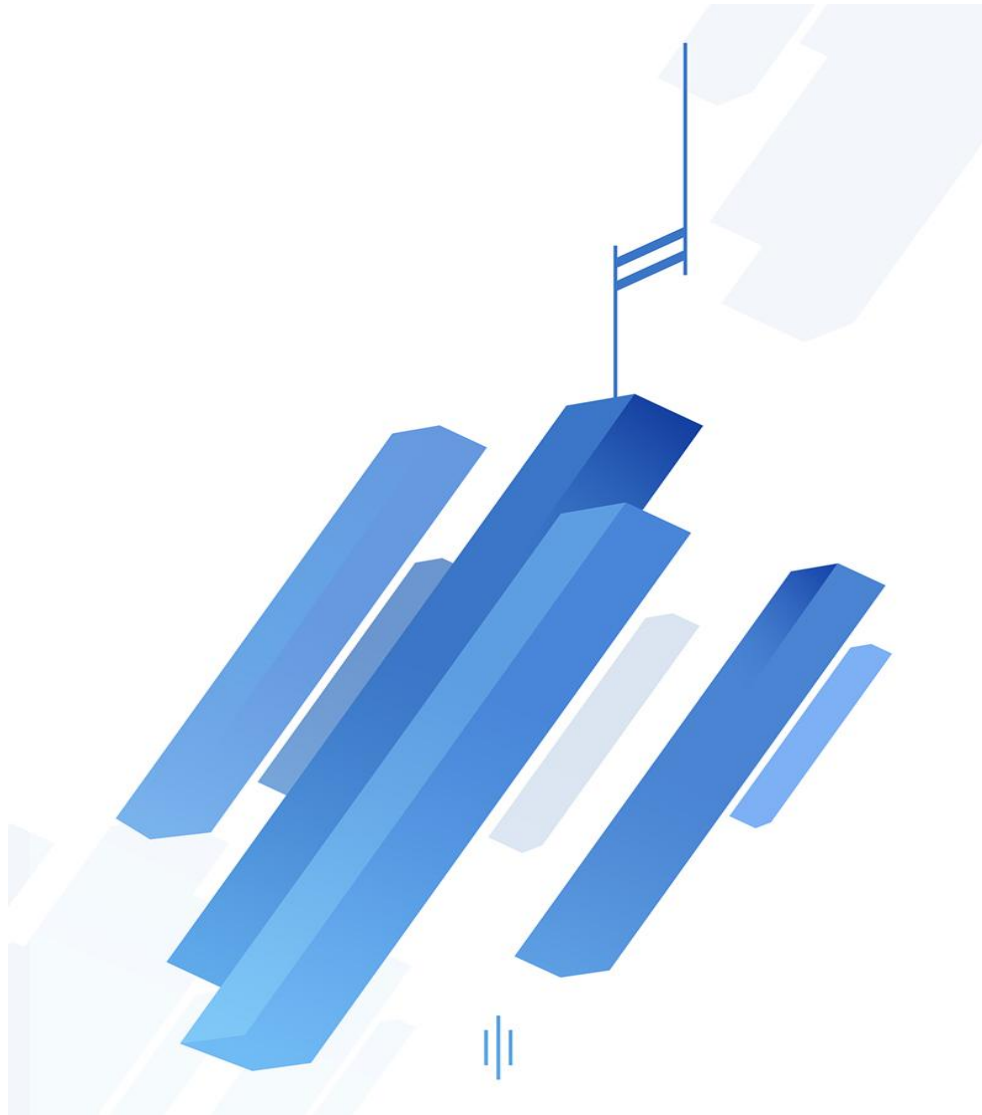


# CASE STUDY METROPOLITAN GOVERNANCE

## METROPOLITAN BANDUNG, INDONESIA



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# Case Study on Metropolitan Governance

## Metropolitan Bandung, Indonesia

Ms. Teti A. Argo



This metropolitan governance case study is part of a **joint effort of GIZ and UN-Habitat** to develop a framework for their future cooperation with metropolitan regions and related partners. Three selected case studies – Metropolitan Bandung (Indonesia), Guadalajara Metropolitan Area (Mexico), and eThekwin (Durban, South Africa) - are complementing the global study **“Unpacking Metropolitan Governance for Sustainable Development”** (GIZ/ UN-Habitat, 2015). They were prepared by local consultants in collaboration with local institutions under the coordination of the Global Fund for Cities Development (FMDV).

The three cases, **although unique, are representative of the diverse situation of metropolitan governance in the global South** and exemplify some of the core concepts of metropolitan governance developed in the international study. The Metropolitan Bandung case study has been realized by Ms Teti A. Argo and coordinated by FMDV. A comparative analysis as well as summary of each case study can be found in a separate publication.

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## List of abbreviations

AEC	ASEAN Economic Community
Bappenas	National Development Planning Board
BCF	Bandung Creative City Forum
DAU	General Allocation Funding
GRDP	Gross Regional Domestic Product
HDI	Human Development Index
KSN	National Strategic Area
KSPPN	National Urban Development
LRT	Light Rapid Transit
MB	Metropolitan Bandung
MDM	Metropolitan Development Management
MPW	Ministry of Public Work
PP	Government Regulation
RKPD	Annual Development Working Plan
RTR	Spatial Plans

# 1. OVERVIEW OF THE BANDUNG METROPOLITAN AREA

## 1.1 BASIC DATA

Metropolitan Bandung is the third largest metropolitan area<sup>1</sup> in the country, after Jakarta and Surabaya. It is located in the west side of Indonesia, in the most densely-populated island of Java (see Figure 1).

FIGURE 1 - ORIENTATION MAP OF BANDUNG METROPOLITAN AREA IN INDONESIA



Source: [The Indonesia Matters](#), 2011.

Metropolitan Bandung (MB) was legally recognized (10 March 2008) as one of the national urban centers within the National Urban System, through Government Regulation No 26/2008. This regulation established MB as a *National Strategic Area* (KSN) revealing its national strategic position for the national economy as well as for the national urban development dynamic, beyond Bandung proper city. This recognition allows the central government to pour money into local governments that would strengthen the roles of MB for regional development.

Metropolitan Bandung aggregates two municipalities (Bandung and Cimahi) and three regencies (Bandung, West Bandung and Sumedang) (see figure 2). Regency of West Bandung was legally established in 2007, separating from the Regency of Bandung.

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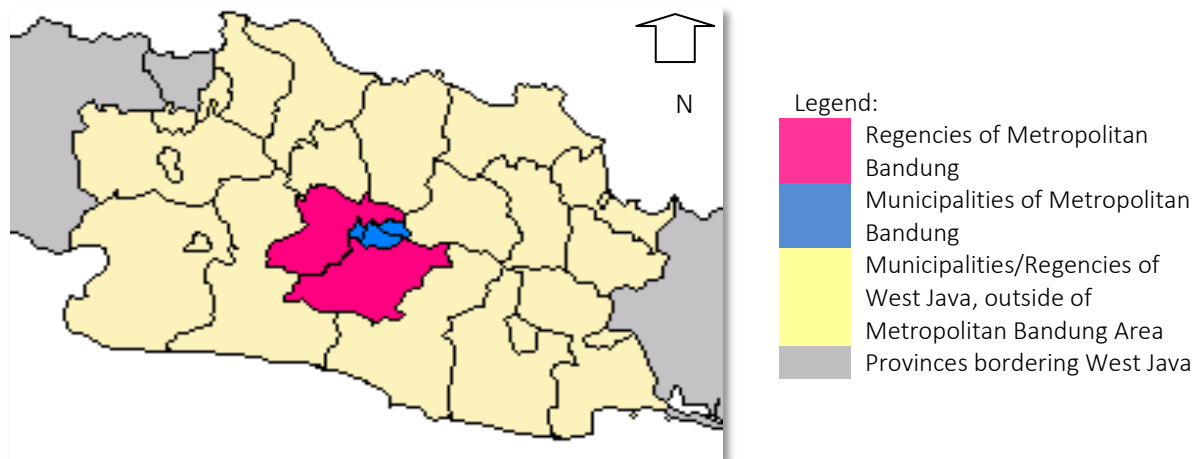
1 Based on the Government Regulation No. 26/2008 on National Spatial Plans, the definition of formally-defined cities in Indonesia is based on population number, as follows:

- 1) small cities are those which has less than a hundred thousand (< 100,000) population;
- 2) medium cities are populated between a hundred thousand and five hundred thousand (100,000 – 500,000) people;
- 3) large cities are populated between five hundred thousand and one million (500,000 – 1,000,000) people, and;
- 4) a metropolitan city has more than one million (> 1,000,000) population.

Metropolitan areas are not formally defined, but functionally recognized as “urbanized areas” that do not have an autonomous government. Metropolitan Bandung (MB) is a term used to define a functionally recognized urbanized area (built-up area). Metropolitan Bandung is the third largest metropolitan area, after Jakarta Extended Metropolitan region (Jabodetabek) with 16 millions people, and Surabaya extended metropolitan area (Gerbang kertasusila) with 9 million people.

The core urban activities of Metropolitan Bandung are located in Bandung municipality. In terms of administrative division, Metropolitan Bandung is under the administrative roof of the provincial government of West Java.

FIGURE 2 - ORIENTATION MAP OF METROPOLITAN BANDUNG AREA WITHIN THE PROVINCE OF WEST JAVA



Source: id.wikipedia.org

Institutional structures in Indonesia can be traced to:

- a. Indigenous practices (like traditional community cooperation schemes called *gotong royong* in villages) as well as customary or *adat* laws such as those related to land ownership,
- b. Dutch colonial administrative practices in local governance (1619-1949) and the administrative practice imposed through Japanese occupation (1942-1945), and
- c. national laws and local government ordinances passed since the country's independence after 1949.

Today, the structure of the government follows the hierarchy of a three-tier government: the national/central government, the provincial government (first tier of local government) and the municipality or regency level (second tier of local government).

Below the regency/municipality levels, there are no or limited autonomous government administrative bodies that help execute government policies and monitor the implementation of development planning.

Thus, the subnational government units are defined as follows:

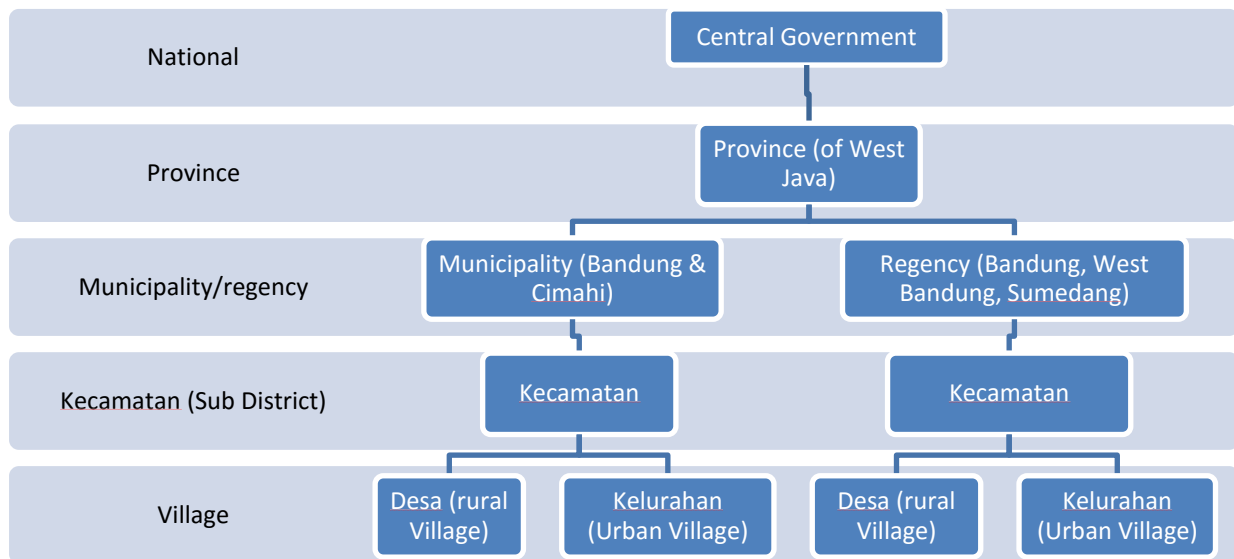
- a. **Provinces** (*propinsi* in the Indonesian language) that are considered regional authorities as well as extensions of the power of the central government. They are headed by elected governors since 2004;
- b. **Regencies** (*kabupaten*) are local units that combine both urban and rural economic and demographic characteristics.
- c. **Bandung, Sumedang and West Bandung** (*Bandung Barat*), are regency governments that exercise autonomous (mainly non-urban) powers. They are headed by elected regents (*Bupati*) since 2004. In English language, *Kabupaten* is often called a district;
- d. **Municipalities** (*kota*) have more non-agricultural economic activities and structures of an "urban" nature such as paved roads, public buildings, markets, etc. They exercise considerable local autonomy granted during the Dutch colonial period and by central government decentralization laws. Bandung city, for example, became an autonomous entity

in 1906 when the colonial government made it a *gemeenten* or municipality with its own city council. In 1917, Bandung's first city mayor (*burgemeester*) was appointed by the central government. In 1950, after Indonesia became independent and formed a unitary form of government, Bandung's local autonomy was continued. Until 1956, the city had the status of *kota besar* or a middle level autonomous local unit. In 1956, Bandung's status was raised to being a *kotapradja* or a second level local government (Natakusumah 1971). Today, municipality (*Kota*) is a third tier level of government;

- e. **Sub Districts** (*kecamatan*) are sub-units of regencies or municipalities that also combine urban and rural elements. They are headed by a non elective executive (*Camat*) mainly executing deconcentrated function and given monitoring capacities;
- f. **Villages** (*desa*) are rural, often agriculture based, low density, in character. *Desa* can be found in regencies as well as municipalities;
- g. **Villages** (*kelurahan*) are urban, without agriculture oriented activities, high density, often have some trade based and administrative activities, and have less autonomous powers than *desa*. *Kelurahan* can be found in municipalities as well as regencies.

The villages *desa* are self-governing to choose their leader, decide their Development Plan and financial resources they will use to implement it, while *Kecamatan* and *Keluraham* can only execute program/projects outlined by municipalities/regencies and cannot take their own initiatives.

FIGURE 3 - THE HIERARCHICAL STRUCTURE OF THE ADMINISTRATIVE SYSTEM IN INDONESIA AND POSITION OF METROPOLITAN BANDUNG



As based on this hierarchical structure of the administrative division, there is no clear position of metropolitan areas that should be between the municipality/regency level and the provincial level. Since Metropolitan Bandung is an aggregate of municipalities/regencies within one province, legally its management and development is under the provincial government. Both, municipalities and regencies are at the similar level or same position. In other words, there is no specific treatment toward municipalities more than regencies.

Total area of Metropolitan Bandung is 4,804.74 km<sup>2</sup>. It is about 34.38 % of total urban areas in the province of West Java, or 12.95% of total area of West Java. It is about 14.70% of total area of total urban areas of Indonesia or about 0.25% of total area of Indonesia.



TABLE 1 - LAND SIZE OF METROPOLITAN BANDUNG AREA (IN SQ. KM)

Year	2004	2005-2009	2010-current
<b>Regency</b>			
Bandung	3,034.82	1,756.65	1,756.65
Sumedang	1,560.49	1,560.49	1,560.49
West Bandung (formed in 2007)	0	1,278.17	1,278.17
<b>Municipality</b>			
Bandung	168.23	168.23	168.23
Cimahi	41.2	41.2	41.2
<b>Bandung Metropolitan</b>	<b>4,804.74</b>	<b>4,804.74</b>	<b>4,804.74</b>
<b>Urban West Java</b>		11,072.14	13,976.19
<b>West Java</b>	37,116.54	37,116.54	37,116.54
<b>Urban Indonesia</b>		32,691.9	32,691.9
<b>Indonesia</b>		<b>1,910,931</b>	<b>1,910,931</b>

Source: Statistics Indonesia, 2013

Located inland, Metropolitan Bandung is characterized by land-based activities, intensified by a network of roads, railways, and air transportation. There is no sea or river port. There is only one dry port, Gedebage, located in Bandung municipality. At around 750 meters above sea level, with mild temperature (around 27°C) and water-oriented cultural traditions, Bandung is a favorable touristic destination. In the past, it was the social gathering and parties venue for plantation owners. Today, it continues to be a magnet of tourist attraction from all over Indonesia and abroad.

The word, Bandung, is often associated with terms like creativity, fashion, and politeness. The culture of communities in Bandung is fast at adopting new culture orientation from abroad and adapting it to suit the local situation: the culture of working class underground, the culture of the educated and the culture of trade and marketing of these artistic and creative forces<sup>2</sup>.

## 1.2 POPULATION

In 2013, the total population in Metropolitan Bandung is 9,382,586 people, increased from 7,867,467 in 2004. This is an average annual population growth rate of 1.98%. This number is lower than that of the urban population growth rate (4%) of West Java province. Other cities in West Java, especially located near the capital city of Jakarta, have continuously a higher rate than average growth rate of cities in West Java, reaching up to 7-8% annually. The central city, which is Bandung municipality, experiences 1.16% annual population growth rate, one of the lowest among the five jurisdictions. On the other hand, Sumedang regency experiences the biggest growth rate in the last ten years.

Table 2 shows the detail of the annual population growth rate.

<sup>2</sup> If google translation is used in 2013, The Indonesian word of Bandung is translated into English as London. This interpretation comes from the adoption of working class culture of Britain being adopted in Bandung (Prasetyo, 2013).

TABLE 2 - ANNUAL POPULATION GROWTH RATE (%) OF METROPOLITAN BANDUNG 2004-2013

Year	2004- 5	2005- 6	2006- 7	2007- 8	2008- 9	2009- 10	2010- 11	2011- 12	2012- 13	2004- 13
<b>Regency</b>										
Bandung	34.37	1.68	1.63	1.37	1.32	11.36	1.80	2.22	2.97	-1.11
Sumedang	-0.65	0.98	0.94	0.68	0.63	3.93	1.80	1.05	16.25	2.84
West Bandung		1.68	1.63	1.37	1.32	5.01	1.80	1.69	3.27	2.22
<b>Municipality</b>										
Bandung	2.86	1.50	1.45	1.18	1.14	-1.35	1.80	0.99	0.90%	1.16
Cimahi	8.65	4.38	4.33	4.06	4.01	-16.28	1.80	1.77	1.84	1.62
<b>Metropolitan Bandung</b>	<b>0.61</b>	<b>1.72</b>	<b>1.68</b>	<b>1.42</b>	<b>1.38</b>	<b>3.56</b>	<b>1.80</b>	<b>1.61</b>	<b>4.04</b>	<b>1.98</b>
<b>Urban West Java</b>	1.36	2.23	2.19	1.94	1.90	18.80	1.80	2.17	4.33	4.08
<b>West Java</b>	0.92	1.75	1.72	1.46	1.43	3.74	1.80	1.65	3.67	2.01

Source: Statistics Indonesia, 2013.

Since 1968, data that classifies population based on ethnic, religious, race and political-leaning, interest group affiliations (SARA or *Suku, Agama, Ras dan Antar Golongan*)<sup>3</sup> are prevented. This is to enforce nation's principle to create Indonesia as a unified state, to assert non-discriminatory lines and to prevent ethnic conflicts, if inequitable policies or preferential treatment of specific groups are instigated.

In terms of population density, in 2013, the average population density in Metropolitan Bandung is about 1,953 inhabitants per km<sup>2</sup>. Bandung and Cimahi municipalities have population density ten times higher than the average density of Metropolitan Bandung. Both municipalities are also the 4<sup>th</sup> and 5<sup>th</sup> highest urban density of Indonesian cities. The regencies, however, represent lower than average population density of Metropolitan Bandung. This indicates the high amount of non-built up areas in regencies.

The population density of MB is lower than the national average which is about 3,620 inhabitant per km<sup>24</sup>. The latter number is far lower than those of Bandung and Cimahi municipalities. This indicates that even in the context of Indonesia, the two municipalities are special cases of high urban density, compared to the urban situation of Java and Bali islands<sup>5</sup>.

<sup>3</sup>Policies or actions based on SARA (Ethnic groups, Religions, race and interest groups or *Suku, Agama, Ras dan Antar Golongan*) are deemed illegal, including presented in the media. The classification of SARA, is as follows: a) S stands for Suku or ethnic groups, of which Indonesia has 1 300 groups; b) A or Agama or religions, of which Indonesia has five religions recognized by the state; c) Ras or race, of which Indonesians can be considered brown skinned (mostly western side of Indonesia), dark skinned (mostly eastern side of Indonesia) and light skinned (mixed race such as Indo Europeans, or orientals), and d) A or antar golongan which stands for either left leaning or right leaning groups or represented by political parties such as socialist or liberal or religious.

<sup>4</sup> The calculation of population density in urban area of Indonesia is based on the administrative status of municipalities. Regencies that have *kelurahan* are excluded in this calculation.

<sup>5</sup>The high urban population density in Urban Indonesia which is 3 620 people per km<sup>2</sup> is calculated based on land mass only, and the islands of Java and Bali which only has 6% of land mass are populated by 60% of urban population. Indonesia is an archipelagic country in which two-third of the area is sea. Thus the average number of urban population density is skewed towards land mass and towards Java and Bali islands.

TABLE 3 - POPULATION DENSITY OF METROPOLITAN BANDUNG (PERSON/KM2) 2004-2013

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Regency</b>										
Bandung	1,350	1,531	1,557	1,582	1,604	1,625	1,809	1,842	1,883	1,939
Sumedang	657	653	659	666	670	674	701	713	721	838
West Bandung		1,060	1,078	1,096	1,111	1,125	1,182	1,203	1,223	1,263
<b>Municipality</b>										
Bandung	13,314	13,695	13,900	14,101	14,268	14,431	14,236	14,491	14,634	14,765
Cimahi	12,252	13,312	13,895	14,496	15,085	15,690	13,135	13,371	13,608	13,859
<b>Metropolitan Bandung</b>	<b>1,637</b>	<b>1,647</b>	<b>1,676</b>	<b>1,704</b>	<b>1,728</b>	<b>1,752</b>	<b>1,815</b>	<b>1,847</b>	<b>1,877</b>	<b>1,953</b>
<b>Urban West Java</b>	1,907	1,933	1,976	2,020	2,059	2,098	1,975	2,010	2,054	2,143
<b>West Java</b>	1,040	1,050	1,068	1,087	1,102	1,118	1,160	1,181	1,200	1,244
<b>Urban Indonesia</b>							3,620			
<b>Indonesia</b>										<b>124</b>

Source: Statistics Indonesia, 2013

Based on Population Census of 2010, population living in urban areas of Indonesia reached about 49.6% of the total population. Within two years (2012) it reached about 51.1%. In the province of West Java, in 2010, population living in urban areas has reached about 66%. Metropolitan Bandung and the other metropolitan areas in West Java (Jabodetabek) represent about 40% of urban population living in West Java province (see *Table 4*).

In comparison with other metropolitan areas, strategically defined as such by the Ministry of Public Works and enacted in Government Regulation No. 26/2008, population density of Metropolitan Bandung is not the highest, but close to the average. There are other metropolitan areas that have a higher population density than that in Metropolitan Bandung, such as Jabodetabekpunjur, Kartamantul, and Sarbagita.

TABLE 4 - COMPARISON OF POPULATION AND DENSITY OF METROPOLITAN AREAS IN INDONESIA 2010

No	Central City	Metropolitan Area	Province	Land size (km <sup>2</sup> )	Population 2010	Density 2010
1	Jakarta	Jabodetabekpunjur	Jakarta and West Java	6,376.1	27,957,194	4,384.7
2	Surabaya	Gerbang kertosusila	East Java	5,925.8	9,115,485	1,538.2
3	Bandung	Metropolitan Bandung	West Java	4,804.7	8,718,479	1,814.5
4	Yogyakarta	Kartamantul	Yogyakarta	1,114.2	2,393,240	2,148.0
5	Denpasar	Sarbagita	Bali	1,753.6	3,522,375	2,008.6
6	Makassar	Maminasata	South Sulawesi	2,462.3	2,300,000	934.1
7	Medan	Mebidangro	North Sumatera	3,026.9	5,312,939	1755.2
8	Semarang	Kedung Sepur	Central Java	5,256.5	5,921,631	1,126.5

Source: analyzed from Statistics Indonesia, 2010

### 1.3 ECONOMY

In 2012, Metropolitan Bandung has a Gross Regional Domestic Product (GRDP, in constant price of 2000) US\$ 6,6 million<sup>6</sup>. About 40% of Metropolitan Bandung GRDP was created by Bandung municipality and another one-third was contributed by Bandung Regency. These two administrative units are the oldest administrative entities in Metropolitan Bandung and continue to conduct intensive economic activities that influence the rest of the metropolitan area. In its growth, contribution of Bandung municipality towards the Metropolitan GRDP increases faster than other municipalities/regencies. By 2012, it reaches almost 45% of GRDP in Metropolitan Bandung. Such shift erodes the contribution of other municipality/regencies. In fact, Bandung municipality is the only municipality whose contribution increases. It indicates the economic dominance and its attractiveness as location of investment and consumption, between 2008-2012.

Economic contribution of Metropolitan Bandung towards the province of West Java is about 23%. Between 2008-2012, its contribution increases slowly from 22.27% to 23.17%. At the national level, MB's contribution increases as well from 3.11% in 2008 to 3.22% in 2012.

**TABLE 5 - GRDP OF MUNICIPALITIES/REGENCIES IN METROPOLITAN BANDUNG AND ITS CONTRIBUTIONS (IN CONSTANT PRICE 2000 AND IN USD)**

Year	2008	2009	2010	2011	2012
<b>Regency</b>					
Bandung	1,554,289 (30.34%)	1,621,679 (29.78%)	1,717,042 (29.53%)	1,819,077 (29.24%)	1,931,019 (28.92%)
Sumedang	405,810 (7.92%)	425,146 (7.81%)	443,091 (7.62%)	464,449 (7.47%)	486,214 (7.29%)
West Bandung	565,454 (11.04%)	602,219 (11.06%)	635,179 (10.93%)	671,702 (10.80%)	712,285 (10.68%)
<b>Municipality</b>					
Bandung	2,131,338 (41.60%)	2,309,039 (42.40%)	2,504,091 (43.07%)	2,722,633 (43.77%)	2,967,130 (44.49%)
Cimahi	466,738 (9.11%)	488,332 (8.97%)	514,237 (8.85%)	542,828 (8.73%)	573,009 (8.59%)
<b>Metropolitan Bandung (MB)</b>	<b>5,123,629 (100%)</b>	<b>5446415 (100%)</b>	<b>5,813,640 (100%)</b>	<b>6,220,688 (100%)</b>	<b>6,669,657 (100%)</b>
<b>West Java</b>	<b>23,005,641</b>	<b>23,969,068</b>	<b>25,455,738</b>	<b>27,105,848</b>	<b>28,788,090</b>
<b>MB % of West Java's GDP</b>	<b>22.27%</b>	<b>22.72%</b>	<b>22.84%</b>	<b>22.95%</b>	<b>23.17%</b>
<b>Indonesia</b>	<b>164,514,394</b>	<b>172,129,560</b>	<b>182,842,647</b>	<b>194,701,150</b>	<b>206,896,668</b>
<b>MB % of Indonesia's GDP</b>	<b>3.11%</b>	<b>3.16%</b>	<b>3.18%</b>	<b>3.19%</b>	<b>3.22%</b>

Exchange rate: US\$1 = Rp 12 658.2 (31-Jan-15) Source: Statistics Indonesia, 2013.

As of economic characteristics, Metropolitan Bandung is dominated by service sector and by manufacturing sector. Service sector is especially focused on trade, transportation and financial services. Since the Government of Indonesia<sup>7</sup> redefines the revenues of creative industries to be incorporated into economic sub sector of trade, instead of cottage industries, the revenues in trades increase significantly. While manufacturing sector in Bandung municipality and regency as well as in

<sup>6</sup>This number is based on the exchange rate on January 31<sup>st</sup>, 2015 in [www.oanda.com](http://www.oanda.com), which is US\$1 = Rp 12.658,2,-.

<sup>7</sup> This is based on Presidential Instruction (Inpres) No 6/2009 on Stimulating Creative Economy.

Sumedang regency are a part of traditional economic sector. Textile industry has been established in the regencies of Sumedang (Majalaya) and of Bandung (Rancaekek) since the Dutch period and continues to thrive today (Antlov and Svensson 1991). The industries supply fabric materials to garment industries located all over Indonesia, including Bali. Service and manufacturing sub sectors contribute up to 65% of the Metropolitan Bandung economy.

Looking at the annual economic growth rate of Metropolitan Bandung, it is often parallel to Indonesia's annual economic growth rate. The province of West Java is the location of about 60% of manufacturing economic sub sector of the country (P. G. Java 2012). About 30% of it is located in Metropolitan Bandung. This induces trickle-down effects in economic sub sectors as in transportation and export from West Java province to the national level. These two sub sectors contribute to 30% of the national economy.

Table 6 shows that in Metropolitan Bandung, municipality of Bandung has the highest annual economic growth rate, almost twice as Bandung Metropolitan's one, and surpasses the national annual economic growth rate. Two regencies (Bandung and West Bandung) have a high economic growth rate, close to the level of Metropolitan Bandung. Meanwhile, the municipality of Cimahi and Regency of Sumedang have had a lower economic growth rate than the average. At the GRDP annual growth rate, it shows that Bandung municipality as the central city shoots up higher than other municipality/regencies.

**TABLE 6 - GRDP ANNUAL GROWTH RATE IN METROPOLITAN BANDUNG 2008 - 2012 (%) BASED ON CONSTANT PRICE 2000**

Year	2008	2009	2010	2011	2012
<b>Regency</b>					
Bandung		4.34	5.88	5.94	6.15
Sumedang	4.58	4.76	4.22	4.82	4.07
West Bandung	5.08	4.29	5.47	5.75	6.04
<b>Municipality</b>					
Bandung		8.34	8.45	8.73	9.4
Cimahi	4.77	4.63	5.3	5.56	5.56
<b>Metropolitan Bandung</b>		<b>6.30</b>	<b>6.74</b>	<b>7.00</b>	<b>7.22</b>
<b>Jawa Barat</b>	5.83	4.19	6.2	6.48	6.21
<b>Urban West Java</b>	n/a	n/a	6.41	6.79	n/a
<b>Indonesia</b>	6.01	4.63	6.22	6.49	6.26

Source: Statistics Indonesia, 2013.

#### 1.4 SOCIO-ECONOMIC PERSPECTIVES: INFORMALITY, POVERTY AND THE YOUTH

The existence of informal economy in West Java is not easy to present. *Statistics Indonesia* produces the number of people employed in the informal establishment. This can be used as proxy on informal economy. About 55.63% of people works in the informal sector in 2008 and decreases slowly to 52.84% in 2014 (*Statistics Indonesia, 2014*). This decreasing percentage of those who work in informal sector is correlated with hard entry into the formal economy, as well as the ease off to stay in informal economy. Those who stay in the informal economy, often cite contentment in terms of when to work or not to work, as well as how much to earn (*Asirin 2010*). They do not intend to engage in high level of savings or monetary accumulation. They also have a level of security in the villages where they come from, such as land ownership, agricultural jobs.

At the same time, the façade of formal and informal economy in Metropolitan Bandung becomes non-mutually exclusive. In trade sector, informal economy is often located in roadsides, pedestrian ways or parking areas. Their locations often disrupt access of consumers to formal stores. Thus, some *modus operandi* emerges, where those whose stores become inaccessible to consumers, also sell their products in roadsides, pedestrian ways, or parking lots - disguised themselves as informal sector.

As a result of Economic Crisis in 1998, where many companies closed their doors and unemployment soared, informal economy became a lifesaver. Those who previously engaged in informal economy were less affected by the crisis. Those who lost their jobs, without unemployment insurance, had to survive by entering in the informal economy. It was clear that workers in the agriculture sector as the major economic contributor at the regencies level did not suffer as hard as those who were living in cities. International aid agencies rushed to promote lifesaver of the poor through supporting informal economy (*Robinson 2001*). Indonesian consumers were grateful to answer their needs or demand through informal economy. It represented affordability, appropriate supply and accessibility. This became a turning point for the existence of informal economy for Indonesian consumers. These days those who engage in the informal economy are from the middle class, not economically deprived people. Informal economy became a breeding ground for entrepreneurship in which the price of failure can be managed or low.

At the national level, efforts to improve the situation in informal economy, especially to prevent potentially illicit activities such as smuggling or drug activities, remain minimal. The national government concentrates on the types of goods traded, rather than on protecting the economic units or labor forces engaged in it. Thus, informal economy is still recognizable by not formally registered activities. Informal workers are prevented to access capital or to receive other government programs, which could potentially improve their activities such as participating at government-funded business development "clinics". At the local level, however, efforts to register them have been initiated, in lieu of accessing government programs on entrepreneurship. Formal and informal economies become complementary in promoting economic activities in Indonesia.

Applying it to Metropolitan Bandung by using statistical data, the municipalities (Bandung and Cimahi) have a higher percentage of workers set in the formal sector, than those who live in the regencies. High number of those engaged in informal economy in regencies represents the fact that agriculture, and its related economy, continues to be informal in nature, with limited executed administrative registration.

There is no official recognition that informal economy exists at the metropolitan level. Thus, a policy response to the informal economy is almost non-existent at the metropolitan level. The idea behind the push for creation of a metropolitan management is then to better intertwine development and economic growth, which is mainly initiated by the formal sector, while assuming that informality will evolve into formality as economy improves. The government leaves it to the trickle-down effects to improve the level of informality in the economy. The province of West Java constantly shows a higher level of open unemployment than the national average from 2008 to 2012 (see *Table 7*). Metropolitan Bandung also shows a similar sign. Open unemployment level in Metropolitan Bandung is higher than that of West Java province<sup>8</sup>. Regencies such as West Bandung or Bandung tend to have a higher open unemployment level than in the other areas. This situation indicates that employment is no longer easy to find in municipalities (urban areas) as well as in regencies (rural areas).

The general reading on data of open unemployment level is that those who will be daring to state their open unemployment status in censuses or surveys tend to be educated and from urban areas. Their support system through their families provides a cushion to stay unemployed. This is shown in

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<sup>8</sup>Labour Force in Metropolitan Bandung has a higher Education level than that in the province of West Java. The highly educated Labour Force will declare their status as unemployed especially if they want to get an unemployed card from the local Labour Agency. On the other hand, the lower educated Labour force do not declare their status as unemployed. they cannot afford to be unemployed and will seek jobs even if the payment is low or the status is informal.

the case of Sumedang regency, whose population density is the lowest, among five local governments, and where open unemployment level only reaches about 8%, being the lowest among the five local governments. However, for regencies of Bandung and West Bandung, whose economy resembles those of urban areas represented by per capita GRDP, their open unemployment level continues to be high, even higher than those of municipalities. This is due to the fact that land is scarce for those who continue to provide income. Agricultural land is slowly converted, or changed ownership that prevent security for agricultural employment to exist. As the agricultural sector slowly becomes less reliable as a part of informal economy, residents either engage in informal economy as disguised employment or have little choices but openly state their unemployed status.

Since the government introduced programs such as Cash Transfer Payment for the poor (BLT or *Bantuan Langsung Tunai*) or Rice for the Poor (Raskin or *Beras Miskin*) in the mid of 2000s to counter reduction in gasoline subsidies or serve high debt payment, people are no longer shy to state their status as openly unemployed so as to gain the status of the needy. Cash transfer payment has been practiced in Indonesia as part of a dynamic to mitigate short-term social impact from the effect of economic adjustment and crises. It is considered successful, while it secures social stability needed to ensure long term efforts on economic growth (DFID 2011).

**TABLE 7 -LEVEL OF OPEN UNEMPLOYMENT IN METROPOLITAN BANDUNG, 2008-2012 (%)**

Year	2008	2009	2010	2011	2012
<b>Regency</b>					
Bandung	15.09	14.85	10.69	6.44	11
Sumedang	8.96	9.76	7.9	8.04	8
West Bandung	16.24	13.6	13.31	13.01	12
<b>Municipality</b>					
Bandung	15.27	13.47	12.17	7.99	9.17
Cimahi	14.17	15.31	13.59	10.32	10.3
<b>Metropolitan Bandung</b>	<b>13.95</b>	<b>13.39</b>	<b>11.53</b>	<b>9.16</b>	<b>10.09</b>
<b>Jawa Barat</b>	<b>12.28</b>	<b>10.96</b>	<b>10.33</b>	<b>9.83</b>	<b>9.08</b>
<b>Indonesia</b>	<b>8.04</b>	<b>7.56</b>	<b>7</b>	<b>7.48</b>	<b>6.13</b>

Source: Statistics Indonesia, 2013.

In order to disburse cash transfer payments or rice for the poor programs, Indonesia has developed a data system for identifying the poor. At the regency or municipality level, a poverty data identification system is developed by employing village bureaucrats to identify names and addresses. Their location and existence are monitored, especially if such programs are disbursed on a regular basis. At the macro level, annually the Indonesian government redefines the poverty line (minimum income to live) for the national average, as well as for each province, based on a basic needs approach. In each province, the poverty line is divided by urban or rural areas.

At the national level, the current percentage of people living under the poverty line was about 15.42% (2008) before decreasing to 11.37% (2012). In the case of Urban Indonesia, the number is lower than the national level: by 2012 it is about 8.39% compared to 11.65% in 2008. This decrease goes also faster than national level's. In the Urban West Java, the percentage of the poor is lower than the provincial level. The percentage of people living below the poverty line in Metropolitan Bandung is similar to the Urban West Java at around 9-10%. The trend is downward sloping. In comparison to those who live in the municipalities, inhabitants of the regencies have a higher share at around 9-14%. The municipality of Bandung has the lowest percentage of people living below the poverty line at 4.5%. It is followed by the municipality of Cimahi and Bandung Regency. The other regencies have

two digits percentage of those living below the poverty line. In order to apply to poverty reduction programs from central government, local governments have to join forces and adapt actions to the local nature of poverty.

**TABLE 8 - PERCENTAGE OF PEOPLE LIVING UNDER THE POVERTY LINE (%) 2008-2012**

Year	2008	2009	2010	2011	2012
<b>Regency</b>					
Bandung	9.42	8.29	9.29	8.99	n/a
Sumedang	15.18	13.69	12.94	12.48	n/a
West Bandung	17.29	15.83	14.76	14.16	n/a
<b>Municipality</b>					
Bandung	4.42	4.5	4.95	4.5	4.09
Cimahi	8.35	7.1	7.4	7.15	7.15
<b>Metropolitan Bandung</b>	<b>10.93</b>	<b>9.88</b>	<b>9.87</b>	<b>9.45</b>	<b>n/a</b>
<b>Urban West Java</b>	10.88	10.33	9.43	9.26	n/a
<b>West Java</b>	13.01	11.96	11.27	10.57	10.09
<b>Urban Indonesia</b>	11.65	10.72	9.87	9.09	8.39
<b>Indonesia</b>	15.42	14.15	13.33	12.49	11.37

Source: Statistics Indonesia, 2013

In 2010, Indonesia has about 62.3 million people classified as young generation (age between 16-30 years old) or about 26.2% of the total population. In West Java, the number of young population is about 13 million people or 27.95% of the total population line. Young population increasingly resides in urban areas. Opportunities such as better schools, access to higher education, as well as easier engaging with service economy or informal economy produce acentripetal attraction effect for the youth. Those who live in rural areas tend to migrate either to urban areas in West Java or to other regions. West Java has a positive net migration rate of 3.7% based on 2010 National Census. When connected with the annual population growth rate, Metropolitan Bandung is still seen as a magnet to its surrounding areas including rural areas thanks to its recognized concentration of higher education institutions and to jobs opportunities.

As a result of successful family planning program, between 2015-2035 Indonesia will benefit from the positive demographic bonus. The bonus means that 44 productive people will be able to support 100 people who are in the labour force. This is the lowest number that currently Indonesia has. However, about 86.5% of the Indonesian workers are defined as unskilled, meaning that they have a limited number of years spent in formal education, only about 8 years. About 8 % is trained, 3.8 % is skilled and the remaining is defined as "lightly skilled" (Alias 2014). This means that the level of worker productivity in the country is not promising. The case of West Java shows similar situation.

By the end of 2015, ASEAN Economic Community (AEC) will be implemented, which means that ASEAN professionals will be allowed to work in ASEAN countries with lighter constraints. In the case of Indonesia, if the skill of Indonesian labour force is not certified, Indonesian professionals will not be able to work in other ASEAN countries. Thus, the major accelerating programs executed in 2015 are to develop labour certification systems that recognize the capacity of Indonesian skilled labour.

The economic activities of Metropolitan Bandung are dominated by manufacturing activities, as presented in table 9. The contribution of manufacturing sub sector reaches the highest percentage, around 39% to MB's total GRDP. The highest contribution to the GRDP from manufacturing sub sector is also the main feature in West Java economy (41.97%) as well as in Indonesian economy (25.59%).



Many manufacturing sub sector is in the medium and large scales level. In Metropolitan Bandung the types of manufacturing is textile, clothing, food and beverages.

In Metropolitan Bandung, Bandung regency and Cimahi municipality are the entities whose manufacturing share to the economy reaches more than 50%, with West Bandung regency's reaching around 43.35%. Only Sumedang regency and Bandung municipality have trade sub sector as the highest contributor to the GRDP. The second largest contributor to the GRDP for Bandung regency, West Bandung regency and Cimahi municipality is the trade sub sector. For Bandung municipality and Sumedang Regency, the manufacturing sub sector is second. The two strong sub sectors, manufacturing and trade, contribute up to 60% to the economy of Metropolitan Bandung. That leaves the other seven sub sectors contribute only up to 40%. Such economy in Metropolitan Bandung is a departure from a previously agriculture-oriented economy, which now contributes only 5.17%, a number lower compared to those in West Java and Indonesia. Transportation and government sectors are the two sub sectors that contribute about 15% to the economy of Metropolitan Bandung.

TABLE 9 - CONTRIBUTION OF ECONOMIC SECTOR (%) IN GRDP IN METROPOLITAN BANDUNG 2012

	Economic Sub Sector									(GRDP)
	Agric	Mine	Mnfg	ELGW	Const	Trade	Trp	Fin	GServ	Total
<b>Regency</b>										
<b>Bandung</b>	7.31	1.17	59.75	1.97	1.77	16.67	4.24	2.25	4.86	100.00
<b>Sumedang</b>	24.20	0.11	25.54	2.67	2.97	28.64	3.91	4.42	7.54	100.00
<b>West Bandung</b>	11.17	0.51	43.35	7.30	2.58	20.62	5.45	2.89	6.13	100.00
<b>Municipality</b>										
<b>Bandung</b>	0.19	0.00	22.98	2.49	5.38	41.71	11.47	5.29	10.48	100.00
<b>Cimahi</b>	0.14	0.00	58.19	3.66	6.15	21.95	1.86	2.39	5.66	100.00
<b>Metropolitan Bandung</b>	<b>5.17</b>	<b>0.40</b>	<b>39.01</b>	<b>2.97</b>	<b>3.92</b>	<b>29.56</b>	<b>7.36</b>	<b>3.84</b>	<b>7.76</b>	<b>100.00</b>
<b>West Java*</b>	12.28	2.07	41.97	2.16	3.93	22.08	5.14	3.49	6.88	100.00
<b>Indonesia</b>	12.53	7.37	25.59	0.77	6.52	18.06	10.13	9.66	9.35	100.00
<b>* 2011</b>										

Note: Agric = agriculture; Mine = mining; Mnfg = manufacturing; ELGW = utilities; Const = construction; Trade = trade; Trp = transportation; Fin = finance, rent; GServ = government services.

Source: Statistics Indonesia, 2013

The high contribution of trade sub sector in Bandung municipality is related to the well known local creative industries. From IT to publishing, from arts to performing arts, from food to fashion, "Bandung creative city" communities develop and expand. Some notable communities are Bandung Creative City Forum (BCF) active in promoting creative activities to engage the communities for environmental protection. Bandung Clean Action specializes in promoting environmentally conscious behaviours among urban areas. They held annual Keuken food festival that encourage attendants to bring their own food and drink containers. In the year of 2015, for commemorating the 50th anniversary of Asian African Conference, many creative communities of Bandung were involved in designing the facade of the City Centre to represent the spirit of South-South Countries' relationship.

Photo of Bandung Municipality 2015, preparing for commemoration of Asian African Conference, 2015.



Source: tabloidnova.com

The decade-old textile industries fuel the emergence of clothing design, garment and fashion industries (*Tjakraatmadja, Martini and Anggoro 2011*). Famous since the mid-1990s, Bandung has attracted flows of tourists, including international. Direct flight between Bandung and other cities in Indonesia and in Southeast Asia, continues to facilitate creative activities in trades and manufacturing in Bandung. Creative industries in Bandung municipalities has expanded, as well as in Cimahi municipality that moved away from manufacturing sub sector as the main economic force to becoming a creative city. Creative communities such as *Cimahi Creative City, Cimahi Cyber Creative City* or *Cimahi Business Association* emerge as a spin off from Bandung creative communities (*Fahmi 2014*) (*Dhewanto, et al. 2014*). Tapping into huge number of local young generation, the creative industries are used to engage them in creative activities and to move away from manufacturing based labour forces. At a smaller scale, Bandung, Sumedang and West Bandung regencies also began to recognize and tap their creative communities, especially in the area of traditional arts and performing arts.

Creativity in Metropolitan Bandung cannot be separated from existence of many higher education institutions. There are 143 universities/polytechnics in the Metropolitan area (see *table 10*). They are concentrated in the municipality of Bandung, reaching to more than 100 higher education institutions. Bandung municipality is a host of many publicly funded universities, considered one of the best in the country, which are: Bandung Institute of Technology (ITB), Padjadjaran University (Unpad), National Education University (UPI), Institute of Arts and Culture – Bandung (ISBI), and National Islamic University Sunan Gunung Djati (UIN SGD).

The creative industries related to IT present in Bandung and Cimahi municipalities emerge partially as a spin off from the research begun in universities and labour forces coming from these universities. Business associations, venture capitalists and research management agencies have slowly emerged to partner up with these early staged industries. While the results may not be worldly known, their products are recognized widely.

**TABLE 10 - NUMBER OF HIGHER EDUCATION INSTITUTIONS IN METROPOLITAN BANDUNG, 2012**

Regency	Bandung	8
	Sumedang	7
	West Bandung	2
Municipality	Bandung	120
	Cimahi	6
<b>Metropolitan Bandung</b>		<b>143</b>

Source: Analyzed from Statistics Indonesia – West Java branch, 2013.

In the regency of Sumedang, there is higher education center – Jatinangor (KPT Jatinangor), located on the border between Bandung municipality and Sumedang regency. KPT Jatinangor is located in 568 hectares of land which allow for expansion of the four universities clustered. This center is planned to be one of the highest education and research centers for West Java and Indonesia. In its implementation, with low funding support for research from central government, expansion and urban development in KPT Jatinangor is triggered by educational activities, rather than by research activities. KPT Jatinangor in fact becomes the major economic force for Sumedang regency, with development of high rise buildings and malls.

## 2. INSTITUTIONAL MATTERS

### 2.1 LAWS SETTING INDONESIAN DECENTRALIZATION PROCESS

Indonesia is formally declared as a unitary state, as stated in the Declaration of Independence of 1945. There are three regulations pertaining to decentralization that have been enacted since the Reform of 1998 when the Suharto regime, governed with such centralized forces for 32 years, ended.

**The first one, the Law N° 22/1999 on Local Governance** ratified in 1999, was seen as one of the more liberally decentralized law given to the municipality/regency levels (*Bert Hoffman 2002*). This enactment of the law marked the first time within the Indonesian law system that urbanized areas, a generic term for metropolitan areas, was recognized as having important functional characteristics separated from village/rural characteristics. The law also explicitly recognizes the urbanized areas' definition, administrative boundaries, public participation frames and management.

Management of urbanized areas is left to a functional board composed of bureaucrats and supported by ad hoc commissions considered as think tanks, both initiated on a bottom up and need basis. Since it was encouraged on a bottom up basis, and the country had just experienced greater autonomy at the local level, such initiatives encouraged by this law have not come into fruition.

With its liberal tendency the trust was put into local governments to conduct public affairs, following devolving authority.

Five years after, the law was replaced by **a second Law n° 32/2004 on Local Governance**. The latter law has strict definition of what to be devolved and what is retained at the various levels of governments. However, in term of recognizing urbanized areas, this law provides a setback. There is no clear definition of urbanized areas, and of specific public affairs that can be conducted at the urbanized level. Government Regulation (PP) n° 32/2009 on Guidelines for Management of Urbanized areas was enacted in response to increasing areas in the country that became urbanized. Again, such need for management of urbanized areas was not enthusiastically pursued by the local governments (human resources processes not adapted, no standard operating procedures provided). This is especially true for regencies which do not have technical capability to deal with managing urbanized areas.

**In 2014, the third law N° 23/2014 on Local Governance** replaced the Law N° 32/2004. This newest law recognizes the needs to manage urbanized areas and classify what is to be done in detail. This new law reconstructs more comprehensively the concepts and management of urbanized areas. It outlines the definition, administrative boundaries, list of public affairs managed in urbanized areas, its evolving nature, and its management.

The latest law provides explicit recognition that not all urbanized areas are a part of development planning, but emerge naturally. Such emergence is related to the fact that no specific regulation has been designed to prevent its emergence, and that it is part of the transformation of a society more urbanized, and indicates the need of organized areas to accommodate such transformation.

This law also recognizes that despite the fact that urbanized area may naturally emerge, in its management, it has to be integrated into local development plans and local spatial plans. This would allow public resources to be allocated to such development.

Explicitly in this law, the public affairs that have to be managed in urbanized areas are social and public facilities that have to fulfill minimum service standards and urban service standards. While such service standards for urbanized areas have been enacted through Government Regulation No. 57/2010, its measurement is based on the numbers of residents served by urban services. The implementation of this government regulation is not yet in place, the initiation to replace it has

started. It is partly because of the fact that Government regulations did not recognize the existence of urbanized areas that are partly managed by private firms such as for water supply, etc.<sup>9</sup>

Table 11 shows the comparison of concepts and management of urbanized areas, between the laws.

TABLE 11- A COMPARISON OF CONCEPTS AND MANAGEMENT OF URBANIZED AREAS, BASED ON LAWS ON LOCAL GOVERNANCE IN INDONESIA

	Law No 22/1999	Law No 32/2004	Law No 23/2014
<b>Definition of urbanized areas</b>	Areas whose economy is dominated as <u>non agricultural</u> , and function as urban settlement, centres of distribution for social, economic and government services	No written definition	Urbanized area is a bounded area where the main economic activities of its society is <u>in industrial and service</u> sectors.
<b>Administrative boundaries of urbanized areas</b>	Can have an administrative status as municipality; or is a functional area, located within a regency, or in more than one regency.	Can have an administrative status as municipality; or is a functional area, located within a regency, or in more than one regency.	Can have an administrative status as municipality; or is a functional area, located within a regency, or more than one regency.
<b>Evolution of urbanized areas</b>	Boundary of urbanized areas located in a regency or regencies should be <u>formally recognized or stated</u>	No written definition	The emergence of urbanized areas can be part of a planned development or naturally developed.
<b>Specific public affairs in urbanized areas</b>	Fire fighting services, garbage services, urban parks services and urban planning/management	No written definition	Include <u>social facilities and public facilities</u> such as roads, bridges, street lightning, religious facilities, sport facilities and other facilities as defined in other regulations
<b>Management of urbanized areas</b>	If located within an administrative boundary, the local government can form urban management board; if located in more than one administrative boundary, these government can form a Cooperative Board.	If located within an administrative boundary, the local government can form urban management board; if located in more than one administrative boundary, these government can form a Cooperative Board.	Local governments have to <u>initiate development plans, implement and evaluate the management of urbanized areas</u> . A Plan to manage urbanized areas should be part of a mandatory local development plans and integrated into spatial plans. Planning and monitoring of urbanized areas should conform with national strategic interests.
<b>Public Participation</b>	The government allows for participation of the <u>communities and private sector</u> in the management of	In planning, implementation and management of urbanized areas, government allows for	Stated separately in the law and not directly connected to urbanized areas

<sup>9</sup>Last year, the newer regulation that recognizes the roles of non government actors in providing water services is revoked which mean the old 1974 regulation on water services relying upon government agencies is in use. The latter does not recognize the roles of non government services agencies in water provision.

	urban areas.	<u>community involvement.</u>
<b>Guidelines for urbanized areas</b>	Detailed regulation of urbanized areas will be enacted in <u>separation regulation.</u>	Further guidelines of management of urbanized areas have to be outlined by the <u>law at the local level</u> , based on the guidelines defined by the national government
		Provision of urban public services will follow <u>national government guidelines on minimum service standards and urban service standards.</u> Other regulations on urbanized areas will be outlined in government regulation.

Source: Analyzed from (G. o. Indonesia, Law No 22/1999 on Local Governance 1999) (G. o. Indonesia, Law No 32/2004 on Local Governance 2004) (S. Indonesia 2014) (G. o. Indonesia, Law No 23/2014 on Local Governance 2014)

With the enactment of such laws to encourage the management of urbanized areas, initiation of the management of metropolitan areas is executed by the central government. As part of implementing National Spatial Plan of 2008 – 2028, about eight metropolitan areas were defined as having national strategic interests (see *table 4*). Metropolitan Bandung is one of them. The management of metropolitan areas is pushed through the need for infrastructure development and services to the public and to support investment opportunities. For now, the Government Regulation N° 57/2010 from the Ministry of Home Affairs on Guidelines for Urban Public Services is used as a basis for improving urban public services.

With the laws on local governance, came the laws on local finance: in 1999, Law N° 25/1999 on Intergovernment Fiscal Relationship complemented the Law N° 22/1999 on Local Governance. As the mandate and format of local governants' autonomy changed, in 2004, the Law N° 33/2004 on Intergovernment Fiscal Relationship was enacted to revise the Law N°25/1999. The laws also made the allocation of central government funds to local units more specific. Such allocations were made on the basis of the "fiscal gap" or the difference between local revenue raising capacity and estimated local expenditures. The central funds were transferred to local units as General Allocation Funds (*Dana Alokasi Umum* or DAU) that were unconditional block grants that local authorities could use at their own discretion. Specific Allocation Fund (*Dana Alokasi Khusus* or DAK) are allocated to local governments based on specific geographical and population conditions. This DAK is aimed at reducing interregional inequality.

Under these laws, central government continued to have jurisdiction over 5 aspects: security and defense, foreign policy, monetary and fiscal matters, justice, and religious affairs. Otherwise, the law devolved functions such as health, education, social services, infrastructure development to local governments. Provinces were given a dual status as autonomous regions and also as representatives of the central government in their regions. As autonomous regions, the provinces had the authority to manage certain matters that crossed both inter-district, and inter-district and municipality administration and authorities that are not (or not yet) implemented by the districts and municipalities. As the representatives of the central government, the provinces carried out certain administrative tasks delegated by the President to Governors.

Under the decentralization scheme, legal and regulatory frameworks that define roles and authority of central government and local government in providing the basic infrastructures and public services vary from sector to sector. In principle, central government is responsible for deciding the macro-policy framework for public service provision.

In some cases, central government may act as a regulator together with local governments to deal with particular technical issues. For example, central government may coordinate with local government for setting tariff rates for balancing infrastructure services among local units even if the final decision lies in local government's hands.

In other cases, local governments are responsible for implementing policies set at the higher level and for conforming between policies at the higher level, with policies within their jurisdiction. For examples, in the case of road and traffic management, according to Law No. 32/2004, the central government is responsible for managing roads that connect inter-provincial capital cities, strategic national road, and toll roads. Provincial governments are responsible for managing roads that connect provincial capital city to city/regency or inter-city/regency and provincial strategic locations. Meanwhile, cities and regencies are responsible for managing roads that connect city/regency capital city to municipal city center, local activity center, inter-local activity center, and strategic location (Syabri 2014).

For the case of Metropolitan Bandung, there is a local regulation (Perda N<sup>o</sup> 12/2014) that explicitly define the role of the provincial government which is to help in setting up the management cooperation board that would define the guidelines and directions of spatial development in Metropolitan Bandung, and engage in permit issuance. The Perda mentions the roles of the metropolitan management especially in initiating infrastructure development such as Light Rapid Transit (LRT) in Metropolitan Bandung, location of final garbage disposal for Metropolitan Bandung and the clean water sources for some water supply companies in Metropolitan Bandung.

Reliance on inter-governmental relationship to manage issues and problems in Metropolitan Bandung is not new. Issues in Metropolitan Bandung begin with the sources of clean water that comes from highly recharged and retained area of North Bandung Area (Kawasan Bandung Utara or KBU) which is located in Bandung and Cimahi municipalities and Bandung and West Bandung regencies. Geological formation of North Bandung allow for 60% water retained in this area (*West Java Provincial Government, 2008*). However, the fight to save these areas and turn them conserving zones has begun in 1980s, when policies created by the Ministry of Public Works were aimed at limiting physical development of the areas. Specific policies aimed at reducing land transformation to built up areas have been monitored specifically at the provincial level. Government regulation based on intergovernmental relationship, in order to establish coordination between municipalities/regencies in 1993, has outlined the responsibilities of each municipalities/regencies. Even with such cooperation, applications for building permits increased. The decentralization law of 1999, once put into effect, made regencies/municipalities gain greater autonomy including in decision making for building permits (how the local governments decide which permits to be issued are still not well defined).

This era of greater autonomy is marked by allowing municipalities /regencies to take greater roles in decision making; local issues defined by administrative boundaries became more important for respective governments than issues and solutions that require functional perspectives, such as Metropolitan Areas (local governments' accountability being defined by how successful they can manage the affairs within their own boundaries). There are indications that decentralization has tended to make the setting up of metropolitan governance structures more difficult in Indonesia. A country made up of 17,508 islands (6,000 inhabited) tends to be fragmented. The granting of more authority, power and funds to local units has encouraged institutional fragmentation. Ideally, the need to develop whole regions (for example, by investing in basic urban services like water supply and sanitation, energy and solid waste disposal) would encourage cooperation and coordination among local units. However, local politicians (who usually belong to different and contending groups) tend to build up and preserve their political power. At times, engaging in graft and corruption is a tempting way to achieve that – a practice that works against the setting up of accountable and transparent metropolitan governance.

Since the late 1990s, in the context of Metropolitan Bandung, perspectives are defined by the need for infrastructure development, and to create urban connection that is efficient and supportive to the central city, Bandung that is. Issues of environmental conservation, as for protecting water sources have shifted and taken a back seat. Development is now redefined as strengthening of economic activities in Metropolitan Bandung in order to secure community improvement.

## 2.2 DISTRIBUTION OF POWER AND FUNCTION IN URBAN AREAS

The central government remains responsible for six aspects: security, defense, foreign policy, monetary and fiscal matters, justice, and religious affairs<sup>10</sup>. The new Law N° 23/2014 defines these aspects as *absolute affairs* of national level hence are not decentralized. Concurrent affairs of the governments whose authority is divided between central and subnational levels are divided into *mandatory* and *complementary*.

- The *mandatory concurrent authority* includes health, education, environmental conservation, public works, food security, civil and demographic administration, population control and family planning, social, employment, social housing, local security and community policing, transportation and child protection.
- The *complementary concurrent authority* refers to spatial management, land registration, information and communication, cooperatives, small and medium entrepreneurship, investment opportunities, youth and sport. Inclusive in this concurrent authority is rural community empowerment, gender mainstreaming, statistics, coding, culture, library and archiving. Fishery and maritime affairs, tourism, agriculture, forestry, energy and mineral resources, trade, manufacturing and transmigration are also part of the complementary concurrent authority.
- The last one is *general government authority*, which is the authority of the President and Head of local governments.

At the village level with rural characteristics, called *desa*, a separate Law, N° 6/2014, was enacted. This allows *desa* to gain the so-called *original autonomy*. From the national budget, each *desa* will receive an annual public budget about Rp 1 billion per village (US\$ 74 000). Such budget will allow the village organizer to improve public services related to their specific social economic activities in each *desa*.

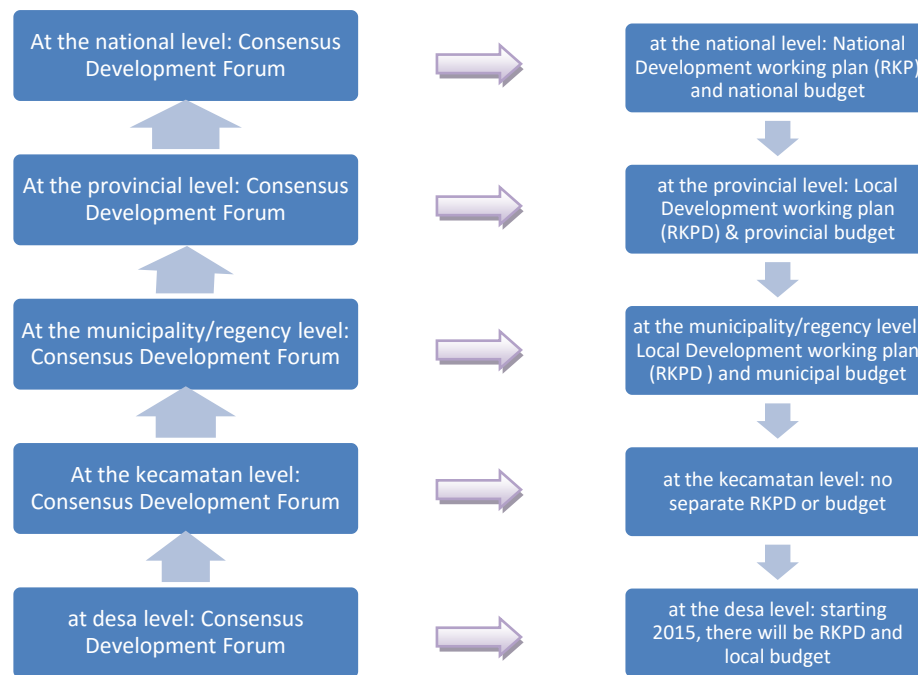
In terms of result, *desa* has to perform the mandatory participatory development planning mechanism that has been practiced from the local to the national level of governments. The mechanism is signified by an activity called *consensus development forum* that produces a consensus development plan (Musyawarah Kerja Pembangunan or musrenbang). Annually, at the *desa* level, then *kecamatan* level, then municipality/regency level, provincial level and national level, such forums are opened: the representatives from local communities can attend and propose their development plan for next year. Some proposed plans then are filtered to determine which can be funded by local, provincial or national levels. Then the government in each level develops an annual development working plan (RKPD) and allocates budgets in accordance with RKPD. Starting 2015, at the *desa* level, *desa* officials will be involved not only in filtering development plans but also drafting RKPD and local budget.

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<sup>10</sup> This Law separates Security from Security and Defense, while the previous Law No 32/2004 has Security and Defense as one aspect.



FIGURE 4 - A MECHANISM OF PARTICIPATORY DEVELOPMENT PLANNING IN INDONESIA



Source: Adopted from Government of Indonesia, 2004

On the other hand, urbanized areas (*perkotaan*) continue to be a part of the Law N<sup>o</sup>. 23/2014 on Local Governance<sup>11</sup>. Such mandate for participatory development mechanism will not impact on metropolitan level management. At the metropolitan level, the type of development plan will be less participatory, more mandatory. Functional boards as a form of governance at the metropolitan level will succumb to provide mandatory urban public services that are defined by top-down based policies. Urbanized areas and their management will not be a high priority within the law system as village affairs are. Instead, the Law N<sup>o</sup> 23/2014 points to Government Regulation (PP) as a follow up to provide detailed guidelines for management of urbanized areas.

Law N<sup>o</sup> 23/2014 recognizes that the existence of urbanized areas can be located within administrative urban boundary (municipalities) or outside of it (in regencies). This is to indicate that urban development characterized by dynamic activities of urban communities is being recognized. The law also recognizes that there is a possibility that a *desa* will become urbanized and prefer to have a status of *kelurahan*, and vice versa. Urban affairs can also be dealt with at the regency level. Whereas *desa* are rural, often agriculture based, low density, in character, *kelurahan* are urban, without agriculture oriented activities, high density, often characterized by trade based and administrative activities, and less autonomous powers than *desa*.

The second aspect recognized about urbanized areas is the need to provide the so-called urban public services. Urban public services have to be provided as collective activities governed or managed either by the government or non-governmental entities. The latter provides space for business sector to get involved in urban public service provision. For example, household collection of solid waste disposal is executed by community groups. Or the so-called solid waste bank, was established by private firms to encourage households to deliver recycled solid waste in return for money. It derives from the idea of financial banks. At this time, the Government Regulation of the Ministry of Home Affairs N<sup>o</sup> 57/2010 on Guidelines for Urban Public Services are used as a basis for improving urban public services.

<sup>11</sup> Law No 23/2014 on Local Governance dedicates one chapter (15) and five articles (355-359) to urbanized areas.

### 2.3 THE NEED FOR COOPERATION AND PLANNING: A GATEWAY FOR METROPOLITAN BANDUNG'S GOVERNANCE PROCESS IMPLEMENTATION?

Jabodetabek is the only metropolitan area that already has a coordinating board, namely BKSP (Coordinating Board of Government) Jabotabek, formed in 1975 by the provincial governments of Jakarta and West Java.

Located only 180 km from Jakarta, Metropolitan Bandung and Jabodetabekpunjur are geographically close to each other. With the opening of a toll road between Jakarta and Bandung municipality, the time needed to reach these cities is only two hours. Thus, Metropolitan Bandung and Jabodetabekpunjur are connoted to be 'extended urban regions' (*Dharmapatni & Firman, 1995*) or as Gottman (1957) called *megalopolis*.

In 2012, the issues of the Jakarta – Bandung megalopolis were raised, out of concerns about flood prevention. Even BKSP could not manage to find solutions within Jabodetabek area. Solutions to flood prevention and conservation of water retention areas had to be considered in cooperation with Metropolitan Bandung. Such issues, however, was responded by the central government as a moment to revive the grand decade of old projects that have lost funding, such as finalizing the West Flood Canals, dredging reservoirs in the central cities and river normalization.

This example shows how erratic the answer coming from governments can be to cooperation issues in areas as strategic as metropolises are for a country.

While the existence and management of metropolitan areas are recognized and regulated through the Law, their implementation at the national level is guided and conducted by several ministries or boards.

**The National Development Planning Board (Bappenas) has a directorate that specifically deals with Urban – Rural issues.** Pushing for urban issues to be resolved at the national level, Bappenas developed Development Policies and Strategies for National Urban Development (KSPPN). KSPPN outlines the trends of urban development up to 2045. For metropolitan areas, the orientation is towards managing sprawl, development control, and creation of mutual symbiosis between urban and rural areas, as well as managing peri-urban areas as a part of metropolitan areas.

The strongest push in promoting metropolitan governance comes from the Ministry of Public Work (MPW). MPW has a directorate general specifically dealing with Spatial Management of urbanized areas. MPW recognizes 8 metropolitan areas (see *table 4*), whose administrative boundaries are more than one regency/municipality<sup>12</sup>. Metropolitan Bandung is one of them.

Such initiatives do not automatically lead to the creation of metropolitan governance. In fact, in an era of greater autonomy given to the local governments, provincial and regencies/municipalities levels, under which these metropolitan areas are located, have to be approached individually to make things happen at the metropolitan level.

If the initiative to create metropolitan management board is to continue, how the leader is chosen, will also depend upon the consensus of the different subnational governments composing the metropolitan area. However, it is less likely that the leader will be elected as it is not mandatory that the leader of metropolitan management should be elected.

An attempt to convince local governments about the need for creating metropolitan management or cooperation boards was implemented in 2012 by **making the MPW cooperate with these subnational governments and formulate Spatial Plans (RTR) for these metropolitan areas.** For the central

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<sup>12</sup> Those eight metropolitan areas are Jabodetabekjur (Jakarta), Metropolitan Bandung, Metropolitan Semarang, Yogyakarta, Gerbangkertasusila (Surabaya), Sarbagita (Bali), Maminasata (Makassar), Mebidangro (Medan).

government, formulation of RTR increases the national strategic interests, especially to manage metropolitan areas for economic benefits at the national level. This also allows the central government to help supervise its future development.

The RTR for Bandung Metropolitan called Spatial Plan for Bandung Basin (*Cekungan Bandung*) was developed in 2012<sup>13</sup>. It emphasizes four aspects: clean water conservation, solid waste treatment, pollution control and management, and transportation system. The plan laid out the urban system, transportation system, clean water system, energy provision, as well as pollution control. The word Bandung basin is reintroduced to prioritize the environmental conservation element in Metropolitan Bandung. The boundary of Metropolitan Bandung follows the geological definition of a basin and uses the administrative boundaries of the five municipalities and regencies. The priority of Spatial Plan for Bandung Basin is to reduce higher than average of its Ecological footprint. Bandung basin has a deficit of ecological footprint of 1.45 GHa (global hectares) per capita.

Spatial Plan for Bandung Basin initiated by MPW contains the need to balance between allowing more urbanized or built up areas to expand especially around the middle areas and limit development in conserving areas such as in surrounding regions. It is a type of smart growth management that allows for intensification of physical development in the central city, and limit development in the buffer zone. The concentric type of development continues however to be pursued.

After the Spatial Plan for Bandung Basin was finished in 2013, it had to be legalized as a Presidential Decree. The Spatial Plan of Bandung Basin 2012 – 2027 which stands between The National Spatial Plan of 2008 (ratified as Government Regulation (PP) No 26/2008), West Java Provincial Spatial Plan 2010 and the Spatial Plan at the regency/municipality levels, was meant to be a guideline for developing Spatial Plans at the regency/municipality level. It was, however, not welcomed by the West Java Provincial government. The provincial government rejected the Plan as having limited orientation and thus Presidential Decree was not enacted. Up to today, the Plan remained a legal draft and thus cannot be referred to. With the rejection, the chance of central government to introduce joint-authority forms of management to these five governments is limited.

During the same period, West Java provincial government created a Metropolitan Development Management (MDM) agency to deal with three metropolitan areas (Bodebekkarpur, Metropolitan Bandung and Metropolitan Cirebon) and three growth poles<sup>14</sup> located within its administrative boundaries. Instead of producing Spatial Plans for the metropolitan areas and growth poles, MDM produces studies on trends in spatial structure, demographics and urban public services, albeit on a regular basis.

In July 2014, the province ratified **the Regional Law N° 12/2014 on Cooperation of Metropolitan areas in West Java**. The regional law lays out the need to develop Economic Grand Masterplan for its Metropolitan areas for 2050<sup>15</sup>.

Such masterplan is aimed to ensure that economic growth of West Java is sustainable and the impact is spread across income groups and regions. Thus, the Spatial Plans for the Metropolitan Bandung will be formulated based on the Masterplan. The Spatial Plans are meant to be guidelines for investment in infrastructure development, supporting logistical systems and promoting local economic development. Thus, it tries to detach from the association that Spatial Plans, despite being future oriented, are arena for justifying and accommodating development initiated by the governments and private sector.

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<sup>13</sup> The administrative boundary of Bandung Basin (more or less similar to MB's) will be three sub districts in Cimahi municipality, six sub districts in Sumedang regency, all sub districts in Bandung municipality, 43 sub district in Bandung and West Bandung Regencies, or the total areas is 343.627 hectares (*Management 2011*)

<sup>14</sup>The three growth poles in West Java, defined by MDM, are all located in the south side of West Java. There are Palabuhanratu, Ranca Buaya and Pangandaran.

<sup>15</sup>Currently the Grand Economic Plans for Metropolitan areas is still in the making.

At the municipality/regency levels, the need to provide urban public services that cover more than one administrative unit raises. In 2013, the new mayor of Bandung municipality voiced the need to construct mass public transportation. As this initiative began at the municipality level, and there was a need to expand the service beyond municipality boundary, the provincial government took over the initiative. In 2014, the provincial government of West Java signed a cooperative memorandum with a foreign private company to develop mass transit for Metropolitan Bandung (*Djumena 2013*). The investment costs about Rp 10 trillions (US\$ 740 million) (*T. News 2014*). At this time, efforts to mobilize investment are promoted. However, the biggest hurdle comes from absence of regulations to guide public private investment in mass public transportation. It needs the involvement of the central government especially to expedite the formulation of the guidelines.

In 2013, facilitated by the provincial government and supervised by the MPW, Bandung and Cimahi municipalities, Bandung, West Bandung and Garut regencies signed a contract to develop a final solid waste disposal site, Legok Nangka (located in Garut regency) (*M. o. News 2014*). The five governments will benefit from this new site, using the technology of intermediate treatment facilities that allows for derived fuel being produced. Such initiation in fact postpones a similar initiative taken by the municipality of Bandung. A crisis of a lack of solid waste final disposal, in 2006, led Bandung municipality to plan for the construction of an incinerator within its administrative boundary. After reviving the agreement in 2013, the mayor of Bandung municipality decided to join the initiative for Legok Nangka. As the construction of Legok Nangka will finish in 2016, the postponement of the construction of this incinerator by the mayor of Bandung will wait until then. The waste slide that took place in 2006 was a signal and the latest warning, out of previous warnings by engineering experts about the not-by-the-book operation of final solid waste disposal. It came as a lesson learned for the five local governments of Metropolitan Bandung, that a new location for final disposal of solid waste had to be found.

Another cooperation in which the five local governments of Metropolitan Bandung agreed to engage is the construction of a piped water system (SPAM) for residents of Metropolitan Bandung, especially located in the south side of Bandung Municipality. As land size secured for water retention in Bandung basin decreases, water consumption and water pollution from textile industries become alarming. Thus the five local governments committed to allocate partial funding to promote such construction. Initiated and funded by MPW, the Memorandum of Understanding (MoU) on drinking water provision using piping system (SPAM) was signed in 2013, accompanied with US\$ 2,84 billion. MPW will provide treatment plant facilities of 350 liter per second that allow for 16,000 households to directly connect with piped system (*Birowo 2014*). As of the end of 2014, it has been indicated that the construction especially of the piped system connected to households may be delayed. This is due in particular to the fact that funding has been channeled through the local governments, delaying the moment it reaches the contractors.

Sectoral-based interests related to public services provision such as in a Spatial Plan, or mass transportation, solid waste final disposal site, and piped water system, does seem to facilitate the implementation of a metropolitan management in MB. The role of the national government in accelerating the need for metropolitan management is played through project based activities, mainly derived from activities incentivized by the MPW and Bappenas.

Comparing the implementation by the MPW and the main messages presented by the Spatial Plan of Bandung basin, without the legal aspect of the Spatial Plan, the MPW implements programs drawn in the Spatial Plan.

The role of the provincial government in promoting metropolitan management in MB, by cooperating with municipalities/regencies is less clear as the provincial government has its own agenda, related to metropolitan development seen as agent of change for its economic development. Thus, even when the national government has introduced some project-based activities, it is the provincial government agreement and facilitation that is less in line with the initiation at the national level. Meanwhile,

municipalities/regencies, whose interests in mass transportation, solid waste and clean water are clearly priorities, can suffer but may not be in the capacity to object action or non-action by the provincial government.

## 2.4 INTER-GOVERNMENTAL RELATIONS

The need to cooperate between regencies/municipalities has been encouraged by the Law 23/2014 on Local Governance. For urbanized areas, whose administrative boundaries cover more than one regency/municipality, the provincial government is responsible to initiate the joint management of the area.

Such management can take several forms, such as:

**Coordinating forum**, in which members have opportunities to coordinate their programs and projects that will need consideration at the metropolitan level. Law No 32/2004 promotes such forums;

**Coordinating body**, in which members (all local governments) take over the rotating leadership, relinquish part of their autonomy to this body, provide funding to this body and consensus is reached towards interests or issues to be managed at the metropolitan level. The example is BKSP Jabotabek;

**Joint secretariat**, in which members discuss and make decisions toward pressing issues that require consideration at the metropolitan level. Based on experiences, joint secretariat is effective in the areas of monitoring and evaluating performance of each member. The example comes from joint secretariat of Kartamantul formed in 1997;

**Independent entity**, that allows for full authority toward management of metropolitan areas. The current law, however, prevent the creation of independent, full authority entity for metropolitan management, in order to prevent special privilege applied to such entity.

In the case of Metropolitan Bandung, specific interests at the provincial level, especially in economic development, have hindered the formation of a coordinating body. These economic interests may limit the opportunities that can be taken up by the municipalities/regencies. For example, by drawing Bandung regency as location for environmentally friendly manufacturing activities, the regency may not have a chance to respond to a transition executed by the textile industries to be yarn industries for fish net. Or in the case of Sumedang regency, where advancement of KPT as research based area depends on the continual interests of the central government in promoting research based industries in West Java through funding and regulation. So far, the involvement of the provincial government especially in facilitating initiation from the central government has not been satisfactory, especially as a mediator that is supposed to help coordinating the development among municipalities/regencies.

Cooperation between local governments is well known to be little of existent. The communities recognize the inability of local governments to work together. The high autonomy devolve to the municipalities/regencies, the promotion that the success of governing municipalities/regencies rely on high level of own revenues, leads to municipalities/regencies to act and make decisions independently. The case between Bandung regency and Sumedang Regency has happened for the last 20 years in their boundary areas. In Sumedang regency, the area is where textile industries are located and is notoriously known to discharge waste water to the local river. The Bandung regency side of the areas is paddy fields, of which rely on the river as the sources of water. The latter regency suffers from polluted water coming from Sumedang. No solution has been offered, not even by the provincial government which is supposed to take over the case. The suffering population slowly moves out of the polluted areas.

## 2.5 HIERARCHICAL NATURE OF THE ADMINISTRATIVE SYSTEM

As stipulated by the Law 23/2014 on Local Governance, there is no hierarchical system in government management. Each level of government is made accountable to their local assembly. The role of another level of government, either at the provincial or national levels, is to ensure that the provincial/municipal/regency development plans and decision affecting the public, conforms with policies at the provincial or national level. For example, decisions on creating local economic development in dams by the Bandung regency, by allowing fish cages implanted in dams, will not reduce the water quality of the dam, nor the water flow which reduction would damage the central government's investment in dam's powerplant.

While there is such mechanism, well laid out, to prevent municipalities/regencies from formulating non conforming policies and plans, the central government continues to develop policies/plans with little consultation with local governments. Inherited from the Suharto regime, such practice is maintained, showing the high stake that the central government needs to grasp on. The reform era, starting 1998, marks the beginning in which the central government studied impact assessment of their proposed policies, especially in monetary and fiscal fields. For example, when a policy reducing gasoline subsidy is introduced, so were introduced policies on cash transfer payment for the poor as well as programs to reduce the impact on the poor. While its impacts affecting local governments are not studied separately, especially on the spatial aspects, there is no specific incentives provided by the central government for local governments engaged in metropolitan areas.

## 2.6 CITIZEN PARTICIPATION AND ASSESSMENT OF PUBLIC SERVICES

Citizen participation on spatial management was introduced as Government Regulation (PP) N° 68/2009. This new PP allows for broad based arena in which citizens can participate, from passively involved to actively providing feedback and participating in monitoring the implementation of spatial plans. It has become common within the spatial planning process that Focus Group Discussion (FGD), panel discussions as well as brainstorming meetings are used as a method to reaching out to the public regarding their viewpoints.

This PP is a big bang progress compared with the previous PP enacted in 1996 during the Suharto regime, where citizen participation was limited to only voice their concerns after the plan was formulated, and to channel their voices formally to the local governments by written statements.

Law N° 14/2008 on Transparency of Public Information provides authority to citizens regarding public record, meaning allowing or not public agencies to collect data. This law was followed by Government Regulation (PP) N° 61/2010 on Transparency of Public Information that allows public to request for and access data, and defines which data is considered confidential. As a result, many institutions within West Java provincial government were established to support such laws, such as the Data Centre for Development (*Pusdalisbang*), Board of Advancement of Technology (BP3Iptek), ICT for Transparency, etc. These institutions are specifically formed to address pressing issues such as quickly providing prepared data for monitoring the development planning in West Java, ICT for transparency that allows for e-procurement, as well as delivering e-news and policies at West Java provincial level.

As a result of urbanized areas' recognition, based on the defunct Law N° 32/2004, it was mandatory to outline the minimal standards for public services provision. Government Regulation (PP) N° 65/2005 outlines the need for 32 sectors to develop minimal standard for public services.

Since that regulation was enacted, 15 sectors have set up guidelines for minimal standard for Public Services. They are: health, education, public work, environmental conservation, population control and family planning, food security, social housing, women empowerment, home affairs (PP N°

69/2012), arts, information and communication, investment opportunities, transportation, social affairs and labour forces.

In 2012, a Circular from the Ministry of Home Affairs suggests acceleration of setting up guidelines and implementation of minimum standard of public services in order to ensure that the public access better services at the local government level.

The Ministry of Home Affairs, also ratified the Decision of the Ministry of Home Affairs on urban public services, which are different from minimum standard of public services. The latter is aimed at individuals, the former is aimed at collective level or community level such as fire fighting services, public lighting, urban parks. In terms of implementation, urban public services meet low level of achievement, and shows slow progress towards achievement that reaches an acceptable level. Added to this, data requirements and assessment needed to measure achievement performance have not been enough developed, let alone collected. This is also to be put in relation with the limited investment provided.

Currently, the success of public service delivery and government programs are measured by the Human Development Index (HDI). Total HDI for West Java is 73.11. Except Sumedang regency, other municipalities/regencies reach HDI higher than that of West Java. The stronger than average HDI for municipalities/regencies in Metropolitan Bandung represents the availability of public services in health, education and purchasing power that secure the access of the public to related facilities and services.

The other two types of urban services that are closely monitored within the framework of development planning are electrification ratio and percentage of people served by clean water. These two indicators are also used to indicate the performance of urban public services. Electrification ratio<sup>16</sup> represents the number of people having access to electricity compare to the total population. Electrification ratio for West Java is 73.01% and it has been a disappointment. West Java is a location of three major dams that contributes to electricity supply for Java – Bali connection. In 2012, only three quarters of the population had access to electricity. Efforts to increase access to electricity have not been easy. Compounds where the population lives, often are remote which makes them hard to get connected with electricity. In Metropolitan Bandung, only Bandung municipality and regency have higher electricity ratio than that of West Java. Other municipality/regencies have lower electricity ratio than that of West Java.

In terms of percentage of people served by clean water, either through piped water system or other accountable access such as communal water delivery system or commercial provision, the statistics show a wide range of percentage from Bandung municipality, which has 72.43% coverage, to Sumedang regency which only shows 15.8% coverage. Such low coverage for Sumedang regency, Cimahi municipality and West Bandung regency are related to the fact their piped water system has not expanded yet, and concentration of communities that are widely spread.

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<sup>16</sup>Electricity ratio is a ratio related to the number of people served by electricity compared with total population.

**TABLE 12 - COMPARISON OF HUMAN DEVELOPMENT INDEX AND URBAN PUBLIC SERVICE LEVEL IN MUNICIPALITIES/REGENCIES OF METROPOLITAN BANDUNG, 2012**

	Human Development Index (HDI)				Electrification Ratio (%)	% of People served by clean water
	Education index	Health Index	Purchasing Power Index	Total HDI		
<b>Regency</b>						
Bandung	84.67	73.62	65.90	75.24	79.57	94.15
Sumedang	82.90	71.05	64.90	72.95	69.48	15.8
Bandung Barat	85.52	73.73	63.57	74.03	68.83	34.00
<b>Municipality</b>						
Bandung	90.25	81.35	66.35	79.32	79.58	72.43
Cimahi	90.38	73.75	64.24	76.12	70.53	23.00
West Java	82.75	72.67	64.17	73.11	73.01	30.37

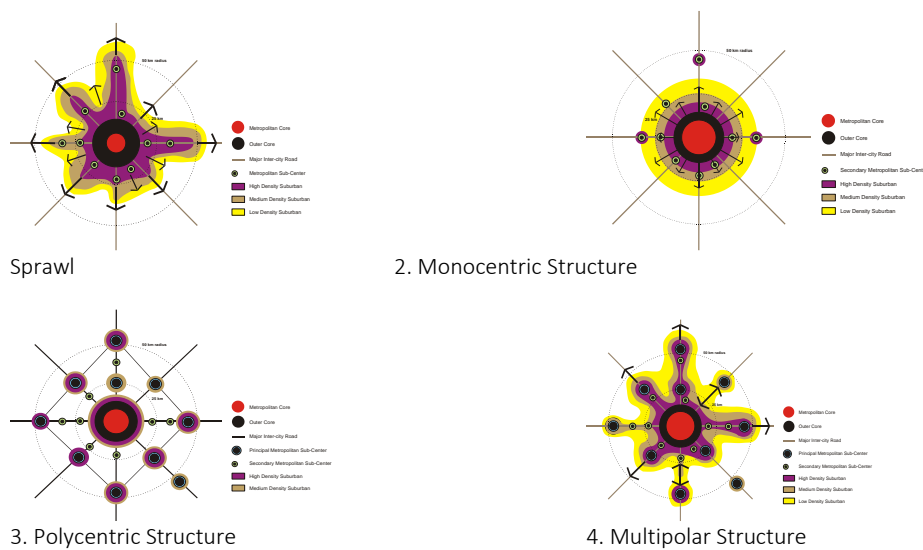
Source: Pusdalisbang West Java, 2012



### 3. SPATIAL STRUCTURE

Metropolitan Bandung is located in a basin. *Figure 6* shows the map of Metropolitan Bandung in 2011, in which red areas as urban area and the blue areas as rural areas. The red areas are concentrated in the center. Its expansion and sprawl follows the road system. The expansion tends toward the east (Sumedang Regency) and the west (to Cimahi municipality). Both sides of the areas tend to be flatter and hydrologically available. Expansion to the north and south side will be more expensive because of the steep slopes dominating the landscape of these areas.

FIGURE 5 - PATTERNS OF SPATIAL STRUCTURE OF METROPOLITAN AREAS



Source of graphs: Edward Leman, Chreod Ltd., 2001,

Comparing between the patterns presented in *figure 5* and the expansion of built up areas as presented in *figure 6*, Metropolitan Bandung does seem to follow the option number one, the sprawl. The current expansion of built up areas follows the road system especially the east - west axis. Bandung municipality is located in the centre. The west axis is thicker than the east axis which represents the connection to Jakarta and is more intensive than that toward Sumedang (KPT Jatinangor). The thick west axis also represents increasing intensive connection between Bandung municipality and Cimahi municipality. Many commuters live in Cimahi and work in Bandung (*Chapman and Prothero 2012*). While north axis is the least intensive, representing conservation zones of North Bandung area (KBU). The south axis also is seen as less intensive representing no major centres and equipped by narrow, wiggly road system.

In the future, with significant physical intervention, especially on the transportation system as well as built up areas, the expansion of Bandung municipality would create unbounded expansive built up areas toward the west to Cimahi, to the east to KPT Jatinangor, and intensively to the south. Thus, it could strengthen the pattern of sprawl, if not monitored and planned at the metropolitan level.

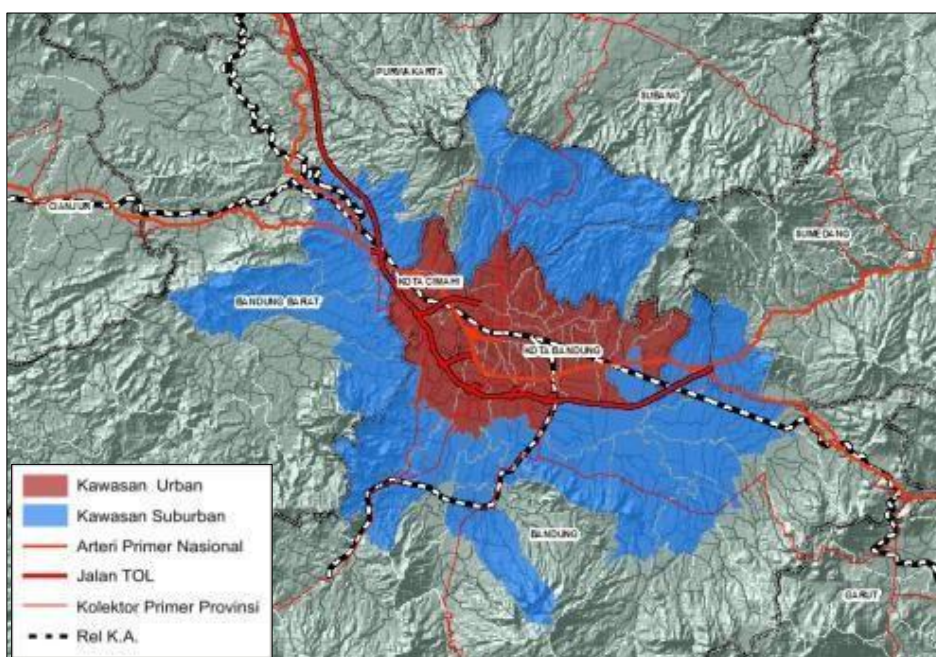
The municipality of Bandung has initiated many spatial plans. Indeed, as the city, where was located the first university with a regional and city planning undergraduate program in the country, Bandung municipality became the student’s living lab.

In 1973, a masterplan of Bandung was initiated to promote a city that was growing while being planned. At that time, this dynamic had proven that it was easy to formulate a plan but was another matter to implement the plan. The plan projected long term infrastructure development that would then allow for more people to live within the proper city. The implementation of development infrastructure was then the domain of the central government, and depended on their priorities. Some features that were aspiration of the time, such as bridges, were only materialized in 2004.

The 1973 masterplan of Bandung also promoted polycentric structures that should allow areas close to Cimahi and to KPT Jatinangor to become sub-centres. The increased concentration of population was directed towards the south. However its implementation could not follow the directives of the masterplan as it was not mandatory, and thus could not be translated into development programs/projects. As a consequence, there was a disconnection between the masterplan and the development programs/projects. Also, as the masterplan was not translated into detailed plans and zoning, it could not be implemented for the purposes of permit issuances, especially for building or road construction. The scale of maps of the masterplan was too small (1: 150.000).

At the time, masterplans of Cimahi or other regencies were not considered as important. Also before the Law 26/2007 on Spatial Management was enacted, it was not mandatory for each municipality and regency to formulate spatial plans. Thus, spatial plans were only initiated in areas that were potentially experiencing high population or economic growth. Only in 2010, detailed plans became mandatory to go along with Spatial Plan, in order to make the latter more applicable especially toward permit issuance and other day to day business of construction and conservation.

FIGURE 6 - A MAP OF BUILT UP AREAS OF METROPOLITAN BANDUNG



Source: Analyzed by WJP – MDM 2011.

## 4. FINANCIAL MATTERS

### 4.1 TRANSFER OF PUBLIC FUND AND LOCAL CAPACITY

Indifferent position of the national government towards metropolitan areas extends to the financial matters. The unsettled position of metropolitan management within the administrative system does not provide spaces for designing specific financial arrangements aimed at strengthening metropolitan management. In other word, the financial arrangement is applied as one-size-fits-all to local governments. Thus intergovernmental financial transfer system follows general rules and regulations. At this time, the sources of funding at the municipalities/regency levels from higher level of government (usually central) are in:

- DAU (Generic Allocation Fund),
- DAK (Specific Allocation Fund),
- Dekon (Deconcentration Fund),
- TP (Supportive Function Fund)

All of these funds are allocated based on population features and administrative capacity of the local government, and are not based on urban or rural characteristics. The number of populations and land size, capacity to generate own revenues, routine government expenses are some of the indicators that determine funding allocations.

Imbalances correction or asymmetric formulas that lean toward metropolitan areas are not promoted. Funding for metropolitan management is allowed to take place, as horizontal resource transfer. Horizontal resource transfer has been practiced by the provincial government of Jakarta, by adopting a scheme of grants, to the municipalities of Depok, Bogor, Bekasi and Tangerang regencies, for implementing river normalization.

Bandung municipality also implements horizontal resources transfer to population in Bandung regency. Based on ad hoc framework, the grant is aimed at supporting short term solutions to social problems of poverty alleviation in border areas of Bandung municipality. Using the scheme of grant is relatively new, within the context of Metropolitan Bandung. It is seen as effective, as adapting a legal framework takes time.

Financial resource pooling have been one of the efforts produced to promote integrated development in Metropolitan Bandung. But with different priorities set in their development programs, the five governments have not seen financial resources pooling as adequate for promoting integrated development in Metropolitan Bandung as the scheme for financial resources pooling is not well defined. The mayor of Bandung, however, attempts to use funding from Corporate Social Responsibility (CSR) allocated by companies in Bandung for construction of light rapid transit system (LRT). Indeed Based on Law N° 40/2007, it is mandatory for corporations to deposit CSR funds (around 7% of the profit, on an annual basis)for the benefit of local governments. This CSR fund can be allocated for responding to pressing issues of development. The use of CSR for multi-year projects for public interest faces another hurdle. The central government has not come up with guidelines for such usage, so that such idea smokes away.

Though, security of funding for metropolitan management can come from public budget allocated by the provincial government. This scheme is part of the legal framework set by the Law N° 23/2014: when the provincial government takes over initiatives for managing metropolitan areas, the funding can come from provincial budget. The Metropolitan Development Management (MDM) future corporation, as a part of the provincial scheme to manage metropolitan areas, began to receive funding in 2011. Most of the funding, up to today, is used to prepare the schemes for development planning in the metropolitan areas, including in Metropolitan Bandung.

Despite the fact the regulation of financial autonomy was introduced ten years ago (2004), taxing power of local governments has only been slowly transferred since 2013. There are two taxes: property tax (PPB-P2) and other local taxes and levies (PBHTB) that are slowly administered, at the local level. Municipalities/regencies are given the authority to establish their tax/levies. The Law No 35/2004 outlined the types of taxes and levies that local and regional governments could determine, which was an open list. It is stipulated in the Law 28/2009 that only specific items can be taxed or charged a levy on by municipalities/regencies. It is a closed list. Based on the local needs, some local governments impose taxes and levies that other governments do not.

**TABLE 13 - COMPARISON OF SUBJECTS FOR TAXES AND LEVIES BY THE LOCAL GOVERNMENTS BETWEEN THE (DEFUNCT) LAW NO 35/2004 AND LAW 28/2009**

	<b>Law No. 35 of 2004</b>	<b>Law No. 28 of 2009</b>
<b>Provincial Tax</b>	a. Tax on Motor Vehicle and Water Vehicle  b. Transfer Title Fee for Motor Vehicle and Water Vehicle;  c. Motor Vehicle Fuel Tax  d. Tax on Abstraction and Utilization of Underground Water and Surface Water	a. Tax on Motor Vehicle  b. Transfer Title Fee for Motor Vehicle  c. Motor Vehicle Fuel Tax  d. Tax on Surface Water  e. Cigarette Tax
<b>District/Municipality Tax</b>	a. Hotel Tax b. Restaurant Tax c. Entertainment Tax d. Advertisement Tax e. Street Lighting Tax f. Tax on Group C Mineral Abstraction g. Parking Tax	a. Hotel Tax b. Restaurant Tax c. Entertainment Tax d. Advertisement Tax e. Street Lighting Tax f. Tax on Non-Metal Mineral and Rock g. Parking Tax h. Tax on Ground Water i. Tax on Swallow's Nest j. Land and Building Tax in Rural and Urban Areas k. Fee for Acquisition of Right to Land and Building
<b>General provisions</b>	District/municipality may impose other taxes than those stipulated in this Law with certain criteria (open list)	The region is prohibited from imposing other taxes than those stipulated in this Law (closed list)

Source: analyzed from (G. o. Indonesia, Law No 32/2004 on Local Governance 2004)

Even with closed list, municipalities / regencies can determine the magnitude of monetary values they impose on their citizens. Since such autonomy to determine the magnitude was granted recently, the local governments are slowly managing such autonomy. Their decision is ratified by local legislature to be Local Regulation (Perda). There is, though, guiding principles set by the Joint Decision of the Ministry of Finance and the Ministry of Home Affairs no. 10/2014 on Preparation on Transferring Management of Property Taxes and Levies to the local governments.

With the autonomy comes the transparency and performance. The increased amount of tax imposed on citizens will result in tighter monitoring of their urban public service delivery performance.

With limited sources of funding to pay for development, the municipalities/regencies continue to rely on central government transfers. Currently there is no known practice of borrowing at this level. At the provincial level, the practice of borrowing is facilitated through PIP (Centre of Government Investment), a central government-owned funding agency, specifically created to help local level governments to fund strategic projects., Many see the mechanism developed in order to engage in borrowing at the provincial level as the early stage or a transition process toward allowing the local governments to develop government bonds (*Sakri, 2015: interviews*).

The local governments, through their legislature approve the local budget that is signed by mayors/regents. Before the public budgets are to be ratified, they have to be submitted to the Ministry of Home Affairs to ensure that the budgets follow the rule of law at the national level.

The eight metropolitan governments which were promoted by the Ministry of Public Works tend to follow the spatial structure of sprawl. In this case, the central cities are the most financially independent among other local governments. Regencies surrounding the central cities on the other hand tend to be deprived and poor relative to its core center. The MPW has not been recognizing the spatial structure of metropolitan areas other than the patterns of sprawl. Exploration of other patterns as presented in figure 5 have not been seen as providing more efficient structures. For example, polycentric structure allows for the extensive development, across areas, especially if there is no limitation on conservation zones surrounding it.

Revenue sharing between local governments within metropolitan areas is not yet recognized. As many local governments tend to view revenues born out their geographical areas is 100% owned by them. For example, Jakarta provincial government do not have forest areas, nor do they own tree plantation. Yet they have a directorate of forestry, and their revenues from timber is one of the higher contribution of their GRDP. Those timber are hailed from other island, and use ports located in Jakarta and exported to other countries. Similar case happened in Metropolitan Bandung. As a manufacturing region, Metropolitan Bandung produces goods worthy of export. Because Metropolitan Bandung do not own seaport, manufacturing products that are shipped to other islands or other countries have to use Jakarta port as a hub. The use of Jakarta port leads to increased own revenues from transportation sub sector in Jakarta, including from custom duties. This has made some municipalities/regencies envious. Jakarta is not a producing region, but has major transportation facilities including ports that become its sources of own revenues. As a result, the provincial spatial plan initiates infrastructure development especially seaports, airports as well as toll roads in order to capture higher own revenues.

Access to equalization tax for municipalities/regencies in Metropolitan Bandung is allocated through General Allocation Funding (DAU). DAU uses consideration such as population size, land size, own revenues, geographical situation, economic potencies, and income levels. Municipalities/regencies in Metropolitan Bandung receives substantial proportion of their budget from DAU. Bandung municipality receives about 30% of its revenues from DAU, while Sumedang receives up to 40%. While Bandung and West Bandung regencies and Cimahi Municipality receive up to 50% of their budget volume from DAU.

In general, public private partnership on infrastructure projects in Indonesia is not popular. Since PPP was introduced during Suharto era, as a way to capture public funding into personal pockets, with long term agreements, PPPs have been slow to pick up. As specific sectors such as clean water provision, or solid waste, or roads require specific regulation for its PPP, the government does not seem to be ready to dealwith details like this.

Public Services in Metropolitan Bandung are conducted as government affairs and not yet by the private sector.

## 4.2 FINANCE - EXPENDITURE RESPONSIBILITIES, REVENUES AND FUNDING OF INVESTMENTS

Expenditure responsibilities of municipalities/regencies in Metropolitan Bandung are not different from other local governments in the country. Nor do municipalities/regencies in Metropolitan Bandung spend more per capita than smaller municipalities in the country.

The highest contributor for revenue in Bandung municipality comes from tourism. It contributes up to 45% to the total own source revenues (about US\$ 6.1M from total own source revenue of US\$ 13.904M in 2013) while Bandung municipality receives about 36% of annual revenues from transfer from national/regional governments in 2012, decreasing from 49% in 2007. Such percentage is similar to other municipalities in the country. In the past, the central government tended to transfer funding to municipalities/regencies that had challenges in meeting their development efforts, while their economic contribution was already high at the national level. Thus, this has left municipalities/regencies with smaller economic contribution to the national level, deprived of national funding. These days such practice is reverse. The central government transfers funding to those areas that cannot be financially independent such as regencies which were newly established or considered economically deprived such as periphery areas, or borderland.

**TABLE 14 – PERCENTAGE (%) OF TRANSFER PAYMENT FROM NATIONAL/PROVINCIAL GOVERNMENTS TO MUNICIPALITIES/REGENCIES TOWARD BUDGET VOLUME IN BANDUNG METROPOLITAN, 2007-2012**

	2007	2008	2009	2010	2011	2012
<b>Bandung Municipality</b>	49.16	47.83	41.75	37.40	32.28	36.10
<b>Cimahi municipality;</b>	63.97	61.16	59.61	54.16	50.33	53.65
<b>Bandung Regency, West Bandung Regency and Sumedang Regency</b>						
<b>Metropolitan Bandung</b>	58.74	56.34	53.49	48.49	44.03	47.44

Source: data from the World Bank.

*Table 14* shows the percentage of transfer payment made by the national and provincial governments to the local budget in municipalities/regencies of Metropolitan Bandung. As the central city, Bandung municipality received about 49% of transfer payment in 2007 that now decreased to 36%, while other municipalities/regencies receive a percentage that decreased less, about 10%. In total, municipalities/regencies in Metropolitan Bandung receive a percentage of transfer payment that decrease from 2007 to 2012, or from 58.74% to 47.44%.

Funding allocated for joint projects such as clean water piped system comes from national government. It is conducted on a project basis, and transferred through the provincial governments. The national government helps with pre feasibility study for mass public transportation for Metropolitan Bandung. The provincial government initiates funding for final solid waste disposal site of Legok Nangka, with the contribution of the central government.

*Table 15* shows comparison between the budget composition of Bandung municipality and other municipalities/regencies in Metropolitan Bandung. In the last five years, Bandung municipality has a high average per capita capital expenditure, in comparison to the other municipality/regencies. Other four government in Metropolitan Bandung only spent one-third of what Bandung municipality spent on per capita capital expenditure, while the difference in per capita recurrent annual expenditures between Bandung municipality and other municipality/regencies is not that high. In average, Bandung municipality spends more on per capita annual recurrent expenditure than the four other governments. This has shown that Metropolitan Bandung spend higher on per capita recurrent



expenditure, than on per capita capital expenditure. The gap between the two expenditures, is higher in the four other local governments than in Bandung Municipality. The closer look at per capita expenditure dedicated to capital and to recurrent shows how healthy and responsive the government is in order to promote long term development prospects.

Bandung municipality as well as other municipalities/regencies in Metropolitan Bandung fall into a trap of funding channeled for personnel expenditure, and public law and order expenditure. This expenditure represents spending on salaries for government officials, spending on monitoring the implementation of law and order such as policing, safety and security as well as grants towards community groups such as religious or interest based groups. These are the traditional expenditure that the governments spent since the era of Weberian government. The national government has warned local governments to slowly shift their composition of local budgets, towards increasing proportion on non-recurrent expenditure. It has been slow in coming. It is also related to the fact that more aspects of authority fall into the shoulder of municipalities/regencies than before. Such decentralized authority is often not followed by the adequate funding transfer.

Revenues however, show that about 40-50% of budget volume came from the transfer of the central/provincial governments. Different from DAU which is strictly from the central government, *Table 15* shows the percentage of transfers received from central as well as provincial governments to the municipalities/regencies. Bandung municipality as the central city receives less than the other four governments, shows as having a higher proportion of own source revenues, than other municipality/regencies. This is to show that financial capacity of Bandung municipality to generate own-source revenues is high. The highest is in fact among other four local governments. While the other four governments such efforts to increase own source revenues still lag behind, in comparison to the transfer payment. Own source revenues for Bandung municipality as the central city reach about 19% of the total revenues, while the other four governments reach on average about 9%. This is to indicate that even municipalities/regencies of Metropolitan Bandung require more efforts to increase their revenues, particularly in order to increase per capita capital expenditure that becomes the basis for development management in Metropolitan Bandung.

**TABLE 15- CHARACTERISTICS OF EXPENDITURE AND REVENUES IN METROPOLITAN BANDUNG, 2007 -2012**

	Central city in the case area : Bandung Municipality	Other local governments in the case area: Cimahi, Bandung, West Bandung, Sumedang	Metropolitan Bandung
<b>Capital Expenditures</b>			
. Average annual capital budget per capita 2007-2012 (approximately, 000 US\$)	38,830	9,469	17,528
<b>Recurrent Expenditures</b>			
. Average annual recurrent expenditures per capita 2007-2012 (approximately, 000 US\$)	69,618	58,583	61,612
. Characteristics of the composition of the expenditures (E.g. What % is the main expenditure item?)	76% for personnel, public, law and order	82% for personnel, public, law and order	79.7% for personnel, public, law and order
<b>Revenues</b>			
What is the % of transfers received from higher level governments (approx.)? (Province + Central)	40.75%	57.15%	51.42%
.What is the % own source revenues (approx.)?	19.78%	9.7%	13.27%

Source: analyzed from (P. W. Java 2013)

## 5. EXCERPTS FROM INTERVIEWS

Opinions of six interviewees are a part of this study. The interviewees work in various local and metropolitan-based or related organizations and institutions. This part presents the excerpts from the interviews conducted in January 2015.

*Names have been withdrawn for privacy concerns.*

### 5.1 REPRESENTATIVE FROM THE LOCAL GOVERNMENT

*The interviewee is a government official who works at the Local Development Planning Board (Bappeda) in Bandung municipality. Bappeda is an important institution, which conducts the development plan every five years, as well as the annual working plan, including annual budgeting. This institution is also responsible for conducting an annual participatory development plan mechanism, as presented in figure 4.*

#### **What are the most important mechanisms and instruments for managing metropolitan areas?**

“I have high hopes that the Spatial Plan of Bandung Basin will be enacted as a presidential decree. The Spatial plan itself contains many aspects needed for creating a Metropolitan Bandung Management, including zoning ordinance and incentives and disincentives. In the plan, the types of management that can help Metropolitan Bandung to thrive were also laid out. The relationship between central, provincial governments and municipalities/regencies are laid out as well.

At the same time, the provincial government enacted a Provincial Regulation No. 12/2014 for the management of the metropolitan development, which formulates planning, managing, institutional arrangements, funding and implementation procedures. However, this regulation requires guidelines containing instruments that are implementable in practice.

With current decentralization framework, where the position of the provincial government and municipalities/regencies are more or less equal, the municipalities/regencies cannot comply with the ideas or initiation by the provincial government.

To overcome problems that require solutions at the metropolitan level, municipalities/regencies initiate their own cooperation. Such cooperation is initiated based on pressing issues, such as mass transportation, clean water, location of solid waste final disposal site, grey water issues, and coordinating permit issuance. Such cooperation begins with MoU among municipalities/regencies, followed by cooperation agreements that define working mechanism, and funding allocation.

In practice, a follow-up toward implementation is often hindered by regional ego, in which each municipality/regency feels that they should exercise their autonomy independently, thus limiting their willingness to reach consensus. Their decision making is influenced by the need to produce higher own source revenues, as well as increase their short term goals in economic growth: spending on intergovernmental cooperation is thus not seen as fulfilling these issues.”

#### **In general, how well do these (informal or formal) metropolitan-scale governance mechanisms and instruments work?**

“The good intention of the Ministry of Public Work (MPW) to produce a Spatial Plan for Bandung Basin is well appreciated. This legalizing process has taken about 10 years and is still going on. It began as a legal process for determining the type of institutional arrangements fitting for the Metropolitan



Bandung management, and, due to no final decision, took the formulation of the spatial plan as an entry point.

This on-going legalizing process leads to abrupt efforts for preparing other aspects used for planning implementation. Such aspects include institutional arrangement of metropolitan management, financial arrangement for plan implementation, performance measurement of urban public services, citizen involvement, and future roles of current municipalities/regencies. MPW has opened many discussion sessions on these aspects. Several directions have been taken. It is the legal lack of a formal institution (either in the form of forum or coordinating body, that would execute the plan) that makes the plan less implementable. In reference to the Good Urban Governance Principles, here is where the principle of good governance is applied...

MPW proposes a Spatial Plan for Bandung Basin, and the West Java Province proposes that Metropolitan Bandung should be managed as a part of West Java Grand Economic Masterplan. The two have not come up with consensus. With no coordinative agency to manage the “problem” of Metropolitan Bandung, the perspective of sustainability, in terms of providing better urban services to the community, cannot be positive. The pressing issue on the need for transforming the idea of a metropolitan management into action should be seen by as a core efficiency principle in delivering urban public services. While transparency and accountability in terms of how metropolitan is being managed, may have to wait until the concept of metropolitan management is formed.”

#### **What has been tried in the past in this regard? Why didn't it work or get sustained?**

“Several Memoranda of Understanding (MoU) and cooperation agreements have been signed, especially between municipalities/regencies within Metropolitan Bandung or with the provincial government and the central government. This is to be the first step toward cooperation at the metropolitan level. The next step is the harder one: each government has to convince its own legislature on the need to pursue cooperation at the metropolitan level in order to provide urban service delivery at the efficient and effective rates. Since there is no sanctions if the signed MoU and cooperation agreements are not followed with more concrete action, the governments at various levels prefer to take time until the agreement ceases. Several hurdles include the rights and duties of each governments were not well laid out, political will of the mayors/regencies to pursue such cooperation, urban rural disparities that set different priorities for each municipalities/regencies, and unequal access to natural resources.”

#### **What are the main opportunities for this metropolitan area going forward? What are the main challenges?**

“Metropolitan Bandung continues to be the concept sought by each municipalities/regencies, particularly as increasingly many urban problems are better solved at the metropolitan level. For example, floods, clean water, even circular migration, as well as traffic jams. Otherwise, each government will seek temporary, quick fix solutions that will emerge as problems in the long term.

Geographically, Metropolitan Bandung is located close to Metropolitan Jakarta. Politically, Jakarta as the capital city of Indonesia where the major decision-making takes place, will glance at Bandung as a social-economic centre that should positively influence decision-making process in Jakarta.

Metropolitan Bandung has one of the higher concentration of highly educated people in the country. Ideas, innovations born in this area are seen as important. Bandung municipality has more than 100 higher education institutions, or the ratio of 1 institution for 22,000 people. That is high for the standard of Indonesia. Also, KPT Jatinangor, as a centre of excellence for education and research, is one advantage that Metropolitan Bandung can identify with.

The challenge comes from dynamics in the relationship between legislature and executives within each municipalities/regencies, inter-governmental relationships (among municipalities/regencies, or with provincial/central government), and especially in the implementation of the new Law 23/2014 on Local Governance.

Metropolitan Bandung has also attracted migrants from many areas in the country. It is attractive for young people seeking for higher education supply; for people wishing to live in a rather pleasant natural environment (high altitude, mild temperature); for people to express and expand their talents in manufacturing or creative industries. Thus, migration level in Bandung municipality, and its surrounding areas such as Cimahi municipality, border areas of Bandung and West Bandung regencies are also immense. Indonesian Statistics Institution still has not captured the level of migration especially circular, that happens in Metropolitan Bandung.

With the legalization process of the Spatial Plan of Bandung Basin that is late in coming, requests for development, especially in real estate, commercial construction is unstoppable. Without much consideration at the metropolitan level, decision on permit issuance will incorporate only interests at the municipalities/regencies level. A vacuum on regulation at the metropolitan level will lead to pressures to quickly issue permits for development.”

#### **What is primarily needed to strengthen the metropolitan level governance in the area?**

“The newest Law 23/2014 provides new room to manage metropolitan development, which was not accommodated in the defunct Law 32/2004. Since the law is still new, I look forward to clear guidelines that govern the rights and duties of each government in metropolitan level, clear commitment being enforced especially on funding and monitoring, capacity building toward effective spatial management and institutional arrangement that adequately support the management function.”

#### **What can other metropolitan areas learn from the governance experience (good or bad) of your metro area? Has the city already been engaged in any concrete city-to-city knowledge sharing on the subject of metropolitan governance?**

“The management of development in Bandung basin is not well integrated. It tends to be partial and non coordinative in implementation. It is only coordinative when there is capital spending and construction, but when it comes to operation, maintenance and repair, it is left to each municipalities/regencies to provide the funding. This is not sustainable in the long run. In fact such investment is wasted. Next time, when there is construction projects/programs that require intergovernmental involvement, the cost of operation, maintenance/repair should be included in the scheme. There should be a penalty for disobeying it.

The municipality of Bandung has cooperation with about 14 other cities in the world. On the occasion, we share our experiences with sister cities. Today, our mayor is quite a celebrity and can pull out audiences. He had made some remarks on the need to add a metropolitan perspective for finding solutions for Bandung urban issues. ”

## 5.2 REPRESENTATIVE FROM THE TECHNICAL LEVEL OF THE LOCAL GOVERNMENT (SPATIAL PLANNING AND PERMIT ISSUANCE)

*The interviewee has been working with the municipality of Bandung for more than a decade. In those years, one of his specialization was to advance legalization of Spatial Plan and subsequent detailed plans, as well as define the implementation of building permit issuances. He works at the Section of Spatial Management and Urban Settlement (Dinas Tata Ruang and Cipta Karya).*

**What mechanism or instrument, if any, is currently used to plan and/or coordinate your sector at a metropolitan scale? (Among technical departments, between levels of governments, with private sector, specific groups – NGOs, informal service providers, etc.)**

“Spatial Plan for Bandung municipality for the period of 2011-2031 has been ratified in 2011. The ratification process involves, not only consultation with the local legislature, but also with other municipality/regencies surrounding the municipality. Consultation with other municipality/regencies is to ensure that land use plan in the border area will not conflict with those on their side. This process is not considered challenging. The other so-called mandatory technical consultation is with the provincial government. This consultation is to ensure that spatial plan at the Bandung level is not in conflict with the Spatial Plans of other municipalities/regencies as well as the one at the provincial level. After Spatial Plan is ratified, it is mandatory to be adapted into Detailed Spatial Plans, later on into Lay-out Plans. These plans are submitted to the provincial level in order to help supervise technical aspect of the detailed plans. The conflicts began with land uses for provincial owned land located within the Bandung municipality. The Province imposes particular interests so that the land is not assigned to uses that are not favourable to its plans<sup>17</sup>.”

Bandung municipality also expects that cooperation based projects such as sources of piped water system, or final disposal site for solid waste can be implemented as planned. In the past, a lack of initiatives at the Metropolitan Bandung level to solve problems, mainly environmental related, has led to Bandung municipality decision to build its own final disposal site for solid waste. Located in Gedebage, the so-called waste-to-energy power plant is deemed to be the most appropriate to deal with issues of final disposal site for Bandung municipality. With the construction re-initiation for a final disposal site in Legok Nangka (Garut Regency), to be utilized by municipalities/regencies in Metropolitan Bandung, the mayor of Bandung postponed the construction of the waste-to-energy powerplant for a year, in order to ensure that the facility in Legok Nangka will be utilized effectively and will not compete with the waste-to-energy powerplant. This is the case in which the provincial government involvement to coordinate a joint project at the metropolitan level has not been successful. The provincial government has not viewed the urgency in rolling the project implementation, either for solid waste final disposal site, or the clean water project. The city is left to guess when the project can be beneficial.”

**What is the main benefit of metropolitan-level governance for your sector?**

“If metropolitan management is to be implemented, many urban problems that Bandung municipality is famous for, such as traffic jam or air pollution or floods, can be quickly managed. Problems of overcapacity of roads, drainages, and drivers can be overcome. For permit issuance, that means the calculation on the utilization of public infrastructure (volume, types of transportation modes) can be applied in order to determine the types of buildings allowed to be constructed. These days, such calculation on the usage is hardly considered.”

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<sup>17</sup>The province wants provincial owned land in Gedebage designated for high density apartments. It is not in line with the municipality intention for green spaces.

**What other approaches have been tried in the past in this regard? Why didn't they work or get sustained?**

“During the centralized Suharto regime, it was easier to initiate a metropolitan management, that was not a part of the administrative system, but born out of a need basis. The provincial and municipalities/regencies were parts of ahierarchical administrative system where the higher level interests should be followed. In 1993, the so-called *Pakto*, a joint ministerial decree, laid out in detail rights and duties of each municipality/regencies in Metropolitan Bandung for managing North Bandung Area. In practice, at the time, municipalities/regencies didnot have the technical and administrative capacities to adopt such joint ministerial decree and transform it into implementation. Our mandate at the time, especially on permit issuance,wasnot fully autonomous. The upper level of government highly intervened. Thus in exercising it, we felt powerless. Unfortunately for Metropolitan Bandung, initiation to form a metropolitan management did not come into fruition. Unlike Jakarta, where the central government successfully initiated BKSP Jabotabek.

Thus, BKSP Jabotabek which was initiated in 1975, may not be easily changed into some other format these days, as long as the urgency for creating an institution for metropolitan management can only be sensed by the central government or the municipalities/regencies. Bandung municipality certainly feels the needs. I know that other regencies sense the need especially for the solid waste final disposal site. Different level of urgency and priorities on such needs also contributes to their willingness to participate in the metropolitan management. Only municipalities/regencies who has burning desire to see problems beyond their boundaries and has a willingness to cooperate with other municipalities/regencies can form a metropolitan management institution. Such is the case of Kartamantul (Greater Yogyakarta) which has a joint secretariat.”

**What can other metropolitan areas learn from the governance experience of your sector in this metro area to date?**

“In the sector of permit issuance, we have strongly applied consideration of green space locations in order to increase public access to green space. We encourage public lands to be converted into green spaces in order to reach the mandatory minimum public space allocated in publicly owned land to be 20%. For other municipality/regencies in Metropolitan Bandung even such application is still limitedly used, particularly as their technical capacity is limited.”

### **5.3 REPRESENTATIVE FROM A NON GOVERNMENTAL AGENCY (WEST JAVA ENVIRONMENTAL CONSERVATION GROUP/WALHI)**

*The interviewee is an activist and a researcher in implementation of good governance principles for local governance and currently works for WALHI (Environmental conservation group of West Java branch).*

**What is most needed for improved governance at a metropolitan area scale?**

“Many environmental issues in West Java are related to urban development, and its impacts spill out to rural areas. Our interests are related to environmental pollution in Bandung basin and upstream Citarum river. The five municipalities/regencies in Metropolitan Bandung have interests in Bandung basin and upstream Citarum river. Indeed, they get their sources of clean water from North Bandung area, and their electricity from the three dams in Citarum river. Thus, consideration of environmental

issues could spur on the metropolitan “desire” as these issues cannot be based on short-term economic interests. If the governments in Metropolitan Bandung do not consider improving quality of life -that usually attracts more investment-, then the communities, especially negatively affected, will bear unequal treatment of public services. Thus, the metropolitan management has to be daring, and begin to think about impacts of each municipality/regency actions on a metropolitan scale.”

**What mechanisms or instruments (informal or formal) are applied today? How well do they work? Do any regular consultations take place? To what extent are NGOs or community groups involved in the governance processes?**

“In 2013 and 2014, projects on solid waste final disposal site and piped water system were initiated. Bandung municipality has a high stake in these projects, since otherwise they have to initiate solutions that can only be applied within their boundary. Second, because such projects have been outlined in their spatial plan. Our data on critical lands as a result of sedimentation, solid waste production, grey water leakage and land conversion, shows a degrading situation. Yet, the government even at the national level has not invented mechanisms or instruments on how environmental consideration can partake in local decision-making process. Because nowadays, it is all about economic growth, increased economic activities especially in areas that already have high infrastructure investment. Investors are not interested in areas with low infrastructure availability, especially roads or electricity.

WALHI participates in formal discussions initiated by the provincial governments or municipalities/regencies. In some situation we were invited to have dialogues about specific issues such as solid waste final disposal site in Gedebage for Bandung municipality. We were invited in the MoU signing on piped water system and on solid waste final disposal site in Legok Nangka. Our level of involvement in government’s decision making remains consultative, especially when a program/project is initiated. From time to time, we are involved in monitoring it. Often is the case when our consideration goes against the government’s goal to increase their economic growth. Nobody takes the lead on how to compromise between economic growth and environmental conservation.

The involvement of environmental groups like us in the government based public decision-making has improved. In the past, we were outsiders, part of the groups that would disturb how the government implemented their programs. Such negative stigma is still there, our voice is only partly considered, especially at the planning stage. Now that citizen participation is formalized through the Law and Regulations, it opens door for us to involve formally in the discussions and debates on the government programs/projects.”

**What are the main opportunities for this metropolitan area going forward? What are the main challenges?**

“The provincial government has been given a mandate, based on the Law 32/2004, to be involved in metropolitan management. There are many pressing issues to be dealt with at this level. These are reasons good enough to increase joint cooperation between municipalities/regencies in order to create solutions that respect the rights of the communities to live without pollution. As long as the provincial government will define its interests by not including environmental ones, it will tend to fail in approaching municipalities/regencies. The provincial government should formulate spatial plans based on watersheds and makes the municipalities/regencies refer to it before they execute their plans.

The main challenge is that if the approach to develop a metropolitan management is only based on administrative boundary, the interests on environmental conservation will dim. The need for metropolitan management, without considering environmental interests, will only lead to unequal treatment of the communities. Only interest groups or communities that contribute to economic

development are seriously considered in the decision-making process. They need to put community safety and security increasingly higher on their agenda.”

#### **Who are your main partners? Interlocutors?**

“There are so many NGOs that specifically deal with issues of upstream Citarum, such as Upstream Community of Citarum, PSDK, or Pawapeling. We partner with them to voice our concerns to the provincial government. We also have a provincial branch of WALHI. Our WALHI headquarters, at the national level, are also a partner, especially in sharing knowledge and data management in order for us to enter into discussions with the local governments.

What can other metropolitan areas learn from the governance experience in this metro area to date? Have you ever exchanged on the topic with other cities? Other organizations?

Many ideas come from our past experiences in managing environmental problems and issues in Metropolitan Bandung. The case of North Bandung area where development permits have to be limited, to allow for a large size of open green spaces. Government regulations, even with penalty applied, were unsuccessful to restrict permit issuance. Intervention from the political heads of the governments tends to overrule the technical consideration, and regulatory aspects. Lesson learned here is that command and control based regulation will not be enough without providing technical guidelines for implementing it. Such technical guidelines should recognize economic forces that work in ‘grey areas’ that require negotiation and mediation. Furthermore, how we navigate those grey areas with transparency and accountability.”

#### **5.4 REPRESENTATIVE FROM ACADEMIA (BANDUNG INSTITUTE OF TECHNOLOGY)**

*The interviewee is researcher on transportation system. He lives in Cimahi municipality and works in Bandung municipality.*

**How would you characterize the metropolitan governance experience of this metro region to date in your sector of expertise? What has worked, and what hasn’t? Why / why not? What tensions have tended to occur, if any, and why?**

“In transportation sector, many concepts have been invented for connecting Bandung municipality to its surrounding areas. For example, Bandung municipality controls urban bus transit system that connects Bandung and Cimahi. The headquarters and the stations are controlled by Bandung municipality. Cimahi is left with traffic jam as a result of being the destination/origin of the trip. Cimahi cannot communicate well with Bandung Municipality for this issue. Long and many discussions on this issue have taken years, but no movement towards policies, let alone implementation, took place on this front.”

**What is mostly needed for improved governance at a metropolitan area scale in your metro region, and what are the main difficulties in achieving this (reasons it hasn’t happened yet)?**

“Researchers have made progress and been involved in many concepts developed at the provincial as well as municipalities/regencies levels. Our inputs have been taken into consideration. In fact many concepts are born out of the involvement of researchers.

But when it comes to implementation, either for legalization or operationalization, interests turn high especially at the level of government's executive branches, for example between spatial management and urban settlement departments. Conflict of interests at the executive branch of the government is the biggest barrier to the execution of these concepts."

**To what extent are researchers or academia involved in the governance processes? Are there any regular consultations?**

"A strong regulation that can overrule too huge autonomy at the municipality/regency level is needed especially for initiating metropolitan management. Without such regulation, even with ad hoc regulation, the initiative is bound to fail. The central government unfortunately has not seen issues of metropolitan development and management as urgent priorities.

Such situation will mean a long suffering for those who have not enough resources to overcome urban issues such as traffic jams, high prices of goods and affordable housing."

**What can other metropolitan areas learn from the governance experience in this metro area to date? Do you have any specific research networks working on the topic?**

"Metropolitan Bandung can provide learning experiences to other metropolitan management such as origin-destination patterns of transportation that we have developed for Metropolitan Bandung. Socio cultural setting is harder to replicate to other metropolitan management. Metropolitan Bandung with its social cultural setting that is traditionally more democratic, and open minded, as well as independent, is not the same as in Yogyakarta (Metropolitan Kartamantul). In Yogyakarta, there is a sultanate that the people respect. They are loyal and obedient to the sultan. Thus joint secretariat created in 2001 in Kartamantul is easier to initiate."

## 5.5 RESEARCHER (WORLD BANK)

*The interviewee has researched the issue of local budgeting since graduation from the regional and city planning program ITB in 2000. The last three years he has been working in the World Bank – Indonesia, specializing on local budgeting.*

**How would you characterize the metropolitan governance experience of this metro region to date in your sector of expertise?**

"Local budgeting follows the formal structure within the administrative system that was set by the central government. At this point, there is no metropolitan management that is a part of the formal administrative system. Institution for metropolitan management in Indonesia was allowed and initiated based on needs. It can be initiated by the central government, as a sectoral program, or at the provincial/municipalities/regencies level. None of this will influence top down orientation in budget allocation. The budgeting system follows the rule of one size fits all."

**What is mostly needed for improved governance at a metropolitan area scale in your metro region, and what are the main difficulties in achieving this (reasons it hasn't happened yet)?**

"Municipalities/regencies in Metropolitan Bandung should initiate a funding allocation, respecting the principles of efficiency and effectiveness. Furthermore, they should include more parties in developing

mechanisms for funding allocation. A feasible model of funding allocation would be, currently, a grant scheme. Such scheme would allow municipalities/regencies to independently allocate funding without further consultation with the legislature. However this scheme cannot be used for long-term purposes. Legislature each year would ask about the urgency of the activities.”

**To what extent are researchers or academia involved in the governance processes? Are there any regular consultations?**

“It is a pity many ideas from researchers like me reveal new evidences, especially in the arena of transparency and accountability, which the local governments do not comply with. The hardest is to make the local government develop cash flow that would allow for detailed transparency in disbursement and spending. While the Regulation on this has been enacted, the municipalities/regencies have not had implemented cash flow statement as a part of transparency and accountability in local budgeting. However, they improve their participatory planning and budgeting mechanism by announcing where the meeting will be held. The final budget allocation is made into posters to be distributed to local areas.”

**What can other metropolitan areas learn from the governance experience in this metro area to date?**

“At the metropolitan level, with regards to budget allocation, we have to learn from other areas who are willing to set aside funding for their metropolitan management. Many metropolitan managements get funding from the central government in order to ensure that public services provided for at the metropolitan level, can be operationalized. Metropolitan Bandung has a bus system connecting Bandung municipality and Cimahi municipality, as well as Sumedang Regency.”

## **5.6 REPRESENTATIVE FROM THE WEST JAVA CHAMBER OF COMMERCE**

*The interviewee is part of a think tank in Chamber of Commerce of West Java. He is also active at the chamber of commerce in Bandung municipality to advance long-term policies that accommodate interests of private sectors in policy development.*

**How would you characterize the metropolitan-level governance experience in this metro region to date?**

“When dealing with the private sector and enacting policies related to private sector involvement, authorities see us as non-compromising party. We are seen as a “profit seeking only” group, with little opportunity to play parts in development. Each municipality/regency within Metropolitan Bandung works independently, with little synergy with others. They do not have leaders to lead them at the metropolitan level. The newest example is the proposed construction of a monorail (LRT) that tend to be quick fix response based without recognizing the role of spatial plan. Another case is the development of Gedebage and Tegalluar, which invite private sector to develop the areas. This development of Gedebage with waste to energy powerplant, new government administrative offices and high social housing complex is not part of the spatial plan. Such impulse creates confusion in the private sector and leads to unequal access to opportunities in participating to development plans of the metropolitan area. The governor should be the leader in the metropolitan management.”



**To what extent, and how, has the private sector had an opportunity to influence government decisions on metropolitan matters?**

“For the last five years, the roles of private sector are reduced to increase their opportunities to profit making. The governments do not facilitate or are not enabling the private sector to be a part of the society that can contribute to development. Textile industries are left for profit maximizing without considering much of pollution reduction. The construction industries are left to implement the projects, blinded to the fact that their projects are not synchronized with other projects. Their performance is not well measured.

Ten years ago, the Chamber of Commerce was invited into discussions about policy making that may affect them, and their consideration in development were taken into consideration by the government.”

**What is most important for the private sector / what does the private sector need from the local government and the metropolitan-level governance respectively? What are the constraints for this to happen?**

“Private sector learns to make use of opportunities in unsynchronized, unintegrated policies at the metropolitan level. They grow and enjoy the unsynchronized policies, thus make use of the status quo. A few players in the private sector play part in putting pressures for synchronized policies at the metropolitan level, especially in order to create a stable environment for investment. Because of little formal forum for private sector’s involvement is presented to them, private sector begins to get used to backroom dealing, and informal approaches. This is the case in Bandung municipality where some developers prefer to approach the mayor directly to get discretion for permit issuance; they bypass the technical department that is supposed to deal with this.”

**What is mostly needed for improved governance at a metropolitan area scale in the metro region, and what are the main difficulties in achieving this (reasons it hasn’t happened yet)?**

“The right man “behind the gun”, and leadership are the major issues if metropolitan management is to happen. The biggest barrier is the huge autonomy given to municipalities/regencies that forego the interests at the larger scale, such as regional economy, logistical system, environmental conservation, principles of efficiency and effectiveness. The quality of human resources in the bureaucracy is less than ideal. They tend to be opportunistic rather than breaking the glass ceiling.”

**What can other metropolitan areas learn from the governance experience in this metro area to date?**

“Not much.”

## CONCLUSION

1. Decentralization in Indonesia has gone to several phases, starting with the most liberal decentralization to local authorities, especially to regencies and municipalities; it significantly weakened the authority of the province that functions both as an autonomous regional body and an extension of the powers of the central government. Elected local officials (*mayors*, *bupati*) are now responsible to local councils. Funds from higher levels of government are transferred as unconditional grants. It is mainly in seeking funds for big ticket infrastructure projects that local units have to rely on higher government levels, and they tend to pay less attention to such projects. The law 23/2014 on Local Governance reinstates the autonomy at the provincial level. In terms of urbanized area, which is associated with metropolitan areas, the newest law recognizes its existence with detailed performance measurement. There is not a mandatory for the provincial level to manage the urbanized areas.
2. There are indications that decentralization contributed to make the setting up of metropolitan governance structures more difficult in Indonesia. A country made up of 17,508 islands (6,000 inhabited) tends to be fragmented. The granting of more authority, power and funds to local units has encouraged institutional fragmentation. Ideally, the need to develop whole regions (for example, by investing in basic urban services like water supply and sanitation, energy and solid waste disposal) should encourage cooperation and coordination among local units. However, local politicians (who usually belong to different and contending groups) tend to build up and preserve their political power. At times, engaging in graft and corruption is a tempting way to achieve that – a practice that works against the setting up of accountable and transparent metropolitan governance.
3. The Indonesian central government has approved policies and passed legislation encouraging “clustering” of economic efforts to develop metropolitan areas. Local governments in the big regions of Jakarta and Surabaya, for example, have been organized to pursue mutually beneficial projects by the formulation and adoption of regional development plans like the JaBoTaBek (Jakarta, Bogor, Tangerang, Bekasi) scheme. Development of tourism and other activities in Denpasar, Bali, for example, is being pursued under the metropolitan structure of SarBaGiTa that includes the local units of DenpaSAR, BAdung, GIhugan and TABanan. In Bandung, however, such efforts at metropolitan/regional development are just beginning.
4. The main approach being used in Indonesia to achieve metropolitan development at present is regional development planning. By law, all regencies, cities and municipalities are required to formulate development plans. At present, however, these plans are mainly focused on providing basic infrastructure. These plans serve as the basis for zoning, subdivision regulations and other ordinances. In quite a large number of metropolitan areas, region-wide comprehensive economic and social development plans have been formulated. In Bandung, such plan has been ordained by the West Java provincial government under Provincial Decree No. 11/2014a, but it is still a work in progress.
5. The planning approach used in Indonesia is still mainly sectoral and hierarchical. For example, plans for transportation and traffic management should conform with the national spatial plans formulated by the Ministry of Public Works (for road networks) and the Ministry of Transportation (for traffic management). Planning agencies (Bappeda) at the provincial level prepare their own spatial plans. Similar Bappedas prepare spatial plans at the regency and city/municipality levels. In Bandung, because each regency or city/municipality prepares its own

plans, the lack of a metropolitan-wide perspective does not encourage functional connectivity that would be necessary for an integrated transport system.

6. A key issue that makes metropolitan development extremely difficult in Indonesia is land acquisition. Historically, land was classified as customary (subject to *adat* law), communal (subject to practices of particular ethnic groups) or privately owned (individually or corporate). After independence, the Sukarno government enacted Law No. 5/1960 that tried to abolish the distinction between customary Indonesian land practices and Dutch land laws. The law stipulated, however, that agrarian law is *adat* law and that covers about 30% of the national territory that is not forested. To be able to use land for development purposes, customary land or communal land has to be converted to at least 7 private land statuses. However, the National Land Agency encountered severe difficulties in determining the status of specific pieces of land, allocating it, registering it or even just classifying it. Only a few owners have their lands registered making the land registration and titling process complex, expensive and subject to corruption. The land situation became worse in 1999 and 2004 when authority over land management was transferred to local government units by the decentralization program as local agencies lacked the expertise and resources to deal with land issues. Since land is absolutely necessary for economic and social development, its ineffective management greatly hampers urban development, especially in metropolitan areas that need basic infrastructure and services.
7. Much of the economic development in urban Indonesia has been sparked by increased participation of the private sector in construction of infrastructure, setting up of industrial estates and other large-scale enterprises. Such developments have created serious problems in the Metropolitan Bandung Area. One problem has been the displacement of people from their traditional home areas. Another problem has been the rapid growth of “gated communities” where the urban elites enjoy a luxurious way of life while being surrounded by poor people living in urban and rural kampongs. Such rapid social changes have been cited by critics of rapid economic and social change.
8. The developments in the MBA have seriously impacted provision of basic urban services like water and sanitation, electricity, solid waste collection and disposal, housing and disaster preparedness. The current institutional arrangements where a hierarchical set of governance structures is in charge of specific services is not working well. The government has been looking at the possible use of metropolitan approaches but progress is very slow. Lack of cooperation among autonomous local units is a major factor in this problem.
9. The top-down and technocratic planning and management schemes used to achieve metropolitan development in Indonesia are undermining the traditional consultation processes that are integral to the country’s culture. Although the government has encouraged practices like public forums, planning consultation sessions and even participatory budgeting, these practices are often seen by the people as alien and inadequate. Traditional decision-making practices in Indonesia followed the principle of *musjawarah* where members of a group or community engaged in face-to-face discussions, with no one leaving until all key issues were resolved. Many local officials and bureaucrats are not willing to use this approach anymore.
10. As members of an originally agricultural society, Indonesians developed a mutual assistance system called *gotong royong* where members of a group or community joined together to carry out large tasks that were difficult to do by an individual. The complex tasks involved in managing large metropolitan regions could benefit from such a cooperative principle. Unfortunately, decentralization of authority, power and resources to local units is now hampering the use of this cultural tradition.

11. Metropolitan Bandung, although being initiated since 1991 through international cooperation with Dutch based agency, has been slow to be adopted. During the Authoritarian era, the emergence of metropolitan management, aside from Jabotabek Regional Management, is seen as an exception rather than the norm of managing urban development. Promoting a joint office for managing metropolitan development in Jabotabek, as part of the capital City of Jakarta, was easy during this time as Jakarta was designated as a special region in Indonesia with a designated government that is no longer applied.  
The case of promoting management of Metropolitan Bandung reemerges in a form of promoting spatial plans that support the national strategic interests. With a more infrastructure-oriented development promoted through spatial plans, the need for metropolitan management was expected to be clear. In fact, it was the other way around. Strong autonomy held by municipalities/regencies has created a belief that all urban problems in their areas can be framed and solved as local problems. Many municipalities/regencies are forced to absorb urban problems and create solutions within their boundaries that would otherwise be more efficient, and more effectively solved at the metropolitan level. Or in the case of regencies where funding is tight, they let it hang loose. Many urban problems such as storm water management, solid waste management, integration of urban parks, as well as transportation are in a decaying situation.
12. Metropolitan Bandung has many perspectives of typical concerns of metropolitan management. As water conservation areas, it is Bandung basin that becomes the centre of concerns for managing the metropolitan area. As economic development core, Metropolitan Bandung as an engine of growth for West Java, leads to the promotion of cooperation. As a centre for intellectual, social and cultural activities, Metropolitan Bandung emerges with little influence from the government, and is a result of creative activities of its citizens. With such orientations, the spatial plan for Metropolitan Bandung, produced by the Ministry of Public Works, would be more conservationist oriented if its economic orientation was not seen as respecting and protecting the environment. As the centre of culture, higher education and social activities, population of Metropolitan Bandung works within a sphere of influence, that falls outside of the government intervention. The spatial allocation of Metropolitan Bandung slowly represents the centre of economic power derived from cultural, social and higher education oriented activities. Unfortunately, this will be out of the influence of the national government as well.
13. Like other metropolitan areas in Indonesia, public funding allocation for Metropolitan Bandung is the highest, received by its central city. The summation of the allocation for Bandung metropolitan, reaches to a higher level than individual regencies/municipalities. This leads to envy to those regencies/municipalities which do not tie to a particular metropolitan entity. Public funding dedicated to reducing interregional inequality cannot compensate for the needs for higher funding for metropolitan areas. As a result, metropolitan area or the inception of its management is not a priority within the scheme of public finance allocation.
14. Even with a higher autonomy given to the provincial level to manage metropolitan development, there is no incentive from the central government, or a sense of urgency at the provincial level, to initiate such management, or for municipalities/regencies to cooperate to provide public services to the communities. Without such incentives, such needs for metropolitan management which is a reality at the national level may need time before the urgency is developed at the local level.
15. Promoting Metropolitan Bandung as an economic development core does not improve the condition of informal economy. The improvement of informal economy conditions such as provision of space, protection from illegal activities and safety to consumers may lead to creating

more inequality in the metropolitan areas. Bandung as a central city becomes the ground for job creation for people coming from outside of Bandung municipality. Informal economy will only create a high cost economy to the city and metropolitan as a whole.

16. The newest Law on decentralization in 2014 will set a new direction in urban development and metropolitan management. It is likely that metropolitan management and development will be treated as a part of the national agenda that rely on the politicians, policy makers and urban activists to promote. The Law only outlines the need for managing urban development in terms of achieving urban service standards as well as minimum service standards. Metropolitan management needs to show that it can achieve not only urban public services, but spatial, community integration that leads to efficient and effective delivery as well as a balance between human settlement and environmental conservation and between conservation for urban development and conservation for securing improved quality of lives.

## ANNEXES

### INDICATION OF THE CURRENT DIVISION OF FUNCTIONS / SERVICE PROVISION

Comparing the number of Xs in the different columns gives an indication of the extent metropolitan-level approaches are applied to the public service provision in the area at present.

#### Metropolitan-wide versus Local Service Provision

Group	Function	Metro level*	Local Gov't	Higher Gov't	Private sector	Informal sector
<b>1 Economy</b>	Strategic city dev. planning		X			
	Economic development		X	X	X	
	Tourism promotion & mgmt.		X	X		
	Major markets			X	x	
	Informal economy				X	X
<b>2 Land management</b>	Regional land use planning			X		
	Local land use planning		X			
	Land allocation		X			
	Land surveying		X			
	Titling / provision of tenure		X			
<b>3 Housing and amenities</b>	Housing			X	x	x
	Social (low income) housing		X			
	Community upgrading		X			
	Cultural facilities		X	X		
	Parks and recreation facilities		X			
<b>4 Transport</b>	Roads and bridges		X			
	Public transit (e.g. buses)		X		x	x
	Street lighting		X			
	Street cleaning		X			
	Car parking		X		x	X
<b>5 Safety and emergencies</b>	Police protection/security		X	X		
	Traffic management		X	X		
	Fire, emergency/rescue service		X			
	Ambulance services		X			
<b>6 Water, drainage, sewerage, and waste management</b>	Water supply system	X	X			
	Drainage/flood protection		X	X		
	Piped sewerage system					
	Solid waste collection		X			
	Solid waste disposal	X	X			
<b>7 Social services</b>	Education (primary/secondary)		X			
	Public health		X			
	Welfare assistance		X			
	Child care services					
<b>8 Electricity</b>	Power supply (electricity)			X		
<b>9 Other</b>	Libraries		X	X		
	Business licensing		X	X		
	Local agriculture		X	X	X	x

## ASSESSMENT OF THE DEGREE OF COORDINATION NEEDS

Think of the case metropolitan area and answer the questions in the table as best you can, and total the scores. These are basic questions to help assess the coordination needs in a metropolitan area.

No	Question	Score 1-4						Comments
		R1	R2	R3	R4	R5	R6	
1	The number of local governments in the metro area is:	2	2	2	2	2	2	1=<5 2= 5-7 3= 8-10 4= >10
2	The area of higher level government regional office is:	2	2	3	2	3	3	1 same area 4 much larger area
3	The degree of current <u>decentralization</u> of government functions is:	2	3	3	4	3	3	1 very low 4 very high
4	The perceived* degree of <u>missed opportunities</u> for efficiency improvements (economy of scale, coordination of service delivery, etc.) is:	2	3	3	4	3	2	1 very low 4 very high
(perception of problems)								
5	The degree to which the coverage or quality of <u>service delivery</u> across the area varies is:	2	4	3	3	4	2	1 very low (equity aspect) 4 very high
6	The degree of “unfair” (or lack of) <u>cost sharing</u> in the area is:	2	3	3	4	4	3	1 very low (equity aspect) 4 very high
7	The degree of <u>spillovers</u> (positive or negative) across the jurisdictions in the area is:	2	2	2	3	2	3	1 very low 4 very high
8	The financial and administrative capacity (or strength) of the local governments in the area is:	3	3	3	3	3	3	1 very strong 4 very weak
9	The degree to which the financial and/or the administrative capacities vary in the area is:	2	3	2	3	4	3	1 very low 4 very high
10	The degree of informal coordination occurring at present (indication of “bottom-up needs”) is:	2	3	3	2	4	2	1 very low 4 very high
	Total Score (min-max: 10-40; mid-point 25)	21	18	16	18	21	16	

These questions are intended to help determine the degree of metropolitan coordination needs. In general, with regard to the total score:

- a high score indicates a stronger need for formal coordination mechanisms
- a low score indicates a relatively weak need for formal coordination mechanisms (strengthening existing local governments and informal coordination mechanisms may be sufficient for the time being)

## ASSESSMENT OF WHAT TYPE OF GOVERNANCE ARRANGEMENT THAT MIGHT BE MOST APPROPRIATE

Think of the case metropolitan area and answer the questions in the table as best you can, and total the scores.

No	Question	Score 1- 4						Comments
		R1	R2	R3	R4	R5	R6	
1	The number of local governments in the metro area is:	2	2	2	2	2	2	1=<5 2= 5-7 3= 8-10 4=>10
2	The perceived* degree of <u>missed opportunities</u> for efficiency improvements (economy of scale, coordination of service delivery, etc.) is:	3	3	2	3	3	2	1 very low 4 very high ←————→
		(perception of problems)						
3	Local autonomy tradition: The local democracy/ community involvement in public services is:	2	2	2	3	3	3	1 very low 4 very high ←————→
4	The degree of current <u>access</u> by residents to their local government and officials, and related degree of <u>responsiveness</u> by the local governments is:	2	2	2	1	2	3	1 very low 4 very high ←————→
5	The strength of current <u>accountability</u> (expenditure –revenue links etc.) of the area’s local governments is	3	3	3	3	3	3	1 very low 4 very high ←————→
6	The degree of <u>“demand”</u> (interest) from the local governments for metropolitan-level coordination is:	3	4	4	3	3	3	1 very low 4 very high ←————→
7	The degree of legal constraints/complications to establish new structures is:	3	3	2	2	2	2	1 very high 4 very low ←————→
8	The relations between the LGs and the national government (the inter-governmental relations) are:	3	4	2	2	3	3	1 very tense 4 very smooth ←————→
9	Is higher level government approval likely or not for a metropolitan governance structure change?	1	2	2	3	3	3	1 very unlikely 4 very likely ←————→
1	The strength of current mechanisms for metro-wide coordination are:	2	3	2	3	2	2	1 very strong 4 very weak ←————→
	Total Score (min–max: 10-40; mid-point 25)	24	23	19	20	21	22	←————→

These questions are intended to help determine the type of metropolitan governance needed<sup>18</sup>:

- A high score indicates strong reason to pursue a regional/metropolitan level authority or council of some kind, or a second level metropolitan local government.
- A low score indicates relatively less reason to establish formal coordination mechanisms. Strengthening the existing LGs and mechanisms, and encourage stronger public participation in the local government affairs, may be sufficient for the time being.

<sup>18</sup> To determine an appropriate governance structure, two considerations (among others) are: (i) improve efficiency and equity of services in the metro area; versus (ii) improve the access by citizens to the local governments, and the related responsiveness and accountability of the local governments in the metro area (i.e. the extent to which governance of a local jurisdiction is in the hands of the local population. If (i) is the main objective, a “nonpolitical” metropolitan/regional authority, or a second-tier metropolitan government, may be an effective solutions for selective functions; while if (ii) is of primary concern, strengthening the existing local governments coupled with less formal coordination mechanisms may be most effective.



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