Inter-Regional Cooperation in Indonesia
Status, Challenges, and Ways Forward
Inter-Regional Cooperation
November 2011
Inter-Regional Cooperation
In Indonesia
Status, Challenges, and Ways Forward

Inter-Regional Cooperation
November 2011
The Decentralization Support Facility (DSF) is a government-led multi-donor trust fund whose principal purpose is to support the decentralization agenda of the Government of Indonesia. The DSF attempts to fulfill three principal roles, which are designed to help the Government of Indonesia to: (i) improve the harmonization, alignment, and effectiveness of development assistance; (ii) inform and thereby improve policy development and implementation; and (iii) build governance capacity, particularly at sub-national levels. The institutional membership of DSF comprises the National Development Planning Agency (BAPPENAS), the Ministry of Finance, the Ministry of Home Affairs, and nine donors (ADB, AusAID, CIDA, DFID, Government of Germany, Government of the Netherlands, UNDP, USAID, and the World Bank). The principal financial donor to DSF is DFID, with AusAID and CIDA also having made financial contributions.

Cover photos copyright respective owners. All rights reserved.

Inter-Regional Cooperation in Indonesia: Status, Challenges, and Ways Forward is a product of consultants of the Decentralization Support Facility. The findings, interpretation, and conclusions expressed herein do not necessarily represent the views of the Decentralization Support Facility or its donors.

Cover design by Harityas Wiyoga
INTER-REGIONAL COOPERATION IN INDONESIA

Status, Challenges, and Ways Forward¹

November 2011

¹ This paper was prepared by Makhdonal Anwar for the Decentralization Support Facility (DSF). The views expressed in this paper are solely those of its author does not purport to represent the views of the DSF.
INTER-REGIONAL COOPERATION IN INDONESIA

List of Contents

Executive Summary
List of Abbreviations and Acronyms

1. Introduction
   a. Definition of IRC
   b. Overview of IRC
   c. Paper Objective

2. International Experience
   a. Germany
   - Examples of IRC Activities in Germany
   b. Austria
   - Examples of IRC Activities in Austria

3. Inter-Regional Cooperation in Indonesia
   a. IRC Pre-Regional Autonomy
   b. IRC Post-Regional Autonomy
   - Examples of IRC Post-Regional Autonomy
   - The Role of the Central Government
   - The Role of Non-Governmental Stakeholders
   - Regulations on IRC
   - International Donors’ Support for IRC

4. Key Issues
   a. Local Level
   b. Central Level

5. Direction of IRC Development
EXECUTIVE SUMMARY

Inter-regional cooperation (IRC) is an instrument for regional development. It is a form of collaboration between several regions aimed at achieving specific and collectively agreed outcomes. Although IRC has yet to be widely adopted in Indonesia, a few examples exist in central Java that can demonstrate the benefits of IRC to regional stakeholders. The Kartamantul Joint Secretariat in the Yogyakarta region and involves three local governments is a good example, with programs to improve waste management, drinking water distribution, road, drainage, and transport management. The Barlingmascakeb Regional Management forum works with farmers’ groups and has increased farmers’ incomes by marketing agricultural products collectively. Subosukawonosraten in Central Java has successfully collaborated with tourism and furniture producer associations to increase revenues. Since 2005, many other IRC initiatives have been set up with the support of government agencies (e.g. Ministry for the Development of Disadvantaged Regions - KPDT) and non-governmental organizations (e.g. LEKAD and GIZ).

However, implementing IRC in Indonesia has proved to be challenging. While regional autonomy presented new opportunities for regions to cooperate, a lack of capacity and understanding of the IRC concept has limited meaningful cooperation. The concept is not well understood and this has led to scattershot implementation with less than satisfactory results. The rapid rotation of local government officials involved in IRC has, in particular, been an obstacle to sustainable IRC. Poor comprehension of IRC is evident not only in the regions, but also at the central level. Participation from community and business groups has not been sufficient.

The central government's role in IRC – as represented by BAPPENAS, MOHA, KPDT, and also sector ministries – is important but poorly coordinated, and this has inhibited the uptake of IRC. MOHA regulations are inconsistent and, at times hinder rather than help. KPDT has sought to support less developed regions through the establishment of a Regional Management network (a particular type of IRC) but little progress has been made. Agencies at the central level need to ensure that IRC policies and regulations are coordinated and that the concept of IRC and the steps needed to implement it successfully are better understood by regional stakeholders.

This paper provides an overview of the development of IRC in Indonesia and its current status. Lessons from experiences in Europe (Germany and Austria) are drawn upon, and problems in implementation at both national and regional levels are identified. Finally, an assessment is made on aspects that need to be addressed to help ensure that IRC reaches its potential to improve service delivery and develop regions’ economies.
## LIST OF ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>APBD</td>
<td>Regional government budget (Anggaran Pendapatan dan Belanja Daerah)</td>
</tr>
<tr>
<td>APBN</td>
<td>National government budget (Anggaran Pendapatan dan Belanja Nasional)</td>
</tr>
<tr>
<td>BAPPEDA</td>
<td>Regional planning agency (Badan Perencanaan Pembangunan Daerah)</td>
</tr>
<tr>
<td>BAPPENAS</td>
<td>National planning agency (Badan Perencanaan Pembangunan Nasional)</td>
</tr>
<tr>
<td>Bakorwil</td>
<td>Regional Coordination Agency (Badan Koordinasi Wilayah)</td>
</tr>
<tr>
<td>Barlingmascakeb</td>
<td>IRC initiative comprising Banjarnegara, Purbalingga, Banyumas, Cilacap and Kebumen districts</td>
</tr>
<tr>
<td>BKSP</td>
<td>Development Cooperation Agency (Badan Kerjasama Pembangunan)</td>
</tr>
<tr>
<td>DIY</td>
<td>Yogyakarta Special Region (Daerah Istimewa Yogyakarta)</td>
</tr>
<tr>
<td>DPR</td>
<td>House of Representatives</td>
</tr>
<tr>
<td>DSF</td>
<td>Decentralization Support Facility</td>
</tr>
<tr>
<td>GIZ</td>
<td>German International Cooperation</td>
</tr>
<tr>
<td>INTERREG</td>
<td>EU inter-regional cooperation program</td>
</tr>
<tr>
<td>IRC</td>
<td>Inter-Regional Cooperation</td>
</tr>
<tr>
<td>Jabodetabekjur</td>
<td>Metropolitan of Jakarta, Bogor Depok, Tangerang, Bekasi and Cianjur</td>
</tr>
<tr>
<td>Kartamantul</td>
<td>IRC initiative comprising Yogyakarta, Sleman and Bantul districts (Java)</td>
</tr>
<tr>
<td>KPDT</td>
<td>Ministry for the Development of Disadvantaged Regions</td>
</tr>
<tr>
<td>LEKAD</td>
<td>Organization for Empowerment and Development of Inter-Regional Cooperation (Lembaga Pengembangan dan Pemberdayaan Kerjasama antar Daerah)</td>
</tr>
<tr>
<td>MOHA</td>
<td>Ministry of Home Affairs</td>
</tr>
<tr>
<td>MSME</td>
<td>Ministry of Micro, Small and Medium Enterprises</td>
</tr>
<tr>
<td>P3KT</td>
<td>Integrated Urban Infrastructure Development Program (Program Pengembangan Prasarana Kota Terpadu)</td>
</tr>
<tr>
<td>RM</td>
<td>Regional Management</td>
</tr>
<tr>
<td>RPJMD</td>
<td>Regional Medium Term Development Plan</td>
</tr>
<tr>
<td>RPKD</td>
<td>Regional Development Work Plan (Rencana Kerja Pembangunan Daerah)</td>
</tr>
<tr>
<td>SDC</td>
<td>Swiss Development Cooperation</td>
</tr>
<tr>
<td>Sekber</td>
<td>Joint Secretariat (Sekretariat Bersama)</td>
</tr>
<tr>
<td>SKPD</td>
<td>Regional government working unit (Satuan Kerja Perangkat Daerah)</td>
</tr>
<tr>
<td>SME</td>
<td>Small and medium-sized enterprises</td>
</tr>
<tr>
<td>Subosukawonosraten</td>
<td>IRC initiative comprising Surakarta, Boyolali, Sukoharjo, Karanganyar, Wonogiri, Sragen and Klaten (Central Java)</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Program</td>
</tr>
<tr>
<td>UNDIP</td>
<td>University of Diponegoro</td>
</tr>
<tr>
<td>UNSOED</td>
<td>University of Jenderal Soedirman</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
</tbody>
</table>
1. INTRODUCTION

a. Definition of IRC
IRC is a non-structural regional development platform. IRC is a form of collaboration between several regions aimed at achieving specific and collectively agreed outcomes. Internationally, IRC is known as “intergovernmental management”, reflecting something more than “intergovernmental relationship”. Intergovernmental management is often misconceived, particularly in relation to the institutional format of the cooperation. Most actors are still bound by the classical paradigm of inter-regional cooperation, whereby management is dominated by a formal structural hierarchy.

b. Overview of IRC
Modes of cooperation. A simple classification of IRC can be made based on the following three modes of cooperation: (i) cooperation between geographically bordering regions; (ii) cooperation between non-geographically bordering regions; and (iii) cooperation between regions that cross state borders.

IRC is a tool for regional development. Regions that collaborate through a specific platform of cooperation collectively set out to achieve mutually agreed objectives. These objectives cover, among others:

- **Accelerating economic development**, for example:
  - Regionally integrated tourism management having direct and indirect impacts on local economic development (for example, hotels, restaurants, entertainment, trade, and souvenir industry);
  - Management of promotional activities to showcase the products of the regions and its potential in order to increase investment flows into the cooperating regions.
- **Improving public services**, for example: management of public facilities and infrastructure across the administrative boundaries of several regions, such as:
  - Water distribution sourced from one spring that runs through several regions;
  - Waste water treatment;
  - Collective solid waste management;
  - Management of modes of interregional transport;
  - Health and education services for communities domiciled in different regions.
- **Other specific objectives**, for example, inter-regional cooperation for emergency disaster response.

The involvement of all stakeholders is the key to IRC success. Active support, participation, and contribution from all stakeholders are the key to success in IRC. The platform established may involve the private sector and the wider public as well as regional governments.

Non-governmental stakeholders play a significant role. In addition to increasing their ownership of IRC, the private sector and the general public (NGOs, universities) play key roles in the context of IRC. Together with regional governments, the public and the private sector
are both the subject and the object of the cooperation itself. They can provide suggestions as to regional issues to be tackled and the private sector can contribute funding for business development initiatives, as evidenced in Germany and Austria, through public and private partnerships.

c. Paper Objective

This paper aims to inform those interested in IRC in Indonesia on the current situation and problems commonly found in Indonesia. International understanding and experience of IRC, definition of IRC in Indonesia, modes and types of cooperation suitable for IRC, and IRC situations in Indonesia are also presented in this paper. To date, IRC in Indonesia has not been as successful as expected. This paper suggests what should and should not be done to facilitate IRC.

2. INTERNATIONAL EXPERIENCE

Germany and Austria are pioneers of IRC in Europe. However, no single general formula exists that can be uniformly applied for IRC implementation in different countries. Undoubtedly, Germany and Austria (as well as Switzerland) have adopted Regional Management (RM) as their approach to IRC. RM in this instance refers to a professional organization implementing sustainable regional development in a participatory manner, linking regional planning to regional governance.

RM in Europe is part of a long-term development strategy to integrate a number of sectors in a region to achieve specific development goals. RM is responsible for the functions of moderation, coordination, project management, general supervision, and public relations and marketing of regional products.

a. Germany

IRC in Germany is a “soft instrument” of development to complement the function of regional planning. IRC was initiated when the German government rolled out a regionalization policy in West Germany in the 1970s. This policy implied regional development that went beyond the administrative boundary of a single governmental jurisdiction which therefore necessitated an organization or a working unit capable of creatively and innovatively translating and applying such a concept. The RM platform was thus used (and has been used since) to perform these functions, complementing regional planning, with a particular focus on the implementation and coordination of regional development planning. There are various institutional forms of RM in Germany, such as foundations and working groups of cities/regencies and associations. Since 1990, IRC under the RM platform in Germany has played an increasingly important role as a soft instrument for regional planning.

Examples of IRC activities in Germany

1. Bayern Untermain Initiative

<table>
<thead>
<tr>
<th>Object of cooperation</th>
<th>Optimization of companies’ production process in Asschaffenburg to reduce environmental impact and production costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding</td>
<td>60% co-financed by the Nuernberg state government and</td>
</tr>
</tbody>
</table>
### INTER-REGIONAL COOPERATION IN INDONESIA

| Implementation | 14 companies in the region were selected to participate in the program. Experts provide consultancy on a monthly basis to prepare an environmentally-friendly production concept for each of the participating companies. |
| Achievements | The Bayern Untermain region can save up to 660 thousand KWH of electricity, 824,000 M³ of gas, 2.6 million liters of water, and 24 tons of paper per year. The total saving is €250,000 year. The level of CO₂ gas emission has declined by up to 16 tons per year. |
| Regulation | A regionalization policy is in place. |
| Stakeholder involvement | Governments (state and regional/local), private sector (companies) the public (environment and production experts). |
| Role of federal & state governments | State government provides a 60% subsidy for activity funding. The federal government is not involved. |

### 2. Wirtschafts Interconnected Transport Initiative⁶

| Object of cooperation | Optimize and interconnect public transport routes (buses and trains) across administrative boundaries and link them to tourism activities such as mountain bike riding and provide transport facilities for such bikes by bus and/or by train. |
| Funding | Co-financing by bus companies from Ost-Bayern and Franken regions, and railway company. The total value of the project was 27,000 DM (1991) |
| Implementation | The Regional Management conducted an initial feasibility study and the Kronach and Hof regional governments piloted interregional routes after receiving approval from their respective local parliaments. The DB Region railway company then participated in providing wagons to carry bicycles to be used in the tourist areas and the bus routes were also extended. |
| Achievements | Increased number of passengers, increased number of tourist visits to these regions hard to access by car; increased income of local firms at the tourist destinations. |
| Regulation | Public transport routes are subject to approval of local parliaments. |
| Stakeholder involvement | Regional Manager, Kronach regional government representatives, Frankenwald Tourism Service and private sector (bus and railway companies). |
| Role of federal & state governments | State governments facilitate meetings with representatives from public transport companies. |
b. Austria

**Austria initiated IRC more than 30 years ago.** The basis for this new is a special policy issued in 1979 by the Austrian Chancellor to reduce underdeveloped rural areas, particularly the highlands. The political policies of the Austrian government pertaining to regionalism triggered a fresh impulse and led to changes in Europe, especially when Austria joined the European Union in 1994. Other countries at that time had problems with their regional political policies, i.e. the absence of administrative coordination and implementing institutions at the regional level. From its typical experience in regional political policy since 1980s where almost all districts in Austria had implemented IRC under a Regional Management platform, Austria has been a reference to other countries in undertaking government activities at the regional level7.

RM in Austria supports governmental functions. From its inception, the RM platform in Austria has always been in a position complementary and helpful to, rather than competing against, the existing local governmental functions. The role of RM has mainly been the interface, motivator, and intermediary to provide information and build networks with local development actors, and work with other stakeholders at the local, state, federal government and European Union levels. The RM’s main functions in Austria are: to act as an information center; to provide general and technical consultations; to develop activities/projects; and to build public networks with key local leaders8.

### Examples of IRC Activities in Austria

#### EuRegio Salzburg German-Austria Initiave (1)9

<table>
<thead>
<tr>
<th>Object of cooperation</th>
<th>Management of cross-border public transport (Austria and Germany)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding</td>
<td>Berchtesgadener District (Germany) and state of Salzburg (Austria); Austrian railway company (OeBB) and German railway company (DB); co-financing by the European Union’s INTERREG Program</td>
</tr>
<tr>
<td>Implementation</td>
<td>The initiative was introduced in 1997 by 2 local governments in Germany and Austria to establish a cross-border transport network interconnected by their respective local transport systems. For this purpose, a uniform automatic ticketing machine for all buses; cross-border coordination; standard rates; harmonized regulations, taxes and currency used (Austrian Mark and German Mark) were established.</td>
</tr>
<tr>
<td>Achievements</td>
<td>Residents around the border area can travel anywhere they like with one-off payment without changing vehicles (bus or train); economic life along the bus/train routes was improved; the use of private cars was reduced (with air pollution reduced).</td>
</tr>
<tr>
<td>Regulation</td>
<td>By mutual agreement</td>
</tr>
</tbody>
</table>

**Austria established IRC by means of a federal government regulation that encouraged regions to build inter-regional cooperation, but in implementation still prioritized the bottom-up principle through communication, coordination and collaboration.**
Stakeholder involvement: Governments (district in Germany and state in Austria); bus companies in the regions; German and Austrian railway companies.

Role of federal & state governments: Active in funding (the federal state of Salzburg in Austria).

2. **EuRegio Salzburg German-Austria Initiative (2)**

<table>
<thead>
<tr>
<th>Object of cooperation</th>
<th>Management of biking tourism areas across Austrian and German borders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding</td>
<td>Business associations of Berchtesgadener, Chiemgau, Salzburger and co-financing by the European Union’s INTERREG².</td>
</tr>
<tr>
<td>Implementation</td>
<td>Stakeholders involved in this activity agree to create cross-border biking lanes supporting existing local facilities such as restaurants, hotels and other tourist objects by supplying bicycle lanes brochures, bicycle catalogs according to the field and situation; joint internet platforms.</td>
</tr>
<tr>
<td>Achievements</td>
<td>Improved quality of travel packages offered to tourists; increased income of travel agents and local business owners (hotels, restaurants).</td>
</tr>
<tr>
<td>Regulation</td>
<td>By mutual agreement</td>
</tr>
<tr>
<td>Stakeholder involvement</td>
<td>Private (association of firms)</td>
</tr>
<tr>
<td>Role of federal &amp; state governments</td>
<td>None</td>
</tr>
</tbody>
</table>

3. **INTER-REGIONAL COOPERATION IN INDONESIA**

a. **IRC Pre-Regional Autonomy**

*Top-down.* Before the regional autonomy era, the top-down approach was more dominant in the development climate without allowing creativity and innovation, by regional governments. The centralistic planning culture only allowed limited room for communication and participation that is vital in order to empower all the local potential and resources.

**BKSP Jabodetabekjur.** The Development Cooperation Agency (BKSP) for Jabodetabekjur was established in 1975 to address development problems in the capital of Jakarta, surrounding satellite suburbs and buffer regions affecting Jakarta. The objects of cooperation covered:

- Development and maintenance of lakes;
- Construction of roads from Jakarta to Bogor, Depok, Tangerang and Bekasi (Bodetabek): Jl. Ngurah Rai - Jalan Jatiwaringin (Bekasi)
- Restructuring of border areas: Development of a gas station and restaurant in Cibubur (Depok).

----

² INTERREG IVC provides funding for interregional cooperation across Europe. It is implemented under the European Community’s territorial co-operation objective and financed through the European Regional Development Fund (ERDF) ([http://www.interreg4c.eu/about_programme.html](http://www.interreg4c.eu/about_programme.html))
Differences in echelon and position inhibited BKSP Jabodetabekjur. BKSP was set up as a formal structural agency and could not perform its functions effectively. It had some success but its structure inhibited communication and cooperation. A major problem was the inability or unwillingness of the Bogor Regent to summon the DKI Jakarta Governor to a coordination meeting. In the era of regional autonomy Regents/Mayors consider themselves as the sole sovereign ruler in their regions and are often unwilling to cooperate with neighboring regional heads.

Kartamantul 1990. The Integrated Urban Infrastructure Development Program (P3KT) in DIY Province in the 1990s became the predecessor of the current Kartamantul IRC Joint Secretariat. P3KT’s activities initially concentrated on solid waste management issues in three regions - Yogyakarta City, Sleman District, and Bantul District. The high commitment and involvement of stakeholders in these three regions was the key to Kartamantul’s present success.

No special regulations governed inter-regional cooperation prior to the era of regional autonomy. Both BKSP and Kartamantul undertook their own initiatives to build relationships and cooperation among neighboring regions in order to solve various commonly faced problems.

The difference in the approach to cooperation adopted by BKSP Jabodetabekjur and Kartamantul lies in the implementation pattern. BKSP Jabodetabekjur from its inception (previously Jabodetabek) positioned itself as a structural agency, whereas P3KT in Yogyakarta was set up and has been operating under a non-structural approach with the involvement of communities and local NGOs. This difference has enabled Kartamantul to remain operational to date and became successful in “turning the wheels of the development planning” of IRC in the three regions.

b. IRC Post-Regional-Autonomy

Post-regional autonomy regulations on IRC. The issuance of Law No. 22/1999 (amended by Law No. 32/2004) on functional assignments between central, provincial, and district governments has led to changes in the development planning culture. In previous centralistic times, the top-down approach was adopted to make all policies without sufficiently allowing regions to communicate with each other and actively participate in the development planning process. Government Regulation No. 50/2007 and Minister of Home Affairs Regulation No. 22/1999 and Minister of Home Affairs Regulation No. 23/2009 aim to encourage regions to create non-structural cooperation platforms.

Examples of IRC Post-Regional Autonomy

- Subosukawonosraten Inter-Regional Cooperation Agency (BKAD)
  BKAD Subosukawonosraten (Surakarta, Boyolali, Sukoharjo, Karanganyar, Wonogiri, Sragen and Klaten) - locally known as the Solo Raya region - was established in 2001 by
former regions of the Residency of Surakarta. It originally aimed to develop the regional economy, but later the cooperation shifted towards public service delivery. GIZ, through its Regional Economic Development program, supported BKAD Subosukawonosraten from 2004 to 2010, in the field of human resource capacity building, tourism development through conventions, and exhibitions, support for the furniture industry, and value chain analysis of dairy cattle milk\(^\text{11}\).

The objects of cooperation of the BKAD Subosukawonosraten cover 11 sectors: manpower, spatial planning, infrastructure, tourism and transport, population administration, water supply, industry and trade, research and development, human resources, health, agriculture, and irrigation.

Structural factors inhibiting BKAD. The IRC platform under the BKAD Subosukawonosraten is implemented by the BKAD Secretariat located in Surakarta. BKAD Subosukawonosraten is led by the First Assistant for Governance and supported by other staff from the Surakarta City Government. Consequently, the mechanism for communication between regions and BKAD sub-secretariats in other districts has weakened due to the structural hierarchy. The strengths and weaknesses of the current BKAD structure can be seen in detail in the following table\(^\text{12}\).

<table>
<thead>
<tr>
<th>Positive</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval by 7 district legislators for IRC in Subosukawonosraten</td>
<td>Weak mechanism for interregional communication due to a structural factor</td>
</tr>
<tr>
<td>Successful delivery of public services (transport, civil service police unit, fire brigade, environment)</td>
<td>Lack of coordination and communication with the district head</td>
</tr>
<tr>
<td>Inappropriate tasks and functions of BKAD coordinator and staff</td>
<td>Insufficient capacity of HR in BKAD in terms of regional management principles</td>
</tr>
</tbody>
</table>

The involvement of relevant stakeholders, such as entrepreneurs, is currently sufficient in BKAD. This is indicated by the active participation of business associations (particularly related to tourism) in each BKAD activity. However, the involvement of other public actors such as NGOs and academics are less noticeable. Although the Province of Central Java once provided a building to be used for promotional purposes (i.e. showcasing superior quality products), in general the relationship between BKAD and the Province of Central Java (particularly Bakorwil/ Regional Coordinating Body) is poor\(^\text{13}\).

The achievements of BKAD are as follows:\(^\text{14}\)

- Incorporation of a joint tourist promotion budget into each of the relevant district/city government’s annual budgets;
- Improved public awareness (internal and external of Solo Raya) of the regional branding, “SOLO - the Spirit of Java.” Up to present, Subosukawonosraten BKAD is the only IRC initiative which has developed a brand and tagline through a professional analysis process (facilitated by the GIZ Regional Economic Development program);
- Establishment of a Solo Raya Tourism Forum that carries out routine joint promotional activities;
- Availability of IT-based inter-regional cooperation database;
- Good coordination in development administration and government administration (e.g. coordination in population administration, development planning, public transport routes, etc.),
- Availability of facilities for Solo Raya joint promotion (i.e. Graha Solo Raya building) built by the Provincial Government of Central Java;
- Cooperation among private actors facilitated by BKAD (e.g. consortium between ASITA Solo and RSI Yarsis in developing health travel packages);
- Improved value added to SMEs in the sectors of rattan furniture and dairy cattle milk;
- Improved cooperation between furniture producers and travel agents.

- Joint Secretariat of Yogyakarta, Sleman and Bantul (Sekber Kartamantul)
  As earlier noted, the Kartamantul Joint Secretariat was initiated by P3KT in cooperation with the Swiss Development Cooperation (SDC) in the 1990s. The positive experience from the activity prompted Yogyakarta City and the two districts of Sleman and Bantul agree to enter into a cooperation agreement in 2001 to establish a Joint Secretariat to achieve:  
  - Aligned, integrated and harmonized urban infrastructure management and development;
  - Efficient and effective budget; and
  - Improved public services.

The object of the Kartamantul Joint Secretariat is the management of urban facilities and infrastructure that covers 7 sectors: solid waste, waste water, water supply, transport, road, drainage, and health. A spatial planning initiative is currently being developed.

(Non-structural) professionals in Kartamantul Joint Secretariat. Since its establishment in 2001, the Joint Secretariat has functioned as a non-structural working unit operated by a director and staff composed of professionals that are recruited through a transparent public screening process. The director reports to a steering committee composed of structural officials from the 3 regional governments. The employment of professionals working full-time has had a positive impact on the secretariat’s performance as the staff are not structurally associated (i.e. position, rank and echelon) to the steering committee, which could inhibit IRC, as in the example of BKAD Subosukawonosraten.

Active participation of all stakeholders. The DIY Provincial Bappeda plays a significant role in activity initiation. The DIY Province plays a general role in facilitating and taking action to settle differences of opinion among districts. The DIY provincial and district legislatures provide financial support, through the regional budget (APBD) to finance the Joint Secretariat’s operational expenses. The technical units (SKPD) as activity implementers produce annual workshop schedules facilitated by the Joint Secretariat to determine interregional activities in the three districts.
Achievements of the Kartamantul Joint Secretariat. The successful implementation of IRC in Kartamantul has been recognized and used as a reference not only in Indonesia but also abroad. Delegates from Thailand, India, Pakistan and other countries visited the Joint Secretariat to learn about IRC management. Other successes can be described as follows:

- **Solid waste management:**
  - Repair of final dumping ground facilities and infrastructure, including greening, drainage channels, maturation ponds, inspection roads.
  - Improved management of dumping grounds.
  - Routine monitoring of water and air quality, rat/pest control in dumping grounds.

- **Waste water/effluent:**
  - Review of the master plan for urban waste water treatment in Yogyakarta to be two systems, i.e. centralized system with 2 IPALs (waste water treatment plants) and communal system (42 sites along riverbanks).
  - Improved quality of the water coming out of the treatment plant to the rivers.

- **Drainage management:**
  - Normalized Belik River at the border of Yogyakarta City and Sleman District.
  - Job division in normalizing the Belik river.
  - Better drainage at the border of Yogyakarta City and Bantul District.

- **Clean water supply:** Joint water treatment plant sourced from a spring in Magelang District and surface water from Progo river.

- **Transport management:**
  - Public transport reform through Trans Jogja.
  - Established routes of Trans Jogja buses.
  - Established shelter locations and new shelters.
  - Shared shelters and development of new routes.
  - Planning of urban public transport routes and agreement on border transport quota.
  - Preparation of cargo terminals.

- **Road management:**
  - Development of Blambangan bridge which was damaged by a landslide, located exactly at the border of Yogyakarta and Sleman.
  - Maintenance of the Wates Road crossing over the districts of Sleman and Bantul.
  - Widening of Jambon Road at the border of Yogyakarta and Sleman.
  - Synchronized establishment of road status.

**IRC in the form of Regional Management.**

**An alternative institutional form of IRC** is Regional Management (RM). RM is a platform created by relevant regional actors to mobilize and initiate regional development through professional management principles to respond to the challenges of development. This umbrella organization is created to undertake development and capitalize the potential of each region to achieve synergy in development and improve efficient and effective utilization of potential regional resources.

**RM is non-structural and professional.** Identical to the Kartamantul Joint Secretariat, the IRC RM platform also has an executive unit under the leadership of a regional manager with staff (that should be) filled by professionals pursuant to the focus of cooperation, and responsible to an executive board composed of bureaucrats (usually
from the District Bappeda office). The board is responsible to a regional forum composed of cooperating Regents/Mayors.

Regional Marketing plays an important role in RM. Most RM organizations are established to advance regional economy by utilizing existing endogenous potential resources. To provide information on superior products and potential resources of cooperating regions, regional marketing will be integral to the RM concept. Regional marketing itself is defined as regulating the flows of information into and from the regions for the benefits of the regions.\(^\text{20}\)

**Barlingmascakeb Regional Management 2004.** RM was introduced for the first time in 2004 and pioneered by the Barlingmascakeb (Banjarnegara, Purbalingga, Banyumas, Cilacap and Kebumen) RM, the establishment of which was facilitated by LEKAD. Following the establishment of Barlingmascakeb RM, which was successful in increasing the regions’ revenues and farmers’ income from the auction market, similar IRC platforms were set up, such as the Sampan (Sapta Mipta Pantura) RM which also organized auction markets for agricultural commodities\(^\text{21}\).

**The Role of the Central Government**

Central government’s role as regulator, facilitator and catalyst. Drawing upon the lessons learned from IRC in Europe, the central government functions as provider of a complete set of regulations, facilitator of regional initiatives to create IRC, and catalyst for current IRC issues. In Indonesia, BAPPENAS (as the national development planning body), included IRC as an approach to development in the Medium Term Development Plan (RPJM) 2009-2014. BAPPENAS has cooperated with KPDT in developing an RM platform to support development in underdeveloped regions.

**Ministry of Home Affairs’ IRC Regulation.** IRC is set out in Law No. 32/2004 on Regional Autonomy and elaborated upon in Government Regulation No. 50/2007 and Minister of Home Affairs Regulation No. 22/23 Year 2009. As declared by the existing regulations, IRC shall be under the management and authority of the Ministry of Home Affairs’ Directorate-General for General Administration, specifically the Sub-Directorate for Inter-Regional Cooperation of the Directorate for De-concentration and Cooperation. The Sub-Directorate for Inter-Regional Cooperation is tasked with formulating policies, providing guidance, facilitation and monitoring, and evaluating cooperation between regional governments and between regional governments and third parties.

**KPDT uses RM as a tool for accelerating the development of disadvantaged regions.** The Ministry for Development of Disadvantaged Regions (KPDT) considers RM as a tool to foster economic growth and accelerate development in disadvantaged regions. Since RM was initiated in several regions in 2005, KPDT has provided support to more than 20 districts/cities in 8 provinces, *inter alia* RM Lake Toba, RM Janghiangbong, RM Aksess, RM KSK, RM Jonjok Batur, and RM Pulau Sumbawa\(^\text{22}\).
Other ministries/agencies’ contributions to IRC. In addition to BAPPENAS, MOHA, and KPDT, only the Ministry of Micro, Small and Medium Enterprises (MSME) uses the IRC platform to direct and implement policies, namely the strengthening of small to medium enterprises in three RM organizations, i.e. RM Lake Toba (North Sumatra), RM Jonjok Batur (West Nusa Tenggara), and RM Janghiangbong (Bengkulu).

The Role of Non-Governmental Stakeholders

The public is both the subject and object of IRC. Thus far there has been only limited participation from the public and the private sector. Only a few examples illustrate some degree of participation:23

- Universities: The University of Diponegoro initiated a Promotion and Investment Agency, marking the establishment of RM Sampan; the University of Jenderal Soedirman in cooperation with the RM Barlingmascakeb organized outreach activities, road shows, seminars/workshops on development of Inter-Regional Cooperation; the University of Gajah Mada University of Islam Indonesia University of Muhammadiyah Yogyakarta and University of Atmajaya Yogyakarta cooperate with the Kartamantul Joint Secretariat

- Professionals, i.e. regional managers and supporting staff (in RM and the joint secretariat)

- Associations, such as entrepreneurs’ association (Barlingmascakeb), hotel business associations, furniture business associations (Subosukawonosraten), and Organda (Kartamantul)

- Only a few NGOs are active in promoting IRC initiatives. One of them is the Organization for Empowerment and Development of Inter-Regional Cooperation (LEKAD). Since its establishment in 2005, LEKAD has provided facilitation, advocacy, consultation, and training related to IRC. RM Barlingmascakeb was created as a result of facilitation by LEKAD and LEKAD is also active in helping KPDT to facilitate the development of RM in other disadvantaged areas.

IRC is not yet popular. One implication of the limited public and private participation in IRC is that the concept of regional development through IRC is not known among the public and very few regional head candidates promote the issue of IRC to support their election campaigns.

Regulations on IRC

From law to ministerial regulation. IRC is regulated under Law No. 32/2004 regarding Regional Administration, and elaborated in several implementing regulations, including Government Regulation No. 50/2007 and Minister of Home Affairs Regulation No. 22/2009 and Minister of Home Affairs Regulation No. 23/2009. Most of these regulations govern only the institutional aspects of IRC. The Minister of Home Affairs Regulation No. 22/2009, which was expected to provide technical guidelines on IRC, is counterproductive because its implementation, particularly for the formation of IRC, is difficult and rigid.24 At present, the DG General Administration of MOHA is currently discussing the revision to Law No. 32/2004 to provide a better legal framework for IRC.

Regulations on IRC financing The mechanism for financing IRC through contributions from regional government budgets (APBD) has long been debated. The issuance of the
Minister of Home Affairs Regulation No. 37/2010 regarding Guidelines for Preparing APBD 2011 has provided legal assurance concerning IRC financing sources. However, this was subsequently invalidated by the issuance of Minister of Home Affairs Regulation No. 32/2011 concerning Guidelines for Providing Grants and Social Aid Originating from APBD, which does not specify IRC organizations as eligible to receive APBD grants.

**International Donors’ Support for IRC**

### German International Cooperation (GIZ)

A number of donors have contributed to the development of inter-regional cooperation in Indonesia, including GIZ, UNDP, USAID, SDC, and the World-Bank managed DSF. GIZ can be said to play the most significant role in facilitating inter-regional cooperation in Indonesia. Through its GLG (Good Local Governance) and Regional Economic Development (RED) projects during 2006-2009, GIZ has facilitated cooperation between a few regions in Central Java (such as RM Sampan, BKAD Kedu and BKAD Subosukawonosraten) and Yogyakarta Province (Kartamantul Joint Secretariat). In Sampan and Kedu, GIZ-GLG facilitated a needs assessment exercise for capacity building. In Kartamantul, it strengthened the management of the Joint Secretariat and initiated a new cooperation topic on land use planning. In addition, GIZ-GLG, in partnership with other organizations, produced some publications for useful reference in developing inter-regional cooperation in Indonesia, comprising:

- Capacity building needs assessment for IRC implementation to improve public services delivery in Central Java (2007)
- IRC impact on provincial development and the role of provinces in supporting inter-district work in Central Java (2007)
- Pre-institutionalization and preparation of a support program for inter-regional cooperation in solid waste management in Pekalongan (Pekalongan City, Pekalongan District, and Batang District) (2008)
- Capacity building for inter-regional cooperation in Kedu Plus, with a focus on health services, education services, and spatial planning (2009)
- Supporting and facilitating the preparation of a Joint Program on Public Services in Border Areas under the framework of spatial planning cooperation in IRC Sampan (2009)
- Facilitating the institutionalization of cooperation in public service delivery (health, education, spatial planning, and environment) between districts in Kedu Plus (2009);
- Organize interests, gain welfare: Efforts to improve basic services through inter-regional cooperation (2009)

### Swiss Agency for Development Cooperation (SDC)

Meanwhile, SDC brings forward the idea of inter-regional cooperation through its Yogyakarta Urban Development Project, and implemented a concrete cooperation pilot project, namely cooperation between Yogyakarta City, Sleman Regency, and Bantul Regency, otherwise known as Kartamantul.

### USAID

USAID supported IRC through its DEMY BIGG project (Decentralized Environmental Management for Yogyakarta – Building Institution for Good Governance). It provided support for the technical and institutional level on good regional governance principles. The project was implemented in Kartamantul and several other regions.

### UNDP

UNDP, through its Partnership for Government Reform in Indonesia project, provided financial support of IDR 1.5 billion to RM Barlingmascakeb in 2004/2005.
**Decentralization Support Facility.** To enhance IRC in Indonesia, the Ministry of Home Affairs and BAPPENAS have sought assistance from the multi-donor Decentralization Support Facility (DSF) managed by the World Bank. For this purpose, DSF supported and assisted MOHA by providing guidance and capacity building. BAPPENAS, in its position as a planning coordinator, supported the Ministry for Development of Disadvantaged Regions (KPDT) that has facilitated the establishment of IRC under an RM platform. The DSF’s achievements are as follows:

- National Action Plan for IRC strengthening and development under Minister of Home Affairs Regulation No. 22/2009. This action plan is intended for the DG General Administration and provincial and district governments in preparing, managing and implementing IRC.
- IRC manual to improve public services delivery prepared on the basis of Minister of Home Affairs Regulation No. 19/2009 on Manual for Improving the Capacity of Government Apparatus, and Minister of Home Affairs Regulation No. 22/2009 on Technical Guidelines for IRC.
- Concept of national IRC Joint Secretariat as mandated by the Minister of Home Affairs Regulation No. 23/2009. The IRC Joint Secretariat is responsible for developing IRC at the national level and supporting IRC through providing technical assistance and facilitation for district governments.
- Action plans to develop commodity production and marketing for several RM forums
- Recommendations to KPDT to improve its management of the RM program.

**Kartamantul Solid Waste Management**

The collective management of garbage by Sleman, Bantul and Yogyakarta districts has benefited the district governments and their communities. Yogyakarta, Sleman and Bantul share garbage problems. Garbage was being dumped illegally on roads bordering the three administrations. With a clear incentive to cooperate they formed Kartamantul – a cooperative arrangement to address common issues – and managed to clear the garbage and prevent continued illegal dumping. The photos below show the situation before and after the cooperation.
Institutional forms of IRC (structural vs. non-structural). If we refer to Government Regulation No. 50/2007, the institutional form of IRC is non-structural. In comparison with a structural IRC institution (such as BKAD Subosukawonosraten and BKSP Jabodetabekjur), a non-structural IRC institution such as the Kartamantul Joint Secretariat and RM Barlingmascakeb has the following advantages.
- **Professionalism.** Personnel working in non-structural IRC organizations are professionals working full-time for the organizations to ensure loyalty, dedication, and expertise. This is different from structural personnel seconded from technical services (Dinas/SKPD) with principal tasks and functions assigned by their original Dinas/SKPD. This certainly could contribute to the lack of focus on managing IRC.

- **Non-structural relations do not limit communication.** Another advantage of non-structural IRC is the lack of structural/rank/position relations between IRC personnel/employees and the IRC employer (regional head), hence allowing them to communicate freely and openly. This is different from structural IRC personnel in which their structural relations limit communication with superiors.

- **Communication, cooperation, and coordination** are the foundation of non-structural IRC activities to reach a consensus, while structural patterns tend to be policy oriented.

- **Non-structural = bottom-up, consensus, commitment.** Another positive aspect of a non-structural system is that a bottom-up approach is used to manage IRC, and the strong stakeholder commitment to implement mutually agreed consensus. Due to the non-structural nature of the institution, most decisions are based on the principle of equality, and carried out through transparent discussions and meetings. On the contrary, in structural institutions, decisions usually illustrate the power dynamics within the structural hierarchy.

- **High degree of active public participation** or non-governmental stakeholders in non-structural IRC potentially boost the ownership of the IRC institution and related activities.

**Importance of contributions from the private sector, the public and universities.** The involvement of non-governmental stakeholders such as the private sector, the public, and universities is expected to make active contributions to IRC. Inter-Regional Cooperation in Europe significantly engages the private sector to provide alternative funding sources. The private sector will be interested in IRC activities if the activities can demonstrate the benefits (and profits) to their businesses.

**The public**, as the most significantly affected stakeholder, should be engaged in IRC discussions. Through their representatives such as NGOs or other community groups, they may raise the issues they are facing and, at the same, offer solutions to the problems. Such local wisdom should be used as input for the betterment of IRC management.

**The academic community and research institutions** in universities have the potential to supply scientific input and expert opinions on the issues encountered in the region. The independence of a university in reviewing a problem can be a leveraged in order to solve a given problem.

**Funding plays an important role in IRC.** Funding is crucial in the IRC framework, particularly to finance daily operations of the office and staff. To finance activities, contributions should be allocated from each local government’s regional budget (APBD), while the IRC institution should then harmonize activity planning. Unlike structural IRC
institutions where personnel consist of civil servants paid regularly by their original agencies, the regional governments joined in non-structural IRC institutions must seek (alternative) funding sources, particularly to pay the professionals to run activities. Thus far, most of the funding has been sourced from the APBD of each of the cooperating regional governments. Self-funding of IRC is preferable, but from the experiences in Europe, the central government and provinces/states and the private sector are also expected to provide an incentive.

4. KEY ISSUES

a. Local Level

IRC incentive and disincentive policies. Referring to IRC in Europe, particularly in Germany, the central government through relevant ministries (Federal Ministries of Food Affairs, Agriculture and Consumer Protection) holds a contest for IRC institutions in Germany to submit annual proposals to develop their regions. The winner receives financing of up to 50% of the total costs needed. Such an affirmative policy is commendable to stimulate cooperation at the regional level. The Head of the Sub-Directorate for Inter-Regional Cooperation of the DG General Administration of MOHA has stated that MOHA will propose IRC incentives and disincentives as part of the revision of Law No. 32/2004. This will potentially open up alternative funding sources for IRC activities.

Insufficient knowledge and understanding of IRC. Regional governments’ understanding of IRC is still low. Many local stakeholders (and even IRC actors) are still trapped in the structural mindset. Many are not aware that an IRC institution is tasked with performing the functions of communicating, coordinating, and triggering cooperation. Some even think that the IRC institution may act as an executor of projects/activities (which is, of course, contradictory to the IRC principles). Some factors causing the lack of understanding of IRC are as follows:

- Straightforward and simple IRC manual is not available;
- The central and provincial governments do not carry out socialization as hoped;
- Insufficient numbers of IRC facilitators that understand IRC theoretically and practically;
- Often, participants attending the socialization are representatives from regional governments who are not in charge of IRC and do not have sufficient authority;
- Frequent rotations/job transfers within local bureaucracy do not accompanied by the transfer of “knowledge of IRC” to successors and thus the new officials does not understand IRC;
- Regional heads of regions that can potentially collaborate together belong to different political parties;
- Very few NGOs and private sector groups participate in IRC socialization events facilitated by the central and provincial governments.

Issues of IRC planning and financing. The problem of how to determine an appropriate budget line item for inter-regional cooperation indicates that the existing regulations do not juristically protect the financial management of inter-regional cooperation. The issuance of
Minister of Home Affairs Regulation No. 37/2010 on Guidelines for Preparing APBD 2011 sheds light on this matter. Chapter IV, Point 3 of the Ministerial Regulation stipulates that: “In undertaking development that involves several regional governments to improve effective and efficient delivery of public services, regional governments may prepare programs and activities through inter-regional cooperation based on Government Regulation No. 50/2007 on Procedures for Inter-Regional Cooperation. Should regional governments set up a cooperation agency, each of them shall create a line item in APBD for grant spending on the cooperation agency.” This clarifies the line item for inter-regional cooperation, i.e. indirect grant spending, which brings several consequences:

1. The districts with established cooperation agencies must immediately change and adapt to Government Regulation No. 50/2007;
2. Established cooperation agencies must prepare planning documents integrated with the local development planning such as RPJMD and RPKD;
3. Cooperation agencies must establish a supporting budget instrument (such as cost standards and expenditure standards analysis) to prevent budget duplication and inefficiencies;
4. A regulation should be immediately issued to govern systems and procedures for planning, budgeting, administration, accounting, reporting and accountability of cooperation agencies;
5. Minister of Home Affairs Regulation No. 37/2010 should be valid for one year only (2011) and the substance of inter-regional cooperation should be contained in a regional regulation on the principles of regional financial management. The issuance of such regional regulation is also mandated by Government Regulation No. 58/2005 and Minister of Home Affairs Regulation No. 59/2007, stipulating that regional governments are required to issue regional regulations line with national laws and regulations.

Weak accountability. One of the results of the absence of standard and clear regulations on mechanisms for financing and reporting is weak accountability for IRC. Local legislatures’ approval for IRC financing by APBD is necessary to provide oversight. The discussions of IRC financing should also involve local legislatures (DPRD) and BPKP (Development Finance Controller) to ensure transparency in IRC financing planning. IRC institutions should submit regular reports to DPRD on fund uses as the Kartamantul Joint Secretariat has been doing on a quarterly basis.

Limited non-governmental participation. As earlier noted, the participation of non-governmental stakeholders should be increased to promote IRC. NGOs like LEKAD and others, or universities like UNDIP and UNSOED alike should also be encouraged to boost regional development through IRC. On the other hand, the limited private participation to date (except for Solo Raya region) should be addressed by allowing non-government actors to directly participate in meetings and workshops related to IRC. The experiences in
Germany and Austria show that the private sector will always participate if they can see clear business opportunities (directly or indirectly) related to IRC.

b. Central Level

The importance of the central government. From the IRC experience in Europe, it can be concluded that the central government functions as:

- Chief provider of complete and comprehensive regulations to protect and promote IRC;
- Facilitator and consultant for regional governments intending to create IRC;
- Guide and supervisor of IRC activities;
- Financial stimulus provider to initiate and reward well-performing IRC.

Unsynchronized IRC support at the central level. Coordination among ministries is poor. The central government’s (Ministry of Home Affairs, KPDT and BAPPENAS) efforts to strengthen the IRC institutions have not been optimum. The most urgent issue at the national level is the absence of meaningful and structured communication and coordination between ministries and agencies in respect to IRC. The issuance of a policy by one institution often does not consider other institutions, thus resulting in overlap and inconsistencies. Furthermore, it is ironic that some regulations issued actually inhibit the development of IRC itself (e.g. MOHA Regulation No. 22 Year 2009).

Unclear direction(s) from the central government. The above problem shows a lack of common understanding among those ministries about IRC definition, procedures for IRC, their position and role in IRC development. The Ministry of Home Affairs (DG General Administration) in charge of drafting regulations only focuses on how to draft regulations related to the government administration system. The regulations issued sometimes inhibit the cooperation process. KPDT as the ministry who initiated RM often only focuses on the concept level but it is very difficult for regions to implement due to conflicting regulations and lack of technical capacity.\(^{30}\)

Overlapping and inconsistent regulations. Regulations also lack coordination and communication within ministries due to the processes involved in issuing ministerial decrees.

Minister of Home Affairs Regulation No. 22/2009. From a series of activities conducted that involve regional governments, it was commonly expressed that the Minister of Home Affairs Regulation No. 22/2009 on Technical Guidelines for IRC inhibits the development of IRC. The regulation reinstates the structural characteristics of IRC, and contradicts a higher (preceding) regulation, i.e. Government Regulation No. 50/2007. In MOHA Regulation No. 22/2009, the steps required to establish IRC in the regulation are inflexible (including through a bidding process.) and are difficult for regions to follow. The essence of IRC under Government Regulation No. 50/2007 and an interpretation of the intergovernmental management theory strongly advises against such structural inflexibility.

Conflict between Minister of Home Affairs Regulation No. 37/2010 and Minister of Home Affairs Regulation No. 32/2011 on grants. Another possible question is how Minister of Home Affairs Regulation No. 32/2011 governing APBD grants was designed. The regulation does not state the name/term of IRC institutions that are eligible to receive grants.

Some national regulations are obstacles to the initiation of IRC such as Minister of Home Affairs Regulations No. 22/2009 and Minister of Home Affairs Regulation No. 32/2011.
from APBD. Therefore, in effect, any grants from APBD allocated to finance IRC could be considered illegal. Under the previous Minister of Home Affairs Regulation No. 37/2010 on APBD Drafting, regional governments were allowed to provide grants from APBD to finance the operations of IRC agencies. The process undertaken to issue certain policies needs much improvement.

**Excessive focus on institutional aspects.** The central government should place more emphasis on how to accommodate local needs and protect local initiatives in establishing cooperation, rather than focusing too much on the institutional aspects of IRC. The current topic of debate is always centered on whether IRC should be a structural or non-structural institution. In fact, the real issue is not the institution but the legal aspect of IRC implementation at the local level. It must be borne in mind that the main function of the central government is to act as the regulator and facilitator.

**Lack of understanding of IRC.** As in regions, the understanding of IRC at the central level is inadequate.\textsuperscript{31} Rotations and/or job transfers in ministries are part of the reasons. Another factor is the limited number of human resources familiar with the IRC concept in Indonesia (including ministries and other government agencies), although IRC was introduced more than 10 years ago. The idea to create a National Joint Secretariat as mandated by Minister of Home Affairs Regulation No. 23/2009 should be appreciated as a starting point to put IRC in a better position in order to develop regions collectively. The national IRC Joint Secretariat will act as a clearing house, composed of representatives from ministries related to inter-regional cooperation, such as BAPPENAS, MOHA, MOF, KPDT, and other ministries/ agencies.\textsuperscript{32}

**KPDT’s inappropriate approach and capacity.** KPDT has forced the creation of RM organizations to meet specific targets. The meaning of RM and how to implement it was not socialized properly with an emphasis on ceremonial activities and welcome speeches, rather than technical guidance and consultation on RM. Moreover, KPDT’s role as the central institution providing socialization on IRC and facilitating the creation of institutions inhibits regional actors’ ownership of RM. Consequently, regional governments heavily depend on the KPDT to implement RM in the regions. The regional coordination function is carried out by KPDT (which is supposed to be the role of regional actors themselves) and KPDT continues to be the sole funder. This has proved to be counterproductive towards nurturing regional ownership.\textsuperscript{33}

5. **DIRECTION OF IRC DEVELOPMENT**

**Improved legal/formal aspects of IRC.** It is evident that an important factor inhibiting the development of IRC in Indonesia is misaligned and contradictory regulations concerning IRC, issued by ministries directly/indirectly governing IRC. This is particularly true of regulations on the financial management aspect of IRC. The central government, as the regulator, may have its own views but local IRC stakeholders (regional governments and IRC implementers) have stated that the current regulations discourage the implementation of IRC. The weaknesses of the regulations have been described sufficiently in this paper. Various regulations issued should not overlap with each other and should always look “up” to the existing regulations and respond to the needs of IRC actors. Hopefully, the revision to

\textit{In the space of one year, the Assistant Deputy in charge of IRC within KPDT was replaced three times.}
Law No. 32/2004 currently under discussion by MOHA and DPR will be completed soon, and produce better implementing regulations (PP and MOHA regulation).

The historical development of IRC in Germany and Austria shows that the central government plays a vital role in providing laws and regulations to encourage, legally assure, and protect IRC actors.

**Reward and punishment** One possible method that can be used to provide motivation and stimulant for regional governments to create a development alliance through IRC is to adopt an incentive and disincentive system. This is intended to provide an incentive to provide complementary funding up to a certain amount. Likewise, a disincentive policy (i.e. the central government withholds financial assistance) would be imposed on IRC institutions failing to meet set criteria. In Germany, the requirement to be met is that the IRC proposal is submitted to the central government, after which the proposal it assessed by an independent panel of evaluators. In addition to the financial incentive, the system also requires regions to prioritize to self-financing, the sources of which should be found by the regions themselves.

**Improved coordination among central ministries.** The potential development of IRC in the future is also dependent on the common understanding among actors in the central government about approaches to IRC. At present, MOHA, BAPPENAS, and KPDT pay attention to the initiation of inter-regional cooperation, but work separately without sufficient coordination. Other sectoral ministries should also be involved in discussing development planning for regions where IRC exists. The problem is not their lack of interest in IRC, but their lack of awareness of IRC and its concept. Experiences in Europe show that the existence of IRC helps and reduces the workload of central government and states (provinces) in preparing regional development plans.

There is a need to improve coordination and communication among central ministries by creating a national IRC information and coordination center, to be tasked with providing guidance, supervision, and consultation on IRC processes (from the beginning to the final establishment of IRC initiatives). Many IRC initiatives in Indonesia do not go far beyond a Memorandum of Understanding without the necessary follow-up actions to agree of cooperation arrangements between governments and the creation of an umbrella institution for IRC. This is caused by the lack of personnel responsible for follow up actions to be taken once an MoU is signed. The national IRC Joint Secretariat, planned to be functional in 2012, will be an important first step to improve the central government’s performance.

***************
Endnotes:

1 McGuire, Michael, 2006, "Intergovernmental Management : A View From The Bottom", Public Administration Review
2 Albrow, Martin, 2005, Birokrasi, Tiara Wacana, Jakarta
3 Innoreff 2005, State of the Art Regional Management in Europe
4 Bayerisches Staatsministerium für Landesentwicklung und Umweltfragen, 2003, Handbuch Erfolgreiches Regionalmanagement
5 Initiative Bayerischer Untermain, http://www.bayerischer-untermain.de
6 Wirtschafts- und Strukturentwicklungsgesellschaft Landkreis Kronach
8 See http://www.ioer.de/FOCUS/PDF/a_cs_2.pdf
9 See http:// www.euregio.sbg.at
10 See http://www.euregio.sbg.at
11 Makhdonal Anwar, 2009, Greater Solo Management Concept – Restructuring of Subosukawonosraten BKAD
12 Makhdonal Anwar, 2009, Greater Solo Management Concept – Restructuring of Subosukawonosraten BKAD
13 Makhdonal Anwar, 2009, Greater Solo Management Concept – Restructuring of Subosukawonosraten BKAD
14 BKAD Subosukawonosraten’s presentation to a joint team of DG General Administration (PUM) and GTZ, 2009
15 Sekker Kartamantul’s presentation to a joint team of DG PUM and DSF World Bank, 3 November 2011
16 Sekker Kartamantul’s presentation to a joint team of DG PUM and DSF World Bank, 3 November 2011
17 Makhdonal Anwar, Nunik Yunarti, DSF 2011, Manual for Creating and Implementing IRC to Improve Public Services
18 Makhdonal Anwar, Nunik Yunarti, DSF 2011, Manual for Creating and Implementing IRC to Improve Public Services
19 Benjamin Abdurrahman, 2009, Basic Understanding of Regional Management and Regional Marketing
21 Thres Sanctyaeka, GTZ GLG 2009, Manual for Creating KSAD Organization
22 Makhdonal Anwar, Specialist in Asdep V.5 KPDT, Specialist Report 2010
24 Makhdonal Anwar, DSF, interviews with participants in a socialization meeting on IRC regulations in Surabaya, September 2011.
26 Makhdonal Anwar, 2009, Greater Solo Management Concept – Restructuring of Subosukawonosraten BKAD
27 Bundesministerium fuer Naehrung, Landwirtschaft und Verbraucherschuetzt, Regionen Aktiv-Land gestaltet Zukunft
28 Makhdonal Anwar, DSF, interviews with participants in a socialization meeting on IRC regulations in Surabaya, September 2011.
29 Daryanto, 2009, Judicial Review of Regional Financial Management Issues in IRC in the Provinces of Central Java and DIY, Jakarta
30 YIPD 2011, Paper: IRC in Indonesia
31 Makhdonal Anwar, Specialist in Asdep V.5 KPDT, Specialist Report 2010
32 Bambang SP, DSF 2011, National IRC Joint Secretariat Concept
33 From experience in facilitating the preparation of action plans in 4 Regional Management Organizations by Yayasan Inovasi Pemerintahan Daerah. For example, socialization of RM by KPDT in regions appears to cause a wrong perception in regions that RM is a “project” of the Center.