

**EVALUATION OF THE IMPLEMENTATION OF INDONESIA'S
INTEGRATED URBAN DEVELOPMENT PROGRAM (IUIDP):
*Local Government Experience***

by

Rido Matari Ichwan

Bachelor of City and Regional Planning
Bandung Institute of Technology, 1987

Submitted to the Department of Urban Studies and Planning in
partial fulfillment of the requirements of the degree of

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at the

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Signature of Author _____

Department of Urban Studies and Planning
May, 1996

Certified by _____

Paul Smoke
Associate Professor of Political Economy and Planning

Accepted by _____

Mark Schuster
Chair, Master in City Planning Program

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ABSTRACT

In the mid 1980s, the Government of Indonesia introduced a new urban infrastructure approach, the Integrated Urban Infrastructure Development Program (IUIDP), to overcome a serious infrastructure backlog in urban areas. The approach promotes decentralization of urban infrastructure development through integration of national sectoral priorities with local development needs and reduces local governments overdependency to central grants. There are three major interrelated activities in the IUIDP approach: medium-term infrastructure investment program preparation and implementation, local government resources mobilization, and institutional development. Each of the latter two activities are supported by action plans.

This thesis examines the perception of the local government experience with IUIDP implementation from two important dimensions: local government resource mobilization and institutional development. The case study area is a rapidly growing area of Bogor, Tangerang, and Bekasi (BOTABEK) region. This region was among the first to adopt the IUIDP approach.

The study indicates that local governments which are committed to improve their revenue yields do not depend heavily on the action plans and the implementation technical assistance provided by IUIDP. In addition, adjustment of existing local government institutions is more acceptable and effective than creation of new ad hoc institutions for IUIDP. The local governments studied have slowly but consistently internalized the IUIDP approach. They, however, perceived IUIDP more as a mechanism to deliver urban infrastructure projects than as an integrated approach to urban infrastructure development management.

Thesis advisor: Paul Smoke, Ph.D.

Title: Associate Professor of Political Economy and Planning

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GLOSSARY

ADB	- Asian Development Bank
APBD	- Regional (level I and II) Budget Revenue and Expenditure
BAPPEDA (I/II)	- Regional Planning Agency I (provincial) and II (local)
Bopal UDP	- Bogor-Palembang Urban Development Project (ADB)
BOTABEK	- Bogor, Tangerang and Bekasi Region
Botabek UDP	- Bogor, Tangerang and Bekasi Urban Development Project (ADB)
Bupati	- The head of regency/Local Government level II (rural and urban areas)
CPFO	- Central Program/Project Finance Office
CPMO	- Central Program/Project Management Office
DGB	- Directorate General for Budget Affairs
DGH	- Directorate General for Road and Transportation
DGHS	- Directorate General for Human Settlements
DGPUOD	- Directorate General for Public Administration and Regional Autonomy, MOHA
DGWRDS	- Directorate General for Water Resources Development
DIP	- List of Approved Development Project
DISPENDA (I/II)	- Regional Income Office I (provincial) and II (local)
DK	- Department of Cleaning (of local government)
DPU (I/II)	- Department of Public Works I (provincial) and II (local)
GOI	- Government of Indonesia
Gubernur	- The head of province/Local Government level I
IBRD	- International Bank for Reconstruction and Development; the World Bank
Inpres	- Presidential Instruction (for special allocation fund for development)
IUIDP	- Integrated Urban Infrastructure Development Program

JUDP	- Jabotabek Urban Development Project (IBRD)
Kab. Kodya	- Kabupaten = Regency - Kotamadya = City of
LIDAP	- Local Government Development Action Plan
MOF	- Ministry of Finance
MOHA	- Ministry of Home Affairs
MPW	- Ministry of Public Works
NPA	- National Planning Agency
PAD	- Regional (I/II) Own-Source Revenue
PDAM	- Local Water Supply Enterprise
Perda	- Local Government Regulation
PFO	- Project Finance Office
Pimpro	- Project Manager
PIU	- Project Implementation Unit
PMO	- Program Management Office
PMU	- Project Management Unit
PPFO	- Provincial Project Finance Office
PPMO	- Provincial Program Management Office
PPMU	- Provincial Project Management Unit
RDA	- Regional Development Account
RIAP	- Revenue Improvement Action Plan
Repelita	- Five Year Development Plan
TA	- Technical Assistance
TKPP	- Urban Development Coordination Team at the national level
Walikotamadya	- The head of Kotamadya (urban area)
WJS-SCUDP	- West Java Sumatera Secondary Cities Urban Development Project (ADB)

CHAPTER I INTRODUCTION

1.1 Background

Urbanization is playing an increasingly important role in Indonesia's economic and social development. In 1980 the urban population amounted to about 33 million people, 22% of its total population. By 2000 this percentage is expected to increase to 36% (TKPP, 1987, p. 17), and by 2025 will have grown to 152 million or 55% of the total population (McCullough et. al., 1990, p. 2). This statistic presents a serious challenge for the urban management of Indonesia, especially in view of the deficiencies in infrastructure and services which are already prevalent.

The experience of the past decade has shown that urban households have not been adequately served by infrastructure and services. In 1980 only around 23.6 % of the total urban households were supplied by piped water for drinking; by 1989 the level of service had even decreased by 0.6 percentage point to 23%. About 54% of the total urban households had to share toilet facilities in 1980; this number had decreased by 13 percentage points to 41% by 1989. The Government of Indonesia (GOI) has to improve conditions and, at the same time, must struggle to keep up with the ever-increasing urban infrastructure demands. It is practically impossible for the central government alone to acquire all the capital investment needs.

At the beginning of Repelita IV (Fourth Five Year Development Plan of 1984-1989), the GOI estimated that on average Rp. 900 billion per year would be needed to finance routine (recurrent) and development (capital) expenditures for urban

infrastructure development (TKPP, 1987, p. 19). The World Bank's Urban Services Sector Report (1984) estimated that a larger figure of about Rp. 1.5 trillion should be allocated to meet assumed urban growth needs and backlogs at a minimal level of servicing (Hoff & Steinberg, 1992, p. 1). As the estimated expenditures continue to grow, the government of Indonesia will find it difficult to meet these needs due to the declining oil revenues. In comparison with the Ministry of Public Works' (MPW) planned annual urban infrastructure investment for 1990/91 of Rp. 1,094 billion, the actual expenditures have remained low at approximately Rp. 760 billion (about 70%) of the planned level (Hoff & Steinberg, 1993, p. 2).

Due to these various problems, i.e., rapid urbanization, urban infrastructure backlog and oil price cuts, GOI has sought another alternative for delivering urban infrastructure which can reduce financial as well as administrative obstacles encountered by the government.

Based on experience gained in the *Kampung* Improvement Program (KIP) and previous urban projects¹ in the mid 1980s, MPW has been developing a new development approach to a city-wide infrastructure provision, known as IUIDP (Integrated Urban Infrastructure Development Program). Initially, IUIDP was an MPW

¹ A classification was given by Hendropranoto Suselo (Suselo et. al., 1994) in which the KIP was considered as the first generation of urban projects. The second generation of urban projects included Bandung and Medan urban development projects, which were assisted by the Asian Development Bank, and Urban I, II, III, VI and V projects, which were assisted by the World Bank. The third generation (1983-1986) was when the nation-wide urban projects were prepared under the assistance of bilateral donor agencies, the ADB and the IBRD, and the government adopted the national policy of urbanization, NUDS. The fourth generation (1987-1989) of urban projects was developed when the IBRD provided a fast disbursing loan, the Urban Sector Loan (USL) to GOI. The fifth generation (1989-onward) included the IUIDP packages that cover all aspects, including a medium-term infrastructure investment program, a revenue generation action plan and an institutional improvement action plan with which this study is concerned.

initiative; later on, the NPA (National Planning Agency), the MOHA (Ministry of Home Affairs) and the MOF (Ministry of Finance) supported the approach. Eventually, in 1987 the GOI committed itself to adopt the IUIDP approach nationally in accelerating urban infrastructure development by issuing an urban development policy statement (TKPP, 1987, p. 7-13).

This commitment has broader political and technical goals, which involve decentralizing development through a balanced “top-down and bottom-up” decision-making process defined in Government Regulation no. 5/1974 and in the 1983 national policy on urban development NUDS (National Urban Development Strategy) respectively. These regulations were reinforced by the enactment of Government Regulation no. 14/1987, decentralizing public works activities to regional governments and by Government Regulation no 45/1992, which calls for enhancing regional autonomy.

1.2 Facts After a Decade of IUIDP Implementation: Improvement and Critique

It has been a decade since Indonesia first launched its IUIDP, and many resources have been dedicated to implementing it. This approach was designed to bring about better program preparation by shifting from a sectoral and a centralized approach to a more integrated and decentralized approach, from an annual plan to a multi-year development programs, and from a project to a programmatic approach (Suselo & Taylor, 1994, p. 15). Some facts after ten years of implementation provide a general sense of the success and failure of IUIDP.

Improvement in Urban Investment

Around 350 medium-term urban infrastructure investment programs (PJM) have been completed for the approximately 150 local governments (some local governments have more than one urbanized area/city) throughout the country in the last 6 years (1987-1994), covering approximately 85% of the nation's urban population. A large number of these PJMs are financed by foreign donor agencies. From the World Bank (IBRD) alone, IUIDP has raised as much as US\$1,092,189,000, and from the Asian Development Bank (ADB) as much as US\$1,032,208,800. Those development funds are loans for the central government and some portions are on-lent to local governments.

Institutional Implications and Central Government Role

In the current government structure, there are many institutions that serve different types of infrastructure and finance needs for urban development. At the central level, there are at least four relevant ministries, the MPW, the MOHA, the MOF, and the NPA. At the provincial and local level, there are also some existing institutions that are semi-autonomous from the central government. These existing institutions create a complex interinstitutional environment. For example, in a small town, at least 30 institutions are involved in urban development, but for a big city like Jakarta (7 million people) or Surabaya (2 million people), the number of institutions could be as many as 50.

Besides these permanent institutions, there are ad hoc committees, such as the Urban Development Coordination Team (TKPP = Tim Koordinasi Pembangunan

Perkotaan) at the national level, and Directive Team (Tim Pengarah) and Technical Team (Tim Teknis) at the provincial and local level for planning-programming and implementation activities. These ad hoc committees were developed to coordinate tasks, programs and responsibilities among the existing institutions. Furthermore, in the IUIDP implementation stage, there are other institutions involved, including the Project Management Unit (PMU) and the Project Implementation Unit (PIU). The primary functions of PMU are to administer foreign loans and contracts, and to coordinate activities, and to solve problems during the construction stage. The chief function of PIU is to undertake the project construction.

In addition to this institutional complexity, critics charge that the role of the central government is far too great. The central government still holds a great deal of control over the planning, programming and construction stages. Although its role has gradually decreased, it is still considerable, and its influence is great even on local activities. For example, PJMs are supposed to be prepared by local governments, but this rarely occurs. Some central authorities argue that local governments do not have sufficient technical staff and still depend on central government funds and technical standards. In fact, central government technical assistance in PJM preparation is still significant because this document usually is related to foreign loans. In some cases, this involvement creates delays in planning-programming and in the start up and construction stages. Early delays are largely due to local governments' resistance to central government terms of agreement. Further delays are due to lack of involvement in the preceding stage or poor incentives to implement the investment program (Kosasih & Suttmuller, 1994, p. 41).

1.3 Study Objectives and Methodology

The positive and negative aspects of IUIDP outlined above are based on evaluations conducted at the national level or of specific loan packages such as, the East Java Urban Development Project (IBRD) which consists of 35 local governments (Pol, 1992; Bastin, 1993). There have been some evaluations conducted at the local level in 1991/1992, such as for the large city of Yogyakarta (Frenkel, 1992), the small city of Tanjung Balai in Sumatera (Taylor, 1992), and for some medium-size cities, such as cities in the eastern part of Indonesia (Scott and Furphy, et. al., 1992).

Although these evaluation efforts are valuable, they employ different methodologies and have different focal points. None directly involves an explicit evaluation of the local government perspective on the successes and failures of IUIDP and its achievements in institutional development and resource mobilization. Moreover, none of them deal with rapidly growing areas, such as Bogor, Tangerang and Bekasi (BOTABEK) in the area surrounding Jakarta, the capital and largest city in the country. This region was one of the first regions to adopt the IUIDP approach with many loan packages, limited “well-developed” guidance and technical assistance from the central government.

Although locally based evaluations have been ignored, they are inevitably important because local governments are the recipients and users of this approach, and institutional development and resource mobilization are crucial factors for urban infrastructure development. It is the intention of this thesis to evaluate the IUIDP

approach from the local governments perspective, particularly regarding resource mobilization and institutional development.

Issues addressed in this study are:

1. How do local governments perceive IUIDP?; What are the incentives and disincentives for local governments to participate in IUIDP?; What are the problems encountered by local governments in the implementation of IUIDP?.
2. What are the positive and negative aspects of IUIDP in terms of improving the local government role in urban infrastructure provision?; What kind of recommendations for improvement can be derived from the lessons learned so as to have local governments more fully implement the approach.?

The study examines the experience of the BOTABEK region's local governments. The focus of the research is on cases showing how local governments the resource mobilization and institutional development plans. The study will utilize data from secondary sources (e.g., existing reports) and gathered by interviewing local, provincial, and central government officials. In order to achieve the intention of the study, the following will be analyzed:

- a. IUIDP conception and its practical implications.
- b. General perceptions of local government regarding IUIDP
- c. Achievement and problems of the implementation of a RIAP (Revenue Improvement Action Plan, a resources mobilization plan) and a LIDAP (Local Government Institutional Development Action Plan, an institutional reform plan), two important dimensions of the IUIDP approach.

1.4 Case Study: Bogor, Tangerang And Bekasi (BOTABEK) Region

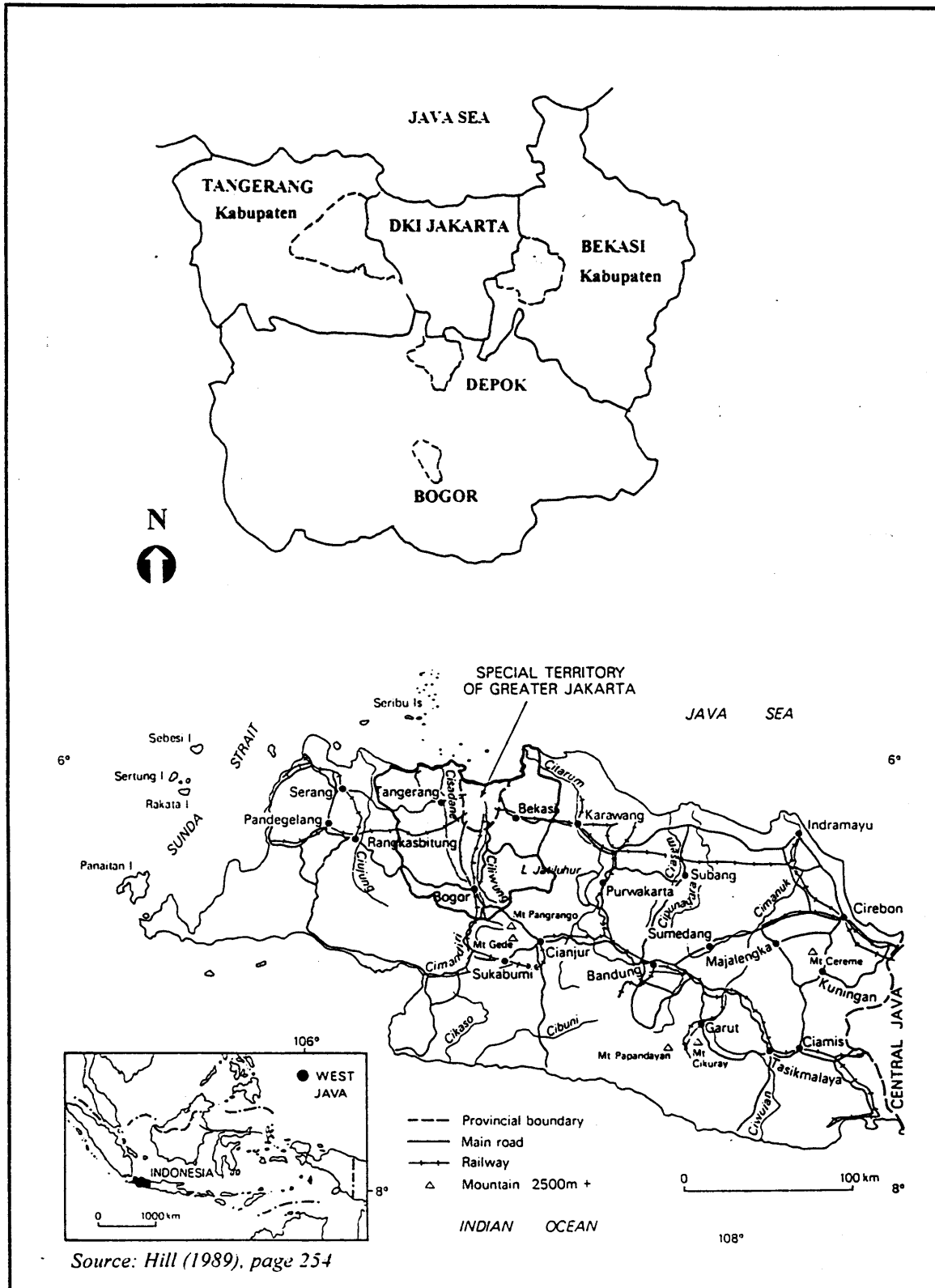
Bogor, Tangerang, and Bekasi Region Description

The BOTABEK region is an area surrounding Jakarta city (see figure 1). It consists of five different local governments: Kabupaten (Kab.) Bogor (Bogor regency), Kotamadya (Kodya) Bogor (the city of Bogor), Kab. Tangerang (Tangerang regency), Kodya Tangerang (the city of Tangerang; established 1993); and, Kab. Bekasi (Bekasi regency). The area consists of urban and rural areas. In the urbanized area, two local governments are cities, Kodya Bogor and Kodya Tangerang, with semi-autonomous power. The other local governments have more than one city with populations over 20,000 people, which have no autonomous government function. These cities rely on regencies' authority, including Bekasi, Depok, Serpong, Balaraja, Parung, Cibinong, Citeureup, and others. Jakarta along with Tangerang and Bekasi cities comprise a consolidated urbanized area, while other towns are scattered in the area. Outside these scattered urbanized areas, there are rural areas dominated by agricultural and paddy fields competing with housing and industrial estate developments.²

The region's estimated urban population is 4.47 million in 1990 (about 60% of the total BOTABEK region population of 7.48 million) and located in about 40 towns with an average annual growth rate of 5.4% in 1980-1990 period (ADB, 1990, p. 18). The growth of the region's total population between 1975-1980 was as large as

² A high rate of fertile agricultural land conversion has occurred during the 1980-1990 due to urbanization. The urbanized area has grown by about 40%, from about 350,000 ha. to 500,000 ha (DGHS, 1995).

Figure 1-1
The BOTABEK Region



Source: Hill (1989), page 254

5.55% (national average 4.1%) and between 1980-1990 the rate has decreased to 4.5%, which is still above the national average population growth of 2.34%.

The region is economically and spatially influenced by Jakarta's activities. Although the area is under the jurisdiction of West Java province, it functions as a satellite area to Jakarta's commuters. In the early 1970s the Government of Indonesia (GOI) adopted a metropolitan development approach to manage growth of the area, known as the Jabotabek Metropolitan Development (JMD) approach, and an ad hoc coordinating committee known as the Development Co-operative Agency for Jakarta, Bogor, Tangerang and Bekasi (Badan Kerjasama Pembangunan Jabotabek) was created.³ As a follow-up to this approach in the early 1980s, a regional development plan, known as Jabotabek Metropolitan Development Plan (JMDP), was prepared by GOI with the assistance of UNCHS (United Nation Center of Human Settlements). This has provided a development framework for each local government in the BOTABEK area, including an urban development strategy. Within this context, IUIDP has been implemented in the BOTABEK region since 1990.

IUIDP (Integrated Urban Infrastructure Development Program) Implementation in BOTABEK Region

BOTABEK was among the first regions to adopt IUIDP approach for its urban infrastructure development, beginning implementation in 1990. During the period of 1980-1990, the region had been a significant recipient of both public and private

³ The metropolitan development approach was legalized by Presidential Instruction No. 13/1976. It comprised Jakarta province and Kab. Bogor, Kab. Tangerang and Kab. Bekasi, all of which are within the West Java province.

investments in housing and industrial estates. Despite this huge investment, the BOTABEK region's urban living condition remains low because developers do not have the obligation to provide infrastructure and to improve settlements beyond their development areas. For example, only about 20% of urban households are served by piped water supply in Bogor city urban area (DGHS, 1990, p. 15), about 49% of households in Tangerang city urban area (DGHS, 1989, p. 20), and 45% in Bekasi city urban area (DGHS, 1989, p. 35). Solid waste collection service serves approximately 38% of the households in the Bogor urban area. Lastly, in the sanitation and sewerage sector, only 51% of households in the Bogor urban area are served.

In order to overcome infrastructure and service deficiencies in the area, four urban infrastructure development projects (UDP) packages have been implemented within the IUIDP approach. The WJS-SCUDP (West Java-Sumatera Secondary Cities Urban Development Project) has been implemented since 1991,⁴ and Botabek UDP (Bogor, Tangerang, and Bekasi Urban Development Project)⁵ has been implemented since 1991. Two subsequent investment programs in the area are for Greater Jakarta (JUDP III, Jabotabek Urban Development Project III) and Greater Bogor (Bopal UDP, Bogor-Palembang Urban Development Projects) which are prepared by GOI with the World Bank (in 1990) and the ADB (in 1990) technical assistance, respectively.⁶

⁴ Three towns in Kab. Bogor are funded by SCUDP loan (ADB loan no. 983/984) for the period of 1991 to 1993.

⁵ Eight cities are funded by Botabek UDP loan (ADB) for 5 years construction period of 1991-1996 (SPAR Botabek UDP, 1990).

⁶ The Greater Jakarta infrastructure investment program, known as JUDP (Jabotabek Urban Development Project) III, is funded by IBRD for a 6 year construction period from 1990/1991-1996/1997 (SAR IBRD, 1990); The Greater Bogor infrastructure investment program, known as Bogor-Palembang UDP, is funded by ADB for a 5 year development period from 1991/1992 to 1995/1996 (SPAR ADB, 1990).

The Greater Jakarta infrastructure investment project (JUDP III) mainly deals with *Kampung* upgrading (KIP = Kampung Improvement Program) of adjacent subdistricts in BOTABEK region. The Greater Bogor infrastructure investment project (Bogor-Palembang Urban Development Project) includes surrounding subdistricts making up the Bogor urban area, which is under the jurisdiction of Kab. Bogor. It deals with improvement of water supply, solid waste management, roads, sanitation and sewerage, drainage, and KIP.

1.5 Organization Of The Thesis

Chapter II discusses the IUIDP concept and its practical implications for local governments. Issues addressed in this chapter are the institutional and development financial complexities in urban infrastructure prior to IUIDP, and the concept of IUIDP. The discussion illustrates the IUIDP objectives, principles, and features. The last part of this chapter discusses the practical implications for local governments in terms of medium-term investment programs (PJM) preparation, revenue mobilization and institutional development.

The experience of BOTABEK region's local government in IUIDP implementation will be evaluated in Chapter III. The discussion covers each of the local governments' investment programs and their revenue mobilization effort. Evaluation will focus on two local governments, Kab. Bogor and Kodya Bogor, because they are significantly different. Kab. Bogor encompasses urban and rural areas which emphasize agricultural and rural settlements development, while Kodya Bogor is a highly urbanized area which emphasizes and prioritizes urban infrastructure

development. A particular emphasis will also be given to the local governments' effort in the improvement of local own-source revenues and implementation of the RIAP.

Chapter IV discusses the local government experience in institutional development with regard to the IUIDP and the LIDAP implementation. The role of ad hoc committees and implementation institutions will also be reviewed as well.

Chapter V, the final chapter, draws some conclusions from the local governments' experiences in the IUIDP implementation. The conclusions will be divided into three segments: general conclusions on the IUIDP implementation in BOTABEK Region; resource mobilization; and, local government institutional development. This chapter ends with some recommendations for future IUIDP implementation.

CHAPTER II IUIDP AS AN ALTERNATIVE FOR URBAN INFRASTRUCTURE DEVELOPMENT

2.1 Urban Infrastructure Management in Indonesia

2.1.1 Urban Infrastructure Management Prior to IUIDP

Eight types of infrastructure and services (which will be called infrastructure throughout this thesis for simplicity) development are under MPW (Ministry of Public Works) responsibility. These are:

- water supply,
- sanitation and sewerage,
- drainage and flood control,
- solid waste management,
- urban roads,
- housing, including:
 - kampung improvement program (KIP),
 - core housing,
 - site and services,
 - urban renewal and resettlements,
 - land consolidation,
 - guided land development (GLD),
 - rental housing.
- market infrastructure improvement program (MIIP),

- urban spatial planning.

Prior to IUIDP, GOI built most of these urban infrastructures through the central government technical department financing (DIP) and treated them on a sectoral basis, implying that each infrastructure was planned and implemented largely on its own with relatively little coordination or integration between sectors. Local governments also had similar development programs, which were financed by their own-source and intergovernmental (*Inpres*) grant revenues, but on a smaller scale than those of the central government. Such programs, however, were not coordinated with central and provincial programs (except in the case of KIP).

Furthermore, many institutions were involved in urban infrastructure provision and maintenance. Within the MPW, there were three directorate generals which dealt with urban infrastructure. Those were: Directorate General for Human Settlement (DGHS) which was responsible for most of the infrastructure except roads and flood control; Directorate General of Highway for the urban roads sector; and Directorate General of Water Resources Development for the flood control. At the central government, in addition to the MPW, there were the MOHA (Ministry of Home Affairs), the MOF (Ministry of Finance) and the NPA (National Planning Agency). The MOHA was responsible for *Inpres* allocation and regional and urban development, the MOF was responsible for national budget including for MPW DIPs, and the NPA was responsible for overall national economic development policies, including urban infrastructure development and national budget allocation efficiency.

At the provincial level/Local Government Level I, there are offices that are responsible for urban infrastructure, namely, Regional Development Planning Agency

level I (BAPPEDA I), Department of Public Works (DPU I), Regional Income Office Level I (DISPENDA I) and the MPW and the MOF Regional Offices (Kanwil PU and Kanwil Anggaran, respectively). The role of these institutions in infrastructure provision is more or less similar to that of their central government counterpart. BAPPEDA I is responsible for provincial economic development programming, DPU I is responsible for urban and rural physical infrastructure development, and DISPENDA I is responsible for provincial budget. Lastly, at the local level/Local Government level II (kabupaten/ kotamadya), there are Regional Development Planning Agency level II (BAPPEDA II), Department of Public Works level II (DPU II), Regional Income Office Level II (DISPENDA II), Department of Cleaning (DK) and Local Water Enterprise (PDAM). These offices have tasks similar to their national and provincial counterparts in their particular jurisdiction.

It is obvious that prior to IUIDP, the urban infrastructure development was inefficiently managed. Too many uncoordinated institutions and funding channels were involved in urban infrastructure provision. Moreover, due to the oil price cut, the GOI had faced difficulties in acquiring necessary funds for the development. To overcome this complicated problem, GOI decided to effectively decentralize urban infrastructure development to local governments and, as discussed above, IUIDP has been the main tool for this purpose.

2.1.2 IUIDP Objectives, Principles and Features

IUIDP Objectives and Principles

Decentralization of urban infrastructure development goals to be achieved in the near future, as stated in urban (infrastructure) development policy (TKPP, 1987, p. 7-13), are (a) effective decentralization of urban infrastructure planning, implementation and operation including maintenance and monitoring; (b) strengthening local governments' responsibility for financing urban infrastructure; and (c) strengthening local governments' capabilities to carry out these responsibilities. These broad objectives have been elaborated by IUIDP approach into a more practical undertaking to balance sectoral and national development targets with location-specific area needs in which all sectors can be provided for in an integrated way (Suselo & Taylor, 1994, p. 15). The approach is designed to encourage local governments to determine their own infrastructure and urban development priorities and to assist them in preparing their own multi-year capital development programs (Bastin, no date, p. 3)

Accordingly, as a tool for planing and programming, the preparation of IUIDP multi-year program objectives are (Sidabutar, 1992, p. 25):

- To link urban spatial plan and sectoral components
- To support local governments (municipalities [Kotamadya] and regencies [Kabupaten]) in the preparation of public works urban infrastructure development programs

- To increase the efficiency of fund utilization through the avoidance of overlapping activities among all levels of government, while simultaneously designing activities which are mutually supportive
- To increase the effectiveness of the provision of urban services by providing greater opportunities to local governments to formulate local priorities and to design programs that meet local needs

IUIDP Features

In dealing with the above objectives, IUIDP has four features: maximization, local resources mobilization, decentralization and deconcentration, mutual agreement and integration (Rukmana, 1993, p.8).

Maximization

Maximum use of available resources for urban development can be achieved by integration among infrastructure sectors and among resources. These resources are made available from:

- Local governments' own sources, such as taxes, user charges, and profits from local enterprises
- Provincial government direct involvement and grants
- Central government sectoral grants, such as DIP (the MPW sectoral budget) and *Inpres* (specific-purpose and block grants)
- Domestic and foreign loans either for central or local governments

- Private sector and community participation

Local Resources Mobilization

As indicated in the maximization feature, IUIDP is to increasingly mobilize all available resources, including those from beneficiaries, improved local revenue and loans which have not been previously considered. According to McCullough (McCullough et. al., 1990, p. 30), three factors affect this decision. These are (1) the limitation of the central government's capacity to finance rising infrastructure needs in urban areas; (2) the realization that urban economies have the capacity to generate considerably more resources to pay urban infrastructure investments; and (3) equity considerations dictate that the beneficiaries of public investments should share the financial burden.

As the first type of resource mobilization, IUIDP considers the application of the cost recovery system to its beneficiaries, such as charges from the water supply and solid waste collection. The second is a shift from government resources to debt financing. As McCullough explained, investment in urban infrastructure is being progressively shifted from being a largely central government responsibility (through both direct investment by line agencies and grants to local governments) to debt financing by local governments. Resources under this category are foreign (Subsidiary Loan Agreement [SLA]) and domestic loans (to local governments or enterprises) through a newly created RDA (Regional Development Account) mechanism (McCullough, 1990, p.44).

The third action is that, in addition to the existing responsibilities, the local governments exercise control of their own-source revenues. IUIDP encourages a systematic improvement effort to increase local taxes and fees and charges revenues.

Decentralization and Deconcentration

IUIDP integrates development activities of both the decentralized and deconcentrated governance systems. The decentralized system is that of the sub-national level, namely Local Government level I and level II, each of which has a certain level of autonomy and independence in managing their own territorial development. There is a set of government organizations belonging to that particular local government over which central authorities have little or no direct control. Moreover, these local governments have their own-source of revenues on which IUIDP can rely. The system also implies that IUIDP will jointly implement development programs with all related offices on all levels of government.

Guidance from the central government and its development activities is undertaken through a deconcentration governance system in which the MPW and the MOF are represented by their Regional-based Ministry's Offices.

In addition to improving performance of the existing responsibilities, there is also an attempt to transfer responsibility and power from the central to the local governments level I and level II. A systematic process has been developed and is being carried out, e.g., dissemination and training of the IUIDP approach, for transferring responsibilities and power which the central government has held for a long time.

Mutual Agreement and Integration

It is important, in order to implement the IUIDP approach, to obtain mutual agreement on a development plan and programs as well as a financing plan. This is essential because the approach will integrate many sectors and resources which are under different governance systems and fund channels. If the local government infrastructure development programs need other parties' technical and financial assistance, the program should be approved by all related parties. These parties are usually central, provincial and donor agencies which examine and approve IUIDP programs, projects and financing plans including financing terms.

2.2 Practical Implications of IUIDP Implementation

In practice, there are three major aspects of local government activities under IUIDP implementation (1) the preparation of the medium-term infrastructure development investment program proposal, known as PJM (Program Jangka Menengah); (2) resource mobilization activity by local governments; (3) local staff and institutional capabilities development.

2.2.1 The PJM (Program Jangka Menengah; Medium-term Investment Program) and Its Role

The integration of planning and programming for IUIDP is presented in a multi-year investment plan PJM (Program Jangka Menengah), which usually covers a 5 to 7 year investment period in conformance with the *Repelita* period. This document

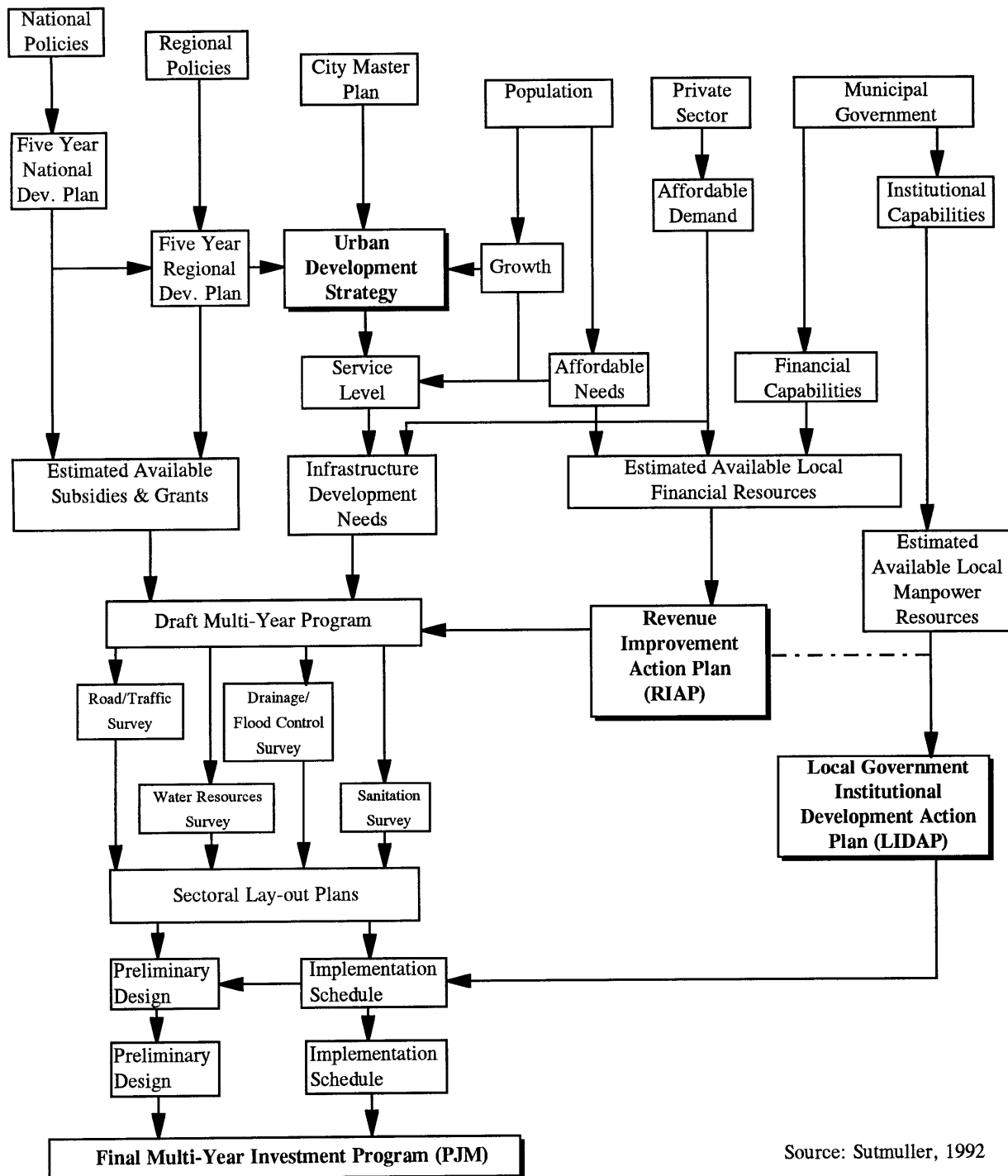
consists of three components, including a medium-term infrastructure investment program, a revenue improvement action plan (RIAP) and a local government institutional action plan (LIDAP) (Soenjoto, 1995, p. 2). The former is the basic urban infrastructure development investment document, while the latter two are complementary documents of necessary software investment required to support the physical investment program. These documents will determine eligibility for a central government loan or grant support (Bastin, no date, p.4) (see figure 2.1).

A PJM consists of proposed projects derived from analyses of population trends, urban development scenarios and strategic urban planning decisions, infrastructure needs and prioritized intersectoral infrastructure development projects (Hoff & Steinberg, 1993, p.7-8). Since a PJM usually involves other parties' technical and financial responsibilities, notably central government and donor agencies, it has to be approved by them before the implementation stage in order to be seen by them as a commitment.

Although PJMs are supposed to be local government programs, this is rarely the case. Most early IUIDP project preparations are 'donor-driven' rather than "demand-driven", through a "bottom-up" planning process (Hoff & Steinberg, 1993, p. 44; McCullough et. al. 1990, p. 20). Since IUIDP is new to local governments and they do not have a capable staff to develop such a PJM document, the central government provides technical assistance (TA) through which a consultant can provide services to the local governments. This TA is usually financed by foreign multi-lateral and bilateral donors, such as the World Bank, the ADB, and bilateral agencies of developed economies like OECD member countries. However, consultants are accountable to

Figure 2-1

The Relationship Between Urban Development Strategy, Revenue Improvement Action Plan (RIAP), Local Government Institutional Development Action Plan (LIDAP) and Medium-term Investment Program (PJM)



Source: Suttmuller, 1992

their clients, the central government and donor agencies, rather than to the local governments. Moreover, these early PJMs are heavily influenced by provincial government policies because they are prepared on a provincial basis, for example, West Java - Sumatera IUIDP, Central Java IUIDP and East Java - Bali IUIDP (Antono, 1995, p. 3).

Once a PJM (including RIAP and LIDAP) has been approved by all involved parties, the annual budgeting process will heavily depend on this document. In accordance with the process, local governments have to submit an annual infrastructure development program proposal, which includes committed programs based on their PJM to MPW through the provincial government in a special IUIDP format. The format requires certain information, such as programs, type of projects and sources of funding. This local government proposal is prepared by the Technical Team (See section 2.2.3) and approved by the head of BAPPEDA II and the head of DPU II. The Provincial Technical Team will then submit the provincial annual IUIDP program after compiling development programs of each local government. At the central level, the NPA will review and allocate the necessary funds for all levels of government. The MPW will first consider its loan and necessary matching budget, the MOHA will consider *Inpres* allocation, and the MOF will allocate funds for local government borrowing. This ordinary annual budgeting procedure is followed by IUIDP since it is not IUIDP's intention to change the process.

2.2.2 Resource Mobilization and Revenue Improvement Action Plan

Resource Mobilization

As a logical consequence of investment programs, a financing plan should be arranged as a composite of all possible resources from all levels of government, as well as private sector and community participation. Foreign loans are considered as government funding. In the study, only the government funding system will be discussed because there is not much reliable information on private sector participation, and community contributions are difficult to measure since they are typically in-kind rather than in-cash. The distribution of financial responsibilities in infrastructure development within all government levels will be based on the division of technical responsibility as indicated in table 2.1.

In order to enhance resource mobilization, the central government has reformed its borrowing facilities and intergovernmental transfers through the creation of RDA (Regional Development Account), SPABP (Letter of Authorization) system and specific-purpose *Inpres* grants for urban development. RDA, which was established in 1988 by the central government, facilitates local borrowing which has been previously underutilized. RDA is mostly used by the water supply sector (Shah, 1994, p. 54). SPABP is the MPW foreign loan for infrastructure development, which requires matching funds from local governments. *Inpres* for urban development is funding allocated from the central government to help local governments to meet the matching budget requirement. In principle, SPABP and *Inpres* for urban development are

Division of Responsibilities in IUIDP

Sector	Component	Responsibility
<i>Water Supply</i>	Serving/having an impact on more than one level II New system Extension Rehabilitation	Central Level I Level II
	Serving/having an impact on only one level II New system Extension Rehabilitation	Level I/II Level I/II Level II
<i>Drainage</i>	Rivers/National Canals Main drain serving/having impact on more than one Level II	Central Level I
	Other drains within one Level II New system Extension Rehabilitation	Level II/I Level II/I Level II/I Level II
<i>Solid Waste</i>	Procurement of equipment more than one Level II	Level I
	Procurement of equipment only one Level II	Level II/I
	Disposal serving/having impact on more than one Level II	Level I
	Disposal serving/having impact on only one Level II	Level II
	Pilot solid waste disposal	Central
<i>Sanitation/ Sewerage</i>	Sewerage system serving more than one Level II	Central/Level I
	Sewerage system serving a single Level II	Level I/II
	Disposal (treatment) having impact on more than one Level II	Central/Level I
	Disposal (treatment) having impact on one Level II	Level II/I
	Pilot on-site sanitation	Central
	Other on-site sanitation	Level II/I
<i>Urban Roads</i>	Inter-provincial roads	Central
	Provincial Roads	level I
	Municipal/regency roads	Level II
<i>KIP</i>		Level II
<i>MIIP</i>		Level II
<i>Urban Spatial Plan</i>		Level II

Source: Special Region of Yogyakarta IUIDP, 1990

Note: Level I or II indicates provincial or local government, respectively.

created to shift sectoral DIPs to a more flexible use. These new fund channels increase the options of local governments for financing their development.

Besides those mechanisms, local governments' share in the financing plan will include projected revenue mobilized from beneficiaries, e.g., user charges (directly) and taxes (indirectly), foreign loans and other *Inpres* funds including specific-purpose grants, e.g., for local roads, and block grants. While *Inpres* funds are fixed due to their formula-based (i.e., on the basis of population and area) distribution, local government revenues vary depending on their capacity to increase their resource base. The local governments have to adjust their fees and charges periodically according to inflation and have to improve the fees and user charge administration system.

Foreign loans are rather new to local governments, but since IUIDP depends largely on foreign financial assistance, local governments have to learn as quickly as possible to manage debt. The loan management follows donor agencies' regulations including loan covenant requirements, and disbursement and repayment procedures and schedules, which are indicated in a Loan Agreement. Additional institutions (discussed in the next section), such as the PMU (Project Management Unit), the PFO (Project Finance Office), and the PMO (Program Management Office) have to be established in order to manage this fund source.

RIAP (Revenue Improvement Action Plan)

To improve the financial capability of the local governments, a RIAP (Revenue Improvement Action Plan) is prepared as a part of a PJM. This revenue planning mechanism is intended to assist local governments' income offices (DISPENDA) to

better plan and manage revenue (Tambunan & Pereira, 1994, p. 66). Although all local government revenue sources are analyzed in this plan, RIAP focuses mainly on specific revenue sources with potentially productive yields, mostly from taxes, fees and charges. In general, RIAP covers improvement of tax liabilities, registration of tax-payers, improvement of billing/collection and arrears scheduling recovery. In practice, RIAP will indicate what, when and by whom an action should be undertaken, including increasing user service charges, collecting taxes and improving revenue management.

2.2.3 Institutional Implications and Local Governments Institutional Development Action Plan (LIDAP)

Policy Decision-Making and Planning Institutions

As indicated in the discussion of urban development policy and IUIDP objectives, the role and function of local governments will increase slowly, which should improve their capability with proper planning and technical assistance (TA). Not only should local government organizations and institutions be developed, but coordination within central and provincial government organizations has to be improved as well. At the central level, TKPP is the ad hoc committee for policy making. It is composed of involved ministries. At the provincial and local government levels, there will be ad hoc teams, such as a Directive Team, which functions as the central government's coordination team in policy decision-making processes, and a Technical

Team, which deals with planning preparation. These teams are comprised of decentralized agencies of provincial and local governments and deconcentrated offices of the MPW and the MOF, as mentioned in the previous section.

Project Implementation Institutions

Although project implementation institutions are almost the same as planning institutions, i.e., MPW, DPU I and DPU II for physical infrastructure, additional ad hoc organizations have to be established at all levels. Since all foreign financial assistance requires a specific organization to manage foreign loans separately from local government organizations, two new ad hoc organizations, the PMU and the PIU, have to be established prior to the construction stage. In addition to these institutions, when required, there is also a PMO in BAPPEDA II and a PFO in Finance Office of Setwilda (Local Government Secretariat). The PMO is to manage and coordinate overall infrastructure development programs, and the PFO is to manage financial aspects, including loan disbursement and accounting.

The PMU and PIU are created differently for different loan packages. Sometimes, PMU functions as coordinator of all physical infrastructure projects in a particular province, while in other places, it is established at the local government level. In many cases, PMUs also perform as coordinators of overall development programs, including central and provincial projects. The PIU is a unit to manage particular project implementation, e.g., water supply, drainage or urban roads, or to manage the overall physical projects implementation in an administrative jurisdiction, but it depends on where the PMU is located in the hierarchy.

At the provincial level, there is a PPMU (Provincial PMU), a PPMO (Provincial PMO) and a PPFO (Provincial PFO). These institutions will have tasks similar to their local counterparts, and their creation will depend on the number of local governments in a particular province that gets foreign loans. Furthermore, at the central level there are the CPMO (Central PMO) and the CPFO (Central PFO), which deal with all loan packages across the nation, including disbursement and accounting.

LIDAP (Local Government Institutional Development Action Plan)

Improvement of the capability of the local governments is crucial in order for them to assume their new responsibilities. An improvement plan of local government institutions, as a part of a PJM, is documented separately from the infrastructure investment and the revenue improvement plans in a LIDAP (Local Government Institutional Development Action Plan) report. It deals mainly with improvement of local government planning-programming and implementation aspects of the related institutions in which this approach will work. Sometimes, it includes the establishment of new implementation institutions, such as the PMU and the PIU.

By and large, a LIDAP consists of a course of action to be undertaken by particular local government offices, its schedule and target parameters. The possible actions include procedure improvements, new staff recruitment, training for existing staff, new regulation enactment, and equipment procurement.

2.3 Discussion and Summary

Rondinelli and Nellis have defined decentralization as “the transfer of responsibility for planning, management, and the raising and allocation of resources from central government and its agencies to field units of central government ministries or agencies (deconcentration), subordinate units or levels of government, semi-autonomous public authorities (devolution) or corporations (delegation), area-wide, regional or functional authorities, or non-governmental private or voluntary organizations (privatization) (Rondinelli & Nellis, 1986, p. 5). They have assessed the decentralization process in developing countries and concluded that governments are still moving cautiously but perceptibly towards greater deconcentration or delegation of development management (Rondinelli & Nellis, 1986, p. 15). Regarding Indonesian urban development policies and, in turn, IUIDP, decentralization of urban infrastructure development focuses on devolution rather deconcentration and delegation.

With respect to IUIDP, Hoff and Steinberg have indicated that the decentralization process has gradually been put into place and IUIDP provides a cornerstone (Hoff & Steinberg, 1993, p. 46). Indonesia’s central government has shifted its role to that of enabler and provider of guidance rather than as an infrastructure provider. But, this process could not be as rapid as providing guidelines and political support. It has to be gradual, in an incremental process. As Davey explained, it would take ten to twenty years time lag for new ideas to be fully incorporated into public policy and into the routine practices of local governments (Davey, 1986, as quoted by Hoff & Steinberg, 1993, p. 46).

Evaluations conducted at the national level or for a particular loan package have shown that local governments are aware that economic and political conditions have changed and that they will have to assume their responsibilities for the provision and management of urban services. Although they appear to agree that the IUIDP concept offers a viable approach to infrastructure development, Bastin concluded that they are critical of some of its aspects and in particular of the limited scope of IUIDP and of the absence as yet of an adequate mechanism for integrated funding (Bastin, no date, p. 5).

Although IUIDP provides substantial resources for infrastructure investments of a limited scope to a particular local government, it demands local government contributions. The share should be part of local government projected own-source revenues and loans as indicated in the RIAP. Unless the local governments increase their own-source revenues, they will not be able to share substantially in project finance, and, in turn, the urban infrastructure development will remain dependent on central government funding. Bastin has concluded that the IUIDP funding agreement should start from the premise that the local government will indeed increase the level of locally generated revenues and commit themselves to an approved RIAP (Bastin, no date, p. 6).

IUIDP also encourages local government institutionals' development so that they can carry out their responsibilities. This is necessary because it is common for local governments to have limited capable staffing and operational procedures. The LIDAP provides a course of action to develop local governments' capacity to carry out their responsibilities and to manage a huge investment program, including their debt.

As one of the first regions to adopt the IUIDP approach, BOTABEK region was at a disadvantage due to lack of central government guidelines and IUIDP training. It has an incomplete PJM document since only initial RIAP and LIDAP concepts have been incorporated into its development plan. However, this region has received four urban development loan packages that have been implemented since 1991.

In analyzing the achievements of BOTABEK's local governments in IUIDP implementation, three issues are addressed (a) local governments' perception of IUIDP; (b) the resource mobilization and local revenue generation; and (c) local governments' institutional development. Analysis of resource mobilization for IUIDP implementation will focus on problems and achievements of financing plan, local government share, loan and grant proportion for urban infrastructure investment, and the RIAP implementation. Institutional development analysis will focus on local government institutions and the LIDAP implementation.

CHAPTER III EVALUATION OF RESOURCE MOBILIZATION IN BOTABEK REGION

3.1 BOTABEK Region Urban Development Finance

3.1.1 Budget Structure: Revenues and Expenditures

As already discussed in the previous chapter, the funding for urban infrastructure development can be derived from all levels of government: central, provincial, and local governments, either from their own or foreign sources. The BOTABEK region has utilized funding from all levels. From the administrative point of view, all of these revenues have to be incorporated in the local government annual budget, along with expenditures.

The local government budget account is divided into two sections, revenues and expenditures. Each of these sections is divided into two parts: routine (recurrent) and development (capital) budget. The revenues and expenditures have to be balanced for every year because the system does not allow a deficit in the local budget accounting (Pradono, 1994, p. 20). The aggregate budget data for the BOTABEK region local governments is presented in table 3.1. The table shows the trend of revenues and expenditures of all of the local governments in the BOTABEK region, which have grown by 29.3% and 28.1%, respectively, during the period 1991/1992 to 1994/1995.

On the revenue side, the central and provincial governments provide the largest

Table 3.1
Aggregate Local Government Budget Trend in BOTABEK Region,
1991/1992-1994/1995

(in current Rp. million)

Type of Revenues and Expenditure		1991/92	1992/93	1993/94	1994/95	Growth in % / year	Proportion to Total (in %)	
							1991/92	1994/95
A	Revenue (Anggaran Pendapatan)	159,094	212,569	259,038	342,855	29.3%	100.0%	100.0%
I	Routine Revenue (Total)	159,094	211,151	257,757	335,738	28.3%		
1	<u>Own-Source (Total)</u>	61,965 100%	74,857 100%	91,125 100%	127,255 100%	27.4%	38.9%	37.2%
1.1	Regional Taxes	20.7%	21.8%	23.5%	26.3%	38.2%	8.1%	9.8%
1.2	Regional Retribution	60.5%	62.1%	64.1%	62.1%	28.3%	23.6%	23.1%
1.3	Profit Sharing (BUMD)	2.5%	2.6%	2.0%	2.0%	20.2%	1.0%	0.7%
1.4	Local Offices Revenues	0.5%	0.5%	0.6%	0.9%	58.6%	0.2%	0.3%
1.5	Others	15.8%	13.0%	9.8%	8.7%	4.9%	6.2%	3.2%
2	<u>Revenue Sharing Total (Taxes and Non-Taxes)</u>	19,381 100%	27,428 100%	38,384 100%	52,294 100%	39.2%	12.2%	15.1%
2.1	Land and Building Tax	88.36%	83.81%	93.14%	87.57%	39.3%	10.8%	13.2%
2.2	Other Taxes	0.00%	7.61%	0.00%	2.79%	0.0%	0.0%	0.4%
2.3	Non Taxes Revenue	11.64%	8.58%	6.86%	9.64%	35.9%	1.4%	1.5%
3	<u>Subsidy and Grant (Total)</u>	77,748	108,866	128,248	156,189	26.5%	48.9%	45.6%
II	Development Revenue (Total)	-	1,418	1,281	7,117	223.0%	0.0%	2.1%
4.1	Local Government Loans	-	1,418	1,281	7,117	223.0%	0.0%	2.1%
4.2	Local Enterprise Loans	-	-	-	-		0.0%	0.0%
B	Expenditures (Anggaran Belanja)	149,152	204,096	239,860	311,996	28.1%	100%	100%
III	Routine Expenditures	51,555	68,730	91,163	115,863	31.0%		
5	<u>Routine Expenditures (operation)</u>	46,737	59,974	76,840	103,454	30.4%	31.3%	33.2%
6	<u>Loan Principal and Interest Repayment</u>	163	693	259	406	106.4%	0.1%	0.1%
7	<u>Others Routine Expenditures</u>	5,770	9,833	15,465	14,822	41.2%	3.9%	4.8%
IV	Development Expenditures	96,482	133,596	147,296	193,314	26.7%		
8	<u>Sectoral Development Expenditures</u>	96,482	133,596	147,296	193,314	26.7%	64.7%	62.0%
9	<u>Non-Sectoral Development Expenditures</u>	-	-	-	-	0.0%	0.0%	0.0%
	<i>Hospital Retribution</i>	5,543	6,439	7,238	11,989	31.4%		
	<i>Grant/Subsidy to Lower Level (SDO)</i>	3,473	4,551	8,923	7,809	38.2%		
	Public Saving	26,606	27,811	38,630	55,227	28.8%		

Source: Local Government Budget Realization 1991/1992-1994/1995

Note: Public saving is defined as (own-source revenue + land and building tax - hospital charges)

- (routine expenditure - SDO)

proportion (through grants) of 48.9% in 1991/1992 and 45.6% in 1994/1995,⁷ while the remaining funds are acquired from the local government own-source revenues (routine receipts account section) as well as loans (development receipt section). The modest decrease in the central and provincial governments grants share during that period is compensated by an increase in assigned revenue, i.e., land and building tax, and local governments' share in development revenue, i.e., loans.

There is also a trend of decreasing local government own-source revenue from 38.9% to 37.2%.⁸ This tendency seems to contradict the intention of the Revenue Improvement Action Plan (RIAP), prepared in early 1990 for all local governments to improve their own-source revenues. The RIAP provides general guidelines for every local government to maintain their contribution to keep up with growing demand for funds for development. The local government's financial capability cannot, however, solely be measured in terms of its contribution to the budget. The amount of public savings⁹ also indicates the local government's financial capability for the next year, which increased by 28.3% annually during the period of 1991/1992 to 1994/1995. This growth rate is above the inflation rate, which means the local governments have the real capability to contribute to the regional development with their own-source revenues.

⁷ Inflation rate during this period as officially reported: Fiscal Year 1991/1992 was 10.75%; 1992/1993 was 11.50%; 1993/1994 was 7.39%; 1994/1995 was 9.47%. Average inflation rate during 1991-1994 was 9.75%.

⁸ The percentage varies across individual local government.

⁹ Public savings is defined as routine revenues minus routine expenses. Routine revenues are derived from: local governments own-source revenues net of hospital charges revenue + land and building tax revenue + non-tax sharing (royalties, etc.). Routine expenses are derived from: the local government routine (administrative) expenditures and loan repayment - subsidy to lower levels.

On the expenditures side, development expenditures have decreased by 2.7 percentage points from 64.7% to 62.0% during that period. At the same time, the routine expenditure for the local governments' operation and other routine expenditure¹⁰ have increased by 1.9 percentage points to 4.8% and by 0.9 percentage points to 4.8%, respectively. Some local officials argue that this change in the proportion of expenditures is caused by the expansion of the local government institutional and infrastructure maintenance responsibilities.

3.1.2 Local Government Own-Source Revenue and The Links to IUIDP

Besides grants and subsidies, revenues from local taxes, fees and charges, and the shared land and building tax are significant to local government. These sources account for 46.1% of the total local government revenues. Fees and charges are together the most important potential source of the revenue for the BOTABEK region's local governments. This source accounted for 23.6% of the total own-source revenues in 1991/1992, and slightly decreased to 23.1% in 1994/1995. Furthermore, this source has grown by 28.3% during this period. Among many types of fees and charges, fees for building and use of roads (by truck) permits, which are applicable to both kabupatens and kotamadyas of the region, generate substantial yields. The other revenues from fees and charges vary across local governments and between kabupaten and kotamadya (See Table 3.2). For example, parking, terminal/station, water supply and garbage collection fees and charges are common sources of revenues for

¹⁰ The local governments' routine expenditure covers local government officials' salaries, wages, traveling costs, etc. The other routine expenditures covers: infrastructure maintenance costs, subsidies to lower levels (district and village), and others.

kotamadyas, while a transportation fee for natural resources and forestry production is a common source of revenue for kabupatens.

The second largest source of local government revenue is taxes. Some productive taxes, which give substantial revenues to most of the BOTABEK region's local governments, are street lighting, hotel and restaurant, entertainment, advertisement, and company registration. Tax revenue has grown by 38.2% annually during the period of 1991/1992 to 1994/1995. It constitutes 8.1% of total local government revenues in 1991/1992 and has increased to 9.8% by 1994/1995. This composition is similar to the aggregate national local government revenues.

The land and building tax is another important source of revenue for local governments. Although this is a central government tax, the local governments gain a lot of revenues. During the period under study, the revenue has increased by 39.3% annually, from Rp. 17,126 million to Rp. 45,193 million. It contributed about 10.8% of total local governments' revenues in 1991/1992 and has increased to 13.2% by 1994/1995.

The land and building tax and some local own-source of revenue are derived directly or indirectly from infrastructure, such as roads, water supply, sewerage, or in combination. Therefore, IUIDP investment affects their revenues. For example, the MIIP (Market Infrastructure Improvement Program) increases the yield of market fees, investment in water supply will increase revenue from water charges, additional revenues from garbage collection fees can be expected from improvement of solid waste management, and a combination of KIP (*Kampung* Improvement Program),

Table 3.2
BOTABEK Region Local Government Own-Source Revenues Trend,
by Type, 1991/1992 - 1994/1995

(in Rp. million)

Type of Taxes and Fees and Charges		RIAP Actual	1991/92	1992/93	1993/94	1994/95	Growth% 1991-1994
Local Taxes	Street Lighting	Actual	6,429.81	7,599.28	9,249.92	14,963.66	33.9%
		% of tax	50.1%	46.5%	43.2%	44.7%	
	Hotel/restaurant	Actual	2,729.26	4,363.70	6,695.67	11,097.48	59.7%
		% of tax	21.2%	26.7%	31.2%	33.1%	
	Advertisement	Actual	558.43	765.54	976.97	1,393.67	35.8%
		% of tax	4.3%	4.7%	4.6%	4.2%	
	Entertainment	Actual	1,671.73	1,946.72	2,727.43	3,896.62	33.1%
		% of tax	13.0%	11.9%	12.7%	11.6%	
	Company Registration (except Kab. Bekasi)	Actual	1,069.31	1,140.70	1,092.75	1,284.07	6.7%
		% of tax	8.3%	7.0%	5.1%	3.8%	
Local Fees & Charges	Billiard (only Kab. Bekasi)	Actual	38.66	42.47	40.11	49.10	8.9%
		% of tax	0.3%	0.3%	0.2%	0.1%	
	Others	Actual	348.33	466.88	652.01	814.03	32.8%
		% of tax	2.7%	2.9%	3.0%	2.4%	
	Subtotal Taxes	RIAP	8,551.70	9,996.00	11,683.00	13,655.00	16.9%
		Actual	12,845.52	16,325.29	21,434.85	33,498.63	38.2%
		% of tax	100%	100%	100%	100%	
	Market Fees 1)	Actual	2,212.19	3,210.81	3,550.75	4,636.34	28.8%
		% of F&C	5.9%	6.9%	6.1%	5.9%	
	Garbage Collection 2)	Actual	496.40	571.80	755.79	1,797.30	61.7%
	% of F&C	1.3%	1.2%	1.3%	2.3%		
Parking 3)	Actual	975.55	1,112.69	1,493.77	2,415.56	36.7%	
	% of F&C	2.6%	2.4%	2.6%	3.1%		
Planning Advice 4)	Actual	1,124.87	1,955.37	871.74	2,711.14	76.5%	
	% of F&C	3.0%	4.2%	1.5%	3.4%		

Table 3.2 (continued)

(in Rp. million)

Type of Taxes and Fees and Charges		RIAP Actual	1991/92	1992/93	1993/94	1994/95	Growth% 1991-1994
Local Fees & Charges	Terminal/Station fees 5)	Actual	1,024.10	1,169.30	1,380.40	1,571.65	15.4%
		% of F&C	2.7%	2.5%	2.4%	2.0%	
	Workshop Permit 6)	Actual	596.50	432.20	601.11	901.99	20.5%
		% of F&C	1.6%	0.9%	1.0%	1.1%	
	Building Permit 7)	Actual	9,381.72	12,351.02	18,242.37	23,564.86	36.2%
		% of F&C	25.0%	26.6%	31.2%	29.8%	
	Use of Roads (by truck) Permit 8)	Actual	4,966.05	4,678.48	5,804.81	11,091.57	36.5%
		% of F&C	13.3%	10.1%	9.9%	14.0%	
Neighborhood Facilities 9)	Actual	2,088.01	4,379.00	4,641.24	7,446.62	58.7%	
	% of F&C	5.6%	9.4%	7.9%	9.4%		
Natural Resources/Forestry Product Transportation 10)	Actual	3,036.96	2,560.13	3,068.16	3,432.81	5.3%	
	% of F&C	8.1%	5.5%	5.3%	4.3%		
Others 11)	Actual	11,569.85	14,057.13	17,991.21	19,463.08	19.2%	
	% of F&C	30.9%	30.2%	30.8%	24.6%		
Subtotal Fee&Chrage	RIAP	25,830.00	29,452.00	33,870.00	39,444.90	15.2%	
	Actual	37,472.19	46,477.92	58,401.34	79,032.92	28.3%	
		100%	100%	100%	100%		
Subtotal Taxes and Fees and Charges	RIAP	34,381.70	39,448.00	45,553.00	53,099.90	15.6%	
	Actual	50,317.71	62,803.21	79,836.20	112,531.55	31.0%	
Other	Land and Building Tax	RIAP	15,645.00	17,292.00	20,783.00	24,446.00	16.1%
		Actual	17,125.60	22,988.10	35,751.30	45,887.79	39.4%

Source: BOTABEK region Local Government APBD Realization 1991/1992-1994/1995; SPAR Botabek UDP (1990); and SPAR Bogor-Palembang UDP (1991).

Note: The sign ..) indicates the local governments that use the source:

- | | |
|---------------------------------|--|
| 1) Kab.&Kodya Bogor&Kab. Bekasi | 7) All Local Governments |
| 2) Kodya Bogor&Tangerang | 8) Kab. Bogor, Kab. Bekasi, Kab.&Kodya Tangerang |
| 3) Kodya Bogor&Tangerang | 9) Kab. Bogor |
| 4) Kab. Tangerang | 10) Kab. Bogor, Kab. Tangerang and Kab. Bekasi |
| 5) Kodya Bogor | 11) All Local Governments |
| 6) Kab.&Kodya Tangerang | |

roads and drainage sector investment will increase revenues from land and building tax.

A Revenue Improvement Action Plan (RIAP) was prepared for all local governments (excluding Kodya Tangerang) with the assistance of the ADB in 1990 and 1991. However, the implementation stage needs additional technical assistance from the central government due to lack of capable staff in local government income offices (DISPENDA), limitation of the central government guidelines, and the sophistication of the RIAP methodologies.

3.1.3 Expenditure Programs and Financing Plan for Urban Projects in the BOTABEK Region

Expenditure Programs

As already explained, the BOTABEK region consists of five local governments and four urban projects.¹¹ The total investment in urban infrastructure development is US\$172,160.61 thousand for the period of 1991-1996 in 1991 prices (base cost, excluding financing charge), which is divided into two categories: hardware and software. About 91.1% or US\$156,845.02 thousand (or Rp. 305,847.8 million) represents investment for urban infrastructure projects, including roads, water supply, sanitation and sewerage, drainage, solid waste, KIP, MIIP, and GLD (See Table 3.3). The remaining 8.9% or US\$15,315.59 thousand is allocated for the RIAP and LIDAP

¹¹ see chapter 1 section 1.4.

Table 3.3
Urban Development Expenditure Programs and Financing Arrangements for
BOTABEK Region, 1991-1996

(in US\$ 1,000)

Component	Total Cost	ADB & IBRD Sources			Government of Indonesia Sources					
		APBN	SLA	Total	Domestic Loan	APBN DIP Inpres	Prov. Govt Contrib.	Loc. Govt Contrib.	PDAM Equity	Total
Water Supply 45.3%	71,062.06 100%	186.01 0.3% 0.5%	49,110.33 69.1% 72.2%	49,296.34 69.4% 45.9%	6,893.34 9.7% 100.0%	40.66 0.1% 0.3%	- 0.0% 0.0%	35.01 0.0% 0.3%	14,796.72 20.8% 100.0%	21,765.72 30.6% 44.0%
Urban Roads 27.1%	42,551.44 100%	29,686.54 69.8% 75.4%	- 0.0% 0.0%	29,686.54 69.8% 27.7%	- 0.0% 0.0%	10,145.38 23.8% 63.9%	- 0.0% 0.0%	2,719.51 6.4% 26.6%	- 0.0% 0.0%	12,864.89 30.2% 26.0%
Drainage 5.9%	9,191.45 100%	6,532.54 71.1% 16.6%	326.59 3.6% 0.5%	6,859.12 74.6% 6.4%	- 0.0% 0.0%	1,429.47 15.6% 9.0%	50.94 0.6% 3.0%	851.91 9.3% 8.3%	- 0.0% 0.0%	2,332.32 25.4% 4.7%
Sanitation/Sewerage 4.6%	7,269.21 100%	318.49 4.4% 0.8%	4,686.23 64.5% 6.9%	5,004.72 68.8% 4.7%	- 0.0% 0.0%	801.02 11.0% 5.0%	- 0.0% 0.0%	1,463.46 20.1% 14.3%	- 0.0% 0.0%	2,264.49 31.2% 4.6%
Solid Waste 6.6%	10,310.01 100%	127.82 1.2% 0.3%	5,876.20 57.0% 8.6%	6,004.02 58.2% 5.6%	- 0.0% 0.0%	855.10 8.3% 5.4%	996.59 9.7% 58.6%	2,454.30 23.8% 24.0%	- 0.0% 0.0%	4,305.99 41.8% 8.7%
KIP/MIIP 9.4%	14,712.77 100%	1,116.26 7.6% 2.8%	7,992.48 54.3% 11.8%	9,108.74 61.9% 8.5%	- 0.0% 0.0%	2,250.47 15.3% 14.2%	652.46 4.4% 38.4%	2,701.11 18.4% 26.4%	- 0.0% 0.0%	5,604.04 38.1% 11.3%
GLD 1.1%	1,748.08 100%	1,398.46 80.0% 3.6%	- 0.0% 0.0%	1,398.46 80.0% 1.3%	- 0.0% 0.0%	349.62 20.0% 2.2%	- 0.0% 0.0%	- 0.0% 0.0%	- 0.0% 0.0%	349.62 20.0% 0.7%
Total All Sectors 100%	156,845.02 100%	39,366.12 25.1% 100%	67,991.82 43.3% 100%	107,357.94 68.4% 100%	6,893.34 4.4% 100%	15,871.73 10.1% 100%	1,699.99 1.1% 100%	10,225.30 6.5% 100%	14,796.72 9.4% 100%	49,487.07 31.6% 100%
		GRANT			LOAN			OWN		
Non Water Supply Sector 54.7%	85,782.96 100%	39,180.11 45.7% 99.5%	18,881.49 22.0% 27.8%	58,061.60 67.7% 54.1%	- 0.0% 0.0%	15,831.07 18.5% 99.7%	1,699.99 2.0% 100.0%	10,190.29 11.9% 99.7%	- 0.0% 0.0%	27,721.35 32.3% 56.0%

Source : Subproject Appraisal Report (SPAR) of Botabek UDP (1990); Bogor-Palembang UDP, JUDP III; and WJS-SCUDP (see Appendix A)

Note : Project base cost, excludes interest during construction on bank and domestic loans, in 1991 prices

Grant is composed of central government (APBN) loan, central government (APBN) DIP and provincial government contribution

Loans include subsidiary loan agreement (SLA) and domestic loans

implementation, including advisory services and sectoral engineering studies (See Appendix A).

Kab. Bogor received 32.3% of the total physical investment in all of the BOTABEK local governments, followed by Kab. Tangerang 24.5%, Kab. Bekasi 22.6%, and, lastly, Kodya Bogor 20.6% (See Table 3.4). Every local government carries out its infrastructure investment according to expenditure programs funded by donors and GOI. The MPW and the MOHA, however, control almost all of the software funds and recruit consultants for technical assistance, e.g., implementation advisory services.

Table 3.4

Physical Investment by Local Government in BOTABEK Region, 1990-1996

Region	Amount (US\$1,000)	Percentage
Kab. Bogor	50,736.92	32.3%
Kodya Bogor	32,347.00	20.6%
Kab. Tangerang	38,391.87	24.5%
Kab. Bekasi	35,369.23	22.6%
Total BOTABEK Region	156,845.02	100%

Source: Appendix A

Water supply projects are the most important type of infrastructure, amounting to US\$71,062.06 thousand or 45.3% of the total physical investment. Each local

government, with the exception of Kodya Bogor, will invest about 50% of their expenditure programs in water. Since water supply is managed by a local water enterprise (PDAM), which is established in all local governments, the projects have to be financed through its financial system. Of the total investment, the PDAM will acquire 20.9% from its equity and 78.8% from loans. The remaining 0.3% is acquired from central government grants to provide low-cost water supply systems, such as water terminals and public taps.

The second largest investment is urban roads, which accounts for about 27.1% of the total physical investment or US\$42,551.44 thousand, followed by, in descending order, KIP/MIIP, solid waste, sanitation and sewerage, and GLD. Apart from the water supply sector, the total urban infrastructure investment is US\$85,782.96 thousand.

Kab. Bogor obtains the largest proportion, US\$36,267.88 thousand or 42.3%, followed by Kab. Bekasi at 21.4%, Kab. Tangerang at 19.1%, and Kodya Bogor at 17.2%.

For the non-water sectors, the central government provides the largest proportion of the required investment, about 66.1% or US\$56,711.16 thousand, through its grants: *Inpres* and MPW *DIPs* and loans. The local government share is 33.9% from two sources, 11.9% from local equity (own-source) and 22.0% from loans (SLA). Although the central government role in financing infrastructure development is still dominant, the local governments have been mobilizing resources from foreign loan and their own-source revenues.

Financing Plan

The financing plan of a project indicates the parties responsible for financing a particular project activity. Activities in a typical development project are:

- Physical construction (civil works)
- Land acquisition
- Equipment procurement
- Planning, including engineering studies, supervision, and training.
- Operation and maintenance (O&M)
- Project administration

The local government has to finance almost all of these activities. In the case that a project is carried out by the central or provincial governments, land acquisition and O&M costs must be financed by the local governments. They have to acquire land for development, such as for solid waste disposal sites, sewerage treatment plants, etc., prior project initiation, and to incur O&M costs after the project is completed. BOTABEK region's local governments have to incur at least 14% of the total physical investment costs of US\$156,845.02 thousand for land acquisition and incremental O&M (See Appendix B).

Most of the funds are allocated to civil works and equipment procurement. About 76.4% of the total physical investment is for these activities. Project administration, studies, supervision, and other related software activities, which are different from the central government software activities, account for 9.6% of the investment.

From the total project costs (including foreign and domestic loans interests) of about US\$204.1 million, the local governments' (including PDAMs) contribution to the domestic portion of investment accounts for 51.70% (See Table 3.5). These financing plan figures differ from those in the expenditure programs. In the expenditure programs Kab. Bogor receives the largest proportion, while Kab. Tangerang holds the largest responsibility in financing urban infrastructure. Both the local government and PDAM of Kab. Tangerang together have to bear 16.2% of the total GOI financial responsibility. Compared to Kab. Bogor, which only bears 10.9%, the Kab. Tangerang contribution is rather large because the central government share in Kab. Bogor investment program is large and Kab. Tangerang (including PDAM) loans are bigger than those of Kab. Bogor.

3.2 Kabupaten Bogor Case Study

There are eight secondary cities in Kab. Bogor that implement urban projects: Kotip (administrative city of) Depok, Parung, Ciputat, Citeureup, Cibinong (capital city of Kab. Bogor), Cisarua, Leuwiliang, and Cileungsi. Unlike the other local governments in BOTABEK region, Kab. Bogor participates in four urban projects. Originally, Kab. Bogor had two RIAPs, one from Botabek UDP and the other from Bogor-Palembang (Bopal) UDP. With assistance from the MPW, Kab. Bogor has decided to implement the Bopal UDP RIAP in 1991. However, the content of the Bopal UDP RIAP for Kab. Bogor is exactly the same as that of Kodya Bogor, even though these local governments have different characteristics, because of the loan requirement

Table 3.5
Financing Plan for BOTABEK Region Urban Development Projects,
1991-1996

(in 1991 US\$ million)

	BOTABEK Reg.			Percentage	
	FX	LC	Total	of Total	of GOI
External Sources 1)	82.3	62.7	145.0	71.1%	
ADB	75.6	62.7	138.3		
IBRD	6.7	-	6.7		
Domestic Sources 2)	-	59.1	59.1	28.9%	100%
Central Government	-	26.9	26.9		45.5%
West Java Province	-	1.6	1.6		2.8%
Kabupaten Bogor	-	3.6	3.6		6.0%
PDAM Kabupaten Bogor	-	2.9	2.9		4.9%
Kotamadya Bogor	-	0.9	0.9		1.6%
PDAM Kotamadya Bogor	-	4.5	4.5		7.5%
Kabupaten Tangerang	-	3.7	3.7		6.2%
PDAM Tangerang	-	6.0	6.0		10.2%
Kabupaten Bekasi	-	4.4	4.4		7.4%
PDAM Bekasi	-	4.7	4.7		8.0%
TOTAL	82.3	121.8	204.1	100%	

Source: SPAR Botabek UDP 1990; SPAR Bogor-Palembang UDP (1990); SAR JUDP III (1990); SPAR WJS-SCUDP (1990)

Note: 1) includes interest during construction on bank loan

2) includes interest differential between bank loan interest and interest on SLAs, as well as interest rates of complementary loans by central government to PDAMs/local governments

3) includes VAT; physical and price contingencies;

4) FX = Foreign exchange; LC = Local costs

(See Appendix D). Kab. Bogor consists of rural and urban areas, while the whole Kodya Bogor is urbanized. This difference leads to different sources of revenue for each local government.

3.2.1 Urban Development Expenditure Programs and Financing Plan

The total investment for all urban projects is US\$50,425.34 thousand or 32.3% of the total physical investment in the region. The largest investment is in the urban roads sector, which accounts for about 40.9% of the total investment (See Table 3.6). The second largest investment is for water supply, followed by KIP/MIIP, drainage, solid waste, and sanitation and sewerage. The local government share of these urban projects amounted to about US\$23,046.42 thousand or 45.4% of the total investment. This is financed by SLA (30.9%), domestic loans (3.5%), local equity (6.0%), and PDAM equity (5.0%). Of the SLA, about 63.2% is allocated for water supply projects (of WJS-SCUDP, Botabek and Bopal UDPs) and 17.6% is allocated for KIP projects (of the four urban projects). All domestic loans are for the water supply sector.

In the non-water sectors, local government's share is only about 24.4% of the total physical investment, 8.4% from local own-source and 16.0% from domestic loans. Considering that resource mobilization is a key IUIDP principle, the local government share is rather low compared to grants from central and provincial governments, 75.7%. The grant allocation varies across sectors, but most of it goes to urban roads projects, which account for 74.0%. This heavy central involvement is common in Indonesia's development, as well as in the whole BOTABEK region's urban

Table 3.6
Urban Development Expenditure Programs and Financing Arrangements for
Kabupaten Bogor, 1991-1996

(in US\$ 1,000)

Component	Total Cost	ADB & IBRD Sources			Government of Indonesia Sources					
		APBN	SLA	Total	Domestic Loan	APBN DIP Inpres	Prov. Govt Contrib.	Loc. Govt Contrib.	PDAM Equity	Total
Water Supply 28.5%	14,469.04	186.01	9,899.98	10,085.99	1,758.76	40.66	-	35.01	2,548.63	4,383.05
	100%	1.3%	68.4%	69.7%	12.2%	0.3%	0.0%	0.2%	17.6%	30.3%
		1.0%	63.2%	30.0%	100.0%	0.4%	0.0%	1.1%	100.0%	25.6%
Urban Roads 40.9%	20,745.74	13,086.78	-	13,086.78	-	7,049.39	-	609.57	-	7,658.96
	100%	63.1%	0.0%	63.1%	0.0%	34.0%	0.0%	2.9%	0.0%	36.9%
		73.0%	0.0%	38.9%	0.0%	74.6%	0.0%	19.9%	0.0%	44.7%
Drainage 10.3%	5,222.82	3,958.35	-	3,958.35	-	738.31	50.94	475.21	-	1,264.47
	100%	75.8%	0.0%	75.8%	0.0%	14.1%	1.0%	9.1%	0.0%	24.2%
		22.1%	0.0%	11.8%	0.0%	7.8%	16.5%	15.5%	0.0%	7.4%
Sanitation/Sewerage 2.9%	1,457.94	171.46	846.26	1,017.71	-	230.06	-	210.17	-	440.23
	100%	11.8%	58.0%	69.8%	0.0%	15.8%	0.0%	14.4%	0.0%	30.2%
		1.0%	5.4%	3.0%	0.0%	2.4%	0.0%	6.9%	0.0%	2.6%
Solid Waste 7.0%	3,549.68	127.82	2,168.42	2,296.24	-	713.14	21.59	518.71	-	1,253.44
	100%	3.6%	61.1%	64.7%	0.0%	20.1%	0.6%	14.6%	0.0%	35.3%
		0.7%	13.8%	6.8%	0.0%	7.5%	7.0%	16.9%	0.0%	7.3%
KIP/MIIP 10.4%	5,291.69	400.60	2,760.34	3,160.94	-	678.52	236.87	1,215.36	-	2,130.76
	100%	7.6%	52.2%	59.7%	0.0%	12.8%	4.5%	23.0%	0.0%	40.3%
		2.2%	17.6%	9.4%	0.0%	7.2%	76.6%	39.7%	0.0%	12.4%
Total All Sectors 100%	50,736.92	17,931.02	15,674.99	33,606.01	1,758.76	9,450.08	309.40	3,064.04	2,548.63	17,130.91
	100%	35.3%	30.9%	66.2%	3.5%	18.6%	0.6%	6.0%	5.0%	33.8%
		100%	100%	100%	100%	100%	100%	100%	100%	100%
		GRANT	27,690.50	54.6%	LOAN	17,433.76	34.4%	OWN	5,612.66	11.1%
Non Water Supply Sector 71.5%	36,267.88	17,745.01	5,775.01	23,520.02	-	9,409.43	309.40	3,029.03	-	12,747.86
	100%	48.9%	15.9%	64.9%	0.0%	25.9%	0.9%	8.4%	0.0%	35.1%
		99.0%	36.8%	70.0%	0.0%	99.6%	100%	98.9%	0.0%	74.4%

Source : Subproject Appraisal Report (SPAR) of Botabek UDP (1990); Bogor-Palembang UDP, JUDP III; and WJS-SCUDP (see Appendix A)

Note : Project base cost, excludes interest during construction on bank and domestic loans, in 1991 prices

Grant is composed of central government (APBN) loan, central government (APBN) DIP and provincial government contribution

Loans include subsidiary loan agreement (SLA) and domestic loans

projects. Bastin and Hidayat found that in the period 1987/88 - 1990/91, the central government contribution for IUIDP was huge, including about 55% from MPW *DIPs* and 17% from *Inpres* grants (Bastin and Hidayat, in Rukmana et. al., 1993, p. 83).

Land acquisition and incremental O&M costs for all sectors, which account for 12.5% of the investment, can only be financed by domestic currency. A part of this required investment is financed by the local government share of 11.1% (PDAM and local government), but additional funds are acquired from *Inpres* grants allocated for incremental O&M (See Appendix B).

Local governments feel that their share of costs of urban infrastructure is too heavy. Urban infrastructure is only one sector of housing and settlement and one subsector of roads among 20 development sectors, such as agriculture, education, health, etc. On the average, local government expenses for IUIDP account for about US\$ 0.5 thousand annually or equivalent to Rp. 1.25 billion in 1994/1995.¹² By committing to the PJM in that fiscal year, they have to allocate almost 4% of their own-source revenues, which reduces resources available for other development sectors.

Another issue regarding this investment is about the terms of agreement of the PJM. As the first region to adopt IUIDP, the Kab. Bogor PJM was prepared mostly by consultants, who were recruited by the central government. The local government involvement was rather limited, resulting in poorly developed programs and financing arrangements. Contrary to the IUIDP objectives, the central government “forced” the local government to agree on programs and financing plans, including loans.

¹² Based on field interview. On average the exchange rate in 1994/1995 for US\$1.00 was Rp. 2,000.

3.2.2 Local Government Effort in Resource Mobilization

In order to provide sufficient funds for infrastructure development as indicated in the PJM, the local government is supposed to mobilize all available resources, including those from local own-source revenues and borrowing. The availability of these sources will depend on the capacity of local governments, both fiscal and managerial, to improve their revenue.

Although the Subproject Appraisal Report (SPAR)¹³ and the RIAP use a small growth rate of 7.8% for routine account receipt projections (between 1990 to 2000) to determine borrowing capacity, Kab. Bogor is considered to have a strong resource base to borrow from domestic as well as foreign sources. The actual growth rate of Kab. Bogor routine account receipts during the period of 1991/1992 to 1994/1995 was 26.6%, far above the projected rate.

As indicated in the beginning of this chapter, taxes, fees and charges are the most important potential sources of local government revenues (See Appendix C for typical local government revenue sources). Among these sources, Kab. Bogor focuses its improvement effort on certain potential sources rather than all sources. Those sources are: local fees and charges -- building permits, market, garbage collection, and local taxes -- hotel and restaurant, street lighting, company registration. The local fees and charges have been a significant contributor to Kab. Bogor revenue for the last four years. In 1994/1995, they accounted for 23.7% of total revenue (See Table 3.7). In the

¹³ SPAR is an ADB report on which includes budget projections that developed for debt coverage ratio (DCR) calculation. Subproject is defined as a total investment for individual local government. In this thesis the SPAR and the RIAP will be interchangeably referred to for the analysis purposes.

Table 3.7
Kabupaten Bogor Annual Budget Trend
1991/1992 - 1994/1995

(in current Rp. million)

Type of Revenue		1991/92	1992/93	1993/94	1994/95	Growth in % / year	Proportion to Total (in %)		
							1991/92	1994/95	
A	Revenue (Anggaran Pendapatan) (I + II)	SPAR	38,870	41,078	44,709	49,341	8.3%	100%	100%
		Actual	52,405	71,822	86,072	105,913	26.6%		
I	Routine Account Receipt (Total) (1+2+3+4.1+4.2)	SPAR	38,298	39,967	43,244	47,943	7.8%	36.0%	35.5%
		Actual	52,405	70,404	84,791	103,991	25.8%		
1	Own-Source Revenue (Total) (1.1 to 1.5)	SPAR	13,250	14,077	15,038	17,081	8.9%	6.7%	8.0%
		Actual	18,859	25,371	29,116	37,562	26.1%		
1.1	Local Taxes	SPAR	3,220	3,800	4,484	5,291	18.0%	20.9%	23.7%
		Actual	3,509	4,489	5,501	8,488	34.9%		
1.2	Local Fees and Charges	SPAR	6,683	6,930	7,207	8,443	8.3%	0.1%	0.1%
		Actual	10,927	15,452	19,141	25,146	32.2%		
1.3	Profit from Local Enterprises	SPAR	20	20	20	20	0.0%	0.0%	0.0%
		Actual	53	121	107	145	50.7%		
1.4	Local Offices Revenues	SPAR	18	18	18	18	0.0%	0.0%	0.0%
		Actual	25	38	44	47	24.9%		
1.5	Others	SPAR	3,309	3,309	3,309	3,309	0.0%	8.3%	3.5%
		Actual	4,345	5,271	4,323	3,736	-3.4%		
2	Assigned Revenue (Taxes and Non-Taxes (2.1 to 2.3))	SPAR	6,125	6,125	7,453	9,072	14.5%	12.8%	14.9%
		Actual	6,701	9,685	11,106	15,793	33.8%		
2.1	Land and Building Tax	SPAR	6,110	6,110	7,438	9,057	14.5%	9.4%	11.2%
		Actual	4,908	5,431	8,665	11,839	35.6%		
2.2	Other Taxes and Non Taxes	SPAR						0.0%	0.1%
		Actual	1,793	4,254	2,441	3,954	52.2%		
2.3	Non-Taxes	SPAR	15	15	15	15	0.0%	3.4%	3.6%
		Actual	1,793	2,168	2,441	3,860	30.5%		
3	Subsidies and Grants (Total) (3.1 + 3.2)	SPAR	18,923	19,765	20,753	21,790	4.8%	51.2%	47.8%
		Actual	26,845	35,348	44,569	50,636	23.8%		
3.1	Subsidy (including SDO)	SPAR						0.0%	0.1%
		Actual	4,781	6,607	8,133	8,918	23.6%		
3.2	Grant	SPAR						0.0%	0.1%
		Actual	22,064	28,741	36,436	41,718	23.8%		
II	Development Account Receipt Total (4.1+4.2)	SPAR	572	1,111	1,465	1,398	40.5%	0.0%	1.8%
		Actual	-	1,418	1,281	1,922	#DIV/0!		
4.1	Local Government Loans	SPAR	572	1,111	1,465	1,398	40.5%	0.0%	1.8%
		Actual	-	1,418	1,281	1,922	#DIV/0!		
4.2	Local Enterprise Loans	SPAR	-	-	-	-		0.0%	0.0%
		Actual	-	-	-	-			

Source: APBD Realization 1991/1992-1994/1995 and SPAR Botabek UDP (1990)

same year, the local taxes constituted about 8.0%. These major revenue sources have grown by 32.2% and 34.9%, respectively, from 1991/1992 to 1994/1995.

The other own-source revenues include profit from local enterprises (Local Water Enterprise [PDAM] and Regional Development Bank); local government office revenue (Public Works, Fishery, and Forestry); and other miscellaneous revenues. These are insignificant as compared to the above revenue sources. Although profit from the local enterprises has grown about 50% annually, its contribution is very small, only 0.1% of the total revenue in 1994/1995. The other miscellaneous revenues, such as rent of government equipment, and local offices revenues, have contributed only 8.3% to total revenue in 1991/1992. The importance of these revenue sources has declined by 4.8 percentage points to 3.5% in 1994/1995.

Local Tax Revenues

The local tax revenues have been growing above the RIAP estimated growth rate of 18.0%. Although the growth has occurred in most local government taxes, there are five taxes which make a major contribution to local government revenues, namely street lighting, hotel and restaurant, company registration, entertainment, and advertisements. Among the “big” five local taxes, the street lighting tax is the major revenue source, generating 50.5% of the total tax revenues. Its revenue has increased by 49.5% annually and its contribution to local government revenues has also increased from 38.7% in 1991/1992 to 41.4% by 1994/1995 (See Table 3.8).

Kab. Bogor has the advantage of being one of the closest tourist destination areas to Jakarta. Tourism generates revenues to the local government

Table 3.8
Kabupaten Bogor Own-Source Revenues Trend, by Type
1991/1992 - 1994/1995

(in Rp. million)

Type of Taxes and Fees and Charges		RIAP Actual	1991/92	1992/93	1993/94	1994/95	Growth% 1991-1994
Local Taxes	Street Lighting	RIAP	1,257.60	1,484.10	1,751.30	2,066.50	18.0%
		Actual	1,359.03	1,784.00	2,234.92	4,288.46	49.5%
		% of tax	38.7%	39.7%	40.6%	50.5%	
		Act/RIAP	108.1%	120.2%	127.6%	207.5%	
	Hotel/restaurant	RIAP	693.80	818.70	966.10	1,140.00	18.0%
		Actual	752.74	1,039.00	1,411.01	1,874.84	35.6%
		% of tax	21.5%	23.1%	25.7%	22.1%	
		Act/RIAP	108.5%	126.9%	146.1%	164.5%	
	Advertisement	RIAP	205.60	242.70	286.40	337.90	18.0%
		Actual	214.58	283.00	356.38	468.01	29.7%
		% of tax	6.1%	6.3%	6.5%	5.5%	
		Act/RIAP	104.4%	116.6%	124.4%	138.5%	
	Entertainment	RIAP	302.40	356.80	421.10	496.90	18.0%
		Actual	330.24	429.00	503.42	615.88	23.2%
		% of tax	9.4%	9.6%	9.2%	7.3%	
		Act/RIAP	109.2%	120.2%	119.5%	123.9%	
	Company Registration	RIAP	707.50	834.90	985.20	1,162.50	18.0%
		Actual	803.55	860.00	858.36	1,050.16	9.7%
		% of tax	22.9%	19.2%	15.6%	12.4%	
		Act/RIAP	113.6%	103.0%	87.1%	90.3%	
	Others	RIAP	53.10	62.80	73.90	87.20	18.0%
		Actual	48.87	94.00	136.90	190.66	59.1%
		% of tax	1.4%	2.1%	2.5%	2.2%	
		Act/RIAP	92.0%	149.7%	185.2%	218.6%	
Subtotal Taxes	RIAP	3,220.00	3,800.00	4,484.00	5,291.00	18.0%	
	Actual	3,509.00	4,489.00	5,501.00	8,488.00	34.9%	
	% of tax	100%	100%	100%	100%		
	Act/RIAP	109.0%	118.1%	122.7%	160.4%		

Table 3.8 (continued)

(in Rp. million)

Type of Taxes and Fees and Charges		RIAP Actual	1991/92	1992/93	1993/94	1994/95	Growth% 1991-1994
Local Fees & Charges	Market fee	RIAP	422.40	464.60	511.00	562.10	10.0%
		Actual	475.26	1,189.00	833.26	1,372.12	61.6%
		% of F&C	4.3%	7.7%	4.4%	5.5%	
		Act/RIAP	112.5%	255.9%	163.1%	244.1%	
	Building Permits	RIAP	1,514.60	1,605.90	1,632.60	2,015.70	10.4%
		Actual	2,406.80	3,008.00	5,084.99	5,550.06	34.4%
		% of F&C	22.0%	19.5%	26.6%	22.1%	
		Act/RIAP	158.9%	187.3%	311.5%	275.3%	
	Use of Roads (by truck) permits	RIAP	671.60	738.70	612.60	893.80	12.9%
		Actual	1,003.17	849.00	1,102.36	1,313.45	11.2%
		% of F&C	9.2%	5.5%	5.8%	5.2%	
		Act/RIAP	149.4%	114.9%	179.9%	147.0%	
	Neighborhood Facilities	RIAP	1,642.70	1,806.60	1,987.70	2,186.20	10.0%
		Actual	2,088.01	4,379.00	4,641.24	7,446.62	58.7%
		% of F&C	19.1%	28.3%	24.2%	29.6%	
		Act/RIAP	127.1%	242.4%	233.5%	340.6%	
	Natural Resources/ Forestry Production Transportation	RIAP	920.60	1,012.50	1,113.90	1,225.10	10.0%
		Actual	1,471.00	1,327.00	1,470.59	1,914.87	10.4%
		% of F&C	13.5%	8.6%	7.7%	7.6%	
		Act/RIAP	159.8%	131.1%	132.0%	156.3%	
	Others	RIAP	1,511.10	1,301.70	1,349.20	1,561.00	1.8%
		Actual	3,482.76	4,700.00	6,008.56	7,548.89	29.5%
		% of F&C	31.9%	30.4%	31.4%	30.0%	
		Act/RIAP	230.5%	361.1%	445.3%	483.6%	
	Subtotal Fee&Chrages	RIAP	6,683.00	6,930.00	7,207.00	8,443.90	8.3%
		Actual	10,927.00	15,452.00	19,141.00	25,146.00	32.2%
			100%	100%	100%	100%	
		Act/RIAP	163.5%	223.0%	265.6%	297.8%	
Other	Land and Building Tax	RIAP	6,110.00	6,110.00	7,438.00	9,057.00	14.5%
		Actual	4,908.00	5,431.00	8,665.00	11,933.00	36.0%
		Act/RIAP	80.3%	88.9%	116.5%	131.8%	

Source: Kab. Bogor APBD Realization FY 1991/1992-1994/1995; RIAP Kab. Bogor (1994)

Note: F&C = Fees and Charges

Act/RIAP= ratio of actual revenue to RIAP projections

through taxation. During the period under study, the hotel and restaurant tax yielded the second largest revenues for Kab. Bogor. Its contribution to the total tax revenue fluctuated during the study period between 21-25%. The annual tax growth rate, 32.1%, is second to the street lighting tax.

Company registration, entertainment and advertisement taxes contribute about 12% or less and have been continuously decreasing as a share of total Kab. Bogor tax revenues in the period of 1991/1992 to 1994/1995. Although this tax revenue has increased by 9.7%, its contribution has considerably decreased from about 21.0% in 1991/1992 to 10.1% by 1994/1995. The entertainment and advertisement taxes annual growth rate are 23.2% and 29.7%, respectively. However, the contribution of these taxes decreased by 2.1 and 0.6 percentage points during the study period to 7.3% and 5.5%, respectively.

Local Fee and Charge Revenues

Local fees and charges are the most important source of revenue to the local governments. Although the RIAP conservatively estimates its growth rate at 8.3% annually, it has been increasing by 28.2%. There are five fees and charges that generate the majority of the local government revenue in this source, namely neighborhood facilities fees,¹⁴ building permits fees, natural resources and forestry production transportation fees, market fees, and use of roads (by truck) permits fees. Among these sources, the neighborhood facilities fee generated 29.6% of the total fee

¹⁴ Neighborhood facilities fee is defined as fee on planned parcel areas where development activities will occur, such as industries, housing, dumping, farms, recreation, etc.

and charge revenues in 1994/1995. The second largest revenue in that year was generated by building permits fees (22.1%); followed by, in descending order, natural resources and forestry production transportation fees (7.6%), market fees (5.5%), and, lastly, use of roads (by truck) permits fees (5.2%).

The neighborhood facilities fees not only provide the largest revenue source, but they also have the highest growth rate between 1991/1992 to 1994/1995, that is 39.6% annually. Furthermore, this source's contribution to the total has always increased during the same period, from 14.8% in 1991/1992 to 29.6% by 1994/1995. Building permits fees revenue has increased by 32.7% annually. Its contribution to the total fee and charge revenues increased from 19.7% in 1991/1992 to 22.1% in 1994/1995. Although the other main revenue sources have been increasing at growth rates above 5%, their role has been decreasing during the same period.

Land and Building Tax Revenue

Whereas the projected revenue of this tax indicates a moderate growth rate of 14.5%, the actual growth rate has exceeded that rate. It has been growing by 35.6% annually during the period under study. Although this tax is not as important a source of local government revenues as the local fees and charges, its share of total local government revenue has increased in the past four years from 9.4% in 1991/1992 to 11.2% by 1994/1995 (See Table 3.7).

Local Government Loans

Kab. Bogor mobilizes loans from domestic and foreign financial sources. Their total loans amount to US\$17,433.76 thousand (equivalent Rp. 34.0 billion) or 34.4% of their total investment. The largest part of the loans are investments for water supply projects (63.5%) and the remaining part of the loans is distributed across other sectors as discussed in section 3.2.1. Annual budget data indicate that the local government has started repaying their domestic loans for water supply prior the IUIDP investment.

The annual budget data also indicates that it has disbursed only a small part of the available loans for urban projects, about Rp. 4.6 billion (See Table 3.7) during the period of 1991/1992 to 1994/1995. However, data from CPMO indicate that from the Botabek UDP alone, the local government, together with the central government, have received about US\$9,616 thousand, or a half of the total loan. This difference occurs because the PMU only reports to CPMO, so the local government does not have accurate records for use in the annual budget.

3.3 Kotamadya Bogor Case Study

Kodya Bogor is the only city in the BOTABEK region that is an almost fully urbanized area. Its PJM (including the RIAP) was prepared by the ADB's TA in 1990, which also financed about 70% of the required investment. In 1994, Kodya Bogor received a TA for the RIAP implementation. The TA has helped the local government to revise the 1990 RIAP, which is not a specific RIAP for Kodya Bogor as an urbanized

area, but a RIAP for both kabupaten and kotamadya Bogor. Geographically, Kodya Bogor is surrounded by the area under Kab. Bogor's jurisdiction.

3.3.1 Urban Development Expenditure Programs and Financing Plan

The total investment of Kodya Bogor for the period 1991 to 1996 is US\$32,347.00 thousand or 24.8% of the total physical investment in the region. The largest investment is in the water supply sector, which accounts for about 54.5% of the its total investment (See Table 3.9). The second largest investment is in urban roads, which accounts for 28.9% of its total investment, followed by sanitation and sewerage (6.6%), solid waste (5.3%), drainage (2.3%), and, lastly, KIP/MIIP (2.31%).

The local government share of these urban projects amounted to about US\$20,144.00 thousand or 62.3% of their total investment in the period under study. This investment is financed by SLA (45.6%), local equity (2.9%), and PDAM equity (13.8%). Of the SLA amounted of US\$14,743.00 thousand, about 89.4% is allocated for water supply projects of Botabek UDP and the remaining is allocated for sanitation/ sewerage, solid waste and drainage projects. In the non-water sectors, the local government's share is only about 17.0% of the total physical investment, 6.4% from local own-source and 16.0% from SLAs. Among all local governments in the BOTABEK region, Kodya Bogor obtains the largest central government grants for its non-water sectors investment, accounting for 82.9%. These grants are allocated for all non-water sectors.

Kodya Bogor has financial difficulties, even in land acquisition and incremental O&M costs, for all sectors. These expenses, which can only be financed by domestic

Table 3.9
Urban Development Expenditure Programs and Financing Arrangements for
Kotamadya Bogor, 1991-1996

(in US\$ 1,000)

Component	Total Cost	ADB & IBRD Sources			Government of Indonesia Sources					
		APBN	SLA	Total	Domestic Loan	APBN DIP Inpres	Prov. Govt Contrib.	Loc. Govt Contrib.	PDAM Equity	Total
Water Supply 54.5%	17,633.60 100%	- 0.0% 0.0%	13,177.60 74.7% 89.4%	13,177.60 74.7% 57.2%	- 0.0% 0.0%	- 0.0% 0.0%	- 0.0% 0.0%	- 0.0% 0.0%	4,456.00 25.3% 100.0%	4,456.00 25.3% 47.8%
Urban Roads 28.9%	9,340.65 100%	7,874.23 84.3% 95.1%	- 0.0% 0.0%	7,874.23 84.3% 34.2%	- 0.0% 0.0%	1,466.42 15.7% 49.7%	- 0.0% 0.0%	- 0.0% 0.0%	- 0.0% 0.0%	1,466.42 15.7% 15.7%
Drainage 2.3%	750.91 100%	- 0.0% 0.0%	326.59 43.5% 2.2%	326.59 43.5% 1.4%	- 0.0% 0.0%	424.33 56.5% 14.4%	- 0.0% 0.0%	- 0.0% 0.0%	- 0.0% 0.0%	424.33 56.5% 4.5%
Sanitation/Sewerage 6.6%	2,150.42 100%	- 0.0% 0.0%	1,058.33 49.2% 7.2%	1,058.33 49.2% 4.6%	- 0.0% 0.0%	570.97 26.6% 19.4%	- 0.0% 0.0%	521.12 24.2% 55.1%	- 0.0% 0.0%	1,092.09 50.8% 11.7%
Solid Waste 5.3%	1,721.32 100%	- 0.0% 0.0%	180.48 10.5% 1.2%	180.48 10.5% 0.8%	- 0.0% 0.0%	141.96 8.2% 4.8%	975.00 56.6% 100.0%	423.88 24.6% 44.9%	- 0.0% 0.0%	1,540.84 89.5% 16.5%
KIP 2.3%	750.09 100%	403.77 53.8% 4.9%	- 0.0% 0.0%	403.77 53.8% 1.8%	- 0.0% 0.0%	346.32 46.2% 11.7%	- 0.0% 0.0%	- 0.0% 0.0%	- 0.0% 0.0%	346.32 46.2% 3.7%
Total All Sectors 100%	32,347.00 100%	8,278.00 25.6% 100%	14,743.00 45.6% 100%	23,021.00 71.2% 100%	- 0.0% 0%	2,950.00 9.1% 100%	975.00 3.0% 100%	945.00 2.9% 100%	4,456.00 13.8% 100%	9,326.00 28.8% 100%
		GRANT	12,203.00	37.73%	LOAN	14,743.00	45.58%	OWN	5,401.00	16.70%
Non Water Supply Sector 45.5%	14,713.40 100%	8,278.00 56.3% 100.0%	1,565.40 10.6% 10.6%	9,843.40 66.9% 42.8%	- 0.0% 0.0%	2,950.00 20.0% 100.0%	975.00 6.6% 100.0%	945.00 6.4% 100.0%	- 0.0% 0.0%	4,870.00 33.1% 52.2%

Source : Subproject Appraisal Report (SPAR) of Botabek UDP (1990); Bogor-Palembang UDP, JUDP III; and WJS-SCUDP (see Appendix A)

Note : Project base cost, excludes interest during construction on bank and domestic loans, in 1991 prices

Grant is composed of central government (APBN) loan, central government (APBN) DIP and provincial government contribution

Loans include subsidiary loan agreement (SLA) and domestic loans

currency, accounted for 19% of the investment (See Appendix B). A part of this required investment is financed by the local government share of 16.7% (PDAM and local government). Additional funds are expected to be acquired from *Inpres* grants which are allocated for incremental O&M.

On the average, local government expenses for IUIDP accounted for about US\$0.18 thousand annually or equivalent to Rp. 360 million in 1994/1995,¹⁵ almost 3% of their own-source revenues. However, as in the other local governments, this amount is considered large since urban infrastructure is only one sector of housing and settlement and one subsector of roads among 20 development sectors, such as agriculture, education, health, etc.

Another issue regarding this investment concerns local government participation in and commitment to the PJM. As in the case of other BOTABEK region's local governments, the Kodya Bogor PJM was prepared mostly by consultants recruited by the central government. Local government involvement in the planning stage was rather limited, resulting in poor commitment in the implementation stage. Although the local government has agreed with the financing plan, including SLA and its contribution, delays have occurred in the execution of its projects. The PMU, which was formally established in 1992 by the local government decree, can only execute the central government projects. The local government has just started to implement its part in 1994, except for land acquisition and PDAM water supply projects.¹⁶ Based on a

¹⁵ On average the exchange rate in 1994/1995 for US\$1.00 was Rp. 2,000.

¹⁶ Based on field interview with Bogor's PMU.

CPMO report, Kodya Bogor started to disburse its loans in early 1994, and the bulk of the loans was disbursed in 1995.

3.3.2 Local Government Effort in Resource Mobilization

The rate of growth of the total routine account receipt projections used by SPAR for the period 1991 to 2000 was small, 10.3%, which assumes that the RIAP is implemented (See Table 3.10). The actual growth rate was higher, 20.9%, during the period of 1991/1992 to 1994/1995. This impressive rate is due to the increase in subsidies and grants and, to some extent, in assigned revenue. While the RIAP has projected a moderate increase in local own-source revenue and the land and building tax, the major contributor to the revenue, the grants from the central and provincial government, has grown by 27.6%, and its share in the total revenue has increased by 10.6 percentage points from 53.9% in 1991/1992 to 63.3% by 1994/1995.

Revenue from local own-source has grown by 12.0% annually during that period, which is below the expectation. The common major sources of revenue in this category, e.g., local taxes, fees and charges, have grown below the expected growth rate. Only profit from local enterprises and local offices revenues increased above expectations. However, the local taxes, fees and charges were still the major local revenue sources.

Local fees and charges revenue in Kodya Bogor accounted for 16.9% of total revenue in 1994/1995. In the same year, the local taxes constituted about 5.4%. These main revenue sources have grown over the study period by 17.5% and 19.1%,

Table 3.10
Kotamadya Bogor Annual Budget Trend
1991/1992 - 1994/1995

(in current Rp. million)

Type of Revenue		1991/92	1992/93	1993/94	1994/95	Growth in % / year	Proportion to Total (in %)	
							1991/92	1994/95
A Revenue (Anggaran Pendapatan) (I + II)	SPAR	14,658	15,914	27,514	19,285	17.2%	100%	100%
	Actual	23,100	27,262	33,831	40,756	20.9%		
I Routine Account Receipt (Total) (1+2+3+4.1+4.2)	SPAR	13,962	14,931	16,854	18,699	10.3%	43.2%	33.8%
	Actual	23,100	27,262	33,831	40,756	20.9%		
1 Own-Source Revenue (Total) (1.1 to 1.5)	SPAR	6,288	7,324	8,711	9,976	16.6%	43.2%	33.8%
	Actual	9,974	9,518	11,444	13,770	12.0%		
1.1 Local Taxes	SPAR	1,206	1,452	1,742	2,089	20.1%	5.7%	5.4%
	Actual	1,313	1,592	1,862	2,218	19.1%		
1.2 Local Fees and Charges	SPAR	3,843	4,567	5,594	6,436	18.8%	18.5%	16.9%
	Actual	4,266	4,761	5,872	6,898	17.5%		
1.3 Profit from Local Enterprises	SPAR	815	881	951	1,027	8.0%	3.9%	3.5%
	Actual	910	824	1,133	1,442	18.5%		
1.4 Local Offices Revenues	SPAR	100	100	100	100	0.0%	0.6%	1.0%
	Actual	150	148	324	400	47.2%		
1.5 Others	SPAR	324	324	324	324	0.0%	14.4%	6.9%
	Actual	3,335	2,194	2,252	2,811	-2.3%		
2 Assigned Revenue (Taxes and Non-Taxes (2.1 to 2.3))	SPAR	549	626	714	814	14.0%	2.9%	2.9%
	Actual	673	846	1,045	1,201	21.4%		
2.1 Land and Building Tax	SPAR	549	626	714	814	14.0%	2.9%	2.9%
	Actual	673	846	1,013	1,201	21.4%		
2.2 Other Taxes	SPAR						0.0%	0.0%
	Actual							
2.3 Non-Taxes	SPAR			32			0.0%	0.0%
	Actual							
3 Subsidies and Grants (Total) (3.1 + 3.2)	SPAR	7,125	6,981	7,429	7,909	3.6%	53.9%	63.3%
	Actual	12,454	16,898	21,342	25,786	27.6%		
3.1 Subsidy (including SDO)	SPAR	3,965	4,300	4,665	5,060		28.6%	
	Actual	7,799	10,705	13,611	16,516			
3.2 Grant	SPAR	3,160	2,681	2,764	2,849	-3.0%	25.9%	
	Actual	4,655	6,193	7,731	9,270			
II Development Account Receipt Total (4.1+4.2)	SPAR	696	983	10,660	586	310.4%	0.0%	0.0%
	Actual	-	-	-	-			
4.1 Local Government Loans	SPAR	696	983	1,258	586	5.3%	0.0%	0.0%
	Actual							
4.2 Local Enterprise Loans	SPAR			9,402			0.0%	0.0%
	Actual							

Source: APBD Realization 1991/1992-1994/1995 and SPAR Bogor-Palembang UDP (1990)

respectively. Only revenue from local offices, e.g., Department of Public Works Department, Department of Cleaning, etc., has increased considerably by 47.2%, and its contribution has increased by 0.4 percentage points from 0.6% in 1991/1992 to 1.0%. This increase was due to an increase in sport centers and Department of Health revenues (DGHS, 1994, p. 13).

The revenues from local enterprises have increased by 18.5%. However, along with the decreasing role of the local own-source revenue, its contribution to total revenue has decreased to 3.5%. The other miscellaneous revenues contribute about 14.4% to the total revenue with a negative growth rate of 2.3%.

Local Tax Revenues

The local tax revenues have grown 19.1%, which is 1.0 percentage point below the expected rate of 20.1%. The five major taxes for Kodya Bogor are street lighting, hotel and restaurant, company registration, entertainment, and advertisement. Among the “big” five local taxes, the entertainment tax is the major revenue source. It generated 32.9% of the total tax revenues in 1994/1995. Its revenue has increased by 12.6% annually, but its contribution to local government revenues has decreased from 39.1% in 1991/1992 to 32.9% by 1994/1995 (See Table 3.11).

Because of its geographical location, Kodya Bogor has the advantage of being a transit point to Kab. Bogor’s tourist destinations. This advantage generates substantial revenue from the hotel and restaurant tax. The revenues derived from this tax in 1994/1995 were Rp. 656.2 million or 29.6% of the total tax revenues, and they have

Table 3.11
Kotamadya Bogor Own-Source Revenue Trend, by Type
1991/1992 - 1994/1995

(in Rp. million)

Type of Taxes and Fees and Charges		RIAP Actual	1991/92	1992/93	1993/94	1994/95	Growth % 1991-1994
Local Taxes	Street Lighting	RIAP	208.70	250.00	300.00	360.00	19.9%
		Actual	206.00	225.20	247.80	271.79	9.7%
		% of tax	15.7%	14.1%	13.3%	12.3%	
		<i>Act/RIAP</i>	98.7%	90.1%	82.6%	75.5%	
	Hotel/restaurant	RIAP	240.00	323.00	437.00	551.00	32.0%
		Actual	331.90	500.30	571.00	656.20	26.6%
		% of tax	25.3%	31.4%	30.7%	29.6%	
		<i>Act/RIAP</i>	138.3%	154.9%	130.7%	119.1%	
	Advertisement	RIAP	84.00	106.00	119.00	133.00	16.7%
		Actual	17.10	51.00	85.06	127.78	105.1%
		% of tax	1.3%	3.2%	4.6%	5.8%	
		<i>Act/RIAP</i>	20.4%	48.1%	71.5%	96.1%	
	Entertainment	RIAP	430.00	503.00	584.00	675.00	16.2%
		Actual	513.80	572.60	623.54	728.86	12.4%
		% of tax	39.1%	36.0%	33.5%	32.9%	
		<i>Act/RIAP</i>	119.5%	113.8%	106.8%	108.0%	
	Company Registration	RIAP	91.00	101.00	115.00	130.00	12.6%
		Actual	139.50	132.70	138.83	140.60	0.3%
		% of tax	10.6%	8.3%	7.5%	6.3%	
		<i>Act/RIAP</i>	153.3%	131.4%	120.7%	108.2%	
	Others	RIAP	152.00	169.00	187.00	240.00	16.7%
		Actual	104.50	109.80	195.95	292.97	44.3%
		% of tax	8.0%	6.9%	10.5%	13.2%	
		<i>Act/RIAP</i>	68.8%	65.0%	104.8%	122.1%	
Subtotal Taxes	RIAP	1,205.70	1,452.00	1,742.00	2,089.00	20.1%	
	Actual	1,312.80	1,591.60	1,862.18	2,218.21	19.1%	
	% of tax	100%	100%	100%	100%		
	<i>Act/RIAP</i>	108.9%	109.6%	106.9%	106.2%		

Table 3.11 (continued)

(in Rp. million)

Type of Taxes and Fees and Charges		RIAP Actual	1991/92	1992/93	1993/94	1994/95	Growth % 1991-1994
Local Fees & Charges	Garbage Collection	RIAP	404.00	641.00	996.00	1,226.00	45.7%
		Actual	496.40	571.80	755.79	934.79	23.7%
		% of F&C	11.6%	12.0%	12.9%	13.6%	
		Act/RIAP	122.9%	89.2%	75.9%	76.2%	
	Building Permit	RIAP	288.00	346.00	415.00	498.00	20.0%
		Actual	590.50	587.80	654.64	690.37	5.5%
		% of F&C	13.8%	12.3%	11.1%	10.0%	
		Act/RIAP	205.0%	169.9%	157.7%	138.6%	
	Market fee	RIAP	1,115.00	1,299.00	1,388.00	1,592.00	12.7%
		Actual	898.80	1,020.00	1,228.78	1,554.62	20.2%
		% of F&C	21.1%	21.4%	20.9%	22.5%	
		Act/RIAP	80.6%	78.5%	88.5%	97.7%	
	Terminal/Station fee	RIAP	714.00	809.00	919.00	1,045.00	13.5%
		Actual	1,024.10	1,169.30	1,380.40	1,571.65	15.4%
		% of F&C	24.0%	24.6%	23.5%	22.8%	
		Act/RIAP	143.4%	144.5%	150.2%	150.4%	
	Parking fee	RIAP	659.00	722.00	1,029.00	1,118.00	20.2%
		Actual	636.00	709.00	975.86	1,215.51	24.6%
		% of F&C	14.9%	14.9%	16.6%	17.6%	
		Act/RIAP	96.5%	98.2%	94.8%	108.7%	
Others	RIAP	663.00	750.00	847.00	957.00	13.0%	
	Actual	620.50	703.30	877.01	931.48	14.8%	
	% of F&C	14.5%	14.8%	14.9%	13.5%		
	Act/RIAP	93.6%	93.8%	103.5%	97.3%		
Subtotal Fees&Chrages	RIAP	3,843.00	4,567.00	5,594.00	6,436.00	18.8%	
	Actual	4,266.30	4,761.20	5,872.49	6,898.43	17.5%	
		100%	100%	100%	100%		
	Act/RIAP	111.0%	104.3%	105.0%	107.2%		
Other	Land and Building Tax	RIAP	549.00	626.00	714.00	814.00	14.0%
		Actual	672.60	846.10	1,013.30	1,200.79	21.4%
		Act/RIAP	122.5%	135.2%	141.9%	147.5%	

Source: Kodya Bogor APBD Realization FY 1991/1992-1994/1995; RIAP Kodya Bogor 1994

Note: F&C = Fees and Charges; Act/RIAP = ratio of the actual revenue to the RIAP projections.

grown by 26.6% annually. However, this source's growth rate is below the expected growth rate of 32.0%.

The street lighting tax is the third largest revenue source to Kab. Bogor. This tax grew only by 9.7% annually during the period of 1991/1992 to 1994/1995. It constituted 12.3% of the total tax revenue in 1994/1995, but its role has been continuously decreasing over recent years from 15.7% in 1991/1992. The company registration tax has only a minor role in Kodya Bogor revenue generation. It constituted 6.3% to the total tax revenue in 1994/1995. There was a significant growth rate difference between the expected growth rate of 12.6% and the actual growth rate of 0.3%. The problem is that the tax rate was set in 1979, and it has not been revised yet even though the new RIAP suggested doing so in 1994.

The advertisement tax is the only revenue source that has grown at a significant rate of 105.1%. Its role has increased from 1.3% of the total fees and charges revenue in 1991/1992 to 5.8% in 1994/1995, still not very significant.

Local Fee and Charge Revenues

Local fee and charge are the most important source of revenue for Kodya Bogor, but its performance has not met the RIAP expectations. While the RIAP estimated it to increase by 18.8 % annually, it only grew by 17.5% annually. There are five fees and charges types that generate the majority of fees and charges revenues for the Kodya Bogor: garbage collection fee, building permits fee, market fee, terminal/station fee, and parking fee. Among these sources, the terminal/station and

market fees generate the largest amount, 22.8% and 22.5% of the total fee and charge revenues, respectively, in 1994/1995.

While the terminal/station fee's role has decreased by 1.2 percentage points from 24.0% in 1991/1992 to 22.8% by 1994/1995, the role of the market fees has increased by 1.4 percentage points from 21.1% in 1991/1992 to 22.5% by 1994/1995. The performance terminal/station fee revenue was always above the targeted revenue, 140% or above during that period. Conversely, the market fee revenue was always below the targeted revenue during the period under study.

The garbage collection fees revenue was expected to increase by 45.7% annually due to improvement by IUIDP projects. Indeed, its role has been increased by 2.0 percentage points from 11.6% in 1991/1992 to 13.6% in 1994/1995; however, the growth rate during that period is only 23.7% per annum which is about 20.0 percentage points below the expectation. Its performance in the last three years only ranged between 75 to 85% of the targeted revenue.

The parking fee is considered a potentially important revenue source for Kodya Bogor. This fee generated 17.6% of 1994/1995 of the total fee and charge revenue and continuously increased significantly, by 24.6% annually. Its performance relative to the targeted revenue has improved, from 96.5% in 1991/1992 to 108.7% in 1994/1995.

Land and Building Tax Revenue

Whereas the projected revenue of this tax indicates a moderate growth rate of 14.0%, the actual growth rate has exceeded that rate, increasing by 21.4% annually. Moreover, the revenue performance of this tax has been above the RIAP target each

year during the study period. However, its share of total local government revenue has remained constant during the past four years at 2.9%.

Local Government Loans

Kodya Bogor has mobilized loans from local and foreign financial sources. Their total loan amount is US\$17,743.00 thousand (equivalent Rp. 34.6 billion) or 45.6% of the total investment. The largest part of the loans is investments for the water supply projects (89.4%), and the remaining part of the loans of 10.6% is distributed for drainage, sewerage, and solid waste, as discussed in section 3.3.1. While during 1993-1994, PDAM has disbursed about Rp. 24 million of its loan, no record is available in the local government budget accounting balance sheet. This has happened because the PDAM only reports to CPMO.

3.4 The Role of RIAP

Kab. and Kodya Bogor have had the opportunity to revise and to implement their RIAP because they received TA (technical assistance) from DGHS in late 1994 and, subsequently, from DGPUOD since late 1995. The TA from DGHS consolidated and revised all available RIAPs from all urban projects, improving on the data inaccuracy and limited coverage of the 1990 RIAP. The TA from DGPUOD helps those local governments to implement the new RIAP. It seems that this TA has to be amended because the local government has faced implementation problems.

The original RIAP mainly emphasized increasing the rates of some taxes and fees and charges and improving collection (See Appendix D), while the revised RIAP

has broader coverage to more taxes and fees and charges, as well as institutional development related to revenue administration. Moreover, the original RIAP for Kab. Bogor prescribes the same course of actions as that of Kodya Bogor because, when the RIAP concept was adopted by IUIDP, the central government had no well-developed guidelines for it. The local governments used the old RIAP as their improvement guidelines until new RIAP was prepared. Some of the old RIAP suggestions have been carried out, such as improvement in the collection system, and public campaigns to encourage tax payment. This indicates that the RIAP played some role in the local government revenue improvement effort.

The aggregate growth of these two local governments' own-source revenues in the 1991/1992-1994/1995 period were different. Kab. Bogor local own-source revenues grew by 26.1% annually, which exceeded the RIAP annual growth rate of 6.8%. All of the actual revenue for local taxes, fees and charges has exceeded the RIAP projections. In contrast, Kodya Bogor's local own-source annual growth rate is 12.0%, below the RIAP growth rate of 16.6%. Performance of two out of five taxes and two of five fees and charges types were always below the targeted revenues during the study period. Moreover, the importance of some taxes, fees and charges was declining, except for the advertisement tax, market fees and parking fees. It appears that Kodya Bogor may need TA for improved RIAP implementation.

There has been some criticism of the RIAP and the role of consultants in preparing it. DISPENDA officials argue that revenue projections calculated by the consultants are somewhat unrealistic due to assumptions regarding the role of

politicians, coordination across related agencies in determining user charges, and availability of human resources.

The local politicians' roles are inevitably influential in determining user charges. Even though RIAP proposed to increase water supply and garbage collection charges periodically, based on loan repayment and depreciation, those new tariffs are always below RIAP and the DISPENDA expectations. No new regulations were made for revenue generation between 1990-1995, except for tariff adjustments for water supply and garbage collection. Although RIAP suggested enactment of some new tax rates, local governments are reluctant to proceed with this recommendation because changes in tax rates are subject to MOF approval.

Another problem is that coordination across local government agencies is difficult because of the government organizational structure. DISPENDA and other departments, such as DPU, are at the same level. For this reason, the other departments do not have an obligation to coordinate their policies. Therefore, it is difficult for DISPENDA to determine user charges for services and to gather information about the annual and medium-term development program, including service area expansion, of local government agencies for revenue projections.

Lastly, the limited number and capacity of available human resources in the DISPENDA and other related agencies hampers the RIAP implementation. There was very little training for DISPENDA officials in revenue projection methodology and use of new equipment.

CHAPTER IV EVALUATION OF LOCAL GOVERNMENT INSTITUTIONAL DEVELOPMENT

Local government institutional development is another major activity of IUIDP. As in the case of revenue mobilization, a Local Government Institutional Development Action Plan (LIDAP) is prepared to improve the ability of local governments to assume their urban infrastructure development responsibilities. There are two types of LIDAP in BOTABEK region that are required by different loan packages. The first is the LIDAP for Kab. Bogor, Kab. Tangerang and Kab. Bekasi, which was prepared for the Botabek UDP loan. The second is the LIDAP for Kodya Bogor, which was prepared for the Bopal UDP loan.

The LIDAPs for the BOTABEK region's local government institutional development were prepared when there were not many guidelines and not much technical assistance (TA) from the central government. The TA for LIDAP implementation for the Botabek UDP loan was not procured until January 1996.

4.1 IUIDP Implementation Institutions in the BOTABEK Region¹⁷

4.1.1 Urban Infrastructure Development Coordination

There are six permanent institutions involved in IUIDP for every local government:

¹⁷ Institution is defined as organization rather than as procedures or rules.

- BAPPEDA II,¹⁸ Regional Development Planning Agency, which coordinates all sectors' planning and programming activities, including annual budget allocation and PJM preparation.
- DISPENDA II, Local Government Income Office level II, which is responsible for revenue generation and RIAP implementation.
- DPU II, Department of Public Works level II, which is responsible for sectoral engineering design and project implementation.
- DK, Department of Cleaning, which is responsible for solid waste management, including engineering design and project implementation.
- Setwilda II, Regional Secretariat level II, which is responsible for annual budget allocation.
- PDAM, Local Water Enterprise, which is responsible for water supply development, including financial, engineering design and project implementation.

At the inception of IUIDP implementation in the BOTABEK region, the central government relied on the provincial offices, i.e., BAPPEDA I and DPU I. Whereas BAPPEDA I functions as a policy maker and as an intermediary between the central government and the local government in BOTABEK region, DPU I is responsible for defining projects. Later, the provincial agencies hand over the projects to the local government.

¹⁸ The sign II (Roman numeral two) after the organization title indicates that this is a permanent/structural organization belonging to the local government level II (Kabupaten or Kotamadya). The provincial organizations, in comparison, will have sign I (Roman numeral one).

In all local governments, BAPPEDA's role is important in annual budget programming coordination, while the other institutions, with the exception of Setwilda, are the project implementers. In order to support the BAPPEDA routine activities, each of the three BOTABEK kabupatens has established an IUIDP secretariat (this will be further discussed in the next section). In many cases, these secretariats coordinate all urban projects in the respective local government. In the case of Kodya Bogor, they rely on the IUIDP Technical Team for the same purposes.

Setwilda functions as an administrative coordinator for all of the institutions. This institution was not considered strongly related to IUIDP, except for the Finance Office, before the enactment of the Government Regulation no. 45/1992, which makes the head of the Setwilda the head of the IUIDP coordination team in all local governments. The Setwilda will administer overall development, including legal and organizational aspects.

4.1.2 The Role of Ad Hoc Implementation Institutions

Although IUIDP has as its broad objective to increase local governments' self-reliance in their urban infrastructure development, IUIDP implementation is identical to urban projects implementation for a particular loan package. Every loan package in the BOTABEK region requires a set of ad hoc implementation institutions: PMU, PIU, PMO, and PFO.¹⁹

¹⁹ The role of these ad hoc institutions has already discussed in chapter II.

The Role of PMU in IUIDP Implementation

Since the BOTABEK region has four loan packages, there are four different sets of ad hoc implementation institutions. Botabek UDP and WJS-SCUDP loan packages have the same PMU, headed by an official from West Java province. The PIUs, which were established in the respective local governments, deal with all sectoral projects except water supply, which has its own PIU as mandated by institutional arrangements for other loans. In addition to the Botabek UDP PMU, a subPMU was established to manage the local government's loan project activities in Kab. Bogor, Kab. Tangerang, and Kab. Bekasi.

In the case of Kodya Bogor (Bogor-Palembang UDP), the local government has a PMU. The PMU, which is headed by an "assigned" provincial government official,²⁰ is responsible for overall sectoral projects in each of the respective local governments. The PIUs were established for the respective sectors, e.g., roads and water supply. The PIUs are headed by officials from the relevant department, e.g., DPU II, DK and PDAM. For JUDP III, the PMU was established in the Special Province of Jakarta, headed by an official from BAPPEDA I. The PIUs were established in the respective kabupaten. These are headed by officials from DPU II.

As a result of the loan requirements for the non water supply sectors, there are various ad hoc institutions in the BOTABEK region: one PMU and two kinds of PIU in Kab. Bogor; two kinds of PIU in Kab. Tangerang and Kab. Bekasi; one PMU (and subPMU) for the three kabupaten; one PMU and several sectoral PIUs in Kodya

²⁰ An "assigned" (dipekerjakan) provincial government official is a civil servant employed by provincial agencies, working in the local branch office of the provincial government, i.e., the PMU.

Bogor. In addition, each PDAM has own PIU. All of the PMU heads have to be appointed by Governor of West Java province in consultation with DGHS for their technical competence. However, the heads of PMUs and the subPMU are officials from provincial and central governments, respectively, resulting in many central and provincial governments officials being “inside” the local governments’ bodies.

In the case of the three kabupatens, the PMU and subPMU are established within the provincial government, so that the local governments do not have direct responsibility in monitoring the performance of the PMU. In Kodya Bogor, the PMU is established within DPU, so that the local government has, to some extent, direct control over the performance the PMU. However, its role is mainly in project implementation.

The role of the PMUs is significant since they have to coordinate the implementation of all physical projects, including the central government projects. The local government project managers always consult and are directed by the PMU regarding loan-related project implementation. The PMUs also supervise the PIUs in project construction management.

In the case of the Botabek UDP loan, the PIU is also assisted by the IUIDP secretariat. Since PIUs are under the local government authority, their role is mostly in project execution. To some extent, the PMU has limited control over them, since the PIUs annual programs depend on the local government policies.

The Role of PMO and PFO

In the case of PMO and PFO, these institutions are committees within the local government’s permanent institutions: BAPPEDAs and the Finance Office within

Setwildas, respectively. The heads of these institutions are appointed by the head of the respective local governments, *Bupati* or *Walikotamadya*. They are also the head of BAPPEDA and Finance Office. Since they are built-in the local government permanent institutions, their roles are almost identical to those of existing institutions. These committees were established mainly to adopt a new management system since the local government mobilizes funds from a new development finance channel, the loan. The new procedures have been adopted by local governments, including annual programming, accounting, disbursement and repayment.

4.1.3 IUIDP Secretariat, Teams and Their Roles

In order to coordinate various urban projects and the ad hoc institutions associated with them, an additional ad hoc institution, the IUIDP secretariat, was established in all local governments in 1992 (except Kodya Bogor). This institution is attached to BAPPEDA. Its main tasks are to coordinate urban projects in their respective local governments and to help local governments with annual budget programming for urban infrastructure. The head of the secretariat is appointed by the *Bupati* of the respective local governments. The local governments rely on this institution for all IUIDP requirements, including the annual infrastructure program proposal (IUIDP format) as required by the MPW.

This institution replaces the two ordinary ad hoc committees required in other local governments: the Directive and Technical Teams. In other places, these teams are requirements for local governments. The Directive Team is headed by the head of BAPPEDA and the members are from DPU, DISPENDA, DK, and PDAM. This team

functions as a policy decision-making forum which will decide annual infrastructure development programs. Through this team, the annual urban infrastructure programs are formally submitted to the provincial government, which, in turn, will submit them to the MPW.

The Technical Team is comprised of officials from DPU and managers of all levels of governmental infrastructure development projects. The main task of this team is to provide the Directive Team with an annual urban infrastructure program, including the IUIDP proposal. However, the existence of these teams is no longer justifiable for three kabupatens, since the local government has established the IUIDP secretariat.

4.2 Local Government Achievements with LIDAP

4.2.1 LIDAP Implementation in Kab. Bogor, Kab. Tangerang, and

Kab. Bekasi

LIDAPs for these three kabupatens were prepared during the Botabek UDP program preparation (see appendix F). The main focus of the plan is the establishment of the PMU and the PIU, as well as defining guidelines for engineering studies, equipment procurement and contractual matters. Most of the basic LIDAP institutional recommendations have been undertaken by the local governments because the requirements are closely related to project implementation. An important recommendation of the LIDAP is the establishment of the Department of Cleaning (DK)

in every local government. All kabupatens established this institution soon after the loan became effective in 1991.

While there are specific institutions responsible for the PJM and the RIAP implementation, the LIDAP responsibilities are distributed across all of the IUIDP-related institutions. None of the permanent institutions is responsible for monitoring the execution of the overall programs; The IUIDP secretariat and PMU perform this function. However, these institutions do not pay much attention to software program execution unless the program is directly related to IUIDP projects. They heavily focus their resources on physical construction.²¹

Considering the projects that have been completed, it can be concluded that the capability of the local governmental institutions has been improved. The focus, however, has been on project construction. Little attention has been given to institutional development for urban infrastructure beyond physical construction and loan disbursement.

4.2.2 LIDAP Implementation in Kodya Bogor

While the LIDAPs for all kabupatens are the same, the LIDAP for Kodya Bogor was prepared under Bopal UDP. The LIDAP focuses on clarification of responsibilities among IUIDP-related institutions. Some of the recommendations include filling vacant managerial positions, such as heads of sections in BAPPEDA and DISPENDA, and management improvement through equipment procurement (see Appendix G). As in the case of the three other local governments, responsibility for the recommended actions is

²¹ Interview with head of IUIDP Secretariat and head of Botabek UDP PMU.

distributed across all of the IUIDP-related institutions. None of the permanent local institutions is responsible for monitoring the implementation of the overall program. As a result, the PMU initiates this function. However, the PMU has no direct control over the local governmental institutions.

Although it is recommended by the LIDAP to establish an IUIDP secretariat similar to that in the three kabupatens, as of January 1996, this institution has not been done.²² Therefore, the local government relies on the PMU for most of IUIDP implementation requirements, including the annual development program proposal. The PMU, however, is considered as an “outside” body by the local government.

4.3 Problems in LIDAP Implementation and Institutional Development in the BOTABEK Region

Besides the limitation in coverage of the LIDAPs, the main problem in the LIDAP implementation is that both the central government and the local government have not really committed themselves to carry it out. Some officials in the three kabupatens are complaining about human resources development in IUIDP, which is not a major focus of the LIDAPs. While an enormous amount of resources for urban infrastructure investments flow to the region, IUIDP seems to neglect human resources development. In fact, IUIDP training programs which are recommended by the LIDAP, as well as RIAP, have been conducted only once by the MPW and the MOHA during the period of 1991 to 1995, and two training programs related to loan management were conducted by the subPMU during the same period.

²² Interview with head of Physical section of BAPPEDA II.

An additional TA from the central government, which covers Kab. Bogor, Kab. Tangerang and Kab. Bekasi, is being put in service to help local governments execute the LIDAP, including revising the LIDAP to better reflect the local government priorities. The TA, however, is one of the remaining tasks to be completed before the Botabek UDP loan closing date in July 1996. Its service will have lasted only for 8 months (DGHS, 1996, p. 4), during which time the local governments will only get a new action plan rather than day-to-day assistance with implementation. This suggests that even the central government has not fully committed itself to the LIDAP implementation in the BOTABEK region.

Considering the costs of the LIDAP implementation, the local governments have found difficulties incurring many expenses from limited local resources, which are mostly allocated to physical infrastructure construction. Although some of the LIDAP recommendations have been carried out by the local governments and PDAM with their limited budget, there is no comprehensive evaluation to determine the success of these undertakings regarding the IUIDP approach.

Another issue related to institutional development is the legal basis of the IUIDP secretariat, which affects its performance. Although the local governments rely on this institution, it is not considered a formal agency by the central government, the MOHA and the MPW. Therefore, information from the central agencies is addressed to BAPPEDA, the parent institution, and the IUIDP secretariat often does not receive important information or receives it too late.

Lastly, coordination among the various institutions is also a problem for DISPENDA and other local government agencies. As discussed regarding the role of

RIAP, the DISPENDA of Kabupaten and Kodya Bogor has no power in coordinating other institutions, namely DPU and DK, for adjusting the level of user charges. Since these organizations are at the same level as the DISPENDA, they are not obliged to obtain approval and to consult with the DISPENDA about their development programs. The DPU and the DK of Kab. Bogor and Kab. Tangerang also have difficulties in coordinating their activities with the IUIDP secretariat, although they have representatives in the secretariat. These organizations have problems in annual development programming because the secretariat concentrates on loan requirements and not on broader infrastructure development in other urbanized areas.

CHAPTER V CONCLUSIONS AND RECOMMENDATIONS

Some brief and tentative conclusions can be drawn from the analyses and evaluations in the previous chapters. These conclusions are divided into three parts: general conclusions on IUIDP implementation, resource mobilization, and local government institutional development. Recommendations for the improvement of IUIDP implementation will be discussed in the last section.

5.1 Conclusions

5.1.1 General conclusions on IUIDP Implementation in BOTABEK Region

The previous chapters show that the local governments in the BOTABEK region have mobilized resources from all available funding channels: grants, loans and their projected equity, including local enterprise equity, for their urban infrastructure development for the period of 1991-1996. They share about 50% or more of the urban infrastructure investment, which is considered high compared to the aggregate national proportion of grants to local equity (about 70% of the infrastructure investment). Although these expenditure programs were made with central government TA, over time the local governments have realized some benefit from the IUIDP approach.

Low participation in the planning stage may not always result in delays in the construction stage. The extent of IUIDP delays depends on the local government ability to adjust themselves to a new political and economic situation. At the beginning, the

local governments view IUIDP as a “top-down” policy. PJMs, an important IUIDP planning document, were prepared by central government TA with limited participation of the local government officials. During the construction stage, Kab. Bogor, Kab. Tangerang and Kab. Bekasi learned that IUIDP provides opportunities for urban infrastructure provision, and they have internalized IUIDP through a learning-by-doing process, with few major delays. In contrast, Kodya Bogor just recently began to internalize IUIDP. Low participation in the planning stage caused a greater reluctance to accept IUIDP, and there were delays in the construction stage.

At present, local governments clearly do not have a complete picture of the IUIDP approach. They have seen IUIDP as a “big” project with a combination of funding sources rather than decentralization of urban infrastructure development. Their IUIDP-related activities concentrate more on infrastructure construction management than urban management practice. As a result, the IUIDP management tools, such as RIAP and LIDAP, were not seen as particularly important. On one hand, this occurred because the central government did not provide sufficient guidelines and training during the period under study, and the RIAP and the LIDAP were prepared by external TA at the initial stage of development. On the other hand, local governments have not had much experience in dealing with such “big” public investments prior to IUIDP. They have had to adjust their regular activities according to IUIDP reform policies through a learning-by-doing process. During the construction stage, the demand for institutional development has increased.

5.1.2 Local Government Resource Mobilization

In mobilizing funds from the local resources, the IUIDP has supported local governments with the RIAP. Although the RIAP was prepared during the initial stage of development, Kab. Bogor have improved their own-source revenues, and even exceeded the RIAP growth rates and annual revenue targets during the study period. Kodya Bogor, in contrast, could not achieve the targeted revenues in most local sources, and the aggregate revenue growth rate is lower than the RIAP projections during the study period. Local governments' achievements clearly do not depend on the availability of the TA for the RIAP implementation. The most important factor is local government's efforts. Local governments with a commitment to implement IUIDP and to improve revenue generation did so, independently of the RIAP and the level of TA devoted to it.

This does not mean, however, the RIAP and TA for implementing it are not important for the local governments. The RIAP could provide realistic revenue targets and an indication of the local governments' potential contribution to the multi-year investment plan. The RIAP, however, should be developed uniquely for each local government with local participation. Generalization in RIAP for several local governments may be unrealistic and undermine the importance of its role. TA is important from the point of view of the local government to help them devise RIAPs, and to assist their implementation on a day-to-day basis.

5.1.3 Local Government Institutional Development

Despite the existence of initial LIDAPs, the local governments have adjusted their institutions to the IUIDP practice without sufficient guidance and TA from the central government. The local governments have slowly learned how to coordinate and construct urban infrastructure development projects through a learning-by-doing process, rather than through the systematic process outlined by IUIDP. In this process, however, they seem to have concentrated on physical infrastructure provision rather than urban management as a whole.

In dealing with IUIDP, the local government's internal institutional development can encourage the success of the IUIDP implementation. Each of three kabupatens established an ad hoc institution known as the IUIDP secretariat within its BAPPEDA in 1992. Kodya Bogor, in contrast, relies on IUIDP ad hoc committees: the Directive and Technical Teams. The three kabupatens internal institutional development indicates at least some genuine local government acceptance of the IUIDP approach. The establishment of this secretariat has helped the local government to coordinate infrastructure projects and to develop the annual IUIDP program proposal, including preparing the IUIDP format. In contrast, the Directive and Technical Teams' role in Kodya Bogor duplicates the status quo coordination procedures in development. The problems IUIDP is trying to correct remain, and infrastructure development reform is not encouraged.

The PMU and PIU are important IUIDP institutions, and their relationship to local governments is critical. During the construction stage, the PMU has a significant role in helping the local governments to coordinate and monitor project implementation

for each loan. Since Botabek UDP's subPMU is a coordinator for three local governments: Kab. Bogor, Kab. Tangerang and Kab. Bekasi, it has advantages in synchronizing project execution from a "higher" position than the local government. In the case of Kodya Bogor, the PMU is subordinate to the DPU. Therefore, the PMU has to pass through more bureaucratic procedures. However, the PMU is an ad hoc institution and is considered as "outside" the local government. While the PMU is outside the existing local government institutional framework, a number of PIUs are built in to the local government. These institutions play a dual-role as a subordinate of the PMU and as a subordinate of the respective local government. In cases where there are loan packages, the PMU cannot fully control the PIUs.

Since the central government does not provide TA for LIDAP implementation, local governments have not had a strong incentive to implement their LIDAP fully. All of the local governments have failed to carry out some crucial part of IUIDP, such as the development of O&M procedures and private sector participation guidelines. This happens because the local governments in the BOTABEK region concentrate more on physical construction than software development. In addition, O&M has long been neglected by the central and local government, so there is no good model to follow. Private sector participation is also a rather new concept even to the central government, so the local government has no good guidelines to develop such a concept.

5.2 Recommendations

Some recommendations for the future IUIDP implementation in the BOTABEK region, which include activities put into practice nationwide, include:

1. The RIAP and the LIDAP should be related to one another, in planning and in execution. Putting these action plans together will create a synergy in improving local government capability more effectively. Although TA for the RIAP and LIDAP implementation is critical for the IUIDP implementation, the local governments should be given more authority to recruit consultants so that they can better define the required consultant tasks according to the local government needs. The local government should assign a particular office, e.g., the Organization Office within the Setwilda, to manage overall institutional developmental programs, as in the case of the RIAP implementation institutional arrangements. The central government has to provide better guidelines for this process.
2. In addition to its role relating to loan requirements, the PMU can more effectively coordinate and execute projects if it can control the PIUs. This organization should, therefore, be attached to existing local governmental institutions, as is the case with the JUDP III institutional arrangements. This will give the PMU more coordinating authority and give local governments more control over it.
3. Simplification of the institutional framework that reduces the number of ad hoc implementation institutions (PMUs) and increases the role of permanent institutions, e.g., DPU and DK, will increase the effectiveness of project implementation and increase the local government self-reliance in urban infrastructure development. Although, to some extent, the central government is required to coordinate overall development performance, the dual role of DPU and DK officials will provide the necessary avenue for oversight.

4. A better coordination mechanism within the local government institutions should be developed. The mechanism should enable the DISPENDA, as well as the other institutions, i.e., DPU, DK and the IUIDP secretariat, to coordinate their developmental programs more effectively.
5. Human resource development is crucial for IUIDP implementation. A systematic training effort is needed to improve the local government capability in programming and urban management. Even if the training has to be conducted by the central government, it should focus on decentralization efforts so that the local governments do not remain so dependent on the central government.
6. Further study is needed to define how to measure the degree of improvement in institutional capability. Such measures should focus not only on determining the amount of investment that can be handled by the local government, but also on determining the degree of decentralization achieved in IUIDP during a decade of implementation.
7. This study is based on the current urban projects in BOTABEK region, which have limited coverage in only a few cities with substantial assistance from foreign donors. A more extensive and detailed study about local government practice in urbanized areas without donor assistance will provide a more complete understanding of improvements in local government practice in managing urban infrastructure brought about by IUIDP.

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APPENDICES

Appendix A
Urban Project Expenditure Programs and Financing Arrangement
in BOTABEK Region, 1991-1996

(in US\$1,000; 1991 prices)

Component	Total Cost	ADB/IBRD Sources			Government of Indonesia Sources					Total
		APBN	Sub-loan	Total	Domestic Loan	APBN DIP Inpres	Prov. Govt Contrib.	Loc. Govt Contrib.	PDAM Equity	
A. KABUPATEN BOGOR										
<u>1. BOTABEK UDP (1991-1996)</u>										
Water Supply	6,872.46		4,477.41	4,477.41	1,707.82				687.23	2,395.05
Urban Roads	4,255.28	2,978.70		2,978.70		766.85		509.73		1,276.58
Drainage	3,763.67	3,010.93		3,010.93		301.94		450.80		752.74
Waste Water and Sanitation	940.20	112.43	639.73	752.16				188.04		188.04
Solid Waste	1,559.22		1,091.45	1,091.45				467.77		467.77
KIP/MIIP	669.79	167.57	368.26	535.83			55.68	78.28		133.96
Subtotal A1	18,060.62	6,269.63	6,576.85	12,846.48	1,707.82	1,068.79	55.68	1,694.62	687.23	5,214.14
<u>2. BOGOR-PALEMBANG UDP 1991-1996</u>										
Water Supply	6,839.54	-	5,129.54	5,129.54	-	-	-	-	1,710.00	1,710.00
Urban Roads	15,938.85	9,688.76	-	9,688.76	-	6,250.09	-	-	-	6,250.09
Drainage	1,114.07	677.70	-	677.70	-	436.37	-	-	-	436.37
Waste Water and Sanitation	385.30	37.36	193.33	230.70	-	154.60	-	-	-	154.60
Solid Waste	1,749.74	47.67	1,000.13	1,047.80	-	701.94	-	-	-	701.94
KIP/MIIP	543.51	176.51	-	176.51	-	-	-	367.00	-	367.00
Subtotal A2	26,571.00	10,628.00	6,323.00	16,951.00	-	7,543.00	-	367.00	1,710.00	9,620.00
<u>3. JUDP III (1991-1996)</u>										
KIP	3,899.72		2,339.83	2,339.83	-	668.52	167.13	724.23	-	1,559.89
Subtotal A3	3,899.72	-	2,339.83	2,339.83	-	668.52	167.13	724.23	-	1,559.89

Appendix A (continued)

(in US\$1,000; 1991 prices)

Component	Total Cost	ADB/IBRD Sources			Government of Indonesia Sources					Total
		APBN	Sub-loan	Total	Domestic Loan	APBN DIP Inpres	Prov. Govt Contrib.	Loc. Govt Contrib.	PDAM Equity	
4. WJS SCUDDP (1992-1993)										
Water Supply	757.05	186.01	293.03	479.04	50.94	40.66		35.01	151.40	278.00
Urban Roads	551.61	419.33		419.33		32.45		99.84		132.29
Drainage	345.08	269.72		269.72			50.94	24.41		75.36
Waste Water and Sanitation	132.45	21.66	13.19	34.86		75.46		22.13		97.59
Solid Waste	240.72	80.15	76.84	156.99		11.21	21.59	50.94		83.74
KIP/MIIP	178.67	56.52	52.24	108.76		10.00	14.06	45.85		69.91
Subtotal A4	2,205.58	1,033.39	435.31	1,468.70	50.94	169.77	86.59	278.18	151.40	736.88
SUBTOTAL A	50,736.92	17,931.02	15,674.99	33,606.01	1,758.76	9,450.08	309.40	3,064.04	2,548.63	17,130.91
B. KABUPATEN TANGERANG (Incl. KOTAMADYA TANGERANG)										
1. BOTABEK UDP (1991-1996)										
Water Supply	21,966.58		15,011.25	15,011.25	2,561.81				4,393.52	6,955.33
Urban Roads	6,510.23	4,557.16		4,557.16		919.72		1,033.35		1,953.07
Drainage	1,403.29	1,122.64		1,122.64		117.46		163.19		280.65
Waste Water and Sanitation	1,590.79	45.95	1,226.68	1,272.63				318.16		318.16
Solid Waste	2,178.73		1,525.11	1,525.11				653.62		653.62
KIP/MIIP	525.59	131.35	289.12	420.47			46.76	58.36		105.12
GLD	874.04	699.23		699.23		174.81				174.81
Subtotal B1	35,049.25	6,556.33	18,052.16	24,608.49	2,561.81	1,211.99	46.76	2,226.68	4,393.52	10,440.76

Appendix A (continued)

(in US\$1,000; 1991 prices)

Component	Total Cost	ADB/IBRD Sources			Government of Indonesia Sources					Total
		APBN	Sub-loan	Total	Domestic Loan	APBN DIP Inpres	Prov. Govt Contrib.	Loc. Govt Contrib.	PDAM Equity	
2. JUDP III										
KIP	3,342.62		2,061.28	2,061.28	-	557.10	111.42	612.81	-	1,281.34
Subtotal B2	3,342.62		2,061.28	2,061.28	-	557.10	111.42	612.81	-	1,281.34
SUBTOTAL B	38,391.87	6,556.33	20,113.44	26,669.77	2,561.81	1,769.09	158.18	2,839.49	4,393.52	11,722.10
C. KABUPATEN BEKASI										
1. BOTABEK UDP (1991-1996)										
Water Supply	16,992.84		11,021.50	11,021.50	2,572.77				3,398.57	5,971.34
Urban Roads	5,954.81	4,168.37		4,168.37		709.85		1,076.59		1,786.44
Drainage	1,814.43	1,451.55		1,451.55		149.37		213.51		362.88
Waste Water and Sanitation	2,070.05	101.08	1,554.96	1,656.04				414.01		414.01
Solid Waste	2,860.28		2,002.19	2,002.19				858.09		858.09
KIP/MIIP	903.06	180.54	541.91	722.45			90.27	90.34		180.61
GLD	874.04	699.23		699.23		174.81				174.81
Subtotal C1	31,469.51	6,600.77	15,120.56	21,721.33	2,572.77	1,034.03	90.27	2,652.54	3,398.57	9,748.18
2. JUDP III										
KIP	3,899.72		2,339.83	2,339.83	-	668.52	167.13	724.23	-	1,559.89
Subtotal C2	3,899.72	-	2,339.83	2,339.83	-	668.52	167.13	724.23	-	1,559.89
SUBTOTAL C	35,369.23	6,600.77	17,460.39	24,061.16	2,572.77	1,702.55	257.40	3,376.77	3,398.57	11,308.07

Appendix A (continued)

(in US\$1,000; 1991 prices)

Component	Total Cost	ADB/IBRD Sources			Government of Indonesia Sources					Total
		APBN	Sub-loan	Total	Domestic Loan	APBN DIP Inpres	Prov. Govt Contrib.	Loc. Govt Contrib.	PDAM Equity	
D. KOTAMADYA BOGOR										
2. BOGOR-PALEMBANG UDP 1992-1996										
Water Supply	17,633.60	-	13,177.60	13,177.60	-	-	-	-	4,456.00	4,456.00
Urban Roads	9,340.65	7,874.23	-	7,874.23	-	1,466.42	-	-	-	1,466.42
Drainage	750.91	-	326.59	326.59	-	424.33	-	-	-	424.33
Waste Water and Sanitation	2,150.42	-	1,058.33	1,058.33	-	570.97	-	521.12	-	1,092.09
Solid Waste	1,721.32	-	180.48	180.48	-	141.96	975.00	423.88	-	1,540.84
KIP	750.09	403.77	-	403.77	-	346.32	-	-	-	346.32
SUBTOTAL D	32,347.00	8,278.00	14,743.00	23,021.00	-	2,950.00	975.00	945.00	4,456.00	9,326.00
TOTAL PHYSICAL	156,845.02	39,366.12	67,991.83	107,357.95	6,893.34	15,871.73	1,699.98	10,225.30	14,796.72	49,487.07
E. INSTITUTIONAL DEVELOPMENT										
BOTABEK UDP	8,465.59	-	7,823.69	7,823.69	-	641.90	-	-	-	641.90
BOGOR PALEMBANG UDP JUDP III	6,850.00	6,165.00	-	6,165.00	-	685.00	-	-	-	685.00
SUBTOTAL E	15,315.59	6,165.00	7,823.69	13,988.69	-	1,326.90	-	-	-	1,326.90
GRAND TOTAL	172,160.61	45,531.12	75,815.52	121,346.64	6,893.34	17,198.63	1,699.98	10,225.30	14,796.72	50,813.97

Source: SPAR of Botabek UDP 1990, Bogor-Palembang UDP 1990, WJS-SCUDP 1990; SAR JUDP III 1990.

Note : - BOTABEK Region = Bogor, Tangerang, and Bekasi Region.

- Base cost includes incremental O&M, price and physical contingencies, project administration, VAT.

- excludes interest during construction on bank and local loans.

- Sub-loan for water supply is directed to PDAM and others sector are directed to local government.

- APBN = National budget; Sub-loan = SLA.

Appendix B
Financing Plan for BOTABEK Region Urban Development Projects
1991-1996

(in US\$ million)

	FX	LC	Total	each LG II	BOTABEK Region
Kab. Bogor	12,761.0	37,976.0	50,737.0	100%	32.35%
Land acquisition	-	3,951.5	3,951.5	7.8%	
Equipment	7,041.0	10,823.6	17,864.6	35.2%	
Civil works	4,871.7	17,330.6	22,202.3	43.8%	
Incremental O&M	147.0	2,241.5	2,388.5	4.7%	
Project administration	103.7	1,979.8	2,083.5	4.1%	
Studies	372.6	497.7	870.3	1.7%	
Design and supervision	225.0	1,151.2	1,376.2	2.7%	
Kodya Bogor	9,388.8	22,958.2	32,347.0	100%	20.62%
Land acquisition	-	4,033.9	4,033.9	12.5%	
Equipment	6,305.2	6,057.8	12,363.0	38.2%	
Civil works	1,392.3	7,521.6	8,913.8	27.6%	
Incremental O&M	87.4	2,019.6	2,107.1	6.5%	
Project administration	43.7	969.4	1,013.2	3.1%	
Studies	1,180.5	1,336.9	2,517.4	7.8%	
Design and supervision	379.7	1,019.0	1,398.6	4.3%	
Kab. Tangerang	14,058.6	24,333.3	38,391.8	100%	24.48%
Land acquisition	-	606.2	606.2	1.6%	
Equipment	8,047.8	5,661.9	13,709.7	35.7%	
Civil works	5,750.9	12,494.2	18,245.1	47.5%	
Incremental O&M	100.0	2,532.9	2,632.9	6.9%	
Project administration	159.9	3,038.1	3,198.0	8.3%	
Studies	-	-	-	0.0%	
Design and supervision	-	-	-	0.0%	
Kab. Bekasi	11,986.3	23,382.9	35,369.2	100%	22.55%
Land acquisition	-	2,533.7	2,533.7	7.2%	
Equipment	6,892.7	4,625.2	11,518.0	32.6%	
Civil works	4,694.2	10,241.2	14,935.4	42.2%	
Incremental O&M	266.7	3,461.4	3,728.1	10.5%	
Project administration	132.7	2,521.4	2,654.1	7.5%	
Studies	-	-	-	0.0%	
Design and supervision	-	-	-	0.0%	
BOTABEK REGION	48,194.6	108,650.4	156,845.02	100%	100%
Land acquisition	-	11,125.3	11,125.3	7.1%	-
Equipment	28,286.7	27,168.6	55,455.3	35.4%	-
Civil works	16,709.1	47,587.7	64,296.7	41.0%	-
incremental O&M	601.1	10,255.5	10,856.6	6.9%	-
Project administration	440.0	8,508.7	8,948.7	5.7%	-
Studies	1,553.1	1,834.6	3,387.6	2.2%	-
Design and supervision	604.7	2,170.2	2,774.9	1.8%	-

Source: SPAR Botabek UDP; SPAR Bogor-Palembang UDP; SPAR WJS-SCUDP; and SAR JUDP III

Appendix C
Typical Local Government Revenue Sources
Kabupaten Dati II Bogor 1990/1991-1994/1995

(in Rp. million)

No.	Type of Revenue Sources	90/91	91/92	92/93	93/94	94/95	Total	Percentage of	
								Group	Revenue 94/95
1.2.	LOCAL GOVERNMENT OWN-SOURCE								
1.2.1.	LOCAL TAXES								
016	Street lighting	1,165	1,359	1,783	2,236	4,288	10,831	43.3%	6.3%
019	Company Registration/Business	760	803	860	858	1,050	4,331	17.3%	2.5%
004	Hotel and Restaurant	586	753	1,039	1,411	1,875	5,664	22.6%	3.3%
008	Entertainment	277	330	429	503	616	2,155	8.6%	1.3%
009	Advertisement	207	215	283	356	468	1,529	6.1%	0.9%
003	Slaughter House	24	26	32	32	53	167	0.7%	0.1%
017	Billiard Hall	9	13	21	25	26	94	0.4%	0.1%
006	Foreigners	5	9	23	22	24	83	0.3%	0.0%
013	Non-motorized Vehicles	1	1	1	2	2	7	0.0%	0.0%
069	Arrears	0	0	18	56	86	160	0.6%	0.1%
		3,034	3,509	4,489	5,501	8,488	25,021	100%	14.6%
1.2.2.	LOCAL FEES & CHARGES (RETRIBUTION)								
082	Building Permit	1,767	2,407	3,008	5,085	5,550	17,817	22.4%	10.4%
098	Natural Resources	1,567	1,471	1,327	1,471	1,915	7,751	9.7%	4.5%
103	Sewage and MCK Fee	1,323	2,088	4,379	4,641	7,447	19,878	25.0%	11.6%
077	Use of Roads (by trucks)	1,161	1,003	849	1,102	1,313	5,428	6.8%	3.2%
091	Hospital and Clinic	780	985	1,188	1,477	1,983	6,413	8.1%	3.7%
094	Market	550	623	830	1,031	1,216	4,250	5.3%	2.5%
101	Cleaning/Garbage Collection charge	373	475	599	833	1,371	3,651	4.6%	2.1%
107	Workshop permit	353	272	626	755	1,043	3,049	3.8%	1.8%
110	Identity Card, Family Record and House Plate	222	434	706	511	438	2,311	2.9%	1.3%
076	Document Certification (Leges)	197	203	200	310	371	1,281	1.6%	0.7%
102	Transportation Business	154	165	400	478	533	1,730	2.2%	1.0%
090	Bus and Taxi Terminal Fee	114	235	598	744	793	2,484	3.1%	1.4%
111	Tender Documents	111	191	252	189	95	838	1.1%	0.5%
078	Parking	91	107	109	125	191	623	0.8%	0.4%
106	Bungalow and other Recreational Facilities Permit	61	63	78	87	80	369	0.5%	0.2%
108	Tourism Facilities Entrance Fee	35	26	40	68	83	252	0.3%	0.1%
080	Meat and Flesh Inspection	26	23	30	29	51	159	0.2%	0.1%
100	Shops	20	19	24	25	27	115	0.1%	0.1%
096	Milk Inspection	18	17	29	34	28	126	0.2%	0.1%
105	Tourism Business Permit	15	16	10	0	0	41	0.1%	0.0%
084	Cemetery	7	52	116	86	83	344	0.4%	0.2%
099	Pond (Situ)	6	5	4	6	8	29	0.0%	0.0%
104	Birth Certificate	4	0	0	0	0	4	0.0%	0.0%
088	Non-motorized Vehicle inspection	2	2	3	3	3	13	0.0%	0.0%
079	Sand and Stone Exploitation	0	0	0	0	0	0	0.0%	0.0%
109	Registration Office (Catatan Sipil)	0	45	47	51	97	240	0.3%	0.1%
112	Loading-Unloading Permit	0	0	0	0	427	427	0.5%	0.2%
		8,957	10,927	15,452	19,141	25,146	79,623	100%	46.3%

Appendix C (continued)

(in Rp. million)

No.	Type of Revenue Sources	90/91	91/92	92/93	93/94	94/95	Total	Percentage of	
								Group	Revenue 94/95
1.2.3. PROFIT FROM LOCAL ENTERPRISE									
121	REGIONAL DEVELOPMENT BANK	18	47	57	36	57	215	46.7%	0.1%
122	LOCAL WATER ENTERPRISE	16	6	64	71	88	245	53.3%	0.1%
		34	53	121	107	145	460	100%	0.3%
1.2.4. LOCAL GOVERNMENT OFFICES									
141	Public Works	6	13	19	24	25	87	50.6%	0.1%
142	Fishing	4	4	6	8	9	31	18.0%	0.0%
143	Agriculture	8	8	12	12	14	54	31.4%	0.0%
		18	25	37	44	48	172	100%	0.1%
1.2.5. OTHER LOCAL REVENUES									
189	Land Acquisition	1,147	3,010	29	232	452	4,870	27.3%	2.8%
186	Asphalt Sales	225	102	49	0	0	376	2.1%	0.2%
184	Control of Building Permit and Rent of Local Equipt (Ms. Giling)	179	240	294	475	545	1,733	9.7%	1.0%
187	INPRES Market payments (installments)	101	92	97	94	78	462	2.6%	0.3%
190	Others	74	112	885	1,197	1,334	3,602	20.2%	2.1%
182	Construction Fee	18	24	30	47	56	175	1.0%	0.1%
183	Thrid Parties Donation	15	126	2,921	2,261	1,253	6,576	36.8%	3.8%
185	Asphalt Drum Sales	13	8	10	16	17	64	0.4%	0.0%
181	Sales of Local GovernmentEquip./Vehicle	0	6	0	0	0	6	0.0%	0.0%
		1,772	3,720	4,315	4,322	3,735	17,864	100%	10.4%
1.3.1. TAX SHARING									0.0%
191	Land and Building Tax	4,043	4,908	5,431	8,665	11,839	34,886	94.2%	20.3%
192	Motor Vehicle Registration and Transfer	0	0	1,501	0	0	1,501	4.1%	0.9%
193	Rural Land and Building Tax	0	0	565	0	94	659	1.8%	0.4%
		4,043	4,908	7,497	8,665	11,933	37,046	100%	21.6%
1.3.2. NON-TAX REVENUE SHARING									0.0%
202	Forestry Fee	3	2	7	12	12	36	0.3%	0.0%
205	Government Rights of Land	34	77	30	120	940	1,201	10.3%	0.7%
208	Non-Tax Share from West Java Province	1,360	1,714	2,131	2,310	2,908	10,423	89.4%	6.1%
		1,397	1,793	2,168	2,442	3,860	11,660	100%	6.8%
		19,255	24,935	34,079	40,222	53,355	171,846		100.0%

Appendix D
Revenue Improvement Action Plan (RIAP) for
Kabupaten and Kotamadya Bogor, 1991-1996

Objectives/Tasks	Kabupaten	Kotamadya	Other 1)
A Hotel and Restaurant Tax			
1 Undertake data recording and registration of taxpayers	on-going	on-going	
2 Perda revision	NA	NA	
3 Cash register installment	NA	on-going	
4 Conduct audit method on hotel occupancy rate of hotels		on-going	
5 Training for tax collector	on-going	on-going	
B Entertainment Tax			
1 Increase tax rate on children's game	Comp.	Comp.	
2 Conduct a survey to improve business registration data	on-going	on-going	
3 Monitor weekly reports of cinema tickets	on-going	on-going	
4 Provide training on supervision of ticket selling administration	NA	NA	
5 Promote good relations with related agencies	on-going	on-going	
6 Propose a local regulation on video cassettes	NA	NA	
7 Monitor penalty imposition on tax violations	NA	NA	
8 Conduct community awareness campaign	on-going	on-going	
9 Conduct a study on automation of administrative procedures	on-going	NA	
C Business Tax/Company Registration Tax			
1 Conduct a survey to improve business data gathering	Comp.	on-going	
2 Provide training on work efficiency	Comp.	Comp.	
3 Review and propose improvements on local regulation on business tax	on-going	NA	
4 Monitor penalty imposition on tax violations	NA	NA	
5 Conduct community awareness Campaign	on-going	on-going	

Appendix D continued)

Objectives/Tasks	Kabupaten	Kotamadya	Other 1)
D Advertising Tax			
1 Conduct community awareness campaign	on-going	on-going	
2 Provide training on work efficiency	Comp.	Comp.	
3 Implement tax on radio and cinema advertising	NA	on-going	
E Market Fees			
1 Undertake data recording and reregistration	NA	Comp.	
2 Implement the recommended regional income management system	NA	NA	
3 Recruit additional staff required	on-going	on-going	
4 Monitor penalty imposition on tax violations	NA	NA	
5 Management of markets by Local Enterprise	NA	NA	
6 Implement Market Service Policy on supervision	NA	NA	
7 Control vending outside stated area	NA	NA	
8 Provide training on market management	on-going	on-going	
F Terminal/Station Fee			
1 Strengthen supervision of terminal fee collectors	on-going	on-going	
2 Make periodic calculation of vehicles subject to terminal fees	on-going	on-going	
G Cleaning Fee			
1 Promote good relations with related agencies	on-going	on-going	
2 Improve collection efficiency	on-going	on-going	
3 Consider possibility of rate adjustment	Comp.	Comp.	
4 Review rate classification	Comp.	Comp.	
5 Monitor penalty imposition on tax violations	NA	NA	
6 Implement new solid waste fee	Comp.	Comp.	
7 Provide extension to community cleanliness	on-going	on-going	
8 Determine desludging fee rate	Comp.	Comp.	

Appendix D (continued)

Objectives/Tasks	Kabupaten	Kotamadya	Other 1)
9 Implement new desludging fee	NA	NA	
10 Review and simplify ordinance on cleanliness	NA	NA	
H Building Fee Permit			
1 Conduct community awareness campaign	on-going	on-going	
2 Provide training to related agencies on urban planning	on-going	on-going	
3 Install zoning sign	on-going	NA	
4 Acquire operating facilities: office equipment and systems	NA	NA	
5 Acquire field facilities: vehicles, uniforms, O&M funds	on-going	on-going	
6 Consider revision of building permit fee	NA	NA	
I Parking Fee			
1 Approve ordinance on parking	NA	Comp.	
2 Implement parking ordinance	NA	NA	
3 Revise parking fee rates	NA	Comp.	
4 Add personnel for regular supervision	on-going	on-going	
J Land and Building Tax			
1 Complete new map of tax area	Comp.	Comp.	
2 Update tax map	NA	NA	
3 Update basic data	on-going	NA	
4 Add collection units	NA	NA	
5 Computerize determination and recording of assets value	NA	NA	
	Comp.	Comp.	

Source: SPAR Bogor-Palembang Urban Development Project (Appendix 15), ADB 1990; field survey

Note: 1) Provincial and/or Central Government

2) Comp. = completed; incmp. = incomplete; NA = Not Available

Appendix E

Implementation Results Local Government Institutional Development Action Plan (LIDAP) for Kabupaten Bogor, Tangerang, and Bekasi, 1991-1996

Objectives/Tasks	Bogor	Tangerang	Bekasi	Other 1)
I PROJECT ADMINISTRATIVE SET-UP				
A. <u>Establish Administrative Set-up</u>				
1 Strengthen PMU				MPW
2 Establish PIUs, appoint PMs, designate key staff for PIUs and arrange support facilities	Comp.	Comp.	Comp.	
3 Prepare detailed staff deployment plan	Comp.	Comp.	Comp.	
4 Recruit new staff for PIUs	Comp.	Comp.	Comp.	
B <u>Preparatory Activities</u>				
1 Consultant recruitment/fielding				MPW
2 Detailed design and land acquisition for each year's program	Comp.	Comp.	Comp.	MPW
3 Procurement of action for each year's construction program	Comp.	Comp.	Comp.	
C <u>Operational Matters</u>				
1 Implementation of water loss reduction program to achieve maximum 20% un-accounted for water	on-going	on-going	on-going	
2 Develop operational details for management of public taps and water terminals	Comp.	Comp.	Comp.	
3 Develop operational details for management MCKs	Comp.	Comp.	Comp.	
4 Redefine procedures for management of revolving fund for sanitation credit scheme	-	incomp.	-	
II DEVELOP O&M CAPABILITY				
1 Establish O&M Procedure	NA	NA	NA	
2 Prepare Multi-year O&M Program (staff/equipment/finance)	NA	NA	NA	
3 Implement periodic and special maintenance program	NA	NA	NA	
4 Develop staff O&M training program	NA	NA	NA	

Appendix E (continued)

Objectives/Tasks	Bogor	Tangerang	Bekasi	Other 1)
III INSTITUTIONAL DEVELOPMENT 1 Establish kabupaten-wide Dinas Kebersihan 2 Establish JABOTABEK Urban Management team in MOHA	Comp.	Comp.	Comp.	MOHA
IV TRAINING 1 Prepare Annual Operational Training Program (based on overall training scope/allocations under project) 2 Evaluate actual training achievements in context of annual targets				MPW MPW

Source: SPAR Botabek UDP appendix 18; PMU Botabek UDP; field survey

Note : 1) includes Kotamadya Tangerang

2) Comp. = completed; incomp. = incomplete; NA = Not Available

3) Provincial or central government; MPW = Ministry of Public Works;
 MOHA = Ministry of Home Affairs

Appendix F
Implementation Results
Local Government Institutional Development Action Plan (LIDAP)
for Kotamadya Bogor, 1991-1996

Objectives/Tasks	Kotamadya	Other 1)
I Urban Bogor IUIDP Team		
A Organization		
1 Structure team in accordance with Pelita V IUIDP Guidebook	Comp.	
2 Appoint Steering Committee and Technical Team members	Comp.	
3 Distribute IUIDP Guidebooks to all agencies concerned	Comp.	
4 Allocate sufficient funds from regional budget (APBD) for operation of IUIDP Team	on-going	
5 Establish fund requirements of IUIDP Team activities from related IUIDP projects	on-going	
B Implementation		
6 Prepare Decision Letter (SK) establishing the IUIDP Technical Implementation Team	Comp.	
II Regional Development Planning Agency (BAPPEDA II)		
A Organization		
1 Clarity role and functions of BAPPEDA II related IUIDP	on-going	
2 Establish IUIDP Secretariat	NA	
3 Fill positions of:	on-going	
a. Head, Physical Infrastructure		
b. Head, Statistics and Documentation		
c. Head, Demography		
d. Head, Natural Resources and Environment		
e. Additional technical and administrative staff		
4 Acquire:		
a Additional office space	NA	
b Equipment: Computer and printer; Photocopier; Car; Motorcycle	on-going	
B System Development		
5 Establish an information data base system	NA	

Appendix F (continued)

Objectives/Tasks	Kotamadya	Other 1)
<p>C Training</p> <p>6 Conduct personnel development training in:</p> <ul style="list-style-type: none"> a Regional and urban planning b Environmental sanitation c Enterprise sector d Building regulation e General affairs 		<p align="center">MPW</p>
<p>III Public Works II (Dinas PU II)</p>		
<p>A Organization</p> <p>1 Revise the organization structure to better comply with Government Regulation (PP) No. 14/1987 concerning decentralization</p> <p>2 Draft City Ordinance on organizational changes</p> <p>3 Implement organizational changes</p> <p>4 Recruit additional staff for administration and technical positions</p> <p>5 Acquire:</p> <ul style="list-style-type: none"> a Additional office space b Equipment: Computer and printer; Photocopier; Motorcycle 	<p align="center">on-going</p> <p align="center">NA</p> <p align="center">on-going</p> <p align="center">on-going</p> <p align="center">NA</p> <p align="center">on-going</p>	
<p>B System Development</p> <p>6 Establish an information and data base system (basic data) for planning, monitoring and evaluation</p>	<p align="center">NA</p>	
<p>IV Revenue Agency (DISPENDA II)</p>		
<p>A Organization</p> <p>1 Fill position of</p> <ul style="list-style-type: none"> a Vacant manager position b Other vacant positions <p>2 a Additional office space</p> <ul style="list-style-type: none"> b Equipment: Computer and printer; Photocopier; Car; Motorcycle 	<p align="center">on-going</p> <p align="center">on-going</p>	

Appendix F (continued)

Objectives/Tasks	Kotamadya	Other 1)
<p>B System Development</p> <p>3 Implement Regional Income Management System prescribe by Central Government</p> <p>4 Implement upgrading Dipenda II to Type A</p> <p>5 Implement Revenue Improvement Action Plan</p> <p>6 Allocate budget for O&M of IUIDP project</p> <p>7 Establish an information and data base for the urban income sector</p>	<p>NA</p> <p>on-going</p> <p>on-going</p> <p>on-going</p> <p>NA</p>	<p></p> <p></p> <p>MPW</p> <p></p>
<p>C Training</p> <p>8 Provide training for:</p> <p style="margin-left: 20px;">a Fiscal planing</p> <p style="margin-left: 20px;">b Budgeting</p> <p style="margin-left: 20px;">c Revenue collection</p> <p style="margin-left: 20px;">d Information system</p> <p style="margin-left: 20px;">e Public relations</p>	<p>on-going</p>	<p>MOHA</p>
<p>V City Cleaning Agency (Dinas Kebersihan II)</p> <p>A Operations</p> <p>1 Extend operations to urban fringe areas in Kabupaten Bogor</p> <p>2 Fill positions of:</p> <p style="margin-left: 20px;">a New administrative jobs</p> <p style="margin-left: 20px;">b Other including: handcart, workers, truck drivers, truck workers</p> <p>3 a Additional office space</p> <p style="margin-left: 20px;">b Equipment: Computer and printer; Photocopier; Car; Motorcycle</p> <p style="margin-left: 20px;">c O&M equipment Handcart; Dump truck; Armroll truck; Bulldozer; Armroll bins; Crawler loader; Vacuum truck; Truck trailer.</p>	<p>NA</p> <p>on-going</p> <p>NA</p> <p>on-going</p> <p>on-going</p>	
<p>B System Development</p> <p>4 Establish an information and data base</p>	<p>NA</p>	

Appendix F (continued)

Objectives/Tasks	Kotamadya	Other 1)
C Training 5 Provide training for: a Waste collection procedures b Landfill management c Computerized billing system and MIS operation d Environmental Impact Assessment e Public Relation f Training of Trainers g Office and personnel management h Budgeting and financial analysis i Personnel sanitation and hygiene	on-going	MPW
VI Market Agency II (Dinas Pasar and Informasi Harga)		
A Organization 1 Develop and implementation job descriptions 2 Prepare feasibility study of privatization of market management 3 Adjust managerial rankings 4 a Additional office space b Equipment: Computer and printer; Photocopier; Car; Motorcycle	on-going NA NA on-going	MOHA MOHA
B System Development 5 Establish an information and data base system	NA	
C Training 6 Provide training for: b Environmental Impact Assessment c Budgeting and financial analysis d Solid waste collection and disposal e Sanitation and public health f Statistic and information system g Office and personnel management h Public relations	on-going	MPW; MOHA

Source: SPAR Bogor-Palembang Urban Development Project (Appendix 15), ADB 1990; field survey

Note: 1) MPW=Ministry of Public Works; MOHA=Ministry of Home Affairs;

NPA=National Planning Agency

2) Comp. = completed; incomp. = incomplete; NA= Not Available