

SMERU

Working Paper

*Indonesia's Transition
to Decentralized
Governance:
An Evolution at the
Local Level*

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ABOUT SMERU

SMERU is an independent institution for research and policy studies that provides accurate and timely information and objective analysis, professionally and proactively, on various socio-economic and poverty issues, which are considered most urgent and relevant for the people of Indonesia.

SMERU aims to provide information and analysis to contribute to widening public policy dialogue on the solutions to socio-economic and poverty issues directly relating to the welfare of the Indonesian people.

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RINGKASAN

Saat ini, Indonesia telah berada pada tahun ketiga dari pelaksanaan desentralisasi. Perubahan yang sangat besar, yang sering kali disetarakan dengan fenomena '*big bang*' mengawali transfer aset, pegawai dan dana kepada pemerintah daerah sebagai kompensasi dari tambahan kewenangan dan fungsi yang harus mereka laksanakan. Meskipun ukuran dan kecepatan perubahan struktur-struktur formal sangat luar biasa, tampaknya penyesuaian tata-hubungan non-formal akan berjalan lambat. Masih sangat banyak permasalahan yang sifatnya konseptual maupun yang praktikal, sedangkan jalannya perubahan terus menerus dipengaruhi oleh perubahan perilaku, persepsi dan harapan terhadap proses desentralisasi. Berdasarkan hasil penelitian lapangan yang telah dilakukan SMERU, tulisan ini menyoroti dinamika pelaksanaan desentralisasi di tingkat daerah dan isu-isu yang penting untuk mendapat perhatian. Temuan dari penelitian-penelitian tersebut memberikan gambaran bagaimana proses desentralisasi mempengaruhi evolusi tata-pemerintahan di tingkat daerah, meskipun perubahan tersebut masih pada tahap sangat dini. Disamping temuan yang sifatnya umum, tulisan ini juga secara khusus membahas permasalahan yang berkaitan dengan penganggaran, partisipasi masyarakat dan koordinasi antar tingkat pemerintahan yang dihadapi oleh dua daerah yang relatif miskin, yaitu Lombok Barat dan Kota Bandar Lampung, khususnya dalam kaitan dengan penyelenggaraan pelayanan publik. Meskipun kemajuan yang dicapai di daerah tertutupi oleh berbagai macam permasalahan yang timbul, setiap bentuk kemajuan perlu mendapat pengakuan sehingga memungkinkan diberikannya upaya khusus guna meningkatkan tata-pemerintahan di daerah.

ABSTRACT

Indonesia's decentralization reform is now in its third year of implementation. The 'big bang' start marked the transfer of resources –assets, personnel and finances- to the regions to compensate for the added authorities and functions. While the speed and size of the changes to formal structure have been phenomenal, the adjustment of non-formal institutional settings is likely to take a long time. Many conceptual and practical problems remain and the path to reform is continuously driven by an evolutionary change in the practices as well as in the perception and expectation of decentralization. Drawing from SMERU field research, this paper highlights the dynamics of the implementation of decentralization reform at the local level and some related issues and concerns. Although this reform is still in the preliminary stages, the findings of these studies show how the reform process has influenced the evolution of governance at the local level. In addition to the general findings, special attention is devoted to the problems of budget allocation, community participation and intergovernmental coordination faced by two resource-poor regions –West Lombok and Bandar Lampung (City)– in relation to the provision of public services. Although the progress at the local level might have been overshadowed by many problems, any progress certainly needs to be acknowledged to allow local governance to strengthen.

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INTRODUCTION

Indonesia's decentralization reform is now in its third year of implementation. This reform, which was hoped would facilitate better resource allocation and better governance, does not yet seem to have delivered significant benefits. Just like many other developing countries undergoing decentralization, the political factors that drive Indonesia's attempts at decentralization have overlooked technical and economical problems. The general view, as recorded in various studies, seemed to prefer an 'implement first and deal with the problem latter' approach.¹ So, despite much criticism of some of the decentralization framework contained in the two laws pertaining to the new regional autonomy setting and new intergovernmental fiscal relations, these laws were made effective as of 1st January, 2001.

A major transfer of assets and personnel and the implementation of a new system of fiscal transfer immediately followed the "big-bang" start.² This may have been the right choice given the long time reluctance of the central government to devolve real authority to regional governments during the New Order Era. However, the implication of this choice was the potential emergence of problems that could have been anticipated beforehand. Another consequence is the need to continuously revise decentralization frameworks, some of which involve fundamental issues. Revising these frameworks is likely to be a very challenging process, given the path dependence of such reform

By its nature, Indonesia's attempt at democratic decentralization is a very big institutional reform that affects not only the intergovernmental relations, but also the way all levels of government interact with the community. The experiences of other countries show that this kind of transition could take a very long time and, by any means, Indonesia is still very much in the early stage of this transition. The main problem for Indonesia is that the decentralization process was started during the course of a deep social, political and economic crisis, when the expectation of the community to come out of the crisis as soon as possible was very high. Unfortunately, this is something that might not be able to be delivered by the current reform process. Two differing expectations –quick results or an evolutionary institutional development– shape the current debate on the performance of decentralization reforms. More and more problems are now being widely exposed, while the positive impacts seem very limited, or are not well exposed. However, the ball is already rolling and there might not be time to debate the pessimistic and the optimistic views. This is the time for objectively assessing the progress and problems so that the reform process can achieve its primary aims.

¹ This perception dominated the debate over the choice between implementing the Law 22/1999 on Regional Governance and Law 25/1999 on the Fiscal Balance between the Center and the Regional Government as it is, although many analyses found many loopholes in these laws, or delay the implementation of these laws to allow for more public debate and revision. This was recorded among others in Suharyo (2000).

² Hofman (2002) used this term to illustrate the speed and the size of the reform during its initial period.

In an effort at such an assessment, this paper depicts some findings from SMERU field studies over the course of the 2000-2002 period that observed the preparation and the implementation of decentralization at the local level. The SMERU research team has visited a total of 16 regencies and 2 cities for studies on decentralization and regional autonomy (Appendix 1).³ In each location, information was gathered primarily through semi-structured in-depth interviews. The respondents included officials at all levels of government, as well as representatives of political parties and civil society institutions (including community organizations, NGOs, the press, professional bodies, religious leaders, local-level traditional leaders, village heads and members of village-level committees).

The locations of these studies were selected to reflect the condition of most regions throughout Indonesia, taking into account their per capita gross regional domestic product (GRDP), as well as human development and poverty conditions. The resource rich regions were intentionally omitted from the sample for two reasons. Firstly, only a few regions actually have abundant natural resources. Secondly, lots of studies have been done in these regions. This limited scope in SMERU's studies does not allow for contrasting the resource rich against the resource poor regions as requested in the term of reference of this seminar. However, findings of these studies have provided some insights into the dynamics of the implementation of decentralization reforms at the district level.

This paper is organized as follows. The first section presents some local perceptions and experiences during the pre-implementation period and the early phase of the reform process. The following section presents, some examples on the changes with regards to budget condition, community participation and intergovernmental coordination mechanism using experiences from West Lombok and the city of Bandar Lampung.

³ The field reports of each study are available at www.smeru.or.id.

THE DYNAMICS OF THE REFORM PROCESS AT THE LOCAL LEVEL

Indonesia has already passed the critical first year of the implementation of decentralization reform without experiencing any upheavals or major disruption to public services.⁴ However, one should not be over confident with this “success” as it does not guarantee that the expected long-term benefit of the decentralization reform will be realized. The implementation process was not smooth or well managed, and lots of confusion and uncertainties were involved. The calculation of the block grant allocation for the regions, for example, was done ahead of the transfer of personnel and assets. This resulted in a fiscal gap in most regions that was financed through a contingency mechanism. There was also a lack of sufficient guidance from the center and many implementation regulations were not yet available. On the other hand, some contradictions and inconsistencies of various implementation regulations have also created more confusion. These shortcomings have affected preparation and implementation at the regional level and were reflected in the perception of various stakeholders collected by the SMERU research team during field studies.

Local Perception in the Pre-Implementation Period

During the pre-implementation period, the SMERU team visited five regencies and two cities that were located in seven different provinces. Despite the variation of the district⁵ characteristics, it seemed that there was a common perception with regard to decentralization and the implementation of the new form of regional autonomy. There was widespread enthusiasm towards decentralization, although the level of preparation taken by local government was varied. There were also common complaints on the slow progress and lack of leadership from the central government. In general, the regional government at the district level did not have any objection to the framework of regional autonomy contained in Law 22/1999 and 25/1999. They were only questioning the political will of the central government to implement it. On the other hand, at the provincial level, there was much concern regarding the elimination of the hierarchical relationship between provincial and district governments.

Interestingly, despite general support for the implementation of the new decentralization framework, some concerns over its potential adverse impacts were expressed. The most common concern of government officials was regarding the transfer of money from the central government. They worried that the transfer would not be sufficient to finance the new authorities and functions being devolved to the regions and raising local revenue would be very hard, particularly with the limitation of regional taxes imposed by Law 18/1997. Non-government elements expressed their concerns of local government failure to perform their new roles, primarily due to lack of the local parliament's and local officials' capabilities, and the potential

⁴ Deutser (2002).

⁵ The term “district” is used to represent both regency and city, or the level of government that was known as government level 2 in the previous system.

proliferation of corruption at the local level. They also doubt that the local government would pay enough attention to the provision of public services.

Experiences and Perception after the Implementation

After the new decentralization laws were made effective on 1st January, 2001, the SMERU team visited 12 regencies, 10 regencies in 2001 and the other two in 2002. Although only one district, West Lombok, was visited before and after decentralization, there was a strong impression that the perception of various local stakeholders regarding decentralization and the implementation of the new regional autonomy was similar. Most stakeholders in the regions visited raised some common issues and concerns.

It was quite interesting to see that the concerns regarding the adequacy of fiscal transfer, the capability of district government and the potential proliferation of corruption at the local level, which were expressed during the pre-implementation period were founded. With regard to fiscal transfer, starting in the 2001 fiscal year, the central government has made substantial increases in block grant to the regions, particularly to the district level. In all districts visited, the amount transferred from the central government had increased significantly (See Table 1), but the general perception of the local government was that the increase was not enough to compensate for the increasing expenditure, particularly due to the transfer of personnel.

Table 1. Changes in Various Sources of District Government Revenue

District	Transfer from the Central Government			District Government Revenue		
	1999/2000*	2001**	Change (%)	1999/2000	2001	Change (%)
	(Billion Rp.)			(Billion Rp.)		
Banjarmasin (City)	72.3	159.9	121	12.9	18.8	46
Bolmong	70.0	151.8	117	2.3	8.1	255
Gorontalo	91.8	156.6	71	2.4	6.4	168
Karo	68.3	101.0	48	7.1	4.7	(34)
Kudus	66.8	194.6	191	11.9	22.1	86
West Lombok	86.4	184.1	113	14.6	18.4	25
Magetan	91.7	225.9	146	5.6	17.7	215
Minahasa	13.8	277.4	1,910	7.4	9.5	28
Sukabumi (City)	48.6	97.0	100	8.3	13.2	60
Sanggau	84.3	206.4	145	1.7	3.8	117
Solok	87.9	159.8	82	2.8	5.1	80
Simalungun	13.9	298.3	2,046	5.0	11.8	135
Deli Serdang	159.1	379.2	138	10.9	27.0	148
East Sumba	34.5	129.9	277	1.5	3.8	156
Bandar Lampung (City)	79.9	190.4	138	13.8	23.7	71

** Consists of DAU (Block grant) and Revenue Sharing.

This perception might be justified, since the transfer of personnel and the expansion of local government structure let to significant increase of the budget for salary payment and routine expenditure. Table 2 shows that salary payments have increased by more than 100% in all regions included in the study, and that the increase at the provincial level was much higher than the increase at the district level. In North Sumatra, for example, salary expenditure increased by more than 300%.

The increase in routine expenditure was partly due to the over expansion of the local government that was used to accommodate the excess number of personnel. As can be seen in Table 3, in 7 out of 9 districts where data on the changes in local government structure were collected, the number of working units was increased.

However, in one region, Simalungun in North Sumatra, the number of unit was trimmed down from 39 to 28.

Table 2. Salary Payment before and after Decentralization (Billion Rp.)

No.	Province/District	Before 1999/2000	After 2001	Change (%)
A. Province				
1.	North Sumatera	64.1	269.5	321
2.	Lampung	43.8	127.8	192
3.	North Sulawesi	34.8	78.7	126
4.	East Nusa Tenggara	29.0	103.9	258
5.	West Nusa Tenggara	25.6	90.9	255
B. District				
1.	Karo ^{*)}	30.7	81.0	164
2.	Bandar Lampung (City)	55.5	149.5	170
3.	Minahasa	102.7	207.5	102
4.	Bolaang Mongondow	47.2	89.1	89
5.	Sumba Timur	20.8	56.1	170
6.	Gorontalo	60.3	125.5	108
7.	Cirebon	85.2	215.8	153
8.	Garut	117.0	299.0	155
9.	Ciamis	109.3	271.4	148
10.	West Lombok	47.8	123.9	159

*) Before decentralization using data on FY 2001 adjusted to reflect 1 year budget.

Sources: Regional Government Budget and www.djpkpd.go.id.

Table 3. Number Of District Government Unit before and after Decentralization

District	Before	After	Change
1. Minahasa	20	34	14
2. Bolaang Mangondow	16	25	9
3. Gorontalo	13	25	12
4. Banjarmasin	25	33	8
5. Sanggau	18	25	7
6. Magetan	22	26	4
7. Kudus	16	16	0
8. Karo	15	19	4
9. Simalungun	39	28	-11

Source: SMERU Field Reports.

Another source of the widespread increased in routine expenditure was the increase in the salaries of the members of the local assemblies (DPRD). From some regions where data is available, DPRD salaries increased by more than 200% (Table 4) and in the province of West Sumatra they increased by more than 400%.

Table 4. The Increase in the Salary of DPRD Members

Region	Change (%)
1. Province North Sumatera	300
2. Simalungun	250
3. Province West Sumatera	460
4. Solok	250
5. West Lombok	330
6. Province of Lampung	286
7. City of Bandar Lampung	265

Source: SMERU Field Reports

The pseudo increase in the fiscal capacity of the regions after decentralization has forced regional governments to increase revenue themselves. The consequence has been an increase in the number of taxes and levies imposed by regional government, particularly after the amendment of Law 18/1999. Interestingly, various interviews revealed that most people, including some officials and DPRD members, were aware that most taxes would potentially have negative impacts on regional trade and investment as well as impose more of a burden on local communities. However, it seems that many decision-makers simply neglected this argument, or were driven more by private interests. Although it emerged slowly, more and more professional groups, associations, and non-government organizations have now begun to pressure local governments to produce more reliable regulations.

The concerns from various elements in local communities regarding the potential proliferation of corruption at the local level have also proved founded. Election of regional leaders, budget allocations and the selection of project implementers were among the most common sources of corruption. Along with the increasing power of the DPRD, it was widely criticized that some members of the DPRD were corrupt,

adding to the previous number of corrupt officials. There was also widespread skepticism regarding the capability and capacity of the DPRD to have a positive influence on the performance of local governments.

These problems have triggered various forms of public participation, although most of them are still at an embryonic stage. There has been increasing involvement by local universities and non-government organizations in both monitoring and control processes as well as, to a lesser extent, involvement in the decision-making process. Local press has also played a greater role in voicing the aspirations of the community as well as facilitating stronger monitoring of the conduct of the local government. The fact that inclusion of public participation in decision making still has many weaknesses cannot be neglected. The formation of a “City Council” in Banjarmasin that includes some non-government organizations, for example, was perceived to be superficial.⁶ However, it appears that there had been some efforts to end the long-standing exclusion of communities in the matters that were perceived to be “government affairs” under the previous regime.

⁶ See Toyamah N. et. al (2002) page 20.

THE CHALLENGES OF PROVIDING PUBLIC SERVICES: THE CASE OF WEST LOMBOK AND BANDAR LAMPUNG

In theory, decentralization brings governments closer to the people. Thus, the provision of public services becomes more effective and efficient. However, international experiences reveal that there is no direct relationship between decentralization and a better provision of public services or pro-poor development.⁷ The local political and institutional settings potentially determine the end result. The design of the decentralization process and the role of the central government in assisting local governments that have limited capabilities can, however, play important roles. This section looks at these issues by examining three important elements of the provision of public services –budgeting, community participation and coordination- in two relatively resource-poor regions, West Lombok in West Nusa Tenggara (NTB) and Bandar Lampung in Lampung, Sumatra. Although the social economic conditions in Bandar Lampung are better than in West Lombok, both are relatively poor by national standard.

Table 5. Basic Statistics of West Lombok and Bandar Lampung

	West Lombok	Bandar Lampung
Area (km ²)	20,153	192
Population, 2000	663,789	743,109
Population Density, 2000	381	3,870
Per Capita GRDP, 1999 (thousand Rp.)	852	1,952
Poverty Rate (%)	36.60	10.00
HDI, 1999	49.90	68.50
HPI, 1998	39.00	20.50

Sources: SMERU Field Reports and BPS-Bappenas -UNDP (2001).

Local Budget and the Financing of Service Centers

After the implementation of Law 25/1999, West Lombok and Bandar Lampung received significantly higher transfer from central government. Compared to the 1999/2000 fiscal year (FY), the transfer to West Lombok increased by 105% from Rp. 90 billion to Rp.184 billion and the transfer to Bandar Lampung increased by 139% from Rp.80 billion to Rp.191 billion. At the provincial level, both NTB and Lampung received an increase of around 77% each. Along with the increase in local revenue, West Lombok, Bandar Lampung and the province of Lampung enjoyed an increase in its total revenue of more than 100% in the 2001 FY, compared to the 1999/2000 FY. NTB experienced a lower increase of 91% during the same period. However, the largest portion of the revenue still came from the central government in the form of block grants (DAU-Dana Alokasi Umum).

⁷ See, for example Anwar (1998), Kahkonen and Lanyi (2001), MDGD-UNDP (1999) and World Bank (1999).

Nevertheless, the routine expenditure of the four regions increased at a higher rate. The increase in West Lombok was around 137%, in Bandar Lampung 153% percent, in NTB 267% and in Lampung 127%. This limits the ability to increase the budget allocation for development expenditure. Consequently, although in nominal terms the amount allocated to development increased, the proportion of development spending to total expenditure decreased. As can be seen in Table 7, each region allocated their budget differently across sectors. Compared to the 1999/2000 fiscal year, Bandar Lampung spent less on education but spent more on the health sector. At the provincial level, Lampung spent more on both education and health. On the other hand, West Lombok spent more on education but less on health, and at the provincial level, NTB spent more on health and less on education.

Table 6. Revenues of West Lombok, Bandar Lampung, Lampung Province and NTB before and after Decentralization (million Rupiah)

	West Lombok		Bandar Lampung		NTB		Lampung	
	1999/2000	2001	1999/2000	2001	1999/2000	2001	1999/2000	2001
Total Revenue	109,385	223,265	97,192	231,199	187,412	358,973	222,356	453,333
Previous Year Surplus	4,920	9,767	3,383	6,531	20,491	19,197	10,265	31,644
Regional Revenue	14,556	18,361	13,823	23,697	35,679	66,545	57,904	148,064
Transfer from Central Government	89,909	184,256	79,986	191,148	127,603	227,151	154,187	273,625
Tax and Non-Tax Share	6,273	18,863	8,728	31,057	7,546	104,844	11,711	93,322
Subsidy and Development Fund	83,585	-	71,257	-	120,056	-	142,476	-
DAU (Block Grant)	-	165,095	-	159,412	-	122,307	-	180,303
DAK (Specific Grant)	-	298	-	679	-	-	-	-
Other Receipts	51	10,881	-	9,824	-	46,081	-	-
Local Government Borrowing	-	-	-	-	3,639	-	-	-

Source: calculated from www.djpkpd.go.id.

A more critical question is whether local governments are able to finance service provision centers so that the quality of services is at least the same as they were in the pre-decentralization period. People directly engaged in the provision of health and education services indicated that it is unlikely. A primary school in Bandar Lampung explained that in the pre-decentralization period they received an annual operational allowance of Rp.2 million per year, but now only receive Rp.400.000. An open junior high school (*SLTP terbuka*) in Bandar Lampung also relayed a similar story. Previously, this school received an operational allowance of Rp.1 million per month, but since the implementation of regional autonomy they receive Rp.1 million every 3 months. This decrease has not directly reduced the quality of teaching as the teacher

is paid out of routine post that remains at the same level, but the has also resulted in the deterioration of school infrastructure since there are not enough funds for maintenance. One of the reasons for these decreases was the additional expenditure assignment on the education sector at the local level. Local governments are now responsible for secondary schools, which used to be under the authority of provincial government. In addition, during pre-decentralization period, primary school also received additional funding from various central government programs.

The situation in the health sector is similar. A public health center (*Puskesmas*) in Bandar Lampung, which used to receive an operational allowance of Rp.45.7 million per year, now only receive Rp.50,000 per moth or Rp.600,000 per year. Another *Puskesmas* in West Lombok now receive around Rp.15 million per year, whereas previously it received around Rp.50 million. This reduction forced the *Puskesmas* to consider the alternative of increasing charges, but this has not yet been implemented because there were fears of a negative reaction from the community. However, the burden for *Puskesmas* has been somewhat lightened by the continuous supply of medicines and vaccines from the central and provincial governments.

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Table 7. Government Expenditure of West Lombok, Bandar Lampung, Lampung Province and NTB Before and after Decentralization (Million Rupiah)

	West Lombok		Bandar Lampung		NTB		Lampung	
	1999/2000	2001	1999/2000	2001	1999/2000	2001	1999/2000 0	2001
TOTAL EXPENDITURE	96,331	200,233	94,391	220,675	165,384	312,714	207,597	356,789
ROUTINE EXPENDITURE	62,083	147,504	71,044	180,070	59,547	218,453	103,195	234,388
<i>(%) OF TOTAL</i>	64	74	75	82	36	70	50	66
Belanja Pegawai	49,642	120,336	55,926	146,086	28,595	90,856	43,777	127,789
<i>(%) of Total</i>	52	60	59	66	17	29	21	36
DEVELOPMENT EXPENDITURE	44,306	52,729	23,347	40,605	105,836	94,261	104,402	122,400
<i>(%) OF TOTAL</i>	46	26	25	18	64	30	50	34
Industry	127	405	436	52	526	484	1,151	869
Agriculture and Forestry	1,724	3,242	606	288	3,435	6,086	10,258	7,834
Water resources and Irrigation	270	2,638	-	-	7,662	1,671	8,681	15,003
Labor	88	105	50	-	317	108	205	816
Trade, Finance, Commerce and Cooperative	3,075	2,612	1,461	1,077	12,796	8,269	1,349	620
Transportation	6,031	9,275	6,015	9,190	37,760	14,802	40,815	36,819
Mining and Energy	30	239	-	26	254	761	175	813
Tourism and Telecommunication	313	938	26	30	800	1,015	590	597
Regional Development and Settlement	5,169	3,833	2,560	8,850	1,527	2,084	1,195	2,799
Environment and Spatial	2,703	672	615	989	4,914	2,956	3,946	2,095
Education, Culture, Youth and Sport	3,259	5,072	3,208	1,335	5,973	4,938	6,561	11,195
Demography and Family Welfare	310	126	385	1,564	82	38	-	218
Health, Social welfare, Women, Children and Youth	6,192	4,535	492	2,512	6,826	10,748	6,008	17,077
Housing and Settlement	9,672	1,099	3,274	7,549	1,484	2,153	1,849	-
Religion Affair	144	475	315	570	999	4,097	711	1,381
Science and Technology	362	1,138	1,072	1,524	1,837	2,495	2,358	1,425
Laws	103	159	150	30	162	394	20	614
Civil Servants and Control	4,105	14,983	2,032	4,790	14,024	23,541	14,574	19,666
Politics, Information, Communication and Mass Media	590	474	40	192	2,029	6,931	250	580
Security and Public Order	39	711	585	36	542	692	495	1,980

Source: calculated from www.djpkpd.go.id.

The Challenge of Developing Participatory Mechanism

The failure of the current political parties system as well as the accountability mechanisms has raised the importance of public participation, particularly in decision making and monitoring. Between the two districts, the community and the government of Bandar Lampung seems to be more dynamic, possibly because of the urban environment and the proximity to university. Bandar Lampung has experimented with participatory mechanisms, while there was no specific information on such initiatives in West Lombok.⁸

There are two kinds of mechanism that have been developed in Bandar Lampung, bottom-up planning at the *kelurahan* (village) level and participatory development planning. However, each of these initiatives faces challenges. A team called TPPK (Village Team for Development Planning) was formed at the village level to conduct the bottom-up planning. The members of TPPK are elected directly by the local community based on area of residence and government officials at the village and *kecamatan* (sub-district) levels are not eligible for the election. The discussion forum used in this process is similar to the old mechanism used for village discussions established by the New Order Government. The difference is that, instead of the village head and other medium-level officials dominating the forum, the members of TPPK now play a larger role. A team from the Institute of Public Services, University of Lampung, was assigned to assist the team in developing the proposal that will be presented by the representatives of TPPK at the meeting at sub-district level. This new mechanism, initiated in 2001, seems to work well. However, two problems have arisen. First is the growing demand of TKKP members for formalizing the team to allow the members of the team to receive regular payments. At the time of SMERU's visit (July 2002), the local government had not responded to this demand. The other problem is regarding the uncertainty of the size or value of projects to be proposed and government commitment to implement the projects that have been approved. In 2001, 80% of the projects were implemented but in 2002 none of the projects were implemented. The team is currently preparing the proposal for 2003.

Another mechanism is participatory development planning. This initiative involves various measures, including coordinating meetings on various development issues, distributing questionnaires to gather public opinion on city development issues and local radio talk shows. However, the main obstacles to this initiative mainly came from internal local government institutions. For example, local government owned radio stations charge a high price for the talk shows, while private radio stations allocate the time for free. In addition, the attendance and participation of local government officials and members of the DPRD at various meetings that discussed the result of the questionnaires and other development issues were very low.

Intergovernmental Coordination

⁸ The SMERU field report (June 2001) on West Lombok revealed an increase in the activity of NGOs and the community in general in monitoring and controlling the performance of and corruption in local government and DPRD. But there is no information on a formal attempt toward an inclusive decision-making process.

Another critical question of public service provision in the era of decentralization is the notion of sharing responsibility across levels of government. This also involves the intergovernmental coordination mechanism. The decentralization reform brought about the devolution of most authorities and functions to the district governments, accompanied by the merging of the regional offices of central government ministries with offices of the regional governments. These alterations have curtailed the pre-decentralization coordination and planning mechanisms. At the central level, the central government ministries lost significant control over development in the regions. In addition, channels for local government are also missing, making it very difficult for them to access information, programs and assistance available at the center as well as to convey local needs.

The lack of upward and downward channels is complicated by the confusion in the planning process between different levels of government. This problem is reflected in the lack of connection between various planning documents developed at the central, regional and local level. For example, West Lombok developed its Basic Development Plan (*Poldas*) based on the State Guidelines (GBHN), and based on this *Poldas* it developed a Strategic Plan (*Renstra*) and Regional Development Program (*Propeda*) that basically contained the same issues. These planning documents, however, do not make any reference to the national and provincial planning document –*Propenas* and the Provincial Development Program (*Propeda Propinsi*). This also happened in Bandar Lampung, but the provincial *Propeda*, in general, was in line with the city *Propeda*.

This situation has forced local government officials to approach and lobby the central government individually and in many cases bypass the provincial government. Informal processes such as these could potentially lead to a high cost economy and non-transparent allocation of the central government's development projects that are vulnerable to rent seeking activities. Rich regions that can afford the cost of approaching and lobbying the central ministries may benefit at the expense of the poorer regions.

CONCLUDING COMMENTS

The implementation of decentralization reform, complemented by democratization, has overhauled the entire system of governance that influences not only the way local, provincial and central government interact, but also the way the government interacts with the people. This transition is a difficult and time-consuming process, and it faces many challenges from various interests that could divert the reform process from its ultimate goal. This study highlights the slow and fragile institutional evolution that is taking place at the local level.

The SMERU field studies have uncovered the fact that despite the many weaknesses in the implementation of decentralization and the misconduct of local governments and DPRD's, decentralization and democratization reform has resulted in induced the birth and growth of various forms of public participation. However, by any means, these are still at an embryonic stage. Meanwhile, the practice in budgeting, coordination and the increase in public participation have not yet provided a strong base for at least maintaining the pre-decentralization level of public service deliveries. This implies that there is a need to guard the decentralization reform not only by action at the local level, but also by various measures at the national level, and this could mean a continuous adjustment to the decentralization framework.

Adjusting the current decentralization framework by means of amending the current decentralization laws – Law 22/1999 and Law 25/ 1999 – has been pursued as the only way of correcting the loopholes within the current framework. However, given the lack of trust of the regional governments in the central government's attitude towards decentralization, the central government's effort to amend the laws became politically contentious. The dynamics of the implementation at the local level, however, revealed that while there is a need to amend the decentralization laws to allow for a better political system to work at the local level, there are also lots more aspects that would be determined more by non-formal institutions. The inclusion of community involvement in decision making process, monitoring of local government performance, as well as the notion of coordination between levels of government are the most sensible examples of the things that would not be cured only by amending the laws.

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ANNEX 1.

Location of SMERU's Studies on Regional Autonomy, 2000 – 2003

Province	District	GRDP per capita 1999 (thousand Rp.)	HDI 1999	HPI 1998	Poverty Rate (%), 1999	Time of Visit
<u>Preparation Study</u>						
West Java	Sukabumi (City)	1,022	63.2	15.5	7.2	April 2000
Central Java	Kudus	4,433	66.0	25.4	14.6	November 2000
East Java	Magetan	901	64.7	16.7	32.0	October 2000
West Sumatra	Solok	1,174	61.6	24.6	8.7	July 2000
West Nusa Tenggara	West Lombok	852	49.9	39.0	36.6	May/June 2000
West Kalimantan	Sanggau	1,481	61.0	46.5	34.1	September 2000
South Kalimantan	Banjarmasin (City)	2,301	67.1	14.3	5.5	August/Sept 2000
<u>Implementation Study</u>						
North Sumatra	Karo	2,803	69.1	21.7	5.0	February/March 2001
	Simalungun	2,538	65.1	20.2	20.8	February/March 2001
	Deli Serdang	1,799	66.1	26.3	10.5	February/March 2001
East Nusa Tenggara	East Sumba	825	55.7	29.1	27.2	September 2001
North Sulawesi	Minahasa	1,642	69.3	17.5	7.5	May 2001
	Bolmong	1,144	66.9	19.5	15.1	May 2001
	Gorontalo	1,504	63.3	32.2	40.1	May 2001
<u>Implementation and Impact Study</u>						
Lampung	Bandar Lampung	1,952	68.5	20.5	10.0	June/July 2002
West Nusa Tenggara	West Lombok	852	49.9	39.0	36.6	April 2002
<u>Regional Investment Study</u>						
West Java	Cirebon	820	61.6	28.1	33.9	October 2001
	Garut	1,026	61.7	28.8	33.8	October 2001
	Ciamis	1,255	64.8	24.9	17.4	October 2001
North Sumatra	Karo	2,803	69.1	21.7	5.0	February/March 2001
	Simalungun	2,538	65.1	20.2	20.8	February/March 2001
	Deli Serdang	1,799	66.1	26.3	10.5	February/March 2001
North Sulawesi	Minahasa	1,642	69.3	17.5	7.5	May 2001
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