Government Reorganization to Improve Public Services: A lesson from some Indonesia local governments.

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Abstract

This paper aims at investigating on the reinventing of local governance for better public services in Indonesia after the local autonomy Law implemented. Firstly, we briefly describe the local autonomy policy and its implication; more specifically we try to describe some innovations at some local authorities on public sector delivery. Secondly, we try to define some obstacles which might be face when they introducing innovation of the public service delivery. It also describes some solution to overcome these obstacles. Thirdly, by observing some local authorities, we explore some aspects to indicate the better performance and find the influential factors to improve the performance of public service delivery. Finally, we infer some lesson learned that should be taken from these local governments by other local government will be conclusion in this article.

Introduction

After over 30 years under a highly centralized national government, Indonesia decided to implement a policy of decentralization that became effective on January 1st, 2001. Law No. 22/1999, then revised by the Law No 32/2004 on Local Autonomy and Law No. 25/1999 on Financial Balance between the Central and Local Government. These new laws have given more autonomous for the local level to exercise their authority as they pleased. These Laws also brought change, at least, in three areas (Erawan, 2007). First, the bureaucracy was restructured to emphasize to emphasize local delivery of and responsibility for public services. Second, with the introduction of a new direct electoral system, since 2004 for governors, district heads and mayors became representatives of their constituents rather than appointees of the central governments. In 2004 also for the first time Indonesians also voted directly to
their President and elected Mr. Susilo Bambang Yudoyono and Mr. Jusuf Kalla as President and Vice President of Republic Indonesia. Third, local governments were guaranteed wide authority and discretion in policy innovation. The new laws also guaranteed the allocation of certain level of finances to the regions, to enable the in fulfilling their autonomous functions.

After almost one decade later, this policy has bringing good results for some local government vice a versa failure stories in some. When the decentralization policy was adopted, many people were pessimistic. This arose from rampant negative practices that characterized the conduct of local government officials. To others, decentralization (local autonomy) was seen as a potential cure to some the ills above. Nevertheless excess like corruption have emerged (Pramusinto 2005). In some cases, local government regulations do not take into account the interests of citizens (World Bank 2006). Moreover, the investment climate is not attractive to businesses (SMERU 2001).

Regions responded in different ways to the opportunities opened up. In shaping local policy, their challenge is to create innovative programs, to design the proper government structure, create networks of supporters and stakeholders, and institutionalize the process. This paper focuses on re-organization policies of government institutions: Jembrana (Bali), Boalemo (Gorontalo, Sulawesi), and Bantul (Yogyakarta). We elucidates this issue into some following parts: decentralization policy and its implication for the government institutions, reorganization in some local authorities, barrier in achieving the effectiveness of public service delivery, and lessons learnt of this policy.

**Indonesia’s Big Bang Decentralization Policy**

Indonesia is a sprawling archipelago of over thirteen thousand islands (some mention over seventeen thousands) that stretches three thousand miles from east to west, characterized by significant regional, ethnic, religious, and linguistic diversity. Except for a brief federal constitution at the tail end to its independence struggle with the Dutch in 1949, it has remained a unitary state. The subdivision of Indonesia into regional jurisdictions — provinces and local governments — is anchored in the Amended 1945 Constitution. Regional jurisdictions can be changed — e.g. through the creation of new regions or the consolidation of existing regions — by laws approved by the national parliament (DPR).
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Indonesia embarked on its “Big Bang” decentralization in the context of significant economic and political transition. President Soeharto’s centralist authoritarian New Order (1966-98) came to an abrupt end with his resignation in May 1998. His continued rule proved unsustainable in the face of flaring student protests, and growing loss of political support. A central rallying cry for reform was a political regime allegedly permeated by corruption, collusion, and nepotism (KKN), as well as a sense of disenfranchisement in the regions (Tadjoeddin, *et al.* 2001), notably those endowed with natural resources but not the matching fiscal benefits. Against this backdrop, Soeharto’s successor, Vice-President Habibie, presided over the initiation of a series of intertwined reforms encompassing democratization and centralization.

In the context of the post-Soeharto political pressures, and arguably to enhance the ruling Golkar party’s chances of reelection in the June 1999 elections, the two cornerstones of decentralization – Law 22 on governance and 25/1999 on fiscal relations – were rapidly drafted by a small circle of dedicated officials. As a result the laws in many cases lacked specificity or implementing regulations, and lacked broad-based participation (Turner, *et al.* 2003). Despite the government’s subsequent loss, the ambitions and time bound implementation was retained with the subsequent support of the legislative bodies (DPR/MPR). Given the history of stalled decentralizations and pent up demands or more regional autonomy in Indonesia, it is questionable whether a more gradualist strategy of decentralization would have been feasible.

Fortunately, the process did not see any major disruptions in the bureaucracy and service delivery in its immediate wake. However, given the significant changes decentralization implied for both the relationship between the center and the regions, as well as actors at the local level (e.g., executive and legislative), it is not surprising that many of these new arrangements will remain contested territory for some time to come Indonesia decentralized functions and resources mainly to local governments — regencies (*kabupaten*) and municipalities (*kota*) — rather than to provinces. This appears in part to have been motivated by concerns over possible secessionist threats, and a sense that a large number of local governments could be controlled through a “divide and rule” strategy.

Law 22/1999 on Regional Governance shifted the balance from a largely top-down form of accountability in Indonesia to local political accountability. At its core is the election of the head of region, and the annual accountability speech. The head is elected by and accountable to the local
parliaments (DPRD). Law 22/1999 Article 16(2) stipulates that the regional head of the executive (bupati/walikota) and legislative act in partnership (kemitraan).

Prior to decentralization, provinces were known as level one (dati I) and local governments as level two (dati II) in Indonesia. The Dutch introduced the system of provinces on Java in the 1920s, which now encompassed the regencies (residentien/regentschappen, and districten). However, the administrative subdivision of the Outer Islands historically lagged behind that of Java. The imposition of Javanese administrative patterns, often conflicting with traditional forms of local community organization, has been a source of long-standing discontent outside of Java. However, since the enactment of Law Number 32 Year 2004 regarding Local Government, the local governments enjoy greater role to administer their own area - however foreign politics, defense (including armed forces and national police), system of law, and monetary policy, are still being national government domain. Since 2005, heads of local government (governors, regents, and mayors) has been directly elected by the popular election. Currently, Indonesia is divided into 33 provinces. Seven provinces were created since 2000. Table 1 shows the comparison of the sub national level organizations in some countries.

<table>
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<th>Country</th>
<th>Sub national level organizations</th>
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| Cambodia | Two levels in two parallel systems:  
• Provincial administrations (20) and municipalities (4) with provincial status divided into districts and khans  
• Elected commune and sangkat (urban commune) governments (1,621) divided into villages |
| China    | Four levels:  
• Provinces (22), autonomous regions (5), and large cities (4)  
• Prefectures and cities (300)  
• Counties (2,100)  
• Townships (44,000_) |
| Indonesia| Three levels (de jure):  
• Provinces (33), special regions (2), and capital city (1)  
• Local governments: kotamadya (cities) and kabupaten (districts) (440)  
• Desa (villages) |
| Philippines| Four levels:  
• Provinces (79)  
• Cities (112)  
• Municipalities (1,496)  
• Barangays/villages (41,944) |
| Thailand | Four levels with top three formally empowered:  
• Provinces (75) |
Lesson from Jembrana Bali: Alleviating the Poverty

Before we expose the success story of Jembrana and Bantul cases, we present the survey conducted by the Governance and Decentralization Survey, World Bank. The report is available to the public on http://www.gdsonline.org, covered over 1,815 households across 8 provinces in Indonesia. It had the following key results regarding the impact of decentralization on public services:

- 65% cited improvements in public health delivery;
- 60% cited improvements in public education;
- 59% cited improvements in the quality of local administrative services;
- 66% said that police services either stayed the same or deteriorated.

From this fact, it can be said that decentralization has brought the good impact in improving public service delivery.

The district of Jembrana in the province of Bali has a population of around 250,000 (2004). Jembrana’s annual per capita income in 2002 was Rp. 5.83 million (US$610), below the provincial average of Rp. 6.46 million (US$680). Its poverty rate was 9.0 percent in 2000, slightly higher than the provincial rate of 8.6 percent. In both per capita income and poverty rate, Jembrana ranks fifth of Bali’s nine districts. There are four sub-districts (kecamatan) in Jembrana, including the capital, Negara. Most people outside the capital are farmers, raising rice, cloves, cacao, coconuts and other foodstuffs. Most of the poor are unskilled farm laborers; many work as fishermen, tradesmen, and farmers. Some areas are hilly, and a lack of public transport means that travel from the countryside to Negara can be expensive and time-consuming.

As part of its mandate to alleviate poverty in Indonesia, the World Bank is undertaking a series of case studies to promote better service provision, especially for poor and disadvantaged people. The case studies were chosen from the many innovative practices seen in Indonesian local government in recent
years, through a competitive outreach process managed by the World Bank. Donors, non-governmental organizations, and local government staff were contacted and encouraged to submit proposals regarding innovative service delivery work that they either were undertaking or knew about.

The *Jaminan Kesehatan Jembrana* (JKJ), health insurance reform scheme in Jembrana District, Bali, touches upon a theme that is central to making services more pro-poor, to wit, the use of private providers to expand service coverage and improve quality by increasing competition. The *Jaminan Kesehatan Jembrana* (JKJ or Jembrana Health Insurance) scheme begun in Jembrana District, Bali Province in March 2003 provides free primary healthcare to all members; free secondary and tertiary care is also provided for poor members. The scheme has improved the access of both poor and non-poor citizens to healthcare. Before JKJ, only 17 percent of district citizens were covered by any kind of health insurance; now, 63 percent are covered. The percentage of ill people who sought treatment in Jembrana more than doubled from 40 percent in 2003 to 90 percent in 2004. For the poor, the increase was from 29 to 80 percent. Increased access of the poor to health services is due primarily to the inclusion of private providers in the JKJ scheme. Though on paper, out-of-pocket healthcare costs have increased sharply for poor non-members; in practice most public providers still provide free care for all poor clients. This increases access of even non-member poor to healthcare, but subjects them to the discretion of providers who have the legal right to refuse them free services. Meanwhile, JKJ registration requirements have kept many of the poor from joining.

JKJ's attempts to become self-financing have focused recently on a new one-membership-card-per-person system (rather than the old one-card-per-family scheme), and this is likely behind a drop in membership of the poor, from 66 percent in 2004 to 22 percent (re-registered under the new system) by May 2005, since many poor families cannot afford to re-enroll all members. By increasing access to private providers, JKJ has increased competition between public clinics and private doctors for clients. JKJ has also improved both healthcare quality and client satisfaction. It is likely that JKJ's enforcement of strict standards on equipment, treatment, medication, and referral has contributed to the improvement. JKJ does not, however, appear to be financially sustainable. There has been a rapid, unbudgeted increase in district spending on JKJ. JKJ's inclusion of non-poor citizens adds greatly to its cost—in 2004, 95 percent of the Rp. 9.5 billion in JKJ claims was made for services to non-poor clients. The informal inclusion of poor non-members also increases JKJ costs, as those who provide free services to poor non-members are in fact usually reimbursed by JKJ.
Making Services Work for the Poor: a Lesson from Boalemo

Boalemo district was established in October 1999, following the central government’s decision to decentralize, and the new district government was formed in 2000. Immediately thereafter, a costly dispute over the location of the new capital forced the district to build government facilities in two cities. The dispute was settled at the end of 2002 by splitting Boalemo into two new districts, Boalemo and Pohuwato. The population of the new Boalemo district was 106,440 in 2003. By any standard, people in Boalemo are poor. A 2000 poverty assessment by the Central Body of Statistics (Badan Pusat Statistik or BPS) put its poverty rate at 39 percent, much higher than the national average of 19 percent. In 2003, its Gross Domestic Product (GDP) was Rp. 280 billion (US$29.5 million) or just Rp. 2.6 million (US$276) per capita. The district depends on agriculture and fisheries: in 2003, three-quarters of its labor force worked in these sectors, contributing just over one-third of the district’s GDP.

Boalemo is culturally homogeneous; most citizens are of Gorontalo origin and many, especially older people, do not speak Bahasa Indonesia. Ninety-six percent are Muslim. Religion plays an important part in daily life, as reflected in the district’s motto, Boalemo Bertasbih, which means “Boalemo with the prayer beads”.

Governance reform has been part of the district government’s mission since 2000 when the district was formed. From 2002 to 2004, the district government introduced a set of civil service reforms in order to achieve this mission. Meanwhile, in October 2002, the World Bank-funded “Initiatives for Local Governance Reform (ILGR) Project” was initiated in 22 districts in Indonesia, including Boalemo. The project goal was to support district (kabupaten) governments in improving transparency (specifically, issuing a district regulation on transparency), accountability and public participation and in undertaking reforms in financial management and procurement. Boalemo’s Vision and Mission on Governance Vision: Independence in governance: the ability to plan, formulates, implement, and control all government activities in order to serve the public. Mission: 1. Provision of a high-quality civil service. 2. The implementation of a system of rewards and punishments. 3. The development of a government that is need-based. 4. Computerization of government administration. 5. Regional development. 6. Periodic meetings with the legislative body. 7. The formulation of public service standards.

Boalemo’s government
Problems and Prospects

While the finding is encouraging, the jury is still out there to judge whether fundamental service delivery outcomes are as positive.

“The verdict is in and the majority of Indonesians can see real improvements in their local public services following decentralization,” says Andrew Steer, Indonesia Country Director of the World Bank. “As the historic direct elections begin for Indonesia’s regional leaders, this survey demonstrates that shifting responsibility for public services closer to the people is beginning to show real results.”

However, the survey also shows that corruption and inefficiency continue to threaten higher quality public services. More than 36% of the respondents reported that they had to pay bribes for key public services. The use of high cost intermediaries to get basic administrative services is increasingly common. And families with connections to local elites and civil servants still get faster and cheaper access to basic public services.

“Decentralization has not yet tackled the corruption, high costs and personal connections in public service delivery that weigh most heavily on the poor,” notes Joel Hellman, the World Bank’s Senior Governance Advisor in Indonesia. “There is still a large unfinished agenda to strengthen decentralization in Indonesia and its focus should be on further enhancing accountability at the local level.”

To address these challenges, five donors – the ADB, DFID, the Netherlands, UNDP and the World Bank – have established the Decentralization Support Facility (DSF) with an initial US$9 million grant from DFID. The DSF is an innovative multi-donor initiative designed to support the Government in strengthening decentralization through increasing the harmonization and effectiveness of donor support at all levels of the system. Through the DSF, donors will seek out local governments committed to enhancing accountability and strengthening their capacity and offer coordinated assistance that builds on existing programs of each institution. The DSF has also set up a comprehensive monitoring system on local government performance, of which the Governance and Decentralization Survey is a key component, that can serve as a benchmark for tracking decentralization and identifying the best practices across the more than 400 local governments in Indonesia.

At the regional level, one of the main themes of East Asia Decentralizes: Making Local Government Work, is that now more than ever the future of East Asian countries depends on the capacity and performance of local and provincial governments. Over the past two decades, sub-national governments have taken on core responsibilities for raising and spending public money and for providing critical services and infrastructure. Throughout the region, decentralization has also unleashed local
initiative and energy, with new ways to deliver services to people. With great potential for continued improvement and innovation, the report says, it is essential that decentralization is done right.

The report suggests that while decentralizing countries need policies and strategies that are appropriate to their specific environments, policy makers can usefully focus on three key challenges:

Improving the organization of the inter-governmental system: Sub-national governments now have substantial responsibilities, but basic weaknesses in the systems that link the central, regional, and local governments limit their ability to fulfill these responsibilities. In the Philippines and Indonesia, for example, overlaps and conflicts in the roles of various levels of government have diluted accountability for results. To tackle this problem, policymakers can make sure that roles and responsibilities are balanced as well as clearing up rules for functions and finances of different levels of government.

Strengthening local and intergovernmental fiscal and financial structures: Progress in this area has been the greatest in increasing the transfers from the central government to the local governments which make up most local government revenue. But these funds are not always distributed fairly, and local governments have few ways of raising money and even less control over funds they do raise. To repair this, policymakers can do a number of things, including making sure that local authorities have incentives to raise revenues and control expenditures. This may spur local government units to capture the 40 percent of property tax revenue that remain uncollected annually.

Developing the accountability systems that make local governments work: Finally, local governments often have flawed financial management systems. Audits are rare, and central control over local staffing, budgets, and pay undermines attempts to devolve authority. Policymakers can work to enhance local accountability through improved monitoring and oversight, both from citizens’ groups and from the top.

Though the reform did rapidly transfer control over a significant share of public resources and direct authority over nearly 2 million civil servants to the local level, the institutional changes are still in flux and the lines of authority are unclear in many areas. Moreover, the country has recently revised the basic laws defining decentralization, so considerable uncertainty remains about its ultimate extent and shape. To expect this fluid environment to exert a clear impact on perceptions of governance—which generally lag behind institutional changes—is premature. A number of empirical studies have attempted to measure governance trends across districts in Indonesia, but few provide a benchmark for comparing governance indicators before and after decentralization. As a second best—one that focuses on how the perceptions of firms change over time—the World Bank’s Productivity and Investment Climate Survey
(PICS) explicitly asked firms to identify the direction of change on a variety of governance dimensions before and after decentralization. Though these data are preliminary, they provide some basis for exploring these issues.

Although innovative efforts have been taken by districts to create good governance in Indonesia, it is unfortunate that such efforts have not been appreciated. The best practices have not yet been recognized by many; consequently the lessons from the experiences have not been learnt by other districts who could borrow it in order so as to build a better system.

References

