



Japan International Cooperation Agency



Directorat General of Regional Development
Ministry of Home Affairs

THE STUDY
ON
CURRENT STATUS AND NEEDS ASSESSMENT
OF
LOCAL GOVERNMENTS
FOR
IMPLEMENTING DECENTRALIZATION
AND
REGIONAL AUTONOMY
IN REPUBLIC OF INDONESIA
(STUDY CASE IN NORTH SUMATRA)

DECEMBER 2002

FINAL REPORT



Institute for Economic and Social Research
Faculty of Economics University of Indonesia

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MEDAN MUNICIPALITY





Development Planning

1. Guidance in the preparation of development planning

During the preparation of development planning, Medan municipality refers to several documents :

1. Medan city basic reforms.
2. Development planning programs (Propeda) of Medan 2001-2005.
3. Strategic Plan (Renstra) of Medan 2001-2005.
4. Regional Spatial Planning (Rencana Tata Ruang Wilayah – RTRW) of Medan 1995-2005.

2. Planning Mechanism and System

According to law no 22 /1999 and law no 25/2000 and following the result of a work shop on the improvement of system and mechanism of regional development plan, regional planning could be summarized in to 4 activities includes :

- I : Plan.
- II : Promotion (*sosialisasi*).
- III : Implementation.
- IV : Evaluation.

The four steps in the planning process above could be adopted during development planning forum in province level as well as in lower level of governments i.e. regency/district, city, sub district and village/*Kelurahan* level.

The preparation of Medan development planning was facilitated in the FORUM PEMBANGUNAN KOTA MEDAN or Medan municipality development forum. The same process in sub district level called FORUM PEMBANGUNAN KECAMATAN, and for *kelurahan* level called FORUM PEMBANGUNAN KELURAHAN. This process followed the guidance set forth in the a letter from minister from home affair – MOHA (Surat Edaran Menteri Dalam Negeri Nomor 050/1614/SJ tanggal 14 Juli 1999). This letter nullified the minister of home affair decree no 9/1982 (Peraturan Menteri Dalam Negeri Nomor 9 tahun 1982), until a new decree is enacted.

Development forum in all level, city, sub district, *kelurahan*, based on MOHA letter (Surat Edaran Menteri Dalam Negeri Nomor 050/1614/SJ) could be summarized as follows :

1. *Kelurahan* Development Forum

Kelurahan development forum is in essence a routine activity run by government official in *kelurahan* level including :



Phase 1: Preparation of *kelurahan* development plan

a. Participants.

Kelurahan development forum headed by Lurah under the sub-district head guidance and all relevant office preparing programs and activities. Participants included *kelurahan* officials, Village level social institution (*Lembaga Kemasyarakatan Desa* – LKD) private sectors and cooperatives and village level finance institution.

b. Contents.

- 1). Reviews previous year developments.
- 2). Preparing of *kelurahan* level programs and development projects.
- 3). Listing NGO proposals (local initiatives) to develop their own community that need financial support from municipality.

c. Output from consultative forum.

1. Proposal for annual Programs/Projects/development activities in village level/ *Kelurahan*.
2. Proposal for annual Programs/Projects/development activities which comes from community initiatives. These all should be sent to sub district/*kecamatan* levels development forum and ultimately in the city level development forum.

d. Time table.

This forum is done in january-march each year.

2. Sub-district Development Forum.

Sub-district development forum include activities as follows:

Phase I: Preparation of sub-district development plan

a Participants.

Forum is headed by sub-district head under the guidance of Bappeda Medan. The participants include officials from *kelurahan* level, sub-district officials from all bureau, community leader and NGO.

b. Contents.

- 1) Proposals resulted from *kelurahan* level development forum.
- 2) Proposals for development cooperation among *kelurahans* within the Medan city development.

c. Output.

- 1) List of sub-district level project proposals to be discussed in district level development forum.
- 2) List of project proposals that come from community initiatives to be financed partially by the district.



d. Time table.

This forum is done in January-March each year.

3. Medan Development Forum

Medan Development Forum is similar in its process to North Sumatra Consultative Development Forum. Indeed we could the procedure quite similar:

Phase 1: Preparation of Medan/District development plan (Rakorbang – Meeting for development coordination).

a. Participants.

This forum is headed by the head of city planning agency (Bappeda). The participants include relevant city officials, representatives from various Kecamatan, NGO, members of local representatives, community leaders, representatives from local universities, business community and representatives from the youth and women. This forum also attended by officials from province as resource person.

b. Contents.

1. Proposals resulted from *kelurahan* level and sub-district level development forum.
2. Proposal from NGO about project proposals that come from community initiatives to be financed partially by the district. This form of development is indeed encouraged by the government. Selection is done in this meeting
3. Project proposals from lower level of government (district) that is allowed by law no 22/1999.
4. Developing synergies among district level development and that of lower level of government.
5. Evaluate the effect of AFTA which come in to effect in 2003 to the economy.
6. implement technologies that had been adapted to local condition and the need to absorb locally produce resources. Care should be taken also to consider the issue of environmentally friendliness of the technologies and at the same time is expected not to collide with social structure, worsens local economy
7. Setting priority to improve the quality of local apparatus through education.

c. Output from consultative forum.

1. List of project proposals (DUP) of Medan to be included in Medan budget proposal (RAPBD).



2. List of project proposals from local initiatives (*swadaya masyarakat*) that need district subvention to be included in budget proposal.
 3. List of project proposals that could be finance by higher level of government (Province and Central government) and proposed that activity to be included in their budget proposal respectively.
- d. Time table.
- This development forum is held every January – March of yearly planning.

Phase II: Promotion of the programme/projects

a. Participants.

The exact timing is never present. But this activity is held after the planning process finished the calculation of its impact to social life of the society. The promotion activity is done by project manager (Pimpro) who could invite NGO and other organization or even expert and community leader for that purpose.

This promotion is carried out as a means to give information to the society about the district development plan in the following year. This process also has another purpose as a final phase before definitely initiate the project. During this phase it is still possible to alter the activities after the hearing comes from the society. If needed, they could change the activity previously planned (Change in LK/DIPDA)

b. Media.

Promotion could be done through several medias includes, Radio, Television, Newspaper, or audio visual through meeting specially designed for this purpose. Usually the information include project description, aims, benefit, total amount of the project, location and responsible institution. In addition usually it contain the invitation to the society as a whole to participate actively.

c. Output.

The society aware about the project and participate for the succes of the project.

d. Time table.

The second phase is done in Januari - March of the budget year.

Phase III: Implementation and Control.

a. Participant.

Direct after promotion phase, the next phase is to implement the plan that has been designed and budgeted.

Persons responsible in the implementation phase are project managers or program managers. The task is completed with the



participation of private sectors, cooperatives and the society as a whole depends on the requirements in the accepted proposals. During this phase, all problems related to the success of the project should be communicated to a project oversight team (Tim Pembina Proyek). Information collected could be used as a means for problem solving or is used as a valuable input in the next planning period.

Project control is in the responsibility of Medan municipality oversight team (Tim Pembina Kota Medan). This team is formed by the city Mayor. The team could invite people participation to solve the problem arise during the implementation of the projects.

b. Output.

The project is implemented according to the accepted rule of law.

c. Time Table.

Implementation and control of the projects or programs start in the first trimester and finish in the last (fourth) trimester of the budget year. The first trimester is done at the same time with the promotion phase.

Phase IV : Evaluation

a. Participant.

The participants during this phase is identical with the phase I.

b. Issue discussed.

Each unit who have projects in his responsibility present the result of project implementation during the whole budget year.

c. Output.

1). Problems arise during the implementation phase.

2). Proposed action for a better implementation of projects or programs in the next budget year.

d. Time Table.

Evaluation is performed after the realisation of budget and before the phase I in the next budget cycle.

To maintain efficiency the time to do the evaluation is the same with the phase I of subsequent phase, that is during Rakorbang.

It is during the same period that the government prepare a draft of budget for the local council

The budget draft (RAPBD draft) then discussed by a budget team (Panitian Anggaran) each from executive and legislative. The next phase is to set a date for local council meeting in which: the Major read budget notes (nota APBD), hearing comments from members of the council, Hearing executive response. In addition, this meeting include general meeting of council commisions (Komisi DPRD) under



the coordination of the special team for budget (*panitia anggaran*), last comments from groups (*fraksi*) within council. All these should be carried out before the enactment of budget proposal (RAPBD) into definitive budget (APBD) for the coming year.

3. Planning Documents:

Basic form (*Pola Dasar*) of Medan Municipality: Local law No.1/2001

Regional Development Programme (*Propeda*) of Medan Municipality: Local law No.2/2001

Strategic Plan (*Rencana Strategis*) of Medan Municipality: Local law No.3/2001

Annual Regional Development Plan (*Repetada*) of Medan Municipality: Majors' decree

Medan Municipality Budget (APBD) year 2002: Local law No.4/2002

4. The making of *Poldas*, *Propeda* and *Renstra*

All these documents was prepared by North Sumatra Province in cooperation with University of North Sumatra (USU), a local university. *Poldas* for Medan municipality is designed in a 25 year framework, while the other two in a five year framework.

5. Consistencies between Planning Documents

Poldas of Medan municipality is the main reference in city development for the next 25 year. Based on this document, *Propeda* was prepared for the year 2001-2005. This *Propeda* consist of vision and mission of Medan taken from *Poldas*. In addition, the same document (*propeda*) provides programmed activities for the whole 5 year. The translation of activities in *propeda* which financed through annual budget was prepared in a separated document called *renstra*, with the same time frame: 2001-2005. *Repetada*, is an annual representation of *renstra*. Budget (APBD) is mostly identical with *repetada*, only from funding part of the programmed listed in *repetada*. APBD for financial year 2002 is enacted into law in January 2002.

6. Consistencies between Planning Documents and Reality

The plans that have been included in planning documents were prepared to match the reality in the region. Local government in cooperation with local university (USU) has finalised a research about the potentials of the region before preparing *Poldas*, *Propeda*, dan *Renstra*. During the implementation, constant rechecking with reality is performed to ensure the good implementation of the projects and programmes.

7. Plan to build promotion infrastructure

Medan municipality plan to build a studio (radio transmitter) for promotion activities in Medan. One of its feature is to install toll free phone in order every citizen could provide input to the government without worry about the telephone cost. This project is planned to be effective in 2002.



8. Plan to Relocate Polonia Airport

Medan municipality push an effort to relocate Polonia airport somewhere out of town. The presency of this airport has the impact to the city that it has to limit high rise building to only 5 floors maximum.

9. Planning Infrastructure

Medan municipality has yet to build a computerized planning information system that until now is inexist. Until it realized, the municipality rely its data collecting to local statistical bureau (BPS) with which he has a cooperation.

10. Planner functional job

Bappeda is very keen in the idea of planner fuctional job. This new arrangement could very attracting and could facilitating learning process.

Regional Finance

11. Dana Perimbangan

1. Revenue sharing from the central government is not enough to finance all function performed by law to local government. Most of DAU fund absorbed in the form of salary and wages. Routine expenditure is enough to finance the exixting activities, but no fund available to increase the wealth of the society. The only way to anticipate this problem is to manage the fund properly and to increase the revenue from local tax and levies. The last activity was under the coordination of *Dispenda*.
2. Medan municipality understands the factors behind the DAU formulas, though special arrangement as a city should be included in the calculation. Take for example from Medan, during the day many of the people come to the city to work, which is the responsibility of the municipality to facilitate the infrastructure and services. But this role is not counted in DAU formulas. The ideal fund dedicated for investment should be around 50% of budget whis is now only at 20% of budget.
3. Medan never receive Special Allocation Fund (DAK) because he has no natural esources.
4. Revenue sharing allocation from natural resources could be obtain only if charging all natural resource in and out of the city border. This revenue sources has the attractiveness of its big revenue potential. The problem is it violate the criteria 7 and 8 from par 4 article 2 of law no 34/2000.
5. Proposal for a better local-central financial relation:
 - It is better to give the district a full responsibility to fully administer land tax (PBB) and underground water tax (pajak air bawah tanah).
 - Fuel tax (Pajak BBM) should be calculated based on car registration or fuel consumption.
 - The calculation of DAU should be done transparent and the amount provided is given, no change in between.



12. Strategies to increase local revenue (PAD)

The main problem in revenue collection is in security. Other problem is a massive demonstration. Both problems reduce the capacity to raise revenue to the business already in the city. For example the decrease in people come to the city reduce the revenue from hotel and restaurant and hence the tax applied to it.

Policies taken to increase local revenue includes:

No	Types of Policy	CS	M	J	Description
1.	Tax Base				
	a. Identification of new taxes			V	Planned
	b. Updating data of tax potential	V			In cooperation with BPS
	c. Updating tax valuation	V			In cooperation with tax bureau
	d. Calculating tax potential rationally.		V		Automatic with data updates
2.	Control				
	a. Undated inspection	V			Head of bureau directly lead the inspection
	b. Proper penalty to the in-disciplined staff	V			Quickly do the mutation
	c. Improve financial system to prevent leakage.	V			Online system online since 2002
3.	Collection administration				
	a. Simple collection administration	V			Cut red tape
	b. Speeding the creation of revenue law	V			In preparation
	c. Reducing cost of collection	V			Create a team to facilitate the arrear
	d. Training for administrative staff	V			Special for <i>Dipenda</i> staff
	e. Better service for payment	V			Computerized system for payment
4.	Revenue planning				
	a. Calculate realistically revenue target based on its potential	V			
	b. Coordination with related unit or bureau	V			Regular meeting with <i>Dipenda</i> Head as coordinator.
	c. Improving planning system for regional financial revenue	V			Payment online for property tax (PBB)
	d. Training for planning staff			V	Not yet included in APBD
	e. Improving regional finance information		V		Trough computerized system

13. Comments for Law No.34/2000

Paragraph 2 article 4 of law no 34 th 2000 about criteria is very good and fully endorsed. Medan try to collect tax on bird nest (wallet) and now proceed with the preparation of implement it through local law. Law no 34/2000 is in favour of Medan from revenue point of view. Local revenue increase is hampered as in tax on underground water which was now collected by the province.

14. comments on income tax (PPh) and property tax (PBB).

On the possibility of administering income and property tax, Medan show its enthusiasm. The problem is to manage the possibility of conflict between central and local especially in income tax.

Suggestion to improve regional financial capacity:



- a. All revenue belongs to city should be given directly to city through his account.
- b. Length of road as a basis to measure revenue sharing should be reevaluated. Width of road should be incorporated to the measurement to capture the cost of maintaining the road. Moreover length of road is limited in urban areas, but in order to facilitate the traffic burden, city government usually prefer to widen the road.

15. Standard Spending Assessment

Public services in urgent need to be provided in Medan related to services that could help Medan capitalize its position as city of trade and services. Specifically Medan call for a better infrastructure in education, health, and security.

Cost calculation is never carried out in a detail enough to be useful for analysis. Old methods of cost calculation, mainly based on total realization, still in operation despite there is a call for a better method. Focus of analysis in the budget still in the form of comparing the realization with the proposed one.

Data to calculate the real cost of providing services ought to be in each dinas. In this case finance bureau in Medan served as a coordinator for regional planning agent. In addition finance bureau also help the local government to assign that cost to each unit.

16. Performance Budgeting

Based on in depth interview, it can be concluded that Medan municipality still use the conventional methods of budget allocation. The main problem of applying performance budgeting in Medan is lack of qualified person to handle this new method. Moreover performance budgeting needs a standard costing to calculate the whole budget. Meanwhile this calculation is never performed by the local government. In addition, to facilitate a performance budgeting ones should prepare standards for each service to be used in calculation of normal work load. Lack of all these standards prohibit the application of performance budgeting.

17. Capacity Building

Building a good information system is very crucial in order the local government could collect its revenue in a better way.

Human resource capacity could be enhanced by providing all documents needed by the staff to perform well in its work.

A good planning in local government finance need: a qualified finance persons, staff and head; a disciplined collection administration and law empowerment both to apparatus and people who should pay the tax.



Local Regulation (Peraturan Daerah)

18. The Making of Local Regulation

Several bureaus and units within local government involved in the preparation of local regulation draft. Typical sub-organization involved: Law and regulation unit (Bagian Hukum), related unit or dinas, resource person and organization unit. A finished draft is then sent to District Head and executive secretary of the city to be resend to a special team (pansus) in local council. The meeting to discussed the draft for a new local regulation include the special team form the executive branch who also prepared the draft. In addition they invite local leader, NGO and representative from local university (USU). The result of this meeting is then sent to a general assembly to get their approval, and become a valid local regulation. No intervention from the province nor the central during this process, but once it got the approval, the government should sent a copy of the new local regulation to the central government who decided a final says about the matter.

19. impact of decentralisation to region

In short, regions benefit from decentralization. One aspect is in the making of new local regulation that is now simple and direct as already explained above. Before the new decentralization the new regulation, local levies should got the approval from governor before it can be implemented. The same case for Tax, that should got the approval from the minister of home affair. Decentralisation simplify all these and implementation could be run after its approval in the local council.

20. Local regulation after the decentralisation

Local regulation instituted before law 22/1999 and 25/1999 still in used until now. Several local regulation have been issued since 2001, the first year of a new decentralisation era.

21. Problematic local regulation

No such local regulation have been issued until now in Medan municipality. So there is no one local regulation that has been canceled by the minister of home affair or face a resistance from the community.

22. Draft of local regulations in progress

- Local regulation draft on local levies:
- Local regulation draft on Side Street Parking, dedicated parking lot and licence for parking lot.
- Local regulation draft on trash collection (Ranperda tentang pelayanan kebersihan).
- Local regulation draft on building licence (IMB).
- Local regulation draft on zoning (Ranperda tentang Peruntukan penggunaan tanah).



- Local regulation draft on industrial, trade, and storage licence and business registration (Ranperda tentang izin usaha industri, perdagangan, gudang/ruangan, dan pendaftaran perusahaan).
- Local regulation draft on motion picture production house licence (Ranperda tentang izin usaha perfilman).
- Local regulation draft on private school and course licence (Ranperda tentang izin penyelenggaraan sekolah swasta dan kursus pendidikan luar sekolah yang diselenggarakan masyarakat).
- Local regulation draft on work force licence (Ranperda tentang pelayanan dan izin ketenagakerjaan).
- Local regulation draft on Fisheries licence (Ranperda tentang izin usaha perikanan).
- Local regulation draft on Health service licence (Ranperda tentang Pelayanan dan Perizinan di bidang kesehatan).
- Local regulation draft on levies for examination of fire apparatus (Ranperda tentang Pemeriksaan Alat Pemadam Kebakaran).

Organization

23. Organization design

The present organizational structure is based from Government Regulation (PP) no 84/2000 about organizational structure of local government. Need assessment and financial capacity, related to DAU, were two main factors that shaped the present organizational design. In addition they also check the personal characteristic of the new applicant.

The new structure is somewhat slimmer than before. Merger of sub units within Dinas or dissolution of Dinas like Dinas Sosial is only some example. Creating a new Dinas is also happened as in garbage collection that used to be a corporation has been changed to dinas despite of workers protest. This change due to perpetual loss in the corporation.

24. Evaluation on organizational structure and local apparatus performance

Evaluation on organizational structure has been done using LAKIP as a main tool.

Evaluation on local apparatus performance is mainly done using the old methods common in evaluation of state worker (pegawai negeri). This methode in principal allow the head of unit to evaluate his or her subordinate based on his personal judgement.

25. Problems

There are some problems in designing organizational structure. The root of all is on the responsibility of task. During the preparation of new organizational structure they have allocated a new dinas responsible for land administration. But after the local regulation is approved, the responsibility of land



administration still in the central apparatus. So dinas pertanahan in Medan is in conflict with BPN who is the central apparatus in charge of land administration. Another example is from Dinas Metreologi (metrology bureau) who in charge of measuring like weigh scale, taxi meter etc., is in conflict with another sub section of central apparatus.

Human Resource Development

26. Transfer of personnel

Medan municipality received many personnel as a result of decentralization. In total it receives 9000 personnel mainly from dissolved Kanwil, and resulted in doubled (become 19000) of its personnel instantaneously. Overstaffing is very hard in personnel in administrative task. At the same time Medan municipality still expect more on personnel who have special expertise in each dinas.

27. Recruitment

No new recruits or new jobs or accelerated pensioner have been instituted in Medan municipality. For the time being, Medan municipality adopt a zero growth policy for personnel.

28. Performance Measurement

Performance measurement for units within organization is using LAKIP. National Administration Institute (LAN), BPKP and ministry of finance have given guidance on how to measure performance. Every unit should provide report on AKIP.

Evaluation on local apparatus performance is mainly done using the old methods common in evaluation of state worker (pegawai negeri). This methode in principal allow the head of unit to evaluate his or her subordinate based on his personal judgement.

29. The role of Baperjakat

Baperjakat or council for job and rank evaluation propose person with a certain rank that is qualified to fill a certain position. It is the right of the Major to choose the person who actually holds the position. The major could demand other high level officer in this process.

80. Merit VS Need

Decentralisation does not necessarily translated directly into the ideal condition. The quantity and quality of its personnel is not changed significantly. The main focus in the next period is in the quality of local apparatus.

81. Steps to develop human resource

Several steps have been taken by Medan municipality to develop its human resource. Regular training in cooperation with Province Training Bureau (Badiklatprov) has been set up like Adum, Spama dan Spamen. Special training for money keeper (bendaharawan) has also been created, and in 2002 achieved 2 batches. A special training for project officer also has been



arranged. Apart from inside arrangement. Medan municipality also sent its staffs to outside institution to get the training, for example KKD (regional finance course), TMPP (Technique and Management for Development Planning), PPN (National Planning Programme) etc. Moreover, some of its staffs also followed degree courses like the one in USU, UGM, Andalas etc.

32. Coordination with Province training bureau (Diklat Propinsi)

Province Training Bureau has a closed cooperation with local institution including Medan municipality. Province Training Bureau could set up a course and Medan municipality provide the trainee. In other occasion, Medan municipality create a course and Province Training Bureau provide the trainer.

33. Minimum and essential Training

Minimum training that should be taken by the personnel are Pra Jabatan that is applied for all personnel (PNS). Essential training is taken for qualified for a certain position. There Are three trainings belongs to this essential training: Adum (General Administration), Spama and Spamen. Every year these trainings are held by Province Training Bureau.

34. Relation of training and career development

There is a relation between training and career development but restricted to the ones cited in point 84. Other training is negligible.

35. Precondition to follow a training

Some of precondition to follow a training:

Accord with his or her job.

The capacity (intellectual, emotion etc.) of the trainee to be.

Pass the test to the training

36. Issue of local people (Putera Daerah)

This issue is not significant for the job or position assignment in Medan. In general its place the importance on his or her capability.

NIAS REGENCY

37. Nias is a regency on the western part of North Sumatra province. The main habitable area is Nias island, so the name of the regency, with total area about 5.450 square kilometres. The area of the regency that have 132 islands in total is 5.625 square kilometres comprising of 22 kecamatans. Its capital can be reach about 10 hours of sea travel from Sibolga, the nearest city in Sumatra.

38. The Majority of its 678 thousand inhabitants works as farmer with annual per capita income. in year 2000, about 3,38 million rupiahs¹. This figure has put Nias regency among the poor regency in Indonesia. Low education level and

¹Based on GDRP per capita in the year 2000 (preliminary figure).



low economic activity explained why such a result exist despite its potential in agricultural sector like coffee, cocoa, latex etc. Effort to promote the farmer in order the agricultural sector to have an outward (not necessarily export) oriented did not received any attention. It left the agricultural sector, account to more than 50% of GDRP, consumed locally.

39. Lack of vital infrastructure may explain also the willingness of investors from outside Nias to invest in this regency. Road condition is in very poor condition. Most of the road in this regency still in the form of hardened soil that impossible to be travelled. Only around 40% of its asphalt road that can be used for four wheel car, the rest area is difficult to reach by car or motorcycle and even in some areas totally impenetrable except on foot.
40. Electricity is another problem in Nias. From 651 village, only 31% have access to electricity, which left more than 450 village still waiting for the service. Dependence to diesel generator to produce electric has the consequence of high exploitation cost. In addition, houses are spread over the island instead of concentrated in several location that make the distribution cost very high.
41. If we look at telecommunication facility, we can understand that much should be done before the investor could be persuaded to come to this regency. Until the year 2000 Telkom, the only telecommunication company in this regency, has installed 2095 main lines with 337 extension lines. This figure is a far cry compare to the total number of household amounted 146.493 in the same year, spread over 657 village in Nias island. In fact all the telephone line installed in only 2 (two) of 22 kecamatans in total.
42. With this condition Nias embarked to decentralisation era and place it in direct competition with other regions to lure investor to come to. Without good planning decision on the government side it will be difficult to attain economic growth in this region. This report try to elaborate the existing situation in Nias facing the decentralisation mainly in five issues: Planning Process, Local Finance, Local Regulation, Institutional Restructuring and lastly, Human Resources Development.

Planning Documents

43. Depth interview with several government official, local council included, revealed that the only planning document that has been passed into local regulation is Renstra or strategic planning. It is mainly based on vision made by Bupati (Regency Head) during the election period. They have no Poldas (basic guidance) as a reference to prepare the Renstra and use the vision and mission made by Bupati instead.
44. Bappeda responsible to prepare the initial draft of Renstra. The next step was to invite local leader, NGO, local council and public in general to a seminar specially designed to make another contribution to the draft already prepared. The second draft was prepared based on recommendation received in the seminar and submitted to the local council. The local regulation on Renstra was



enacted by local council without many alteration from this second draft, and *resubmitted before the council before definitely passed into local regulation.*

45. Other planning documents such as Poldas, Propeda (Regional Development Programme) still in draft document already in the final stage ready to be discussed with The local council. Poldas was prepared without the reference to the provincial Poldas because the later was not ready yet during the preparation of regency Poldas. Even after provincial Poldas passed into provincial regulation, no alteration is made to Nias Poldas. The reasons was simple because no big disagreement between the two documents. The same condition applied to Propeda that until June no date was planned to discuss the possibility of transforming this draft document into local regulation.
46. Repetada (Region's annual development plan) already made public document with a regent's decree. Again this document was prepared without the supposedly precursor (Propeda) was in place. The only reference available when creating Repetada was Renstra and in fact they were prepared simultaneously.
47. As already explained before, Poldas and Propeda was not ready yet during the preparation of Renstra. As a consequence, when preparing Poldas and Propeda, they manipulating both documents so as the Renstra that come before it logically consistent to each other. The result is the Poldas and Propeda do not necessarily imply the desire the majority of the people. Unfortunately we can not verify the above notion whether the planning documents, especially Poldas and Propeda, expressed the needs of the people instead of the will of the Bupati. It is true that the process of generating both documents follow the recommendation of central government that is stakeholder should be consulted. In any means we can not for sure know whether the agreement is in the content or just to make sure that the documents agree to each other. Until we have more evidence we can not say more to substantiate the issue.

Legal Framework

48. As already said in the above passage, only two documents has been passed into local regulation. The first is Renstra that local council has agreed to be made as local regulation (perda). The second is Repetada which only issued as a Regent's decree. All other documents still in the final stage of preparation waiting for official announcement as local regulation.

Consistencies to Realities

49. In dept interview with senior local government official showed that the Renstra is realistically provide a picture of what was the need of society as whole, even though from the point of view of the elite. As one official declared clearly: "the majority of our people is un educated and do not know what they needs in their life, especially from the government. So it is our duty to provide what is the best



for them." So it is difficult to say if the Renstra provide a clue of what the society needs. Basically they agree that the Renstra is good.

50. Repetada is quite another issue altogether. Many local official expressed their dissatisfaction with local budget (Anggaran Pendapatan dan Belanja Daerah – APBD). The main criticism was to the role of local council in determining the budget. Each local council member act to the benefit of its own region and pressed the government to follow the suit. The result is APBD do not necessarily conform with Repetada and to some extent could jeopardize the goal stated in Renstra.
51. Because Poldas and Propeda was based on Renstra we can expect the same problem faced by Renstra also applied to them. We can only said that the content of ai documents conform to each other.

Stakeholder Involvement in Planning Process

52. Bappeda serve as the organizing committee in planning documents preparation. As the name implied Bappeda preparing the first draft of Renstra with the help of the Dinas. The product of their collaboration was subject of scrutiny from local council which included in the working group. During the first draft preparation the stakeholder included only from executive branch of government, especially Dinas, and local council member. The standard procedure during the Soeharto era was dismissed
53. The draft then was under examination from wider stakeholder during a seminar about Renstra held by Bappeda. It was during this time that full representative of stakeholder is included. The list include: NGO, university expert, local council member other form the ones in working group, local leader, representative from local businessmen etc.
54. Apart from NGO, direct participation of people in planning process is very limited. The people was represented by the local council who on behalf of the society decided what is important to the society. This is also true for all decision making in the local council where the people barely visible during the discussion opened to the public. The same situation also applied when discussing the Renstra.
55. Planning process will succeed in transforming organization if the head of organization committed to the process. From this point of view, Bupati Nias get the highest rating because he him self instruct to prepare the necessary action in order the planning process run smoothly and all planning document is prepared to the highest standard. The problem is, the law bind him to produce Renstra within one and a half months after presided as head of government. At that time other planning document practically inexist.

Planning Infrastructure

56. The quality of data in this regency is moderate some of them good one. Bappeda in collaboration with Local Statistical Office (Kantor Statistik) try to



produce the data needed for development as accurate as it can be. Bappeda will also benefit from good quality data produce by Kantor Statistik.

57. Most of the data produce in this regency was manually produce. Computer was used mainly for inputing and storing the data. Effort to computerize data collection was hampered by tha availability of necessary fund. The second problem is lack of professional that can work with government to prepare computerize the process. For the near future manual processing still the norm in this regency.

Local Finance

58. This part will include several important issues that should be adressed as a result of the enactment of new laws on local finance. The first issue is the response of local government to the law No. 34/2000 that enabled local government to create and exercise a new local tax and levies without the permission of central government. The principle of this new tax is that local law is directly in operation otherwise banned by central government, which the latter have 30 days to do so (banned). The second issue is on the readiness of local government to start performance budgeting. Focus will be place on standar spending assessment as a basis for measuring the needs of appropriation of local government expenditure. The next two issues are about intergovernmental transfer specially DAU and about how to estimate local revenue potential.

Strategy to Increase Local Revenue and the Impact of Law No. 34/2000

59. In response to the possibility of raising new fund by creating new tax and levies, Nias regency propose 33 new taxes and levies draft to the local council. But until June, no one has been passed in to a local regulation. Local council position is rather reserved about increasing the burden to the society trough taxation and levies. This is partly because most of local council was and is still local businessmen and some are lay person. Every tax created affect them directly. This could be a blessing or a curse depend on how we look at the issue.
60. In face of difficulty of creating new tax and levies, Nias government actively evaluated all existing taxes and levies. New rate has been imposed where necessary because it only needs regent's decree. Updating database and identification of new tax payer. Creating new administration system in collecting the tax and levies in order to minimize leakage.
61. Depth interview with senior official regarding the law No. 34/2000 guidance on designing a good local tax or levy show a mixed result. Head of Dinas Pendapatan show that he understand the notion demanded in the law to-design a good local tax. But more in depth knowledge show he did not know exactly how the guidance should be measured in practice. For all other Dinas they never saw the law in person, because after initial designing draft it will be sent to Sekda (Biro Hukum) to be evaluated the agreement with national law.



Performance Budgeting

62. No measure has been taken in response to performance budgeting in line to PP No 105/2000. Some of senior officials in Nias even show his unawareness that this new system should become the standard in the near future. They said that they follow the instruction from ministry of home affair on preparing the annual budget. If the ministry instructed so, the local government will prepare accordingly.
63. Local councillor expressed the same unawareness concerning performance budgeting and its consequences to local decision making. They said that many new laws do not arrived in time to the council secretariat. Its already happened that they aware of new law when discussing a problem with executive and only be said that the old law has been changed.
64. During depth interview only two Dinas have the necessary knowhow to prepare the system asked in performance budgeting, Dinas Kimpraswil and Dinas Kesehatan. They also do not know that performace budgeting will schange the present system. Nevertheles when we explained the system they show that the same system has been tried in local hospital.

Intergovernmental Transfer

65. As already know, many local government expressed their dissatisfaction about the amount they received in DAU form to run the government. This is also the case for Nias regency who said that we should receive more money in the form of DAU. In 2002 Nias receive 207 billion rupiahs, bigger from the previous year figure at 194 billion. About 57 percent, from 2002 figure, or about 117 billion is spend in belanja pegawai. With some amount spend on operating expense it left only a small amount for development expenditure
66. Eventhough the regulation said that local council is paid from local revenue, in reality the spending of local council is far higher from local revenue which in 2001 reach 5,4 billion. This year this figure is expected to top to 5,5 billion rupiahs. As a consequence some of DAU fund goes to local council as well. This make another restriction to the spending power of government in the form of development expenditure.
67. Apart from DAU, Nias also receive Bagi Hasil from central government and provincial government, ie for PPH, PKB/BBNKB and PBB. Arrangement for these three taxes is favorable to Nias and they do not expect this arrangement will be changed. If the responsibility of this tax is fully given to Nias they calculate the return will be far lower from now. In total the arrangement of DAU and Bagi Hasil for Nias is better from before the decentralization. Still they hope an increase in DAU fund because of the condition of Nias is far behind the neighboring regency.
68. As a result of massive flood in Nias, the regency demand more money to central government through DAK fund. This demand was approved and around 31 billion rupiahs had been provided to fund the reconstruction after the flood.



69. Other DAK fund also received by this regency to finance various activity. Allocation of DAK amounted 8,5 billion rupiahs goes to major rehabilitation of road from Gunung Sitoli to Lahusa. Traditional village rehabilitation in Teluk dalam area receive another 2,5 billion rupiahs.
70. This 2002 financial year DAK amounted 24,5 billion rupiahs was promised to be given to finance road and bridge projects. But until June this fund is still not clear whether could be used. The local council is also concerned about this as they plan to enact local regulation on APBD 2000.

Estimation of Local Revenue Potential

71. Identification of local revenue potential *has been done with little prospect*. The proposal to raise revenue through new local taxes and levies would probably not increase the revenue sufficiently large because the tax base is very limited. Until the local business is developing, little can be done to raise local revenue. With low average family income, many of them find their daily needs supplied from their own garden. The majority of traditional market was held once a week.
72. This situation make the calculation of local revenue could be done manually without difficulty. Until now this method serve quite well in estimating total revenue. Effort to make a computerized database of the tax payer still in negligible. Most of the computers is used as an expensive type writer.

Local Regulation

73. This section elaborate the process of local regulation making, for example whether the process invite the participation of all stakeholder related to regulation under scrutiny. Is there any measure has been taken to prevent the enactment of local regulation that create problem to the national economy.

The Making of Local Regulation

74. There are several different avenue in the process of creating local regulation, depending on the nature of regulation being proposed. The first, draft of regulation created by Dinas who is responsible for the tax or levy. The next step then to form several meeting with the stakeholder to revised the proposal before submitted to local council. During the council meeting to ratified the proposal all stakeholder again is free to expressed their concern. In effect, the process largely include all stake holder.
75. The second way is different in that the initiative come from lower level of government, but this is very rare indeed. Only one case where this option is taken, that is during the creation of the present organizational structure. They invite all part of the government to comment to the draft proposal of the organization. Preparation of the draft was done in Sekda.
76. All of 33 draft of local regulations ready to be passed in to local regulation follow the first method. Most of them more or less follow the same pattern of

stakeholder involvement. Some proposal direct the attention of more stakeholder than others, but the rule to include all stakeholder was done.

Problematic Local Regulation

77. Until now no one of local regulation already passed into local law has the problem, at least from the point of view of local government. No proposal on regulation on tax and levies has been passed into local law so we can not judge the extent of the problem. We are still waiting all the draft to be sent to us so we can evaluate the potential problem that probably exist before passed into local law.

Institutional Restructuring

78. The current structure of local government in general is slimmer than previous one. Some of the position present in the old structure has been cut, for example assistant to Sekda. The main reason was this position create red tape to the bureaucracy and by cutting them from the organisation will expedite the decision making
79. Different problem arise in Dinas Pendidikan. Despite the transfer of many civil servant especially the teacher, the structure of Dinas is not change. So the burden of managing the teacher previously in the responsibility of Kanwil Pendidikan (already remove in local structure) totally transferred to the Dinas. Overburden seems widely accepted. In fact during depth interview the Dinas Head said that he has proposed to expand the structure within Dinas to create minimum two sub-dinas in order to lessen the burden.
80. Badan Kepegawaian Daerah-BKD is not created yet in the present local government structure. The task of managing local civil servant is still in Bagian Kepegawaian under the Sekda. This arrangement already face some problem. The example from Dinas Pendidikan may be a good one. Before the decentralisation it took only one month to fix all the administration on promotion (naik pangkat). With decentralization it took the minimum three months to seetle the same task just because institutional arrangement of bagian kepegawaian is not yet a separate entity. As a consequence all matters regardin to promotion should be sent to Badan Kepegawaian Daerah in Provincial level. This is not the case if Bagian kepegawaian has been a separate body.

Human Resource Development

81. This section cover the discussion on the effect of employee transfer from central government agency to local government as a result of decentralisation. Some region may be experiencing overstaffing but for other understaffing, this is the issue that should be explained. Issue on local employee career development is also discussed especially on the competence, training programmes and the role of education. Hot issue on Putra Daerah will have a portion too to be evaluated.



Human Resource Characteristic

82. Transfer of employee as a result of decentralisation has increased the size of civil servant under the responsibility of local government. This increase mainly from *kanwil pendidikan* that is teacher. This transfer increase the civil servant under local government responsibility from around 2000 to 8000 person. There is no problem in placing them because they are still working in their respective school, only the management has changed.
83. Some of government employee prefer to go out of Nias regency to find a new possibility in other regency or municipalities. Unfortunately many of them already have a high rank in civil servant. This lead to the absence of necessary rank to fill the position in the structure of organisation. Many of the present organisational structure was in the hand of acting heads due to low rank.

Competencies

84. The most severe problem in the decentralisation era is lack of necessary expertise to run the government effectively. They need professionals to transform the organisation in many education background: planner (*planolog*), accountant, civil engineer, medical doctor and paramedic to name but a few. The main problem to lure them to work in local government is low wage level.
85. Several action has been taken to overcome this problem. From within the government they try to upgrade the expertise of their employee by sending them to get higher leve of education including to take master degree. Another way is by giving scholarships to newly SMA graduate to take several programme severely needed by the government. The programme already instated is in medical education, maritime academy. After graduation they are expected to go home and serve as a civil servant.

Training

86. Majority of training is not designed specifically to meet the needs of local government. Usually they received invitation from training institution outside local government. They sent people to take the training. So the subject depend on the proposition overed by the training agency.
87. Most of the training until now is for the purpose of acceding to higher position (*kursus penjenjangan*) instead of for increasing expertise. This is not bad, but in a situation where many people is needed as a profesional it is rather a waste of money.

Putra daerah

88. This issue is still a controversy in many localities. Nias regency opt not to follow the suit of favoring local people and sacrificing the quality of government as a whole. Eventhough many civil servant that their origin do not belong to Nias demand a transfer to other localities. As a result many position for senior public



servant is left empty because the next rank could not fill them as a definitive one.

Labuhan Batu Regency

Planning Documents

89. All the planning documents was prepared by Labuhan Batu Regency except Poldas and Repetada. The last documents is still in the preparation phase, planned to be release soon
90. Propeda (Perda No 1/2002) was designed as a regional respons to propenas. Eventhough it was released as local regulation in 2002, the time frame for the propeda is from the year 2001 to 2005.
91. Renstrada (Perda No 2/2002), was prepared by the current Bupati in the same time frame to Propeda that is 2001-2005. Both DPRD and Bupati/executive has agged that Renstrada could be used as a benchmark for government evaluation. Still it is difficult to adhere to this document because the nature of the document is still very looes concerning the standard used as benchmark.
92. Repetada is still in preparation because the law demand its preparation. But to this point it is clear that the budget was prepared differently to the Repetada. To say differently, there was no link between Repetada as a representation of annual development and Budget as its tranlation in money term

Legal Framework

93. The regency did not produce Poldas because, it was said, they already have it in the renstra and it was a duplication a waste to produce this particular planning document. So they produce Poldas as a part of Renstra. In a way we can say that Poldas was produced within Renstrada and sanctioned as local regulation eventhough there is no a separate document.
94. The regency also did not able to produce (yet) Repetada and accordingly there is no local regulation attach to it.

Consistencies to Realities

95. In producing all planning documents the regency ask the local university (universitas Sumatra Utara) to prepare a preliminary studies about the region potetials, mainly in local economy and socio cultural aspect of the society
96. In saying this, the regency try to produce a planning document that is based on reality faced by its constituent.

Stakeholder Involvement in Planning Process

97. The planning documents was prepared by a team (formed by a regents decree-SK Bupati) led by Bappeda. As is said before, they invite University to help the team in preparing all planning documents.



98. General public and NGO was invited in the final stage of the preparation of the planning document in the DPRD general meeting (Rapat Paripurna Dewan) specially designed for discussing the issue. So the participation of general public was very artificial
99. Kadin and representative from business sector also has nothing to say in the preparation of planning documents. They treated the business sector as to other stakeholder that included only in the final stage of preparation.
100. A very different story emerged when preparing annual budget. This documents was prepared following the guidance from ministry of home affair (annually published). There are several steps that should be taken in producing this particular documents. It started from Musbangkel in village level followed by UDKP Meeting in kecamatan level to Rakorbang in regency level before finally discussed in DPRD meeting. During each meeting all stakeholder was invited despite minimal involvement.
101. Budget draft (RAPBD) was enacted as local regulation rather late ie. May 14th 2002. Local official blammed the delay to the DAU information that come very late to region resulted in the delay the preparation of the budget.
102. This delay had a repercussion to the delay in project initial kick off. The consequences is quite predictable, the project would not finish in time.

Planning Infrastructure

103. Bappeda realized that a good data was important for planning. So Bappeda create a special body within it to deal with preparing and manipulating data. In doing so Bappeda cooperating with, among others, BPS and BKKBN.
104. Planning information system already be made despite still in infancy. Eventhough they has used computers, their utilisation is very limited due to lack of software and expert in programming system.

Local Finance

105. The main sources of PAD in Labuhan Batu are: Tax on street light (pajak Penerangan Jalan) which in 2001 amounted 2.6 billion rupiahs, levies on using local property: 760 million rupiahs, Market levies 569 Million rupiahs and Levies on health services: 523 million rupiahs.
106. Kadispenda criticise the law No. 34/2000 and said it need to be revised so as no string attached on the creation of local regulation and levies. The constraint imposed as is applied now made it imposible to tax what is regarded as potential sources of tax in Labuhan Batu: plantation
107. Their intention to tax the fresh palm kernel (tandan buah segar kelapa sawit) and tax on raw latex is baned by central government. The only revenue from this plantation is property tax (pajak Bumi dan bangunan).
108. Kadispenda also complaint that tax which previously belong to Kabupaten (Pajak air bawah tanah) has been assign to Province in the Law No. 34/2000.



He expect that a revision to this law will resume this tax to Kabupaten again. Also he explained that 6 tax and 30 levies from Law No. 34/2000 could not be collected in Labuhan Batu.

109. The effect of the poor tax base has created some initiative to tax peddler (tukang baso keliling) once he settled in one place using restaurant tax, which in other region is exempted. The reason to tax indiscriminately is the desperation to increase local revenue.

Strategy to Increase Local Revenue and the Impact of Law No. 34/2000

110. Intensification and extensification of tax/levies base has been applied to increase the local revenue. To cite some examples, Labuhan Batu has instituted an increase in market levies (retribusi pasar), create new tax on woods storing (penimbunan kayu). This regency is planning to collect levies on hospital creation (pendirian rumah sakit, klinik dan institusi kesehatan lain) and levies on business permit in *sarang burung walet*.
111. The regency has adopted a simpler procedure to administer levies collection by cutting the process of collecting the levies. In Parking levies collection is now could be administered within one day.
112. One of the obstacles in making local regulation is the necessary time to finish one regulation is very long. It is normal that a regulation passed 9 months before could be implemented. There is an effort within the executive and legislative to shorten this time. No prescribed time frame yet up to now about the ideal time.
113. Some problems persist in trying to increase local revenue:
- a. Low quality in human resources has made the collection of parking levies far from the potential. In some areas the regency even use local *Preman* to collect the levies.
 - b. Problems in infrastructure planning has caused the new bus terminal inutilized due to lack of road to link the new terminal with other region. Accordingly the revenue potential cease to exist.
 - c. Some services that should be transferred to kabupaten still in the possession of province, ie., car test (uji kendaraan bermotor), car weight station (terminal timbangan kendaraan) or central apparatus, ie., land and harbour/port.

Performance Budgeting

114. No performance budgeting initiatives has been implemented in the regency so far. Lack of knowledge is an important constraint to embrace the new way of budget preparation. They expected the central government to train local public service in this regard.

Intergovernmental Transfer

115. Labuhan Batu regency expressed their dissatisfaction about the amount they received in DAU form to run the government. In 2001 Labuhan Batu receive 164 billion rupiahs, a small amount considering the development that should be carried out by the regency.
116. Apart from DAU, Labuhan batu also receive Bagi Hasil from central government and provincial government, ie for PPH, PKB/BBNKB and PBB. Arrangement for these three taxes is favorable to Labuhan Batu and they do not expect this arrangement will be changed. If the responsibility of this tax is fully given to Labuhan Batu they calculate the return will be far lower from now. In total, the arrangement of DAU and Bagi Hasil for Labuhan batu is better from before the decentralization. Still they hope an increase in DAU fund because most of the fund goes to pay civil servant
117. Information about the exact amount of DAU is very important in budgeting process. The delay in this information has caused the enactment of local regulation on budgeting in 2002 deferred to may 14th 2002, already very late.
118. No SDA in Labuhan Batu, so when it comes to evaluate Bagi Hasil from SDA, Labuhan Batu prefer the existing arrangement. They receive 735 million rupiahs in 2001 from luran Hasil Hutan.
119. Allocation of DAK in 2001 amounted 2.38 billion rupiahs goes to activities in reforestation/reboisement (reboisasi), received too late in 24 october 2001 so it was carried over to 2002. They try to ask more DAK for after flood reconstruction but receive no respond .

Local Regulation

120. There is an agreement within local government that all policy tha affected the public in general should be prepared under local regulation. Regent decree (SK Bupati) is design as an internal policy only matter for within government.
121. The making of local regulation within government (executive) is administered in bagian hukum with all head of dinas dan sub organization served as a member to the team. Bagian hukum is responsible to review all regulation to prevent conflicting law appear in the local regulation.
122. They have an Idea Development Forum (Forum Pengembangan Ide) which consist of Bagian Hukum and Dinas Teknis. It is in this forum the initial proposal for a new local regulation usually appear.

The Making of Local Regulation

123. The Initial draft for a new local regulation is usually prepared by Dinas Teknis and Bagian Hukum.
124. The next step is to discussed this preliminary draft in a meeting called rapat koordinasi between the executive and the legislative but restricted to the commision responsible for the topics of interest.



125. The revised version from the meeting (see point 88) then goes to a meeting called Rapat Perancangan. By this time the party become wider, apart from Executive and DPRD, by including NGO related to the topics drafted. The product of this meeting is a final draft which subsequently passed to Head of Regency (Bupati) to be submitted before the local council (DPRD).
126. A final meeting to discuss and pass the draft to local regulation is again held, this time in the DPRD.
127. A three (3) months exposure to the public (sosialisasi) about the new local regulation is a necessity before the local regulation is implemented.

Problematic Local Regulation

128. One local regulation come to our attention because the government is pressed to postpone the new local regulation on levies on market stall (retribusi pasar). The protester deny to pay the levies because it is believed too expensive.

Institutional Restructuring

129. The structure of Labuhan Batu regency in general is bigger than the one before the decentralisation era due to increasing of the total public servant that belong to his responsibility. This is because of merging of central organization in kabupaten to Dinas. As a consequence, the span of control of each Dinas Head is increasing. Dinas for example experience a merging like Dinas pasar and Dinas Kebersihan which are two separate dinas become one entity in the decentralisation era. Dinas Informasi dan Komunikasi and Dinas Tenaga Kerja were two new dinas created as a result of decentralisation.
130. The new structure has been passed in to local regulation in the year 2000 by releasing three local regulation: Perda No. 3/2000 about the administrative structure of regency secretariat (organisasi sekretariat daerah), Perda No. 4/2000 about Dinas Structure and Perda No. 5/2000 about Organisasi badan.
131. The new structure was prepared and analyzed by a team consist of Bagian Hukum, Bagian keuangan, Bagian Perlengkapan, dan Bagian organisasi. The problem is during the process of preparing the new structure there was little guidance received from central government. In the past such a process was easier because part of the job related to this process is taken by central government for example evaluation about job analysis.
132. Regency investment board (BKPM) is not created and the responsibility is taken over by Dinas Industri dan Perdagangan.

Human Resource Development

133. This section cover the discussion on the effect of employee transfer from central government agency to local government as a result of decentralisation. Some region may be experiencing overstaffing but for other understaffing, this is the issue that should be explained. Issue on local employee career development is also discussed especially on the competence, training



programmes and the role of education. Hot issue on Putra Daerah will have a portion too to be evaluated

Human Resource Characteristic

134. Transfer of personnel was a problem. Initially there will be 43 staff that should be transferred to Labuhan Batu, but at last only 9 that really show up. Another complication is all 9 person, that has been assigned to post in Dinas Perhubungan, never come to office. Until now their salary is not paid.
135. The impact of decentralisation affect the whole organisation. Lack of people is a common complaint from sub organisation. To make the problem worse, lack of people in a certain echelon prohibit them to fill the empty position within organisation.
136. PP No 99/2001 and 100/2001 release certain tension to fill the position because these two PP provide local government the right to promote the civil servant rank every 3 months.

Competencies

137. As in other local government Labuhan Batu also experience the difficulty to in their management team because lack of competencies in many sector. Several effort has been initiated to overcome this problem, including sending staff to take training course. Study visit is also utilised to increase the expertise among local government staf.
138. A longer lasting relation is also made by forming a cooperation between local university and local government, MOU between Universitas Negeri Medan (formerly IKIP Medan) has been signed to train local staff to D3 and S1

Training

139. Structural training is regarded as among the most important training in the regency due to direct relation to promotion of one career.
140. There are several rule on sending people for training: Rank admissible, because some training prefer people from certain rank. The ability of the person it self, and oter criteria
141. The demand for training is high but the fund prohibit local government to sent many local people.

Putra daerah

142. Putare daerah is not eminent.

Karo Regency

143. Karo regency located in the west of Medan with total population based on 2000 census about 279 thousand people. With total area of 2127 square kilometres. population density become 131 people per square kilometres. Main occupation



of the people is in agriculture. Indeed, Karo regency is famous with agricultural production has been exported to Singapore and Malaysia especially fresh vegetable.

144. The last seven year marked the increase of agricultural sector in Karo regency. It was only 61 percent of GDRP in 1993 and reach 67 percent in the year 2000. With annual income per capita 6,19 million rupiahs in year 2000, Karo people is among the rich in North Sumatra².
145. This report try to elaborate the existing situation in Nias facing the decentralisation mainly in five issues: *Planning Process*, *Local Finance*, *Local Regulation*, *Institutional Restructuring* and lastly, *Human Resources Development*.

Planning Documents

146. The result depth interview supplemented with Focus Group Discussion (FGD) and filled questionnaire show that planning documents preparation in Karo regency did not conform to the guidance set forth by central government. The case in point is in the making of Propeda. Karo regency did not prepare Poldas as a separate document but place it as a section within Propeda. The next problem is the Poldas it self was made without statement about the strategy and development vision of the region.
147. The reasons of not creating Poldas is because they could be integrated into one document due to similarity in content (Both documents provide vision, mission and key strategic issues). This opinion was hold both of Bappeda and Local Council Secretariat, the designer of initial document. But during FGD, council members said that they did not recognize that Poldas should be a separate entity. When designing Propeda they did think that vision and mission is an integral part of Propeda. The did not aware that in fact it should a separate document.
148. Even though they did not prepare a distinct document for Poldas, the design of regions vision and mission was done by inviting the stakeholder. Among them are NGO, Local Leader, Executive branch of government, local council and university. If we focus only to content, the design is acceptable. The only weaknesses is the Propeda was designed in five year framework, while Poldas have a longer time frame. It is true that both documents should be revised regularly, but by putting the Poldas within Propeda they risk to change the vision and mission every time Propeda is prepared.
149. Renstra is prepared with similar process to Propeda. The involvement of stakeholder was limited. Again Karo regency interpreted the guidance from central government differently. Because Renstra has included the yearly planning horizon, they do not need to create a separate document for Repetada.

² The figure use GDRP per capita in the year 2000.



Legal Framework

150. As already said in the above passage, only two documents have been prepared and all these have been passed into local regulation. The first is Renstra that local council has agreed to stamp it to local regulation (perda). The second is Propeda. All other documents were integrated into these two books.
151. Despite what the law said, APBD in Karo is based on Regent's decree instead of local regulation (Perda). The reason they provide was the APBD still in revision and argue that this arrangement much more have flexibilities compare to local regulation.

Consistencies to Realities

152. The majority of interviewee said that all planning documents consistence to the realities even though much of the content related to routine expenditure. The only problem was the lag between planning and execution in the time of inflation made all the calculation become obsolete. This is due to the increase in price of almost all commodities used in APBD.
153. Figure from GDRP showed that agriculture and tourism sector lead the economy of Karo regency. One can infer that as result government revenue from these sectors are also big, considering export oriented farming is the majority and hotel plus restaurant is in abundance. A look at local revenue showed a different picture though, with tax on Penerangan Jalan and user charge on hospital service amounted 1,1 billion rupiahs that make them two biggest revenue.

Stakeholder Involvement in Planning Process

154. The ideas included in planning documents initially started in musyawarah pembangunan (musbang) desa. Using a bottom up approach, the ideas produced then is discussed in musbang kecamatan, and kabupaten respectively. In preparing present Regency's vision and mission in fact Bappeda utilize the ideas expressed during rakorbang. Along with Local Council, Bappeda select the item that should be included in planning document.
155. Local council agree that all planning documents should be transparent to the public. It goes further to make sure that during the preparation in the Musbang all important stakeholder represented. The result is the involvement of local leader, religious leader, NGO etc is endorsed. But during depth interview only around 60 percent of the interviewee support the notion that *planning document* has included enough stakeholder involvement.
156. If the representativeness of planning documents to the needs of the society is measured by the complaint received, then the planning document indicate a good one because no complaint has been recorded till the middle of June. It means several months after the publications as public record trough Perda.



Planning Infrastructure

157. In depth interview with Bappeda and several senior local government official revealed that the quality of data produced in this regency is quite good. But to make a comprehensive planning they still need several indicator that is not regularly updated. Timeliness and regularity of data produced is of great concern to local government, but it needs support from all level of government.
158. Database management is still very simple and manually prepared. A plan to embrace a computerize system is expected in the future but the implementation is hampered by unavailability of fund.

Local Finance

159. This part will include several important issues that should be addressed as a result of the enactment of new laws on local finance. The first issue is the response of local government to the law No. 34/2000 that enabled local government to create and exercise a new local tax and user charges without the permission of central government. The principle of this new tax is that local law is directly in operation otherwise banned by central government, which the latter have 30 days to do so (banned). The second issue is on the readiness of local government to start performance budgeting. Focus will be place on standar spending assessment as a basis for measuring the needs of appropriation of local government expenditure. The next two issues are about intergovernmental transfer specially DAU and about how to estimate local revenue potential.

Strategy to Increase Local Revenue and the Impact of Law No. 34/2000

160. Law No. 34/2000 give the local government the possibility to create and implement local tax and user charge without prior approval from central government. Facing this possibility Karo regency has passed into local regulation seven new taxes and 17 new user charges³. Two of them is banned by the central government, first, tax on underground water which belong to the province and user charge on Pemanfaatan kayu pada lahan hak milik.
161. Several measure has been taken to increase the performance of existing taxes and user charges.

Performance Budgeting

162. No performance budgeting inisiatif has been performed.

Intergovernmental Transfer

163. A classic problem with DAU is that local government felt unsatisfactory with the present arrangement. In Karo regency 80 % of DAU goes to civil servant salary.

³ Some of the new taxes are already exist before with some modifications applied in the new Perda.



164. The calculation of DAU is not clear for them, especially how each variable relate to determination of the amount of DAU.

Estimation of Local Revenue Potential

165. No specific estimation is done. The same method is applied before and after decentralisation. They do not see the relevance with decentralisation. Estimation is done manually based on previous year performance.

Local Regulation

The Making of Local Regulation

166. No difference with before decentralisation.

Problematic Local Regulation

167. Some of the local regulation produced were banned by central government. Pajak air bawah tanah which by law is the right of province. The other is fee for cutting trees in people owned land

Institutional Restructuring

168. The structure of local government follow the guidance set by ministry of home affair.

169. The new structure is covered by three local regulation that is Perda No 2, 3, 4 year 2000.

170. No real evaluation about the real need of local government which will be represented in the structure of government. So the present structure is basically the old structure with some modification.



APPENDIX



Nias

Items	Budget Year		
	1999/2000	2000	2001
Total Revenues	102.58	88.46	229.13
Last Year Budget Surplus	3.13	2.68	8.05
Local Owned Revenues	1.80	1.56	5.47
Local Taxes	1.07	0.92	2.14
Local User Charges	0.59	0.51	0.82
Profit from Local Owned Enterprises	-	-	-
Other Revenues	0.15	0.13	2.51
Intergovernmental Transfers	97.65	84.22	210.61
Tax Sharing Revenues	6.31	5.44	14.4
Non Tax Sharing Revenues	0.17	0.15	0.81
Autonomy Region Subsidy	52.66	45.42	-
Development Aid	38.50	33.21	-
Others	-	-	5.00
General Allocation Fund	-	-	195.38
Special Allocation Fund	-	-	-
Local Borrowing	-	-	-
Local Borrowing from Central Government	-	-	-
Local Borrowing from Domestic Financial Institutions	-	-	-
Routine Expenditures	58.43	50.40	117.36
Salary Expenses	49.56	42.75	-
Material Expenses	4.01	3.46	-
Maintenance Expenses	0.39	0.34	-
Travel Expenses	0.42	0.37	-
Others	1.51	1.30	-
Installment on Loans and Interest Payment	-	-	-
Pension Expenses	-	-	-
Subsidy	1.33	1.15	-
Unclassified Expenditures	1.05	0.91	-
Unexpected Expenditures	0.15	0.13	-
Development Expenditures	39.05	33.68	99.40
Industry	0.06	0.05	-
Agriculture and Forestry	1.47	1.27	-
Irrigation and Water Resources	0.20	0.17	-
Manpower	0.03	0.02	-
Trade, Local Finance and Cooperatives	0.17	0.14	-
Transportation	15.10	13.03	-
Energy and Mining	-	-	-
Local Telecommunication and Tourism	0.13	0.11	-
Regional Development	10.40	8.97	-
Environment	0.21	0.18	-
Sport and Youth	7.69	6.63	-
Population and Social Welfare	-	-	-
Woman Empowerment	1.23	1.06	-
Housing	-	-	-
Religion	-	-	-
Technology and Science	0.56	0.48	-
Law	-	-	-
Government Apparatus	1.81	1.56	-
Politics	-	-	-
Security	-	-	-
Subsidy to Subordinate Area	-	-	-



Dairi

Items	Budget Year		
	1999/2000	2000	2001
Total Revenues	117.47	93.730	237.67
Last Year Budget Surplus	4.71	1.093	9.00
Local Owned Revenues	4.43	4.091	8.38
Local Taxes	2.60	2.392	3.09
Local User Charges	1.58	1.474	3.12
Profit from Local Owned Enterprises	0.00	0.000	0.0015
Other Revenues	0.26	0.225	2.18
Intergovernmental Transfers	108.33	88.546	209.83
Tax Sharing Revenues	15.85	17.444	26.37
Non Tax Sharing Revenues	0.83	0.542	1.46
Autonomy Region Subsidy	64.52	54.061	-
Development Aid	27.13	16.449	-
Others	0.00	0.000	10.46
General Allocation Fund	-	-	182.01
Special Allocation Fund	-	-	0.00
Local Borrowing	0.00	0.000	0
Local Borrowing from Central Government	0.00	0.000	0
Local Borrowing from Domestic Financial Institutions	0.00	0.000	0
Routine Expenditures	79.88	70.620	170.14
Salary Expenses	62.41	55.980	-
Material Expenses	8.15	8.619	-
Maintenance Expenses	0.90	0.929	-
Travel Expenses	0.48	0.888	-
Others	3.00	0.000	-
Installment on Loans and Interest Payment	0.00	0.000	-
Pension Expenses	0.00	0.000	-
Subsidy	1.23	1.261	-
Unclassified Expenditures	3.54	2.758	-
Unexpected Expenditures	0.16	0.186	-
Development Expenditures	34.95	23.110	49.3415
Industry	0.43	0.105	-
Agriculture and Forestry	2.24	1.549	-
Irrigation and Water Resources	0.39	0.381	-
Manpower	0.00	0.000	-
Trade, Local Finance and Cooperatives	2.01	0.730	-
Transportation	14.97	7.470	-
Energy and Mining	0.00	0.000	-
Local Telecommunication and Tourism	0.00	0.000	-
Regional Development	1.11	0.956	-
Environment	0.15	0.020	-
Sport and Youth	4.44	2.303	-
Population and Social Welfare	0.00	0.000	-
Woman Empowerment	1.62	1.113	-
Housing	5.17	4.639	-
Religion	0.00	0.000	-
Technology and Science	0.07	0.000	-
Law	0.00	0.000	-
Government Apparatus	2.17	3.844	-
Politics	0.02	0.000	-
Security	0.00	0.000	-
Subsidy to Subordinate Area	0.18	0.000	-



Karo

Items	Budget Year		
	1999/2000	2000	2001
Total Revenues	67.35	49.88	145.56
Last Year Budget Surplus	0.13	0.94	5.21
Local Owned Revenues	3.57	6.31	4.69
Local Taxes	1.44	1.16	2.37
Local User Charges	1.92	1.61	1.92
Profit from Local Owned Enterprises	-	0.06	-
Other Revenues	0.20	3.48	0.39
Intergovernmental Transfers	63.65	42.62	114.92
Tax Sharing Revenues	4.01	2.94	5.40
Non Tax Sharing Revenues	1.31	0.13	4.02
Autonomy Region Subsidy	39.96	30.86	-
Development Aid	18.38	8.70	-
Others	-	-	10.7
General Allocation Fund	-	-	105.5
Special Allocation Fund	-	-	-
Local Borrowing	-	-	10.0
Local Borrowing from Central Government	-	-	-
Local Borrowing from Domestic Financial Institutions	-	-	10.0
Routine Expenditures	45.49	36.14	-
Salary Expenses	39.64	30.71	-
Material Expenses	2.56	2.59	-
Maintenance Expenses	0.44	0.51	-
Travel Expenses	0.29	0.26	-
Others	1.03	0.92	-
Installment on Loans and Interest Payment	0.06	0.10	-
Pension Expenses	-	-	-
Subsidy	0.51	0.46	-
Unclassified Expenditures	0.70	0.47	-
Unexpected Expenditures	0.26	0.10	-
Development Expenditures	20.14	13.75	-
Industry	0.02	0.02	-
Agriculture and Forestry	1.03	0.63	-
Irrigation and Water Resources	0.05	-	-
Manpower	-	-	-
Trade, Local Finance and Cooperatives	0.13	1.12	-
Transportation	9.53	4.75	-
Energy and Mining	0.05	0.05	-
Local Telecommunication and Tourism	0.30	0.25	-
Regional Development	3.14	0.18	-
Environment	1.43	1.13	-
Sport and Youth	1.27	1.68	-
Population and Social Welfare	0.01	0.01	-
Woman Empowerment	0.35	0.31	-
Housing	2.22	2.19	-
Religion	0.03	0.03	-
Technology and Science	0.12	0.16	-
Law	0.01	0.01	-
Government Apparatus	0.43	1.27	-
Politics	-	-	-
Security	0.01	-	-
Subsidy to Subordinate Area	-	-	-



Medan

Items	Budget Year		
	1999/2000	2000	2001
Total Revenues	226.44	195.30	545.82
Last Year Budget Surplus	5.50	4.74	3.09
Local Owned Revenues	59.42	51.25	88.2
Local Taxes	37.67	32.49	58.1
Local User Charges	19.28	16.63	28.4
Profit from Local Owned Enterprises	0.36	0.31	0.61
Other Revenues	2.11	1.82	1.00
Intergovernmental Transfers	161.52	139.31	361.98
Tax Sharing Revenues	34.46	29.73	76.8
Non Tax Sharing Revenues	0.96	0.83	2.04
Autonomy Region Subsidy	91.78	79.16	
Development Aid	33.49	28.89	
Others	0.83	0.71	57.4
General Allocation Fund	-	-	283.12
Special Allocation Fund	-	-	
Local Borrowing	-	-	35.0
Local Borrowing from Central Government	-	-	
Local Borrowing from Domestic Financial Institutions	-	-	35.0
Routine Expenditures	160.49	138.42	414.43
Salary Expenses	90.97	78.46	
Material Expenses	26.82	23.14	
Maintenance Expenses	15.39	13.28	
Travel Expenses	0.95	0.82	
Others	10.97	9.46	
Installment on Loans and Interest Payment	1.39	1.20	
Pension Expenses	-	-	
Subsidy	1.72	1.48	
Unclassified Expenditures	11.21	9.66	
Unexpected Expenditures	1.06	0.92	
Development Expenditures	53.71	46.32	99.2
Industry	0.38	0.32	
Agriculture and Forestry	0.54	0.47	
Irrigation and Water Resources	-	-	
Manpower	0.06	0.05	
Trade, Local Finance and Cooperatives	1.53	1.32	
Transportation	28.11	24.25	
Energy and Mining	-	-	
Local Telecommunication and Tourism	0.17	0.15	
Regional Development	3.62	3.12	
Environment	0.32	0.27	
Sport and Youth	6.66	5.74	
Population and Social Welfare	0.21	0.18	
Woman Empowerment	0.90	0.77	
Housing	6.51	5.62	
Religion	0.74	0.64	
Technology and Science	1.04	0.90	
Law	-	-	
Government Apparatus	2.69	2.32	
Politics	0.24	0.21	
Security	-	-	
Subsidy to Subordinate Area	-	-	



Province Sumatera Utara

Items	Budget Year		
	1999/2000	2000	2001
Total Revenues	515.93	600.28	1.066.80
Last Year Budget Surplus	5.28	66.87	183.51
Local Owned Revenues	187.60	255.08	423.08
Local Taxes	164.69	236.26	388.02
Local User Charges	7.13	9.79	15.4
Profit from Local Owned Enterprises	4.01	3.83	4.63
Other Revenues	11.77	5.20	14.9
Intergovernmental Transfers	247.33	278.33	392.99
Tax Sharing Revenues	38.58	37.38	87.1
Non Tax Sharing Revenues	20.75	17.09	27.4
Autonomy Region Subsidy	73.07	81.09	
Development Aid	114.94	142.78	
Others	-	-	67.2
General Allocation Fund	-	-	278.37
Special Allocation Fund	-	-	
Local Borrowing	75.72	-	
Local Borrowing from Central Government	75.72	-	
Local Borrowing from Domestic Financial Institutions	-	-	
Routine Expenditures	202.23	219.57	628.28
Salary Expenses	64.09	62.73	
Material Expenses	61.55	65.42	
Maintenance Expenses	14.76	17.03	
Travel Expenses	5.46	5.47	
Others	26.92	46.13	
Installment on Loans and Interest Payment	4.28	1.67	
Pension Expenses	-	-	
Subsidy	6.15	4.67	
Unclassified Expenditures	10.39	7.60	
Unexpected Expenditures	8.64	8.85	
Development Expenditures	246.82	197.20	287.93
Industry	1.14	1.15	
Agriculture and Forestry	15.06	13.79	
Irrigation and Water Resources	23.72	29.69	
Manpower	0.72	0.64	
Trade, Local Finance and Cooperatives	79.74	4.30	
Transportation	39.34	43.98	
Energy and Mining	0.61	0.56	
Local Telecommunication and Tourism	1.92	1.82	
Regional Development	11.69	14.34	
Environment	6.44	6.51	
Sport and Youth	14.59	17.29	
Population and Social Welfare	0.20	0.22	
Woman Empowerment	18.98	27.56	
Housing	0.75	1.02	
Religion	1.41	1.69	
Technology and Science	1.63	2.20	
Law	0.27	0.22	
Government Apparatus	20.82	22.77	
Politics	0.45	0.34	
Security	0.26	0.17	
Subsidy to Subordinate Area	7.08	6.93	