

PUBLIC ADMINISTRATION: CONCEPTS AND PRACTICE

VI. DEVELOPMENT AND ADMINISTRATION (III)

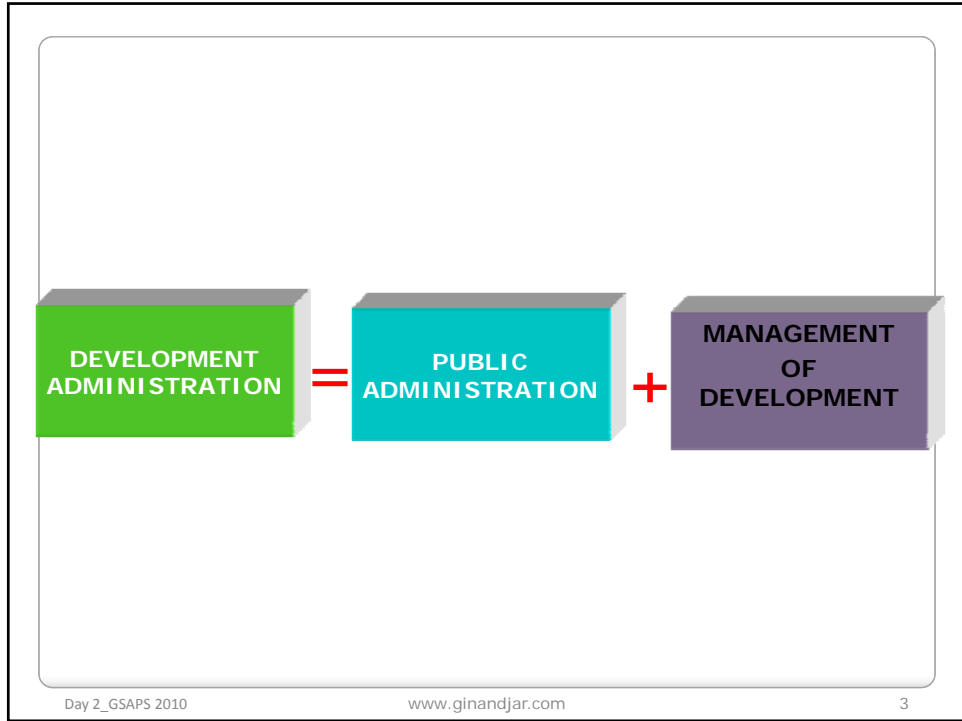


Graduate School of Asia and Pacific Studies
University of Waseda, Tokyo-JAPAN
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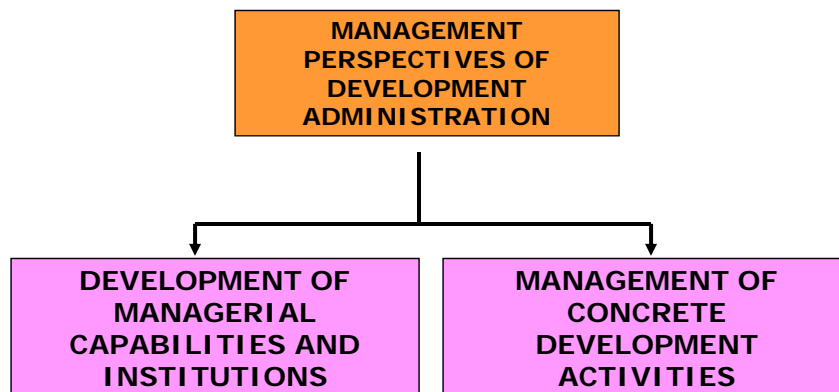
MANAGEMENT OF DEVELOPMENT

1. DEVELOPMENT PLANNING
2. BUDGET AND BUDGETING
3. PROJECT PLANNING
4. DECENTRALIZATION



- ## MANAGEMENT OF DEVELOPMENT
- 1) PLANNING
 - 2) RESOURCE MOBILIZATION
 - 3) CIVIL-PARTICIPATION MOBILIZATION
 - 4) BUDGETING
 - 5) IMPLEMENTATION OF DEVELOPMENT IN THE PUBLIC SECTOR
 - 6) COORDINATION
 - 7) MONITORING AND EVALUATION
 - 8) CONTROLLING (OVERSIGHT FUNCTION)
 - 9) INFORMATION SYSTEM
- (KARTASASMITA, 1997)
- Day 2_GSAPS 2010 www.ginandjar.com 4

- ❑ IT IS CRITICAL THAT SUBSTANTIAL ENERGIES AND RESOURCES BE DEDICATED TO AND INVESTED IN THE *ENHANCEMENT OF THE HUMAN RESOURCES AND INSTITUTIONAL CAPACITIES* THAT DETERMINE THE ABILITY OF SOCIETIES TO ACHIEVE AND SUSTAIN ECONOMIC DEVELOPMENTS. IN AN IMPORTANT SENSE, THIS IS WHAT DEVELOPMENT IS ALL ABOUT.



DEVELOPMENT PLANNING

PLANNING IS AN ORGANIZED, CONSCIOUS AND CONTINUAL ATTEMPT TO SELECT THE BEST AVAILABLE ALTERNATIVES TO ACHIEVE SPECIFIC GOALS.

(ALBERT WATERSTON, 1965)

PLANNING IS THE APPLICATION OF SCIENTIFIC METHODS TO POLICY MAKING

(FALUDI, 1983)

PLANNING IS A PROCESS FOR DETERMINING APPROPRIATE FUTURE ACTION THROUGH A SEQUENCE OF CHOICES

(DAVIDOFF AND REINER, 1983)

ARGUMENTS AGAINST PLANNING

DEVELOPMENT PLANNING AND PUBLIC REGULATION, NO MORE APPROPRIATE, BECAUSE IT HINDERS CREATIVITY, PRIVATE INITIATIVE, BURDEN TO INOVATION, AND CREATE A HIGH COST ECONOMY



CLASSICAL LIBERAL

WHY PLANNING?

- REDUCING UNCERTAINTY
- INTEGRATING SOME RATIONAL METHODS AND TECHNOLOGIES INTO PROBLEM SOLVING PROCESS AND DECISION MAKING PROCESS

WHY PLANNING ?

- ❑ PROVIDING THE CHANCE AND BLUE PRINT TO CONTROL AND MONITOR THE PUBLIC EFFORTS FROM TIME TO TIME.
- ❑ INCREASING PARTICIPATION FROM THE PEOPLE ON DECISION MAKING, AT LEAST WIDENING THE HORIZON OF THE PUBLIC EXPONENTS.

OTHER REASONS

- ❑ MARKET FAILURE
- ❑ RESOURCE MOBILIZATION AND ALLOCATION
- ❑ ATTITUDINAL OR PSYCHOLOGICAL IMPACT
- ❑ FOREIGN AID ?

(TODARO, 2000)

THE ROLE OF PLANNERS

- ❑ WHAT IS OR SHOULD BE THE TOPIC OR FOCUS OF PLANNING?
- ❑ WHO DOES THE PLANNER WORK FOR?
- ❑ WHAT IS THE GOAL OF PLANNING?
(IS EQUITABLE DISTRIBUTION OF RESOURCES POSSIBLE?)
- ❑ HOW DO WE ACHIEVE OUR GOALS?
(IS RATIONAL DECISION MAKING POSSIBLE?)
- ❑ WHAT IS PRACTICAL EXPECTATIONS?

(LEW, 1996)

SOME PLANNING APPROACHES:

- 1) POLITICAL
- 2) TECHNOCRATIC
- 3) PARTICIPATIVE
- 4) TOP-DOWN
- 5) BOTTOM-UP

ELEMENTS OF PLANNING:

1. GOALS
2. PRIORITY AND TARGETS
3. TIME FRAME
4. CONSTRAINTS
5. CAPITAL AND RESOURCES, AND ITS ALLOCATIONS
6. IMPLEMENTATION POLICIES AND STRATEGIES
7. IMPLEMENTING AGENCIES AND HUMAN RESOURCES
8. MONITORING, EVALUATION AND CONTROL MECHANISM

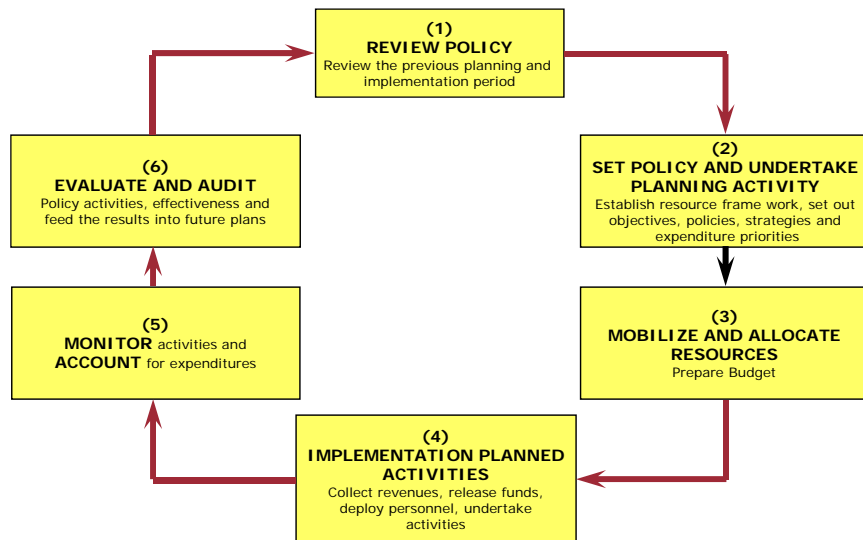
PLANNING CRITERIA

1. COMPREHENSIVE AND INDICATIVE
2. CONTROL AND DIRECTING GOVERNMENT SPENDING IN ORDER TO STIMULATE THE PRIVATE INVESTMENT
3. STIMULATE MARKET MECHANISM
4. PEOPLE PARTICIPATION PROCESS
5. AFFIRMATIVE ACTION

SCOPE OF PLANNING

- ❑ AGGREGATE/NATIONAL
- ❑ REGIONAL
- ❑ SECTORAL
- ❑ PROJECT

ANNUAL PLANNING AND RESOURCE MANAGEMENT CYCLE



Source : World Bank, "Public Expenditure Management Handbook", 1998

GOOD PLAN

- ❑ ECONOMICALLY EFFICIENT
- ❑ POLITICALLY ACCEPTED
- ❑ ADMINISTRATIVELY WORKABLE
- ❑ IN ACCORDANCE WITH SOCIO-CULTURAL AND ETHIC

BUDGET AND BUDGETING

BUDGET IS AN ESTIMATION OF THE REVENUES AND EXPENSES OVER A SPECIFIED FUTURE PERIOD OF TIME

THE PURPOSE OF BUDGETING: CONTROL OVER PUBLIC MONEY AND ACCOUNTABILITY TO PUBLIC AUTHORITY

BUDGET'S ROLE

BUDGETS DIRECT EVERYTHING A GOVERNMENT DOES. THEIR PROCESSES ARBITRATE OVER THE ALLOCATION OF SCARCE RESOURCES AMONG THE COMPETING DEMANDS OF AGENCIES WHOSE BUSINESS IT IS TO SEE PUBLIC NEEDS FULFILLED

(XAVIER, 2001)

BUDGET IS A PLAN THAT SETS OUT:

1. THE OBJECTIVES AND STRATEGIES OF THE GOVERNMENT IN A BUDGET YEAR,
2. THE PROGRAMMES AND ACTIVITIES THAT WOULD BE CARRIED OUT TO EXECUTE THE STRATEGIES TO ACHIEVE THE OVERALL OBJECTIVES,
3. THE RESPECTIVE OBJECTIVES OF THESE PROGRAMMES AND ACTIVITIES THAT REFLECT THE DISAGGREGATION OF THE OVERALL OBJECTIVES OF GOVERNMENT

4. THE RESOURCES ALLOCATED ACROSS THESE PROGRAMMES AND ACTIVITIES,
5. THE REVENUES PROJECTED TO BE COLLECTED TO FINANCE THE EXPENDITURE IN CARRYING OUT THE PROGRAMMES AND ACTIVITIES,
6. PERFORMANCE TARGETS – IN TERM OF THE DELIVERY OF SERVICES IN THE RIGHT QUANTITY, QUALITY AND IN A TIMELY AND COST-EFFECTIVE FASHION – THAT WOULD NEED TO BE ACHIEVED TO MEETING THE SUB-OBJECTIVES AND, THEREBY, THE OVERALL OBJECTIVES OF THE GOVERNMENT

(XAVIER, 2001)

BUDGETING PRINCIPLES

- TRANSPARENCY AND ACCOUNTABILITY
- COMPREHENSIVENESS OF BUDGET
- PREDICTABILITY OF RESOURCES & POLICIES
- FLEXIBILITY
- CONTESTABILITY
- EXISTENCE AND SHARING OF INFORMATION

BUDGET CYCLE

- ❑ THE BUDGET CYCLE IS MADE UP OF THE MAJOR EVENTS OR STAGES IN MAKING DECISIONS ABOUT THE BUDGET, AND IMPLEMENTING AND ASSESSING THOSE DECISIONS.
- ❑ THE SPECIFIC CHARACTERISTICS OF THE BUDGET CYCLE DIFFER FROM COUNTRY TO COUNTRY. NONETHELESS, IN MOST COUNTRIES, THE BUDGET CYCLE IS LIKELY TO HAVE FOUR STAGES

STAGE 1

BUDGET FORMULATION

THE BUDGET PLAN IS PUT TOGETHER BY THE EXECUTIVE BRANCH OF GOVERNMENT

STAGE 2

BUDGET ENACTMENT

THE BUDGET PLAN MAY BE DEBATED, ALTERED, AND APPROVED BY THE LEGISLATIVE BRANCH OF GOVERNMENT

STAGE 3

BUDGET EXECUTION

THE POLICIES OF THE BUDGET ARE
CARRIED OUT BY THE GOVERNMENT

STAGE 4

BUDGET AUDITING AND ASSESSMENT

THE ACTUAL EXPENDITURES OF THE
BUDGET ARE ACCOUNTED FOR AND
ASSESSED FOR EFFECTIVENESS

FISCAL FUNCTIONS

1. ALLOCATION
2. DISTRIBUTION
3. STABILIZATION

ALLOCATION FUNCTION

THE PROVISION FOR SOCIAL GOODS, OR THE PROCESS BY WHICH TOTAL RESOURCE USE IS DIVIDED BETWEEN PRIVATE AND SOCIAL GOODS AND BY WHICH THE MIX OF SOCIAL GOODS IS CHOSEN

THIS PROVISION MAY BE TERMED THE ALLOCATION OF BUDGET POLICY

(MUSGRAVE AND MUSGRAVE, 1989)

DISTRIBUTION FUNCTION

ADJUSTMENT OF THE DISTRIBUTION OF INCOME AND WEALTH TO ENSURE CONFORMANCE WITH WHAT SOCIETY CONSIDERS A "FAIR" OR "JUST" STATE OF DISTRIBUTION.

(MUSGRAVE AND MUSGRAVE, 1989)

STABILIZATION FUNCTION

THE USE OF BUDGET POLICY AS A MEANS OF MAINTAINING HIGH EMPLOYMENT, A REASONABLE DEGREE OF PRICE LEVEL STABILITY, AND AN APPROPRIATE RATE OF ECONOMIC GROWTH, WITH ALLOWANCES FOR EFFECTS ON TRADE AND ON THE BALANCE OF PAYMENTS.

(MUSGRAVE AND MUSGRAVE, 1989)

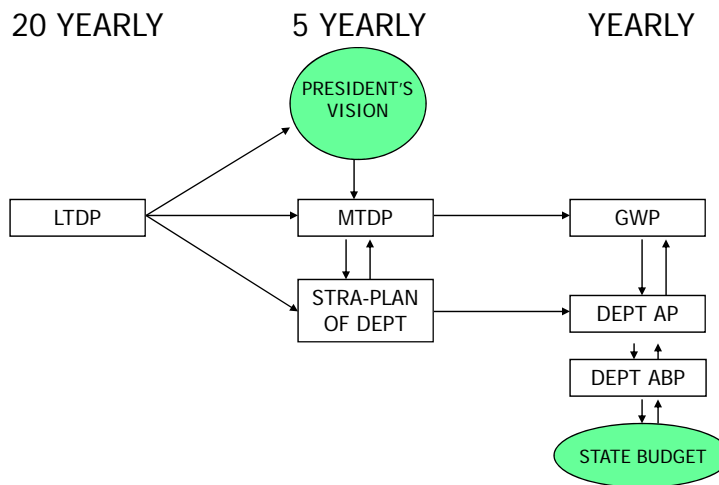
OBSTACLE TO BUDGET DECISION MAKING

1. LACK OF GOAL CLARITY
2. CONFUSION OF THE PUBLIC INTEREST WITH THAT OF A CUSTOMER, CLIENTELE GROUP, OR CONSTITUENCY
3. RIGID CONSERVATISM (IN THE SENSE OF STRICT ADHERENCE TO RULES, PROCEDURES, AND PAST PRACTICES)

4. THE TENDENCY TO OVERSIMPLIFY REALITY
5. "OVERQUANTIFICATION" AND TENDENCY TO DEEMPHASIZE OR IGNORE QUALITATIVE FACTORS
6. RELUCTANCE TO ENGAGE IN POLICY AND PROGRAM EVALUATION

(ROSENBLOOM AND KRAVCHUCK, 2005)

INDONESIA NATIONAL BUDGET SCHEME (SINCE 2005)



PROJECT PLANNING

- 'DURING THE 1960s AND 1970s PROJECTS BECAME THE PRIMARY MEANS THROUGH WHICH GOVERNMENTS OF DEVELOPING COUNTRIES TRANSLATED THEIR PLANS AND POLICIES INTO PROGRAMMES OF ACTION' (RONDINELLI, 1993).
- PROJECTS WERE SEEN AS THE 'CUTTING EDGE OF DEVELOPMENT' (GITTINGER, 1982), WHERE RESOURCES WERE CONVERTED INTO IMPROVED LIVELIHOODS AND ECONOMIC GROWTH.

- UNFORTUNATELY, THE RIGOUR THAT SUCH TECHNIQUES BRING TO PROJECT ANALYSIS HAS NOT ALWAYS REVEALED ITSELF IN TERMS OF PROJECT RESULTS. THE WORLD BANK (1988) HAS FOUND THAT SOME 51 PER CENT OF ITS RURAL DEVELOPMENT AREA PROJECTS, OVER THE PERIOD 1965 TO 1985, FAILED TO ACHIEVE THE BANK'S MINIMUM ACCEPTABLE RATE OF RETURN OF 10 PER CENT.

Poor Data

- ❑ PROJECT PLANNING METHODOLOGIES DEMAND LARGE AMOUNTS OF RELIABLE DATA. IN MOST DEVELOPING COUNTRIES SUCH DATA IS NOT AVAILABLE AND SO PLANNERS HAVE TO MAKE ASSUMPTIONS.
- ❑ THERE IS A WIDESPREAD TENDENCY FOR SUCH ASSUMPTIONS, ABOUT YIELDS, COSTS, THE RATES AT WHICH PEOPLE WILL CHANGE THEIR BEHAVIOUR, TO BE OVER-OPTIMISTIC (PORTER ET AL., 1991).
- ❑ COMMONLY PROJECT PLANNERS HAVE COMPOUNDED THE PROBLEMS OF DATA NON-AVAILABILITY BY IGNORING THE INDIGENOUS KNOWLEDGE OF INTENDED BENEFICIARIES (CHAMBERS, 1983).

Uncertainty

- ❑ A CENTRAL FEATURE OF PROJECT ENVIRONMENTS IN DEVELOPING COUNTRIES IS UNCERTAINTY AND INSTABILITY. HOWEVER, CONVENTIONAL METHODOLOGIES MAKE LITTLE ALLOWANCE FOR THE IMPACT THAT A SUDDEN CHANGE IN PHYSICAL FACTORS (FOR EXAMPLE RAINFALL), ECONOMIC FACTORS (FOR EXAMPLE PRICES) OR SOCIAL FACTORS (FOR EXAMPLE THE LEVEL OF PUBLIC AWARENES) WILL HAVE ON A PROJECT'S EFFECTIVENESS.

Separation of planning from management

- ❑ PROJECT PLANNING METHODOLOGIES HAVE DISTINGUISHED THE PLANNERS OF PROJECTS FROM THE MANAGERS. THE FORMER HAVE BEEN SEEN AS HIGH-POWERED ANALYSTS, TECHNOCRATS WHOSE 'TOOLS BECAME THEIR POWER' (RONDINELLI, 1993). THE LATTER HAVE BEEN CLASSIFIED AS MERE IMPLEMENTORS WHO ONLY NEED TO FOLLOW THE PLAN.
- ❑ MORE IMPORTANTLY IT HAS LED TO AN UNDERESTIMATION OF THE CONTRIBUTION OF GOOD MANAGEMENT TO PROJECT PERFORMANCE AND OF THE COMPLEXITY OF CREATING MANAGEMENT CAPACITY.

Lack of beneficiary participation

- ❑ THE FAILURE OF CONVENTIONAL PROJECT PLANNING APPROACHES TO INVOLVE BENEFICIARIES IN PROJECT IDENTIFICATION, DATA GATHERING, DESIGN AND SELECTION HAS FOSTERED BENEFICIARY DEPENDENCY, DISCOURAGED FEELINGS OF LOCAL OWNERSHIP OF PROJECT ACTIVITIES AND SOMETIMES ALIENATED THE INTENDED BENEFICIARIES OF PROJECTS.

Projects and politics

- ❑ CONVENTIONAL PROJECT PLANNING METHODOLOGIES ARE BASED ON NORMATIVE ANALYTICAL FRAMEWORKS THAT IGNORE POLITICAL FACTORS (HULME, 1994A).
- ❑ THIS IS A CONSIDERABLE WEAKNESS GIVEN THE LARGE BODY OF EMPIRICAL EVIDENCE WHICH INDICATES THAT PROJECT IDENTIFICATION, PLANNING, SELECTION AND IMPLEMENTATION ARE HIGHLY POLITICAL PROCESSES IN WHICH AID AGENCIES, POLITICAL PARTIES, LOCAL ELITES, POLITICIANS, BUREAUCRATS AND OTHERS SEEK TO ACHIEVE OUTCOMES THAT MEET THEIR INDIVIDUAL, GROUP, ORGANIZATIONAL OR CLASS INTERESTS (*IBID*).

ALTERNATIVE APPROACHES TO PROJECT PLANNING

- ❑ THE SEARCH IS ON FOR APPROACHES THAT MAKE PROJECTS MORE EFFECTIVE, AND TWO FUNDAMENTALLY DIFFERENT RESPONSES CAN BE DISTINGUISHED.

ADAPTIVE ADMINISTRATION

- ❑ RONDINELLI (1993) HAS MADE AN IMPASSIONED PLEA FOR DEVELOPMENT PROJECTS TO BE CONCEPTUALIZED AS 'POLICY EXPERIMENTS' REQUIRING 'ADAPTIVE ADMINISTRATION'. HE ARGUES THAT AN EXPERIMENTAL APPROACH WHICH PLACES ELEMENTS OF PLANNING, IMPLEMENTATION AND MONITORING IN THE HANDS OF PROJECT MANAGERS, IS ESSENTIAL.
- ❑ THIS IS BECAUSE OF THE ENVIRONMENTS IN WHICH DEVELOPMENT PROJECTS OPERATE (LIMITED INFORMATION, HIGH RISK, UNCERTAINTY AND POLITICAL MANIPULATION) AND THE CAPACITIES THAT ARE REQUIRED TO BECOME EFFECTIVE IN SUCH ENVIRONMENTS (LEARNING, EXPERIMENTATION, CREATIVITY, ORGANIZATIONAL FLEXIBILITY AND ACCESS TO LOCAL KNOWLEDGE).

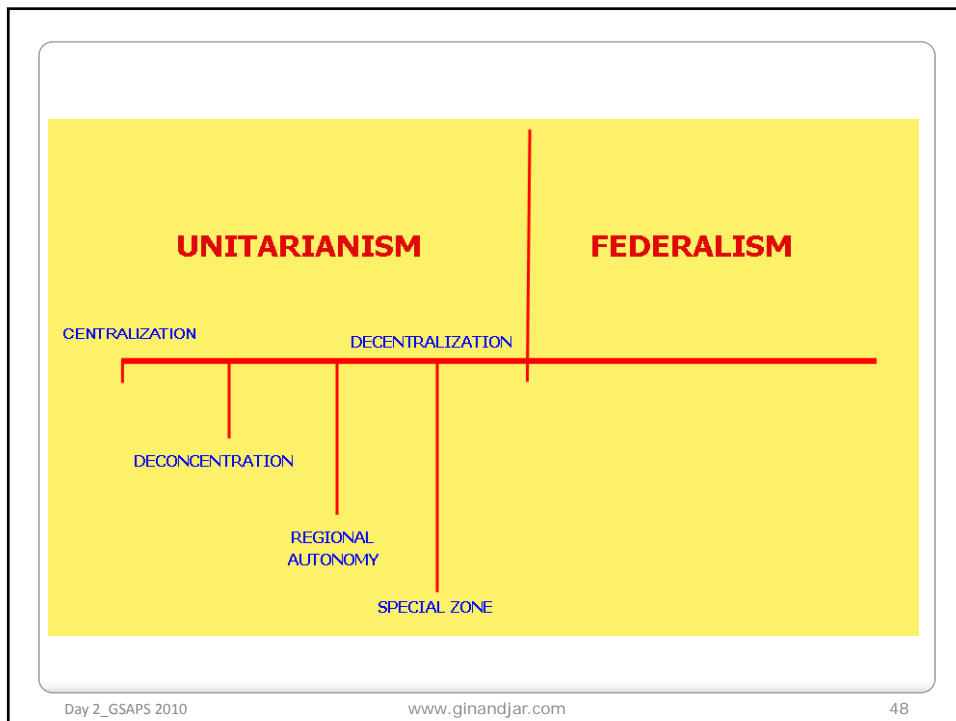
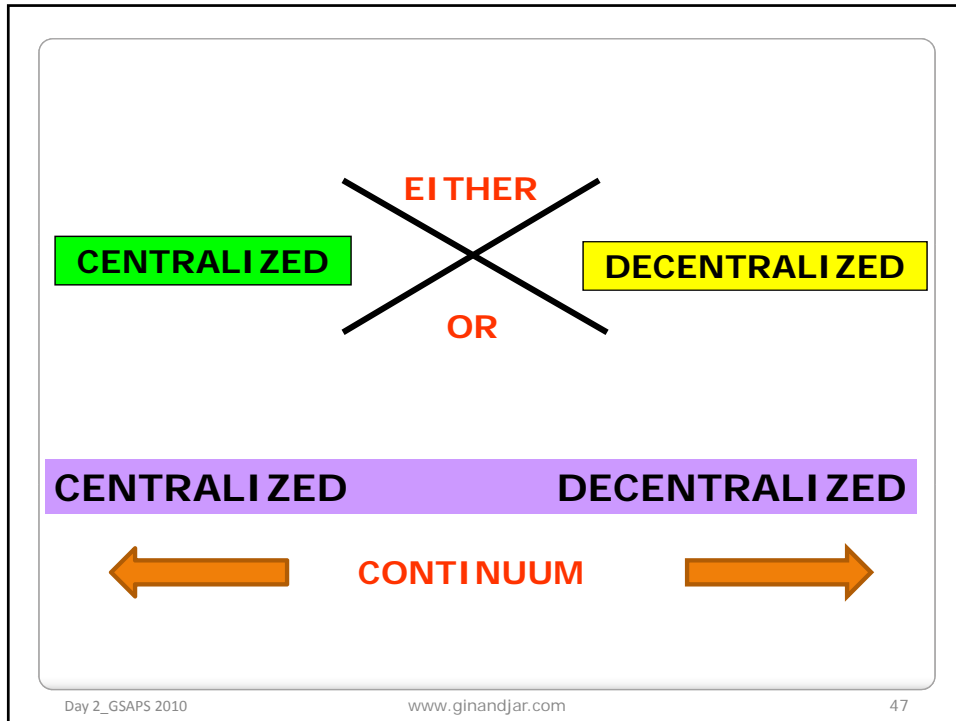
EMPOWERMENT

- ❑ FOR THE OTHER RADICAL CRITICS OF CONVENTIONAL APPROACHES TO PROJECT PLANNING, THE KEY THEMES OF ADAPTIVE ADMINISTRATION –EXPERIMENTATION, FLEXIBILITY, LEARNING AND CREATIVITY –ARE CRUCIAL, BUT THERE REMAINS TOO GREAT AN EMPHASIS ON THE ROLE OF EXTERNAL EXPERTS, BUREAUCRATS AND AID AGENCIES.
- ❑ INSTEAD, WHAT IS REQUIRED IS AN APPROACH THAT PERMITS MUCH GREATER BENEFICIARY INVOLVEMENT IN PROJECT IDENTIFICATION, SELECTION, DESIGN, IMPLEMENTATION AND EVALUATION.

- ❑ THIS ENSURES THAT LOCAL KNOWLEDGE IS UTILIZED, ACTIVITIES ARE CONSISTENT WITH LOCAL RESOURCE ENDOWMENTS (HUMAN, ORGANIZATIONAL, MATERIAL AND FINANCIAL) AND THAT THE PROJECT PROCESS CONTRIBUTES TO THE '**EMPOWERMENT**' OF DISADVANTAGED GROUPS.
- ❑ SUCH APPROACHES HAVE BEEN SPEARHEADED BY THE WORK OF A LARGE NUMBER OF LOCAL, NATIONAL AND INTERNATIONAL NGOs AS DESCRIBED BY ROBERT CHAMBERS (1993, AND 1994).
- ❑ WIDELY KNOWN APPROACH AS PARTICIPATORY RURAL APPRAISAL (PRA) INVOLVING **NGO** SOCIAL WORKERS.

DECENTRALIZATION

- ❑ ALL SYSTEMS OF GOVERNMENT INVOLVE A COMBINATION OF CENTRALIZED AND DECENTRALIZED AUTHORITY. HOWEVER, FINDING A COMBINATION OF CENTRAL CONTROL AND LOCAL AUTONOMY THAT SATISFIES REGIME NEEDS AND POPULAR DEMANDS IS A PERSISTENT DILEMMA FOR GOVERNMENTS.
- ❑ CENTRALIZATION AND DECENTRALIZATION ARE NOT ATTRIBUTES THAT CAN BE DICHOTOMIZED; RATHER THEY REPRESENT HYPOTHETICAL POLES ON A CONTINUUM THAT CAN BE CALIBRATED BY MANY DIFFERENT INDICES.



WHY DECENTRALIZE?

- ❑ A MAJOR OBSTACLE TO THE EFFECTIVE PERFORMANCE OF PUBLIC BUREAUCRACIES IN MOST DEVELOPING COUNTRIES IS THE **EXCESSIVE CONCENTRATION** OR DECISION-MAKING AUTHORITY WITHIN CENTRAL GOVERNMENT.
- ❑ PUBLIC SECTOR INSTITUTIONS ARE COMMONLY PERCEIVED TO BE GEOGRAPHICALLY AND SOCIALLY **REMOTE FROM 'THE PEOPLE'** AND TO TAKE DECISIONS WITHOUT KNOWLEDGE OR CONCERN ABOUT ACTUAL PROBLEMS AND PREFERENCES.

- ❑ THE POPULAR REMEDY FOR SUCH CENTRALIZATION IS DECENTRALIZATION, A TERM WHICH IS IMBUED WITH POSITIVE CONNOTATIONS-**PROXIMITY, RELEVANCE, AUTONOMY, PARTICIPATION, ACCOUNTABILITY** AND EVEN **DEMOCRACY**.
- ❑ SO GREAT IS THE APPEAL OF DECENTRALIZATION THAT IT IS DIFFICULT TO LOCATE A GOVERNMENT THAT HAS NOT CLAIMED TO PURSUE A POLICY OF DECENTRALIZATION IN RECENT YEARS.

- ❑ *LOCALLY SPECIFIC PLANS* CAN BE TAILOR-MADE FOR LOCAL AREAS USING DETAILED AND UP-TO-DATE INFORMATION THAT IS ONLY LOCALLY AVAILABLE.
- ❑ *INTER-ORGANIZATIONAL COORDINATION* CAN BE ACHIEVED AT THE LOCAL LEVEL.
- ❑ *EXPERIMENTATION AND INNOVATION*, FOSTERED BY DECENTRALIZATION INCREASES THE CHANCES OF MORE EFFECTIVE DEVELOPMENT STRATEGIES BEING GENERATED, AND SUBSEQUENTLY DIFFUSED.
- ❑ *MOTIVATION OF FIELD-LEVEL PERSONNEL* IS ENHANCED WHEN THEY HAVE GREATER RESPONSIBILITY FOR THE PROGRAMMES THEY MANAGE.
- ❑ *WORKLOAD REDUCTION* AT AGENCIES AT THE CENTRE OF GOVERNMENT WILL RELIEVE THEM FROM ROUTINE DECISION-MAKING AND GIVE THEM MORE TIME TO CONSIDER STRATEGIC ISSUES SO THAT THE ' QUALITY OF POLICY SHOULD IMPROVE.

- ❑ THE PUBLIC ADMINISTRATION AND MANAGEMENT FRAMEWORKS ARGUE THAT DECENTRALIZATION WILL LEAD TO BETTER DECISION-MAKING AND HENCE GREATER EFFICIENCY AND EFFECTIVENESS ON THE FOLLOWING GROUNDS.

SOME IMPORTANT DEFINITIONS

- ❑ DECENTRALIZATION IS THE TRANSFER OF AUTHORITY AND RESPONSIBILITY FOR PUBLIC FUNCTIONS FROM THE CENTRAL GOVERNMENT TO SUBORDINATE OR QUASI-INDEPENDENT GOVERNMENT ORGANIZATIONS AND/OR THE PRIVATE SECTOR

(WORLD BANK, 2001)

DECENTRALIZATION IS THE EXPANSION OF LOCAL AUTONOMY THROUGH THE TRANSFER OF POWERS AND RESPONSIBILITIES AWAY FROM NATIONAL BODY

(HEYWOOD, 2002)

- ❑ DECENTRALIZATION WITHIN THE STATE INVOLVES A **TRANSFER OF AUTHORITY** TO PERFORM SOME SERVICE TO THE PUBLIC FROM AN INDIVIDUAL OR AN AGENCY IN CENTRAL GOVERNMENT TO SOME OTHER INDIVIDUAL OR AGENCY WHICH IS 'CLOSER' TO THE PUBLIC TO BE SERVED.
- ❑ THE BASIS FOR SUCH TRANSFERS IS MOST OFTEN **TERRITORIAL**, THAT IS GROUNDED IN THE DESIRE TO PLACE AUTHORITY AT A LOWER LEVEL IN A TERRITORIAL HIERARCHY AND THUS GEOGRAPHICALLY CLOSER TO SERVICE PROVIDERS AND CLIENTS.

- ❑ HOWEVER, TRANSFERS CAN ALSO BE MADE **FUNCTIONALLY**, THAT IS BY TRANSFERRING AUTHORITY TO AN AGENCY THAT IS FUNCTIONALLY SPECIALIZED. SUCH TRANSFERS OF AUTHORITY ARE OF THREE MAIN TYPES.
- ❑ THE **FIRST** IS WHEN THE DELEGATION IS WITHIN FORMAL POLITICAL STRUCTURES (FOR EXAMPLE WHEN THE CENTRAL GOVERNMENT DELEGATES ADDITIONAL AUTHORITY TO LOCAL GOVERNMENT).
- ❑ THE **SECOND** IS TRANSFER WITHIN PUBLIC ADMINISTRATIVE OR PARASTATAL STRUCTURES (FOR EXAMPLE FROM THE HEADQUARTERS OF A MINISTRY TO ITS DISTRICT OFFICES).
- ❑ THE **THIRD** IS WHEN THE TRANSFER IS FROM AN INSTITUTION OF THE STATE TO A NON-STATE AGENCY (FOR EXAMPLE WHEN A PARASTATAL NATIONAL AIRLINE IS SOLD OFF TO PRIVATE SHAREHOLDERS).

AUTONOMOUS LOCAL GOVERNMENT

LOCAL GOVERNMENT CAN BE SAID TO BE AUTONOMOUS IF THEY ENJOY A SUBSTANTIAL DEGREE OF INDEPENDENCE, ALTHOUGH AUTONOMY IN THIS CONNECTION IS SOMETIMES TAKEN TO IMPLY A HIGH MEASURE OF SELF-GOVERNMENT, RATHER THAN SOVEREIGN INDEPENDENCE

(ADAPTED FROM HEYWOOD, 2002)

TYPES OF DECENTRALIZATION

1. POLITICAL
2. ADMINISTRATIVE
3. FISCAL
4. MARKET

POLITICAL DECENTRALIZATION

POLITICAL DECENTRALIZATION AIMS TO GIVE
CITIZENS OR THEIR ELECTED REPRESENTATIVES
MORE POWER IN PUBLIC DECISION-MAKING

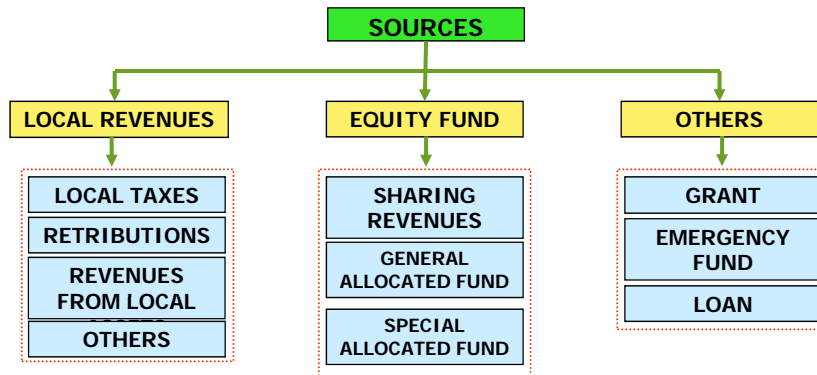
(WORLD BANK, 2001)

FISCAL DECENTRALIZATION

- ❑ FISCAL DECENTRALIZATION INVOLVES
SHIFTING SOME RESPONSIBILITIES FOR
EXPENDITURES AND/OR REVENUES TO LOWER
LEVELS OF GOVERNMENT
- ❑ THE EXTENT TO WHICH LOCAL ENTITIES ARE
GIVEN AUTONOMY TO DETERMINE THE
ALLOCATION OF THEIR EXPENDITURE

(WORLD BANK, 2001)

LOCAL FINANCE IN INDONESIA



ADMINISTRATIVE DECENTRALIZATION

ADMINISTRATIVE DECENTRALIZATION SEEKS TO REDISTRIBUTE AUTHORITY, RESPONSIBILITY AND FINANCIAL RESOURCES FOR PROVIDING PUBLIC SERVICES AMONG DIFFERENT LEVELS OF GOVERNMENT

(WORLD BANK, 2001)

ECONOMIC OR MARKET DECENTRALIZATION

ECONOMIC OR MARKET DECENTRALIZATION WILL INCLUDE PRIVATIZATION AND DEREGULATION. THEY SHIFT RESPONSIBILITY FOR FUNCTIONS FROM THE PUBLIC TO THE PRIVATE SECTOR

(WORLD BANK, 2001)

FORMS OF DECENTRALIZATION

FORMS OF DECENTRALIZATION INCLUDE:

1. DECONCENTRATION
2. DELEGATION TO SEMI-AUTONOMOUS AGENCIES
3. DEVOLUTION TO LOCAL GOVERNMENT
4. TRANSFER OF FUNCTIONS FROM PUBLIC TO NONGOVERNMENT INSTITUTION

(CHEEMA & RONDINELLI, 1984)

DECONCENTRATION

DECONCENTRATION INVOLVES THE REDISTRIBUTION OF ADMINISTRATIVE RESPONSIBILITIES ONLY WITHIN THE CENTRAL GOVERNMENT

(CHEEMA & RONDINELLI, 1984)

DELEGATION TO SEMI-AUTONOMOUS AGENCIES

ANOTHER FORM OF DECENTRALIZATION IS THE DELEGATION OF DECISION-MAKING AND MANAGEMENT AUTHORITY FOR SPECIFIC FUNCTIONS TO ORGANIZATIONS THAT ARE NOT UNDER THE DIRECT CONTROL OF CENTRAL GOVERNMENT MINISTRIES

(CHEEMA & RONDINELLI, 1984)

DEVOLUTION TO LOCAL GOVERNMENT

ANOTHER FORM OF DECENTRALIZATION SEEKS TO CREATE OR STRENGTHEN INDEPENDENT LEVELS OR UNITS OF GOVERNMENT THROUGH DEVOLUTION OF FUNCTION AND AUTHORITY.

(CHEEMA & RONDINELLI, 1984)

TRANSFER OF FUNCTIONS FROM PUBLIC TO NON-GOVERNMENT INSTITUTION

DECENTRALIZATION TAKES PLACE IN MANY COUNTRIES THROUGH THE TRANSFER OF SOME PLANNING AND ADMINISTRATIVE RESPONSIBILITY, OR OF PUBLIC FUNCTIONS, FROM GOVERNMENT TO VOLUNTARY, PRIVATE, OR NON-GOVERNMENT INSTITUTIONS.

(CHEEMA & RONDINELLI, 1984)

Forms of decentralization

Nature of Delegation	Basic for Delegation	
	Territorial	Functional
Within formal political structures	Devolution (political decentralization, local government, democratic decentralization)	Interest group representation
Within public administrative or parastatal structures	Deconcentration (administrative decentralization, field administration)	Establishment of parastatals
From state sector to private sector	Privatization of developed function (deregulation, contracting out, voucher schemes)	Privatization of national functions (divestiture, deregulation, economic liberalization)

(TURNER AND HULME, 1997)

IMPORTANT OBJECTIVES OF DECENTRALIZATION:

1. BETTER MATCH BETWEEN SERVICE PROVISION AND VOTER PREFERENCES
2. BETTER ACCOUNTABILITY THROUGH CLOSER LINKAGES OF BENEFITS WITH COSTS
3. INCREASED MOBILIZATION OF LOCAL REVENUES
4. BETTER PARTICIPATION OF CLIENTS IN SELECTION OF OUTPUT MIX

(GERVAIS, 1999)

- ❑ IT MUST BE NOTED THAT THE DECENTRALIZATION DOES NOT IMPLY THAT ALL AUTHORITY SHOULD BE DELEGATED. THE CENTRAL GOVERNMENT MUST RETAIN A CORE OF FUNCTIONS OVER ESSENTIAL NATIONAL MATTERS.
- ❑ HOW EXTENSIVE THIS CORE OF CENTRAL GOVERNMENT FUNCTIONS SHOULD BE REMAINS A MAJOR IDEOLOGICAL AND INTELLECTUAL DEBATE OF THE LATE TWENTIETH CENTURY.

DECENTRALIZATION AND GOVERNANCE

- ❑ DECENTRALIZATION IN SOME COUNTRIES HAS BEEN SEEN AS **POLITICALLY EXPEDIENT** FOR DEALING WITH **REBELLIOUS REGIONS**.
- ❑ IT HAS HOWEVER, MORE **BASIC VALUE TO DEMOCRACY** AND DEMOCRATIC CONSOLIDATION. MANY SCHOLARS HAVE PRESENTED THE ARGUMENT THAT DECENTRALIZATION ENHANCES THE LEGITIMACY, AND HENCE, STABILITY OF DEMOCRACY.

- ❑ DIAMOND (1999) RAISES FIVE BROAD POINTS ABOUT HOW AUTONOMOUS LOCAL GOVERNMENT UNDER A DECENTRALIZATION SCHEME CAN IMPROVE AND STRENGTHEN DEMOCRACY.
 - 1) GREATER AUTONOMY TO THE REGIONS HELPS DEVELOP DEMOCRATIC VALUES AND SKILLS AMONG CITIZENS.
 - 2) DECENTRALIZATION INCREASES ACCOUNTABILITY AND RESPONSIVENESS TO LOCAL INTERESTS AND CONCERNS.
 - 3) IT OPENS UP ACCESS TO POWER OF TRADITIONALLY MARGINALIZED GROUPS AND THUS IMPROVES THE REPRESENTATIONAL ASPECTS OF DEMOCRACY.
 - 4) IT STRENGTHENS CHECKS AND BALANCES VIZ-A-VIZ POWER AT THE CENTER.
 - 5) IT PROVIDES OPPORTUNITIES FOR PARTIES AND POLITICAL GROUPS IN OPPOSITION IN THE CENTER TO EXERCISE SOME MEASURE OF POLITICAL POWER.

- ❑ FROM THE ARGUMENTS ABOVE IT CAN BE CONCLUDED THAT DECENTRALIZATION ENHANCES THE EFFICACY, QUALITY AND LEGITIMACY OF DEMOCRACY; **HENCE DECENTRALIZATION IS A NECESSITY FOR DEMOCRACY.**
- ❑ IT IS EVEN MORE SO FOR LARGE—AND PARTICULARLY **MULTIETHNIC AND MULTICULTURAL**—COUNTRIES SUCH AS INDONESIA AND CHINA, AS DECENTRALIZATION WILL CLOSE THE DISTANCE BETWEEN THE CITIZENS, THE STAKEHOLDER, AND THE POWER AND THE PROCESS OF POLICY MAKING.

- ❑ DECENTRALIZATION IS NOT JUST A POLITICAL NECESSITY FOR KEEPING THE COUNTRY FROM FALLING APART OR FOR FOSTERING DEMOCRACY.
- ❑ IF **MANAGED WELL**, DECENTRALIZATION CAN BRING IMPORTANT BENEFITS TO THE COMMUNITIES AND THE ECONOMY AS A WHOLE.
- ❑ HOWEVER, IF **MANAGED BADLY**, IT COULD HARM THE PEOPLE AND SQUANDER RESOURCES AND BRING INSTABILITY INSTEAD.

THE RISKS

- ❑ RICH REGIONS ARE DOING FINE, IN FACT THEY MAY HAVE MORE MONEY THAT THEY CAN SPEND, WHICH CAN POSE A THREAT TO NATIONAL SOLIDARITY BECAUSE OF **SOCIAL-JEALOUSY**. THERE ARE ALREADY SOME INDICATIONS THAT REVENUES NOT BEING USED EFFECTIVELY AND EFFICIENTLY, ON THE OTHER HAND, POOR REGIONS ARE CHAFING UNDER.

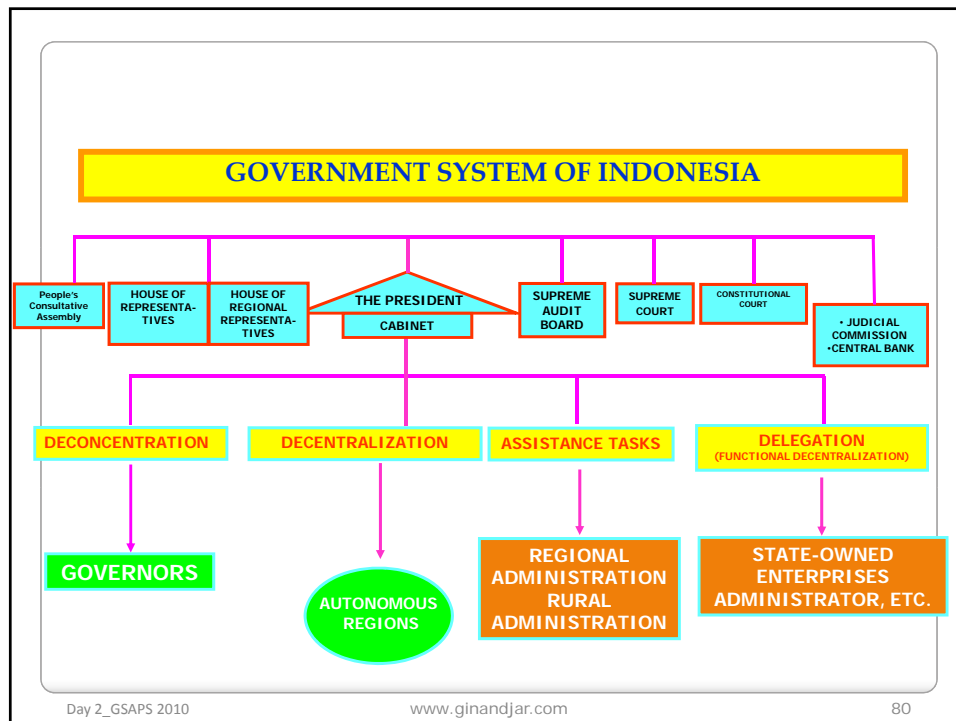
- ❑ THE RISKS OF AN INCREASE IN **CORRUPTION** FOLLOWING DECENTRALIZATION ARE HIGH. IT HAS BEEN WIDELY OBSERVED THAT SO FAR NOT ONLY POWER AND REVENUE THAT HAVE BEEN DECENTRALIZED BUT ALSO CORRUPTION.
- ❑ SOME ANALYSTS COMMENT THAT DECENTRALIZATION HAS STRENGTHENED THE POSITION OF THE **LOCAL ELITES AND THEIR CLIENTELISTIC** NETWORKS IN SOME LATIN AMERICAN COUNTRIES

(HUBER, RUESCHEMEYER AND STEPHENS, 1999)

GOOD LOCAL GOVERNANCE

- ❑ TRANSFERS OF REVENUE TO THE AUTONOMOUS DISTRICTS MUST BE ACCOMPANIED BY TRANSFERS OF EXPENDITURE RESPONSIBILITY AND ITS **ASSOCIATED FUNCTIONS**. THEY ARE IMPORTANT TO PREVENT THE CENTRAL GOVERNMENT FISCAL DEFICIT TO INCREASE UNABATEDLY CAUSING SEVERE FINANCING AND DEBT PROBLEMS FOR THE COUNTRY IN THE FUTURE.

- ❑ THE LOCAL GOVERNMENTS ALSO NEED TO HAVE THE APPROPRIATE **CAPACITY AND SKILLS** TO TAKE ON THE RESPONSIBILITY THAT COMES WITH AUTONOMY. BUDGETARY CONTROL AND SUPERVISION SHOULD BE STRENGTHENED TO PREVENT CORRUPTION AND WASTAGE OF RESOURCES.
- ❑ IN SHORT, EFFECTIVE DECENTRALIZATION WILL ENHANCE DEMOCRACY BUT IT REQUIRES ALSO **GOOD LOCAL GOVERNANCE**, I.E. CLEAN, TRANSPARENT AND COMPETENT GOVERNANCE AT THE LOCAL LEVEL.



DECENTRALIZATION IN INDONESIA

