

SUMMARY OF THE FINAL WORKSHOP

The Study
on
Current Status and Needs Assessment
of
Local Governments
for
Implementing Decentralization
and
Regional Autonomy
in Republic of Indonesia



Japan International Cooperation Agency-JICA



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



Directorat General of Regional Development
Ministry of Home Affairs

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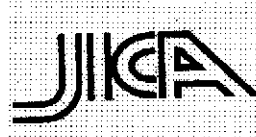


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PLANNING PROCESS

1. There is still missing link between planning documents and real development activities. Most of local governments still treat the documents as administrative requirement rather than the real guidance of development.
2. Lack of public participation is still cited as the weakness of the old planning system that, however, is still used these days. Due to the transition period of decentralization, local governments still follow the old practice that starts from Musbangdes, followed by UDKP, and rakorbang.
3. Like in other cases, the coordination among central government ministries or agencies in planning needs to be improved. The central government has to clarify the co-existence of "Bappenas" planning system (Poldas, Propeda, Repetada), and the Kepmendagri 29 (Renstrada). Each of them does not recognize the other. The local government feels that the problem is not about the quality of the documents and process themselves, but rather on the confusion created by the dualism at the central level.
4. Because of the strong emphasis on the legality and the administrative requirements of all planning documents, some observers are worried that the local governments are more concerned on the documents than the planning process itself. As a result, most of local governments feel that they have done their jobs once the documents are completed and not paying too much attention on the planning process as a whole that includes implementation and monitoring of the planning itself.
5. The influence of national spatial planning document to the regional one cannot be considered as the intervention of the central government to the local governments since that kind of influence is mandated in the law of national spatial planning that has been agreed upon both central and local governments.
6. Kepmendagri 29 still leaves many homework to be completed, from the legal point of view. One of them is the inconsistency between presidential decree that defines the expenditure as the routine and development expenditures, and kepmendagri 29 that already defines five new types of expenditure. Since presidential decree has more legal power than ministerial decree, it might create another confusion at the local level on how they design their expenditure side of the budget.



7. Participatory planning has become a popular term during the decentralization era, however there has not been an effort to set the standard of the level of public participation. It is very easy for local governments to say that their planning process has involved public participation, and on the other hand, the local residents, especially NGO, quickly complain that the planning process has not taken into account public opinion. To resolve this continuing debate, the standard procedure of the participatory planning needs to be defined and agreed upon by both government and public.
8. The idea to establish the planning information system at the local level is very good and useful, however the past experience revealed that the system has been established as pilot projects at some regions but due to the lack of human capability and high maintenance cost, the system never works and the projects claimed to be failed.

RECOMMENDATIONS FOR FUTURE STUDY AND POLICY

1. It is very crucial to conduct a policy study to develop the basic planning system in decentralization era that, eventually, should lead to two planning horizon : short term planning and long term planning. Since the bupati, walikota, and governor are elected for at least 5 years and at most 10 years, nobody takes in charge of longer planning horizon that is necessary for the regions. If only short term planning is acknowledged and implemented, the local residents might not receive the optimal benefit in the long run. Worse than that, the elected officials could exploit the resources without thinking about the future, just for the sake of their achievements.
2. To create a good indicator on the success of the local planning process, there should be an enforcement to ensure that the planning documents are consistent with the local budget. So far, the DPRD can intervene the budgeting process and at the end, create inconsistency between planning and budgeting. By enforcing the consistency, both executives and legislatives are bound to obey that rule. This enforcement has to be supported by participatory planning standard procedures in order to create the local budget that is accepted by everybody at the local level.



LOCAL FINANCE

1. The degree of local taxing power indicates how accountable a local government to its local residents is. The current scheme of fiscal decentralization does not increase the local taxing power since the structure of local taxes and charges is basically the same as the pre-decentralization period. As a result, it is actually difficult for local residents to hold their local government accountable since the local government does not collect most of major taxes directly. Most of local governments get their revenue from intergovernmental transfer and consequently, the proportion of local own revenue is very small.
2. To improve the accountability, the local taxing power has to be higher by transferring some of central government tax such as property tax or surcharging the personal income tax. To do that, there needs to be revision of law 25/99 and 34/2000 that might take some times.
3. The allocation of contingency fund in 2001 that was based on ad-hoc basis is deemed as unfair and not transparent. To be consistent with the DAU allocation pattern, there should be a formula to allocate contingency fund. It does not have to be a sophisticated one, but at least there is transparency.
4. In the performance budgeting system, there is a question regarding the definition of performance. Is performance translated into the economic growth or the job creation? These two objectives might contradict to each other so the clarification of the definition of performance is really needed.
5. To support the implementation of the performance budgeting, the minimum standard of services has to be available first as the guidance of calculating the standard unit cost. So far, the process of developing the standard of services has been very slow, and among basic services, the standard on education and health services has been completed. Lack of data availability and data standard in BPS is cited as one of the reason for this slow process.
6. There has been misperception at the local level concerning the DAU formula that incorporates the total amount of civil servant salary as one of variable. Some of local government thought that they may receive higher DAU by increasing the number of employee. This is totally wrong since the central government will use the similar amount of local employee from year to year and only adjust the total salary by taking into account the changes in the salary itself, determined centrally.
7. Aside from decentralization process, there exists deconcentration process, done through provincial government, for 19 sectors/activities.



The DIP allocation then should reflect that scheme and does not create the conflict of authority between central and local level.

8. There has been a question of the classification of the expenditure for legislative as a part of government apparatus expenditure. It is not right and it creates incentives for legislatives not to question the efficiency of government apparatus expenditure.
9. The specific allocation grant will be allocated based on general, specific, and technical criteria. General criteria is intended for poor and underdeveloped regions, the specific criteria for the special autonomy regions, and the technical criteria is designed by the line ministries.
10. The directorate general of central-local fiscal balance (PKPD) is developing the local finance information system (SIKD). However, it is not that smooth since not all local governments are cooperative in giving the data, and as the newest institution in MOF, PKPD has limited staffs and does not have local branch offices.

RECOMMENDATIONS FOR FUTURE STUDY AND POLICY

1. There has to be continuous efforts to promote higher local taxing power to support more accountable local government through the revision of law 25/99 and 34/99. The central government should solve internal problem in MOF regarding the transfer of property tax authority to the local governments.
2. *The local governments have to change their paradigm regarding the DAU, especially their perception that DAU is the substitute of SDO and INPRES that means DAU is the "specific grant". DAU is the pure block grant and should not be linked exclusively to the salary expenditure. The nature of DAU as the block grant is actually the real decentralization of local financial management.*
3. On the expenditure side, there should be further study to analyze the clear link between planning documents and budget. One has to be able to check the consistency between the two and DPRD intervention in budget allocation should be regulated. DPRD should have their own budget and not to be a part of local government budget.
4. Performance budgeting should be kept promoted but the central government should prepare all necessary laws, regulations, and procedures to avoid the uncertainty at the local level. In addition to that, there should also be clear timetable on how a local government could prepare their performance budget system. MOHA should also



accelerate the preparation of the minimum standard of services as basis for the standard unit cost in the system. This preparation not only benefits the system itself but also benefits the local people in general who will receive better public services.

INSTITUTIONAL AND HUMAN RESOURCES DEVELOPMENT

1. There is no systematic analysis on the organizational structure at the local level, especially based on the need analysis. As a result, the organization grows just to accommodate more employees and the local governments never really know how many employees they really need. Some local agency (dinas) have more employees than needed, while others have less than needed.
2. "Like and dislike" factor is still significant for the career development at the local level. The role of bupati is still stronger than the competency based or education background.
3. It is too early to determine what kind of trainings will produce the optimal results since there is time lag between the end of trainings and the results themselves. Local governments prefer the training to be held in regions since it is cheaper and the local governments know better about the training needs.
4. In the design of training itself, the local governments really need more technical types of training (not just structural related training) or the trainings that are based on the competence.
5. The local governments do not really appreciate the role of local government employee agency (BKD) and tend to make policies that sometimes are not consistent with the standard procedure. However, one good thing is that the issue of nativism (putra daerah) is not really distorting the recruitment or promotion procedure at the local level anymore.
6. There are three big problems in the local government employee system : mismatch problem (between education/competence and position), allocation of employees (among dinas and local agencies), and under employment (under utilization). To deal with that, there are needs of comprehensive position analysis, standard of competencies, and database improvement.
7. Some local government asked that the management of civil servants should be sent back to central government to avoid career bottleneck at the local level. The salary should be based on the performance, and the reward-penalty system should be utilized at the local level.



8. The local government should employ the performance-based management to achieve the objectives while maintaining the fairness among the civil servants.

RECOMMENDATIONS FOR FUTURE STUDY AND POLICY

1. The management of civil servants at the local level should be based on the thorough analysis that considers the competency standard, position analysis, reward-penalty system, the linkage between the number of employees and the level of public services. The management that was based on the budget availability should be avoided to ensure the efficient use of the local government fund. The analysis of organizational structure and need should precede the estimated number of civil servants.
2. The central government, especially MOHA and BKN, should resolve the issue of career bottleneck by giving possibility of local government employees to transfer to other regions, or at least by facilitating that possibility. The idea that any transferred employee should match with the transferred DAU has to be dismissed, and any employee transfer should be based on the needs and competency.

LOCAL REGULATIONS

1. The local regulation should be in concordance of the idea to raise the local taxing power. However, it should not be distortive to the local economy itself. They have to keep in mind that any local regulation should refer to higher regulations such as UU and PP.
2. To avoid distortive local regulation, the local governments need clear direction and guidance from the central government. They do not want that the central just intervenes at the evaluation of the final products. They want the central to supervise from the starting process of drafting the local regulations.
3. Some local governments argue that the supreme court (MA) is the one that can evaluate the validity of local regulations, not the government. So, it should be acceptable that some local regulations are not sent to the central to be evaluated and just implemented.



GENERAL RECOMMENDATIONS FOR THE FUTURE :

1. *The study should continue for couple more years to evaluate the impact of decentralization to the public service delivery. The capacity building recommendation is then directed based on the continuous evaluation to achieve a certain set of objectives.*
2. *The annual evaluation will be helpful to observe if the local governments have done some improvement or not. The central government can also use the evaluation output to assess themselves and suggest further improvement.*
3. *In evaluating the quality of public services these days, any study should try to differentiate between the impacts of decentralization and the impacts of economic crisis. One good example to be studied further is the operation and maintenance cost cases at the local level.*