

**DECENTRALIZATION AND THE ROAD PLANNING  
PROCESS IN INDONESIA**

**THESIS**

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**AND**

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FACULTY OF SPATIAL SCIENCE  
UNIVERSITY OF GRONINGEN**

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## ABSTRACT

### DECENTRALIZATION AND THE ROAD PLANNING PROCESS IN INDONESIA

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Most research on the progress and impact of Indonesian decentralization policy focus on economic, political, and administrative aspects such as fiscal balance, democratization, public service delivery, and government structure. Few research works consider planning processes and how they change and develop after the implementation of decentralization policy.

Thus, this research investigates development of the road planning process in Indonesia after the implementation of decentralization policy in the late 1990s. The main objective of the research is to evaluate whether the development of the road planning process in Indonesia is in line with the principles of decentralization. Hence, this research is expected to be useful in understanding the relationships of decentralization and the road planning process.

The research starts with development of research basic framework concerning the principles of decentralization and the concept of the road planning process. The discussion on principles of decentralization focuses on democratization, public participation, equity and fairness, efficiency and effectiveness. Meanwhile, the discussion on the concept of the road planning process provides a brief explanation of its rationale and the implementation of the road planning in decentralized governance system. Narrative-descriptive analysis is developed to identify the changes in the key issues of public administration structure (legal-framework, government structure and public participation) in terms of the road planning process and on how it affects the performance of the road planning process and decision making. Then, by using evaluative-exploratory analysis, the research evaluates the relationship of road planning process to the basic principles of decentralization in Indonesia. The end result will make conclusions about the development of the road planning process after decentralization policy in Indonesia.

The findings show that the changes in public administration aspect have given the ground framework to the road planning process to be in line with the basic principles of decentralizations. However, in the practice, these principles are not fully implemented during the process. It is clear that some of these principles are tried to be employed during the planning process but there is still some weaknesses found.

There is a significant change of representative democracy in the Indonesia's democratization system. Tendency from representative democracy to deliberative democracy is found in the road planning process. However, there are a few weaknesses of democratization process in decision making. The decision-making in the road planning in Indonesia still adopts collectivized decision instead of group or collective decision.

Although there is more public participation than in the centralized planning era, the road planning in Indonesia has increasingly followed a placation approach

from the typology of public participation. There is no allegation of the laws for the community to obtain transparent information as their interests and concerns are not taken into account by the official stakeholders in making decision.

During the road planning process, there is clearly no such shared power and influence among communities and power holders to promote equity in decision making during the planning process. Although the public are able to participate, power to make decision is at rest of power holders or the government. Moreover, the implementation of decentralization policy has increased provincial and local revenues compared with the central government; however, there are new horizontal fiscal disparities among local and provincial governments. This pattern could give impacts to road development and planning process which in turn will lead to unbalancing distribution of road infrastructure provisions.

There is a great possibility for community to express their needs and preferences by engaging in the planning process. However, due to powerlessness of community there will be chances for power holders to mislead the result of the consultation forum and neglect the community interests. Therefore, it suggests that not all of local preferences and needs will be allocated in plan although it shows the government accountability to the public, a few matters of community proposals still will be accommodated in plan but it is not altogether. In contrast, the implementations of national road development programs have numerous benefits due to the existence of local government. It will be easier for Local governments to communicate and to collect information as much as possible from local communities to assist the implementation of national program.

Development of road planning process in Indonesia is improving. Considering the key aspects of the road planning process is sufficient although it has particular barrier from institutional preparedness. For the legal framework aspect, it has been stated by prevailing laws and regulations that it is permitted for community to participate in the planning process. However, the form of the participation is still being very low. The prevailing legal frameworks also do not mention clearly how exactly the role of community would be during the planning process. From the aspect of the government structure, indeed, the central government still maintains the stratified government structure. The implications of such hierarchical structure will extend the process of the reduction of the community proposal during the planning process whereas it contains and reflects their needs and preferences. This situation is aggravated by regulation or policy that is not supportive to preserve lower community interest when it brings together with the government interest during public consultation forum. Indeed, it is acknowledged that community can participate both at the strategic and operational levels. In practice, it is always interpreted by the government that the community participation during the road planning process is a merely procedure to meet prescription underlined by the laws and regulations than an effort to create the more democratic road planning process.

*Keywords: road planning process, principles of decentralization, legal framework, government structure, public participation, Indonesia*

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## Preface

Indonesia has changed. The implementation of decentralization policy in the late 90s has given dramatic change to every aspect of governance system. One of them is road planning. Road planning has followed a new path to fit with the decentralized governance system. Although road planning was around before the decentralization policy, the development of road planning after the implementation of decentralization policy is intriguing to be studied. Thus, this research is about the development of road planning process in decentralized Indonesia.

Road planning has a special attention of mine. I am working at local planning agency in my home country. Since I am working on infrastructure division, I deal with road planning in every single year. However, I always feel unsatisfied with the practice of the road planning process. It seems to me that there are several “things” that impedes to reach the ideal road planning process. Finally, I find the several answers, and they can be found in this thesis.

It is impossible to write this thesis without any supports. First of all, to Allah SWT Almighty, I would like to express my greatest gratitude. Secondly, I would like to express my great appreciation of tireless and willingness of Prof. Paul Ike and Bapak Pradono, Pradono, SE., M.Ec.Dev., Dr.Eng. who always encourage me and kept my thesis on the right track. I owe a special debt of gratitude to the *Bappenas* and my institution *Bappeda of Dumai Local Government* for giving me an opportunity to study in ITB-RUG, and to Netherland Education Support Office (NESO) through StuNed program for giving me institutional and financial support. My thanks are also due to all my colleagues in DD’06 group for always being by my side in good and bad times, from Bandung to Groningen.

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Groningen, August 2008

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# CHAPTER I

## INTRODUCTION

### 1.1 Background

The mechanism of road planning in a country is shaped by the governmental system. Then, the road planning process is different over countries. For instance, in the federal countries, the road planning is shared among national - regional government, while the road planning process at regional states is barely determined by the central government. On the contrary, in unitary state countries, where the decision making power mostly lies in the central government, the road planning mostly will be characterized by top-down planning approach although there are certain planning responsibilities delegated to the local governments.

Since 1950s, many developing countries have shifted into the direction of democratic society through decentralization policy. Although this policy sometimes failed, some positive progresses have motivated developing countries to adopt it. Decentralization gives opportunities for local governments to administer their affairs and for community to participate. Decentralization policy has provided local governments with more powers, responsibilities and functions to develop and manage their areas autonomously. However, it requires institutional adjustment (Olowu, 2002; Marsden and May, 2006) including the road planning. As a result, road development also follows a new way in its planning process to fit with this institutional changing.

Officially started on January 1<sup>st</sup>, 2000, Indonesia experiences a shift from centralized government to a new decentralized government. It is, then, known as the Decentralized Era (*Era Otonomi Daerah*). By the enactment of Law 22 of 1999 on the Local Government and Law 25 of 1999 on the Local and Central Government Financial Balance in late 90's, Indonesia moved into a great change in its modern nation's history. The change, according to Hofman and Kaiser

(2004), has transformed Indonesia from the one of the most centralized countries into the one of the most decentralized countries in the world.

Consequently, the new decentralization policy has given a lot of adjustments to the country's public administration. New laws and planning system are set, new government structures are built, and new actors involved in decision making environment that are defined. These cause a lot of changes to the way the road planning process is operated, then.

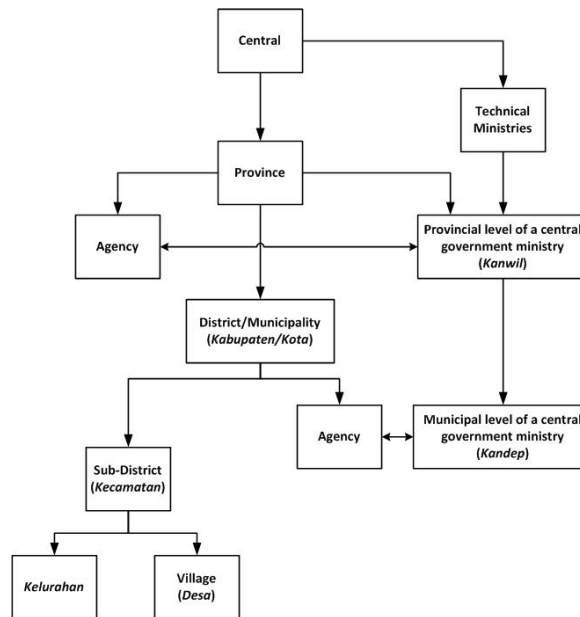
During the centralized era, the legal framework for the road planning is based on by Law 24 of 1992 on Spatial Planning, Law 85 of 1985 and Government Regulation 26 of 1985 concerning Road which are considered more centralistic in character by their replacement laws i.e. Law 25 of 2004 concerning National Development Planning System, Law 38 of 2004 and Government Regulation 34 of 2006 on Road.

Furthermore, Law No. 22 of 1999 states that local and provincial governments are autonomously independent and remove the hierarchical relationships between provincial and local governments. According to Usman (2003), local governments – which consist of districts (*kabupaten*) and municipalities (*kota*) - tend to place themselves as the subordinates of the central government rather than the provincial government.

Law 22 of 1999 also changes the arrangement of government institutions. During the centralized era, the central government is able to represent their technical or ministerial department as decentralized arms at the provincial and local levels. These institutions aim at ensuring policies and programs of the central government can be applied in provincial and local level. These institutions are called *Kantor Wilayah (kanwil)* and *Kantor Departemen (kandep)* at provincial and local level respectively. At the same time, provincial and local governments also have similar institutions, known as *Dinas* (see figure 1.1). Recently, most of these de-concentrated institutions are removed. There are 239 provincial level-

*kanwil* offices, 3,933 district level-*kandep* offices and 16,180 small technical units transferred to local and provincial governments (Usman, 2002). Most their tasks and the employees are now managed by provincial and local institutions which become the principal agent in delivering public services.

Decentralization policy also provides more opportunities for broader community involvement. It is particularly indicated by new planning system law i.e. law 25 of 2004 concerning National Development Planning System which aims at optimization of public participation in planning and decision making.



**Figure 1.1 Administration Structure in Centralized Era**  
*Sources: Modified from Ranis and Steward, 1994 and Hudalah, 2006*

## 1.2 The Basic Principles of Decentralization

There are various motivations for decentralization. Political transformation, economic crises, broadening participation, improving service delivery, ideology preservation and globalization are among these motivations for decentralization. However, according to Shah and Thompson (2004), balancing power among different levels of the governments is not the primary reason for decentralization choice.

From the literature, at least there are four basic reasons to decentralize power from central to local governments. There are democratization, efficiency of service, developmental process, and diffusing political and social tension (Bardhan, 2002, Bardhan and Mookherjee, 2006, and Humplick and Araghi, 1996).

Based on democratization principle, decentralization aims at creating a government which is more transparent and accountable by bringing the governments closer to who will be affected by decision they make – the citizens. Furthermore, it also enables community to participate and to enforce their interests and choices in the decision-making.

Decentralization delivers public service more efficiently. By decentralization, there will be competition with the adjoining local governments to give better service for the public. From the perspective of the using of local resource, decentralization provides responsibilities for local government to use their resource better since decision is based on the needs and priorities from those who will be affected (Devas and Grant, 2003; De Vries, 2000; Rondinelli, Nellis, and Cheema, 1983). Additionally, decentralization also gives opportunities to apply new technology invention, like electricity and water supply which is more efficient in small markets.

Decentralization also creates a chance for the local government to be more innovative. Although decentralization mandates local government with responsibilities from the central government, in fact, it forces local governments to be more creative in developing their regions. Finally, decentralization diffuses political and social tension such as regional separatist movements and ethnic conflicts.

In the case of Indonesia, the reasons of decentralization are almost similar to those four basic reasons. Based on Law 22 of 1999 concerning Local Government and its revised version of Law 32 of 2004, there are four underlying reasons for decentralization in Indonesia:

1. Democratization
2. Public Participation
3. Equity and Fairness
4. Efficiency and Effectiveness

### **1.3 Gaps in Knowledge**

Rondinelli, Nellis, and Cheema, 1983 argue that although economic reason can be regarded as a primary reason for a country to decentralize, the assessment of the achievement of decentralization can not be entirely done by economic criteria. Ford (2001) further states that due to different conditions over countries, institutional setting that set up decentralization has to be established. From these two statements, it can be argued that implementation of decentralization policy has changed the road planning and development of road planning process can be used to assess the achievement of decentralization.

This research considers that to deliver road infrastructure, a planning process is needed. However, a significant change, such as decentralization policy in governance mechanism, can influence on the structure of public organization which will affect the performance of the road planning process. According to Teisman (1998), there are four key issues of public organization in terms of the road planning process, namely structure of organization, policy, decision-making and tools. This study will focus on the structure of organization, decision-making process and tools including laws, regulations, planning coordination and participation.

Various research have attempted to explain the progress and the impact of Indonesian decentralization policy in 1999. However, most of them generally focus on progress and impact of decentralization on economic, political, and administrative aspects (fiscal balance, democratization, public service delivery, and government structure) and there have been only a few research that specifically focus on the progress of planning process. For example, Amri (2000) reports the economic and political impact of decentralization policy in 1999. It



focuses on the process of implementation of fiscal decentralization. Her research shows that the implementation of decentralization faces some problems due to flustered implementation among districts and municipalities and lack of seriousness of the central government in sequencing fiscal autonomy process of decentralization. Furthermore, Usman (2001) studies the impacts of decentralization policy to local governments and impacts of this process towards public service delivery. He focuses on the management of government employees, evaluation budgetary matters, and structure of government work units. His finding shows that it is a necessary to include more participants out of the government boundaries at initial stage with fully consideration of local conditions and diversities in delivering public services. Usman's work is further extended by Silver (2003) who focuses more on the decision making in local expenditure and restructuring organization of local governments. His finding shows that there is an increasing revenue dependency of local governments on the central government transfer (Ranis and Stewart, 1994; Silver, 2003).

Furthermore, King (2005) reports that there are several factors resulting in decentralization progress which varies over municipalities or districts. He mentions those factors are leadership, natural resources, land and labor, public participation and economic and political strength of private sectors. Meanwhile, Suwandi (2002) reports, from administrative or regulation aspect, lack of local government ability to use the existing regulation is one of the reasons of why the progress of decentralization very slow although it considerably needs the central government to supervise and monitor the implementation of decentralization.

Pratikno (2005) and Hadiz (2005) focus on the impact of democratization of decentralization policy. Pratikno (2005) argues that decentralization gives more room for local actors. Unfortunately, Law 22 of 1999 does not give full authority for the central government to supervise, control, and monitor the actions of local government. That is why many improper local regulation products are delayed by the central government due to incoherent to higher regulations. He concludes that decentralization creates space for success of autonomy; however, it depends on

actions of stakeholders in initiating democracy at local level. Meanwhile, Hadiz (2005) describes that local political condition and political democratization after authoritarian regimes is such a product of dead-locked condition which makes decentralization in Indonesia in a transition process. Additionally, Firman (2003) reports the impact of fiscal decentralization upon the urban and regional development. He says that there will be a new pattern of spatial disparity among local and provincial governments due to fiscal decentralization policy in Indonesia. Fiscal decentralization policy has created horizontal fiscal disparities among the governments which then will influence on their capability to develop regions.

Furthermore, Dikun (2003) reports the conditions of infrastructure in Indonesia after decentralization. However, he does not discuss how the road planning process is in decentralization era. Then, World Bank (2003) reviews infrastructure provision in urban areas during decentralization era and discusses the mismatches of responsibility, resource and expertise facing by Indonesia government during decentralization. Finally, Sinardi (2005) explores stakeholder involvement in the road planning process in Indonesia by comparing with the Netherlands. He also notes that good governance becomes a fundamental institutional foundation to deliver road infrastructure. Therefore, it is obvious that there is a little discussion on the road planning process due to decentralization policy in Indonesia.

#### **1.4 Objectives**

The purpose of this research is to get some insights in the key issues of the road planning process in decentralized Indonesia. This study will focus on the aspects of organization structure, decision-making process and tools including laws, regulations, planning coordination and participation. The main objective of the research is to understand whether the road planning process in Indonesia is in line with the basic principles of decentralization. The development of this research is based on the following research questions:

1. What are the basic principles of decentralization in Indonesia?

This question addresses the principles of decentralization policy in Indonesia. It will be the basic framework for the research.

2. What is the concept of the road planning process according to international literature?

To answer this question, the road planning process will be explained from the international point of view and respective literature.

3. How is the road planning process in Indonesia after the decentralization policy, and to what extent the key issues of the road planning change and affect the performance of the road planning process?

By this question, the research will elaborate the road planning process after decentralization. It explains the changing key aspects of public administration in terms of the road planning process and decision making. A general description is given to the aspects, such as government structure, laws and regulations, and public participation.

4. Is the road planning process in line with the basic principles of decentralization in Indonesia?

By answering this question, it will be possible to evaluate whether decision making, government structure, laws, and public participation in the road planning process are already in line with basic principles of decentralization in Indonesia.

5. What can be concluded from the answers to the above questions? Based on the analyses of (1) to (4), a general conclusion will be drawn about the the road planning development in Indonesia. Recommendations will be made to contribute to development of road development policy and its implementation in Indonesia.

### *Relevance*

This research is expected to be useful in understanding the relationships between decentralization and the road planning process. Comparing with the existing

research, this research will discuss the key issues of the road planning process since there are significant changes due to decentralization policy in Indonesia.

### **1.5 Research Methodology**

The research process is developed based on four main activities, which are basic framework development, literature review, data collection, and analysis. Derived from the basic framework, these activities are conducted following several methodological steps. Literature review and data collection are done simultaneously to elaborate the Indonesia's case. The analysis is divided into two steps, which are narrative-descriptive analysis, and evaluative-explanatory analysis.

Detail procedure is described below:

#### *1. Basic Framework*

Firstly, this research will develop basic framework. The basic framework will explore the principles of decentralization and the concept of the road planning process. This will answer the first and second research questions.

#### *2. Collecting data and information about the key issues and the road planning process in Indonesia.*

After building basic framework, the data collection about the key issues and the road planning process in Indonesia are conducted. The collected data are derived from secondary data such as government publications, literature, articles, journals, internet, and other sources since there is limitation on the primary data.

#### *3. Narrative-descriptive analysis*

From activities 1 and 2, the road planning process in Indonesia will be described. This step will try to explain the changing of the key issues of public administration structure (legal-framework, government structure and public participation) in terms of the road planning process and how it is affecting the performance of the road planning process and decision making. By doing this step, the third question will be answered.

#### 4. *Evaluative-exploratory Analysis*

The answers of the first, second and third questions will be an input for the rest of the research questions. Through the answers, this research will evaluate the road planning process in relation to the basic principles of decentralization in Indonesia. The end result will make conclusions about the development of the road planning process after decentralization policy in Indonesia. This will provide the answer for the fourth question and conclusions.

### **1.6 Structure of the Research**

The research is divided into six chapters. The first chapter explains the principles of decentralization in Indonesia concisely, gap in literature explaining relation the decentralization policy to the road planning process in Indonesia, research objectives and questions, methodology and structure of the research. This chapter gives general information to enter the following chapters.

In the second chapter, the basic principles of decentralization in Indonesia are elaborated. Relevant literature related to the basic principles of decentralization in Indonesia will be reviewed to build the basic framework of the research. In the third chapter, the concept of the road planning process from the international literature will be elaborated. Then, in the fourth chapter, the road planning process in Indonesia after decentralization will be examined. It will describe the road planning process in Indonesia from the key issues such as legal frameworks, government structure and public participation in terms of the road planning process. Fifth chapter will synthesize all of the chapters to evaluate whether the road planning process in decentralized Indonesia in line with the basic principles of decentralization in Indonesia. In the last chapter, the conclusion and epilogues of the research will be presented. Structure of the research can be formulated in the figure below:



**Figure 1.2 Structure of the Research**

## **CHAPTER 2**

### **THE BASIC PRINCIPLES OF DECENTRALIZATION IN INDONESIA**

Most people think that the last decentralization policy in Indonesia resulted from the political, economic and monetary crisis in 1998. There was a great force particularly protested by people to the central government due to its incapability in coping with the crises (Dikun, 2003, Rasyid, 2004 and Suwandi, 2004). However, recent decentralization law clearly states that there are a few basic principles that Indonesia should follow to decentralize.

This chapter discusses the basic principles of decentralization in Indonesia. It will review government publications, books, articles, and internet where the motivations for decentralization are implicitly/explicitly described here consulted for evidence.

The first section gives explanation of definitions and concepts of decentralization from literature followed by a summary of decentralization history in Indonesia. Finally the principles that led to decentralization in Indonesia are explained. This chapter will be the basic framework for the whole research which, then, will be used to examine the road planning process and the principles of decentralization policy.

#### **2.1 Definitions and Concepts of Decentralization**

##### *2.1.1 Definitions and Concepts*

Definitions of decentralization in literature are slippery and very extensive. Decentralization can be defined differently by different people. Page (1991) (cited in De Vries, 2000) and Devas (1997) mentions that the meaning of decentralization might differ as a result of different views. For instance, local

government might be seen as a sub-ordinate government unit or integrating parts of state or local governments are driven by community. United Nations Development Program (UNDP) further states that it needs an improved understanding of the definition of decentralization in order to have a better interpretation of the theoretical definition of scholars and that of practitioners in the field. Furthermore, decentralization could be extensive or narrow in scale. The degree of transferred responsibility can vary from a few simple tasks to numerous responsibilities from central to local governance (Rondinelli, Nellis, and Cheema, 1983). These arguments show that the interpretation to implement decentralization could differ on a country-wide basis, and it also depends on how far-reaching the adoption of devolution of powers, responsibilities and functions are delegated from the central government to local or regional governments.

There is no single definition of decentralization. As mentioned above current literature offers many definitions. UN and UNDP themselves have, at least, five definitions about decentralization (UNDP, 1999). The definitions of decentralization by UN and UNDP, however, are commonly used by scholars (see Rondinelli, Nellis, and Cheema, 1983; De Vries, 2000). However, a simple definition of decentralization based on UN's definition is reported by De Vries (2000), as given below:

*“... Decentralization as the devolution of power and responsibility... from national level to local level...”*

A comprehensive classification of decentralization is prominently provided by Rondinelli (2002). This classification has been adopted in much literature (see Shah and Thompson, 2004; King, 2004; Bardhan and Mookherjee, 2006; Wittenberg, 2007). The classification allowed the identification of three types of decentralization, namely political decentralization, administrative decentralization and financial decentralization.

Political decentralization, also known as democratic decentralization, means that devolution of power from central to local government. It aims at giving citizens



and elected representatives more power in decision-making. It also has consequences to perform new tier of the government and local representative from appointed to elected by election.

Administrative decentralization is the shifting of some responsibilities and functions from national to lower government levels. Administrative decentralization itself has four different levels. *De-concentration* refers to delegating decision-making powers and responsibilities from higher to lower tier of authority. It is the weakest form of decentralization since it merely delegates responsibilities and functions from a central government office to its branch officials in lower government level. *Delegation* is more extensive than de-concentration. In delegation, the central government delegates responsibilities of decision-making to sub-national government. However, the central government does not fully control the lower tier who is to be accountable to the central government. Delegation is usually taken to transfer responsibilities and functions to semi-autonomous organizations such as public companies, river basin authorities, housing and transport authorities, and con-urbanization authorities. *Devolution* is the transfer of authority in decision-making. In devolution, local governments can exercise their general elections to elect city mayors and local representatives, authorize to raise revenue and make expenditure decision. This form of decentralization becomes the basis for political administration. And, *privatization* is the transfer of central government's responsibilities and functions to private or voluntary organizations (Rondinelli, Nellis, and Cheema, 1983).

Financial or fiscal decentralization is the most important component in the decentralization policy. As stated by de Mello, 2000 (cited in Firman 2003), one of the objectives of fiscal decentralization is to increase the efficiency of public service provisions. Thus, local governments can perform their decentralized functions and responsibilities as mandated by the central government if they are able to raise their revenue, to receive transfer from the central government and to make their expenditure decision freely, without interference and control from the central government (Rondinelli, 2002).

### 2.1.2 *Implementation in Indonesia*

Although it is quite in line with the typology, prior to 1999 decentralization is implemented in a different manner. In political decentralization, Governor, the head of districts and municipalities – *bupati* and *walikota* respectively – are appointed by the central government. They are one of the central government channels to control the local governments. They are not accountable to local representatives instead of the President through Ministry of Home Affairs (Pratikno, 2005). However, new decentralization policy has changed the political decentralization significantly. They are elected by general elections and accountable to local representatives rather than the central government.

In administrative decentralization, administrative system adopted three principles of governmental functions and responsibilities – decentralization, de-concentration and co-governance. Decentralization refers to delegating several tasks from higher level to lower level of the government. De-concentration means that central government activities in local and regional levels are conducted by ministerial department's branch offices. Co-governance refers to local and provincial governments performing activities on behalf of the central government (Devas, 1997; Niessen, 1999). New decentralization policy still holds these principles but it is conducted in different ways. Decentralization principle is given more at local levels than provincial level. On the contrary, deconcentration and co-governance tasks are mostly handled by provincial government rather than local government. As Morfitt (1986) (in Devas, 1997) and Ranis and Stewart (1994) state that there is no clear form of administrative decentralization characterizing the whole system in Indonesia decentralization before 1999 instead of co-governance and deconcentrated principles, which is normal practice in nature and fully controlled by the central government (Niessen, 1999).

Although there was a fiscal decentralization in the past, it was characterized that local governments and provincial governments received up to 75 percent and 85 persen of total their revenues from the central government respectively, while the

rest are from local revenues (PAD). PAD consists of local taxes and charges. According to Firman (2003), prior to 1999, there were only three provinces that had PAD more than half of total annual budget, namely Jakarta, East Java and Bali provinces. This shows that local and provincial governments are really dependent on the central government. Meanwhile, 75 percent of local revenues, which are in form of Presidential Decree (INPRES) development fund for economic and social development and Subsidy for Autonomous Regions (SDO) fund for salaries and operational cost of local governments, are controlled by deconcentrated unit of the central government.

Yet issues of decentralization in decentralized Indonesia can not be separated from financial decentralization as well. Financial decentralization, then, is strongly relevant to the concept of fiscal federalism. From literature, a government has three basic economic roles in the public sector: stabilisator, distributor and allocator (Musgrave, 1959; Oates, 1972). The first two roles always belong to the central government, while the third one role is usually translated into the role of regional or local governments (Sidik and Kadjatmiko, 2004) although not all of public service provisions could be provided by local or regional governments (Roeland, 2000). Macro-economic stabilization function is always tackled by the central government. Regional governments do not have means to stabilize macro-economic aspects. Although the central government can shift this responsibility to regional governments, this will lead to regional governments competing among themselves in pursuing economic growth. For instance, to attract businesses, a regional government can reduce its tax to satisfy the business needs which will result in another regional government changing its tax even bigger in order to not lose the business (Roeland, 2000). Thus, this situation could have a big impact on economic stabilization at the country level.

Besides macro-economic stabilization, income redistribution is also a role of the central government, where local or regional governments have no authority to conduct such role. This is due to mobility of economic units as mentioned by Roeland (2000). For instance, if there is a local program to reduce poverty, the

rich can move to other areas which do not have the same program to keep their riches. Therefore, the role of resource allocation to provide public service is always being the main economic reason to shift responsibility of public service provisions from central to local governments. However, not all of the public services can be provided by regional and local government so as to benefit to all citizen, such defense and law (Roeland, 2000).

From the perspective of fiscal federalism, there are two relevant basic arguments in its advantage. First is economic efficiency. Decentralization policy will make the government closer to local people. The general assumption is that local governments are better aware of issues of local communities than the central government. Hence, they will be able to allocate resource more efficiently than the central government. In other words, the people welfare will increase because people get more of what they want (Roeland, 2000). The second reason is revenue mobilization. Commonly, the central government raises revenue from a mixture of different taxes. In most developing countries, the data and information about assessable of tax payers are highly difficult. The central government only thinks through those considerable companies and persons. As a consequence, many reliable companies and persons which can be tax payers are neglected. Although the central government assumes that their exclusion is insignificant and only in a small percentage, in fact they are actually potential tax payers. By decentralization, this problem can be overcome because local governments can collect tax from these small parties. Besides, local governments know their community better than the central government; these small parties also will be more willing to pay taxes since they know where the money goes. Additionally, motivation of local government will be higher due to their revenue raising.

Literature mentions two approaches to finance local and regional governments. They are revenue sharing approach and revenue assignment approach. In revenue assignment, local or provincial government can levy taxes on their own behalf. Meanwhile, in revenue sharing, all taxes are for the central government. After all

taxes have been collected, then central government transfers some parts to local and regional governments.

In the case of Indonesia, both approaches are adopted in its new financial system (Roeland, 2000). In the revenue assignment approach, local and provincial governments can levy taxes on their own behalf. Law 32 of 2004 states that the sources of revenues are local taxes, user charges, and profit from local-owned enterprises. Revenue assignment contributes to 15 percent out of total local government revenue every year whereas almost 85 percent is gained by revenue sharing from the intergovernmental fiscal transfer (Sidik and Kadjatmiko, 2004). According to Firman (2003), the total transfers were 17 percent in 2000, but reached 29.3 percent of National budget in 2003. Hence, it appears that there is a significant change in local government revenues by new fiscal transfers system.

Intergovernmental transfer system is divided into three categories, i.e. revenue sharing, general allocation grant (DAU) and special allocation grant (DAK) (Brodjonegoro and Martinez-Vasquez, 2004; Sidik and Kadjatmiko, 2004).

There are three types of revenue sharing mechanisms namely property-based taxes (property tax or PBB and land transfer fee or BPHTB), natural resource revenues (forestry, mining, fisheries, oil and gas), and personal income taxes. The change of proportion of revenue sharing before and after decentralization policy is presented in the table 2.1 below.

General allocation grant (DAU) is a very important aspect of revenue transfer for local governments. It aims at reducing fiscal imbalances or gaps (Brodjonegoro and Martinez-Vazquez, 2004) among government levels. The allocation of DAU grant takes into consideration several variables in its calculation formula such as population index, area index, and construction price index and poverty index. It comprises of up to one-quarter of the total central government revenues every year. Nine-tenths of which is allocated to local governments, the remaining one-tenth is allocated to provincial governments (Firman, 2003). It is a source of almost three-fourth of total local government expenditure every year. As can be

inferred by its name, DAU grant gives full freedom of choice to local government to spend their expenditure based on their priorities.

**Table 2.1 Proportion of Sharing State Revenue Before and After Decentralization**

No	Revenue Types	Before			After		
		Central	Province	Districts/ Municipalities	Central	Province	Districts/ Municipalities
1	PBB	9	16.2	64.8	9	16.2	64.8
2	BPHTB	20	16	64	16	16.8	67.2
3	Forestry: IHPH	55	30	15	20	16	64
4	Forestry: PSDH	55	30	15	20	16	64
5	Mining: Land Rent	20	16	64	20	16	64
6	Mining: Royalties	20	16	64	20	16	64
7	Fisheries	100	-	-	20	-	80
8	Oil	100	-	-	85	3	12
9	Gas	100	-	-	70	6	24
10	Personal Income Tax	100	-	-	80	8	12

Notes:  
PBB: Property Tax  
BPHTB: Land Transfer Fee  
IHPH: Forest Concession License Fee  
PSDH: Forest Resource Provisions or Resource Royalty Provisions

*Source: Sidik and Kadjatmiko, 2004*

Special allocation grant (DAK) is intended to fund important needs of local governments that can not be fulfilled by the DAU grant. It is usually directed by national priorities and commitments. However DAK grant has minor role in intergovernmental transfers in Indonesia's decentralized fiscal system. Until 2005, the proportion of DAK grant allocation to total national expenditure is still less than 2 percent (Usman et al, 2008). DAK grant are mostly collected from timber-rich provinces where two-fifths of the grant are used to reforestation programs managed by the central government. The remaining three-fifths of the grant is prioritized to primary and secondary education, healths, roads and irrigations (Firman, 2003).

Local loans are other source for local government revenues. However the central government seems to be so unenthusiastic to it. Generally, local loans are only allowed for long-term loans such as road infrastructure development in which local governments are able to generate revenue to repay the debt (Firman, 2003).

## **2.2 Decentralization History in Indonesia**

### *2.2.1 Decentralization Laws*

The initial idea of decentralization in Indonesia is not new. Since 1900s, there has been 8 decentralization laws that have been promulgated. It can be traced back to period of Dutch colony of Indonesia. Sulistiyanto and Erb (2005) reported during this time, there are three laws enacted by Dutch colonial government within different years, i.e. in 1903, 1905 and 1922. But implementation was very limited. As Suwandi (2004) later said, during Dutch colonization period, it is not decentralization instead of de-concentration. Dutch colonial government preferred to efficiency rather than political objectives or democratization.

When the Dutch left the country in 1942, Japan inherited all of Dutch decentralization structure to which they did not make any significant change. During 1942-1945, Japan's focus was on exploitation of natural resources and preparing people to confront the Allies. Issues of decentralization re-emerged during the revolutionary years, 1945 - 1949, by the promulgation of Law 1 in 1945. This law, concerning Regional Government, was elaborated later by Law 22 of 1948. However, this law was not able to be implemented because Jakarta is lacked of power and political uncertainty reigned due to war with the Dutch. In this period there were many conferences between the Dutch and Indonesia governments about the form of governance. At the end, the Dutch only admitted independence of Indonesia provided that Indonesia remain the form of federal country.

Furthermore, during period 1949-1950, Indonesia was a federal country known as United States of Indonesia (*RIS*). During this period, although there were no new laws concerning decentralization there was a new regulation to implement Law 22 of 1948. Then, Indonesia returned to Unitary State of Indonesia (1950-1965), known also as Old-Order era. During this period, issues of decentralization reappeared by enactment Law 1 of 1957 on Regional Government. This law, however, did not stay longer. The Presidential Decree of 1959 which announced the return to the Constitution of 1945 due to regional rebellions in Sumatera, Sulawesi and West Java (Hofman and Kaiser, 2004) led to its replacement by a new Law 18 of 1965. Still, Law 18 of 1965 was not to be implemented due to authoritarian of Suharto's New Order era. During this era, the government put new set regulations on regional governments by the promulgation Law 5 in 1974 concerning Government in the Regions, in which it was never fully implemented and the progress of decentralization in Indonesia was still similar to previous laws. This law held on until the late 1990s after the downfall of Suharto, during Reformation era (1999 till now), it has been replaced by Law 22 of 1999 on Local Government and finally, then, it was revised by Law 32 of 2004. The table 2.2 below shows comprehensive summary all of decentralization laws in Indonesia over the last century.

### *2.2.1 The Content of Latest Law Revision*

This revised version of law gives a clearer explanation and information about the roles of provincial government, compared with previous laws. Law 22 of 1999 did not provide a clear distinction between role of local and provincial government instead of the authority of provincial government as de-concentrated responsibility from the central government and inter-local government management affairs. As explicitly stated by the previous law, the authority of local government consists of all of governmental affairs except foreign affairs, defense, national security, justice, monetary and national fiscal, and religion. Law 32 of 2004, then, elaborates briefly the authority of provincial government and local government in the term of rights and duties which can not be found in the Law 22 of 1999.



**Table 2.2 Decentralization Laws in Indonesia, 1900 - 2000**

Period / Law		Political	Administrative	Fiscal	Indicator
<b>Dutch Colonial (1900–45)</b>	Law 1903	Delegation of power to local government	Delegation of authority to local government	Delegation of powers to levy on taxes	Decentralization
	Law 1922	Delegation of power to provincial government	Delegation of authority to the 'native' in Java		
<b>Japanese Colonial (1945–45)</b>		Centralization of formal power	Shifting of responsibility to central government	Fiscal centralization	
<b>Revolution (1945-49)</b>	The 1945 Constitution	Unitary Republic			Centralization
	Law 22/1948	Delegation of democratic principle	Delegation of authority	Fiscal devolution	
	Dutch Policy (1948-49)	Federal states	Administrative decentralization	Fiscal decentralization	Decentralization
<b>Old Order (1949-65)</b>	Unitary	Unitary State	Administrative centralization	Fiscal centralization	Centralization
	Law 1957	Division of power	Administrative devolution	Fiscal centralization	
	Presidential Decree 1959	Guided Democracy	Administrative centralization	Fiscal centralization	
<b>New Order (1965-98)</b>	Law 18/1965	Devolution of power	Administrative centralization	Fiscal centralization	Centralization
	Law 5/1974	Centralization of power under army and civil bureaucracy	Administrative centralization	Fiscal centralization	Centralization
<b>Reform Order (1999 – present)</b>	Law 22/1999	Devolution of power; democratization; strengthening of local legislation	Redistribution of authority and responsibility	Expenditure devolution; revenue centralization	Decentralization
	Law 32/2004	Devolution of power; democratization; strengthening of local legislation	Redistribution of authority and responsibility	Expenditure devolution; revenue centralization	

*Source: Jaya and Dick, 2001*

Additionally, the revised Law 32 of 2004 mandates the broader role of provincial government. For instance, relating to Annual Local Development Planning and Budgeting (*APBD*), there was no role of provincial government in the planning and budgeting process in law. However, based on Law 32 of 2004, after stipulation of APBD by local parliament, the APBD must be evaluated by

provincial government although the evaluation process does not undermine the content instead of evaluation of consistency with prevailing law and regulation.

Furthermore, Law 32 of 2004 also emphasizes that local governments are not self-sufficient in their authority but they have inter-dependent relation to other governments. The law mandates that local governments should build synergy with other local governments in authorizing their areas. It is based on the fact that administering local autonomy in Indonesia considers the externality principle (see article 11 Law 32 of 2004). This is because during the implementation of Law 22 of 1999, many local governments considered that they were self-sufficient in managing their authority.

The revised law also diminishes the authority of the local parliaments which acted outside of their given authority. They overdid more their supervision role than legislative and budgetary roles to local government as their counterpart (Usman, 2002). For instance, local government can easily propose to the president to end mandate of the *bupati* or mayor if their final accountability report upon the implementation of Annual Local Development Planning and Budgeting (*APBD*) is considered unsatisfactory. However, Law 32 of 2004 draws such role out, and gives the role in the hand of president.

### **2.3 The Basic Principles of Decentralization in Indonesia**

The principles that prompted Indonesia to adopt decentralization could be found in the preamble and explanatory note of Law 22 of 1999 on Local Governance and its revised version, Law 32 of 2004. The preamble of Law 22 of 1999 mentions the following reasons for decentralization:

”to bring about local autonomy more emphasis is needed on **democratic** principles, **community participation, equity and fairness** by considering the potential and diversity of the regions” (Preamble of Law 22 of 1999).

In its explanatory note, the law states that it should be implemented "along democratic lines; with community participation, equity and justice and taking into account the diversity and potentials of the regions."

In the preamble of revised version of Law 32 of 2004, it is also added that:

**"Efficiency and effectiveness** of local governance needs to increase with giving more attention on relationship on government composition and inter local governments, potency and diversity, opportunities and challenge towards global competition..." (Preamble of Law 32 of 2004).

### 2.3.1 *Democratization*

With respect to democratization, there was a strong motivation to build a democratic nation after Indonesia's Independence in 1945, and a trend to implement decentralization policy from at the beginning time after Independence Day in 1945 to relate democratization in decentralized policy in Indonesia. This argument was supported by based on article 18 of the 1945 Constitution (Matsui, 2003) concerning local government, which stated:

*"Regional division is conducted based on small and large areas in which the governmental arrangement is appointed by laws with considering national governance system..."*

Literature notes that the implementation of decentralization is strongly related to the idea of democratization. Decentralization should enable local communities to make decisions at local levels in which it is close to them that will be affected by the decision made. Moreover, decentralization should be able to provide a way to give localities freedom to make choices in their decision-making without intervention of the central government. Decentralization in Indonesia can be classified from the typology provided by UNDP, as political decentralization, which is sometimes referred to democratic decentralization. Democratic decentralization means the shifting of decision-making responsibilities to lower level of the government. Thus, this results in the changing of the government organization and structure of from appointed to elected bureaucrats (UNDP, 1999). In addition, from the point of view of manageability of the governments,

democratization is very important in reducing the nature of planning and decision making of the central government which is always unresponsive to local needs and preference (Niessen, 1999).

From a political perspective, prior to the decentralization policy in 1999, political democratization in Indonesia is artificial. During the New Order period, 1966 – 1998, five times general election had been organized in Indonesia for presidency. However, general elections during this period are merely symbolized and clearly unfair. After almost 32 years under authoritarian regime of Suharto, there are only three political parties, i.e. United Party for Development (*Partai Persatuan Pembangunan*, or *PPP*), Indonesia Democratic Party (*Partai Demokrasi Indonesia*, or *PDI*), and Functional Groupings Party (*Golongan Karya*, or *Golkar*), and *Golkar* as political vehicle of the regime which have won every single general election from 1966 until 1992.

Meanwhile, although local governments and autonomies are already present, they are unable to perform general elections for electing governors and *bupatis* or mayors locally. All heads of local governments, both the governors and the *bupatis* or the mayors, are appointed by the central government. They are appointed by the governor with the approval from the Ministry of Home Affairs. Similarly, Governors are appointed directly by president for a period of 5 years.

Furthermore, from an administrative perspective, decentralization before conceptually attached by the idea of democratization was half-hearted or incomplete autonomy. Autonomy that was given to regional government was mixed between needs of the central government in order to implement policy at local level and to satisfy regional governments that they have decentralized feelings. During that autonomy, provincial governments were not able to freely determine their own interests. For instance, the aim of the INPRES program development fund and Provincial Development Programs were to broaden the autonomous role of provincial governments but the goals of the programs were still determined by the central governments (Silver, 2003; Hidayat, 2005). In

addition, as Mofitt (1986) (cited from Devas, 1997) and Ranis and Stewart (1994) mentions, Indonesia decentralization before 1999 is mainly a form of deconcentration and of delegation of responsibility instead of real devolution of power. The central government has kept control of its authority power over local governments and local choices are substantially limited. In fact, the most decisions are made by national government and do not necessarily reflect local preferences.

In short, there was no real democratization in the pre-1999 decentralization for local government. It was simply about the executing activities already determined by the central government and conveying public service at local level determined by the central government and about the shifting responsibility from central to local government without delegating power to local governments to make decisions (Devas, 1997). As a result, the long periods under the autocratic system has led to great demand from citizenry to end it, and to gain greater involvement and participation in managing their needs locally (Amri, 2000).

### *2.3.2 Public Participation*

The discussion on public participation in decentralization literature is focused on ability of community to exercising the power of decision making. Decentralization allows communities to influence and control decisions that will affect them, which previously was always taken by the central government in centralized system without considering local preference and needs (Devas and Grant, 2003).

Implementation of decentralization in developing countries, as stated by Hadiz (2005) is a result of more power concentration in the central government, which subsequently generates a strong dependence of local governments to the central government. Thus, such conditions create disappointments of communities due to a lack of awareness of politicians and bureaucrats and a lack of ability to voice their preferences and needs which are actually different from one place to another (Devas and Grant, 2003).

Increasing public participation will ensure transparency in decision-making (Shah, 2007). This is because there should be transparent information of public administration that enables public to control the performance of local government effectively and to react correctly to that performance, so that local officials have incentive to be responsive to the needs and preferences of community (Rondinelli, 2002).

It is also true that another reason why Indonesia goes to decentralization is to involve local communities in development process and decision making, thereby to educating citizens to participate in the democratic process (Suwandi, 2002) in order to construct civil society. According to Damayanti (2002) during long period of authoritarian rule under New Order of Suharto (1966-1998) and patronage system (Hadiz, 2005), politicians and bureaucrats both from central and local levels took advantage of communities and always excluded them from development and planning process. All national development programs from east to west in Indonesia are noticeably uniform without considering local characteristics and diversities among regions.

### *2.3.3 Equity and Fairness*

Another important benefit of decentralization is its ability to generate equity and fairness among regions (Ford, 2001; Seymour and Turner, 2002). In allocating resources, the government will encourage equity when in the decision-making process, it communicates with the participation of representatives from a wide of political, religious, tribal and social groups. In addition, decentralization is a way for the central government in order to acquire good information about local and regional conditions, to plan based on obtained information from localities and anticipate the change and problem which could be arose anytime during the implementation of development programs of the central government (Rondinelli, Nellis, and Cheema, 1983).

Authors like Niessen and Pratikno agreed that Indonesia is a suitable candidate for decentralization due to its diversities (Niessen, 1999; Pratikno, 2005). Indonesia is a large archipelago country with total area of about 4.8 million square kilometers, in which 2.9 million square kilometers is covered by sea and the remaining 1.9 million kilometers is land. It has more than 17,000 islands which only fewer than 14,000 is inhabited. It stretches 5,110 kilometers from east to west and 1,880 kilometers from north to south. In addition, Indonesia is one of the most populated countries in the world which has more than 230 million people, and moreover, almost 60 percent of total population is concentrated in Java island.

Religion also contributes to diversity among regions. Islam is predominant religion of the country, while, other four religions – Protestant Christianity, Catholicism, Buddhism and Hinduism are also present. By all of those diversities, according to Pratikno (2005), it will be very difficult for the central government to govern effectively and it needs local government to build communication with various communities which have their own difference with others.

Ethnic and regional conflicts also make the need for decentralization more urgent (Devas, 1997; Ahmad, Devarajan, Khemani, and Shah, 1997). Indeed, as stated by Firman (2003), decentralization policy in 1999 was the best way to save Indonesia from *Balkanisation*. This is due to riots which happen in some parts of the country during transitional Indonesia. One of example is Solo, which has also historical riots of ethnic conflict (see box 1).

In 1950s, there were many rebellions occurring in a few regions in Indonesia; such as PRRI rebellion in Sumatera, DI-TII rebellion in Java, RMS rebellion in Halmahera, and Permesta rebellion in Celebes. Most of these regional rebellions were manifestation of regional dissatisfaction regarding the building of unitary states at the initial period of Indonesia's independence. However, these rebellions can be alleviated by New Order government under President Suharto which succeed establishing a unitary states of Indonesia although it is in form of centralized and authoritarian government.

**Box 1**  
**LOCAL CONFLICTS IN SOLO**

After the downfall of Suharto regime in 1998, there was several serious violences in Solo. Apart from personal and social property loss and destroyed, Solo lost around Rp500 billion (\$58,823,529, at \$1=Rp 8,500), 10,000 people lost their jobs, and around 50,000 to 70,000 people became unemployed.

In its local history, due to economic disparities and socio-political issues, Solo experienced at least 11 major riots relating to economic disparities and political and social issues between 1911 and 1998. These began with the conflicts between Javanese and Chinese traders in 1911, radical anti-Surakartan Palace movements in 1918–1920, and anti-Chinese movements in 1960 and 1980.

Character of Population in Solo District, 2003

Characteristic of Population		Sub-District				
		Jebres	Pasar Kliwon	Laweyan	Banjarsari	Serangan
Religion	Muslim	103,901	54,130	85,215	114,368	47,048
	Chrisitian	30,624	30,289	21,133	45,590	14,500
	Buddist	1,397	869	433	1,556	145
	Hindu	944	87	419	869	62
Socio – economic Character		Ethnicity Academic	Religious	Enter-preneurial Urban	Slum, Agriculture	Industrial Area

Source: Widianingsih (2006)

During the New Order regime of Suharto (1966-1998) the centralized government is predominant system throughout the country. Niessen (1999) argues that the centralized government can create regional dissatisfaction due to archipelago character of Indonesia. It is supported by Charras (2005) that since 1960s outer regions or islands have been exploited by Jakarta. Outer islands are characterized by sparsely in population but richly in natural resouces. For instance, the provinces of Aceh, Riau, East Kalimantan, and West Papua are rich in oil and gas which are the most important resources for nation income (Fanany, 2003). On the other hand, Java is densely in population but lacks in natural resources. Most natural resources extraction are coming from outer Java. Subsequently, economic development in these outer islands is at lower pace than others resulting in a slow economic growth. In addition, minimum of investment in outer islands makes them lacking of modern employment opportunities and creates regional imbalance (Charras, 2005).



Other reasons of regional imbalance during centralized government were transmigration and urbanization. Transmigration programs of the central government aim at creating an even population distribution. Moreover, transmigration resulted in poor people from Java Island migrating to outer islands, moving poverty out of these places. At the same time, many educated people from outer islands migrate to Java to look for job and comfortable living in urbanized areas in Java Island. All of these conditions generate regional imbalance and inequity between Java and outer islands.

Regional inequality is also felt in managing governmental affairs in local and regional government. Charras (2005) mentions that in non-elected offices or de-concentrated offices- *kanwil and kandep* - in provinces and municipalities, senior and important positions are mainly held by Javanese. Also most operational and developmental programs of local and regional governments strongly depend on financing from the central government.

Some descriptive indicators that illustrate regional inequities and disparities are provided by World Bank (2007). In Jakarta and other cities in Java, school and health facilities are comparable with cities in other Asian developing countries. Meanwhile, school and health facilities in East Indonesia are only comparable with the school and health conditions in African countries. Provinces that are producers of crude oil and gas resources, such Riau and East Borneo have gross regional products 20 times higher than the Maluku and East Nusa Tenggara provinces. Some regions benefited from high amount of local income from the central government, while for others this grant was substantially low. Silver (2003) further elaborates that inter-governmental transfer in the 1980s and the 1990s show inter-regional inequities. Inter-governmental transfers during these periods were directed to Java since Java is the most-populated island in Indonesia and therefore receives benefits in a centralized system. This results in inter-governmental transfer to reallocate central government revenues in the format of INPRES development fund during that time was therefore not enjoyed by the outer islands. Also, as Amri (2000) states, in 1995/1996 almost 90 percent of tax

potencies were collected by the central government, and only 10 percent of them were shared to local and provincial governments.

Other indicators such as poverty rate and Human Development Index vary among regions. Most of cities have poverty index below 3 percents, while Manokwari and Puncak Jaya districts in Papua have poverty rate more than 50 percent. Meanwhile, the Human Development Index in Indonesia is 0.66 in average with varying from 0.47 for Jayawijaya district in Papua to 0.76 for East Jakarta.

From the regional development planning perspective, as Charras (2005) stated, there is no local initiative in the planning process. This results in top-down planning becoming dominant. Furthermore, regional development planning is conducted without considering integrated national space and inter-provincial boundaries. Development of transportation mainly aims at linking to Jakarta as a hub without considering provincial linkages. For instance, to fly from Pontianak, capital of West Kalimantan province, to Palangkaraya, capital of Central-Kalimantan province, a transit via Jakarta is necessary.

Inequity generates conflicts which could create further inefficiency in managing governmental development (Niessen, 1999). If inequities exist among regions, the central government should take initiatives to reduce it by giving treatment and stimulant which further creates inefficiency. This further emphasizes the need for local and provincial governments to lessen dependency on the central government which can be achieved by creating autonomous decentralized government. Amri (2000) mentions not all of regions in Indonesia have plentiful of natural resources and the decentralization process initiated in 1999, which had been postponed for decades, is an opportunity to achieve justice and equity among regions.

#### *2.3.4 Efficiency and Effectiveness*

Literature mentions that decentralization could be an effective way to deliver public service. Efficiency in delivering public service can be achieved if public

service delivery encompasses a small scale of economic scope, such as solid waste management, water supply, urban transit and road maintenance. Decentralization can, indeed, reduce the cost of public service, which it always creates unreasonable cost in centrally planned system (Rondinelli, Nellis, and Cheema, 1983; Seymour and Turner, 2002; Ford, 2001)

Furthermore, Devas and Grant mentions that decentralization of responsibility in delivering public service at local level results in better allocation of local resource (Devas and Grant, 2003) and provides better public services in general (Firman, 2003). With decentralization, decision making on public service delivery will truly reflect the needs and preferences of those that will be affected by decision – such decisions are more efficiently handled by local government rather than the central government.

Another view from the financial point of view is that it will be very difficult for a central government to make decisions about local governments' needs and expenditures (Silver, 2003) and subsequently to disburse public funds efficiently (Firman, 2003). It means that local government should be allowed to determine their needs and their expenditures and it can only be achieved through decentralization.

The benefit of decentralization in relation to communities is that local governments can be a channel to establish communication between the government and the local communities (Rondinelli, Nellis, and Cheema, 1983). In some countries, local communities will be familiar with national development policies by using decentralization as a means. It is difficult for the central government to stay close with local communities and becomes one of limitations of the central government for local community (Seymour and Turner, 2002). On the other hand, if local governments exist in local communities, it could be easier for the government to hear local voices. In short, it can not be done by centralized government, especially, in such large countries like Indonesia.

For Indonesia, decentralization will ensure efficiency in carrying on public service. Niessen (1999) believes that Indonesia's geographical area and population make it suitable candidate for decentralization. Its regional division will be still larger than many small countries in this world. Furthermore, decentralization before 1999 is regarded as the duality on responsible (Niessen, 1999) in the nature of de-concentration and co-governance of decentralization. It is indicated that de-concentrated institution of the central governments in provinces and municipalities is doubled by the same institution of local and regional government which has the similar functions respectively.

Finally, decentralization in Indonesia by law 5 of 1974 concerning Regional Government is a good opening move although it is still inefficient in many aspects and slow in progress (Devas, 1997). It is the frustration of local governments, especially for outer islands and the unreasonable control of the central government that led to a new decentralization process in 1999 with objective to promote better delivery of public services (Usman, 2001; Alm, Aten, and Bahl, 2001).

## **CHAPTER 3**

### **THE ROAD PLANNING PROCESS**

The importance of this chapter is to provide a brief explanation of the rationale of the road planning process, relation road planning to decentralized governance, and the implementation of road planning in the decentralized governance system before the discussion goes to the road planning process in Indonesia in **Chapter 4**.

The chapter is started by description of the role of road infrastructure planning. At this section, it discusses the importance of road infrastructure and objectives of road infrastructure planning. The chapter will continue to discuss the nature of planning process itself. The idea of planning and the decision making process will be discussed within this section. Then, it will continue to discuss the road planning process in the decentralized governance system which mainly concentrates on institutional road planning frameworks. Finally, the chapter will be ended by illustration of the implementation of the road planning in the decentralized government both in developed and developing countries.

#### **3.1 The Role of Road Infrastructure Planning**

##### *3.1.1 The Importance of Road Infrastructure*

One of the major components in the transportation system is the road infrastructure, which plays an important role in the functioning of society and economic growth (Leleur, 1995; Parkin and Sharma, 1999). In case of Indonesia, the mobility of the national economy mostly depends on the reliability and the level of the road network service because passenger and cargo transports are still being carried through the road infrastructure network. The role of other transportation modes is still small if it is compared with the role of the road transportation, except for the railway transport passengers in the Java Island. Results from survey of the national transport in the beginning of 2000, showed

that road transport dominated approximately 80-90 percent of all the trips in the Java and Sumatra Islands, while the train only had share around 10.5 percent.

The vehicle mobility during 2002 through the national and the province road network in general could reach 201 million vehicles-kilometers. It does not include the vehicle mobility in the district or municipality road networks which are along more than 240 thousand kilometer as well as the network of the village roads. Based on the results from road and national traffic survey during 2002, it was estimated that Road User Costs (RUC) in the overall national and provincial road network reached 1.55 trillion rupiahs per day that consisted of 1.38 trillion rupiahs of vehicle operating costs and 168 billion rupiahs of travel time value. From the RUC number, 720 billion rupiahs are borne by road users in Java Island, 480 billion rupiahs in Sumatera, and the remaining 350 billion rupiahs are borne by road users in East Indonesia (Dikun, 2003).

### *3.1.2 The Objectives of the Road Planning*

According to Parkin and Sharma (1999), formal planning might not be needed in developed regions. It is assumed that all necessary infrastructures are available in sufficient quantities; although there may be a number of improvements expand. The declining quality of the older urban infrastructure such drainage system may need a revitalization program. It will require planning. For the implementation of the new technology on the traffic control also needs planning to take it.

In the contrary, the planning is a must in the developing regions. It may be noted that unequal type, scale and distribution of infrastructure are easily found in the developing regions.

For the pro-supporters of planning, the capitalist market is deemed not to allocate resources efficiently and effectively. Therefore, it can not be invoked the market to provide all social needs. In the contrary, it is argued that the planning and regulations inhibit private initiative and are far too expensive. But, as Parkin and

Sharma (1999) states that in recent decades, there is a significant attention of politicians to uncut the governmental infrastructure expenses that have clearly relevant to solving social problems such road. It is clear that who will provide the villagers with road except the government.

The further elaboration of objectives can be found in those two books. In their book, Parkin and Sharma (1999) further provides the objectives of planning from the perspectives of economics and politics, while Leleur (1995) gives the objectives of planning from the perspectives of economics and environment. The following sub section will summarize the objectives of the road planning from those perspectives.

#### *Economic*

The government intervention is needed due to the failure of market to provide society public goods. The government needs to provide all aspects of roads that can be enjoyed by everyone. It is no matter they have to pay for them or not. At the local level of objectives, it will relate to vehicle mobility, people accessibility, safety, comfort, and urban quality. Meanwhile, at regional and national level of objectives, road development will support economic life, trade and industry and link over regions.

#### *Politic*

In the pluralist society, policy decisions of road development usually are subject to interaction of interests among actors. There will be a bargaining process to allocate road as a resource. Hence, the actors may have different role in planning process: interaction, incentive or intervention role (Linden, Ike and Voogd, 2004). But who will speak for the weak or consider long-term interest such negative impacts upon environment? Only the government intervention can create balancing between different interests through planning.

### *Environment*

Government needs to intervene in order to provide environmental protection to its citizen. Development of road infrastructure could increase the use of vehicles that can pollute the air, water body and populated area in the long-term period. It also could have further negative impact to the environment such acid rain and green house effect. Additionally, private production such the development of supermarkets if uncontrolled by regulations can trigger traffic disruption.

## **3.2 Planning Process**

### *3.2.1 The Idea of Planning*

Generally, planning is a broad activity. It is justified to discuss the planning at operational project level, for instance, a project to solve congestion at a certain traffic crossing on the road network, or strategic level, e.g. to create long-term strategies and their consequences for the development of the road sector.

Therefore, planning can not be conducted without involving two perspectives in practice: technical perspective and political perspective (Leleur, 1995; Parkin and Sharma, 1999). Basically, technical perspective is developed by using reasoned choice model of individual or group decision making. The model has been translated by planner to conduct planning process – later known as rational planning. Several steps of rational planning process in many planning literature can be seen as follows (Friedmann, 1987; Parkin and Sharma, 1999; Linden, Ike and Voogd, 2004):

1. Problem diagnosis
2. Goal formulation
3. Prediction of consequences
4. Design of alternatives
5. Determination of remedial measures
6. Evaluation of alternatives and choice (ex-ante)
7. Decision based on information from the previous stage

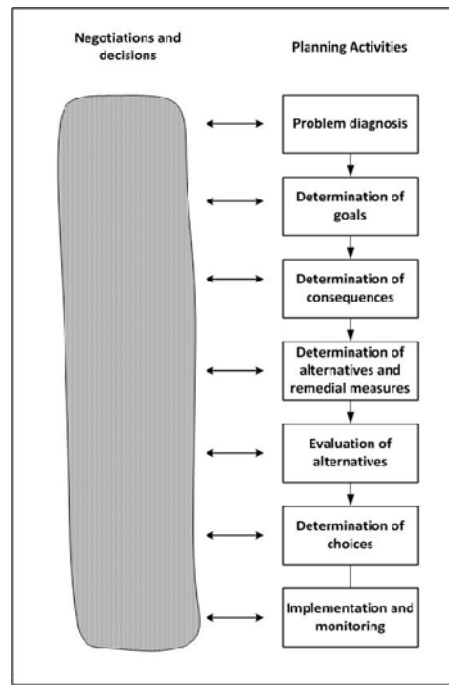


8. Implementation
9. Monitoring and evaluation (ex-post) and feed-back

On the other perspective, planning has its political attribute towards decision making. It is due to that it has process that involves many people, groups and organizations in making decision. This is one of critics of rational planning that there is influence of different parties which involves many actors, interests and interdependent relationship. Moreover, general steps of planning process can span from long-term plan to short-term plan or from strategic to operational planning.

### *3.2.2 Decision making process*

The importance of planning process is primarily related to its influence on the actual decisions. However, according to Leleur (1995), the steps of planning process are not necessarily dependable with the actual process of decision-making, though such a scheme could give the impression that planning is purely a technical discipline. This is now recognized as a formal and narrows to an understanding. An understanding of the planning has been improved by paying explicit attention to concrete situations, because certain decisions, well-informed or not, may be crucial to the possible outcome.



**Figure 3.1 A decision-oriented model of the road planning process**

*Source: Leleur, 1995*

The decision focused planning process assumes that the planning should be seen as interaction process between discover, learn and negotiate the planning activities. So in planning process, the technical possibilities and limitations of the planning task at hand are mixed in a dynamic way with the possibilities and limitations of an organizational and political nature. In this context, a fundamental question is that the implementation of plan as part of a democratic process must be transparent and understandable to all actors involved in the planning.

This approach may differ from the other planning approach - traditional approach of planning or rational comprehensive planning. It is not focused on analytical or an ideal planning solution. Rather, it aims at supporting decisions in a most effective way. However this approach to road infrastructure planning does not refer to that the analytical methods are not required, but that they should be used in a less narrow way than traditionally was. Instead of thinking of the results of the analysis, they can be included as specific elements of value-laden strategies to

be addressed in managerial decision-making with regard to the interests involved in the planning process.

### **3.3 Road Planning in Decentralized Governance System**

In its operation, road planning is influenced by the adoption of governmental or governance system. It results from the form of the planning framework that is adopted. This argument is supported by, for instance, Dimitriou (1992) who mentions that the power possessed by planning institution is shaped by the degree of decentralized governance. Although it is likely influenced by several other factors, degree of decentralization adopted plays a significant role in inspiring the operational of road planning in a particular country.

Dimitriou (1990) emphasizes the importance of institutional road planning frameworks. In decentralized governance system, road planning requires larger political and financial support at local government levels. The role of planning institutions is also significantly importance. There should be devolution of power to planning institution apparatus to make decision extensively. It is to avoid the dominance of political influence or too much for the administration to cope with since the road development costs are much expensive particularly in urban area.

However, the advantage of decentralized road planning is actually still arguable. In the one hand, for those who belong to the advantage of thinking indicate that centralized road planning tends to isolate local problems (Friedmann, 1973). It is argued that decentralization of road planning will generate administration delay and normally support over small road development projects only.

On the other hand, there are several road planning problems arising when the road planning is decentralized (Dimitriou, 1990; Dimitriou 1992). By decentralization, there is a limitation of the central government involvement in the road planning. Then, it is argued that limited involvement can neglect the role of the central government and aggravates the local transport problems.

The implementation of decentralized road planning is different among developed and developing countries. Banjo and Dimitriou (cited in Dimitriou, 1990) argue that the implementation of decentralized road planning in the developing countries are considered as improper duplication of road planning framework in the developed countries.

Several weaknesses of institutional support for road planning framework in developing countries also have been reported by Dimitriou (1992). Lack of coordination among planning authorities and insufficient capability of human resources are among other factors which create problems of road planning in decentralized developing countries. Duplication of responsibilities in road planning has led to indistinct roles of who does what. For instance, in Indonesia and Nigeria, the Ministry of Public Works holds the significant roles in the road sector, while it co-exists with much less influential ministries, such as the Ministry of Transport. Sometimes this duality of responsibility contributes to a lack of division of roles and functions toward road planning. It results from that the solution of transport problems is sometimes more than just road problems. Meanwhile, a lack of adequately qualified planning personnel is another reason as a basic problem of road planning in decentralized developing countries. In most developed countries, as Dimitriou (1992) argues, the road planning of decentralized government is conducted with the assistance of the central government planning institution which sometimes involves international planning agency personnel and foreign consultants. However, the road plan is unable to be implemented since it is relied on the capacity of local government institutions which usually experience the lack of man power capacity. This situation is aggravated by the assumptions that it needs more qualified and professional man power in the road planning stage rather than the road implementation stage.

Therefore, road planning in a decentralized governance system needs compatibility between planning and implementation. As Friedmann (1973) says, there is compatibility between institutional planning frameworks and the surroundings they serve. Road planning and the implementation should take place within the

context of institutional planning framework. If it is not, what have been planned will have less relevance to the community needs and preferences. Hence, there should be mis-allocation of the local resources.

### **3.4 Comparison of the Road Planning in the Decentralized Governance System between Developed and Developing Countries**

This section will review a brief comparison the empirical implementation of decentralized road planning between developed and developing countries. The comparison gives mainly the implementation in developing countries compared with a particular developed country. The countries chosen are Zambia, Nepal and Uganda representing developing countries, and The United States as represented of developed country.

This comparison concentrates on the fiscal aspect and planning responsibilities between central and local government within their institutional road planning frameworks respectively.

#### *3.4.1 Zambia*

After its independence, Zambia adopts a mixture of decentralization form which is delegation and decentralization as a manifestation of its decentralization policy. Idea of devolution is dominantly reflected in decentralized Zambia. Devolution has been translated by representing various central government ministries in provincial and district governments by appointed officials. Besides responsible for their respective provincial and district heads, these officials are also accountable to ministerial headquarters in Lusaka (Mukwena, 2004). Delegation of specific functions has mainly occurred through the creation of semi-autonomous or statutory boards such as National Housing Authority (NHA), the Dairy Produce Board (DPB), and National Agricultural Marketing Board (NAMBOARD). The Zambian government also has delegated certain functions to nongovernmental organizations, for instance, the Zambia Cooperative Federation (ZCF), a

nongovernmental apex organization which was created by voluntary “primary” cooperative societies in order to coordinate and promote the activities of cooperatives in the country. The National Road Board (NRM) is semi-autonomous board which has significant role to deal with road infrastructure development instead of provincial and district governments (Robinson and Stiedl, 2001).

Initially, there is a system to finance the maintenance of district roads through 40 % share of the road fund based on a certain allocation formula. However, after several years implemented, the reliability of the system is questioned by district governments since there is dominant allocation to road development for Lusaka. Also, there is no clear fiscal decentralization mechanism among government levels.

In the road planning, local governments do not have responsibilities to plan both at strategic or operational level. Hence, road planning is solely responsible of the National Road Board (NRM) as the principal agent. NRB almost makes all decision and manage the road development.

### *3.4.2 Nepal*

In 1999, The Government of Nepal promulgated decentralization law, namely the Local Self -Governance Act (LSGA) and Local Self Governance Regulation (LSGR). Both law and regulation give support to self governance and devolution of authorities to all government tiers. Nepal implements a two-tier local governance structure with District Development Committees-DDC as much as 75 districts on the top tier and municipalities as much as 58 municipalities and Village Development Committees-VDC as much as 3913 on the lower tiers.

Implementation of decentralization policy is controlled by Decentralization Implementation and Monitoring Committee (DIMC) which is headed by prime minister. The committee has responsibility to monitor and direct decentralization efforts throughout the country (Nawaraj, 2004).

In Nepal, there is no clear fund separation between road development and other activities. Financial support is from grants from the central government and donor projects, while there are also some conditional grants for road development.

Unlike Zambia, local governments in Nepal have responsibility to road planning. It depends on the sources of road development funding because sometimes decision making is made by the central government. However, local governments have full responsibility for road maintenance (Robinson and Stiedl, 2001).

### *3.4.3 Uganda*

In 1992, the President of Uganda launched the decentralization program. To support this policy, then, it was included in the Ugandan National Constitution. Therefore, the policy is strengthened by the promulgation of Local Government Act in 1999. These two legal bases have considerably changed the central government framework within which its local governments operate. Under decentralization policy, local governments will have more power, resources, responsibilities, and enable to make decision making freely. By doing so, the decentralization policy has impacts on increasing economic growth, poverty alleviation and rural development.

The significant of the Act is to devolve power to the district and the lower levels of local governments and the democratization of decision-making. Additionally, the Act legislates that local governments is no longer required forwarding their budgets to the minister for approval. The local councils as counterpart of local governments have complete responsibility for their budgets. The central government has no need to approve as long as they are not consistent with the higher constitution or any other laws made by the national council (Munyonyo, 1999).

Uganda develops a system of conditional grants which seems consistent and well-managed although there is a few portion from decentralized grant and donor

projects. However, there is some obstacles particularly long bureaucracy which makes difficult to operate the road projects.

The road planning is characterized by dominant role of the central government. Although some responsibilities are devolved to local governments and able to make local decision, the central government always force its control over local governments (Robinson and Stiedl, 2001).

#### *3.4.4 United States*

Like other countries, the United States is still looking for the appropriate size of the government. In the past, it was characterized by much decentralized government. It had continued until the World War II. After more than 50 years, the government in the U.S. has decentralized.

The U.S. consists of one federal, fifty states and several sub-states governments. Sub-states governments are composed of county, municipal, town, school district government, and special district government. Since 1959, the number of states has not changed until Alaska and Hawaii became the states. The number of county, municipal, and town are almost constant, while there is a significant change in number of school and special district level due to merger of both districts to be special districts (Fox, 2002).

In the U.S., the states particularly have power to raise local tax to support road development. Fiscal decentralization is indicated by sharing revenue from federal government to support the development of road as public transport in the states. The other difference is that there is a continue subsidization of public transport from federal to state government.

There is a significant change of road planning in the U.S. In the past, the road planning is characterized by comprehensiveness and large-scale strategic planning. Recently, it shifts to be more selective, specialized and smaller scale



localized application. With the respect of decentralization, the road planning in the U.S. is typified by the ability of state governments to make local decision (Banister, 2002). For simplification, the comparisons are presented in the table 4.1 below.

**Table 3.1 Comparison of Road Planning of Decentralized Governance System in Developing and Developed countries**

Country	Responsible Body	Fiscal Decentralization	Road Planning Responsibility
Zambia	Central Government	+	+
	Local Government	-	-
	NRB*	+	+
	Decentralization Model	Effectively no decentralization, funding either from central government or from road fund	No decentralization, decision making is made by central government or NRB
Nepal	Central Government	+	+
	Local Government	±	+
	Decentralization Model	Decentralized grants, donor projects but significant proportion of grants are conditional	Most responsibilities are devolved particularly road maintenance, decision making varies between local and central government depended on financial sources.
Uganda	Central Government	+	+
	Local Government	±	+
	Decentralization Model	A system of conditional grants, there is a few portions from decentralized grant and donor projects.	Most responsibilities are devolved, but some central government control.
The United States	Federal Government	+	+
	State Government	+	+
	Decentralization Model	State government has power to raise resource, subsidization from federal government	State government has power to make road planning decision
Level of involvement: +: full involvement, ±: marginal involvement, -: no involvement *NRB is the Zambian National Road Board			

Source: Modified from Robinson and Stiedl (2001)

From brief comparison above, it appears that the road planning in decentralized government in developed countries has formed. Although a few problems are found and not well-implemented yet compared with developed countries, there is a noteworthy shift in the road planning framework of decentralized governance system in developing countries. This idea is parallel with the development of idea of democratization and decentralization throughout the world.

## **CHAPTER 4**

### **THE ROAD PLANNING PROCESS IN INDONESIA**

The road planning process in Indonesia has changed. Since the implementation of decentralization policy in 1999, there is a significant change in the way to conduct the road planning process in Indonesia. It is indicated by the changing of the key issues with respect to the road planning process and decision making, namely legal framework, government structure and participation in planning process.

Before the thesis proceeds to **Chapter 5**, the chapter will discuss the road planning process after the decentralization policy in 1999. In the beginning, it describes shortly the history of institution development of road administering in Indonesia since 1900s. Afterwards it discusses the changing of key issues of the road planning in the decentralized Indonesia, and will be ended with the discussion of recent the road planning process in Indonesia.

#### **4.1 Institution development of road administering**

Road planning is not a new matter in Indonesia. Development of road in Indonesia has been initiated since the fifteenth and sixteenth century during Hinduism and Buddhism Kingdoms and then, Islamic Kingdoms throughout Indonesia. However, the first institution to administer road is developed in the beginning twentieth century when Dutch colonial government establishes Department of Public Works (*Department van Burgelijke Openbare Werken*) on 16 September 1918 (Ministry of Public Works, 2003b). In 1933, this institution is demolished and then, combined with *Department van Gouvernements Bedrijven*. The new institution is named by Department of Communication and Irrigation (*Department van Verkeer en Waterstaat-DVW*). Since that time, road administration is conducted by DVW.

After independence of Indonesia in 1945, on 18 Augustus 1945 Indonesia Government establishes the Department of Public Works (*Departemen Pekerjaan Umum*). This institution replaces the existing institution created during Dutch colonial. During Indonesia in the form of federal state (1949-1950), there is a slight change in road administration institution. Road administering is conducted by Department of Communication, Power and Public Works. After Indonesia returned to Unitary State of Indonesia in 1950 and until now, this department is divided into three separated departments i.e. Department of Communication, Department of Energy Resources and Minerals, and Department of Public Works. Since then, road administration is mainly administered by Department of Public Works.

#### **4.2 Changing Aspects of the Road Planning Process in Indonesia**

Healey (1997) states in her book *Collaborative Planning*, planning as a system has significant role in directing actors to undertake planning practice. Hence, planning needs to be supported by institutional factors to implement the plan. European Commission (1997) further mentions that organizations and implementations of the plan are determined by institutional factors such as central – local government relation, flexibility and certainty in decision making and government structure.

In terms of the road planning process, Teisman (1998) mentions that there are four key issues of public administration. They are the structure of the organizations, policy, decision-making process and tools such laws, regulations, planning coordination and participation.

This study considers that to deliver road infrastructure a country needs planning process. However an abrupt change in governance mechanism such as decentralization policy can influence on the key aspects of public administration in which can give impact to the performance of the road planning process and decision making. Thus research focuses on the aspects of legal-framework, government structure, and public participation in the road planning and decision

making environment. This is particularly useful to explain the road planning process and decision making in Indonesia after decentralization.

#### *4.2.1 Legal Framework*

The 1945 Constitution of Republic of Indonesia mentions that the aim of Unitary State of Indonesia is to achieve social welfare. It results in that state governs all of resources and is responsible for achieving the social welfare as stated in article 33 and providing the public facilities as stated article 34 of the constitution.

Following decentralization policy by Law 22 of 1999, many laws and regulations concerning road are also adapted. Law 38 of 2004 concerning Roads is the main regulation to administer road for national and local governments replacing Law 13 of 1980 on Roads in centralized era. It is common in Indonesian legislation that a certain law is confined to statements of general principles and will be explored and explained by succeeding various regulations, decrees, instructions and so on, in order to provide technical rule for implementation of law. Indeed, Law 38 of 2004 is also succeeded by Government Regulations 34 of 2006 concerning Roads. Both law and regulation becomes the legal basis for the road planning in Indonesia in decentralized era.

Law 38 of 2004 regulates road administering including public roads, highway or toll roads and specific roads. Public roads are categorized into network system, function, administrative status and class. Within this categorization, different road responsibilities are separated among different level of the governments. Table 4.1 below shows the classification of roads and their administering and authorized responsibility related to different government levels.

**Table 4.1 Road Classifications and Authorized Development Institution**

Road Network System	Function	Administrative Status	Authorized Responsible Organization	
Primary System	Arterial		National Road	Ministry of Public Works
	Collector	Class 1		
		Class 2	Provincial Road	Provincial Government
		Class 3		
		Class 4	District Road	District Government
Local				
Secondary System	Arterial		Municipal Road	Municipal Government
	Collector			
	Local			
<b>Notes:</b>				
<b>Collector Class 1: Connecting Inter-Provincial Capital</b>				
<b>Collector Class 2: Connecting Provincial Capital to District/Municipality Capital</b>				
<b>Collector Class 2: Connecting Inter-District/Municipality Capital</b>				
<b>Collector Class 2: Connecting District/Municipality Capital to sub-districts</b>				

*Source: Ministry of Public Works, 2003a*

Road administering, regulated by Law 28 of 2004, consists of regulation, supervision, development and control activities from national to local level. Regulating encompasses activities of **formulating policy and general planning**. Supervising comprises of activities of setting standard, human resource and research development. Meanwhile, developing consists of programming, budgeting, **technical or operational planning**, construction, and maintenance activities. Controlling is an activity to supervise these three activities as mentioned above. From this explanation, the Road Law explicitly regulates the road planning from strategic to operational planning level.

At strategic planning level, Law 28 of 2004 differentiates the role of central, provincial and local governments. National government is responsible for general road administering and national roads. In relation to general road administering, National government is responsible for create legal aspects of road administering such laws and regulations. It is also responsible for formulate planning policy, control road administering at all government levels, and stipulate norms, standards, criteria and guidance. Furthermore, with respect to national roads, national government is responsible for stipulate road function for arterial and collector roads which connect inter-provincial roads in primary road system, to stipulate the national road status, and to create the national road planning.

Meanwhile, provincial governments are responsible for formulate planning policy of provincial roads, to stipulate road operational guidance for provincial roads, to stipulate road function in secondary road system and collector roads connecting to districts or municipalities, and local roads in primary road system, to stipulate provincial road status, and to create provincial road network plan. At the same time, both district and municipality governments are responsible for formulate planning policy of local roads, to provide road operational guidance for local roads, to stipulate local road status, and to create the local road planning.

At operational planning level, Law 38 of 2004 also differentiates the role of central, provincial and local governments. National government is responsible for provide technical planning of road, programming and budgeting, land procurement, and construction of national roads. It is also responsible for operate and maintain national road as well as to develop national road management system whereas Provincial and Local Governments are responsible for do the same thing at the provincial and local level respectively. The summary of different roles of government levels at strategic and operational levels can be seen at table 4.2 below.

Besides giving more elaboration about technical aspects in road administering, Government Regulation 34 of 2006 concerning Roads also states division of plans at both planning levels than Law 38 of 2004 on Roads. More specifically, at strategic level, it is explicitly stated that general plan of road network is divided into two plans i.e. long-term road network plan, and mid-term road network plan, and at the operational level road planning is defined as a short-term plan or annual road development plan which contains road development activities such road construction and maintenance. In addition, long-term road network plan is planned for period of 20 years, and it may be evaluated in period of 5 years. Mid-term road network plan is planned for period of 5 years, and may be evaluated in the period of 3 years. However, Government Regulation 34 of 2006 does not mention directly about the general procedure of road development planning process.

**Table 4.2 The Strategic and Operational Road Planning Responsibility among Government Levels**

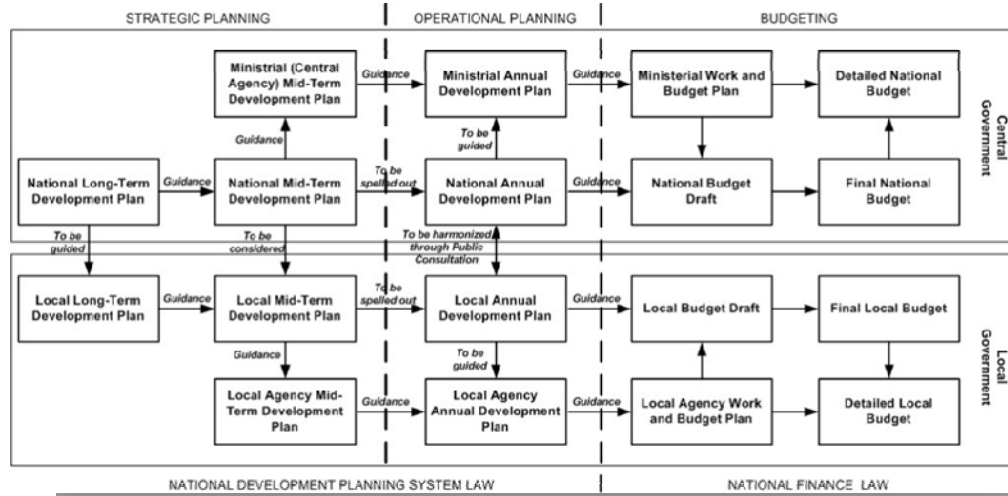
Planning Level	Responsible Government Level		
	National	Provincial	Local
<b>Policy/ Strategic</b>	<ul style="list-style-type: none"> <li>- Creating laws and regulations</li> <li>- Formulating planning policy</li> <li>- Controlling all of road administering</li> <li>- Stipulation norms, standards, criteria and guidance</li> <li>- Stipulation road function for arterial and collector road in primary road system</li> <li>- Stipulation national road status</li> <li>- Formulating general plan of national road network</li> </ul>	<ul style="list-style-type: none"> <li>- Formulating planning policy</li> <li>- Stipulation road operational guidance at provincial level</li> <li>- Stipulation road function for secondary road system and collector road in primary road system.</li> <li>- Stipulation provincial road status</li> <li>- Formulating provincial road network plan</li> </ul>	<ul style="list-style-type: none"> <li>- Formulating planning policy</li> <li>- Stipulation road operational guidance at local level</li> <li>- Stipulation local road status</li> <li>- Formulating local road network plan including village road</li> </ul>
<b>Operational</b>	<ul style="list-style-type: none"> <li>- Technical planning of road</li> <li>- Programming and budgeting</li> <li>- Land procurement</li> <li>- Construction of national road</li> <li>- Operational and maintenance of national road</li> <li>- Creating national road management system</li> </ul>	<ul style="list-style-type: none"> <li>- Technical planning of road</li> <li>- Programming and budgeting</li> <li>- Land procurement</li> <li>- Construction of provincial road</li> <li>- Operational and maintenance of provincial road</li> <li>- Creating provincial road management system</li> </ul>	<ul style="list-style-type: none"> <li>- Technical planning of road</li> <li>- Programming and budgeting</li> <li>- Land procurement</li> <li>- Construction of local road</li> <li>- Operational and maintenance of local road</li> <li>- Creating local road management and rehabilitation system</li> </ul>

*Source: Adopted from Law 38 of 2004 on Road, 2004*

General procedure for planning process in Indonesia is mostly regulated by Law 25 of 2004 concerning National Development Planning System (*SPPN*). Although it is mainly focused on development planning, this law becomes the legal basis for sectoral development planning as well. It provides mechanism and procedure of planning process from strategic to operational planning and planning coordination in all government levels. Due to its broad scope of planning from strategic to operational, *SPPN* law regulates overall planning process until budgeting. At the budgeting step, planning process is regulated by Law 17 of 2003 on National Finance. Therefore, both *SPPN* Law and Law 17 of 2003 can not be separated



during planning and budgeting process. The overall planning process and budgeting flow can be seen in figure 4.1 below.



**Figure 4.1 Overall Development Planning and Budgeting Flow**

#### 4.2.2 Government Structure

After proclamation of Indonesian Independence of 1945, Republic of Indonesia has been designed in the form of Unitary State. Although in its nation history during revolutionary years (1945-1949) many form of state has been adopted mutually, it is hardly successfully implemented for any longer.

The form of the government as a Unitary State is based on the 1945 Constitution of Republic of Indonesia. During the New Order Era (1966-1998), The Constitution of 1945 is regarded as holy constitution that can be revised and amended for any reason. According to Hudalah, (2006), the constitution becomes instrument for the central government during the New Order Era to legitimize its authoritarian practice although it is incomplete and general in character and there are many potholes in its legitimating. Only after 1998, the amendment of the 1945 constitution is conducted by the People’s Consultative Assembly (*MPR*) - the highest representative of people of Republic of Indonesia - for four times in 1999,

2000, 2001 and 2002. Although many changes have been accomplished through amendments, however, some fundamental principles of the constitution are still maintained including the form of Indonesia Government. The form of the government is stated in article 1 of the 1945 constitutions:

“The State of Indonesia shall be a unitary state, with the form of republic” (The 1945 Constitution, Art. 1).

Hence, it means that the central government holds the ultimate power throughout the country, for instance, responsible for making laws resides at the central government hands which then will prevails to the all tiers of the governments.

There are three –tier of the government level. They are national, provincial and local governments. Local governments consist of municipality government (*kota*) and district government (*kabupaten*). During the New Order era, the hierarchy of government tier is very tough and inflexible. The lower tier of government should obey and follow the rule created by higher tier of government level. However, after the promulgation of Law 22 of 1999 concerning Local Government, the rigid hierarchy of government relations is removed. Thereafter, it enhances the role of local government and reduces the role of provincial government simultaneously. The law still places local governments at the different tier level from provincial level but they are similar to province in authority. (Martinez-Vazquez and Boex, 2004; Hudalah, 2006).

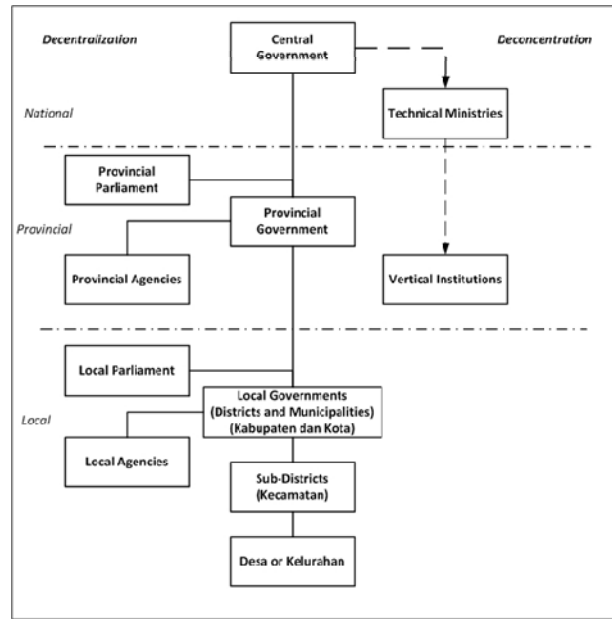
During centralization era, the number of local government in Indonesia is almost constant. However, by enactment of Law 22 of 1999, there are many new provincial and local governments. The number of province has increased from 26 to 33, the number of municipalities and districts has increased up to 349 and 91 respectively (Ministry of Home Affairs, 2005).

**Table 4.3 Administration Regions in Indonesia in 2005**

No	Province	Total		Area (Km2)	Population
		Districts (Kabupaten)	Municipalities (Kota)		
1	Nanggroe Aceh Darussalam	17	4	56.500,51	3.899.290
2	North Sumatra	18	7	72.427,81	12.333.974
3	West Sumatra	12	7	42.224,65	4.549.383
4	Riau	9	2	87.844,23	4.546.591
5	Jambi	9	1	45.348,49	2.698.667
6	South Sumatra	10	4	60.302,54	6.798.189
7	Bengkulu	8	1	19.795,15	1.610.361
8	Lampung	8	2	37.735,15	7.161.671
9	Bangka Belitung Islands	6	1	16.424,14	1.018.255
10	Riau Islands	4	2	8.084,01	1.198.526
11	DKI Jakarta	1	5	740,29	9.111.651
12	West Java	16	9	36.925,05	39.130.756
13	Central Java	29	6	32.799,71	32.952.040
14	Yogyakarta	4	1	3.133,15	3.279.701
15	East Java	29	9	46.689,64	37.076.283
16	Banten	4	2	9.018,64	9.127.923
17	Bali	8	1	5.449,37	3.487.764
18	West Nusa Tenggara	7	2	19.708,79	4.161.431
19	East Nusa Tenggara	15	1	46.137,87	4.174.571
20	West Kalimantan	10	2	120.114,32	4.078.246
21	Central Kalimantan	13	1	153.564,50	1.902.454
22	South Kalimantan	11	2	38.884,28	3.245.705
23	East Kalimantan	9	4	194.849,08	2.950.531
24	North Sulawesi	6	3	13.930,73	2.159.787
25	Central Sulawesi	9	1	68.089,83	2.324.025
26	South Sulawesi	20	3	46.116,45	7.475.882
27	South-East Sulawesi	8	2	36.757,45	1.965.958
28	Gorontalo	4	1	12.165,44	916.488
29	West Sulawesi	5	0	16.787,19	966.535
30	Maluku	7	1	47.350,42	1.330.676
31	North Maluku	6	2	39.959,99	912.209
32	Papua	19	1	309.934,40	1.841.548
33	West Irian Jaya	8	1	114.566,40	566.563
<b>Total</b>		<b>349</b>	<b>91</b>	<b>1.860.359,67</b>	<b>220.953.634</b>

Source: Ministry of Home Affairs, 2005

Actually local governments consisting of municipalities and districts are not the lowest hierarchy of Indonesian's administration system. There are sub districts (kecamatan), and *desa* (for rural areas) and *kelurahan* (for urban areas) which are acknowledged as autonomous as well.



**Figure 4.2 Administration Structure in Decentralized Era**

*Source: Hudalah, 2006; Pratikno, 2005*

With respect to road infrastructure provision, it has become responsibility to provincial and local governments since 1980s. Since prevailing decentralization policy in 1999, however, this responsibility is not stand alone but is followed by rights to create competence institution and greater autonomy to be supported the amount of sharing revenue from the central government.

In every government level, there are several formal institutions which have competencies to providing road infrastructure. They are Public Work dealing with the road planning, Development Board dealing with development planning, and Finance agency drawing budget up as an effect of annual plan.

The existence of Public Work organization was old. It existed since 1945. Public work institution experiences much larger change, especially in its organizational structure after decentralization. Before decentralization, Public work institution existed from national to sub-district levels through de-concentrated power from the central government and provincial government. They have a strong sub-

hierarchical institution in nature. However, after decentralization policy, the hierarchical structure is difference. The role of provincial public work agency as representative of the central government through de-concentrated responsibility is limited and local public work agency is not sub-ordinate of provincial government. Thereafter, all central government offices at provincial and local levels are dissolved to provincial and local public work agencies.

Unlike Public Work Agency, Development Planning Agency had been found since 1987. In the beginning, it existed at provincial level, then, a few years after; it existed in all of municipal levels. The function of this institution is less significantly difference before and after decentralization. However, since prevailing Law 22 of 1999, there is overlapping responsibilities between development board and finance agency. Finance agency is responsible for draw up the annual budget from annual plan. Law 17 of 2003 on National Finance legitimize that finance agency is responsible for overall macroeconomic framework which imply that is not only simply drawing up annual budget but Law 17 of 2003 states that mid-term development plan also should be accompanied by mid-term expenditure budget plan so the annual budget can be consistent with mid-term expenditure plan. At the same time, planning board is responsible for drawing up mid-term development plan which is not possible without expenditure targets (Booth, 2005). It is different with during centralized era. During centralized era, planning board is responsible for drawing up development plan and its expenditure plan, meanwhile, finance agency is only responsible for drawing national revenue and expenditure implementation.

#### *4.2.3 Public Participation*

Both Law 38 of 2004 and Government Regulation 34 of 2006 concerning Road give rooms for public participation in road development planning process than the previous laws during centralized era. Consideration to involve community interest in road plan making is found in Government Regulation 34 of 2006 that state

clearly that community is involved in long-term road plan making rather than medium-term road plan making.

“Long-term road plan... is conducted by considering community interests through public consultation” (Road Regulation 34 of 2006, Art. 73).

The Explanatory Notes to the Road Law makes clear that public consultation by involving stakeholders can be carried out by many ways. They could be seminar, discussion, or workshop:

“...[p]ublic consultation can be performed by seminar, discussion and workshop through stakeholder involvement” (Explanatory Note Road Regulation 34 of 2006, Art. 73).

Furthermore, both Law 38 of 2004 and Government Regulation 34 of 2006 also mention that community can participate in the entire road administering activities from regulating to controlling:

“Community can participate in road administering” (Road Law 38 of 2004, Art. 62).

“Community can participate in regulating, supervising, developing and controlling of roads” (Road Regulation 34 of 2006, Art. 118).

However, Road Law and Regulation do not mention specifically what the meaning of community is. Hence, it can be found in The Explanatory Notes to the *SPPN* Law that states clearly that communities or stakeholders are individual, groups, and cooperation which will be related to the impacts and risks of development:

“...community is individual, group or cooperation which have interests to development activities and development outcomes both as funders, actors, beneficiaries, and risk-takers” (Explanatory Note Law 25 of 2004, Art. 2).

Road Law and Regulation also do not state explicitly the involvement of communities or stakeholders in mid-term road plan and annual road development plan. However, annual road development plan is always heavily discussed by involved community together with other annual sectoral development plans during Annual Local Development Planning and Budgeting (*APBD*) process.

Regulation for public consultation mechanism in Annual Local Development Planning and Budgeting (*APBD*) is regulated by Government Regulation 40 of 2006 concerning Procedure for National Development Planning Process. This regulation replaces the old regulation which provides general procedure for planning process in centralized era, i.e. Ministry of Home Affairs Decree 8 of 1982 concerning Guidance for Local Planning Procedure and Local Development Control (Takeshi, 2006). In this regulation, there are several opportunities for community to involve in annual road development plan. First is public consultation at lowest administration level i.e. village public consultation. At this stage, villagers can propose their interests related to road development to be brought at the higher level of public consultation i.e. sub-district public consultation. The output of this forum is village road development proposal. At this stage, it is also determined who village representatives that will attend sub-district public consultation. Second is sub-district public consultation. At this stage, all of village representatives can propose their interest related to road development to be performed at the higher level of public consultation i.e. district/municipality public consultation. Similar to village public consultation, the output of this forum is sub-district road development proposal and sub-district representatives are also determined to attend to the district/municipality public consultation. The third stage is district/municipality public consultation. At this stage, road development proposal from sub-districts is met by draft of annual road development planning from local agency of public works which derived from mid-term local road plan. The output of this forum is annual road development plan which also reflects the rights and duties of local government as addressed by decentralization law and will be accommodated and allocated in Annual Local Development Plan and Budgeting (*APBD*).

However, because recent Indonesia planning system is still adopting top-down and bottom-up planning in combination with technocratic planning, the draft of plan or planning documents are prepared by relevant agency or institutions. At national level, Ministry of Public Works is the most important player in drafting planning documents such national long-term road plan, national mid-term road

plan and national annual road development plan. In drafting long-term road plan, Ministry of Public Works has to consider other planning documents such long-term national development plan, national spatial plan, and national transportation network plan. Mid-term road plan will be derived from long-term road plan, and annual road development plan will be derived from mid-term road plan.

At the province and local level, the process is almost similar. At the provincial level, Provincial Public Work Agency is responsible for provide draft of road development planning document. In doing so, Provincial Public Work Agency has to take into account other and higher planning documents such provincial long-term development plan, provincial spatial plan, provincial transportation network plan, and national long-term road plan. Meanwhile, at the local level, Local Public Work Agencies are responsible for provide local long-term road plan, local mid-term road plan and local annual road development plan. In preparing these road planning documents, local long-term development plan, local spatial plan, local transportation network plan, national long-term road plan, and provincial long-term road plan have to be taken into consideration. Hence, it appears that the mechanisms of road planning document preparation are conducted in hierarchical and integrated manner.

### **4.3 Planning Mechanism**

#### *4.3.1 Approaches and stages*

The implementation of the road planning process in the decentralized Indonesia adopts several approaches. Mainly it uses the combination of technical, participative and political approaches.

This section will explain the entire the road planning process both in strategic planning and operational planning levels. They will be examined with the relation to legal framework, government institutions and public participation aspects.



Before examining those aspects, it is necessary to explain the approaches and stages in planning process in Indonesia.

According to SPPN Law, there are five approaches used in overall national planning system. Those approaches are:

- Political approach
- Technocratic approach
- Participation approach
- Top-down approach, and
- Bottom-up approach

Political approach means that all of planning efforts are conducted to achieve all of development agenda of president, governors, *bupatis* and mayors. It is based on the idea that citizen chosen the candidate of president, governors, *bupatis* and mayors from their offered-development programs during election period.

Technocratic approach means that plan is planned by using scientific methodology and framework. It is done by competent government agencies or institutions which are responsible for do a certain planning task. Participation approach means that planning process will involve communities which are having interests to plan and plan implementation. It is done to obtain aspirations, advises and information from involved community and in order to create sense of belonging from community to the plan. Meanwhile, top-down and bottom-up approach refer to that planning process is conducted through tiers of governments to obtain a comprehensive plan.

Furthermore, SPPN Law mentions that entire planning process consists of four main stages, as follows:

1. Plan making
2. Plan stipulation
3. Plan control, and
4. Plan evaluation

Plan making comprises of several activities. First of all, it is to provide draft of general plan. At this step, it is generally used technical approach in making plan. Secondly, each of agencies provides its plan. In doing so, every agency has to stick to general plan in making their plan. Thirdly, it is public consultation. At this step, community is involved to address their interests in respect to the plan. It is an occasion to conform all of plans at all government level and to consider community interests in plan. Finally, it is step to revise to draft plan to be final plan based on the outcomes from public consultation process.

Stage of plan stipulation means that the final plan will bring to institution that has responsible for stipulate plan as a new regulation or policy. There are different institutions which are responsible for stipulate the plan. For instance, in road sector, national long-term road network plan and national mid-term network plan are stipulated by Ministry of Public Works, meanwhile, provincial and local long-term and mid-term road network plans are stipulated by Governors and *Bupatis* or Mayors respectively.

Plan control is conducted to assure the implementation of plan. At this stage, implementation of plan will be controlled thoroughly by responsible institution. It is usually done by the similar institution that has responsibility to implement the plan and by planning agency.

Finally, plan evaluation is performed to evaluate the plan implementation whether it achieves development objectives and goals. New information can be derived from the implementation that then will be exercised to create a new plan or to revise the existing plan.

By this explanation it implies that planning system in Indonesia is regarded as a combination of technical, participative and political perspectives that operate together in preparing plan. This is also true for the road planning process in Indonesia. With respect to the road planning process, it appears that laws and regulations concerning the road planning process are quite sufficient. Law 38 of

2004 and Government Regulations 34 of 2006 can be regarded as the legal foundations of the road planning process in Indonesia. Compare with previous law and government regulation concerning road in centralized era, i.e. Law 13 of 1980 and Government Regulation 26 of 1985, both new legislations are in line with the spirit of decentralization in which there is obligation to government to involve community through the planning process.

However, not all of relevance laws and regulations state explicitly the overall process of road development. Indeed, there is inter-relation between law and regulation concerning road with other regulations. At strategic level, the road planning needs other source as input such development plan which is considerably regulated by SPPN Law. At the operational level, then, the road planning still requires development plan as source and it has to pass through the budgeting process which is noticeably regulated by National Finance Law.

#### *4.3.2 Strategic and Operational Planning Levels*

The road planning process in Indonesia consists of the four stages of entire planning process as described by SPPN Law both at strategic and operational level. **At strategic planning level**, most rational planning process steps occur at the **plan making stage**. At this stage, the road planning process involves many actors in formulating road planning documents which mainly consists of government bodies and communities. As described above, draft of road plan is prepared by competent authority and processed according to rational planning process. At national level, it is responsible for ministry of public works for preparing road network plan. It is responsible for creating draft of national long-term road network plan, national mid-term road network plan and annual plan of road development. All of draft plans will be formulated by using technical planning procedure. It means that draft of plan making will use scientific and rational approach. Additionally, during the process of draft plan making the competent authority should consider other planning documents, for instance development plan, spatial plan, and transportation network plan. It appears that

there should be planning coordination between responsible authorities in preparing the plan, for instance, coordination with planning board which formulating development plan and ministry of transport which devising the transportation network plan.

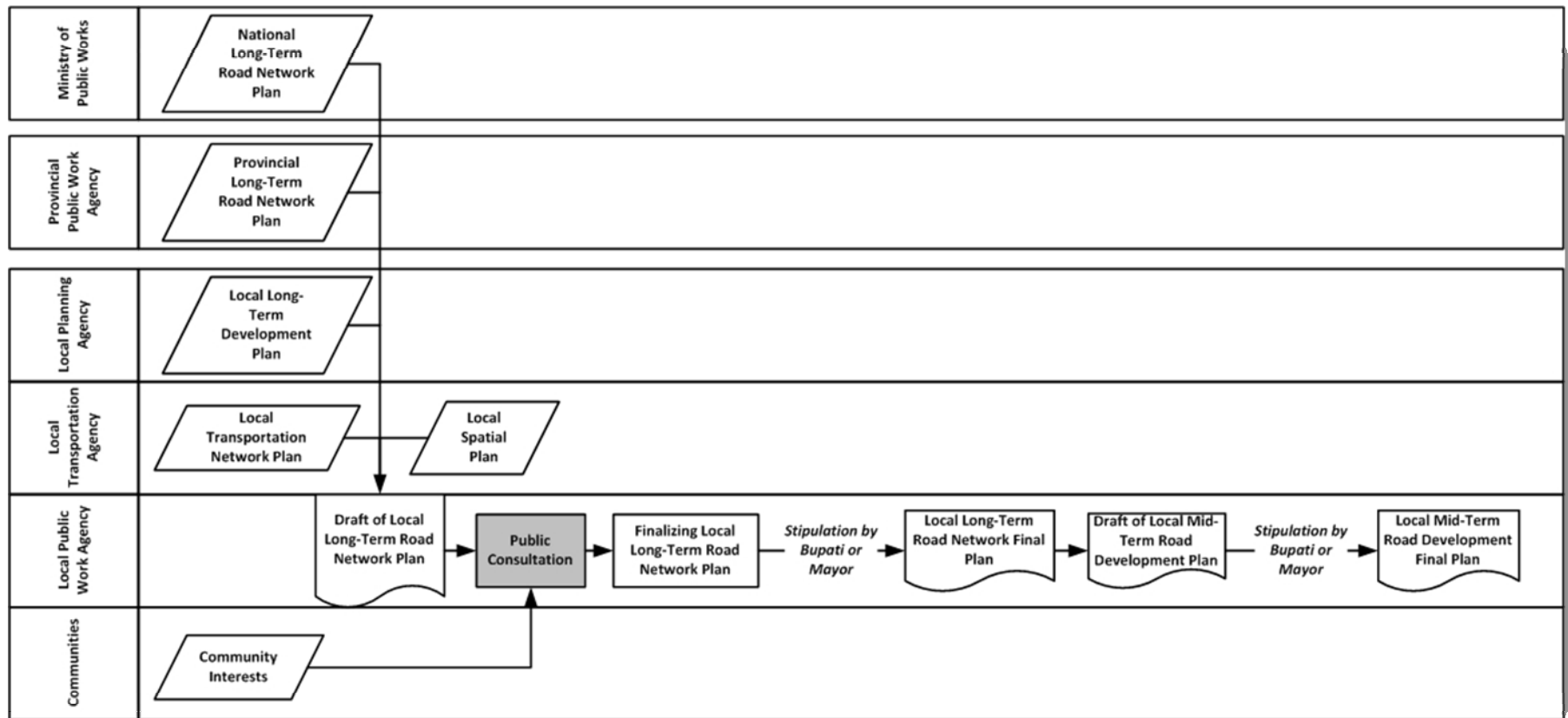
Similarly, at provincial and local level, draft of road plan is prepared by public work authority at both government levels. Those authorities are responsible for creating draft of long-term road network plan, mid-term road network plan and annual plan of road development at provincial and local level respectively.

Both at national and local levels, all of draft road plans will be brought to public consultation as a manifestation of political perspective and participation process. During public consultation, many changes could happen to plan due to new information and interests of communities involved during process. This will lead the plan to its final form before to be examined and stipulated (**plan stipulation stage**). For strategic road plan such long-term road network plan and mid-term road network plan at national, provincial and local level, the plan will be stipulated by ministry of public works, governor and *bupatis* or mayors respectively as regulated by Law 38 of 2004 and Government Regulation 34 of 2006 concerning Road (see figure 4.3, 4.4 and 4.5).

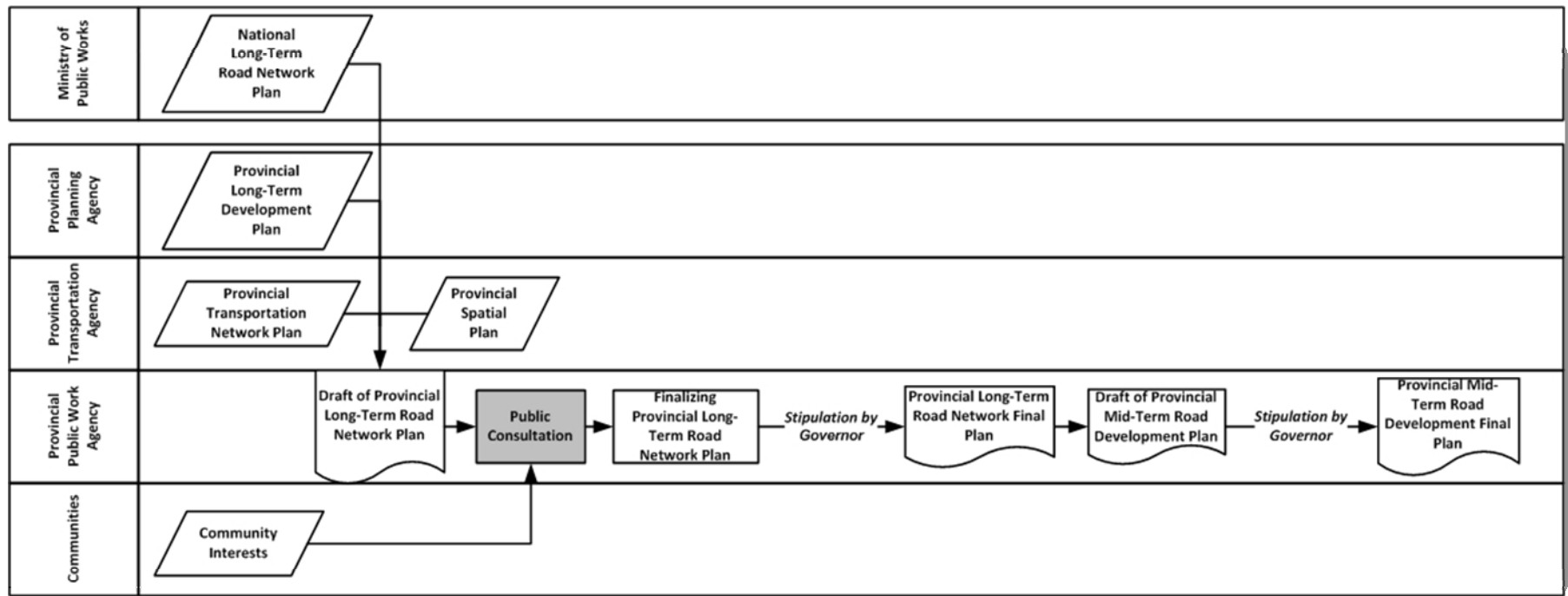
Meanwhile, **plan control** and **plan evaluation stages** (ex-post evaluation) are conducted by competent authority but it still involves community which can contribute by giving suggestions, ideas, reports and information (Road Regulation 34 of 2006, Art. 119, paragraph 6).

Similarly, at the **operational planning level**, annual plan of road development will proceed through the same planning process however it will be through a bit longer and more complex process than strategic level. It also appears that there is significant linkage with respect to annual road development plan from local to national level. As described in section 4.2.3, after public consultation processes at lower level, draft of annual road development planning from local agency of

public works which derived from mid-term local road plan will be met with road development proposal from sub-districts. The output of this forum is annual road development plan in which will be accommodated and allocated in Annual Local Development Plan and Budgeting (*APBD*). However, some of the output of the forum will be brought to public consultation at provincial level. It is possible that during public consultation at local level there will be discussion on a certain road segment development that actually is provincial government responsibility. So, it will be considered to be allocated by provincial development budget. Indeed, public consultation in provincial level is more complex than public consultation at local level. In this forum, draft of annual provincial road development has to consider the annual national road development in order to synchronize with national road development programs. It results from the nature of provincial government as the central government representative which holds the deconcentrated and co-governance responsibility and responsibility from the central government. Similar to process at local level, output of this forum is annual provincial road development plan which will be accommodated and allocated in Annual Provincial Local Development Plan and Budgeting (*APBD-P*). Some of the output of the forum will be brought to public consultation at national level. It is also possible that during public consultation at provincial level there will be discussion on a certain road segment development that actually is national government responsibility (see figure 4.6 and 4.7).

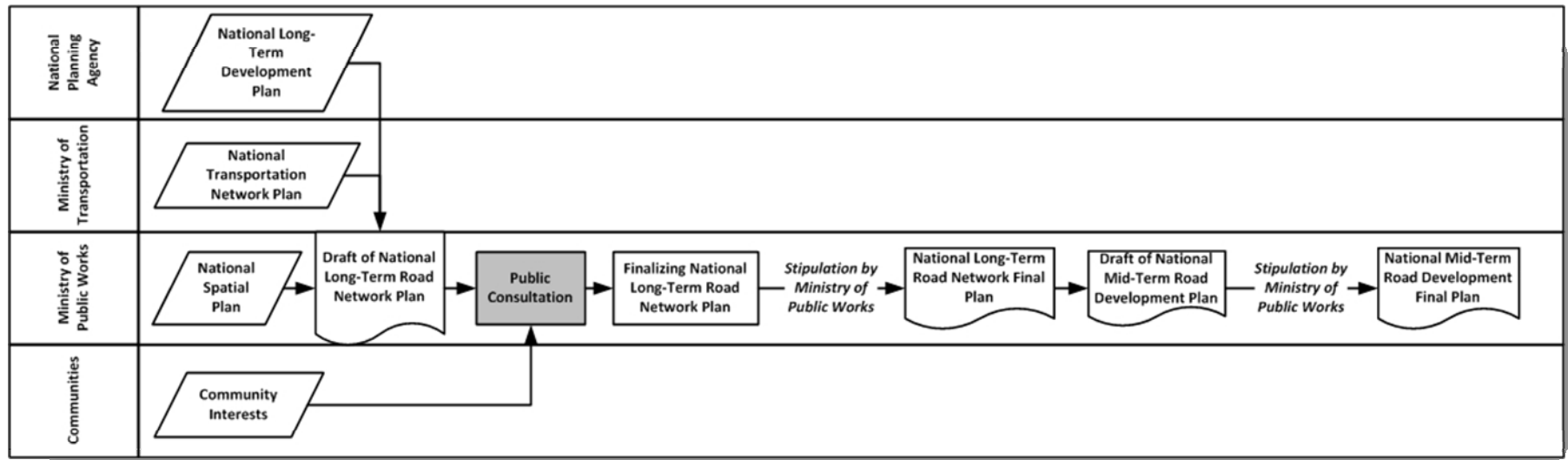


**Figure 4.3 Road Strategic Planning at Local Level**  
*Source: Government Regulation 34 of 2006*



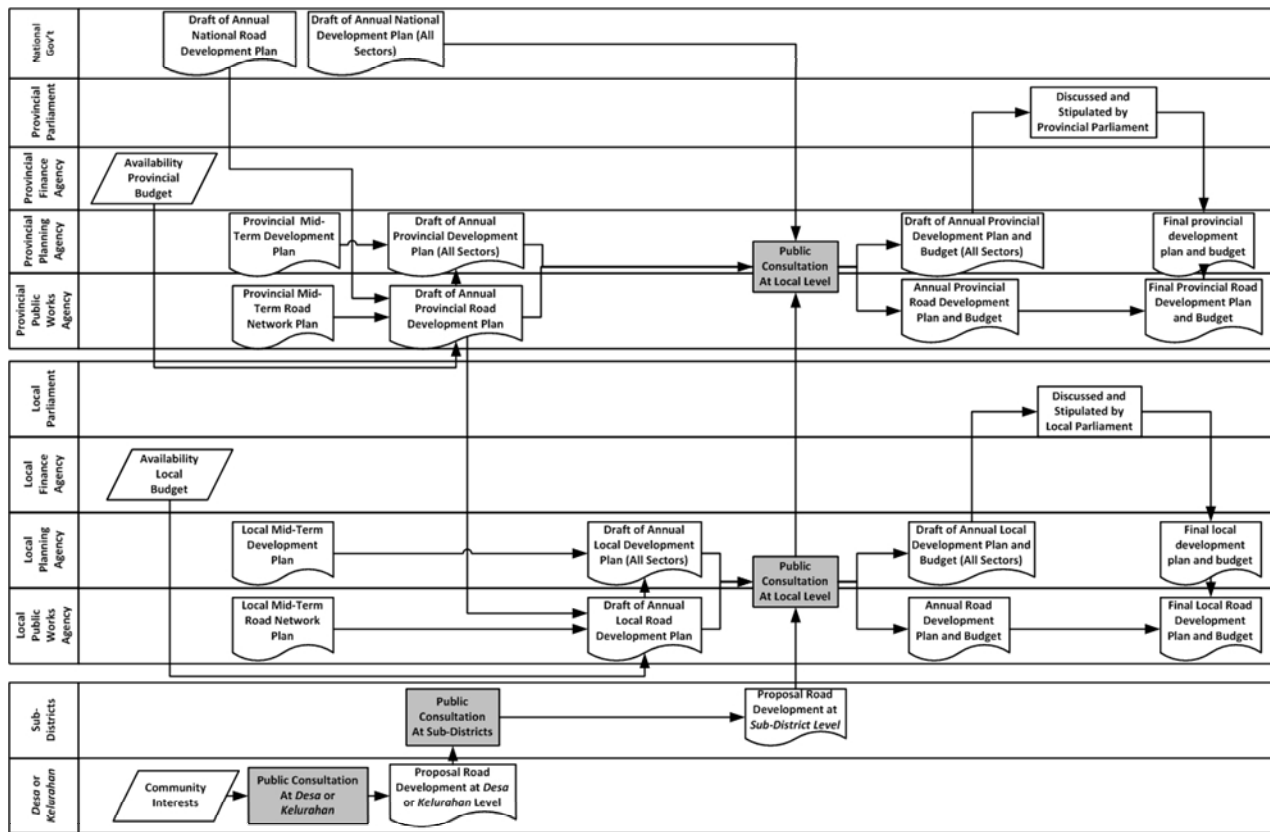
**Figure 4.4 Road Strategic Planning at Provincial Level**

*Source: Government Regulation 34 of 2006*



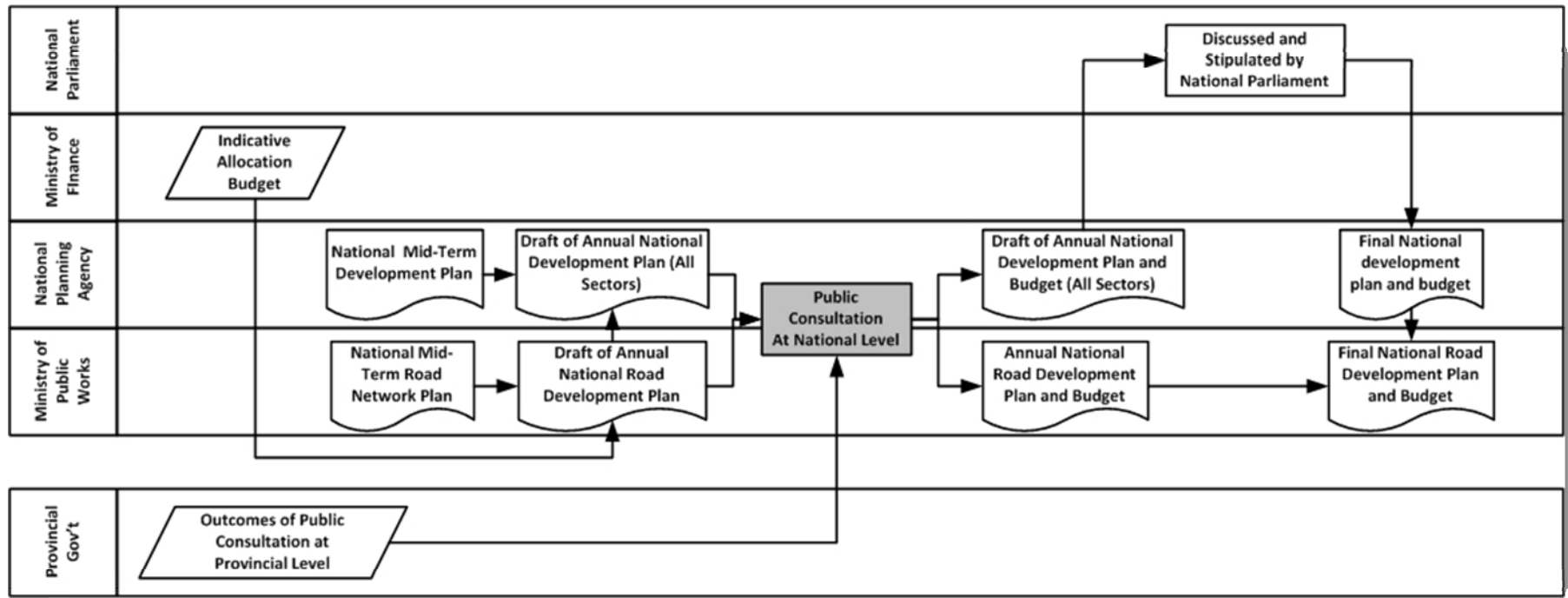
**Figure 4.5 Road Strategic Planning at National Level**  
*Source: Government Regulation 34 of 2006*





**Figure 4.6 Road Operational Planning at Local and Provincial Level**

*Source: Government Regulation 34 of 2006*



**Figure 4.7 Road Operational Planning at National Level**

*Source: Government Regulation 34 of 2006*

## **CHAPTER 5**

### **THE BASIC PRINCIPLES AND THE ROAD PLANNING PROCESS IN INDONESIA**

It is only a small part of decentralization principles that can be reflected in the current road planning process in Indonesia. It is found that there are several weaknesses and obstacles in the implementation of the road planning process after the current decentralization policy.

As explained in **Chapter 2**, since the 1900s, Indonesia has been adopting decentralization policy for many times. More than a hundred years, decentralization policy in Indonesia has never unchanged. Indonesia has experienced decentralization both in colonial times, revolution period and new order era. After more than thirty years under authoritarian-military government of new order regime, Indonesia has faced political, economical and monetary crisis followed by multidimensional crisis in 1998. Triggered by the crisis, a new decentralization policy has emerged and been adopted by the new central government after the downfall of Suharto in 1999. Law 22 of 1999 concerning local government and Law 25 of 1999 concerning fiscal balance among governments were introduced. Since then many of government affairs has changed which includes the road planning process mechanism. Following the discussion of the road planning process in Indonesia in **Chapter 4**, this chapter focuses on the most important objective of this research which tries to explore the parallel relationship between the road planning process and the basic principles of decentralization in Indonesia which was previously elaborated in **Chapter 2**. At the heart of analysis, this chapter discusses the evaluation of current road planning process in decentralized era towards democratization, public participation, equity and fairness, and efficiency and effectiveness. In the end, the chapter will give a brief explanation of the achievement of the current road planning.

## 5.1 Democratization

Before discussion of this section goes further, it is better to explore firstly relation between democracy and planning. Are democracy and planning compatible? According to Sartori (1987b), relationship between democracy and planning can be explained but it is determined by the definition of planning which is being adopted. As explained in **Section 3.2**, the road planning uses rational planning process in formulating plan. Rational planning itself can be defined as a rational effort to achieve a certain goal in the future based on assessment of present condition. Therefore, Sartori (1987b) further states that the road planning is not solely a technical approach. There is another approach that is used in planning process instead of technical approach.

In planning literature, planning is a form of intervention dominantly by the government to attain future oriented target which unlikely can be achieved through market mechanisms (known as market failure). The government intervenes into the market by providing regulation and policy in order to fix such failure by doing planning. However rational planning process leads government to choose several alternatives which are designed to answer defined problem and identified goals of planning. Hence process during selecting alternatives to be a choice i.e. rejection or acceptance of alternatives will then occur within democratic process. Therefore in spite of technical approach there is also deliberation approach in rational planning process which reflects democratization in planning process.

This thesis argues that democracy in planning process, however, can not be separated from democracy that is believed in a particular country. From political democracy literature, generally there are two types of democracy; direct democracy and indirect democracy (see Stokes, 2002, Weale, 1999). The former means that people have ability to choose the content of public policy, meanwhile the latter, people elect their


representatives and then they choose the content of public policy on behalf of the people.

This thesis is not concerned with direct democracy as described above. Rather, it will be more concerned with indirect democracy which is relevant to the form of democracy in Indonesia. Indonesia adopts indirect democracy in its democratization system. Indirect democracy can be grouped into two forms of democracy: representative democracy and deliberative democracy (Hiariej, 2008). On the one hand, representative democracy is performed to deal with the weaknesses of direct democracy because the direct democracy will not be able to conduct democratization practice in a large scale, for instance, at the state level. People elect their representatives to perform democratic practice on behalf of them. Hence there is public participation but it is limited and indirect. Limited public participation denotes that public participation only occurs in a particular period, for instance, during general election. Additionally, according to Devas and Grant (2003), representative is a rough decision making mechanism in reflecting local needs and priorities which is still found in a few countries. Indirect public participation entails the representative represents the public in making decision on behalf of the public. On the other hand, deliberative democracy is a contemporary form of democracy. It is a combination of direct democracy and representative democracy. In this kind of democracy, sovereignty of people is manifested by greater public participation in formulation of policy. The more the public involved the more democratic the policy.

In the case of Indonesia, Indonesia has adopted representative democracy since New Order Era. However, it is not a kind of representative democracy dreamed by people instead of authoritarian-military regime. Since the promulgation Law 22 of 1999, there is a significant change of representative democracy in the Indonesian democratization system. General election held in 1999 and 2004 were the indications of the fair democracy practice that did not happen during New Order era (Pratikno, 2005). On the contrary, in practice, there is a tendency to move from representative

democracy to deliberative democracy. This shifting can be examined in planning process in Indonesia. For brief explanation, it can be seen in the table 5.1 below.

**Table 5.1 Comparison of Democratization in Planning Process during Centralized and Decentralized Government**

Public Participation	Centralized Era	Decentralized Era	Democratization Form
1. Legal Base	MOHA Decree 8 of 1982 on Guidance for Local Planning Procedure and Local Development Control	Government Regulation 40 of 2006 on Procedure for National Development Planning Process.	
2. Citizen Participation			
Village	No	Yes	Deliberative 
Sub-District	No	Yes	
District or Municipality	No	Yes	
3. Citizen Delegations to Sub-Districts and Districts	Yes	Yes	Representative
4. Priorities given to people's activities	No	Yes	
5. Division between sector-based and area-based activities	No	Yes	
6. Source of funds for development activities	INPRES, SDO	DAU, DAK, Revenue Sharing	
<b>7. Authority to decide</b>	<b>No</b>	<b>No</b>	

*Source: Modified from Takeshi, 2006*

Weale (1999) states that inclusion of public participation in formulation and implementation policy is important to appraise democracy. As explained in **Chapter 4**, recent law and regulation concerning road in Indonesia provides opportunities to community to engage in the road planning process. Public participation of the road planning can occur both in strategic or policy and operational level but it takes place in different community involvement. More public participation can find more at operational level rather than at strategic level. Indeed, the road planning process at both levels reflects more deliberative rather representative democracy.

Furthermore, since the promulgation SPPN Law, the road planning process in decentralized Indonesia has adopted a combination of technical and participatory approach. Explained in **Chapter 4**, technical approach occurs at the first step of the road planning process both in strategic and operational level. At this stage, the responsible authority i.e. public works agency is being regarded as expert in preparing draft plan. It has attracted many scholars to disagree with such process because it does not reflect democracy due to the absence of the public at the earlier stage of process and is against democracy. However, according to Sartori (1987b), it is impossible to count people voice at this stage. Then, as he further states, there should be a shifting democracy from the input (how much the voice of people) to democracy in output (how much people benefits). Next, the early stage of planning process will be followed by participatory process in which it is engaged to gain public suggestion, idea and information as state in article 119 of Government Regulation 34 of 2006 concerning Road:

“Public participation in road administering ... can be in the form of suggestions, ideas and information”

From this point, it can be argued that the road planning process in Indonesia has reflected democracy within its process because it involves community participation during the process. However, if we take a look further on the decision making process there is a little weakness of democratization process when decision making will be made. In democracy literature, there are four kind of decision: individual, group, collective and collectivized decision (Sartori, 1987a). Individual decision is a decision taken by individual for him or herself. Group decision is a decision taken by a group through face to face and interaction of individual who participate in the making of such decision. Meanwhile, collective decision is a decision taken by many or a large body of people which is in contrast to group decision and can not perform on account of its size as group. Collectivized decision is a decision taken by the one, the few or many that apply to all people; *decide for all*.

The road planning process in Indonesia can be classified into collectivized decision. Although the process has been through the participatory process, no one can guarantee that the decision will take into account all of public's suggestions and ideas. It results from that the decision will be made by the authority that creates the plan. The fact can be seen from the mechanism of annual development plan where the annual road development is a part of it. In this process, although annual development has been discussed by community representatives or delegations, the final decision is still in hand of local agencies, i.e. public work and planning agency. Although they will announce the final result to the public, there is possibility that interests of community will not be accommodated in the plan. Hence it is possible for community to complain but it will take long process, while the process of finalizing the plan will keep going on. In addition, it is no way provided by law and regulation concerning road how community or people can complain if such situation emerges into the surface.

## **5.2 Public Participation**

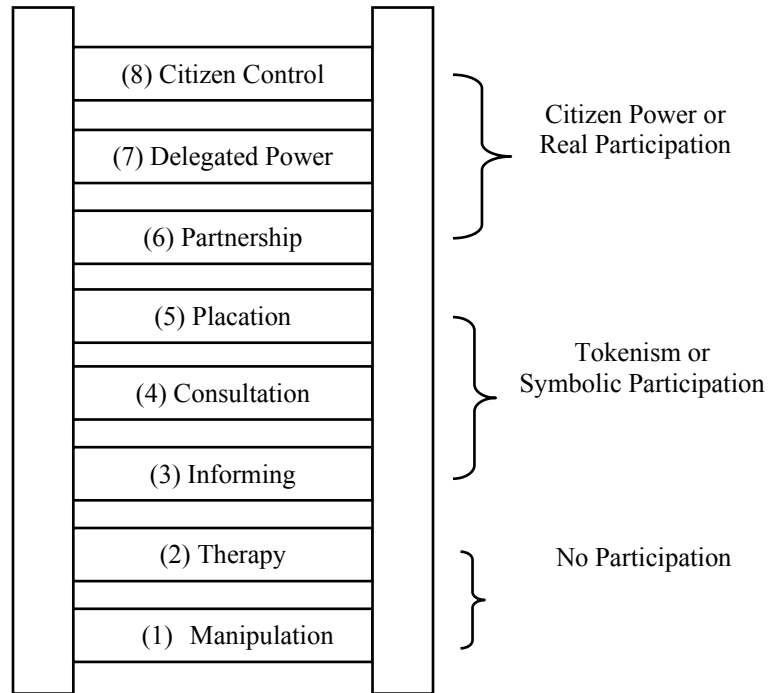
This thesis argues that there is more public participation in the road planning process in decentralized Indonesia than during centralized era. Law 38 of 2004 and Government Regulation 34 of 2006 explicitly state that it should involve community in the road planning process. Compare with previous law and regulation concerning road, these new road law and regulation give more opportunities to the public to express their suggestion, ideas and interest during planning process rather than formal planning process in the previous era. However, it still be interesting to discuss how far exactly the role of public participation in the current road planning process in Indonesia.

In planning theory literature, there is a significant shift from technical oriented toward consensus oriented which gives more attention to the public to involve in planning process. In rational planning process, participation process goes along with formal planning procedures and is typified by provision of information and reaction rather



than interaction and dialogue. Although it criticizes planning process in United States, what have been purposed of citizen participation identified by Innes and Booher (2004) can reflect how important role of public participation in planning process due to the need to implement good governance in society. They identify five purposes of citizen participation. The first and second purposes are for decision makers. Decision maker should discover what people's preferences would be towards planning so these can be a concern for them in making decision. The second purpose is to include community local knowledge in decision making judgment. The third purpose is to promote justice and fairness. Due to different needs and preferences among communities, participation in planning process decision making can address the needs and preferences of different communities. The fourth and fifth purposes are to gain legitimacy for public decision and obey the law that requires it respectively. Unfortunately, in planning practice public participation faces dilemmas. Some dilemmas as further stated by Innes and Booher (2004) are that delegations represents community but in practice they just speak for themselves. Planners and public officials believe in participation as a demonstration of democracy but they are still questioning about it. It is a best thing to do but it can suspend the planning process and result in bad decision.

Ideally public participation in democracy does not mean that partaking without power. Participation aims at sharing power over involved community to influence on decision outcomes. Not all of participation form in practice does reflect the real participation, however. The best-known typology of participation is provided by Arnstein. Arnstein (1969) has typified eight level of participation. In this typology, every level reveals different type of participation and how power re-distribution is exercised within decision making process (figure 5.1).



**Figure 5.1 Ladder of Participation**

*Source: Arnstein, 1969; Woltjer, 2004*

Level one to two (manipulation and therapy) is classified as non-participation. Manipulation is a level where people are placed in a particular committee or board in which its aim is to educate or gain their support. Similar to manipulation, participation at therapy level aims at diverting people from dealing with important planning matter where it is strongly relevant to them. Due to their relation to planning matter, they are invited during planning process but they are treated like a person who has illness and let the planning agency makes the decision.

Level three to five (informing, consultation and placation) shows a symbolic participation in which planning agency provides opportunities for citizen to access planning issues and give reaction either directly or indirectly. At the informing level, planning agency informs the public about their rights and responsibilities towards planning. Yet the information is one-way information from planning agency to citizen without a channel to give feedback and power to negotiate the plan. Even at the final stage of planning process, the public is informed about such plan so lately that there

is no opportunity for citizen to influence the plan created for their benefits. At the consultation level, the public is invited to hear and consult their opinions about the plan. However there is no guarantee that their ideas or opinions will be taken into account in the decision making. Meanwhile, placation is the higher level in the symbolic participation level in Arnstein's ladder of participation. Placation is almost similar to consultation. In placation there is already obligation for planning agency to include citizen and think through their concerns and ideas regulated by legislation. However there is still no assurance that the public concerns will be considered in decision making.

Finally, ladder six to eight (Partnership, delegated power and citizen control) represents real participation in planning process. In this level, citizen has opportunity to debate and negotiate the plan; even they have collaborative power to make decision (Woltjer, 2004). At the partnership level, power is redistributed among planning agency and citizen. Citizens are able to take a part and negotiate the plan. There is a sharing of power between citizen and planning agency in decision making responsibility. The highest levels, delegated power and citizen control, majority in decision making are in the hand of citizen; even they have full managerial power to make decision rather than planning agency or planning authority.

This thesis argue that the recent road planning process in Indonesia have increasingly followed an approach **Placation** (at the fifth rung) of Arnstein's ladder. There is a grounded rule to involve the public in the road planning process in Indonesia and is explicitly stated by prevailing law and regulation concerning road that it is a must to involve community in the road planning process. At both the strategic road planning and operational road planning, it has to involve community in planning process although in practice they are conducted in a slightly different way due to other prevailing laws and regulations. Article 73 of Government Regulation 34 of 2006 on Road states: "road plan is conducted by considering community interest through public consultation". However, actually role of public participation either at the

strategic road planning level and operational planning level or at the entire planning stages from plan making to plan evaluation stage are almost perfectly similar. It can be looked at the paragraphs of article 119 respectively, as follows:

“Public participation in road administering ... can be in the form of suggestions, ideas and information” (Road Regulation 34 of 2006, Art. 119, para. 1)

“Public participation in road programming and technical planning... can be in the form of suggestions, ideas and information” (Road Regulation 34 of 2006, Art. 119, para. 3)

“Public participation in budgeting... can be in the form of suggestions, ideas, information and donation” (Road Regulation 34 of 2006, Art. 119, para. 4)

“Public participation in road construction, operation and maintenance... can be in the form of suggestions, ideas, information or direct action” Road Regulation 34 of 2006, Art. 119, para. 5)

“Public participation in controlling ... can be in the form of suggestions, ideas, reporting and information” Road Regulation 34 of 2006, Art. 119, para. 6)

Unfortunately, there is no assurance by prevailing law for community to obtain transparent information if their interests and concerns are not taken into account by official stakeholders in decision making. The decision making is still in the hand of power holders. From the comparison of prevailing regulation during centralized and decentralized era in table 5.1, it appears that both regulations concerning planning procedure do not give authority for community to be decision maker during the road planning process (see row 7, table 5.1). As explained in the previous section, it is possible for community to complain but it will take long process to make, while the process of finalizing the plan will keep on going.

### **5.3 Equity and Fairness**

Discussion of equity in the road planning process in Indonesia still has relations to the discussion of democracy and community participation in the previous section. In the context of decision making process of the road planning, Beatley (1988) clearly states

that there are equity criteria that should be engaged in the road planning, called **equity in influence**. Power and influence are not equally shared out among actors who participate in the road planning. As Beatley (1988) further states that share of power is needed during the planning process to ensure that the local communities are able to have influence on the decision making.

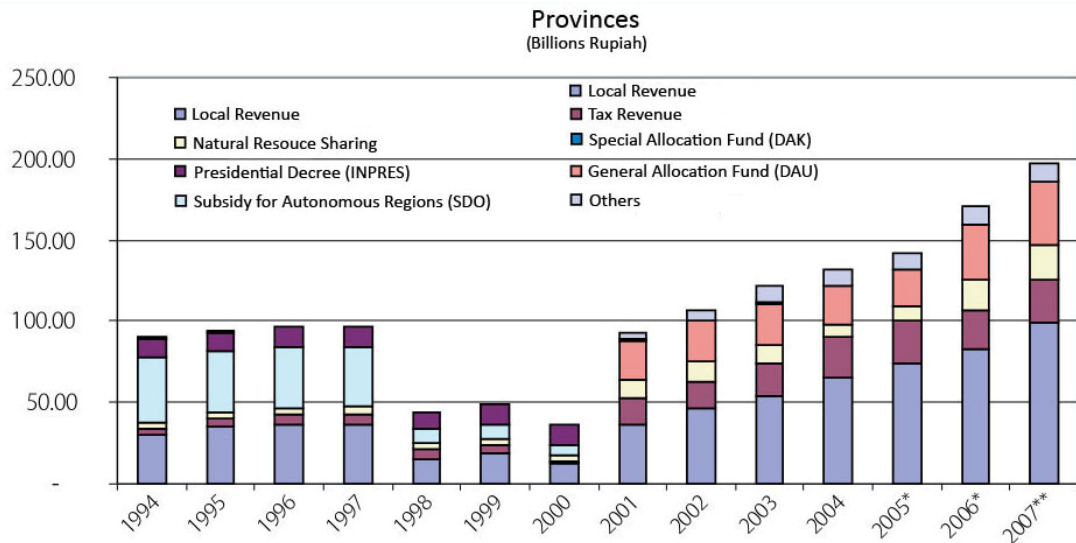
In the case of the road planning process in Indonesia, there is no such shared power and influence during the planning process. As it has already explained in the **Chapter 4** and the previous sections, local communities can participate in planning process from the lowest step of public participation (at village level). Based on the current planning process in Indonesia, certainly there is a possibility for community interests to reach the highest forum of public participation. Unfortunately, during the process particularly at the local and provincial government level, it is hardly found that the community can stand at the position as a decision maker. In contrast, during the process, all actors involved can be considered as pure participants in the discussion. On the one hand, the public are able to give suggestions, ideas, information, or reports during consultation process; on the other hand, power to make decision is still in the hand of power holders or the government. In short, with respect to power and influence on decision making, there is no equally distribution of power or influence during planning process between involved actors but the power to make decision is still in a hand of the government.

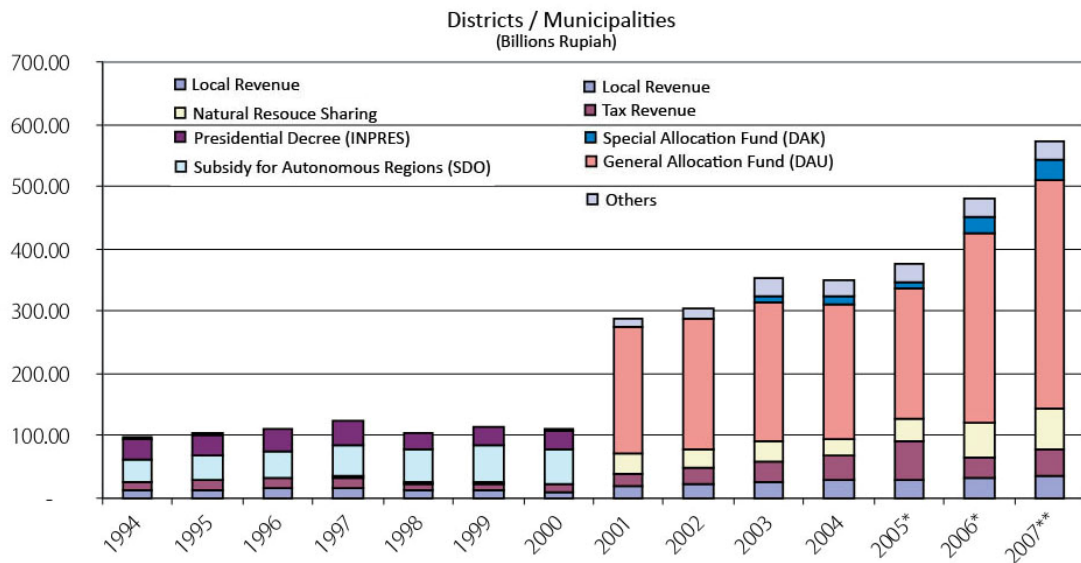
It is also interesting to discuss financial capability of the governments although it has indirect implication to the road planning process itself. It results from that the capability of local governments to finance their infrastructure expenditures will reflect local government ability to conduct the road planning process and implement the road plan adequately.

As explained in **Chapter 2**, decentralization is favorable for Indonesia because it can generate equity among regions due to inequality in the past. Fiscal decentralization

policy is an instrument to reduce fiscal disparities among government levels and regions. For instance, as stated by Charras (2005) that since 1960s outer regions or islands has been exploited by Jakarta. Outer islands are characterized by fewer population but richer in natural resources. The provinces such as Aceh, Riau, East Kalimantan, and West Papua are rich in oil and gas which are the most important resources for nation income (Fanany, 2003). On the other hand, Java is large in population but poor in natural resources. Thus most natural resources extraction are coming from outer Java but it is brought to develop Java which, then, lead outer islands to lack of financial support to develop.

However, by the implementation of decentralization policy in 1999, there is a significant increasing of total provincial and local government revenues compared with prior to 1999 (figure 7.2). This change gradually may have diminished vertical fiscal disparities between central, local and provincial governments. The most components are derived from intergovernmental transfer sources, i.e. general allocation grant (DAU), revenue sharing and special allocation grant (DAK) from central to local governments.

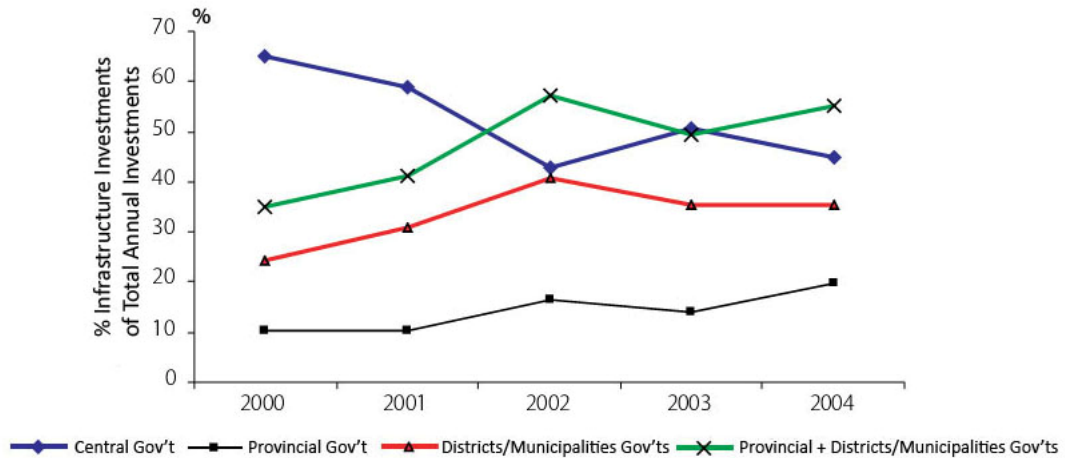




**Figure 5.2 Provincial and Local Government Revenues Before and After Decentralization**

*Source: World Bank, 2007*

The increase revenues are followed by an increase in infrastructure investment by local and provincial governments as show by figure 5.3 below. A first look at the figure shows that there is an increasing tendency in infrastructure investment between 2000 and 2004. On the contrary, the infrastructure investment by the central government has tended to decrease after decentralization policy. It is true that after fiscal decentralization policy, development of road infrastructure becomes a main concern of local and provincial governments.



**Figure 5.3 Infrastructure Investments at Different Level of Governments in 2000–2004**

*Source: World Bank, 2007*

Furthermore, table 5.2 shows the portion of infrastructure investment between central, provincial and local government in 2004. The table reveals that the expenditure or investment of infrastructure sector is the second development priority after investment in education sector. Although government apparatus sector absorbs a big portion of local and provincial expenditure, it is due that the governments should pay for day-to-day government operational expenses, salaries of government officials including teachers and medics in which prior to 1999 they were paid by the central government.



**Table 5.2 Sectoral Government Expenditures in 2004**

Sector	Province	%	Districts /Municipalities	%	Total (Province + Districts/Municipalities)	%	Central	%	Total	%
Agriculture	1,823	6	4,201	4	6,024	4	2,679	8	8,703	5
Education	3,815	12	39,805	33	43,620	29	7,345	23	50,965	28
Health	3,000	9	8,108	7	11,108	7	2,395	7	13,503	7
Mining	195	1	74	0	269	0	230	1	499	0
Trading	479	1	681	1	1,160	1	185	1	1,345	1
Apparatus	12,327	38	35,529	30	47,856	32	613	2	48,469	26
Labor	426	1	452	0	878	1	177	1	1,055	1
Defense	0	0	0	0	0	0	400	1	400	0
Environment and Spatial Plan	619	2	1,233	1	1,852	1	148	0	2,000	1
<b>Infrastructure</b>	<b>8,321</b>	<b>26</b>	<b>17,147</b>	<b>14</b>	<b>25,468</b>	<b>17</b>	<b>14,099</b>	<b>43</b>	<b>39,556</b>	<b>22</b>
Other sectors	1,399	4	11,728	10	13,127	9	4,168	13	17,294	9
Total	32,404	100	118,959	100	151,363	100	32,437	100	183,801	100

*Source: World Bank, 2007*

In contrast, although the decentralization policy may have diminished vertical fiscal disparities among central, provincial and local governments, it can not address the horizontal fiscal disparities between local governments. In the past, horizontal fiscal disparities were between outer islands and Java island particularly Jakarta. But recently, the horizontal fiscal disparities are even getting worse. There is a new trend of horizontal fiscal disparity between populous provinces, natural-resource-rich-provinces, and other provinces (Firman, 2003). Riau and East-Kalimantan provinces receive revenue 24 times larger in 2001 than 1998 due to revenue sharing from oil production. If it is compared with non-oil-producing provinces, other provinces only enjoy a small portion of grant allocation (Firman, 2003).

**Table 5.3 DAU Grant for every provincial and total DAU grant received by Districts and Municipalities by province, 2001 (in billion Rupiahs)**

Province	Provincial government	District and Municipality governments in the Province	Total	Total/capital
Aceh	165.80	1 986.63	2 152.43	0.00053
North Sumatera	264.42	2 958.43	3 222.85	0.00028
West Sumatera	140.73	1 023.10	1 663.83	0.00039
Riau	251.94	2 015.21	2 267.15	0.00048
Jambi	109.29	904.00	1 013.29	0.00042
South Sumatera	153.17	1 493.62	1 646.79	0.00023
Bangka Belitung	65.64	255.89	321.53	0.00039
Bengkulu	82.74	527.15	609.89	0.00043
Lampung	180.30	1 568.56	1 748.86	0.00026
Jakarta	587.14	185.84	773.02	0.00009
West Java	521.23	5 701.46	6 222.69	0.00017
Banten	142.15	1 123.77	1 265.92	0.00015
Central Java	647.21	7 216.47	7 863.68	0.00025
Yogyakarta	110.36	857.32	967.68	0.00031
East Java	449.57	8 349.47	8 799.04	0.00025
West Kalimantan	194.38	1 342.29	1 536.67	0.00041
Central Kalimantan	153.31	881.10	1 034.41	0.00057
South Kalimantan	122.52	1 014.91	1 137.43	0.00038
East Kalimantan	257.11	1 596.99	1 854.10	0.00076
North Sulawesi	75.58	706.30	781.88	0.00039
Gorontalo	45.35	317.38	362.73	0.00043
Central Sulawesi	126.45	959.78	1 086.23	0.00052
South Sulawesi	232.73	2 566.53	2 799.26	0.00035
Southeast Sulawesi	101.38	764.95	866.33	0.00049
Bali	91.17	1 093.38	1 184.55	0.00038
West Nusa Tenggara	122.61	1 098.13	1 220.74	0.00032
East Nusa Tenggara	150.93	1 948.74	2 099.67	0.00053
Maluku	101.29	582.65	683.94	0.00051
North Maluku	74.11	399.25	473.36	0.00075
Papua	331.03	2 525.72	2 856.75	0.00135
<b>Total</b>	<b>6 051.64</b>	<b>54 465.06</b>	<b>60 516.70</b>	<b>0.00030</b>

*Source: Firman, 2003*

Table 5.3 above shows the amount of DAU grant which goes to all provinces in 2001. It reveals that almost 40 percent of DAU grant goes to Jakarta, West Java, Banten, Central Java, Yogyakarta and East Java provinces. Java bias prevails by this allocation. However, it is due to the DAU grant calculation taking into account the number of population as a component in DAU grant formulation (Firman, 2003).

Districts and municipalities which receive revenue from DAU grant and revenue-sharing, particularly from oil and gas revenue, more than 100 billions rupiah in 2001 and 2002 only consists of less than 30 districts or municipalities out of hundreds of districts or municipalities in Indonesia. Those are located in natural-resource-rich-provinces such Aceh, Riau, South Sumatra, and East-Kalimantan provinces and in populous provinces such West Java, East-Java and Jakarta provinces.

**Table 5.4 Districts and Municipalities that received Revenue Sharing of more than 100 billion Rupiahs, and DAU Grant, 2001 ( in billions rupiah)**

District (D) / Municipality (M)	Province	DAU Grant	DAU per capita	Total revenue sharing	Revenue sharing per capita
Aceh Utara (D)	Aceh	245.55	0.00025	452.61	0.00046
Bengkalis (D)	Riau	206.72	0.00016	754.12	0.00059
Indragiri hilir (D)		203.82	0.00036	134.87	0.00024
Indragiri hulu (D)		162.26	0.00035	134.29	0.00029
Kampar (D)		185.11	0.00021	294.91	0.00034
Karimun (D)		117.65	n.a	140.84	n.a
Riau Kepulauan (D)		131.60	0.00023	139.69	0.00025
Kuantan Singingi (D)		118.23	n.a	127.37	n.a
Natuna (D)		147.58	n.a	125.94	n.a
Pelalawan (D)		109.95	n.a	141.42	n.a
Rokan Hilir (D)		91.85	n.a	519.18	n.a
Rokan Hulu (D)		104.15	n.a	143.53	n.a
Siak (D)		95.61	n.a	492.28	n.a
Batam (M)		104.20	0.00024	151.45	0.00035
Dumai (M)		93.48	n.a	129.34	n.a
Pekanbaru (M)		143.01	0.00024	148.03	0.00025
Musi Banyuasin (M)	South Sumatera	249.92	0.00020	216.52	0.00017
Bandung (M)	West Java	734.07	0.00034	114.60	0.00005
Surabaya (M)	East Java	332.08	0.00013	166.47	0.00006
Kutai (D)	East Kalimantan	297.81	0.00036	1 148.28	0.00142
Kutai Barat (D)		116.62	n.a	199.37	n.a
Kutai Timur (D)		103.06	n.a	294.56	n.a
Nunukan (D)		81.63	n.a	175.46	n.a
Pasir (D)		148.55	0.00055	221.03	0.00082
Balikpapan (M)		135.09	0.00033	214.28	0.00053
Bontang (M)		75.72	n.a	184.30	n.a
Samarinda (M)		194.48	0.00037	186.50	0.00035
Tarakan (M)		72.99	n.a	175.61	n.a
Jakarta (M)	Jakarta	773.02	0.00009	2 518.55	0.00030

Source: Firman, 2003

To conclude, there is a new pattern of horizontal fiscal disparity among the governments due to financial decentralization policy. This pattern, of course, gives impacts to road development and planning process which in turn will lead to unbalancing distribution of road infrastructure provisions among local governments.

#### **5.4 Efficiency and Effectiveness**

Before this section proceeds to discuss efficiency in the road planning process in Indonesia, it is better to restate clearly the meaning of efficiency in the context of decentralization. Meaning of efficiency in decentralization literature is usually approached by the term of economic efficiency. In the economic term, efficiency is defined when the benefits exceed the costs. However, literature translates the efficiency, in the context of decentralization, into the ability of the government to provide public service that match with local needs and preferences. It is also in line with the economic role of local government in public sector as allocator of local resources (Musgrave, 1959; Oates, 1972). It is assumed that if local community could get what they need and prefer – it is efficient. Otherwise, it is known as **allocation in efficiency** (Matsui, 2003; Hadingham and Wilson, 2003; Chowdhury, Yamauchi, and Dewina, 2007). It results from that decentralization gives community chances to engage in public service provision and planning process. Thus, it will allocate local resources and provide public services based on local community needs and preferences that might vary between jurisdictions without disrupting national policies. In implementation national development programs, decentralization will generate a more efficient implementation. It results from the increasing communication between local and the central governments. In addition, decentralization will also increase the responsiveness of the government by reducing the obstruction of administration and communication. Rondinelli, Nellis, and Cheema, (1983) mention that implementation of national programs will decrease the expectation of program postponing and increase the satisfaction of client needs.

From financial perspective, it is very difficult for the central government to make decision and allocate what local government needs and expenditure from the center (Silver, 2003) and to disburse public funds more efficient and effective (Firman, 2003). It means that local government should be let to determine their needs and their expenditure by themselves and it only can be done through decentralization.

Since the road planning process in Indonesia adopts participation and bottom-up approaches, there is possibility for community to express their needs and preferences by engaging in the planning process. Adoption of these approaches actually gives opportunities to local community to influence on decision making. As described in **Section 4.2** and **4.3**, there is opportunity for all local community to involve in the road planning process either in strategic or in operational level. During the planning process, community has chances to propose their needs in the form, as regulated by law, of suggestions, ideas and information. Based on current planning procedures adopted, the proposal from lower community through stages of the road planning process can reach provincial level, and even national level particularly at the operational planning level.

However, due to the road planning process in Indonesia also adopting top-down approach, the proposal

of road development from lower community will be met and discussed with public work agency's draft road network plan and road development plan during public consultation forum. The aim of this forum is to gain interest input from community in order to finalize the plan. During the forum there will be a lot of discussion from the both sides to reach decision. However, during the consultation forum, there is no chance for community to be in position as decision makers or sharing responsibility to make decision with

**Box 2**  
**SECOND EASTERN INDONESIA REGION TRANSPORT PROJECT (EIRTP-2)**  
**SUB-PROJECT BUKAPITING – APUI**

Development and maintenance road segment in Bakaputing – Apui is one of projects that are financed by Second Eastern Indonesia Region Transport Project (EIRTP-2). It lies in Alor District, East Nusa Tenggara Province. The road segment passes through 3 (three) sub-districts i.e. North-East Alor, Lembur and South Alor sub-districts.

The road segment is a re-alignment of the existing roads and it is a ring-road that is connecting road segments of Mebung – Mainang – Apui with road segments of Kalabahi – Taramana. A Road segment of Bukapiting and Apui has length 16 kilometers. It is a hope that by developing this segment, it will give benefit socially and economically to community because the road passes through small agricultural estates such vanilla, candleberry, coffee, clove and so on. Additionally, such road segment also connects with other sub-districts such Teluk Mutiara, North-centre Alor, South Alor, Lembur and North-East Alor sub-districts.

However, based on the field survey by consultant in April 2006, to develop the road, it needs to redeem land as much as 3,748.60 m<sup>2</sup> and they belong to 5 families.

Thereafter, through the Team of Land Redemption and Relocation (TPTR) of Alor Local Government, there is a meeting between land owners and local government. During the meeting, TPTR has explained the project. The team also has mentioned that according to procedure the owners can obtain compensation of their lands based on local land prices or real replacement cost. Amazingly, they are willing to redeem their land without any compensation and they consider their land as a grant and participation from them to government to build the road. The owners hope that the road development can continue developed and constructed because the road will give them accessibility and mobility to market their estate products.

Source: Ministry of Public Works (2006)

government officials. Indeed, decision making is still in hand of government officials or authority. It, of course, gives chances to decision makers or power holders to mislead the result of the consultation forum and neglect the development proposal

from community in which previously has passed several public consultation forums from at lower level. It is due to no assurance by prevailing law to accept all of community proposal into government road development plan. Therefore, it suggests that not all of local preferences and needs will be allocated in plan although to show government accountability to the public, a few matters of community proposals still will be accommodated in plan but it is not altogether.

In contrast, implementation of national road development program has many benefits due to the existence of local government. As described in literature, it will be easier for local governments to interact and communicate with local community, and to be able to collect information as much as possible. It, then, will alleviate the bottlenecks in communication between the central government and the communities. This situation occurs when the Government of Indonesia wants to implement national road development program in East Indonesia through the Eastern Indonesia Region Transport Project (EIRTP) (see box 2). This case reflects that difficulty of the central government to implement road national program since the project faces the land redemption problem in which land to develop roads are still owned by local people. However, in the end, this case shows that through assistance of local government to arrange land redemption, the central government finally and easily able to proceed the project without problem to continue the road development and pay no cost for land redemption.

In relation to financial aspect, local governments are almost able to decide all of their expenditure according to their needs and preferences. It is clearly stated by Law 22 of 1999 and Law 32 of 2004 that shift authority and responsibility from the central government to local governments are followed by the shifting of financial resources (see **Section 2.1**). Towards to the road planning process, it means that local governments can decide all of their road expenditures based on community needs and preferences. It has been agreed by many observers that revenue-led approach is more dominant than expenditure-led approach in the new fiscal decentralization system by

enactment Law 22 of 1999 and Law 25 of 1999 (Roeland, 2000; Sidik and Kadjatmiko, 2004; Brodjonegoro and Martinez-Vazquez, 2004). However, the exception of expenditure assignment is found in local government expenditure of special allocation grant (DAK).

As clearly explained in **Section 2.1**, revenue sharing approach in intergovernmental transfer system is divided into three categories, i.e. revenue sharing, general allocation grant (DAU) and special allocation grant (DAK). Revenue sharing refers to all taxes for the central government. After the all of taxes are collected from local and provincial governments, then the central government will transfer some part to local and regional governments. It mainly consists of revenue of taxes and natural resources. Meanwhile, general allocation grant (DAU) is block grant. It consists of three-fourths of local government expenditures. Both revenue sharing and DAU grant can be used by local and provincial freely to make use of the funds without interference from the central government. Hence, local governments can use those financial resources to fund their road expenditure based on their needs and preferences.

In contrast to DAU grant and revenue sharing, DAK grant provides funding for program activities which is related to national priorities, and the acquisition and use of DAK grant must follow the **guidelines** determined by the central government. The guidelines are provided by the same ministries every year. For illustration, table 5.5 shows several technical guidelines from relevant ministries to use DAK grants in 2007 which is issued in 2006 or early 2007.



**Table 5.5 List of DAK Guidelines in 2007**

DAK Guideline	Issued Date
Law No. 18/2006 on the APBN for the 2007 Fiscal Year	17 October 2006
Minister for Finance Regulation No. 128/PMK.07/ 2006 on the Determination of Allocations and General Management Guidelines for DAK in the 2007 Fiscal Year	15 December 2006
Minister for National Education Regulation No. 4/2007 on Technical Guidelines for the Implementation of DAK in the Education Sector for the 2007 Fiscal Year	29 January 2007
Minister for Health Decree No. 7/Menkes/SK/I/ 2007 on Technical Guidelines for the Use of DAK for the 2007 Fiscal Year	8 January 2007
Minister for Public Works Regulation No. 39/PRT/M/2006 on Technical Guidelines for the Use of DAK in the Infrastructure Sector for the 2007 Fiscal Year	29 December 2006

*Source: Usman et al, 2008*

However DAK grant is still minor part of Indonesia's system of intergovernmental transfers. Until 2005, the proportion of DAK allocation to total national expenditure is still below 1% and in 2006 is 1.7% (Usman *et al*, 2008). The three administrative services sectors that have received the largest proportion of DAK grant have been education, health, and road infrastructure. Table 5.6 below demonstrates the trend of DAK grant allocation during fiscal year 2003 – 2007.

**Table 5.6 Trends in DAK Allocation based on Sectors, 2003 - 2007**

No.	Sector	2003	2004	2005	2006	2007
1	Education	625,000	652,600	1,221,000	2,919,525	5,195,290
2	Health	375,000	456,180	629,000	2,406,795	3,381,270
3	Infrastructure	1,181,000	1,196,250	1,533,000	3,811,380	5,034,340
	3.1 Roads	0	839,050	945,000	2,575,705	3,113,060
	3.2 Irrigation	0	357,200	384,500	627,675	858,910
	3.3 Clean water	0	0	203,500	608,000	1,062,370
4	Regional Government infrastructure	88,000	228,000	148,000	448,675	539,060
5	Maritime affairs and fisheries	0	305,470	322,000	775,675	1,100,360
6	Agriculture	0	0	170,000	1,094,875	1,492,170
7	The environment	0	0	0	112,875	351,610
<b>Total DAK</b>		<b>2,269,000</b>	<b>2,838,500</b>	<b>4,014,000</b>	<b>11,569,800</b>	<b>17,094,100</b>

*Source: Ministry of Finance, 2007 (cited in Usman et al, 2008)*

The DAK allocations for these three sectors are around three-quarters of total DAK grant every year. Therefore, in relation to the road planning process, development of local road infrastructure funded by DAK grant hardly reflects the needs of local government since it is determined by national government through its strict guidelines. In addition, when local governments receive DAK grant, they obligate to provide share-funding (dana pendamping) from their revenue to a minimum of 10% of the total DAK grant they receive. Exceptions can be granted to regions with low fiscal capacity. Regions are also obligated to provide 3% of the total value of the received DAK grant for general costs taken from other sources of income (Brodjonegoro and Martinez-Vazquez, 2004; Usman et al, 2008).

## **5.5 The Development of Road Planning Process**

This section is to provide a general conclusion of the development of the road planning process. Consideration of key issues of the road planning process is sufficient although it has the particular obstacle from institutional preparedness. For the legal framework aspect, it has been stated by prevailing laws and regulations that it is permitted for community to participate in the planning process, in fact in all the aspect of road administering. However, the form of the participation is still being very

low, namely in the form of suggestions, ideas, reports and information. The prevailing legal frameworks also do not mention clearly how exactly the role of community would be during the planning process.

From the aspect of the government structure, indeed, the central government still maintains the stratified government structure from national to village level. The implications of such hierarchical structure will extend the process of the reduction the community proposal during the planning process whereas it contains and reflects their needs and preferences. This situation is aggravated by regulation or policy that is not supportive to preserve the proposal from lower community when it brings together with the proposal from governmental agency during public consultation forum.

It is realized that the road planning must involve the community's participation during the process. Indeed, it is acknowledged that community can participate both at the strategic and operational levels. In practice, it is always interpreted by the government that the public participation during the road planning process is a merely procedure to meet prescription underlined by the laws and regulations than an effort to create the more democratic road planning process.

This argument is supported by Brodjonegoro (2005) who states that there is lack of real participation in planning process in decentralized Indonesia. It is a new paradigm in community to involve in the road planning process. Community is not accustomed to it. Prior to 1999, this kind of process is a formal planning process without involving of public opinion. In fact, such process is dominated by government officials and community tends to be passive during the process. On the other hand, government officials are also not accustomed to public opinion whereas the public expects attention to their input in the process. They also perceive that community has a minor role in the process which leads the public to feel desperate and frustrated.

## CHAPTER 6

### CONCLUSIONS AND EPILOGUES

#### 6.1 Conclusions

As mentioned in the **Chapter 1**, the main purpose of this research is to get insight in the agreement of the road planning process with the decentralization principles in Indonesia due to decentralization policy in the late 1990s. Based on the analysis, it is noticeable that the change in public administration aspects actually has given the ground framework to the road planning process to be in line with the basic reasons of decentralization. However, in the practice, these principles are not fully implemented during the process. It is clear that some of these principles are tried to be employed during the process but there is still some weaknesses found. The next paragraphs of this section explain the research findings in detail based on the research questions order.

#### *The Basic Principles of Decentralization*

**Chapter 2** provides the principles of recent decentralization policy in Indonesia. These can be seen in the preamble and explanatory note of Law 22 of 1999 on Local Governance and its revised version, Law 32 of 2004, namely **democratization, community participation, equity and efficiency**.

Prior to 1999, political democratization in Indonesia was artificial. During the New Order period - 1966 – 1998 - general elections during this period are merely symbolized and clearly unfair. Meanwhile, at the local level, although local governments and autonomies were already present, they were unable to perform general elections for electing governor, *bupati*, and mayor locally. They were appointed by the central government. From an administrative perspective, previous

decentralization the idea of democratization was half-hearted or partial autonomy. Autonomy was given to regional government was mixed between needs of the central government in order to implement policy at local level and to satisfy the regional governments that they had decentralized feelings.

Greater public participation in development process and decision making is another reason that Indonesia goes to decentralization in 1999. It aims at educating citizens to participate in the democratic process in order to construct civil society. Decentralization also allows communities to influence and control the decisions that will affect them, which previously was always taken by the central government in centralized system without considering local preference and needs. During long period of authoritarian rule and patronage system, politicians and bureaucrats both from central and local levels took advantage of communities and always excluded them from development and planning process. All national developments programs from east to west in Indonesia are noticeably uniform without considering local diversities among regions.

Indonesia is a suitable candidate for decentralization due to its diversities. Indonesia is a large archipelago country which has more than 17.000 islands which only fewer than 14.000 is inhabited. It also has diversity among regions and ethnics. Additionally, prior to 1999, centralized government created regional dissatisfaction due to archipelago character of Indonesia. Since 1960s outer regions or islands have been exploited by Jakarta especially from natural resource provinces such Aceh, Riau, East Kalimantan, and West Papua.

Decentralization will ensure efficiency in carrying on public service. It believes that Indonesia's geographical area and population make it suitable candidate for decentralization. Decentralization before 1999 is regarded as the duality on responsible in the nature of de-concentration and co-governance of decentralization. It is indicated that de-concentrated institution of the central governments in provinces

and municipalities is doubled by the same institution of local and regional government which has the similar functions respectively. Decentralization before 1999 was a good opening move but was inefficient in many aspects and slow in progress. It was the frustration of local governments, especially for outer islands and the unreasonable control of the central government that led to a new decentralization process in 1999 with objective to promote better delivery of public services.

### *The Road Planning Process*

Following decentralization policy by Law 22 of 1999, laws and regulations concerning road are also adapted. Law 38 of 2004 and Government Regulations 34 of 2006 concerning Roads are the main regulation to administer road for national and local governments replacing road law in the centralized era. Both law and regulation becomes the legal basis for the road planning in Indonesia for the all level of the governments.

New decentralization law still holds three-tier of the government level, namely national, provincial and local governments. During the New Order era, the hierarchy of government tier is very tough and inflexible. However, the rigid hierarchy of government relations was removed by the law. It, then, enhances the role of local government and reduces the role of provincial government simultaneously. The law still places local governments at the different tier level from provincial level but they are similar to province in authority. Recent road law and regulation also give more room for public participation in road development planning process than the previous laws during centralized era. Consideration to involve community interest in the road planning is found in Government Regulations 34 of 2006. It states that community participation should be involved in the formulating of road plan.

Furthermore, prevailing laws regulate the road planning activities from strategic or policy planning to technical or operational planning. The technical rational planning

and political approaches are also adopted in the planning process. As stated by prevailing laws, the entire road planning process consists of four main stages whereas applied to both strategic and operational level, namely plan making, plan stipulation, plan control and plan evaluation.

### *Decentralization and the road planning process*

#### *Democratization*

Indonesia has adopted representative democracy since New Order Era. Since the promulgation Law 22 of 1999, there is a significant change of representative democracy in the Indonesian democratization system. There is a tendency to move from representative democracy to deliberative democracy in planning process.

Recent law and regulation concerning road in Indonesia provides opportunities to community to engage in the road planning process. Public participation of the road planning can occur both in strategic or policy and operational level but it takes place in different community involvement. More public participation can find more at operational level rather than strategic level. Indeed, the road planning process at the both levels reflects more deliberative rather representative democracy.

However, if we take a look further on the decision making process there is a little weakness of democratization process when decision making will be made. The road planning process in Indonesia can be classified into collectivized decision. Although the process has been through the participatory process, there is no guarantee that the decision will take into account all of public's suggestions and ideas. It results from that the decision will be made by the authority that creates the plan.

### *Public Participation*

There is more public participation in the road planning process in decentralized Indonesia than during centralized era. Law 38 of 2004 and Government Regulation 34 of 2006 explicitly state that it should involve community in the road planning process. Compared with previous law and regulation concerning road, these new road law and regulation give more opportunities to the public to express their suggestion, ideas and interest during planning process rather than formal planning process in the previous era.

Unfortunately, it argues that recent the road planning process in Indonesia have increasingly followed an approach **Placation** from the typology of public participation of Arnstein's. There are grounded rules to involve the public in the road planning process but there is no assurance by prevailing law for community to obtain transparent information if their interests and concerns are not taken into account by official stakeholders in making decision. The decision making is still in the hand of power holders. The decision making is still in the hand of power holders.

### *Equity*

In the planning process, there is clearly no such shared power and influence among communities and power holders during the planning process to promote equity of influence on decision making. Based on the current planning process, local communities can participate in planning process from the lowest step of public participation (from at village level) to reach the highest forum of public participation. Unfortunately, during the process particularly at the local and provincial government level, it is hardly found that the community can stand at the position as a decision maker. Additionally, during the process, all actors involved can be considered as pure participants in the discussion. Although the public are able to give suggestions, ideas,



information, or reports during consultation process, power to make decision is still in the hand of power holders or the government.

With respect to financing aspect, the implementation of decentralization policy has increased total provincial and local government revenues compared with the central government. This change gradually may have diminished vertical fiscal disparities between central, local and provincial governments. Fortunately, the increasing of revenues is followed by the increasing of infrastructure investment by local and provincial governments. In contrast, the infrastructure investment by the central government has tended to decrease after decentralization policy.

However, there are horizontal fiscal disparities among local and provincial governments. In the past, horizontal fiscal disparities were among Java particularly Jakarta and outer islands. But recently, the horizontal fiscal disparities show a new pattern. There is a tendency of horizontal fiscal disparity between populous provinces, natural-resource-rich- provinces, and other provinces. This pattern, of course, gives impacts to road development and planning process which in turn will lead to unbalancing distribution of road infrastructure provisions among local governments.

### *Efficiency*

There is a great possibility for community to express their needs and preferences by engaging in the planning process. During the planning process, community has chances to propose their needs in the form, as regulated by law, of suggestions, ideas and information. Based on current planning procedures adopted, the proposal from lower community through stages of the road planning process can reach provincial level, and even national level particularly at the operational planning level. Since the road planning process adopts participation and bottom-up approaches, road development proposals from the lower community will be met and discussed with

public work agency's draft road network plan and road development plan during public consultation forum.

Unfortunately, due to powerlessness of community to be in position as decision makers, it will give chances to power holders to mislead the result of the consultation forum and neglect the development proposal from community although it previously has passed other public consultation forums from at lower level. Therefore, it suggests that not all of local preferences and needs will be allocated in plan although to shows the government accountability to the public, a few matters of community proposals still will be accommodated in plan but it is not altogether.

In contrast, the implementations of national road development programs have numerous benefits due to the existence of local government. Local governments will be easier to communicate and to collect information as much as possible from local communities to assist the implementation of them.

From financial perspectives, local governments are almost being able to decide all their expenditures according to their needs and preferences. In the context of the road planning, local governments can decide all of their road expenditures based on community needs and preferences. However, there is little exception for the road development programs funded by DAK grant which must follow guidelines determined by the central government.

## **6.2 Epilogues**

This research has investigated the road planning process in Indonesia in 2008 since the promulgation decentralization policy in the late 1990s. The description and discussion related to this research has derived lesson learnt as following:

1. It needs awareness both from the public and the government to know and understand the benefits of public involvement in the road planning process in order to recognize that such process is part of democratic process. Hence, the sharing of power and transparency during the planning process is needed in terms to reduce the powerlessness of community to participate in making decision.
2. There should be a shifting of planning attitude to involve the public from the early planning stage and to be more transparent. A small comparison is demonstrated by Dutch's road planning. As studied by Sinardi (2005), Dutch's Road Development Process is characterized by the involvement of broad stakeholders since the early planning stage. Although it is lengthy and strict procedure, there are public consultation several times and several planning document publishing. Besides public consultation, there are also public review and advices towards the planning document.
3. There should be an effort to alleviate the horizontal fiscal disparities among local and provincial governments which will result in unbalancing distribution of road infrastructures. For instance, development of road fund obtained from road-user charges have been effective in many countries, particularly when strategy management of road is bussinesslike for basic service. It should be relied on more specific road user charges rather than general tax revenues.
4. This research provides initial findings about the development road planning process in Indonesia after decentralization policy in the late 1990s. Due to limitation of the data used in this research, it strongly encourages to undertake future research that elaborates more quantitative data to learn the development of road planning process in Indonesia.

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