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## **INADEQUATE KNOWLEDGE: Bureaucratic Reform in Regions Starts at End-2011**

JAKARTA - The government plans to undertake a bureaucratic reform in the regions from late 2011 to support a more focused development direction there. The reform is imperative, remembering that there are still many local bureaucrats who ignore economic development and fail to accommodate the business sector. State Minister for Administrative Reforms (PAN), EE Mangindaan, said that his ministry has issued Government Regulation (PP) No. 53/2010, which specifically oversees the performance and accountability of local governments in various fields. The reform programme in the regions will begin in late 2011 along with the enactment of a moratorium on recruitment of Civil Servants (PNS).

"That is why there is a moratorium. We hold off on the admission of [new] PNS, because there is an excessive number already and many of them are not professional," he told *Investor Daily* before attending a plenary session of the United Indonesia Cabinet II at the Presidential Office, Jakarta, Tuesday (6 September). Mangindaan acknowledges there are several sub-national regions that overlook central government programmes in the field of economic development, particularly investment. "There are a number of regions that are less accommodating to the business sector and they tend to corrupt," said the former Governor of North Sulawesi.

Given the important role of the sub-national regions, EE Mangindaan asks all regional government heads to accommodate the interests of investors. The central government is ready to give strict sanctions to those sub-national regions that are not accommodative. "There are seven levels of sanction that can be given, up to a dishonourable discharge," explained the PAN Minister. He cautions that investors can assess the ability of each

government apparatus in providing services to the community. "If the service is not good, do not expect to get any investment," said the former Governor of North Sulawesi.

According to Mangindaan, unfriendly attitude towards entrepreneurs also reflects the lack of productive capability within the ranks of local government to improve the welfare of the community. "If they are not productive, the people are adversely affected. State receipts also diminish, and there are minimal revenues. As a result, development does not progress and the people's welfare is sacrificed," he said. Public Policy Observer from the University of Gadjah Mada (UGM), Wahyudi Kumorotomo, assesses that many local governments do not see the importance of the priorities of basic services, infrastructure development, creation of a conducive business climate, and the provision of targeted subsidies to the people. As a result, the economic systems that develop in the regions have not benefited from the role of the local government and the public sector.

"The local government must be able to create regulations that are transparent, objective, and efficient, rather than regulations that are distorting business in the region," he told *Investor Daily* on Tuesday (6 September). A similar view was expressed by Andrinof Chaniago, a public policy analyst from the University of Indonesia. According to him, most of the regional government heads, the local parliaments (DPRD), and ranks of officers, do not have adequate understanding about local economic development. This is reflected in the regulations issued and the spontaneous measures taken. "They generally only think short-term, and even they put their personal interests first," said Andrinof.

Andrinof assesses that bureaucratic reform in the regions is urgently needed so as to optimise the development cake. He suggests that each candidate wishing to become a regional head be specially tested for his economic insights. According to Andrinof, sanctions are the only instrument to build positive employee behaviour. "But, I agree with sanctions, although correction must be done from various aspects and should start from the

fundamental problem, namely the system of recruitment, promotion, transfer, and so forth," he said.

**Regional Development** Meanwhile, Deputy for Regional Development and Regional Autonomy of the Ministry of National Development Planning (PPN)/Bappenas, Max Hasudungan Pohan, said that the government would continue to encourage the development of other regions outside Java, so that they can become new attractions for investors to invest in the regions. The regions currently still require a lot of capital inflows for the development of facilities, including infrastructure. "The government should develop other regions outside Java. For that, it takes political will to accelerate the development of other regions, including the willingness of ministries and agencies. Thus, people will no longer seek a better life in Java," said Max.

According to him, development must be based on local resources, such as the development of agriculture and the cement industry in Papua. One of the most important factor to develop the local potentials is bureaucratic reform. "The government is currently focused on controlling the performance of individual employees," explained Max. Max expressed hopes that bureaucratic reform could reduce fraud and corruption. "This must be closely related to the optimisation of budget absorption [utilisation]," he said.

A number of sub-national regions have suggested to the central government not to include personnel expenditure budget in the general allocation fund (DAU) anymore. They ask that the personnel expenditure is shifted as part of the central government's budget. "They expect the personnel expenditure to be excluded from the DAU, so that they can pay a greater attention to development," said Max Hasudungan. Wahyudi Kumorotomo assesses that the principal problem pertaining to the public budget managed by sub-national governments is the lack of commitment to the welfare of the people and the low level of budget accountability.

In accordance with the policy of fiscal decentralisation, sub-national governments actually have got substantial allocations of funds from

the central government. Law No. 33/2004 has set that 26 percent of all domestic revenues must be handed over to the regions, both at provincial and regency/city levels. Of the total 2011 Amended State Budget (APBN-P 2011) of Rp 1,229.56 trillion, some Rp 392.9 trillion has flowed to the regions. Added by the central government's expenditures in the regions and direct subsidies, the total public funds flowing to the regions have reached 64 percent of the total state budget. "However, such large funds have not quite been beneficial and they are sub-optimal in improving the prosperity of the people in the regions," said Wahyudi.

Wahyudi assesses that this has been attributable to a lack of human resources in the regions, exaggerated fear of inspection agencies, and a lack of commitment among the local officials. "Budget priorities made by the local governments are often unclear," he explained. He added that the proportion of capital spending within the local government budgets (APBD) across the nation, which is currently only 20.7 percent, is too small to be able to help improve the business climate in the regions and significantly improve the people's welfare. Conversely, the budget proportion for bureaucracy and personnel is so large.

Wahyudi pointed out that in Central Java there are 11 regions whose DAU subsidies are no longer enough to cover the salaries and perks of local employees. Steps that must be carried out into the future include ensuring that the proportion of capital spending continues to increase, streamlining local government bureaucracy, and guaranteeing that the local government budgets become more transparent and accountable to the public. He sees that most of the sub-national regions still view bureaucratic reform as an idea from the central government. Efforts to streamline the bureaucracy as mandated by Government Regulation (PP) No. 41/2007 is still not conducted well. "But, there are indeed some regions that are lucky to have visionary leaders who have a strong commitment to performing a variety of breakthroughs to reform the bureaucracy," he said.

Nevertheless, Henri Saparani, an economic observer, said that the

inability of local governments is not entirely their fault, but due to the central government. "Implementation of regional autonomy, which has altered centralisation into decentralisation, took place without a transitional period. On the other hand, the central government did not have a national development plan, so that the sub-national governments did not have any reference in performing development," he said. Therefore, he is highly agreeable if the central government intervenes in the budget management and also the implementation of regional bureaucracy. "These are within the central government's authority, because the government allocates funds for the regions," he said. (ss)

**Transfer of funds to the regions (in trillions of rupiah)**

2004	131.55
2005	150.46
2006	226.18
2007	253.26
2008	292.43
2009	308.59
2010	344.73
APBN-P 2011	412.51

Source: not mentioned