC	Open professional recruitment	Open professional recruitment
4.	Functions	It facilitates, coordinates planning among ILGC members.	It facilitates, coordinates and mediates among the ILGC members.	It facilitates, coordinates and mediates among the ILGC members.
5.	Focus	Public service	Public service	Local economy development or regional marketing

Source: YIPD Report to Decentralization Support Facility (The World Bank)

4. WHY IS IT SO DIFFICULT?

As mentioned above, many ILGCs in Indonesia remain dormant after their inception i.e. the signing of MoU. There are many factors as to why ILGC is difficult to implement despite its relevance. Based on our empirical study and capacity development activities with ILGC institutions, we learned that the failure of ILGC can be explained in 4 main factors: 1) basis for cooperation; 2) actors; 3) institutional arrangement; 4) regulatory framework.

4.1. Basis For Cooperation

There are 2 issues here: 1) weak basis for cooperation and 2) lack of clarity and lack of specific objectives or targets.

Many ILGCs are established but are not based on the real and urgent needs for LGs to cooperate. Why are the real and urgent needs for cooperation so important? Without a real and urgent need, there is actually no strong basis or common ground for LGs to cooperate. The real and urgent need for cooperation should become the fundamental reason that motivates LGs to cooperate. However, some ILGC institutions such as the Regional Management from less developed regions were initiated or facilitated by the National Government (or Ministry of Less Developed Area). The facilitation comes with some 'financial support' for ILGC institutions. Some others were established because the LGs share some history. Some ILGCs in Central Java Province like Kedu Plus, Barlingmascakeb, Sampan, etc. are set up because most of the members used to belong to the same karesidenan (regional government in Central Java many years back in the centralized era). The LG members often do not have a common ground to cooperate. Each LG in these ILGC institutions may have different characteristics and face different issues or problems. Although it is possible that 9 LGs share common interests, it is logical to think that the larger the number of the ILGC member, the more difficult it is for ILGC members to find a common basis for cooperation. Some current ILGCs have 7 or even 9 LG members.

On the other hand, other ILGC institutions may have identified the need for cooperation before signing the MOU. However, the needs are often not clearly identified. It is not enough to say that ILGC is set up to "solve the traffic jam" or "to improve education", etc. Some ILGCs are set up without being specific on the target to achieve or problems to solve. Head of LGs are often too quick to sign a MOU without being clear and specific on the real need for cooperation. Specific problems or target are sought after the MOU was signed. Although the detail may come after, the MOU should be signed only when LGs have already identified the real need and assessed the possible form of cooperation. As explained before, ILGC is only achieved through mutual bargaining between or among affected LGs. The bargaining can be simple or can be very complicated and take a considerable amount of time depending on issues and the institutional arrangements.

What is the common basis for cooperation? There are usually 2 main basis for cooperation namely public service delivery and regional economic development. Although local economic development often becomes the basis for cooperation in other countries, we think ILGC in Indonesia should focus more on public services and the environment. Some ILGC such as Regional Management units that

focus on the economy are actually struggling to define the concept and implementation of their economy cooperation. Unlike public service delivery, the confusion often stems from the unclear role of ILGC: as a regulator or a player? It is worth noting that ILGC institutions consist of Local Governments whose main role in the economy is as that of a regulator or policy maker. Regional Management units such as Barlingmascakeb end up doing some kind of regional marketing which includes exhibition and promotion for local products. Some other Regional Managements in less developed region such as Jonjok Batur, AKSESS etc. are trying to develop the regional economy by focusing on developing and marketing the main products. However, the LGs activities are less direct compared to the private sector when it comes to push productivity or sales of certain product.

Except Regional Management, many other ILGC institutions in Indonesia are set to focus on public service delivery. However, some of these ILGCs institutions have determined too many issues for cooperation to be handled parallel. Prioritization is apparently not the virtue of government. It is probably much simpler for LGs to establish an ILGC institution for 1 or 2 issues considering the different nature or approach to handle the issues. LGs however tend to think that ILGC institutions are a medium for all kind of issue that they want to cooperate on. Thus, the ILGC institution can have 7 or 9 issues or sectors in their MOU. Each issue is handled by the relevant SKPD. This is for instance the case with Kartamantul. This is only possible for ILGC institutions that function as a facilitator for coordination. These ILGC institutions are not involved in the daily operation of cooperation. ILGC with executive authority can only focus on 1 particular issue.

4.2. Institutional Arrangement

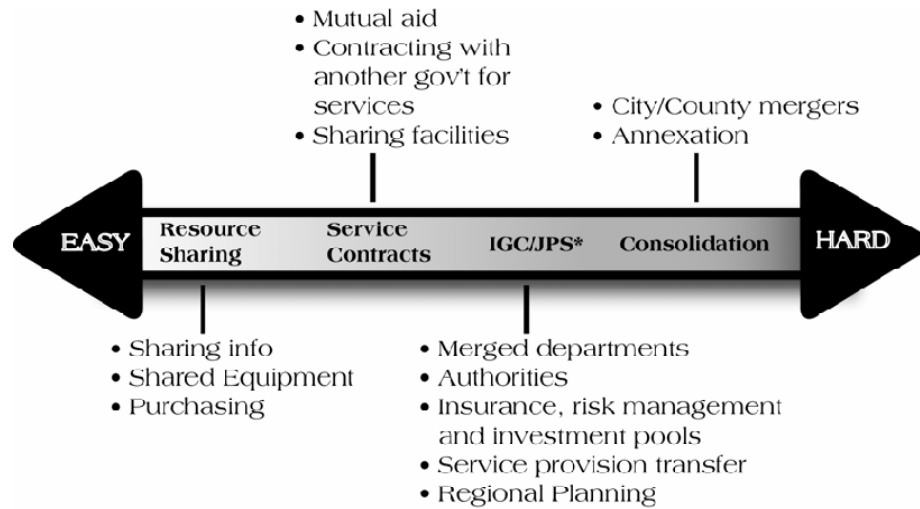
Identification of a problem to solve or a target to achieve through ILGC is the first step to prepare for an ILGC. The second step is figuring out the institutional arrangement for ILGC. Several issues concerning the institutional arrangement are 1) the need for an institution and 2) the level of authority.

4.2.1. The need for institution

Should ILGC be formalized into an institution? In order to answer these questions, we should consider the forms of ILGC institutions. Literature shows that there are several forms of ILGC. Honadle⁶ distinguishes the type of collaboration from simple information exchange, mutual aid agreements, informal supply and receipt of services, contractual supply and receipt of services, to service agreements namely joint action. Meanwhile, the Michigan Government Finance Officers' Association describes the spectrum of collaboration as shown by Diagram 1. The Diagram only addresses ILGC on public service delivery. Note that although the Diagram places ILGC/JPS *along* the spectrum, actually the term ILGC covers the entire range of collaboration. The diagram shows many practices *already* in broad use including newer innovative ones that enable LGs to construct a more efficient service delivery structure and to better serve citizens.

⁶ Honadle as cited in Changhoon, Jung and Juchan, Kim.

Diagram 1: ILGC/Joint Public Service



*Intergovernmental Cooperation/Joint Public Service

Source: Arts Holdsworth, The Business Case for Interlocal Cooperation, A White Paper from the Michigan Government Finance Officers Association

It is worth noting that the far right end spectrum i.e. consolidation is less preferred particularly in the era of local autonomy. Alternatives such as inter-municipal cooperation or functional consolidation (specific to a service) have been much more popular. Functional consolidation involves cooperation across jurisdictions for a common service such as transportation authorities or water and sewage. The challenge of functional consolidation however is the inability to address issues that cross functional boundaries. Service contracts can be distinguished from joint service agreements. When one governmental unit paid another for the delivery of a particular service to residents of the paying jurisdiction, it was grouped under service contracts. On the other hand, when two or more governments shared the planning, financing, and delivery of a service to residents of all the jurisdictions involved, it was grouped under joint service agreements⁷.

It therefore can be concluded that ILGC does not always need to be institutionalized. As shown by the diagram, ILGC for simple cooperation such as resources sharing does not need an institution (the left end). However, a more complicated cooperation may require a more complicated institutional arrangement. Government Regulation (Peraturan Pemerintah) 50/2007 states that an ILGC that will be active for a duration of 5 years or more needs to be institutionalized into a “badan kerjasama antar daerah” (ILGC institutions).

The experience in other countries as explained above indicates that ILGC often involves transaction or payment from one LG to another. In other words, the LG members must negotiate or bargain for the transaction. In Indonesia, however, there are very few ILGC that have gone to this stage. One of these few examples is Kartamantul where 3 LGs cooperate for solid waste management. The City of Yogyakarta and the District of Sleman pay tipping fees to the District of Bantul that operates the Final Dump Site. The tipping fee commensurates with the amount of waste transported to the Final Dump

⁷ Advisory Commission on Intergovernmental Relations (ACIR) as cited in Changhoon, Jung and Juchan, Kim.

Site by each LG. In Jakarta, although without a formal ILGC institution, the Province of DKI Jakarta pays tipping fees to the District of Bekasi for the use of the Final Dump Site in Bantar Gebang.

4.2.2. Level of Authority

Should an institution for ILGC be required, the next question to be asked is how the institution is related to the LG administrative structure as most ILGC institutions are non structural or outside the administration. This is a question about the level of authority of ILGC. There is a dualism between the role and function of the structural authority, regulated by legislation administrative and bureaucratic roles on one hand and non-structural functions that can be initiated by common interest in all aspects of development on the other hand. How far reaches the authority of ILGC in implementing its activities that are usually the domain of government agencies (SKPD) including the use of public budget? Does ILGC institution have executive power or is it merely the facilitator for coordination among the agencies?

The source of authority or power of ILGC comes from LGs. In the context of local autonomy, only LGs have the real authority. One may wonder if and how much LGs are willing to give from their autonomy to the ILGC institution. This is one of the main reasons why ILGC is difficult. In our interview with LG officials in Yogyakarta in 2012 about this possibility of Kartamantul to have executive power over a certain issue, the officials seemed to be reluctant. This idea has to be supported by the regulatory framework. Currently, the relevant regulations on ILGC in Indonesia do not specify the level of authority of the ILGC institution. Therefore, most of the existing ILGC institutions in Indonesia, if not all, have no real authority to run the daily operation of ILGC. The current ILGC institutions in Indonesia are set up for communication and coordination purposes only.

To be effective, ILGC institutions need to have executive power. For instance, let us examine the *Badan Kerja Sama Provinsi* (BKSP) Jabodetabekjur that was set up many years ago between Provincial Government of DKI Jakarta and West Java to reduce transportation problems (traffic jam) or to manage flood in Jakarta. It is not going to be able to solve the transportation problems without having the authority to manage the vehicle flow, road management systems and interfaces between different modes or public transport management. Moreover, it includes coordination and collaboration between service providers, which can be transport companies, facilities providers, transport vehicle manufacturers, regional planning authorities, virtual mobility and integration systems, and end-users, over modal interfaces. The problem is too big to handle by an institution that only functions as a facilitator for coordination. It takes an institution that has power over the LG members to find solutions and act.

4.3. Actors

The main challenges concerning actors in ILGC are twofold: 1) a lack of understanding about ILGC and 2) unclear role and responsibility among the actors at the local, provincial and national level. The actor factor is also interwoven with the issue of institutional arrangement. The classic problem of high turnover of LG officials also contributes to the problems of ILGC. But since these rotations are a problem for all other governance issues, we do not discuss this as a particular issue in relation to ILGC.

4.2.3. Lack of Understanding

ILGC is a new issue for LGs in Indonesia. There is a lack of understanding about ILGC in general at the local, provincial and even national level. This lack of understanding leads to the lack of commitment at the local level to make ILGC into a realization. ILGC is not yet considered as an important issue for LGs. LGs have not seen ILGC as an alternative solution to their problems such as water supply, solid waste management, sanitation, transportation, flood management, etc. We believe that as LGs realize that some problems can only be solved through cooperation with other LGs and that ILGC can create opportunities to increase efficiency and effectiveness, LGs will start considering ILGC for alternative solutions. It is very important for LGs to see the benefits of ILGC.

4.2.4. Unclear role and responsibilities

ILGC involves several actors at the local, provincial and national level. The main players are the LG officials. By law, any issues that involve several LGs are the responsibility of Provincial Government. However, Provincial Governments seem to be unsure of this role. Some of the provincial governments do not know what to do or how to deal with the existing ILGCs in their region. With the excuse that each LG has its own autonomy, Provincial Governments do not play an active role in encouraging ILGCs or solving cross border issues⁸.

The role of Provincial Government can actually be crucial for environmental related issues. Take ILGC for watershed management for instance. The ILGC Watershed Management of Benenain River which consists of 3 LGs (Belu, Timor Tengah Selatan and Timor Tengah Utara) in Nusa Tenggara Timur (NTT) clearly needs the intervention from the Provincial Government. Belu has been suffering from flooding over the past few years. But, it is almost impossible for Belu at the downstream river to request Timor Tengah Selatan at the upstream river to maintain the forest or improve the land use or build a dyke in order to keep Belu free from flooding. The LG members along the ILGC Watershed Management of Benenain River all think that this is the responsibility of the national and provincial government. The national government has established an institution called *Badan Pengelolaan DAS* (BP DAS) to manage the Benenain watershed and other watershed in NTT. But, this BP DAS can only act so much upon as far as the 3 LGs agreed upon how to deal with the Benenain watershed management because they these LGs are the ones with the authority in their region. However, having all these stakeholders (LGs, provincial government, BP DAS, local community and other actors) to agree and cooperate is not an easy thing to do albeit the obvious and urgent reason.

Whose responsibility is it to initiate meetings and negotiation about cooperation among the stakeholders in order to find solutions? According to Ministerial Decree No. 22/2009 (Permendagri), the main responsibility for monitoring ILGC is held by TKKSD (Tim Koordinasi Kerja Sama Daerah) headed by the secretariat (Sekda), both at the provincial or local level. However, the daily operations of ILGC are basically run by the relevant sectoral agencies (see Regulatory Framework). In some LGs, the responsibility for monitoring is held by Bappeda. The secretariat or Bappeda is usually only responsible for administration or the legal aspects of ILGC institutions. For the the day-to-day

⁸ Some argue that this is partly due to the unclear or weak role of Provincial Government in the Law 32/2004. The Law is now undergoing a revision process that, among many other issues, will give a more substantial role to the Provincial Government.

activities, ILGC institutions that are fully managed by civil servants, the LG officials are often having difficulties to call for coordination meetings considering that running ILGC institutions is not the main job/task of the civil servants working at the sectoral agency (SKPD sektor). Some ILGC institutions hire non-civil servants as full time workers. These non-civil servants' main role is to facilitate for the communication and coordination among the LG officials of ILGC members. The daily operations of ILGCs programs remain to be the responsibility of each LG which is executed by the SKPD (local government agency). This setting, as has been discussed in the section about institutional arrangement, is actually not very effective.

4.2.5. National Government

Like other governance issues, the biggest problem also lies in the coordination among the related ministries that are involved in ILGC namely Ministry of Home Affairs, National Planning Agency (Bappenas), Ministry of Less Developed Region and/or other sectoral ministries. There also seems to be a lack of understanding among the provincial/national government officials about ILGC and how provincial/central governments can provide support particularly in relation with the institutional arrangement of ILGC.

In contrast, one ministry (Ministry of Less Developed Region) was involved to such a high degree in establishing some ILGC that those ILGCs are seen as projects of the national government. This national government intervention somehow has the potential to inhibit the emergence of institutional ownership of ILGC by regional actors. As a result, those ILGC become very dependent on the Ministry. ILGC should be initiated by LGs based on the real and urgent needs.

4.4. Regulatory Framework

Some of early ILGC institutions in Indonesia were established before any regulations on ILGC were even enacted. ILGC institutions in these early times were Badan Kerjasama Antar Daerah (BKAD) Subosukowonosraten (2001), BKAD Pawonsari (2002), and Regional Management (RM) Barlingmascakeb (2003). Although Law No. 22/1999 about Local Government (which was then replaced by Law No. 32/2004) did mention ILGC and BKAD, there had not been any specific regulation (operational level) about ILGC until 2007. Law 32/2004 states that ILGC should be based on efficiency and effectiveness of public service provision (Article 195). With the passing of Government Regulation No. 50/2007, ILGC finally had its legal basis. This Government Regulation states that ILGC covers the cooperation between governors, between governors and mayors/district heads, between mayors/district heads and between governors, mayors/district heads and other third party. Thus those early ILGC institutions actually preceded its regulations. The Government then issued Home Affairs Ministerial Decree No. 22/2009 and No. 23/2009 to provide more specific guidelines for ILGC.

Law No. 32/2004 (on Local Government) and Government Regulation No. 50/2007 (on ILGC) do not specify the institutional arrangement of ILGC. Government Regulation No. 50/27 however mentions that 'badan' (institution) for ILGC is necessary if the cooperation lasts over 5 years. Ministerial Decree (Permendagri) No. 22/2009 points out the need for Tim Koordinasi Kerjasama Daerah (TKKSD) or

coordinating team for ILGC. However this TKKSD chaired by the Secretary of District/City is actually not really involved in managing ILGC. TKKSD is not the ILGC institution itself. The real function of TKKSD is actually not very clear except for facilitating the setting up of an ILGC institution. This reflects a very formal and bureaucratic approach to ILGC. As discussed above, the main problem lies in the institutional arrangement. TKKSD does not help much in solving this.

Despite the empirical findings that shows the poor performance of ILGC, the draft revision of Law 32/2004 states that ILGC will be compulsory for the adjacent districts or cities. We view that this new Law will not improve the current situation of ILGC. ILGC should be voluntary. Although it says that the adjacent districts/cities must cooperate “for issues that will increase efficiency in public service delivery”, the revised draft does not say so. Except for environmental or disaster related issues, forcing LGs to cooperate without having the real need for cooperation will only create more dysfunctional ILGC institutions. As discussed above, without a real and urgent for cooperation, there will be no basis for cooperation with other LGs. We argue that instead of imposing the compulsory ILGC, it is better for the Government to create enabling conditions for LGs to cooperate.

5. RECOMMENDATION & CONCLUSION

5.1. Recommendation

Based on the challenges outlined above, our recommendation for each challenge is as following:

Strong Basis for Cooperation

In order to create a strong basis for cooperation, ILGC should be based on the real and urgent needs for cooperation. This need for cooperation should be able to be translated into a specific program where all parties involved know exactly what their roles are, and how they will be implemented.

The easiest way to do this is to focus on public service provision such as water supply, solid waste management, or transportation management. We observe a growing need for cities in Indonesia to collaborate with neighboring districts on solid waste management and water supply. Transportation is more a common issue for big cities like Jakarta, Surabaya, Medan or Makassar whose solution involves the surrounding cities or districts. Apart from those 3 public services, environmental management is also one of the most common need for cooperation because environment goes beyond administration boundaries. However, cooperation for environmental issues is rather different than the cooperation for public service. Cooperation for environmental issues is critical because it can cause natural disaster for people in other city/district. This cooperation may need the involvement of higher government level such as provincial government because it is often difficult for the concerning city/district to solve the issues by themselves.

Institutional Arrangement

ILGC should move beyond the formal aspect of institutional arrangements. Instead, the attention should focus on substance and operational issues such as the level of authority of ILGC institutions and how it is related to the relevant local agencies (SKPD).

As discussed above, some ILGC institutions may need to play a more important role in implementing the cooperation than just coordination. The administrative structures and the regulatory framework should be taken into consideration while determining the institutional arrangements. There are ample possibilities for the institutional arrangements. But it is worth noting that it is possible that LGs may need to give up some of their authority on certain sector in order to enable the ILGC institutions to achieve the objectives. It is very likely that ILGC will involve some transactions and negotiations among LGs officials with which the officials are not used to deal with. It is worth noting that the issue of budgeting and government administration often adds to the complexity of the institutional setting.

Actors

Efforts should be made to improve the understanding and capacity on ILGC by actors, so that they focus on substance and the operational aspects.

A good understanding on ILGC particularly about the externalities and benefits of agglomeration and specialization may motivate LGs to seek ILGC as an alternative to improve public service provision. Some study show that the potential benefits of ILGC service delivery include cost savings and the availability of more and better services⁹. A good understanding about ILGC may also help Provincial Governments and National Government to facilitate ILGC in a more effective way. On the other hand, he focuses on substance and operational aspects as opposed to the administrative aspects of ILGC will make LGs more realistic in their preparation for ILGC. ILGC preparation goes beyond signing a MoU or preparing the action plan. It involves negotiations and sometimes transactions.

Regulatory Framework

ILGC should be voluntary in most cases, except probably for environmental related issues. It should be based on the real and urgent needs of LGs not because it is imposed by the Law as the revised draft of Law 32/2004 suggested.

ILGC should be seen an alternative way of allocating resources in public service delivery. LG may need to cooperate because they do not have their own resources or because it is more efficient to have shared facility with other LGs due to the economies of scale. Cooperation among LGs is also crucial because the solution often lies beyond the administration boundaries. Imposing ILGC on the adjacent districts or cities will not solve the current problems of ILGC.

5.2. Conclusion

We realize that ILGC is neither an easy subject nor a priority for Local Governments. ILGC is an issue with many possible settings or solutions which involve negotiations and sometimes transactions. It may not be appealing to Local Governments who prefer a generic, fixed setting. At this point of time, ILGC usually "loses" to other issues that are considered more important. Most Local Governments have not seen ILGC as an alternative way of delivering public service. ILGC is all about public service delivery. It is time for the Government of Indonesia and other stakeholders to seriously consider implementing ILGC because ILGC can become an instrument for development to encourage a more effective and efficient allocation of resources. ILGC needs to be developed to manage the externalities of decentralization or political fragmentation. From the national point of view, ILGC can become a tool to reduce the economy disparity in the regions by creating synergy and improve resource allocation.

Taking into consideration that decentralization took place just about 13 years ago, it is worth noting that ILGC in Indonesia are relatively young compared to ILGC in other countries such as the United States of America or countries in Europe. At this moment, Local Governments are still learning to exercise their authority in developing their regions. It will take some time before Local Governments

⁹ Changhoon, Jung and Juchan, Kim.

are willing to give up authority to ILGC institution as a trade in for better public service. There will be time when resources are so scare that Local Governments do not have choices but cooperating with other Local Governments. This is happening with water and solid waste as well as with environmental related issues. These are issues to start from.

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