

**REGIONAL DEVELOPMENT MANAGEMENT IN INDONESIA WITHIN THE
FRAMEWORK OF DECENTRALIZED GOVERNANCE**

**(Case Study of Sumatran Development Forum and Greater Bandung
Regional Development)**

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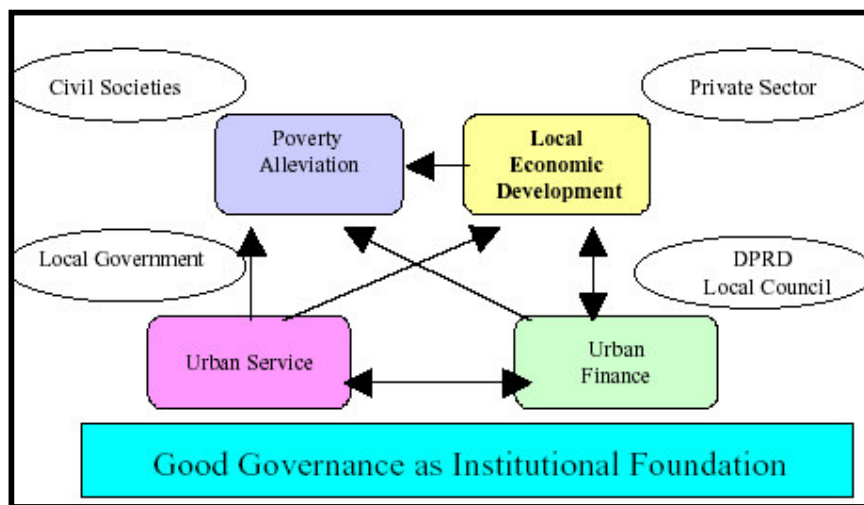
THE FRAMEWORK OF THINKING

Since the middle of 1990-s, Indonesia has experienced political and economic disturbances that bring about the emergence of ‘waves of total reform’, and more specifically ‘revolution of new public management’. As a result, socio economic systems as well as legal political institutions have altered dramatically. State Constitution was amended, while a set of very decentralized regulations was commenced. It is reasonable, therefore, to say that Indonesia has entered into the new age of state management.

One of the outstanding changes of such reform is the implementation of new decentralization laws (Law No. 22 and 25 of 1999), which considerably overhaul the pattern of relationship between central and local government. According to the new laws, central government will only be responsible in judicial system, religious affairs, national defense and security, fiscal and monetary affairs, and international diplomatic relationship. Other than those five duties plus macroeconomic planning and standardization, all of government duties have to be handled by local governments, especially at district and municipal/city level. In this sense, IRDA (2003: 5) confidently points out that the 1999 decentralization framework is believed to be the most daring decentralization policy in developing countries.

Under the new system, the interplay among the state (central government), local government, market and society need to be reordered. Desai and Imrie (1998: 635) suggest four strategic actions to realize the best shape of such relationship, i.e. slimming down the role and organization of the state, arresting high levels of public expenditure, increasing efficiency in the provision of public service, and extending the role of private sector in service provision. In other words, a regime dominated by bureau-professionalism should be shifted to one dominated by managerialism, embedded in processes of both the dispersal and concentration of power.

Even though the shrinking role of the state is a normal trend, it does not necessarily mean that the state should only be a supporter for the dynamics of local development. Instead, state or government (both at central and local level) must simultaneously join forces with other components such as local council, private sectors and civil society in accomplishing the goals of regional development. In this regard, World Bank (2003) proposes a framework that integrates five strategic areas of regional urban development, i.e. good governance, urban poverty alleviation, local economic development; urban finance, and urban service delivery.



Source: World Bank, 2003

Figure 1

The Good Governance Model of Regional Urban Development

What both Desai and Imrie and World Bank convey has actually justified the importance of effective management in a decentralized political system and society. In case of Indonesia, the massive devolution policy must be accompanied by the improvement of public management quality. Lacking of sound development management will lead not only to the malfunction of decentralization and failure to democratize local governments; it also obstructs the efforts to achieve higher level of local development and peoples welfare.

In line with such concern, cooperation between neighboring regions would be one of superb options to accelerate socio-economic development in regions. In this case, currently there is a rising phenomenon of building closer relationship among local governments. They realize that as decentralization program comes into effective

implementation, central government loses most of its powers over local authorities. Subsequently, as central government's intervention weakens, the needs to establish faster collaboration get stronger.

It can be implied then, that decentralized governance requires proper capacity to take over devolved functions from the central, to recognize local citizens' needs and accommodate it in the development planning documents, and to mobilize local resources to support the new tasks of local governments. The stronger the capacity they have, the higher their possibility to become developmental local governance. Without adequate capacity, decentralization may cause the failure of development processes in the grass root level.

In Indonesia, the aspiration to work hand in hand among local governments is particularly indispensable due to the formation of new district/city. Up to the end of 2003, there are 434 district/city governments, which means that 110 LGUs have been formed just after the implementation of Law No. 22/1999. Unfortunately, there are widespread indications that many new regions are undergoing serious difficulties in developing their region. In such a case, decentralization will inevitably create winners and losers among them; from which only those that offer good governance and efficient management are likely to attract more resources and grow faster.

Again, regional management offers benefits to prevent from such situation. With regard to the type of regional development management and cooperation in Indonesia, it can be classified based on the joining members, at least into three categories as follows:

1. Inter provinces development cooperation. This development forum consists mainly of some provinces in the neighboring areas, e.g. Sumatran Development Forum in the western part of Indonesia.
2. Province – adjoining district/city cooperation, e.g. Jabodetabek (development forum between Jakarta as State Capital and Bogor, Depok, Tangerang and Bekasi). The smaller regions function basically as hinterland (*wilayah penyangga*) of the biggest or central city (the periphery – central relationship).
3. Inter district development cooperation. This consists of some districts/cities within a province. There are two categories belong to this type:
 - Cooperation between two or more distant districts/cities from the province capital, e.g. Barlingmascakeb (regional management consists of five district in Central Java Province i.e. Banjarnegara, Purbalingga, Banyumas, Cilacap and Kebumen).

- Cooperation between two or more districts/cities with one of them is the capital of province, e.g. the Great Bandung development cooperation.

RESEARCH SCOPE AND PROFILE OF SELECTED REGIONS

Apart of those three types of development cooperation, there is also a pure economic-driven cooperation so called KAPET (*Kawasan Pengembangan Ekonomi Terpadu*) or integrated zone of economic development. However, this is excluded from this research. Therefore, this research will concentrate only on the case of Sumatran Development Forum and Greater Bandung development cooperation. The following are the profiles of each case/region.

1. Sumatra and Sumatran Development Forum

Sumatra, the westernmost of the main islands of Indonesia, is 1,800 km long and 400 km wide and has an extraordinary wealth of natural resources. It consists of 9 provinces, i.e. Nangroe Aceh Darussalam, North Sumatra, Riau, West Sumatra, Jambi, Bengkulu, South Sumatra, Lampung and Bangka Belitung.¹



Figure 2
Sumatra and Map of Indonesia

¹ There is another new province in Sumatra Island, Kepulauan Riau, which was formed based on Law No. 25/2002. However, it the administrative apparatus is still in the preparation stage and will be completely effective after the 2004 election.

Since October 2001, the Forum of 9 Governors has planned to set up 4 strategic and ambitious projects, i.e. Sumatra Integrated Information System, Sumatra Airlines, Sumatra Shipping Lines, and Sumatra Promotion Center. The capital comes mostly from the provincial budget, but it is also open for district/city government as well as private / business sectors to have a certain percentage of the company's shares.

Such kind of development forum can be said as a huge jump in the Indonesian public sector management. Under the New Order (Soeharto) administration that was very centralized, the power of local governments was either hidden or invisible. In addition, individual province will impossibly be able to perform those projects by itself; it should be borne altogether instead.

2. Greater Bandung Region

Bandung's urban activities have expanded beyond its city boundary into parts of the District (*Kabupaten*) of Bandung, which has a total population of 4.1 million. The expanded urban areas form the urban agglomeration that is often referred to as the Greater Bandung Metropolitan Area (Metropolitan Bandung Raya or MBR).²

Concerning the Greater Bandung area, Jones (2001) distinguishes three zones of the area, i.e. core area, inner zone, and outer zone. The inner zone extends distances up to 30 kilometers from the city center, while outer zone extends around 50 kilometers from the core city. The inner zone is the area of marked urban expansion, where the population growth is rapid, and migration is contributing massively to this growth; whereas the outer zone is further out, less affected by migration and change in occupational mix, and more in a state of 'incipient urbanization'. Additionally, the inner zone is in a process of rapid economic transformation, reflected by a sharp decline in the proportion of employment in agriculture, and offsetting increases in the share of industry, trade and services. It is not surprising, therefore, that in the inner zone, educational levels of the population tends to be rising rapidly because of both rising levels of school attendance over time and a tendency for

² Three sub-districts in the Sumedang District, namely Tanjungsari, Cikeruh, and Cimanggung; four sub-districts in the Bandung District, namely Cileunyi, Rancaekek, Padalarang, and Lembang; and three sub-districts in the Cimahi City, namely Cimahi Utara, Cimahi Tengah and Cimahi Selatan have likewise been included in the Metropolitan Bandung Raya or MBR. The MBR itself is not an institution that can actually coordinate development or activities of the City of Bandung and the surrounding regencies. Instead, coordination is more often conducted on a case-to-case basis either by the West Java Province or between local administrations.

migrants to this zone, especially those moving out from the city core, to be much better-educated than the longer-term resident population.

The development issues on urban services such as construction road and physical infrastructure, city planning, administrative borders, management of land and assets, urban transportation, clean water and garbage / disposal management, education, tourism, demography, urbanization and labor issues, drainage and environmental protection, income generation, etc. are the main concerns of the cooperation forum (Pikiran Rakyat, 7 January 2004).

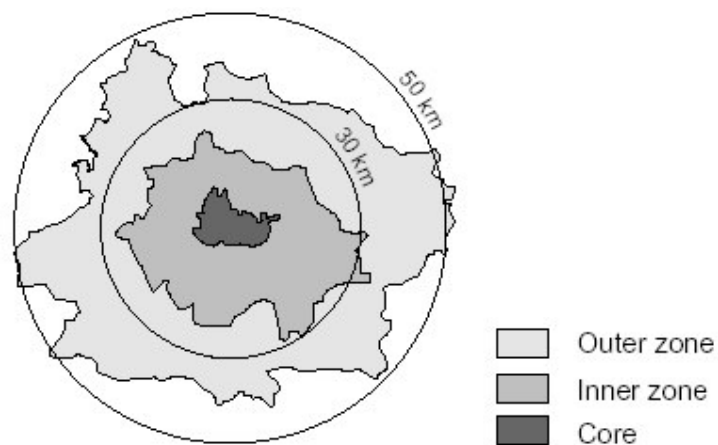


Figure 3

Zones for the Greater Bandung Metropolitan Region

THE PROBLEM STATEMENT

Even though there is no opposing view on the importance of regional development management and cooperation, the implementation stage won't be as easy as imagined. Many factors might be affecting the effectiveness of the cooperation such as political commitment of local parliaments, availability and sufficiency of financial resources, sustainability of the programs, capability of human resources, active involvement of civil society and business actors / private sectors, etc.

Considering that there is no guarantee of success for such cooperation, and also no assurance of quality improvement of urban services, the central question of this research is “what is the prospect of regional development management in Indonesia within the framework of decentralized governance?”

THE PURPOSES OF THE RESEARCH

Basically, the purpose of this research is to identify and analyze the prospect, benefits, obstacles, and factors influencing the effectiveness of regional development cooperation and management. It is also expected that this research will be able to draw up a relationship between decentralization and improvement of socio-economic development in the local level. In addition, the following objectives need to be achieved in order to realize the research purpose:

1. Elaborating the framework where Bandung city government, being evaluated as the best governance city in West Java province, to be really economic development oriented body.
2. Elaborating the actual situation of KADINDA (Chamber of Commerce and Industry) and possible participatory framework of Chinese businessmen and their safeguard framework by the government to ensure the security to those Chinese who participated in political sphere.
3. Elucidating the way MSE (Micro and Small Enterprises) can participate in the economic policy planning and implementation of city government's strategy on accelerating economic development.
4. Explaining the NGO-GO synergy to pursue the comprehensive local government management. And also the system of Bandung city government to pursue NGO-GO synergy.
5. Spelling out the horizontal and vertical co-administration framework in decentralized Indonesia. Here, the vertical co-administration may also include framework between Bandung city and West Java province and also the possible framework of horizontal co-administration among local governments in Priangan region.
6. Looking for the proper status and contribution of APKASI, APPSI, and APEKSI and other professional associations.

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