

The Missing Link

The Province and Its Role in Indonesia's Decentralisation



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Glossary of Terms

Abbreviation or acronym	English	Indonesian
ADD	Village block grant	Alokasi Dana Desa
APBD	Local government budget	Anggaran Pendapatan dan Belanja Daerah
APBN	National government budget	Anggaran Pendapatan dan Belanja Nasional
APPI	The Indonesian Government Planners Association	Asosiasi Perencana Pemerintah Indonesia
Bappeda	Local/provincial Development Planning Agency	Badan Perencanaan Pembangunan Daerah
Bappenas	The National Development Planning Agency	Badan Perencanaan Pembangunan Nasional
BPS	Central Statistical Agency/Statistics Indonesia	Badan Pusat Statistik
BIGG	Building Institutions for Good Governance project	Proyek Membangun Kelembagaan untuk Tata Kelola yang Baik
BUMD	Local/provincial government-owned enterprise	Badan Usaha Milik Daerah
CBO	Community Based Organisation	Organisasi masyarakat
DAU	General Allocation Fund	Dana Alokasi Umum
DAK	Special Allocation Fund	Dana Alokasi Khusus
DKA	Working plan and budget document	Dokumen Kerja dan Anggaran
DPOD	Regional Autonomy Advisory Council	Dewan Pertimbangan Otonomi Daerah
DPRD	Provincial or regency/city council	Dewan Perwakilan Rakyat Daerah
DRSP	Democratic Reform Support Program	Program Bantuan Reformasi Demokratis
DSF	Decentralization Support Facility	Fasilitas Pendukung Desentralisasi
EPPD	Local government performance evaluation	Evaluasi Penyelenggaraan Pemerintahan Daerah
FGD	Focus Group Discussion	Diskusi Kelompok Fokus
GR	Government Regulation	Peraturan Pemerintah (PP)
GRDP	Gross Regional Domestic Product	Produk Domestik Bruto Regional (PDBR)
GTZ	German Technical Cooperation	Kerja-sama Teknis Jerman
GTZ-ASSD	GTZ-Advisory Services Support for Decentralization	Dukungan Penasihat Desentralisasi
HDI	Human Development Index	Indeks Pembangunan Manusia (IPM)
ICMA	International City/County Management Association	Asosiasi Internasional Pengelola Kota/Kabupaten
IDR	Indonesian rupiah	Rupiah
Kab/Kota	Regency/city	Kabupaten/Kota
KDP	Kecamatan Development Program	Program Pembangunan Kecamatan (PPK)
KPPOD	Regional Autonomy Watch	Komisi Pemantauan Pelaksanaan Otonomi Daerah
KPUD	Local/provincial Election Commission	Komisi Pemilihan Umum Daerah
KUA	Budget policy	Kebijakan Umum Anggaran
MDG	Millennium Development Goals	Tujuan-tujuan Pembangunan Millennium
MOF	Ministry of Finance	Departemen Keuangan
MOHA	Ministry of Home Affairs	Departemen Dalam Negeri
MSS	Minimum Service Standards	Standar Pelayanan Minimal (SPM)
MTEF	Mid-Term Expenditure Framework	Kerangka Belanja Jangka Menengah
Musrenbang	Development planning consultation	Musyawarah Perencanaan Pembangunan
NGO	Non-governmental organisation	Organisasi non pemerintah
PBB	Performance Based Budgeting	Anggaran Berbasis Kinerja (ABK)

PDP	People-centered Development Program	Program Pembangunan berbasis Masyarakat
PDPP	Basic Program for Participatory Development	Program Dasar Pembangunan Partisipatif
PERFORM	Performance Oriented Regional Management project	Proyek Manajemen Daerah Berorientasi Kinerja
PNPM Mandiri	National Program for Community Empowerment	Program Nasional Pemberdayaan Masyarakat Mandiri
PTD	Peace Through Development programme	Program Perdamaian Melalui Pembangunan
Raker	Working meeting	Rapat kerja
RIA	Regulatory Impact Assessment	Kajian Dampak Regulasi
RKA	Work and budget plan	Rencana Kerja dan Anggaran
RKPD	Local/provincial government work plan	Rencana Kerja Pemerintah Daerah
RPJPD	Local/provincial long-term development plan	Rencana Pembangunan Jangka Panjang Daerah
RPJM	National mid-term development plan	Rencana Pembangunan Jangka Menengah
RPJMD	Local/provincial mid-term development plan	Rencana Pembangunan Jangka Menengah Daerah
RTRW	Regional spatial plan	Rencana Tata Ruang Wilayah
UNDP	United Nations Development Programme	Program Pembangunan Perserikatan Bangsa-Bangsa
UPP	Urban Poverty Project	Proyek Pengentasan Kemiskinan Perkotaan (P2KP)
URDI	Urban and Regional Development Institute	Institut Pembangunan Urban dan Regional
USAID	United States Agency for International Development	Badan Pembangunan Internasional Amerika Serikat
YIPD	Centre for Local Government Innovation	Yayasan Inovasi Pemerintahan Daerah
YLKI	Indonesian Consumer Protection Foundation	Yayasan Lembaga Konsumen Indonesia

Note on translation

In this report, *kabupaten/kota* is translated as regency/city, regency being a literal translation from *regentschap*, the Dutch word for *kabupaten*. Regency is not to be confused with the colonial-era 'residency' (Dutch: *residentie*), which was composed of a number of regencies and was no longer in use after 1950. The head of *kabupaten*, the *bupati*, is translated as regent. *Kecamatan* is translated as district. *Kelurahan*, which is the urban equivalent to a rural village, is translated as sub-district. Indonesian words, acronyms, and abbreviations are italicised. References, when the original is in Indonesian, are translated into English.

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I. SUMMARY AND INTRODUCTION

Indonesia has undergone rapid political and administrative reforms since the advent of democracy in 1998. An important component of these reforms is the move from a highly centralised form of government to a decentralised structure, devolving increasing functionality to the regency/city level, thereby empowering local authorities and providing greater governmental accountability to the local constituents.

Within a short period, Indonesia devolved key public service provisions to regency/city level, reassigned 2.5 million civil servants, and provided direct accountability of local governments to local constituents.

However, while the process of decentralisation continues to evolve, the current decentralisation scheme is characterised by policy and regulatory inconsistencies.

Challenges of decentralisation

Decentralisation is about governmental hierarchy, accountability, and power structure.

Indonesia's decentralisation design attempts to integrate both administrative and political objectives that are sometimes conflicting. The administrative objective of decentralisation is to provide better public services by shortening the span between government service providers and the local population. The political objective is to provide direct accountability of regents/mayors to their constituents through the local councils and by having direct mayoral/regent elections.

These objectives have resulted in a conflict between lines of responsibility and

accountability. In general, stakeholders agree that the principle of Indonesia's decentralisation is that of a 'decentralised unitary state', meaning power and authorities flow from the central to the local government, rather than the reverse. This principle is currently combined with direct local elections. Therefore, it is not clear who the local governments are answerable to, the national government as the source of functional and administrative power and authority, or the local voters as the source of political power.

Moreover, although the provincial governments have no clear functions, they are needed by the national government to provide administrative monitoring and coordination. However, as provinces do not have administrative power over the regencies/cities, the latter are not answerable to the former and, hence, render monitoring and coordination difficult. This is exacerbated by the lack of provincial financial power over the regencies/cities.¹

Furthermore, although the Government has already passed a regulation in 2007 on the division and sharing of responsibilities across the different levels of government, the actual governmental functions still overlap. It is not yet clear whether functions of policy-making, monitoring, and implementation should be divided or shared and neither is it apparent to whom the local governments should be accountable.

This situation may be jeopardizing the objectives of decentralisation, better public services and accountability.

¹ The province does have a small amount of shared tax and assistance for use by the regencies/cities. However, an example from Gorontalo province shows that for the average regency/city, this provincial transfer amounts to no more than two percent of the local governments' budget (World Bank, 2008a).

Some regency/city governments have used their authority to improve services. However, the quality of services varies greatly across regencies/cities and across types of services.

Reasons for optimism

Despite the above shortcomings, there are reasons for optimism. When put into a larger context, we need to take a fair look not only at what decentralisation has yet to achieve, but also at what decentralisation has not turned into.

First, despite the creation of new regencies and provinces, decentralisation has not led to violent conflict. Contrary to earlier fears, provinces have not served as the loci for separatist tendencies. In fact, provinces can act to address the two main issues with regard to ethnic and separatist violence, which are political and economic disparities. The provincial government is well placed to monitor policies that can reduce inter-regency and inter-personal economic inequalities, as well as to channel political concerns from local communities and regencies to the national government.

Second, despite the transfer of government personnel from the national to the local governments and the creation of new local governments, the bureaucracy has not broken down. In fact, local governments have used their staffing discretion to improve the capacity of the local civil servants through training and educational programmes. However, local civil service improvements are dependent upon a broader civil service reform. Civil service reform is needed to ensure that civil servants are professional, neutral, and impartial. Regulatory, staff-management, and salary-setting functions also need to be separated across agencies and levels of government.

All the above points imply that despite its currently reduced role, the province can still play important functions in the government. This paper attempts to provide recommendations on clarifying and enhancing the role of the province within the context of Indonesia's efforts. However, before proceeding, we need to first see whether there is any room for a provincial role.

Room for provincial role

In the course of the process of Indonesia's decentralisation since 1999, the role of the province has taken a backseat. The euphoria of suddenly acquired autonomy to regencies and municipalities, the contest over resources, and the subsequent direct elections have somewhat overshadowed the role of the province. This has led to the point of several parties questioning the need for autonomy at the provincial level and the relevance of directly elected governors. In fact, some tension has developed around the sharing of power between regencies and provinces.

This paper recognises the importance of re-examining the various roles of the province from different angles:

- as prescribed by the law on regional government;
- as interpreted and implemented by provinces;
- as perceived by local governments;
- as perceived by other stakeholders at various levels.

As this paper will show, this tension also relates to other issues relating to the position, roles, and capacities of the provincial government within Indonesia's decentralisation arrangement.

Policy questions

What are, then, the options available to the Government in order to improve the role of the province?

The first policy agenda is finding a definite answer regarding the dual role of the governor and its consequences on the provincial government. This dual role, the governor as the head of the province as well as the representative of the national government, seems to embody the contradictions inherent in Indonesia's decentralisation. What does it mean when the governor acts as a representative of the national government? Is he/she given power over and above the regencies/cities despite the vagueness in regard to hierarchical position? Is there room to reform this dual role and assign only one of the two roles to the province? What are the consequences, if any, on the constituents of the province?

The importance of this agenda relates to the provision of an effective policy instrument for the province vis-à-vis the regency/city governments, without which the province may not be able to undertake its mandated coordination and monitoring responsibilities. Specifically, what are the policy instruments available to the provinces and how can such policy instruments be used for the provinces to be able to provide an incentive for regencies/cities to comply with a regional development agenda?

Another set of policy questions relates to the planning, budgeting, and monitoring cycle. How can the Government integrate and balance local community's inputs without doing away with long term planning? How can the Millennium Development Goals be integrated into planning targets? How should a shift from resource mobilisation to quality and access improvement be enabled?

Indonesia's decentralisation experience is not without its positive lessons. A number of regency and municipal governments have tried to put in place some governmental reforms, especially in the area of public services, such as pro-poor and pro-gender budgeting, and the one-stop shop business licensing offices. But, isolated reforms depend on leadership personality. How can the government upscale these isolated reforms so that they are practiced more widely? How can the province facilitate the adoption of governance reforms from one regency to another?

The importance of the above issues on the role of the province and the integration of planning, budgeting, and monitoring processes will have direct consequences on the way public services are administered by local governments. What can the province do to improve public services that are mostly under the domain of regencies/cities? The province can play both a direct and an indirect part. Direct assistance can be extended through provincial-level facilities, such as hospitals, and by providing financial and human resources support. Indirect assistance can be provided by the setting of minimum service standards and inducement of better services through the provision of provincial funding.

The role of the province also needs to be brought in to a larger context. The province is a crucial player in reducing both economic and political disparities, which have been the source of discontent between the local and the national governments and can sow the seeds for future conflicts. What role can the provincial government play in setting agendas for the provision of basic services by regencies/cities, provide investment promotions, and facilitate bottom-up policy inputs from the regencies/cities to the national government?

The resolution of these issues will link the ideals of decentralisation to those of economic and political development.

Framework of the paper

In presenting the issues and policy options with regard to the province, this paper is framed around the relationships between four groups of stakeholders: the **Government** (executives, legislatives), **civil society**, the **private sector**, and the ultimate client of each stakeholder, the **communities**.

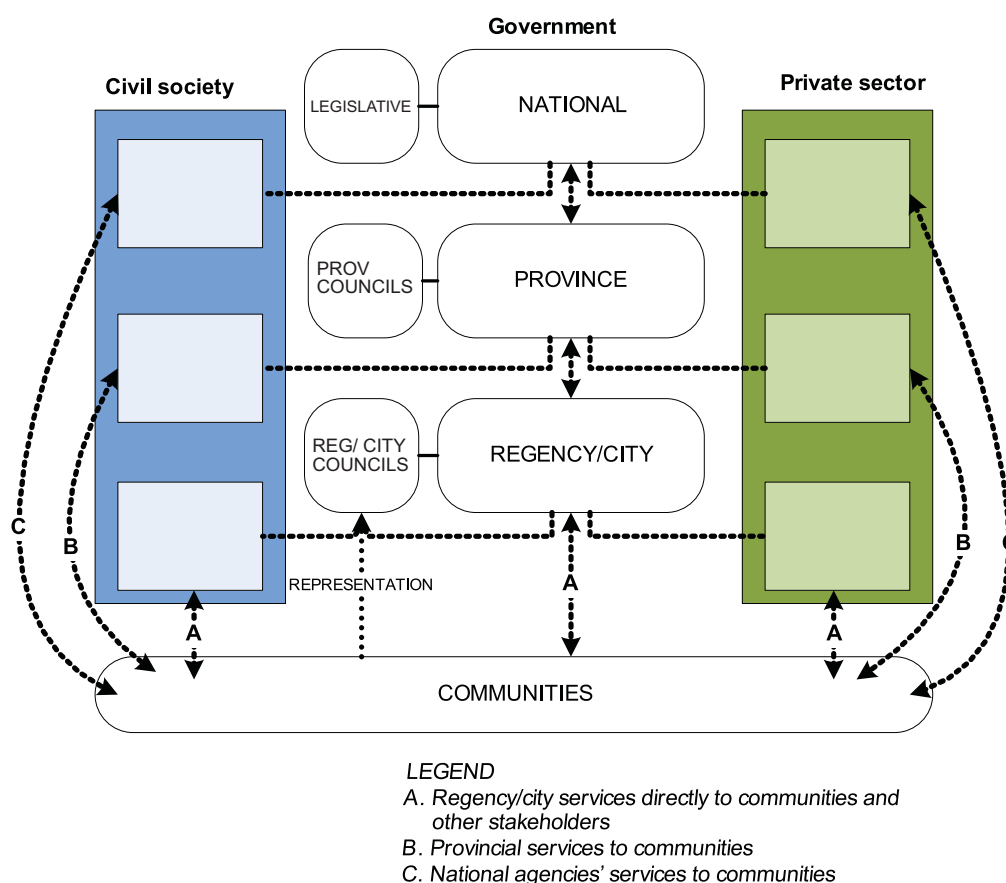
The diagram below illustrates the relationships among these stakeholders. Services by each stakeholder are either given directly or indirectly through other stakeholders. For instance, the local government provides educational services directly through its agencies and teachers or through educational organizations. Similarly, waste collection may be carried out by contractors (A). The same processes can also be implemented directly from the provincial (B) or the national level (C).

The needs, perceptions and resources of each of these stakeholders are not necessarily in sync with each other. Each of the stakeholders at the national, provincial and local levels will be examined here to understand performance and the expected roles of the province.

This paper seeks to identify pertinent issues that may emerge when analysing opportunities, innovations, and gaps in services. It does not try to evaluate performance in governance nor does it attempt to discuss specific issues of civil service reforms, budgetary allocations across the different levels of government and sectors, or any specific regulatory changes needed. These discussions are beyond the scope of this paper, which is limited to a discussion of general policy issues pertaining to the role of the province.

Section II discusses the historical background and regulatory framework of Indonesia's decentralisation. The subsequent section discusses the issues relevant to provincial governance and the last section concludes with a set of policy alternatives.

Figure 1 – Map of stakeholders



II. INDONESIA'S DECENTRALISATION: HISTORICAL BACKGROUND AND REGULATORY FRAMEWORKS

It is important to understand the context in which decentralisation has been undertaken before engaging in a discussion on the role of the province. This section provides the historical and regulatory frameworks relevant to decentralisation in Indonesia, with specific reference to the province.

The decentralisation debate in Indonesia is framed along two lines – the question of national unity versus regional diversity and that of reducing inter-regional inequality.

While decentralisation enables the expression of ethnic and religious diversity, it also brings with it an inherent fear of national disintegration, or more specifically the threat of secessionism and separatism. Since Indonesia's independence in 1945, the question of whether or not to allow ethno-linguistic identities to take political form was answered in the negative and decentralisation in Indonesia has not been able to accommodate these concerns into the political system. Concerns about a threat to national unity were, in fact, one of the main reasons why the focus of decentralisation in 1999 was placed at the regency/city level instead of the provincial level.

The second issue of reducing inter-regional inequality was addressed by reallocating economic resources from the rich to the poor regions under the Soeharto administration. The national government centralised the revenues and redistributed them across all regions. However, this scheme failed to meet its objective and actually resulted in raising, rather than reducing, the level of inequality (Seldadyo, 2008, Akita and Alisjahbana, 2002). Moreover,

this process created resentment among both the resource-rich as well as the resource-poor regions. The former found their residents to be poor despite their natural wealth and the latter continued to feel neglected.² The resentment in resource-rich regions found expression at a national level in the form of political upheavals and separatist demands. The disappointment of the poorer regions was expressed at the local or provincial government level and after 1999 resulted in the creation of new autonomous regencies/cities or provinces.

Thus, the primacy given to national unity and regional redistribution has encouraged various governments of Indonesia to espouse a rather centralistic policy.

The main laws pertaining to policy and regulations on decentralisation are Law no. 32/2004 on local government and Law no. 33/2004 on fiscal equalisation between national and local governments. These laws give power to the local government to manage local affairs and stipulate a large number of sectoral areas of responsibilities to be concurrently managed by the three levels of government. The local government law, however, puts the provincial government at the same hierarchical position as the regencies/cities. It also prescribes a dual role for the governor as the head of the region and the representative of the national government.

Historical background

Despite the centralistic tendencies of its governments, Indonesia's decentralisation has a long history, dating back to the colonial days.

² Tadjoeuddin et al. (2000) found no correlation between regional output (measured by the Gross Regional Domestic Product) and community welfare (proxied by the Human Development Index). One explanation is that income from natural resources is extracted by Jakarta and has no spill-over to the surrounding communities.

The Dutch attempted a federalist approach in 1949 and 1950 by creating mini-states. However, since this was associated with an attempt to divide and recolonise the country, federalism was effectively buried after independence.

During the Soekarno era, under the Temporary Constitution of 1950, two laws were passed in 1956 and 1957 that allowed fiscal equalisation and regional self-government.³ However, in 1959, the President reverted to the 1945 Constitution and the nation went back to centralisation.

Before Soeharto came to power, a new decentralisation law was passed in 1965, which was meant to extend autonomy to local governments.⁴ This 1965 law was, however, used by the new national government to control local governments and was replaced by another one in 1974.⁵ This law gave the national government power over local authorities and is considered to be centralistic (Seldadyo, 2008).

In 1999, the new decentralisation laws⁶ passed during the Wahid administration, transferred power and decision-making authority mainly to regency/city governments, essentially bypassing the provincial governments. These laws were revised in 2004.⁷ Currently, the national government retains only six exclusive areas of responsibilities, which are foreign affairs, defence, (internal) security, justice, monetary and fiscal affairs, and religious affairs. In the areas of health, education, and transportation, the responsibilities are shared with the provincial and regency/city governments. Economic resources are also shared based on the local government's economic contributions.

Box 1 – Types of decentralisation

Devolution, also known as political decentralisation, refers to the transfer of powers or functions from the national government to the sub-national governments. Devolution provides sub-national governments with certain key powers, such as taxation and management of basic services. The main basis of devolution is community empowerment, where local constituents are given the right to govern themselves in order to have control of their own welfare. Devolution is the main, although not the only, element of Indonesia's decentralisation.

Deconcentration, or administrative decentralisation, refers to decentralisation of the national government authorities to sub-national governments or regional branches of national ministries and agencies. In Indonesia, deconcentration is conducted through the provincial government and branches of national ministries/agencies. Deconcentration funding is provided for non-physical activities/authorities, such as coordination, planning, facilitation, training, monitoring, and control.

Delegation is a decentralisation arrangement in which some governmental functions are transferred to sub-national governments. In Indonesia, all sub-national governments are responsible for delivering certain services delegated by the national government. Delegation in Indonesia takes the name 'assistance tasks'. Delegation, or assistance task, funds are provided for physical activities, such as the procurement for assets and the construction of physical facilities.

Sources: World Bank (2005); GTZ Philippines, Konrad Adenauer Stiftung Philippines, Local Government Development Foundation Philippines (2006); GR no. 7/2008 on Deconcentration and Assistance Tasks.

³ Laws no. 32/1956 and 1/1957 (Seldadyo, 2008).

⁴ Law no. 18/1965 (*ibid*).

⁵ Law no. 5/1974 (*ibid*).

⁶ Law no. 22/1999 on Regional Government and Law no. 25/1999 on Fiscal Equalisation Between National and Regional Governments.

⁷ Law no. 32/2004 on Regional Government and Law no. 33/2004 on Fiscal Equalisation Between National and Regional Governments.

Table 1 – Changes between 1999 and 2004 decentralisation laws

Law no. 22/1999: stipulations on provincial authorities	Law no. 32/2004: stipulations on provincial affairs
<ul style="list-style-type: none"> - gives the province authority over inter-regency/municipality areas of responsibilities - province to manage functions that the local governments are not able to conduct - management of functions delegated to the province as administrative region (§9) 	<ul style="list-style-type: none"> - management of 11 mandatory affairs at provincial scale. - management of optional affairs, corresponding to local conditions (§13)
Law no. 25/1999 on Fiscal Equalisation	Law no. 33/2004 on Fiscal Equalisation
<ul style="list-style-type: none"> - governs sharing of revenues between national, provincial, and local governments 	<ul style="list-style-type: none"> - §11 adds stipulations on income tax revenue sharing - accommodates slight changes in sharing of revenues. The province gets about 16% and regencies/cities get about 64% of all revenue sharing including property tax, except for the various mining revenues which are predominantly for the national government
GR no. 25/2000 on Provincial Authorities	GR no. 38/2007 on Distribution of Authorities between Levels of Government
<ul style="list-style-type: none"> - the GR refers to Law no. 22/99 §9: provincial government manages cross regional affairs that are not performed by local governments and delegated administrative affairs of the national government <p>§ 3:</p> <ul style="list-style-type: none"> - the provincial government is responsible for 108 functions in 20 sectors (compared to 202 functions of the central government in 25 sectors); - the provincial government is also responsible for other functions; those that cannot be accomplished by a regency/city 	<ul style="list-style-type: none"> - the GR defines 31 shared areas of responsibilities, to be co-managed by the national, provincial and regency/city governments. Each sector to be regulated by the relevant ministry. <p>Attachments:</p> <ul style="list-style-type: none"> - the GR determines mandatory affairs and optional affairs (optional affairs are those most relevant to local economic and political characteristics); - the GR specifies the possibility of the province to take over or return affairs to local governments.
Minimum Service Standards	(Minimum Service Standards are not yet operational)
<p>MSS applied in the following Ministries:</p> <ul style="list-style-type: none"> -Ministry of Health: MSS on health services -Ministry of Education: MSS on educational services -Ministry of Home Affairs: MSS on general administration -Ministry of Public Works: MSS on roads and water supply 	<p>GR no. 65/2005 provides guidelines for preparation of MSSs</p> <p>MSS applied in the following Ministries:</p> <ul style="list-style-type: none"> -Ministry of Health (2008 update on earlier regulation): MSS on health services, including provision of basic services, referrals, research and prevention -Ministry of Education: MSSs on educational services, teacher qualifications, and standard facilities

Sources: Government of Indonesia, Laws no. 22/1999, no. 25/1999, no. 32/2004, no. 33/2004; Government Regulations (GR) no. 25/2000, no. 38/2007, no. 65/2005

Current regulatory environment

The 2004 laws on regional government and fiscal balance between the national and the local governments set the tone for decentralisation in Indonesia. Box 1 summarises the different types of decentralisation and how they are implemented. The 2004 regional government law elaborated the hierarchical relationships between regents/mayors with the governors and the national government. The 2004 law on fiscal balance governed the distribution of revenues, including sharing of personal income taxes to the province and local governments.

The local council (*Dewan Perwakilan Rakyat Daerah/DPRD*) is still powerful, in that it has to supervise the executives and approve annual budgets. But, important changes have come with the 2004 regional government law in terms of expansion and more explicitly stated areas of responsibilities and functions for the province as a representative of the national government (see Table 1). According to the law, apart from the shared areas of responsibilities, the province, as representative of the national government, will be responsible for the following functions:

- (1) deconcentrated functions of the national government,
- (2) providing assistance to certain national government affairs,
- (3) providing services that are provincial in scale or concern,
- (4) coordinating inter-regencies/cities and cross border or regional affairs,
- (5) taking care of functions that certain local governments are not able to perform, and
- (6) facilitating local governments to carry-out their affairs.

Besides setting the areas of responsibilities, the law also outlines the "mandatory affairs" (*urusan wajib*) for regional governments. Whereas the 1999 law only dedicated a few paragraphs to the province, the 2004 law has provided lists for both provincial as well as local government affairs. However, the designation of shared areas

of responsibilities, including mandatory and optional affairs, is actually based on sectoral responsibilities, such as public facilities, health, education, labour, cooperatives and small and medium enterprises (SMEs), and the environment. Little is mentioned on the actual governmental functions that need to be done by each level of government.

A summary of the government regulations implemented following Law no. 32/2004 that have an impact on the role of the provinces is provided in Appendix 2. About seven of the 11 mandatory provincial affairs in the law are similar to those at the regency/city level leading to considerable overlap in implementation. These relate to the areas of health, education and human resources, environmental control, demography and civil registry as well as the development of cooperatives and SMEs, agrarian services and capital investment.

Overlap is expected, especially when project preparation by the province does not sufficiently involve the regency/city and vice versa. This may not be a problem if there is good coordination between the jurisdictions, one of the main tasks of the province, and there is local agreement on the various scales or areas of responsibility including some necessary overlaps.

The implementing regulation (Government Regulation no. 38/2007) on distribution of authorities between different levels of government stipulates mandatory and optional affairs in more specific terms and even provides attachments with detailed functions in each field. The regulation explains mandatory functions for both the provinces and regencies/cities mentioned in articles §12 to §14. The attachments to this regulation have begun to prescribe the distribution of authorities and affairs but still leave some areas open to interpretation.⁸

⁸ Areas open to interpretation include: education, in which overlapping functions and distribution of responsibilities between the province and local governments over secondary education are not clear; in environment the role of the province is limited to environmental impact control and conservation; on land issues: local governments handle land use and permits, but issues relating to land rights and registration are handled by the national government.

Apart from the 2004 law and the 2007 regulation, a number of other regulations define the role of the province.

Government Regulation no. 7/2008 further specifies the terms of deconcentration and assistance tasks. Deconcentration is defined as "the transfer of authority from the (national) Government to the governor, as the representative of the (national) Government and/or to a local office of a line ministry/agency (*instansi vertikal*)". Assistance tasks, on the other hand, pertain to the assignment of specific tasks by the (national) Government to a region (province or regency/city) and/or to a village; by the provincial government to a regency/city and/or a village; by the regency/city government to a village. Deconcentration and assistance tasks are mechanisms of delegating authority on specific areas of responsibilities from a higher level of the government to the next lower one.

Government Regulation no. 8/2008 establishes the Local Government Performance Evaluation team (*tim Evaluasi Penyelenggaraan Pemerintahan Daerah/EPPD*) and stipulates the procedure for the evaluation of, and determines aspects of, local government performance to be evaluated. Unfortunately, the evaluation aspects do not include performance in achieving certain minimum service standards (MSS) or outcomes relating to the overall quality of life, specifically achievements with respect to the human development index or meeting the millennium development goals.

The *EPPD* team that evaluates the regencies/cities will be headed by the governor. The provinces are also responsible for monitoring the implementation of sector-specific minimum service standards, which are to be drawn by each relevant ministry.

Minimum service standards for the types and quality of basic services that are a part of the regional government's mandatory areas of responsibilities have been introduced since 2002 in the sectors of health, education, and general administration falling under the Ministry of Health, the Ministry of Education, and the Ministry of Home Affairs, respectively. This will be followed by applying minimum service standards to toll roads, which fall under the Ministry of Public Works. Government Regulation no. 65/2005 provides guidelines for the preparation of these standards and assigns the provinces with the task to monitor and guide local governments in meeting these standards. It is important to note that the Government has not passed a specific regulation on the role of the governor or the province.

We now turn attention to the key issues and gaps in provincial governance.

III. Key issues and gaps in provincial governance

There are three problem areas relating to provincial governance: (1) the issues of hierarchical position, governmental roles, and power of the provincial government relative to the regencies/cities; (2) fiscal relations issues, especially in the planning, budgeting, and monitoring processes; and (3) issues relating to the provision and betterment of public services.

Hierarchy, roles of the governor, and power relations

Relationship between provincial and regency/city governments

Although the 1999 decentralisation law did not give the province any authority or 'power' over the local governments, the 2004 law has started to change this.

In the early days after the enactment of the 1999 decentralisation law, regional autonomy has been widely interpreted as freedom from national and provincial interference. The sudden shift to regional autonomy that transferred authorities to regencies/cities in 2000 brought with it an 'egocentric' orientation of the local governments as they had to be accountable to the public and respond to new opportunities, making the local governments even less open to interventions from the national and provincial governments. This has led to some disconnection among the different levels of the government with regard to coordination and accountability. If at all, there is some regard for the national government but not the provincial government since the local governments are still dependent on fiscal transfers from the national government.

The independent Regional Autonomy Watch (*Komisi Pemantauan Pelaksanaan Otonomi Daerah/KPPOD*) considers direct election of local leaders as just one of the causes of the

disconnection between the different levels of the government (Jaweng, 2008). Causes that are more rooted, are: (1) tendency of the national government to impose uniform policies on the local governments, disregarding local context and blaming them for any failure in policy implementation; (2) number and geographic distribution of regencies being too large to be supervised by the national government, demanding an intermediate level of management, and the 2004 decentralisation law does not yet assign a clear authority to the governors; (3) local political turmoil resulting from the newly acquired 'freedom' perceived since 2000.

The 2004 law did give some authority to the provincial government, such as setting and monitoring the minimum service standards (MSS). For example, several provinces have introduced minimum service standards, following the sectoral ministries' guidelines but local governments are generally either not capable of providing the MSS in the short term or are not willing to allocate their resources accordingly.

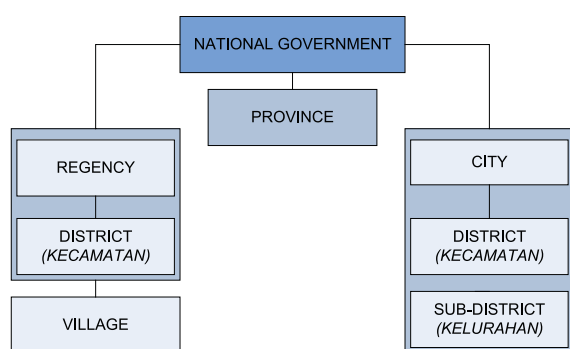
Hierarchy and the dual role of the governor

The decentralisation arrangement in Indonesia places its focus on regency/city government, instead of the larger administrative unit, the province. This places the province in an awkward position since regency/city governments are answerable directly to the national government through the Ministry of Home Affairs. In addition, functions such as monitoring and coordination are given to the province. The province also has the right to ask the regency/city governments to undertake some assistance tasks on its behalf. However, the province is not equipped with sufficient authority to exercise these functions.

This seems to imply that Indonesia's decentralisation is characterised by multiple hierarchies, which are organised by structure, function, funding, and even by areas of responsibilities, which can overlap (see Figure 2).

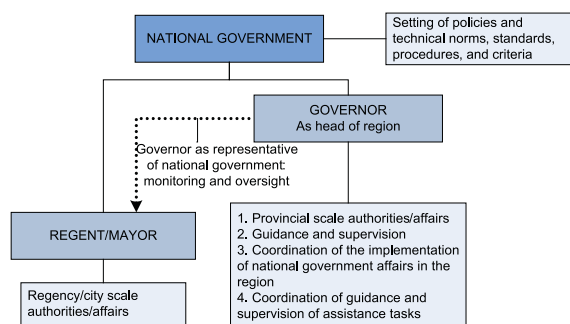
Figure 2 - Multiple hierarchies

2a - Structural hierarchy⁹



Source: Law no. 32/2004

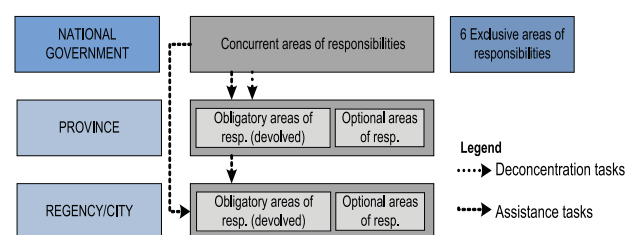
2b - Functional hierarchy



Source: Law no. 32/2004, GR no. 38/2007

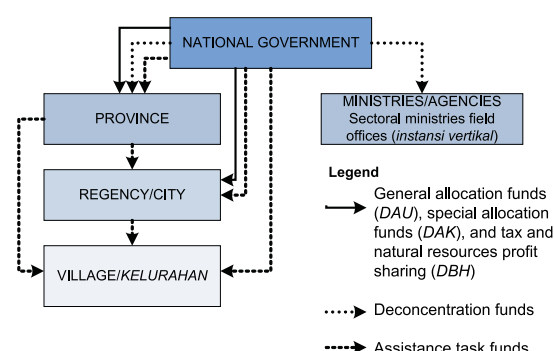
⁹ Districts are considered as part of regency/city governments and heads of districts are appointed by the regent/mayor. Urban sub-district, the *kelurahan*, is also considered part of the city government. The heads of *kelurahan* are appointed by the mayor. Village, although equivalent in level to the sub-district, is, on the other hand, a semi-autonomous entity, whose head is elected by the villagers. Village government is regulated under Law no. 32/2004 and in separate government regulations.

2c - Sharing and division of responsibilities



Source: Law no. 32/2004 and GR no. 7/2008

2d - Fiscal hierarchy



Source: Laws no. 32/2004 and no. 33/2004, and GR no. 7/2008

In terms of sharing and division of responsibilities, complications arise within the 31 shared areas of responsibilities. The Government Regulation no. 38/2007 comes with a preset assignment of functions for these shared areas of responsibilities. However, overlaps still occur. In sharing and division of responsibilities, as well as with respect to fiscal arrangement, there is an apparently different hierarchy between the province and the regency/city. This is because the province has the power to ask the regencies/cities to carry out some assistance tasks (from the 31 shared areas of responsibilities), making the regencies/cities answerable to the province for the conduct of these tasks.

To further complicate the matter, the governor is assigned dual roles, as head of the region and as representative of the national government. As a representative of the national government, he/she is tasked with the functions of overseeing and coordinating the conduct of the regencies/cities within his/her jurisdiction. There are several issues pertaining to this dual role. First, it is unclear when the governor assumes either one of the roles. Second, it is also not clear whether the governor has distinct powers vis-à-vis the regency/city when he/she assumes either one of the two roles. Third, it is not yet clear whether or not the governor should utilise the provincial governmental structure to carry out his/her duty as a representative of the national government.

There are views proposing that the governor should only function as the representative of the national government and not as the head of an autonomous region.¹⁰ While from an administrative perspective this would be efficient and help avoid confusion, from a political perspective this would be difficult to implement, given the current direct election set-up at the province. Administratively, this makes sense, as the governor, and, by extension, the provincial government, will be implementing only national government policies and functions. These are functions delegated upon them through the principles of deconcentration and assistance tasks. Monitoring and control over national projects implemented by regencies/cities within the relative province could be added to this set.

This solution would not change the current hierarchical structure, but it would reduce confusion regarding the role of the province. It is, however, politically difficult to affect. To have the governor function as merely a representative of, and appointed by, the national government would imply a recentralisation of power, even

without a change to the status and power of the regencies/cities.

Areas of responsibilities and deconcentration and assistance tasks

Since the hierarchy issue remains unresolved, it leads to vagueness in the division or sharing of governmental functions and areas of responsibilities.

The delineation of areas of responsibilities is stipulated in Law no. 32/2004 and further detailed in the implementing Government Regulation no. 38/2007. The regulation comes with specific lists for the 31 shared areas of responsibilities (or sectors), detailing the tasks required for each level of government in each sector. The national government retains six exclusive responsibilities: foreign affairs, defence, security, justice, monetary and fiscal affairs, and religious affairs.

To complement this division of responsibilities, the Government also issued Government Regulation no. 7/2008 on deconcentration and assistance tasks. Deconcentration tasks are defined as the conduct of non-physical activities, such as coordination, planning, facilitation, training, monitoring, and control while assistance tasks include physical activities, such as procurement of equipment and construction of physical infrastructure. This regulation specifies the manner in which the higher level of government may delegate authority to the lower level(s). The governor, as the representative of the national government, can receive deconcentration tasks from the national government. This mechanism, however, opens up the possibility of direct programme implementation by national ministries, which may overlap with regency/city and provincial programmes.

¹⁰ Deputy for Public Services, State Ministry for State Apparatus, personal interview, Jakarta, July 2, 2008.

The provincial capital investment budget itself is smaller than the deconcentrated and assisted activities. For the water resources sector alone in 2006, the Central Java province had 172 construction jobs and 41 consultation jobs ongoing in the regencies, totalling IDR 319.8 million. IDR 310.4 million of this was funded through the national budget and IDR 9.4 million was funded from the provincial budget.

The sharing of areas of responsibilities eventually leads to the province being responsible for coordinating and monitoring development programmes within its jurisdictions and integrating the services of some sectors that take place at the provincial level, such as trade, regional transportation, and environment. In these areas, the province may be seen as representing the national government, but at the same time also representing local constituents in advocating these issues to the national government. This is where the hierarchy issue, the dual roles of the governor, and the source of election/appointment of the governor becomes important.

Power relations and policy instruments

Confusion regarding the position of the province and the regency/city leads to complications in power relations between the two. This problem, however, is not only caused by hierarchy, but is also the result of overlap between the constituencies of the province and the regency/city. The credibility of the province to exercise autonomy rests on the presence of provincial-level constituents. This is lacking since there is an assumption that local constituents reside in the regency/city and do not, therefore, constitute provincial level constituents.

However, the presentation of this problem assumes that provinces and regencies/cities are

separate and distinct entities with distinct constituents and no overlapping geography (or rather that the regency/city has geographic territories, but the province does not). This problem ignores the physical fact that regencies/cities are clustered/organised within provinces and, therefore, the solution is not how to recognise provincial-level constituents, but rather how to share constituents that belong both to the regency/city as well as the province. This is not a problem normally identified in other countries because the level of autonomy rests at a larger geographical level or because the arrangement of autonomous hierarchy is clearly set between different levels of government.

In addition, in the current decentralisation arrangement, the provincial government, even in its limited role, lacks an effective policy instrument, one that would provide an incentive or disincentive to regencies/cities. The regency/city governments are fiscally dependent on the national government with an average of 80% of the local governments' budgets composed of general allocation fund transfer from the national government. Thus, technically, the national government, rather than the provincial government, holds the 'power of the purse', which renders the province powerless in its monitoring and overseeing capacity. This power is important for the province especially in its monitoring and coordination roles, so that the planning objectives of the regencies/cities are synchronised with those of the province and their conduct of government complies with standards imposed by the national government.

While currently the province has only a limited fund for use by regencies/cities,¹¹ this situation may change with the mechanism of deconcentration funds.

¹¹ This fund is limited to the provincial assistance tasks that are assigned to the regencies/cities.

Currently, deconcentration funds are directly transferred to the governor as the representative of the national government for use on national government programmes or directly to the local officers of the national ministries' local offices (*instansi vertikal*). However, if the financing mechanism of the deconcentration funds was to exclusively go through the governor, not the local offices of line ministries, this would provide a larger pool of funds to be used by the provincial government.

Planning, budgeting, coordination, and monitoring

Planning, budgeting, monitoring, and coordination should ideally be seen as integral processes. Unfortunately, in recent years, they have not been so. While the planning process is now more open with the Development Planning Consultation (*Musyawarah Perencanaan Pembangunan/Musrenbang*) mechanism, it hardly links to the budgetary process and the subsequent monitoring process.

Planning and budgeting

Bottom-up and top-down process

The *Musrenbang*/Development Planning Consultation processes, installed to induce participation at all levels by all stakeholders, is yet to fulfill its mission. As acknowledged by the Government, up to now the *Musrenbang* has been conducted as a pro-forma or ceremonial process. The issue is how to get more citizen contribution at all levels of the *Musrenbang*: local, provincial, and national (Government of Indonesia, 2008).

The stages of planning that involve the public (starting with '*jaring aspirasi*', or the gathering citizens' aspirations through focus group discussions (FGDs)) need to be institutionalised rather than be conducted on an ad-hoc basis, as was the case until recently. Some steps have

been taken in this direction. For example, a multi-stakeholders forum is being applied regularly by several local governments and has succeeded in inviting citizen input to medium term and annual plans. Some of these are the Depok city forum, the city of Yogyakarta forum, the Bogor regency forum and the Mahkota forum in the city of Tasikmalaya.

A few local governments (but no provinces) have included the *Musrenbang* stages in local regulations, such as a Depok municipal decree scheduling sessions with stakeholders including the city forum and NGOs.

At the village level, with top-down projects or the pro-forma type *Musrenbang* plans, village development has concentrated on building physical infrastructure such as health clinics or local government offices and neglected social sustainability (Krisdyatmiko and Dwipayana (eds.), 2006). While, until the late 1990s, villages have always been a target of investments by the government itself, community empowerment has gradually brought change through such programmes as the National Programme for Community Empowerment (*Program Nasional Pemberdayaan Masyarakat Mandiri/PNPM Mandiri*), KDP (Kecamatan Development Program) and UPP (Urban Poverty Project).

On the budgeting side, the 2008 government regulation on deconcentration and assistance tasks instructs that the indicative budget for deconcentration is communicated to provinces and local governments by the national government not later than mid March when it is also submitted to the National Development Planning Agency (*Bappenas*) to become material for the national *Musrenbang*. Thus, estimates prepared by the provincial governments need to be provided well before March. However, the information on spending on transfers and deconcentration funds is only available to the provincial governments after the closing of the

fiscal year. Estimates prepared by the provinces to be provided to the national government for preparing the indicative budget for the following year are, therefore, not based on actual spending in the previous year, but are based on spending in the year before. The activities to be deconcentrated to provinces/local governments (non-physical)¹² or assisted by provinces/local governments (physical)¹³ will only be known by the governor by the middle of June, decreed by a ministerial decree. In the meanwhile, the local government *Musrenbang* would take place in April and the provincial *Musrenbang* in May. The changes that occur after the deconcentration funds are activated would then be implemented with the necessary modifications and the budget adjusted by September.

This iterative process seems to be unavoidable. However, the time frame set by the regulation is often missed. The most common delay is in the last stage of the local council approval, delayed due to the lack of understanding of the programmes or the lack of political will of the parliament.

Community representation

Generally, representation of communities depends much on the initiatives of non-governmental organisations (NGOs) to organize them and invite them to the *Musrenbang* sessions. However, substantial input is often received from community representatives, especially when sessions are split into small thematic discussion groups before plenary discussions.

The participation by civil society organizations (CSOs) and NGOs has grown significantly since decentralisation. Local government budget formulation and implementation is being monitored by NGOs in various regencies/cities. BIGG in Bandung, for instance, conducts regular reviews of the local government budget and organizes reviews with other stakeholders; Pattiro in Solo published and distributed posters describing every item of the local budget. In the Sukabumi regency, the Performance Oriented Regional Management (PERFORM) project assisted local community organizations to do regular monitoring of the mid-term plan implementation and also helped them organize evaluation workshops inviting the local government.

However, the role of civil society and NGOs can be limited in areas where they do not exist in sufficient number and quality, for example, outside Java. Where they do exist, NGOs and CSOs may not be able to work with the local governments because their positions are in opposition. In some areas, such as Papua, Timor, East Java, and Central Sulawesi, religious organisations play a more dominant role in civil society and can be utilised in coordinating budget planning processes at the community level (Juliani, 2007).

The private sector (mostly the local Chamber of Commerce) is usually well-represented in local planning, if invited. At the regency level, issues brought forward tend to be narrow in content, while the bigger decisions are discussed outside the forum. Involvement at the provincial level should be more significant as associations are usually located in the provincial capital.

¹² Government Regulation no. 7/2008, §20: non-physical activities funded through deconcentration funds include coordination, planning, facilitation, training, monitoring, and control.

¹³ Physical activities to be funded through the assistance task mechanism include: procurement of equipment and buildings, network, and other

Synergy with non-governmental stakeholders at the provincial level

If there is participation of communities, civil society and the private sector in the governance process, it mostly occurs at the planning and budgeting stage, as required by the regulations.¹⁴ While the question of how to engage the non-government stakeholders is not fully resolved, it is even more challenging at the provincial level: who should represent communities, civil society, and the private sector and how can they contribute actively and be accountable to their constituents?

Efforts have been made to involve associations of various stakeholders that have representation at the provincial or national level, like farmers, the Chamber of Commerce and professional associations, but there is no continuity yet in communication with respect to gathering aspirations, reporting, organization, and evaluation between the grassroots level and the representatives. However, efforts to address this problem may not lie in identifying province-level stakeholders, but rather in better linking village, district, and regency/city *Musrenbang* results to the provincial *Musrenbang*.

Involvement of local councils in the planning and budgetary processes

Local councils play an important role in local politics. As representatives of the local constituents, local councillors can provide checks and balances to the regent/mayor. They can also push reform agenda as demanded by their constituents. However, local councillors have not used their power for these purposes.

Instead, the well-known excitement after the introduction of the 1999 decentralisation law has led to a somewhat aggressive attitude of local councils and, in a few others, collusion and corruption with the executive branch of the local governments.

The lack of understanding of current issues and the budgeting process among councillors has also led to delays in the planning and budgeting process and changes to the local budgets, deviating from the initial commitments made with stakeholders.

At the same time, however, the capacities of council members have been improving as a result of various capacity-building programmes. In fact, several more 'advanced' councillors have used their rights to initiate local regulations (*hak inisiatif*).

Even though the capacity of councillors has shown some improvement, the public continues to be sceptical of them since they are believed to forget their electoral promises once they are elected and generally lose contact with their constituents. This was one important reason for the emergence of non-party independent representatives. The provinces as well as the local governments would perform significantly better if the councils were willing and capable of actively pursuing the interests of their constituents and not limit their involvement to formal "public hearings" with a pre-determined agenda. Mechanisms like non-partisan citizen forums or systematic surveys to find out the aspirations of the people are seldom utilized by the local councils.¹⁵

¹⁴ See Law no. 25/2004; Minister of Home Affairs Decree no. 29/2001

¹⁵ Though invited, council members often do not attend multi-stakeholder forums, or if a few do, they do not do so in their official capacity. Some examples include the Forum Kota Madiun or Forum Mahkota/Tasikmalaya held during the Performance Oriented Regional Management (PERFORM) project (RTI, 2005; Green, 2005).

**Table 2 - Financial resources of
regency/city governments, 2001 and 2008**

Revenue sources	2001 (avg of 273 regencies/cities)	2008 (avg of 434 regencies/cities)
Own revenues	6.65%	6.28%
Revenue sharing (tax, natural resources)	13.21%	25.01%
General allocation fund (<i>DAU</i>)	69.63%	57.77%
Special allocation fund (<i>DAK</i>)	0.61%	6.82%
Other Gol/provincial transfers	2.93%	4.12%
Balance from previous year	6.97%	
Total income	100.00%	100.00%

Sources:

- Ministry of Finance's staff research data for PERFORM project, 2002
- Directorate General of Fiscal Balance's website, Ministry of Finance
- Law no. 16/2008 on revision of Law no. 45/2007 on the 2008 annual government budget

Fiscal equalisation

Despite fiscal decentralisation the local governments are still dependent on the national government for their budgetary needs.

In 2001, the regencies/cities managed to finance only 6.6% of their annual budget from their own revenues (see Table 2). The remaining income was received from transfers, mainly from the proportionally allocated general grant (*Dana Alokasi Umum/DAU*) and other transfers including earmarked allocations (*Dana Alokasi Khusus/DAK*) and sharing of taxes, and those from natural resource exploitation. A large proportion of the local budget still comes from the national level: most taxes and duties, a large part of mining, forestry and exploitation of other natural resources, and a part of property taxes. This implies that only a small portion of the local government's budget is really under their own control. The larger part is under the control of the national government both in terms of scheduling transfers and the volume of these transfers, and partly in utilisation.

This picture tends to be even more skewed if the national and provincial budgets are included. Any implementation by the national or the provincial government takes place in the regency/city or 'on the ground'. Having a large national budget means that more than 60% of the total activities taking place 'on the ground' are partly implemented by the national agencies and partly by the provincial and local

governments through the deconcentration and assistance task (*pembantuan*) mechanisms. Therefore, these activities are not within the full control of the local governments. In fact, some affairs are not touched by the local governments at all while there are others that lack coordination with the provincial and national governments. Land affairs, for example, are highly centralized. The large state-owned enterprises, the port authorities, and the military have little coordination with local governments. In addition, national ministries or institutions may carry out activities directly in the regions, apart from deconcentration or assistance tasks (on the condition that they provide quarterly reports to local governments/provinces, in accordance with GR no. 39/2006 §18).

There are valid reasons for keeping some budgetary allocation authority at the level of the national government since there is considerable disparity among regencies with respect to natural wealth and geographic location. Moreover, the local governments lack the capacity to allocate funds. However, the national governments might be holding a far larger amount than necessary as they may be unwilling to let go of some of the national government's projects in the regions.

With regard to laws relating to the provinces, Law no. 33/2004 on Fiscal Equalisation appears to be almost similar to its 1999 predecessor (Law no. 25/1999).

For example, of the general allocation fund, provinces continue to get 10% of the total. However, one important change stipulated by article 108 of Law no. 33/2004 is to gradually transform deconcentration funds at the level of the national agencies, into special allocation funds. This appears to be happening as seen in the significant increase of *DAK* (see Table 2).

Another change relates to the use of performance-based budgeting (PBB) in order to increase accountability as stipulated by the Ministry of Home Affairs' Decree no. 29/2002. While initially local governments faced problems in adjusting to this change, the use of PBB has had positive effects in defining activities, performance indicators, targets, and the use of unit cost data and accounting codes.¹⁶ In addition, in some regencies/cities e-budgeting has replaced manual accounting, facilitating the work of the local government officials.¹⁷

Village budgets

The village role in governance is discussed in Government Regulation no. 72/2005 under which 10% of the regional taxes and user-charges revenues are to be redistributed to the villages. However, the form of distribution is not clear. Several local governments have initiated block grants (*Alokasi Dana Desa/ADD*) with their own interpretations and proved that villages are capable of planning and managing their own projects provided the processes include active participation of villagers.

The province has the authority to delegate several tasks to the village under the assistance (*tugas pembantuan*) principle.¹⁸ Therefore, the province has channels available to directly deal with villages not only to carry out provincial

tasks like irrigation or environmental protection, but also to support their development.

Continuity and consistency in planning and budgeting

From the above discussion, it follows that provinces as well as local governments tend to face uncertainty when preparing their annual plans and budgets. Thus, it is not surprising that many local governments and provinces replicate their old agenda with new terminology.

The *Musrenbang* is, in general, not highly regarded by common citizens as in the past these have usually become an exercise of the village elite, resulting in programmes that did not answer communal needs.

However, a different kind of *Musrenbang* has emerged with the growth of multi-stakeholder fora and new methods introduced to local governments through village grants and other programmes requiring village consultations like the Basic Program for Participatory Development (*Program Dasar Pembangunan Partisipatif/PDPP*, Directorate General of Regional Development, Ministry of Home Affairs) or donor-supported programmes like the Kecamatan Development Program (KDP, *Program Pembangunan Kecamatan/PPK*) and the Urban Poverty Project (UPP, P2KP). Still, a recurrent problem is the continuity of processes, where consensus on priorities is not maintained by local councillors or the Budget Committee because of other intervening interests or a lack of understanding. When the results of the *Musrenbang* are eventually submitted or reported each quarter¹⁹ to the province, the contents may have changed substantially.

¹⁶ See also BIGG experience (ICMA, 2003).

¹⁷ Sleman, Pacitan and Probolinggo regencies have introduced e-budgeting. In the city of Depok e-budgeting has been introduced by the projects BIGG and PERFORM (ICMA, 2003 and RTI, 2005).

¹⁸ See GR no. 38/2007, §16

¹⁹ According to GR no. 39/2006, the technical agencies/departments of the regency/city have to submit quarterly reports through the regent/mayor to the governor.

Table 3 - Sub-national governments' span of control, 2001 and 2008

Sub-national units of government	Number of sub-national units of government	Average ratio of span of control
Provinces	33	33 provinces : 1 national government
Regencies/cities	489	14.8 regencies/cities : 1 province
Districts	6,357	13 districts : 1 regency/city
Villages	75,411	11.9 villages : 1 district

Source: calculated based on BPS - Statistics Indonesia, March 2008

Box 2 - Governmental planning and budgeting documents

Planning documents

- Long-term development plan (*Rencana Pembangunan Jangka Panjang Daerah/RPJPD*)
- Mid-term development plan (*Rencana Pembangunan Jangka Menengah Daerah (RPJMD)*)
- Local/provincial government working plan (*Rencana Kerja Pemerintah Daerah/RKPD*)
- Mid-Term Expenditure Framework (MTEF)
- Regional Spatial Plan (*Rencana Tata Ruang Wilayah/RTRW*)
- Departmental/agency work plans (*Rencana Kerja Satuan Kerja Perangkat Daerah*)

Budgeting documents

- Budget policy, priority, and ceiling (*Kebijakan Umum Anggaran/KUA, Prioritas dan Plafon*)
- Working plan and budget (*RKA*)
- Local/provincial government's budget (*Anggaran Pendapatan dan Belanja Daerah/APBD*)
- Working plan and budget document (*DKA*)

Source: drawn from USAID-DRSP (2006), Box 10, p. 86.

Another issue with planning is the consistency across different planning documentations. The local governments have the burden of drafting a number of planning and budgeting documents (see Box 2). Although these documents have been initiated with certain

reforms in mind, such as performance-based budgeting, pro-poor and pro-gender planning and budgeting, these innovations lack coherence and stretch governmental resources (USAID-DRSP, 2006).

Coordination

Coordination with local governments is a regular activity of each provincial agency or department, especially those in charge of the management of basic services within each sector. Provinces need to play a crucial role in coordination, particularly in areas of regional development and spatial or land-use planning, environmental issues, transportation²⁰ and disaster mitigation. In these areas, individual local governments would not be able or equipped to deal with potential problems.

National concerns also need the intermediary role of provinces in assisting with implementing national policies and programmes, with the governor as the representative of the national government. Without the support of the provinces, the national government would have to deal with 489 regencies/cities on its own (see Table 3).

However, not all implementation decisions relating to cross-boundary matters depend on the initiative of the province. In fact, there are numerous examples of inter-jurisdictional coordination and collaboration that do not involve provincial intervention.²¹

²⁰ A frequent complaint by the private sector is the high cost of permits and transporting goods resulting from confusing regulations that differ among local governments, thus needing the provinces to coordinate and bring clarity across these different governments (The Asia Foundation, 2008).

However, there are potential areas of inter-jurisdictional conflict that need the province as mediator such as in the case where city solid waste disposal sites are located in the neighbouring regency or when a water source and treatment site is located in a regency but serves the neighbouring city.

Monitoring

Involvement of non-government stakeholders in monitoring

Public participation is much less apparent in government programme preparation and design stages and is least apparent in monitoring and evaluation.

Though remarkable efforts have been made by several local governments in engaging other stakeholders in the planning stage, little has been done in terms of actual implementation.

At the village level, however, there is much more participation right from the planning to the implementation phase. This includes community self-surveys, organization of teams for project design and proposal preparation, implementation, and supervision. One of the government's initiatives in this area is community-driven development processes called the National Program for Community Empowerment.

²¹ As an example, one often quoted good practice is the collaboration between the regencies of Banjarnegara, Purbalingga, Banyumas, Cilacap and Kebumen, called "Region Barlingmascakeb" since 2002. Initially this association was supported by the UN Partnership for Governance Reform, which provided a professional manager for their joint-secretariat. In this setup, local agricultural products could be jointly auctioned to large supermarket operators.

According to GR no. 50/2007, local governments now need to get advice from the national government before embarking on such partnerships.

Regulatory monitoring

One of the aspects that came to the fore after decentralisation came into effect was the sudden passing of a large number of local regulations, many of which were drafted to introduce new local user-charges to increase own-revenue sources.

The Decentralisation Support Facility (2002) noted that, "... the way districts (regency)/cities have made use of their increased discretion is also troubling to the central government, particularly with respect to resource mobilisation from citizens and the private sector. The central government maintains that inter-regional trade is being impeded by these actions, and the overall investment climate in Indonesia has been affected."

It was realized that many local regulations became a threat to the local economy by increasing business and transaction costs to both businesses and consumers. In addition, these new local regulations were also in conflict across regencies/cities, confusing the public and adding extra costs.

Some efforts have been introduced by donor agencies²² and the Ministry of Home Affairs to improve the quality of both the regulatory process itself and the regulatory outputs. This has been done by opening up the regulatory drafting process both to the public and to the relevant experts. This way, objections to draft regulations that would burden businesses and the community, can be captured prior to the approval of the regulations.

²² GTZ, the Asia Foundation, and the Regional Autonomy Watch have introduced the Regulatory Impact Assessment (RIA) method in select regencies/cities.

The provincial government is responsible for evaluating local regulations (though it cannot reject or approve them). However, the evaluative capacity of the provincial government is yet to be developed. Approval and rejections in some regulatory areas, such as local taxation and user-charges, need to be obtained from the relevant national ministries, primarily the Ministry of Home Affairs and the Ministry of Finance.

Budgetary allocations and MDG achievement

Allocation of resources

The local government is overburdened with bureaucracy, not leaving much space for efficient services and investment expenditures. Table 4 illustrates the situation for 2001 and 2005. The challenge for local governments is to increase efficiency of the bureaucracy and free more resources for investment in public services.

A part of the regency/city overhead budget is related to the amount of services that are executed by the local government itself with their in-house equipment and personnel. Besides staff education, which is a large part of the general allocation grant, operation and maintenance of various services are conducted by local agencies, usually at a low level of efficiency.

Achieving MDGs

Meeting the MDGs requires special attention to disparities among regions and population groups within the province. The province is expected to perform a distinct role here in pushing local governments for long-term sustainable solutions instead of focusing on short-term interests. The short or medium-term horizon of the local government chiefs, with their 5 year tenure, sometimes becomes an obstacle to the attainment of long-term goals. Local governments need to define their minimum service standards and at the same time put the MDGs on their agenda along with selecting priority areas of investment. Two such areas that need provincial involvement are education and health.

The province can play an important role in meeting current educational challenges. The national government has already set itself a target of 100% enrolment rate at the primary school level and 98% enrolment rate at the secondary level by 2009. However, despite past successes in providing primary education, access has become a problem for students pursuing secondary level education, where the net enrolment rate was only 65% in 2004 (World Bank, 2006). As the problem with secondary school availability cuts across regencies/cities, the province can coordinate access to secondary schools as students are bound to come from different regencies/cities.

Table 4 - Distribution of regency/city expenditures, 2001 and 2005

Expenditures (pct of total expenditures)	2001	2005
Operational	69.69%	63.48%
Personnel	49.80%	44.82%
Equipment / Goods	7.55%	6.43%
Others	12.33%	12.22%
Investment	30.31%	36.52%
Transportation	7.97%	0.50%
Staff development and supervision/Government general administration	4.15%	12.97%
Education	3.37%	3.70%
Regional development and settlements/Public works	2.84%	12.80%
Trade, cooperatives/Industry, trade, mining	2.05%	0.46%
Other (15) sectors	9.94%	6.09%
	100%	100%

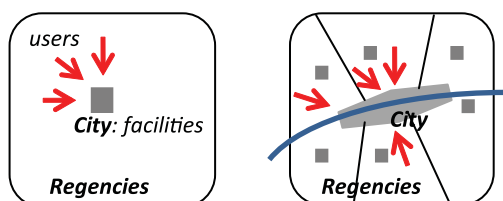
Source: Ministry of Finance staff research for PERFORM project, 2002; World Bank, 2007

The Health Ministry stated that the Government had cut malnutrition from 5.1 million in 2004 to 4.1 million cases last year and nearly quadrupled its spending on improving toddlers' nutrition from IDR 175 billion (US\$19.34 million) in 2005 to IDR 600 billion in 2007, with the bulk of the money controlled by regional governments (Jakarta Post, 7 April, 2007). However, Indonesia still faces the problems of low level of access to and quality of healthcare. Although healthcare facilities have increased in the past, utilisation has remained low (World Bank, 2006).

Cross-boundary overlap between regions

There is an overlap in the provision of many basic services across regencies or cities. For example, pupils from rural areas often attend schools in the city (see Figure 3), so that educational outcomes are a result of resources contributed by more than one jurisdiction. There is also a tendency for services to be concentrated in urban locales. Teachers, for example, prefer to work in urban areas. Similarly, health facilities are often concentrated in urban areas.

Figure 3 - Concentration of facilities in urban centres



This trend points to the need to distribute facilities more equitably across regencies. The province can play a role in encouraging the investment of private capital in urban locations, while providing additional resources for the rural areas.

Monitoring MDG achievements

Although the province is not directly responsible for health, education, and poverty programmes, it can coordinate the tracking and monitoring of developmental targets. For example, UNDP's People-centred Development Programme has

been successful in developing MDG data collection tools for the provincial governments in Papua and West Papua. The programme also helped the provincial governments to recruit MDG facilitators and establish resource centres to assist the regency/city governments.

However, MDG-directed assistance, facilitated by the provincial government, needs to be continuous and long-term in nature. Both provincial and regency/city governments also need to partner with civil society and religious organisations since they work at the grass-roots level and have the capacity to support local communities (West Papua Provincial Government, 2007).

Public services and governance innovations

The lack of clarity in the position and power of the province, as well as the problems in the planning, budgeting, and monitoring processes, can negatively impact services for the local communities that the provincial and the regency/city governments are supposed to serve.

This section looks at services that provinces provide and governance innovations that have been tried by local governments.

Governance innovations through public service improvement

Governance innovations within the framework of Indonesia's decentralisation take place under the guise of public service improvements. Public service betterment, such as business licensing services and planning for basic needs provision, have the final objectives of improving institutional mechanisms, such as reducing corruption, opening up the regulatory-mechanism and planning and budgeting processes.²³

It is interesting that innovations in governance mostly occur at the regency level. Numerous good practices have been spotted at the local government level, sometimes even in spite of

uncooperative provinces (see Box 3).²⁴ This may be related to the direct interface with citizens at the regency level, where urgencies become apparent in a timely way as do outcomes and rewards. These increase exponentially as soon as communication improves.

Box 3 - Select governance innovations

Many local regency and city governments have tried and adopted, independently or through third party assistance, various governance innovations. In Madiun, the regent and his staff conducts direct meetings in villages with local community members to identify specific problems and the way to resolve them. In Karanganyar, the local government introduced a mobile land certification office to visit and serve remote villages. In Gorontalo regency, the regent introduced a 'mobile government', where he and his staff move to the different district offices every two weeks and makes himself available to meet local villagers. Many regencies and cities have also introduced simplified business licensing services.

Source: Deputy for Public Services, State Ministry for State Apparatus, personal interview, Jakarta, July 2, 2008.

Local government innovations have been possible where there is strong leadership.

However, the quality of these innovations tends to deteriorate once the strong mayor/regent is replaced. The sustainability of these governance innovations is, therefore, dependent on other factors, such as the legal foundation and a clear role of the province.²⁵

Civil society

Civil society organizations have played a key role in innovations and, in many cases, have done the legwork for promoting ideas to the local government (and finding sponsors/donors). A drawback is that NGOs rarely have the ability

to sustain innovation with maintenance and mainstreaming, usually due to resource constraints.

Academic institutions have a potentially high capacity to provide professional services and have more flexibility to participate, though usually also constrained by limited resources. In addition, the theoretical character of academic input needs to be balanced with adequate exposure and commitment to ongoing practice.

When dealing with responsive local governments, NGO initiatives have produced interesting breakthroughs. For example:

- local NGOs organizing community-based organizations and encouraging them to participate in local multi-stakeholder forums (Bogor, Depok, Pacitan, Tasikmalaya);
- budget transparency and monitoring: Pattiro producing local government's budget posters in Solo, BIGG's public discussions on the local government's budget in Bandung.

Although these innovations are encouraging signs of the successes of the successes of decentralisation, it is important to note, however, that local governments and NGOs lack the capacity and resources to scale-up these innovations. The provincial government is better placed to spread these experiences to other regencies/cities. However, the initiatives of the province in this regard are far from uniform.

Some provinces are more active than others, such as Central Java in business development. However, many others lack the human resources as well as the capacity.

The next section concludes by summarising the key policy issues and different policy alternatives available to the Government, especially with regard to the position and role of the province.

²³ "Decentralisation itself, with focus on public services, is expected to produce public accountability and transparency, and, eventually, less corruption." (Deputy for Public Services, State Ministry for State Apparatus, *op. cit.*)

²⁴ Solok, Kebumen, Sleman, Solo/Surakarta, Sukoharjo, Rembang, Parepare, Bulukumba, Jembrana, or Tarakan, each with their own innovations are already familiar.

²⁵ Deputy for Public Services, State Ministry for State Apparatus, *op. cit.*; Director of Regional Affairs, Ministry of Home Affairs personal interview, Jakarta, July 1, 2008.

IV. POLICY OPTIONS

This section attempts to bring out the key issues of decentralisation with specific reference to the role of the province. The section also provides policy alternatives and trade-offs that policy-makers could consider.

Defining the role(s) of the governor and identifying policy instruments

The dual role of the governor and the power limitations faced by both the governor and the provincial government are the first two problems to be tackled. These include being more specific with regard to the dual role of the governor, about having an effective power relative to local governments, and regarding the provision of resources for the governor and provincial government to carry out their tasks.

The first set of policy options concerns the functions that are to be carried out at the scale of the province. These options include:

- a) Full devolvement of functions to the provincial government structure (provincial government and council);
- b) Deconcentration through field offices of the national ministries/agencies;
- c) Deconcentration through the governor as representative of the national government;
- d) Assistance tasks to either the provincial government or the governor.²⁶

These options have different consequences, all of which are important. Option (a) would imply that the governor would only act as the head of an autonomous province and relinquish his/her role as the representative of the national government. This would, in turn, mean that the national government would have to undertake monitoring and coordination functions on its own.

Option (b) would mean that no deconcentration task will be managed by the province (as some are today). Deconcentration tasks will only be handled by national ministries/agencies. However, this also means that the organisational structure of the national ministries/agencies will continue as it is now.

Option (c) would involve the governor functioning mainly as the representative of the national government in the region. There are also suggestions that the governor should undertake this role exclusively and not act as the head of an autonomous region. This also means that organisational and personnel resources would need to be transferred from the national to the provincial government. The national government would then be responsible only for policy-making.²⁷ However, this entails a trade-off whereby the governor will not be elected but appointed by the national government or the President.

Option (d) suggests that the province handles only the assistance tasks from the national government, and no deconcentration tasks, i.e. no non-physical authorities such as planning coordination, facilitation, training, monitoring, and control.

The above options also point out the need to clearly set out the use of a budgetary power, especially when the provincial government is not structurally placed above the regencies/cities. The experience from the special autonomous provinces of Papua and Aceh may provide lessons for this kind of set-up. This budgetary power is important for the province or the governor to be able to provide incentives and disincentives for the regency/city

²⁶ Ferrazzi, Gabriele, GTZ-ASSD, personal interview, Jakarta, July 1, 2008.

²⁷ Deputy for Public Services, State Ministry for State Apparatus, *op. cit.*

governments to improve the quality of their public services²⁸ or to comply with national rulings and standards.

Integrating planning, budgeting, and monitoring

The development planning and budgeting processes in Indonesia may be considered open with different layers of the community participating, starting from the villages to the national level. However, the process is not perfect and can still be improved.

First, there is a need to manage local communities' expectations and balance local needs with a national planning agenda. The failure to strike this balance may render the *Musrenbang* process less credible. But, improvement on the planning process requires a lot of field work and simply expecting villagers to understand planning methodology will not enhance the process. A number of donor assistance programmes on *Musrenbang* and participatory budgeting processes have been successful. The challenge in the future is how to replicate these programmes to other regencies/cities and even across the country.

Second, there is another challenge in how to involve local communities in the monitoring of developmental programmes. One aspect of monitoring may involve oversight of the use of public funds, i.e. corruption, but also, increasingly, the quality of public infrastructure and services. A broader question is, therefore, how to link up public monitoring of government services with the planning and budgeting targets?

A third and related policy question is how to integrate human development and MDG targets and indicators into the Government's planning, budgeting, and monitoring of development

programmes and service delivery. Although the national government has ascribed to the MDGs, MDG achievement varies across the country. The provincial government can play a role in coordinating planning and resources across the province to work towards MDG achievement. Again, this has been done in select provinces benefiting from donors' technical assistance, notably Papua. However, such efforts need to be sustained over a longer period.

With regard to MDG achievement and meeting human development challenges, the Government and local communities need not only ensure that governmental social spending is increased, but also that these expenditures go to second-generation programmes, such as bettering the quality of education and health facilities and personnel and improving access to secondary education and health facilities. The use of human development and MDG targets and indicators could help link the analysis of social spending with the assessment of actual results and impact that social programmes have on local communities.

Finally, there is the issue of coordinating planning and monitoring of development initiatives across levels of government. The current budget mechanisms, with deconcentration and assistance tasks, give room to national ministries/agencies to undertake direct implementation of development activities. However, if these are not coordinated with the regency/city- and provincial-level planning and monitoring processes, the results could conflict with local and provincial priorities.²⁹

The use of human development and MDG targets and indicators could help link the analysis of social spending with the assessment of actual results and impact that social programmes have on local communities

²⁸ Director of Regional Affairs, Ministry of Home Affairs, *op.cit.*

²⁹ Head of Regional Development Planning Agency, Gorontalo Provincial Government, personal interview, Gorontalo, August 5, 2008.

Replicating governance innovations through the province

The above two policy issues will impact public services at both the provincial and the regency/city levels, which is the goal of decentralisation. Currently, the governor is already responsible for tasks such as coordination and monitoring. The effectiveness of such tasks will be dependent on a clear definition of provincial roles and functions and the integration of planning, budgeting, and monitoring of development programmes in the province.

The first policy issue to consider in this regard is related to the kind of services the province can provide directly to the public and the kind of services it can induce through the regency/city governments. Direct services can be provided by the provincial government in some areas such as provincial hospitals and the construction of provincial roads. However, many basic services are provided by the regency/city governments and the provincial government can only improve these services indirectly by setting standards and monitoring their compliance. This is one way for the province to reduce service imbalances among regencies/cities.³⁰

Another policy issue concerns the sustainability and scaling-up of governance innovations to public services. Few local governments have managed to install governance innovations and improve their public services in areas such as transparent budgeting and business licensing. However, the challenge is how to take these reforms to other regencies/cities and make them sustainable. The policy options in this regard are not very obvious. The obvious way to scale up reform is by fiat, requiring all regencies/cities to

adopt such a reform. However, if such a regulation is put in place without improving the capacity of local government officials, the regulation will only fall into disregard. Institutionalising reform by passing a local regulation is, however, possible in regencies/cities that have undergone specific reform programmes prior to the enactment of a fiat. But, sustainability of governance reforms is also dependent on the participation and involvement of local communities.³¹

In stimulating governance reforms and improving public services, there is also a balance to be struck between controlling bad governance and allowing creative space for governance innovations.³² National regulations can provide overall guidance and sanctions for abuse of office, but can also provide incentives and space for local governments to improve their services.

Since the bureaucracy is the provider of public governance and services, a key element to improving public services and governance relates to bureaucratic reform. Not only does this mean better remuneration to reduce corruption, but also making the civil service professional and politically neutral. A bigger challenge within a bureaucratic reform is changing the mind-set of civil servants and instilling the idea that clean and quality public services should not be a luxury to the community.

Broader policy frameworks: political and economic disparities

Future decentralisation policy needs to be linked to two underlying developmental issues in Indonesia - economic and political disparities.

³⁰ Director of Regional Affairs, Ministry of Home Affairs, *op. cit.*

³¹ Deputy for Public Services, State Ministry for State Apparatus, *op. cit.*; Director of Regional Affairs, Ministry of Home Affairs.

³² Deputy for Public Services, State Ministry for State Apparatus, *op. cit.*

The province can help reduce economic disparities through its role as coordinator, whether in the planning, budgeting, or monitoring stages. By coordinating province-wide economic planning and integrating human development targets, the province can ensure that all the regencies/cities extend the minimum social services and achieve developmental targets in health, education, and welfare.

The second important role for the province to play is to act as an intermediate policy channel in a new bottom-up policy process. In a democratised, decentralised, Indonesia, we are already seeing a different approach to policy-making. The private sector, civil society, and local communities demand that their concerns be heard and accommodated. However, on issues of national importance, the voices of scattered groups may not carry import. The province is placed strategically to pool common concerns that cut across regencies/cities and address their implications on particular provinces and take these concerns to the national government. By doing so, a province can highlight why and how a particular issue is important for the province and request a particular policy approach by the national government.

In addressing these two disparities, the provincial governments can, however, learn from each other. There are already some initiatives to cultivate cross-provincial knowledge sharing on common governance and governmental problems and innovations relating to their economic and policy roles. By doing so, not only lagging provinces can learn from the better performing ones, but they can also reduce the gap in inter-provincial economic and political achievements.

Reducing economic and social disparity and providing a bottom-up policy channel will be an achievement of the overall decentralisation process and contribute to managing conflicting interests and diffusing potential violence, economic or political, in a highly diverse country such as Indonesia. These two broad issues also point to a fundamental decentralisation problem, which is how to push for a nation-wide development agenda and still take into account regional differences. Understanding these regional diversities is important to the future of Indonesia's development and the province is the obvious catalyst in balancing national priorities and local concerns.

Appendix 1 - Number of regencies/cities, size, and population, by province, 2006/2007

No.	Provinces	Number of regencies (2007)	Number of cities (2007)	Total number of regencies/cities	Size (kmsq., 2006)	Population (2007)	Population density (pop/sqkm)
1	Nanggroe Aceh Darussalam	18	5	23	56,501	4,223,800	75
2	North Sumatra	21	7	28	72,428	12,834,400	177
3	West Sumatra	12	7	19	42,225	4,697,800	111
4	Riau	9	2	11	87,844	5,071,000	58
5	Jambi	9	1	10	45,348	2,742,200	60
6	South Sumatra	11	4	15	60,303	7,020,000	116
7	Bengkulu	8	1	9	19,795	1,616,700	82
8	Lampung	9	2	11	37,735	7,289,800	193
9	Bangka Belitung Islands	6	1	7	16,424	1,106,700	67
10	Riau Islands	4	2	6	8,084	1,392,900	172
11	DKI Jakarta	1	5	6	740	9,064,600	12,245
12	West Java	17	9	26	36,925	40,329,100	1,092
13	Central Java	29	6	35	32,800	32,380,300	987
14	D.I. Yogyakarta	4	1	5	3,133	3,434,500	1,096
15	East Java	29	9	38	46,690	36,895,600	790
16	Banten	4	3	7	9,019	9,423,400	1,045
17	Bali	8	1	9	5,449	3,479,800	639
18	West Nusa Tenggara	7	2	9	19,709	4,292,500	218
19	East Nusa Tenggara	19	1	20	46,138	4,448,900	96
20	West Kalimantan	12	2	14	120,114	4,178,500	35
21	Central Kalimantan	13	1	14	153,565	2,028,300	13
22	South Kalimantan	11	2	13	38,884	3,396,700	87
23	East Kalimantan	10	4	14	194,849	3,024,800	16
24	North Sulawesi	9	4	13	13,931	2,186,800	157
25	Central Sulawesi	9	1	10	68,090	2,396,200	35
26	South Sulawesi	20	3	23	46,116	7,700,300	167
27	Southeast Sulawesi	10	2	12	36,757	2,031,500	55
28	Gorontalo	5	1	6	12,165	960,300	79
29	West Sulawesi	5	-	5	16,787	1,016,700	61
30	Maluku	7	2	9	47,350	1,302,000	27
31	North Maluku	6	2	8	39,960	944,300	24
32	West Papua (Irian Jaya)	8	1	9	114,566	716,000	6
33	Papua	20	1	21	309,934	2,015,600	7

Source: *Propinsi Dalam Angka, BPS - Statistics Indonesia, 2007*

Appendix 2 - List of implementing Government Regulations to the Law no. 32/2004

Government Regulation	Issue	Implications on Provincial Functions
GR no. 6/2005	Election, official installation, and dismissal of regional heads and deputies.	Procedures & requirements for local elections: parties, electorates, qualification of candidates, schedules, campaigns, and set up of the regional election commission (<i>Komisi Pemilihan Umum Daerah, KPUD</i>). Installation and dismissal of governors & mayors/regents & their deputies.
GR no. 17/2005	Revision of the above.	Changes concerning role of <i>KPUD</i> , candidate requirements and election points.
GR no. 24/2005	Government accounting standards	The governor to apply the standards by a governor's decree in the province (and regent/mayor in their region).
GR no. 72/2005	Village government.	Guidance on village governmental structure, financial management, council, community organizations, incl. revenue sharing by the regency/city government.
GR no. 73/2005	<i>Kelurahan</i> (urban sub-district division, equal in level to village) government.	Guidance on governmental structure, finance management, community organisations, including revenue sharing by the regency/city government.
GR no. 65/2005	Guidelines for preparation and application of minimum service standards.	GR no. 65/2005 provides guidelines for preparation of MSS. Related Ministries prepare MSS, <i>DPOD</i> to give concurrence. The Ministries give guidance to Provinces and Provinces are to guide application of MSS by regencies/cities, regarding contents as well as activation of resources for implementing the services. The same structure applies for evaluation.
GR no. 79/2005	Guidance and supervision of regional government.	Tasks involved in guidance, reporting. Roles of inspectorates. * Note: only recognizes "coordination of" (down the hierarchy), not "coordination with" (unilateral).
GR no. 2/2006	Procedures for foreign borrowing / grant acceptance and on-lending/on-granting.	Loans will be arranged by the central government. Regional governments are prohibited to make any commitments that imply repayment to foreign institutions.
GR no. 8/2006	Financial and performance reporting by local agencies.	Procedures and coverage of financial / performance reports.
GR no. 20/2006	Irrigation.	Basically participatory. Province responsible for 1000-3000 ha system and providing technical assistance to local governments. Inter-province irrigation commission, if necessary. For multipurpose irrigation, an area forum may be established.
GR no. 39/2006	Procedures for control and evaluation of implementation.	Control and reporting of implementation of medium term and annual plans of central government institutions and regional governments. Timing / frequency and general criteria.
GR no. 40/2006	Procedures to prepare National Development Plan	Elaborates Law no. 25/2004 on planning, which determines long-term, medium-term and annual plans, for every tier in government. Requirement to involve stakeholders.
GR no. 3/2007	Regent/Mayor accountability report to the regency/city council and information to the public on implementation of government.	Determines the coverage of the report: deconcentration, assistance, and general government duties; subjects. Obligation to publish the report to the public.
GR no. 6/2007	Forest management, management plan and exploitation.	Forest management areas (<i>KPHs</i>): management units to set up (if cross regency, by province), responsible for conservation, protected or production forests.
GR no. 8/2007	Government investment.	Process of preparing investments, for national as well as regional government-owned enterprises / <i>BUMDs</i> .
GR no. 22/2007	Vertical institutions under MoF	On structure of regional offices; several national ministries' local offices may locate in the province.
GR no. 38/2007	On distribution of responsibilities between central, provincial and local governments.	Lists 26 mandatory affairs and optional affairs of <i>provinces</i> and local governments. Provisions for their delegation. Provides more details in attachments for the sectors. - MSS will be prepared by related ministries / institutions. - Within two years, ministries have to provide norms & procedures for implementation of each affair. - Needs further clarification on division of roles & tasks.

GR no. 39/2007	Management of regional finance.	Roles of the Financial Management Dept, (Treasury) of the local governments. Government and regional government accounts. Does not mention the province specifically.
GR no. 41/2007	Organization of local governments.	Describes roles of typical agencies. Based on population, area and budget variables, classifies regions into three typical sizes each with maximum number of typical agencies. Appendix showing scores for each variable is provided.
GR no. 1/2008	Government investment.	Local governments may integrate agencies.
GR no. 6/2008	Guidelines for evaluation of regional government.	Additions to Law no. 8/2007.
GR no. 7/2008	Deconcentration and Assistance Tasks.	Setup of evaluation (<i>EPPD</i>) team, involving Governors. Performance indicators still to be defined by <i>EPPD</i> .
GR no. 8/2008	Phases, method of preparation, control and implementation evaluation of regional development plans.	Clarification on delegation and tasking of Provinces and local governments to accomplish National Government tasks.
		Stages & steps of plan preparation, fund allocation; contents; Governor to supervise provincial and cross-regencies policies. The Governor to evaluate provincial and cross regencies plans, and present the results to the public. Includes performance indicators for each kind of plan.
		Citizens may report on implementation that are not according to plans, the <i>Bappeda</i> to prepare response. How this is to be done is left to the regional governments.

Sources: Government of Indonesia, State Secretariat

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