INTRODUCING GOOD LOCAL GOVERNANCE
The Indonesian Experience

The entry point for introducing good local governance

Following the dramatic changes in the nation's economic situation as a result of the Asian Financial Crisis and the transition from the so-called New Order Regime, the Government of Indonesia set forth the bold policy of regional autonomy through the passing of various regulations highlighted by the enactment of Law No. 22/99 on Decentralization and Regional Autonomy the Decentralization Law as of 1 January 2001 followed by the Special Autonomy Laws for Aceh and Papua. These Decentralization and Special Autonomy Laws devolved from Central Government to Local Governments the authority and corresponding responsibility for the delivery of most basic services.

Service delivery prior to decentralization did not allow communities to participate and there was little regard to transparency, accountability and professionalism in government affairs. The rule of law was not made to prevail, there was preferential treatment, and services were not sufficiently effective and efficient. Basically, the Government was not fully responsive to the needs of the people and it was without a vision of its future direction. In the process, the people's faith in government was severely eroded.

Given such a situation, it became necessary to demonstrate that change in the way local governments run their affairs is possible. Such change is based on a voiced need for an effort to create and promote a broader understanding and shared vision for governance reform, including policies and practices in regional autonomy and local governance.

After the first year of decentralization, encouraging examples of change are already seen with a movement for good local governance gradually emerging in Indonesia. This GLG Movement is owned and led by Indonesian individuals and organizations, confident, proud, and open to criticism and to change in governance affairs. Several critical actors and events have supported the emergence of this GLG Movement.

Locally driven change in urban governance reform

Over the past two to three years, nine cities under UNDP's Breakthrough Urban Initiatives for Local Development (BUILD) Programme, an undertaking supported by the Ministry of Home Affairs and UN-Habitat, made changes in municipal management and administration, focusing on introducing more responsive, participative, transparent and accountable management practices. Radical changes, such as, the rationalization of municipal organizations and modifications in planning, programming, budgeting and financial management procedures were introduced. Media and civil society organizations took up their role of helping facilitate change by demanding a voice in the decision making process, access to information, transparency in procedures, accountability of the authorities, and responsiveness to citizens' needs.

Following the successful introduction of urban management change, officials of central and local government bodies, as well as, civil society organizations met in a seminar in May 2001 and identified ten core guiding principles for good local governance based on their practical experience with introducing change[1]. The Association of Municipalities (APEKSI) subsequently adopted these principles at their annual meeting.
The cities that identified those ten guiding principles for good urban governance declared themselves also the fore fighters for good local governance in Indonesia, serving as positive role models and source of innovations. These cities don't stand alone. Another eleven cities under the same BUILD programme, around 30 regencies and cities sponsored by similar programmes under USAID and GTZ; local governments involved in UNICEF's work in participatory planning, programmes and pilots supported by the Partnership for Governance Reform in Indonesia (PGRI) are adopting good governance practices and more are to follow under programmes currently under preparation sponsored by Worldbank and ADB.

Partnership for governance reform in Indonesia

Established in 2000 at the initiative of UNDP, Worldbank, ADB, and the National Planning Bureau (Bappenas), the Partnership for Governance Reform in Indonesia (PGRI) is intended to assist Indonesia in exploring possibilities and building the necessary capacities for change. The PGRI is characterized by local ownership and expertise, facilitating policy dialogue, supporting innovative reform activities and providing an arena for cooperation of various Indonesian and international entities towards a common governance reform agenda.

In the area of decentralization and regional autonomy, the PGRI focuses its support on the process of implementing Laws 22/1999 and 25/1999, management of local finance, governance assessment exercises in selected cities, representation function of associations of local legislative bodies and governments, and the development of a coherent framework (including local governance assessment and indicator systems; national policy making; local governance and electoral/constitutional reform) guiding its responsive work for local initiatives and other requests for support

Adoption of good governance principles by the regional associations

Realizing the problems in the past in a centralistic system of government, the associations of local governments (of city and district governments and of city and district councils) resolved that if decentralization is truly to be meaningful and for development to occur, local governments have to change the way it conduct its affairs. This created the need to strive for good governance that would not only restore the faith of the people in government but also achieve real development. With the 10 principles of good governance providing such an opportunity, it was subsequently adopted by the Associations at a national conference on regional autonomy and good local governance in October 2001 to be operationalized and ingrained in the affairs of local governments.

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[1] See annex 1 for examples of changes in good urban management introduced by BUILD in participating cities

The National Conference also came out with a Joint Declaration which re-emphasized the overarching purpose of regional autonomy, which is: *"The welfare of the people constitutes the most important objective for achieving sustainable development, to bring relief to those in poverty, who are disempowered, and who are dispossessed socially"*. The principles of good governance are looked upon as an effective advocacy tool which has a great appeal as entry points for specifying how local governance, in systemic and behavioural terms, can be improved. In the Declaration, the associations expressed not only the commitment to implement the principles but to convene a joint forum for follow up.

The 10 Principles of Good Governance - a normative framework adopted by associations of local governments

1. **Participation** - To encourage all citizens to exercise their right to express their opinion in the process of making decisions concerning the public interest, both directly and indirectly.
2. **Rule of Law** -To realize law enforcement which is fair and impartial for all, without exception, while honouring basic human rights and observing the values prevalent in the society.
3. **Transparency** - To build mutual trust between the government and the public through the provision of information with guaranteed easy access to accurate and adequate information.
4. **Equality** - To provide equal opportunities for all members of the society to improve their welfare.
5. **Responsiveness** - To increase the sensitivity of government administrators to the aspirations of the public.
6. **Vision** - To develop the region based on a clear vision and strategy, with participation of the citizenry in all the processes of development so that they acquire a sense of ownership and responsibility for the progress of their regions.
7. **Accountability** - To increase the accountability of decision-makers with regard to decisions in all matters involving the public interest.
8. **Supervision** - To increase the efforts of supervision in the operation of government and the implementation of development by involving the private sector and the general public.
9. **Efficiency & Effectiveness** - To guarantee public service delivery by utilizing all available resources optimally and responsibly.
10. **Professionalism** - To enhance the capacity and moral disposition of government administrators so that they are capable of providing easy, fast, accurate and affordable services.

Local Governance Forum

The *Local Governance Forum*, organized in the framework of PrepCom IV for the World Summit on Sustainable Development in Bali from 3-4 June 2002, marked another important step for Indonesia's locally owned governance reform efforts. The Forum

focused on three interrelated broad themes starting with Sustainable Development through Good Local Governance. It was also organized as an "information mart" for local governments, professionals, associations, city managers, NGOs and urban service providers, as well as, many other local stakeholders. An International Day allowed exposure to international experiences, including the opportunity it provides to align the Indonesian experience closer to the international reform agenda as promoted by the Global Campaign on Good Urban Governance.

The Local Governance Forum confirmed the understanding that sustainable development can – or even, must – be achieved through the implementation of good governance characterised as democratic, participatory, responsive, transparent, accountable, visionary (forward-looking), effective and efficient. In its conclusions, the LGF concurred that participants support and actively participate in the commencement of a movement for good governance in Indonesia and in the global campaign for good governance.

Importantly, the Local Governance Forum gathered more stakeholders for a common objective, mirrored, inter alia, by the composition on the organizing committee which is consist of representatives from URDI (secretariat), BUILD (chair), Ministries of Home Affairs and Settlements and Regional Infrastructure, the 4 regional associations, UNDP, Partnership for Governance Reform, IULA, ICLEI, and US-AID sponsored Centre for Local Governance Innovations. At a follow-up meeting, the organizing committee together with Urban Management Advisors of BUILD cities represented at the LGF recommended the following action points:

- Documentation of good local governance practices, dissemination to regional fora and undertaking of comparative studies as motivational tool for replication.
- Expansion of support for governance actions at the local level to expand the number of cities/regencies reached by BUILD, CDS, KPEL and other donors. This initiative should ultimately be brought to the national level.
- Increase the role of the Associations through capacity-building and the decentralization of its service delivery to members.
- Fora for good local governance - like the LGF- should also be undertaken at a smaller scale in a decentralized manner for better involvement of the local level. The associations are requested to take on a stronger role in such decentralized advocacy.
- Key stakeholders at the local level are not only the Mayor/Regent/Council but also civil society groups, NGOs, media. An incentive mechanism for supporting key stakeholders would be necessary.

Challenges for the future

A movement of good local governance thus gradually emerges now in Indonesia, owned and led by Indonesian individuals and organizations, working towards a common purpose. A network of information sharing and coordination of activities and support mechanisms, will form the basis of this movement. It is the demonstration of successful introduction of change toward good local governance that provides the impetus for the movement to constantly be dynamic in achieving higher levels of good governance and in

anchoring good governance practices in national and regional policy and operational measures. For such a movement to take roots and further achieve it goals, the following areas of work are provided as currently being discussed amongst various stakeholders:

Documentation, Information-Sharing and Upscaling of Successful Approaches

Innovations and best practices on good local governance should be documented and shared with other local governments and stakeholders for application (or replication) in their respective governance affairs. It should also be disseminated to other development partners to build on in their approaches and programmes. As the concept of good governance is dynamic and constantly evolving, it is critical that new approaches or innovations be continually developed. Cities and regencies, which have demonstrated the ability to successfully apply good governance practices in several or selected areas of competences would serve as 'models' of lessons learned to be emulated by other local governments. Information sharing and training among peers, champions of governance reform in their cities/regencies would be one of the characteristics of the movements.

Advocacy and Awareness Building

The popularization of the guiding principles for good governance is necessary for the generation of support for the movement and in bringing about that commonality of goals. It entails the conduct of nationwide advocacy to allow more individuals and organizations to better understand good governance thereby recognizing bad governance practices and not accepting this as the norm. Popularization also involves the adoption of a common monitoring system and the raising of stakeholders awareness on the extent of which the guiding principles for good governance have been applied in governance affairs. A system such as 'report cards' with indicators to monitor the performance of local governments could be developed. The results of such an assessment system could be made public and used as basis for a nationwide recognition or award system to be given to local governments that best applied the good governance principles in its affairs.

Networking

The movement involves individuals and organizations working towards a common purpose. It is imperative that with this movement, a network where information could be shared, programmes approaches and outcome of activities (particularly donor support programmes) could be discussed, and mutual support could be provided at different levels be strengthened. The different network or 'Alliances' could be the platform for such networking at national and local levels making. The movement should be inclusive by getting more stakeholders involved and enhancing the interaction between and among individuals and organizations from different spheres of governance. It also serves as the avenue for the establishment of linkages with international networks or alliances on good governance.

Influencing Policy Formulation

The movement must be able to exert influence on the formulation of policies that impact on governance affairs. It has to be grounded in the local situation requiring the setting-up of mechanisms for feedback where complaints and suggestions are received, processed, and acted upon. Complaints are viewed not from the perspective of trying to undermine the authority of local governments, but as inputs to the priming of systems and policies for improved governance. Feedback should also be upstreamed by providing the National

Government information on the implication of laws and policies and, in the process, influencing the formulation of new laws and policies and revision of existing ones that hinders the advancement of good governance. The Associations and national and local alliances would serve as very good institutions for this purpose.

Development of Local Capacity

With decentralization, much of the responsibilities for service delivery are transferred to local governments. While several local governments are able to maintain the "quality" of services devolved to them, it is unable to improve beyond its present capacity and has limited success in getting the communities involved in addressing local problems. It becomes imperative, therefore, that local capacity in planning, investment programming, micro-finance, monitoring and evaluation, and other areas where capacity is needed in the efficient and effective running of local governments be developed. Likewise, capacity for reporting the use of local resources, foreign loans and grant assistance should be enhanced not only for local governments but, more importantly, for national government ministries and offices. Emphasis should be placed on the operationalization of good governance principles in the affairs of government and the provision of additional assistance to poor local governments in order to improve their credit worthiness and allow them access to additional financial resources.

Facilitation of Behavioral Change

Ultimately, the effect of pushing for the institutionalization of good governance would be felt not only in the systems that are put in place or the affairs of local governments but a change in the behavior of people, especially those in the civil service, with regards to service delivery and governance. Behavioral change could be brought about by the inclusion of checks and balances in established operating rules and procedures, coupled by the provision of awards and imposition of penalties. It is also brought about by the changing of mindsets developing that initiative in the application of the guiding principles of good governance in their respective tasks and of doing things differently. Such change in the mindset could be accomplished either through the integration of good governance in the curriculum or the introduction of a new course on good governance in Public Administration schools which all civil servants have to take. The integration of good governance in the curriculum could be expanded to include that of local universities and other institutions of higher learning while other innovative ways of sensitization such as peer-training and through the use of media and ICT could also be explored.

Annex 1

Examples of change in good urban governance introduced by BUILD, a programme supported by the Ministry of Home Affairs, UNDP, and UN-Habitat in 20 cities.

The introduction of change requires recognition of the need for change and proper management of the change process itself. Cities participate at their own request and an Urban Management Advisor was recruited in each city to facilitate and coach this change process. The key stakeholders in the city selected these advisors.

Stakeholders' involvement in decision-making

The change process commenced with the identification of the actual stakeholders in a city and together with them to identify development constraints and opportunities, the problems faced by the majority of the citizens, and their satisfaction or better-said dissatisfaction on the local government's system of governance. A vision and mission for the city was developed with the local stakeholders inorder to cope with the issues and respond to the development challenges. The team or group of stakeholders subsequently developed the habit of conducting public hearings and or opinion polls on all the issues or development options they discuss. It has gradually established a "city forum" where issues are deliberated with those citizens directly affected which to a certain extent developed a sense of responsibility on the part of the citizens to be part of the solution to the problems confronting them. This paved the way for the emergence of several issue-related citizens forums to address specific issues on education, environment, problems related to sidewalk traders, traffic jams, etc.

Public participation

Public hearings and public consultations, initially introduced in the annual development planning process, have also been used for spatial planning and other planning processes. The old annual development planning process has evolved into a real participatory planning process with ample opportunities for the people to participate. Through public hearings, the socio-economic constraints in the community are identified and the community is encouraged to take actions to overcome these constraints by themselves. Further, in public hearings the people's satisfaction with regard to public service delivery is assessed and the priorities for improvements identified. Public participation provided citizens an active role in local governance, increased their sense of responsibility as citizens, encouraged local government to improve service delivery, and regained the trust of citizens in their local government. Different channels were developed to allow the public to participate, either through polling or through public hearings, public consultations, and public meetings. Participation in annual development planning and subsequently in spatial planning and other planning processes has become a right of the public that is subsequently regulated through local ordinances.

Transparency and right to information

Public participation through public hearings and public consultations was a first step in the development of transparency in local governance and resulted in a strong desire for more openness and information. Local governments have developed the habit to ask the citizens their opinions not only through these public hearings and public consultations but also through polls, either directly or through local newspapers. Local newspapers are also used to inform citizens about the municipality's plans and intended policy decisions as these newspapers have a special page on "city news". To increase two-way communication, the newspapers also invite citizens to write letters to the editor inorder to express and share their opinion with the local government and other citizens. As a result, local governments have developed the habit to publish its decisions in newspapers and on publication boards.

Opinion sharing has further improved through periodic (at least once a week) interactive radio-talk shows during which citizens have an opportunity to talk directly with local government officials and legislators. The people's desire/need for information on their own city resulted in a substantial increase in the circulation of these newspapers, and in the development of newsletters at neighborhood level. Local government's awareness of the importance of informing citizens adequately, has resulted in the establishment of information shops at the neighborhood level and in a re-organization of the public information function within the local government thru the establishment of a new unit. The new habits of requesting and providing information and of higher levels of openness have been institutionalized through the issuance of local ordinances.

Efficiency and effectiveness in service delivery

Public participation led to a better picture of citizens' satisfaction with service delivery and the need for improvements in public efficiency and effectiveness. In particular, the services provided by the municipal office (public register and permits issuance) were in need of improvements. One-stop service units were established, where citizens could obtain identity cards, business permits, etc. at a single counter, at a fixed fee within a fixed period of time. The establishment of these units resulted in the rationalization of other local government business processes. This initiative has spread to other local government organizations, and with that to the need for more professional staff, and better working procedures. Some responded to these developments by preparing handbooks detailing local government procedures, and introducing a system of "fit and proper" tests, often conducted by independent outsiders, to select the best candidates for the managerial positions within the local government.

Annex 2

JOINT AGREEMENT FOR GOOD GOVERNANCE

We, the regional government and council associations, are aware,

That the welfare of the people constitutes the most important objective for achieving sustainable development, to bring relief to those in poverty, who are disempowered, and who are dispossessed socially,

That to address these issues, the government has enhanced the authority of regional governments by granting broad, real and responsible regional autonomy, that shall be implemented with reference to good governance.

That the implementation of good governance has become an urgent need and key pre-requisite to restoring the faith of the people in the agencies of government.

That good governance can encourage all relevant stakeholders to exercise their capabilities to the full in order to improve overall conditions of living,

That therefore there is need for a joint understanding on good governance as well as the guidelines for its implementation.

And herewith have reached an agreement for the realization of good governance in accordance with the ten principles outlined below:

Principle 1 : Participation

To encourage all citizens to exercise their right to express their opinion in the process of making decisions concerning the public interest, both directly and indirectly.

Principle 2 : Rule of Law

To realize law enforcement which is fair and impartial for all, without exception, while honouring basic human rights and observing the values prevalent in the society.

Principle 3 : Transparency

To build mutual trust between the government and the public through the provision of information with guaranteed easy access to accurate and adequate information.

Principle 4 : Equality

To provide equal opportunities for all members of the society to improve their welfare.

Principle 5 : Responsiveness

To increase the sensitivity of government administrators to the aspirations of the public.

Principle 6 : Vision

To develop the region based on a clear vision and strategy, with participation of the citizenry in all the processes of development so that they acquire a sense of ownership and responsibility for the progress of their regions.

Principle 7 : Accountability

To increase the accountability of decision-makers with regard to decisions in all matters involving the public interest.

Principle 8 : Supervision

To increase the efforts of supervision in the operation of government and the implementation of development by involving the private sector and the general public.

Principle 9 : Efficiency & Effectiveness

To guarantee public service delivery by utilizing all available resources optimally and responsibly.

Principle 10 : Professionalism

To enhance the capacity and moral disposition of government administrators so that they are capable of providing easy, fast, accurate and affordable services.

This agreement shall be implemented by:

1. formulating the policies, legal instruments and mechanisms to implement good governance;
2. awareness raising activities and pushing the application of good governance by all members in each of the associations;
3. continuous monitoring of the practice of good governance and reporting on the results in a open, immediate and transparent manner;
4. holding consultations with stakeholders in order to determine local priorities and specific required action;
5. conducting advocacy so that the principles of good governance are addressed in the national and regional legislature;
6. enhancing public awareness through local meetings so that this agreement can also be addressed and approved by various other institutions in the regions.

To ensure the follow-up of this agreement we are forming a joint forum between the associations to cooperate for the application of the above principles of good governance.

Drawn up in Jakarta, on 24 October 2001

Chairman of Governing Board
Association of District
Governments In Indonesia (APKASI)

Chairman of Governing Board
Association of City
Government In Indonesia (ADEKSI)

Chairman of Governing Board
Association of District Level
Councils in Indonesia (ADKASI)

Chairman of Governing Board
Association of City Level
Councils in Indonesia (ADEKSI)

Annex 3:

LOCAL GOVERNANCE FORUM
A Related Event in Conjunction with
The Fourth Preparatory Committee Meeting
For the World Summit on Sustainable Development

JUNE 3–4, 2002
BALI, INDONESIA

Conclusions
Local Governance Forum
Denpasar, Bali, 3-4 June 2002

I. The discussions at the LGF can be summarized as follow:

1. that good local governance is a precondition for wise use of local resources, poverty alleviation and sustainable local development;

2. that poverty alleviation – which is part of sustainable development – does not only involve economic but also social, cultural and political aspects; and for that matter local governments have a immense responsibility; and for the same matter the significant role of women should be acknowledged;

3. that community participation as well as visionary and effective local leadership are crucial in the wise use of local resources; and

4. that although there have been local development practices that can be considered sustainable and that are based on good governance principles, the question of "how to do it" remains; developing partnerships between communities and between local governments to exchange experience is a way of doing it.

II. LGF accordingly concludes:

5. that the role of all stakeholders at local level is key in making sustainable development possible and successful;

6. that to function well local governments need to be strong, equipped with wide-ranging real autonomy along with real and effective participation from the local communities;

7. that the implementation of good governance is a precondition for sustainable development;

8. that the associations of cities' and regencies' governments, and of cities' and regencies' councils have since October 2001 endorsed the ten guiding principles of good governance to be implemented by their members, and agreed to provide assistance to their respective members in developing instruments ensuring the implementation of good governance;

9. that there are a number of localities that have taken the initiatives to implement good governance, and this experience needs to be disseminated to other localities to accelerate the widespread implementation of good governance;

10. that now is the right time to develop clear guidelines on how to implement the guiding principles of good governance with concrete examples based on real experience from those localities that have implemented good governance; and

11. that there is a need to develop networks or partnerships between localities that will enable exchanges of actual experience in sustainable development through good governance, wise use of local resources, poverty alleviation and local economic development;

III. LGF also witnesses:

12. that the mayors and the speakers of city-councils from twenty cities attending LGF have come to an agreement among themselves on the following:

    a. agreement to promote the principles of good governance in their respective cities;
    b. agreement to prepare and develop legal instruments that will ensure the implementation of good governance;
    c. agreement to strengthen social control and law enforcement in their respective cities;
    d. agreement to evaluate the implementation of good governance in their respective cities and to follow up the results of the evaluation; and
    e. agreement to support and develop communication networks among themselves;

IV. LGF therefore concurs:

13. that the results of the LGF will be widely published and submitted to relevant government agencies for further attention;

14. that the LGF participants support, will join as well as actively participate in the movement for good governance in Indonesia as well as in the global campaign for good governance;

15. that the LGF participants will take concrete actions to wisely take care of their respective living environment in general and of any forest in their areas in particular;

16. that the LGF participants recommend these LGF results to the Indonesian official delegate to the WSSD in Johannesburg, South Africa, as a subject for attention at the WSSD, especially with the emphasis on the importance of local governments and communities in sustainable development.

The LGF participants hence declare that through this LGF
the commencement of the Good Governance Movement