

IHS WORKING PAPERS

NUMBER 7 / 1993

INSTITUTE FOR HOUSING AND URBAN DEVELOPMENT STUDIES

ROTTERDAM / THE NETHERLANDS

The Integrated Urban
Infrastructure Development
Programme and Urban
Management Innovations in
Indonesia

By Robert van der Hoff
Florian Steinberg

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IHS Working Paper Series No. 7

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ISSN:
0926-7204

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Preface

This Working Paper on the "Integrated Urban Infrastructure Development Programme and Urban Management in Indonesia" is the result of over 5 years of involvement by the authors in that country's Integrated Urban Infrastructure Development Programme (IUIDP). From 1988 to 1992/93, they worked as training advisors to the IBRD-sponsored Metro & Large Cities IUIDP Training Project, for the IUIDP Training Project within the Ministry of Public Works' IUIDP Training Development Unit (*UP2L P3KT*) and the Yogyakarta Urban Development Project (YUDP). A large number of people have helped to deepen the authors' understanding and reflection of the IUIDP, and they wish to thank all of them, especially Ir. Hendropranoto Suselo MPW, the "conceptual father" of the IUIDP.

In this Working Paper, a number of critical issues are presented for the first time. They merit reflection at this moment since the IUIDP is now moving ahead into physical implementation. The present working paper draws from earlier work as far as background is concerned and elaborates upon these publications.

The authors have edited and published in 1992 a collection of IUIDP-related papers in a book entitled Innovations in Urban Management: The Integrated Urban Infrastructure Development Programme in Indonesia, which represents the first comprehensive overview of IUIDP (*). In January 1992, the authors presented an earlier and shorter version of this Working Paper to the US A.I.D.-funded project "Strategic Plan for Urban Management in Indonesia" at the National Development and Planning Board (*BAPPENAS*) (Hoff/Steinberg 1992).

The authors have tried to combine, as much as possible, English and specific Indonesian terms, the latter being italicized throughout and explained again in a glossary at the end of the Working Paper.

The IUIDP as a national programme has received a lot of international and local attention, and it is bound to influence the policies and practices of other Asian and developing countries as well. Reflection on the IUIDP is only just starting, as Indonesia is about to begin its new 25 Long-Term Plan and the 6th Five Year Plan in 1994.

(*) A modified Indonesian version of this book will appear in 1993: Rukmana et al (1993).

1

The Integrated Urban Infrastructure Development Programme (IUIDP)

Urbanization is playing an increasingly important part in Indonesia's economic and social development. The 1990 census indicates that the urban population for the period of 1980-1990 had an average annual growth rate of 5,4 %. In 1980, the total urban population was 32,8 million --approximately 22% of a total of 147,3 million. In 1990, the urban population already reached 55,5 million --approximately 31 percent of the total population of 179 million, while by 1995 it will reach some 72 million if growth continues at a rate of 5,4%. This will add annually some 3,300,000 persons to the urban populace, i.e., an equivalent population larger than that of the city of Surabaya, Indonesia's second largest city.

Since the beginning of Indonesia's Fourth Five Year Plan (*Repelita IV* 1984-1988), there has been a growing awareness of the relatively low utilization of local government resources in the development of urban infrastructure. With declining revenues from oil production, central government would also barely be able to meet the total costs of future infrastructure expenditure alone.

Rapid urbanization --which is mainly an expression of innovation and economic transformation-- causes serious urban management challenges. The reduction of existing deficits in urban services delivery is required to guarantee that urban centres maintain their role as major contributors to development, and attain the necessary level of services for the period of development 'take off' planned for the Sixth Five Year Plan (*Repelita VI*, 1994-1999).

Indonesia does have an (implicit) urban strategy, expressed in the priorities and roles given to urban centres and in the investment flows to urban infrastructure. However, there is not a single explicit, recent strategy document expressing these priorities and roles. Urban investments in the infrastructure sector support the pattern of growth outlined in the 1985 National Urban Development Strategy (NUDS) study, which stressed industrial development with gradual decentralization. The provision of services follows the philosophy of 'basic needs' fulfillment, and Indonesia has been relatively successful in reducing the levels of poverty in both rural and urban areas. The overall poverty level decreased from 40,1% to 15,2% between 1976-1990. However, the share of the total urban population

living below the poverty line has increased from 19% in 1976 to 35% in 1990.

The World Bank's Urban Services Sector Report of 1984 estimated that total government expenditure for all basic infrastructure services should be about Rp.1.5 trillion per year (at 1988 prices) in order to meet assumed growth needs and backlogs at minimal levels of servicing. In 1984/85, the estimated total of all public investments in urban areas was Rp. 2,248 billion, and increased to Rp. 3,298 billion (in 1984/85 prices) in 1988/89 (BAPPENAS 1992, p.iii). Thus, some relatively impressive increases have occurred during this period. However, these investment levels still seem to be below the necessary levels to eliminate infrastructure deficiencies, and to provide sufficient services for future growth. The annual investment planned for the Ministry of Public Works' human settlements sectors (water, sanitation, sewerage, drainage, solid waste, housing, *Kampung* improvement, urban roads) for 1990/91 was Rp. 1,094 billion, but the actual expenditures have remained low, at approximately Rp. 760 billion, or about 70% of the planned level.

With the aim of optimizing infrastructure expenses and mobilizing additional local resources, the Government of Indonesia in 1985 initiated the **Integrated Urban Infrastructure Development Programme (IUIDP)** (Ministry of Public Works 1984) which intended to overcome the following problems:

- that centrally administered (and initiated) infrastructure provision does not always reflect local needs sufficiently, and is often inadequately operated and maintained by local government (and local communities);
- that infrastructure programmes of central, provincial and local government show much duplication or little coordination of efforts, hence resulting in an inefficient use of limited resources;
- that overdependence on central government's grant funding used for many elements of urban infrastructure could be replaced to a larger degree by self-financing (see: Padmopranoto 1987; Suselo 1987).

Based on the earlier experiences gained in the well-known *Kampung* Improvement Programme (KIP), which was the first large scale integrated infrastructure provision programme at neighbourhood level (approximately 24,100 ha of urban settlements were upgraded by 1989), the IUIDP expands the integrated approach into a city-wide urban improvement and urban (infrastructure) development programme. The new IUIDP thus changes past practices and administration, which centralized power and funds unduly in central government. The introduction of an integrated approach to planning, management

and allocation of available resources –as outlined in the Policies for Urban Development in Indonesia of 1987 and in the subsequent policy action plans of 1987, 1990 and 1992-- focuses on the following principles:

- Development of (low-cost) urban infrastructure and its operation and maintenance is in principle within the authority and responsibility of local governments (level two or *Tk.II*), with assistance and guidance from provincial (level one or *Tk.I*) as well as central government levels;
- Planning, programming and identification of investment priorities for urban (infrastructure) development activities will continue to be improved through a decentralized, 'bottom-up' procedure in which local (*Tk.II*) government has major responsibilities in the formulation, implementation and operation and maintenance (O&M) of programmes that reflect local needs as well as local constraints;
- In order to develop local government responsibilities in the IUIDP process, there needs to be further strengthening of local government's capability to assess and mobilize local resources and to optimize the use of available funds;
- In accordance with the principles of decentralization of urban infrastructure responsibilities, central government needs to improve (and reform) the financing systems for urban infrastructure provision;
- The capability of provincial and local government staff and institutions to execute urban development activities more effectively in the context of strengthened roles and responsibilities will be enhanced by institutional development and training activities through a coordinated programme of local government manpower development.
- Coordination and consultation among the various agencies and levels of government (central, provincial, local) involved in the development of urban infrastructure and services needs to be strengthened to provide the facilitating conditions for programme preparation (including technical assistance from higher government levels), programme appraisal, negotiations on budgetary contributions (e.g., central government grants or loans) and programme implementation, and for the review and formulation of future sector policy recommendations (*Tim Koordinasi Pembangunan Perkotaan 1987*).

The integration of planning and programming for IUIDP is presented in a multi-year IUIDP investment plan (*Program Jangka Menengah* or *PJM*) which covers 5 to 7 years and relates population trends, urban development scenarios and strategic

urban planning decisions, infrastructure needs and prioritized intersectoral infrastructure development projects to:

- available and useable local resources and revenues through tax sharing arrangements with higher government levels (as preconditions for matching grant finance of central government to local government);
- programme-specific grants and 'block' grants from central government;
- local borrowing of resources from central and provincial governments (and potentially also from the private sector); and
- institutional capacity to coordinate and implement, and later operate and maintain the integrated programme.

The IUIDP process is structured in the following principal steps:

1. Local governments (*Tk.II*) start with the preparation of a so-called IUIDP Development Assessment Plan (IDAP) as a long-term spatial reference or scenario for the subsequent multi-year infrastructure investment plan (*PJM*). The spatial analysis of the urban development scenario in a district (*Kabupaten*) or municipality (*Kotamadya/Kotip*) identifies urban growth trends and directions, existing infrastructure deficiencies and 'medium-term' needs, rough cost estimates and suggestions for a financial plan.
2. The (draft) final investment plan (*PJM*) includes technical, environmental and financial feasibility studies and financial and economic justifications –based on the principle of affordability– of the sub-projects as well as of the overall programme. This (draft) final *PJM* estimates the resource requirements, draws up a municipal Revenue Improvement Action Plan (RIAP) and a local Institutional Development Action Plan (LIDAP), for the implementation of the infrastructure development programme (Figure 1). Since the IUIDP is still a new programming and implementation approach, this programme formulation process remains in many cases to be supported by technical assistance (TA) consultants or by provincial government.
3. Through the 'bottom-up' decision-making process, the proposed *PJM* is forwarded from the local to the provincial government level (*Tk.I*) for the appraisal and approval of its technical, financial and economic, and institutional aspects. On the basis of its *PJM* local government also prepares annual programme packages, which become the basis for the annual budget requests from the various sources of funding (*Inpres* and *DIP* central government grants, *APBD I* provincial budget allocation, and national or international loans) that are supplemented by the local

revenue budget *APBD II* (consisting mainly of local and property taxes) (Figure 2).

4. The local governments' budget requests are compiled at provincial government level for provincial budget packages and appraised at the provincial (and national) government levels through the consultative *Rakorbang* process (Figure 3). In a further step the provincial programme proposals are forwarded to the Directorate General for Human Settlements, Ministry of Public Works for technical screening, and passed on for review to the National Development Planning Board, the Ministry of Home Affairs, and the Ministry of Finance in order to arrange their inclusion into central government budgets, foreign assistance and/or loan financing packages. In total, the schedule of processing all urban development proposals in the IUIDP cycle takes a minimum of 10 months.

In general, central government plays a supervisory, technical advisory and monitoring role as it assists provincial and local governments in obtaining foreign (loan) financing and later monitoring the progress of programme execution.

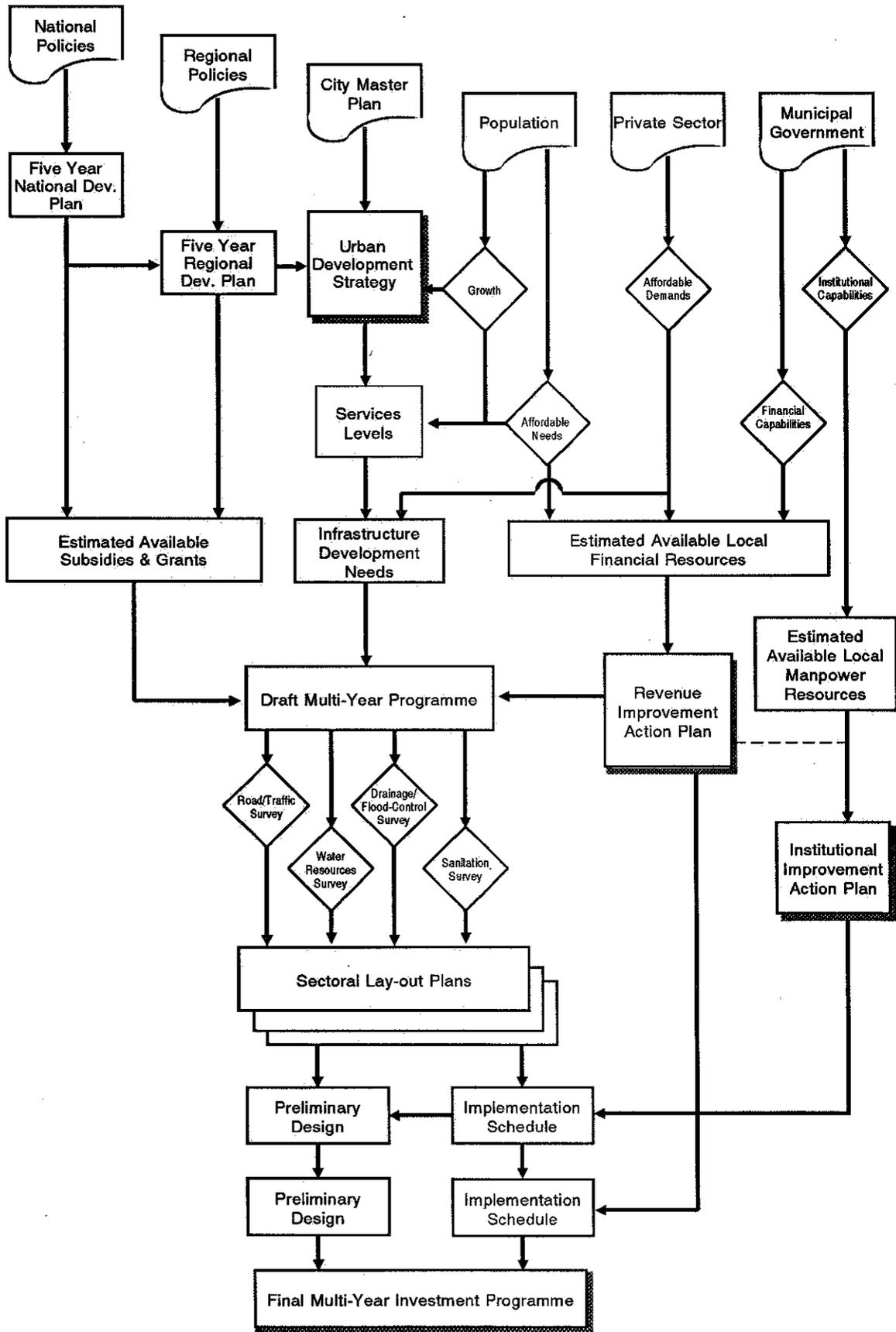
The IUIDP (so far) covers eight major service components which fall under the Directorate General of Human Settlements (*Ditjen Cipta Karya*) in the Ministry of Public Works:

- water supply
- sewerage, human waste
- solid waste management
- drainage, flood control
- urban roads
- housing:
 - KIP (*Kampung* Improvement Programme)
 - urban home improvement
 - core housing, sites and services schemes
 - urban renewal, resettlement or new settlements
 - urban land consolidation/guided land development (GLD)
 - public housing
 - rental housing
- MIIP (Market Infrastructure Improvement Programme)
- spatial urban planning.

(Other compilations of the IUIDP components may list: 1. urban planning; 2. drinking water; 3. drainage; 4. sewerage/human waste; 5. solid waste; 6. flood control; 7. housing;

Figure 1

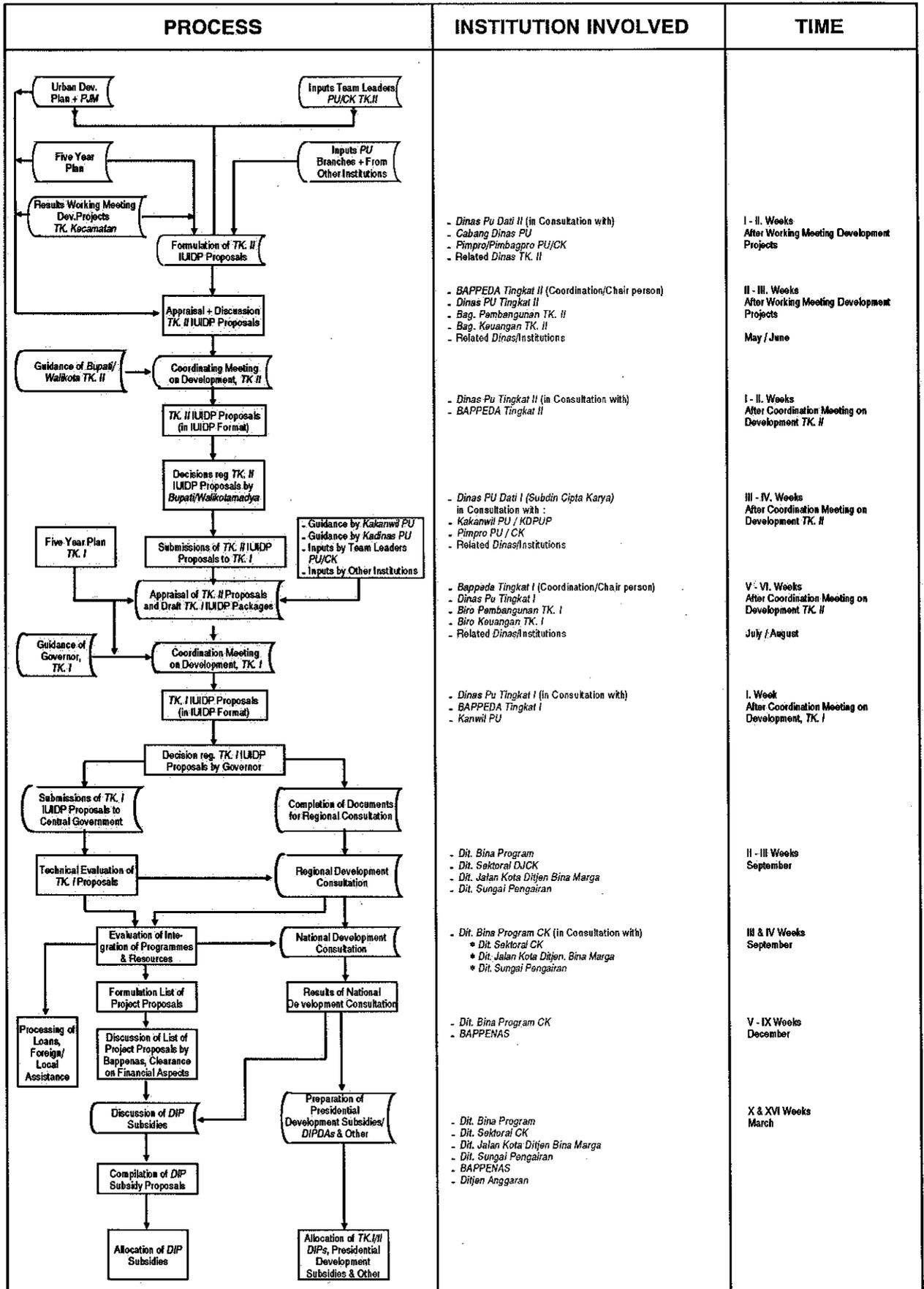
**THE RELATIONSHIP BETWEEN
URBAN DEVELOPMENT STRATEGY, REVENUE IMPROVEMENT
ACTION PLAN, INSTITUTIONAL IMPROVEMENT ACTION PLAN AND
THE MULTI-YEAR INVESTMENT PROGRAMME**



Source : Sutmuller 1992.

Figure 2

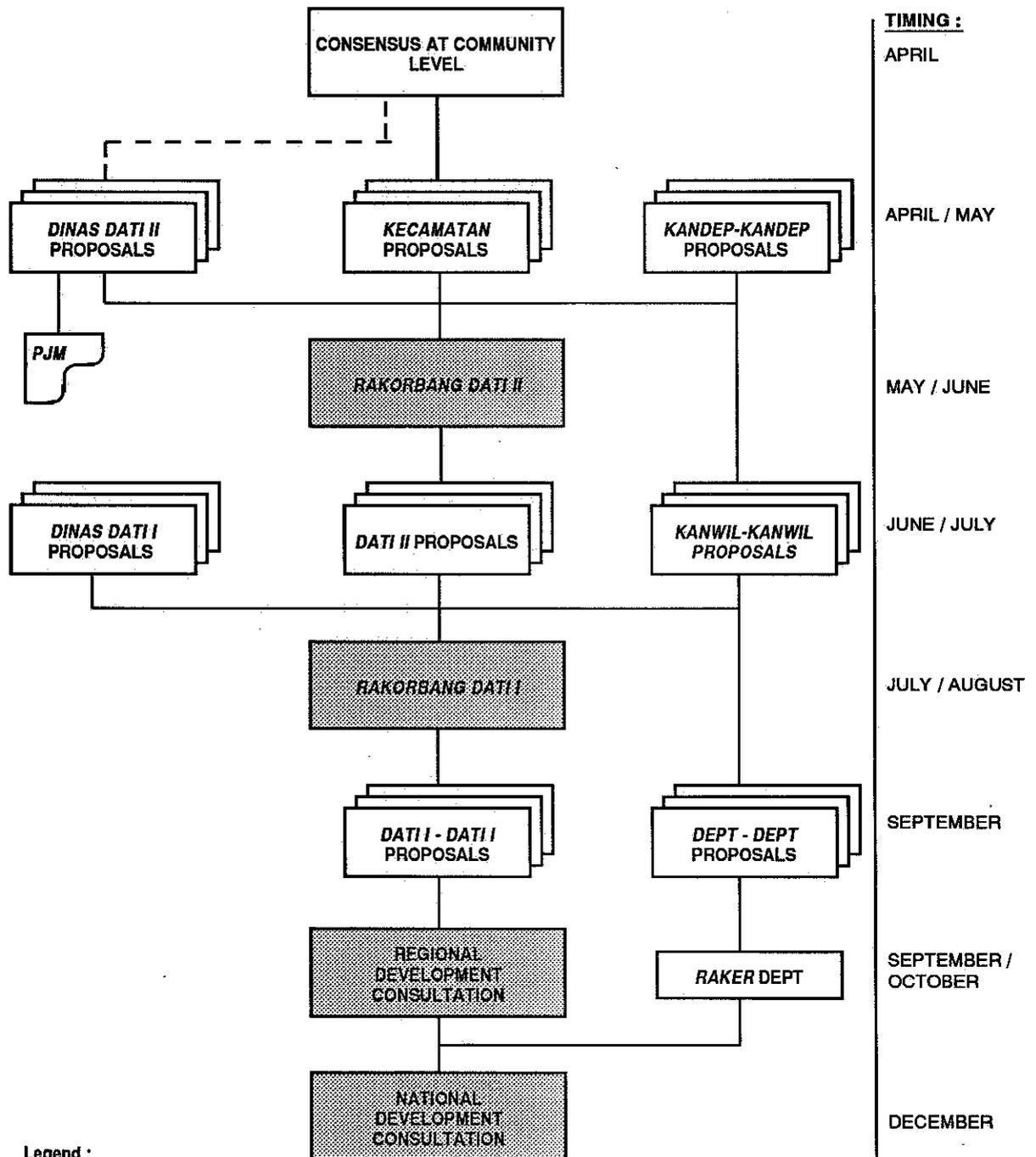
UIDP FORMULATION PROCEDURE



Source : Draft IUIDP Guidelines, Jakarta November 1989

Figure 3

**THE PRESENT RAKORBANG SYSTEM IN INDONESIA :
NO INTEGRATION OF THE IUIDP PLANNING/PROGRAMMING PROCESS YET**



Legend :

- | | | | |
|----------------|---|------------------|---------------------------------------|
| <i>PJM</i> | = Multi-Year IUIDP Investment Programme | <i>KANWIL</i> | = Regional level office of a ministry |
| <i>DATI II</i> | = Tk. II = Local Government | <i>RAKORBANG</i> | = Development Consultation Meeting |
| <i>DATI I</i> | = Tk. I = Provincial Government | <i>Dept</i> | = Ministry/ministerial |
| <i>Dinas</i> | = Agency | <i>Kecamatan</i> | = Sub-District |
| <i>KANDEP</i> | = Local level office of a ministry | <i>Raker</i> | = Rapat Kerja = Working Meeting |

(based on : UNDP Project INS/88/021)

8. *Kampung* Improvement Programme; 9. rental housing; 10. urban renewal; 11. new town development; 12. urban roads [TKPP 1989]).

A complete picture of national fund allocation by urban sub-sectors can not (at present) be given because local situations and needs are creating some variations. So far, there is no comprehensive expenditure overview of all IUIDP programmes, but preliminary estimates suggest that funding among sub-sectors might be allocated as follows:

	ADB estimates ¹⁾	Data from 45 PJMs of Secondary Cities ²⁾
water supply	31.0%	36.5%
human waste	6.0%	5.8%
drainage and flood control	17.0%	13.8%
solid waste	9.0%	8.0%
KIP/MIIP	7.0%	8.5%
urban roads	30.0%	27.4%
Total	100.0%	100.0%

¹⁾ Asian Development Bank 1988; ²⁾ Urban Policy Advisory Team 1990, and Annex 1, 2

With further development and consolidation of the IUIDP, assessment of the gross amounts of provincial (and national) allocations and their appropriate distribution among sub-sectors will become possible. (Nevertheless, flexibility in local budget allocations is desirable, not only because of difficulty in estimating needs from a central level agency, but also because through the 'bottom-up' planning process changes in budget structures are common and would make specific, tightly prescribed budget allocations by urban area and by sub-sector ineffective.)

Although with the IUIDP and the decentralization law of 1987, urban infrastructure is now becoming a local government responsibility, central government's resource contributions (matching funds) are still very dominant. Also, in the field of physical project implementation, local governments (so far the large majority of them) have the capacity to implement only small-scale projects. For either larger or more complicated projects, for which they will need to attract or hire skilled staff, local governments still require the ability to mobilize or control

the necessary financial resources. This problem illustrates the as yet limited control of resources, limited local capabilities, and dependency on assistance from higher government levels (Figures 4a, 4b) of local governments.

Local governments' commitments to operation and maintenance are largely dependent on the degree of their responsible participation in the design and physical implementation of the IUIDP programmes and projects. Strengthening of local government to fulfill their roles in the IUIDP and in the government's decentralization strategy will require stronger local resource mobilization and institutional development. Hence, a relatively high degree of interim support from the central and provincial agencies (especially the Ministry of Public Works and the Ministry of Home Affairs, and to some degree the Ministry of Finance) seems unavoidable in order to achieve the longer-term goal of local autonomy.

For central agencies, on the other hand, it will be necessary to adopt a less project-oriented approach, focusing more on institutional and technical support. Provincial agencies will have a continuous intermediary role between the local and central government levels, in reviewing, appraising and packaging local programmes for central grants, loans and donor support. Nevertheless, this role will also require back-up and guidance from central government itself.

Strengthening of local capabilities for the planning and management of integrated urban (infrastructure) developments will not only be oriented towards the functioning of government units, but also require additional orientation towards the private commercial sector, the non-governmental organizations and the community based organizations whose capacities --according to national policy-- shall be incorporated into the integrated approach to urban development.

This paper intends to address --with a focus towards urban management innovations initiated through or along with (the) IUIDP-- the following questions:

- To what extent is the concept of IUIDP supported by the provincial and local authorities?
- To what extent is the integration of sectoral planning and implementation succeeding?

As deficiencies in this relatively new programme of integrated urban infrastructure provision can be expected and anticipated, it is necessary to outline which adjustments need to be made to increase its chance of succeeding. Such adjustments will refer in particular to:

Figure 4a

Financial Flows for the Urban Sector : Public Sector and Community Contributions

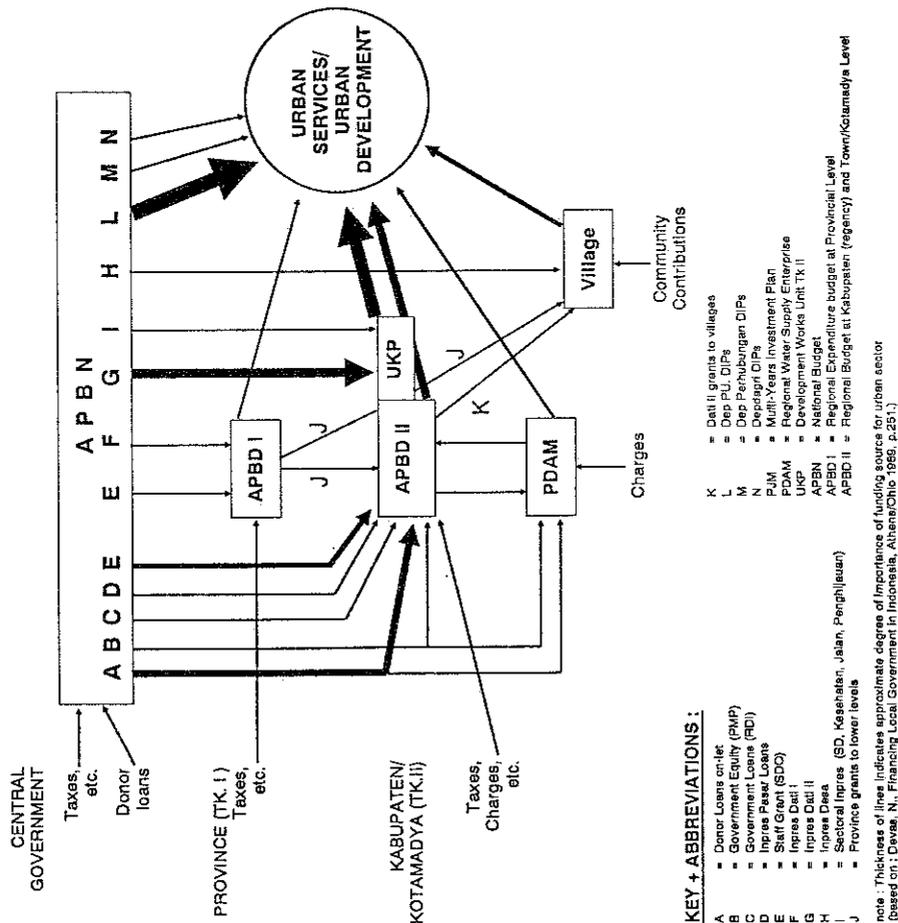
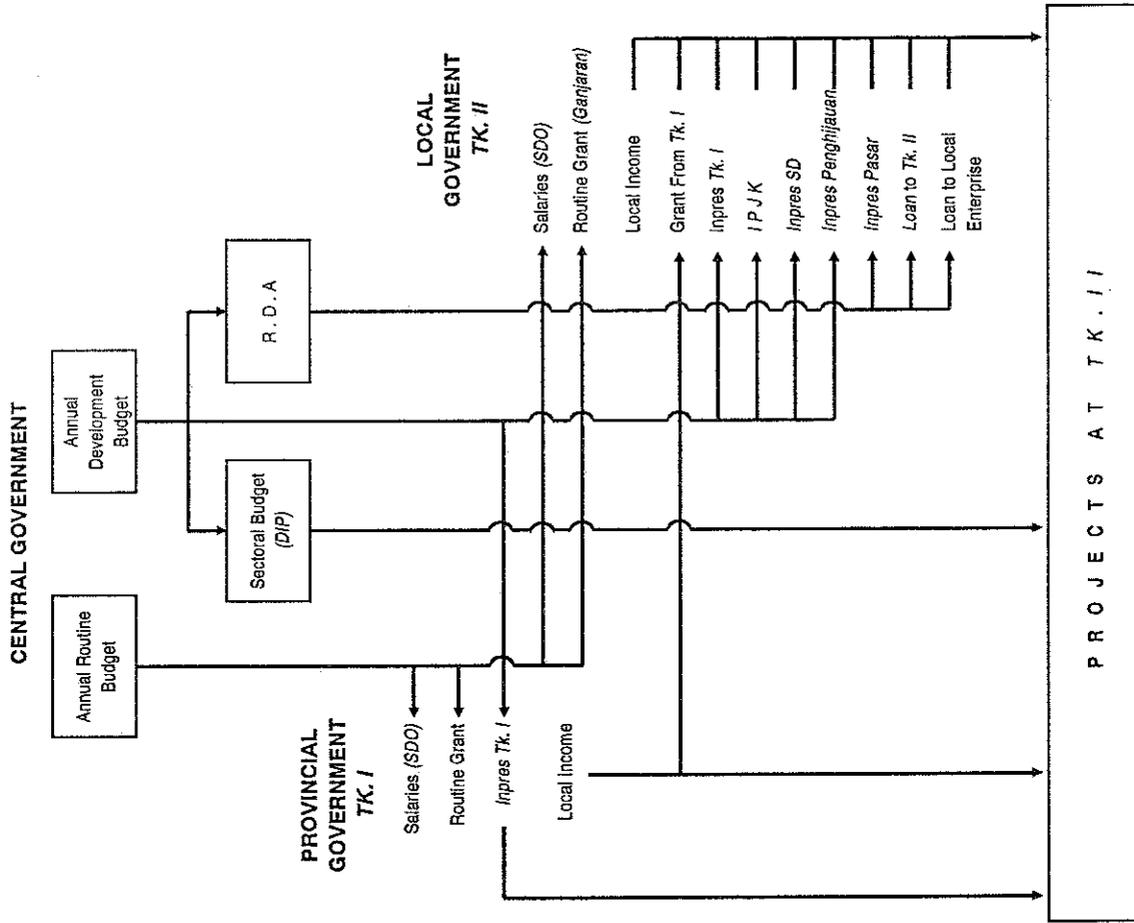


Figure 4b

INTERGOVERNMENTAL FUNDS FLOW IN INDONESIA



Source : Baethin et al., 1982.

- decentralization, delegation of power and the institutional framework for IUIDP management;
- revision of the flows of funding and the management of urban finance;
- enlarged participation of private and community groups.

The paper will show that the IUIDP represents a considerable degree of progress in Indonesia's urban development, but that its success is so far rather incomplete and has not yet fully contributed to accelerating urban infrastructure provision to the desired and necessary level.

2

Towards Innovative Urban Management: Emerging Issues in the IUIDP

Within the framework of the IUIDP, a new perception and practice of urban management is evolving. It is a concern, stronger than ever before, for management to be a process of interventions involving negotiations and achieving consensus among institutions and representatives of different urban actors (private and public in general), the local, provincial and central government levels and the affected and participating public. Thus, it represents a strategy for the encouragement of local initiatives, of increased public participation and local decision-making, and of expanded government decentralization.

"Urban management" has been defined as "the activity of attempting to mobilize diverse resources to work in a co-operative manner in the fields of planning, programming and budgeting development and operation and maintenance of a settlement in order to achieve the development objectives of (city) government" (Davidson, quoted in Sidabutar et al, 1991, p.142).

A more recent definition aims to incorporate concerns for sustainable development: "Urban management is the continuous activity of mobilizing and applying diverse resources in a coordinated manner to plan, programme, build, operate, maintain and safeguard public services and the environment in order to achieve the sustainable development objectives of city government" (Hoff 1992, Annex 1, p.2).

Present efforts in urban management in Indonesia can be seen in several closely interrelated areas which altogether constitute a 'new agenda' (World Bank et al, 1991) addressing the improvement of urban management. Among these efforts one needs to mention the works of the National Development Planning Board to regularly review urban policy action plans in order to define the priorities for policy analysis, strategy formulation and programming (BAPPENAS 1992).

The IUIDP has become one of the strategic cornerstones of urban management in Indonesia, calling for concerted efforts of all concerned parties to achieve its ambitious goals. At the same time, as the paragraphs below will show, there are a number of constraints in programme implementation.

2.1 The Management of Infrastructure and the Physical Environment

Although the first generations of (draft) IUIDP Formulation Guidelines (of 1987, 1989) prescribed the typical *PJM* packages, local governments need to understand that the choice of programme to be developed is basically theirs. As the IUIDP develops, local governments also need to have more choices of how many and which sub-sectors are included in their IUIDP package in order to represent fully their priorities (Sutmuller 1992). The IUIDP Formulation Guidelines also need to spell out clearly which definition of "urban" area is applied, whether it refers to administrative boundaries or to built-up areas which are functional components of urban agglomerations.

The great variation in the quality of *PJM* indicates weaknesses in guidance from the central government. In order to achieve real "bottom-up" planning, local governments need to be more strongly involved in planning and programming of the IUIDP or in the monitoring and overseeing of the consultants who help them to formulate the programme and project packages. The previous picture of central government formulating and building certain projects and then turning them over to local governments for operation and maintenance, changes with the new IUIDP procedure. This offers a better chance of meeting local development expectations, adjusting to local capabilities and reacting to the ability and willingness of the local government and communities to operate and maintain these services. Local government's strong involvement in all the phases of the IUIDP process—from planning to operation and maintenance—should also guarantee that a true feeling of belonging emerges.

On the other hand, the appraisal of programme and project proposals, as presently handled by provincial (and often only central) government needs its own status and legality (Ismanto 1992). Until 1993, neither the IUIDP Management Group (IMG) nor the Urban Development Coordination Team (*TKPP*) have issued clear IUIDP Appraisal Guidelines, which would be applicable for IUIDP programmes funded under national, bilateral or multi-lateral (ADB,IBRD) funding. Appraisal mechanisms also need institutionalization, and a clearer relationship between the appraisal and the national budgeting system. Central government needs to introduce a more plannable system of medium-term budget commitments towards appraised programme packages.

The new role of local (and even provincial) governments in the context of increased decentralization indicates the urgent need to train local government managers and technical staff in all the necessary managerial and technical skills needed for the planning, (pre-)appraisal, supervision of IUIDP preparation, physical implementation and operation and maintenance (O&M).

This refers to all technical and managerial aspects of the IUIDP as described earlier, while the last point of O&M includes the firmer establishment of the Ministry of Home Affairs' Performance Oriented Operation and Maintenance Management System (POMMS) (Ngoediyo 1992) or its simplified version, the Integrated POMMS (IPOMMS).

For strategic reasons, it will obviously be necessary that local governments concentrate on those services which can have the greatest strategic impact, and on those which can not be organized efficiently by the private sector, community organizations or individuals. Further emphasis shall be placed on innovative projects and urban development policies which combine action-orientated planning with political and participatory support for the implementation (through community participation and public-private partnership).

As a newcomer the IUIDP in the field of urban services planning still represents a challenge to the urban planning system at large. IUIDP can be implemented with or without the existence of a valid urban master plan (*RUTRK*), Detailed City Plans (*RDTRK*) or Regional Development Plans (*RUTRD*). The IUIDP *PJM* formulation may simply review an existing *RUTRK*, or in case of its non-existence proceed to develop its own urban development scenario (through the above mentioned tool of the IUIDP Development Assessment Plan/*IDAP*). But linkage between these two systems of planning –infrastructure planning and urban/regional spatial planning– needs to be introduced in IUIDP and town & country planning guidelines and subsequent plan documents in order to avoid the persistence of two different planning systems. Additionally, it needs also to be noted that the rhythm and time frame of *PJM* and many urban planning tools is different and need coordination. However, IUIDP as an action-orientated infrastructure planning approach, certainly has considerable advantages over the still classical approach of Indonesia's urban master planning, which is purely reactive, non-dynamic and rather lacking in action-orientated tools.¹

Hence, IUIDP should in fact be an incentive for the Indonesian town planning system to develop a more strategic and dynamic outlook, addressing the private sector and community actors in planning consultation and subsequent programme implementation. It is also necessary to point out that the IUIDP is not yet integrated with the Ministry of Home Affairs' regional planning system (Guideline for the Formulation, Planning and Control of Regional Development or *P5D*), which retains a life of its own.

1

For a few years, however, attempts have been made to introduce an action-orientated philosophy of dynamic spatial planning into the urban planning system. Unfortunately, since no planning tools or laws are being changed in this respect, this new planning philosophy will have little chance of being adopted into routine local government practice.

The causes of (urban) environmental pollution and degradation, resulting in additional costs to health and productivity, can be traced to inadequate pollution control, lack of regulatory and institutional frameworks, weak management and political will and to poor public awareness. The environmental component of urban infrastructure provision is seeking management approaches to mitigate the environmental impacts of public or private sector investments.

Since the introduction of ministerial guidelines for the application of Environmental Impact Assessments (*AMDAL*) for industries as well as for all IUIDP sub-sectors, the law prescribes that the possibly adverse environmental impacts need to be studied. This not only illustrates a growing role for a positive environmental concern, but is also the reason for a certain delay in the completion of IUIDP project preparations. Since the whole system and process of Environmental Impact Assessments is still very new, the new guidelines and standards are not yet fully known to local governments, which are insufficiently involved in the compilation of *AMDAL* reports (supervised by provincial *AMDAL* committees and their environmental agencies, *Bappedal*). In contrast to this, the local government officials with knowledge of the local resources and conditions requiring environmental protection are in serious need of special training in the field of environmental impact analysis.

The introduction of the principle of integration in the preparation and implementation of physical projects is aimed at reducing the traditional sectoral approach. Sectoral project management is gradually to be replaced by municipal/local government management. However, the initial experiences of implementation of IUIDP programmes show that old (and institutionalized) patterns of sectoral project implementation are still prevalent. Local government public works offices tend to maintain the system of sectoral project managers. In order to create the necessary degree of integration, the responsibility for the integration of physical project implementation and supervision is placed with local (and provincial) project management units. Coordinated and integrated implementation of projects (which form part of a multi-year and multi-sectoral local government investment package) is still rather new, and it still requires further experience in the field as well as additional technical and managerial training.

Additionally, it needs to be noted that the Ministry of Public Works --in obvious juxtaposition to its commitment to the IUIDP-- is still maintaining centrally planned sectoral infrastructure programmes and projects in the fields of community water supply, sanitation and road construction. This shows that established "sectoral" budget lines continue to be alive, competing with the central grant allocations for IUIDP programmes.

2.2

The Management of Land

Land as an essential resource for the development of human settlements and for the generation of infrastructural services is a major shortcoming of the IUIDP concept and practice so far, and its management calls for a more systematic attack. Certain narrower definitions of the IUIDP –such as looking only at water supply, human waste, drainage/flood control, solid waste, KIP, MIIP and urban roads– completely ignore the requirements for land and the implied management issues of land for housing and infrastructure, as for instance within KIP, MIIP, various types of housing schemes, urban renewal or resettlement programmes, land consolidation and guided land development (GLD) schemes. Additionally, where urban projects have an impact on land outside certain governmental boundaries, there is often a need for cooperative arrangements between local governments. Since the major issues of land management are regulation, taxation, registration and acquisition of land, one can distinguish the following challenges to land management in the IUIDP:

- (1) The drawing-up of land use plans and land use controls as well as the issuance of building and location permits need to be integrated with the urban development scenario and the infrastructure investment programme of a *PJM*; the present chaotic system of issuing land use and building permits does not yet follow the rationale set out in the multi-year IUIDP investment plans;
- (2) Land taxation as a major –though still under-utilized– source of local government income is offering a major stimulus for urban managers and is seen as a major source of municipal finance contributions to the IUIDP. However, other land taxation forms which would tax un(der)developed land or tax the changes of land uses (e.g., from agricultural to urban uses) could be powerful instruments for generating public resources to pay for infrastructure investments;
- (3) The registration of land titles is expected to become a local government responsibility. Other difficulties with the unclear status of a multiplicity of land titles defining rights of ownership or use for building or for cropping and other purposes have yet to be taken into account for the acquisition of land for IUIDP purposes. The proposed reform of cadastres and the establishment of land information systems (LIS) still have to contribute to a faster and more efficient mechanism of (official) land registration. So far the deficiencies in land registration –together with the shortage in supply of buildable and affordable land– have only contributed to the large role of informal, i.e.

unauthorized land development in urban areas, with subsequent implications for services provision;

- (4) Land acquisition for public purposes (e.g. infrastructure and housing development) represents in Indonesia a tedious negotiation process between local government and the mostly private owners. The process is particularly hampered by unclear rules and standards for the compensation of land, and high expectations of the private owners, who frequently hope to benefit from the boom in land prices. In particular, land consolidation and guided land development (GLD), which are facilitated through local government intervention and are promising substantial gains through changes in land values, have so far been applied to a much lesser degree than could be expected (Marulanda et al 1991). This has been the case even though they are considered a comparably cheap and easily organizable process of land provision for which there is no other viable alternative. The coordination and integration of such (fringe) land development projects with infrastructure development is a major issue for medium-term IUIDP investment planning and, sometimes, for cooperation between several local governments.

Since land is the most essential development asset, it is of the utmost importance that it be utilized appropriately, and that market deficiencies can be dealt with. Training needs to be provided for local government staff involved in land use planning; licensing of land use; rapid land registration and information systems; determining land and property tax (*PBB*) levels; formulation and monitoring of land consolidation and guided land development schemes.

2.3

The Management of Urban Finance

Local resource mobilization is predominantly an issue of municipal financial management. In many Indonesian cities, potential resources exist, but they must be exploited more adequately. This also relates to issues of municipal management in revenue administration (aiming at better accountability), tariff setting, tax mapping and tax collection. In some parts of Indonesia local governments' capacities in the mobilization of resources are being upgraded through a series of operational improvements. The implementation of the new property tax (*PBB*) has simplified the property-based tax system and consolidated land-related taxes. The *PBB* tax base was broadened by changing the tax base from rental to capital market value, while at the same time establishing strict payment deadlines and penalties for non-payment. There have been other substantial improvements of local government revenue administration handled by *Dispenda* through the partial installation of systems

for Programming and Financial Planning, Analysis, Control and Coordination (*PAFPACK*) and the Manual for Regional/Local Revenues (*MAPATDA*) both of which help in tax assessment and collection.² Improvement of local water enterprise management and revenue performance have been achieved with the establishment of Provincial Monitoring and Development Units (PMDUs) to supervise technically and financially the performance of local government owned water enterprises. Additional initiatives –such as the proposed reform of the Local Taxes and Charges Law-- are orientated towards the introduction of more user charges for urban services (as also practiced in the health, education and transport sectors), but so far cost recovery schemes have been limited to water services and public markets.

Presently, local government revenues typically amount to only about 5-15 percent³ of the funding needed for their own development activities, while central grants and transfers to local governments make up the remainder. Over the coming years, local government revenue improvement measures are expected to increase local participation at least up to 20-30%.

Since at present greater emphasis is laid on the local government share in financing programmes, tariff setting and general revenue collection will play an increasingly important role. The *Tk.II* governments should be capable of assessing by themselves whether the local revenue collection system is efficient. If this is not the case, a Revenue Improvement Action Plan (RIAP) will have to be drawn up. The RIAP will apply to management measures to increase revenue from local taxes and fees (*PAD*) and property and land taxes (*PBB*). Important improvements in the local tax base focus on land and property taxation as a major source of increased revenue. In addition, local revenue-generating projects are encouraged. Further resource mobilization comes through the involvement of the private (and the community) sector, especially in the development or running of services. Increased local responsibility for urban development costs is also encouraged by the new policy directed to fund a growing share of the projects in urban areas through loans. At present, the use of loans for urban infrastructure development by local governments is still limited in Indonesia, but it is expected to increase over the coming years.

A review of some 50 *PJM* of the first generation revealed, in fact, a considerable hesitation of local governments to borrow money for development funding, while it seems that IUIDP consultants have always been over-optimistic, both in terms of their

2

Instruments like *PAFPACK* and *MAPATDA* are installed only in some regions of Indonesia. Their nationwide installation is envisaged for the coming years.

3

Some large cities are an exception to this rule and can cover 20-40% of their development expenses from own revenues.

assumptions of willingness to borrow and ability to raise local revenues more quickly (Urban Policy Advisory Team 1990). Additionally, it was often not easy to distinguish whether central government funding shares were drawn from national funds or represented part of overseas funding streams (see Annexes 1 and 2). In terms of funding patterns it can nevertheless be observed that the lowest growth cities expect the highest levels of grant funding, and the fastest growing cities request the lowest level of financial assistance, reflecting confidence in their economic potential.

If local governments are to mobilize fully the necessary local resources over time, grant policy and formulae will also have to be devised to provide the local governments with appropriate performance incentives for increased revenues. With such incentives, local governments should strive to improve revenue collection and the efficiency of urban services.

Even if the intention of central government is to shift in the long-term the major costs of urban development to local governments, it will take a fairly long time –despite existing revenue potentials- before most local governments can expect to approach a certain level of financial self-reliance. Presently, levels of locally generated revenues are certainly not yet sufficient to finance a substantial share of a multi-year IUIDP investment programme (*PJM*). At the moment most local governments seem also not yet to be ready and willing to assume these enlarged financial responsibilities fully. Equally, they find it difficult to assume long-term commitments for their own local budgets (*APBD II*) since the IUIDP investment programmes cover only a small share in public services provision. Furthermore, there is still a lack of administrative capacity to handle adequately financial responsibilities associated with *PJM* Implementation, which implies the implementation of a Revenue Improvement Action Plan (*RIAP*).

Due to the parallel existence of the *RIAP* tool (as promoted by the Ministry of Public Works) and the *PAFPACK* (of the Ministry of Home Affairs), there exists a certain duplication, and consequently some confusion, among local governments with regard to the validity of these instruments. A unification of these two tools –*RIAP* and *PAFPACK*– is high on the agenda for the IUIDP implementation process, as declared by the IUIDP Management Group (*IMG*) (*Tim Koordinasi P3KT 1993*). To improve financial management of the IUIDP programmes, a new Programme Financial Accounting and Management System (*PFAMS*) has been developed and tested for the provinces of East Java and Bali. This *PFAMS* is expected to be applied throughout Indonesia both in IBRD and ADB sponsored IUIDP programmes.

In the meantime, the grant and loan programme will need to be rationalized. At present central government intends to consolidate the existing channels of loan funding for

infrastructure investment into a single loan fund known as the Regional Development Account (RDA) which became operational in late 1991 and was tested during the fiscal year 1992/93 for wider application. This recognizes the need for easily accessible, steady sources of credit for local infrastructure investment financing. The RDA should eliminate the existing disparities between local governments in terms of the availability of loan finance for different project packages. As such, the RDA should permit local governments to become less dependent on central government grant systems and should free them from the central government's procedure of project identification and preparation.

Further features of the RDA, which are awaiting publication in the form of a manual, define (1) the steps and procedures for project preparation, application, appraisal and approval; (2) the unified system of loan finance conditions; and (3) the criteria of project viability and self-sustainability. The RDA itself is expected to operate like a large revolving fund that maintains its capital in real terms without continuous new inputs from the state budget (Bastin et al, 1992). However, its ultimate success will depend on the success of local governments and local citizens to repay the loans provided. Many operational matters of the RDA need further explanation, and the publication of an official manual for RDA use by local governments is expected.

In general, it can be said that borrowing constitutes a critical part of the IUIDP. Many local governments consider borrowing mainly as a 'balancing' item to cover shortfalls between projected expenditures for a *PJM* and local revenues. This indicates that so far local governments are not yet aware of the mechanisms and principles of loan financing. Neither are their own borrowing capacity nor the project criteria for a justification of borrowing known. This is aggravated by a reluctance to borrow for sectors that do not earn rapid economic benefits. The administration of loan disbursement and repayment is another very new aspect for local governments --with the first IUIDP programmes in West Java and Sumatra, and in East Java and Bali under implementation, and Central Java/Yogyakarta and Sulawesi starting during 1993-- as central government is realizing the urgent need to provide training on the management of loan administration procedures and in programme financial accounting and management (PFAMS).

The present degree of central government grant financing for IUIDP during *Repelita V* has been determined through the Guidelines for IUIDP Preparation (TKPP, 1987/1989) and varies between small, intermediate and large cities (with 70%, 50% or 30% of funding supplied respectively). It can be expected that after several years of IUIDP implementation these guidelines will again be subjected to revision. Presently there is a common perception that central funding intentions need to become more clear, and that a policy statement should provide the proper

guidance for the financial/funding recommendation of the *PJM* (Urban Policy Advisory Team 1990).

The system of multiple sources for urban development funding (Figure 4a, 4b) is presently under revision. There is a strong likelihood that a single *Inpres Perkotaan* (urban development central government fund) might replace the various subsidies (*DIP*) of different 'line' ministries. (For the 1992/93 financial year an *Inpres Perkotaan* of Rp. 40 billion has been included in the overall packages of *TK II* subsidies. This shall provide a first experience before the wider application of this *Inpres Perkotaan* is decided.)

As can be observed in many local governments, the IUIDP has not yet noticeably changed the attitude of many local governments towards their own financial responsibilities. Since the IUIDP is still seen by many local governments as a central government initiative, there is some persistence in expecting even higher central government subsidies for IUIDP.

The manifold tasks arising from the new responsibilities of local governments with regard to the management of finance make it evident that there are considerable training needs in all sorts of sub-disciplines ranging from tax mapping, tax and service fee collection, accounting and financial project/programme management to the handling of disbursement and recollection of loans. The success of new financial management approaches and systems (such as *PAFPACK* and *PFAMS*) will be closely tied to the widespread application of the appropriate forms of training.

The present situation in the urban finance sector calls for a clarification of the intergovernmental financial relationships. Improved financial performance of local governments needs to be honoured through incentives which provide local governments with a higher tax autonomy. Since truly local revenues –excluding the property tax– still constitute a very small portion of local income, there is good reason for a restructuring of the local tax revenue base, including the elimination of taxes and charges which are not at all cost-effective, and the fuller assignment of property taxes and vehicle taxes to the local governments themselves.

The philosophy and practicalities of 'enterprising' local government are rather unknown. For too long, local governments have been used to the annual central-to-local budget transfers, instead of actively promoting the increase of local revenues through innovative measures and, possibly, partnership arrangements with the private sector (for instance in tax collection). Encouragement from the central government has been rhetoric rather than provision of the necessary revenue incentives.

Although the private sector is playing a major role in urban investment, its role and potential have not yet been included in

local financial policies. The possibility of mobilizing domestic savings for urban investments including infrastructure remains a challenge, both in the light of (1) decreasing ability of the state to sustain its level of subsidies, and of (2) the private sector's growing interest in a suitable infrastructure basis.

2.4

The Management of Public-Private Partnership

The private sector can invest much more in urban services than it has done so far; it could play a role in low-income housing, urban public transportation, water supply, urban sanitation, and solid waste management in urban renewal in inner-city areas; in land consolidation; and in guided land development (GLD) in rapidly growing fringe areas. Projects could include shopping-cum-residential areas, industrial estates, and a wider mix of multi-purpose projects (Republic of Indonesia 1992). Some very important experiences of public-private partnership (PPP) have already been made in various projects and it is hoped that—in a general policy framework of "deregulation" policies in Indonesia's economy—these will help to shape the strategies for the 1990s (Suselo 1989; Rondinelli et al 1992). Several studies to identify private sector participation in East Java's water supply and on the financing and commercialization of private provision of public services have been conducted in recent years. USAID is sponsoring a large project on privatization of urban services (PURSE), and a few large private sector partnerships have been negotiated recently (e.g., the East Javanese Umbulan water project, the Bali Nusa Dua water supply scheme, etc.). These arrangements are first attempts to apply to Indonesia modern Build-Operate-Own (BOO) or Build-Operate-Transfer (BOT) formulas.

However, in the present reality these PPP arrangements are still the exception. The private sector does not yet have a proper consultation mechanism with local government planners about its urban investment potential; and there is no linkage to the annual development consultation and budgeting process (*Rakorbang* process), nor with a public presentation/consultation of existing urban development plans or IUIDP investment plans. The private sector's main counterpart is the local Board for Investment Coordination (*BKPM*), which by itself is not really concerned about urban or infrastructure planning, but rather with licenses and other permits.

A strategic approach of local government towards public-private partnerships would be to encourage the private sector—through deregulation, appropriate pricing and fiscal policies, through land management and guided land developments (GLD) for instance, or through contracting of tasks such as construction,

waste collection and disposal, etc.-- to contribute to the strengthening of services provision.

To make PPP successful, the actors involved will have to consider a number of important requirements such as mutual trust and good relations; convergence of interests; capital and profit sharing; risks of projects borne by all partners involved; commitment and decision-making according to clear procedures; a business-like, market-oriented approach by the local government; coordination of policy actions of different government institutions and levels of government; and continuity (Ministry of Public Works/MVROM 1989). This also includes privatization or "denationalization" of certain functions which are presently carried out by public agencies. If these services have revenue potential and do not directly affect social welfare services, they may be considered for privatization. Local governments only need to monitor a regulatory mechanism to protect the consumers' rights and service levels.

Many Indonesian cities do provide tremendous potential for innovative public-private partnership approaches in which economic investments and efforts to mobilize local resources can be tied to land management, and to spatial and physical planning. The inventiveness of the private sector can develop new forms of profitable cooperation which also contribute to employment creation and poverty alleviation.

From the local government side, in general, this requires that the private sector be perceived as the sector whose health ultimately shapes the urban context, and that it is provided with the appropriate enabling framework and mechanisms to contribute to services provision.

Local governments themselves will need to learn what enabling mechanisms are possible, and local government officials will need training to learn about the rules of partnerships, about incentives (financial, tax or locational) and regulatory mechanisms (laws and regulations, self-defined rules or contractual forms) which promote a good climate for partnerships or control the impact of public-private partnership arrangements.

For central government this calls for a stronger determination to decentralize economic decision making authority and to shift this authority to local (and provincial) government levels.

2.5 The Management of Community Participation

The non-commercial private sector --communities and non-governmental organizations (NGOs) as well as community-

based organizations (CBOs)– can participate more effectively than it has done so far. Though the community cannot contribute much cash, it can nevertheless help government to save large amounts of money through contributions of ideas, labour and material resources including land. Equally, NGOs/CBOs do not contribute cash, but they can assist local government in managing urban development as intermediaries between the community and local government.

Experiences show that in order to get good results from community participation, communities and NGOs/CBOs have to be involved in all stages of urban development (i.e., planning, programming, implementation, operation and maintenance), and not just in the last two stages as has often been the case (Fritschi et al 1991/1992). This contribution may be in kind, for instance data for planning provided through self-surveys; ideas for local level planning and local level mutual aid activities (*Swadaya*); *Kampung* level management support; labour contributions during project implementation and later operation and maintenance (O&M); and land contributions. Contributions may also be financial, for instance: fees, taxes, user charges and own investments. To achieve the necessary motivation for community participation, good development support communication is required. Because local customs differ in each place, participation will be different in each place. This means that each local government has to find its own formula for effective participation and how it gives communities and their organizations the appropriate enabling framework and structures to contribute on their own to services provision.

One of the ideas behind decentralization in Indonesia is that priority needs of urban communities can be better understood and better met by local governments and local communities, particularly if there is active consultation and dialogue between a local government and its population. Hence, the logical progression in decentralization calls for greater community participation in the planning, programming, implementation and operation and maintenance of urban (infrastructure) development projects.

Though there is recognition of community participation as an element of the IUIDP, its operationalization within the IUIDP framework is still lacking at this moment. Active community participation still needs to be incorporated into the *Rakorbang* process and be combined with the *PJM* formulation process (Figure 5). Most local Public Works or local government offices may not yet be ready for community-based projects, may even be unwilling to accept wider community involvement as it is considered too time-consuming. Both the public servants and local communities may lack the necessary knowledge to stimulate and promote a participatory and collaborative process of project planning and implementation.

However, the embryonic state of community participation within the IUIDP has one great advantage in that it creates the opportunity to develop the community participation component within the IUIDP almost right from the start of this national programme. Increasing community participation will in any case require leadership skills (and leadership training) of local government officials such as *lurah* and *camat* who will have to organize public announcements and hearings or discussion fora, and who will initiate public campaigns, lectures and even short courses for the public concerned.

Development support communication (also known as "information & communication" or "Infocom") can provide essential information, interaction and stimulation for the community --as well as the private sector-- to secure their cooperation in urban development. The usage of development support communication tools --defined messages, mass media, establishment of modern or traditional communication channels, public hearings on a planned project-- can contribute to this goal of creating a development-orientated atmosphere.

2.6 The Management of Institutional Development

The management of institutional development includes the strengthening of institutional capacities and institutional change; reform of legal conditions and administrative procedures; reform of financial management and land management; and supportive manpower development through training, information and communication programmes.

The necessary institutional development needs and prospects are to be drawn up in a Local Institutional Development Action Plan (LIDAP) which outlines ways to upgrade local institutional and management capabilities. The technical assistance (from higher government level or external consultants) required in support thereof should be included in the programme to assist local government in implementation, management and operation.

Since the IUIDP is a new planning approach, some consultants did face problems in adjusting to the new multi-sectoral, multi-institutional approach. Sometimes consultants lacked the patience to work in a 'learning by doing' environment assisting local governments (Sidabutar 1992). Time constraints and deadlines often forced consultants to complete their work with little (only supportive) or no involvement of local government staff. Such patterns of the *PJM* formulation have proved to be merely product- and not process-orientated, neglecting the requirements for a transfer of knowledge.

The institutional arrangements for IUIDP implementation according to Government of Indonesia regulations define the roles of central, provincial and local governments. Physical development projects follow the standard local and regional development consultation procedures (*Rakorbang*), and the implementation is handled by local project managers of those agencies controlling the funds. Once external assistance (and loan financing) is involved, special arrangements are made for procurement, disbursement, reimbursement, etc. Two separate models exist which are quite different at local levels: (1) the "deconcentration" model (Figure 6) favoured for most urban projects since it allows the central government a fairly "strong hand", and (2) the "decentralization" model (Figure 7), which is expected to live up to its name and which was proposed for the implementation of the East Java - Bali IUIDP (Soegijoko et al 1992). Common for both models is the temporary establishment of various sorts of functional working teams at local and provincial levels, such as Programme/Project Management Offices (PMOs), Programme/Project Management Units (PMUs), Programme/Project Finance Offices (PFOs) and Project Implementation Units (PIUs). The usage of functional teams for project implementation has been known before in sectoral projects, but the new complexities of the IUIDP programme call for complex monitoring, supervision and reporting mechanisms, and have prompted a whole set of new decrees and manuals on the execution of the new tasks implied.

Establishment of the functional units has been generally fairly slow, and issues such as (a) the question of permanent or part-time assignments of local government staff to these functional units, and (b) their authority in relation to structural units have been a strongly felt hurdle at the local and provincial government levels, calling for special clarification by central government. The still experimental stage of these institutional arrangements can also be seen in the fact that the organizational set-up for IUIDP implementation varies between those areas which have ADB, IBRD, bilateral donor funding or local funding. This reflects partly donor-imposed conditions in order to safeguard proper and accountable project implementation, or specific local conditions and sensibilities at certain local government agencies. It is not yet clear whether Indonesia will be able, after some more years of IUIDP implementation in the various regions of the country and with various sources of programme funding, to unify the organizational structure for IUIDP implementation. The diversity in government set-ups suggests flexibility in this matter, in counterpoint to the centralist ideas of unifying all IUIDP implementation arrangements across the board.

Both the Urban Institutional and Manpower Development Study (Ministry of Home Affairs 1989) and the Strategic Plan for Urban Management in Indonesia (Podger 1992; Podger et al 1992) have also spelled out proposals for the establishment of clearer urban

management functions through the creation of a new structural position at local government level (which is similar to the "urban manager" in North American cities). The importance of these proposals for more effective and authoritative urban management is understood, but the reform of structural positions in local government is far slower than the development pace of the IUIDP. As temporary measures the local governments will just have to live with the assistance of functional support units (PMOs/PMUs/PFOs), taking the perspective that later their functions will be transferred to the structural units/agencies themselves.

With the announcements (early 1992) by the Minister of Home Affairs of imminent reforms allowing the local government system full autonomy over its own development policies, there is increased hope that the decentralization process will soon make considerable progress. In the course of these developments, it is expected that the role of the provincial government will be substantially reduced. Its developmental role will be cut back from providing strong guidance and technical support towards monitoring functions. This will certainly reflect strongly on the implementation of the IUIDP and the operational mechanisms applied (see above Figures 6,7), and it will show that the IUIDP is in fact one of the major vehicles for Indonesia's decentralization policy.

During the past two years, interministerial cooperation with regard to the IUIDP at central government level has improved considerably with the establishment of an interministerial IUIDP Management Group (IMG), supported by four inter-disciplinary Working Groups. The IMG has an advisory role for the Urban Development Coordination Team (*TKPP*), another interministerial body that has existed since 1986. It acts as the principal body for national urban development policy and functions as an interface for foreign donors and sponsors of urban development and infrastructure projects. Since 1989, the IMG and the Urban Development Coordination Team (*TKPP*) have been chaired by *BAPPENAS* to safeguard the equal representation of all participating ministries (Figure 8). Present practice shows that the IMG faces a heavy load (overload?) of monitoring and supervision tasks of virtually all ongoing integrated urban development and IUIDP projects which receive foreign grants or loan support. Despite the very positive intentions of central monitoring and support, which are essential for an innovative programme like the IUIDP, the degree of operational detail being handled by the IMG, its working groups and the associated IUIDP Implementation Support Project (IISP) makes it, nevertheless, questionable to what degree a central body such as the IMG should steer local IUIDP programmes. If true decentralization is to evolve, what will be the role of such an IMG? Should its role not diminish in favour of local autonomy in project and programme design?

In the context of local institutional development, training must be considered important long term leverage for the strengthening of urban management capacities, since it is always 'people' and professionals who will determine the course and speed of development. Without appropriate human resource development, innovative projects and (urban) development policies, as well as institutional changes, will remain meaningless and without the necessary human resource basis to transform innovations into sustainable, routine activities.

Presently, there is little "critical mass" of urban management expertise in Indonesia. Many task descriptions of the future urban managers are only now evolving in the context of urbanization, rapid economic growth and diversification. The serious shortage of skilled technical and management personnel at the local level (and to a certain extent also at the provincial and central level) makes training a necessity in order to promote new attitudes and to upgrade the planning and other technical skills of staff at the (provincial and) local Public Works Department and staff at the (provincial and) Regional Development Planning Agencies (*Bappeda*), where the first steps in the "bottom-up" planning process are supposed to take place.

Additionally, a programme of staff rotation from central to local government levels would be very supportive of the strengthening of the decentralization process and provide additional, local experience for central government staff. However, to make such staff rotation attractive, and in order to honour the new importance of local government staff and managers, a revision of the echelons of local government staff must be undertaken. Its effect will be that the work of local government will have a higher status, be more attractive and provide for higher remunerations.

Necessary fields of training are, amongst others, spatial and infrastructure planning, engineering, land management, project and financial management, revenue administration, tax mapping, property valuation, tariff setting, and tax collection. To address the situation, *Cipta Karya* has embarked on an IUIDP training programme for staff from provincial and local government agencies. This training programme is executed partly in cooperation with the Ministry of Home Affairs, and it will gradually be expanded and accelerated over the coming years, with more inter-ministerial collaboration between the Ministries of Home Affairs and Finance (and possibly others such as the Ministries of Population and Environment, and of Peoples Housing) (*UP2L-P3KT*, 1991; Sidabutar et al, 1991). A large amount of work lies ahead to integrate traditional sectoral and project-based training into such an interministerial and joint "urban management" training programme. With the present IUIDP training programme, only a beginning has been made in increasing urban management capabilities (see: Hoff 1992). In order to become more serious about local manpower training,

local governments need to allocate a certain fixed percentage of their developmental resources (e.g. 1% of the physical development budget) to training. With decentralization being more thoroughly implemented, central government will also withdraw from funding local training programmes and expect a clearer commitment of local governments to train their own structural or functional staff.

The strong focus on human resources development in Indonesia's Second Long-Term Planning Period (1994-2018) brings to the forefront a new perception of decentralized human resource development in Indonesia's urban sector as one of the foundations for the management of the challenges of its urban future.

2.7 The New Role of Government as 'Enabler'

The government's new role is perceived as that of an enabler rather than as a provider of all resources and services. The concept of enablement is very close to the general concept of development, with the distinction that the term 'enabling' refers to selective supporting and facilitating measures, rather than to the totality of development programmes and projects. In the case that target groups for development need to be given authority and the means to implement their own decisions, enablement is very close to empowerment.

Enabling measures are understood to include all measures leading to the liberation, stimulation, and mobilization of untapped potential and dormant resources at all levels of society, or in other words, the removal of the causes --or disabling factors-- which prevent this potential and these resources from being fully exploited.

Enabling measures are not only intended to provide better access to and the management of resources, but also to distribute the burden of responsibility for development proportionally amongst all actors involved. Four "broad brush" enabling strategies are often mentioned in this context: (1) decentralization; (2) popular participation, including the role of women; (3) privatization; and (4) urban management.

Enabling strategies usually include measures of a legislative, regulatory (or de-regulatory) and financial nature, benefitting both the public and the private (formal and informal) sectors. They provide direction to and incentives for improving resource management. They stimulate people to develop themselves on the basis of directly visible benefits. Enabling strategies are incentive-oriented, not sacrifice-oriented. They award people who play by the rules with quick and preferential treatment, in

contrast to a sacrifice- or control-orientated system, where people are encouraged to break the rules in order to achieve their objectives. Enabling measures are designed to help people to do quicker, better and more profitably whatever they are supposed to do, while at the same time making them responsible for what they do.⁴

In the area of urban management, one is faced with local governments and urban communities in need of enablement. Even when they are given certain responsibilities, they will not be able to fulfill them without additional skills. This is not to say that local governments and urban communities have no knowledge or skills. On the contrary, the challenge is to put existing knowledge and skills to good use, by removing the disabling factors and disincentives which prevent their full use.

Local governments and communities also need more control over resources, more freedom to act and a more entrepreneurial attitude. Urban communities in general need an environment in which they can be fully productive.

Experience has demonstrated that even without a supportive enabling environment, individuals and organizations with initiative and dedication can achieve a lot –against all odds. This is because they manage to apply enabling strategies in the absence of specific regulations, guidelines and instructions. In Solo and Surabaya, for instance, considerable infrastructure improvements materialized as a result of productive partnerships between government and non-government actors –partnerships for which no formal arrangements existed. The key to success was the partners' skill in pooling and organizing the resources which otherwise would have remained passive. In a more enabling environment, they might have achieved more, or people with less skill might have achieved the same results. The suggested measures are:

Non-physical

- Regulatory measures to facilitate the provision of land to those who have the means to develop it (i.e., cadastration and titling);
- Regulatory measures to reduce land speculation (i.e., taxing idle land);

⁴ Enabling, in fact, already begins with primary education (this is also true for development in general), by stimulating a spirit of self-reliance, creativity, and initiative, together with a sense of responsibility for the common good, the environment.

- Regulatory measures to facilitate access to credit for purchasing land and developing it (i.e., local credit and loan schemes);
- Streamlined procedures for obtaining titles and permits (i.e., reducing the number of agencies involved, simplifying procedures and cutting back non-essential conditions to be fulfilled);
- Improved traffic management and public transportation (i.e., separate lanes, discipline enforcement, pollution fines);
- Regulatory measures to give control over resources to those who generate the resources, and tax those who consume the resources (i.e., *PBB* as local tax, local vehicle tax);
- A modified *Rakorbang* system to improve "bottom-up" planning at *Kecamatan* and *Kelurahan* levels;
- 'Partnership' arrangements between the public and private sectors (both formal and informal), clarifying roles and responsibilities;
- Better access to reliable information on urban management matters at central, provincial, local and community levels; and
- Systematic, action-orientated human resource development programmes.

Physical

- Self-managed and guided land management (fringe area development for residential purposes) by local governments;
- Provision of facilities to the formal private sector (medium and large enterprises) in the form of well located lots with accessibility, water supply, electricity and telecommunications;
- Provision of facilities to the informal private sector (small and micro-enterprises) in the form of well located lots with water supply, public standpipes, solid waste disposal and other sanitary facilities;
- Cross-subsidies providing better access to water and electricity in low-income settlements; and
- "Matching funds" from local governments for self-managed infrastructure provision at *Kecamatan* and *Kelurahan* levels

(drainage, roads and pathways, sanitation, solid waste disposal).

Of course, the provision of urban infrastructure and facilities is a form of enabling because having access to more water, sanitation, health care, education and housing means that the population is bound to become more healthy, better educated and therefore more productive. As indicated above, the spirit of enabling measures lies more with the invisible factors which support physical improvements. The power of enabling lies in its capacity to anticipate, to be dynamic, to steer away from undesirable development and to steer towards desirable development. In this respect, the *PJM* is an enabling instrument because it is (or should be) one of the main instruments for decentralized planning at local level. It is a document that commits local governments to a common course of action for a number of years, and its RIAP and LIDAP are the main instruments for giving it the desired punch. The infrastructure it proposes to build, operate and maintain is supposed to anticipate and facilitate development, not just to run after facts and catch up with the backlog. From the perspective of the IUIDP, the *PJM* will become an important tool when it is specifically designed to enable, and when local governments and communities can, to some extent, enable themselves through their *PJM*.

For *BAPPENAS*, IMG and interministerial cooperation, the relevance of enablement lies in the fact that:

- if required, policies for urban management can be evaluated as to their practical value as tools for enablement, so that concrete enabling strategies and measures can be derived from general policies; and
- the ministries involved can identify in which areas concrete enabling strategies are still lacking, and work out mutually supportive enabling measures in their respective areas of authority and competence.

2.8

IUIDP Implementation Experiences

The following brief review of some IUIDP implementation experiences refers to West Java-Sumatra, East Java-Bali, Sulawesi, Central Java-D.I. Yogyakarta and Nusa Tenggara Barat/Nusa Tenggara Timur (see also Soraya 1992; *Tim Koordinasi P3KT* 1993). All these experiences confirm how much "the ship is being built while it is sailing already" as the classical IUIDP proverb says.

Preparation phase:

Many technical assistance (TA) consultants have difficulties in identifying specifically for themselves which is the exact concept for and format of IUIDP documents. Different messages from central government ministries and the lack of definitive guidelines do not help in their task. Hence, practically every TA consultant has developed his own standards for IUIDP documents. Due to tight Terms-of-Reference with considerable work-month restrictions, the TA consultants are constantly in a hurry. Instead of assisting the local governments in the *PJM* formulation through a transfer of knowledge, the consultants use local government merely as a data supplier. Later, local government is left to decide on the end product. Since loan documents for multilateral or bilateral funding are prepared during the technical preparation of *PJM* (including LIDAP and RIAP), there is easily confusion on the status of each step. The TA consultants themselves often show a strong inclination towards the possible funding agency (IBRD or ADB) in the elaboration of their *PJM* and the desired detailing. This has led in some instances (East Java-Bali) to the question of whether the TA consultants are working for the local government or for the international banks.

On the other hand, as can be expected, local government enthusiasm in maintaining active Technical Teams (for IUIDP supervision) is low, as activities are often limited to meetings. The orientation of the Technical Teams is often still based on the (annual budget) "project approach" instead of the multi-year "programme approach". In this context of physical project approach-thinking, the need for the RIAP and LIDAP is also not yet fully understood. The RIAP and LIDAP are often interpreted to be prerequisites for obtaining IBRD and ADB loans. The impression has even arisen in some local governments that the IUIDP is a programme to mobilize IBRD or ADB funding. They have yet to realize that certain funding components have to come from central governments and through (increased) local revenues, or that, possibly, a *PJM* could also be financed completely through local and national funds.

The existence of different planning systems (those of the Ministry of Public Works and the Ministry of Home Affairs) has been criticized in particular as a source of confusion. The Ministry of Home Affairs' *PAFPACK* financial planning tool needs to match or to be united with the RIAP and LIDAP formats so that local governments are not flooded with too many different formats for similar requirements.

It has been pointed out in the East Java-Bali context that in the light of weak confidence in the IUIDP among (some) local governments, there is reinforcement of the role of provincial governments. These have become more than mere coordinators and providers of technical support, and they are often a main actor in the formulation, review and appraisal and the

implementation of local IUIDP programmes. They also act – together with central governments – as the main sparring partner for the IBRD and ADB in the preparation of loan packages.

The weaknesses at central government level have been in the mobilization of TA consultants and in international (and local) procurement in general. Many decisions are delayed, and inter-ministerial misunderstandings or differing visions on aspects of the IUIDP can easily add to delays.

Agreements with international funding agencies (IBRD, ADB) concerning the flow of loan funds, the establishment of the Regional Development Account (RDA)⁵, the reorganization of structural local and provincial government units and the establishment of functional IUIDP implementation units as well as the confirmation of national budget commitments, have usually not been met on time. Thus, the preparation and finalization of loan documents has been slowed down.

Appraisal phase:

The legal status of the appraisal is doubted by local governments, but it is accepted since it seems to provide access to the IUIDP development budget. In addition, the format of the appraisal reporting is still not firmly established.

Both provincial and central government agencies seem to have difficulties with the technical substance of technical (and environmental), financial and institutional appraisal. Hence, it is usually the ADB or the IBRD which leads the appraisal and provides the necessary inputs of substance. In cases of the first generation *PJM* (such as in West Java), missing documentation, such as RIAP and LIDAP, was sometimes prepared by the ADB appraisal missions.

Physical implementation phase:

Many local governments do not really understand how to use the *PJM* as a tool for their own annual budgeting procedure, since the financial format of the *PJM* is usually not compatible with their annual budgeting formats. Local governments face the difficulty of coordination between Regional Development Planning Agencies (*Bappeda*) and the local public works offices. This is aggravated by frequent staff rotation within local government agencies, thus hindering continuity at the local level. Necessary decrees for local institutional development, and for

⁵ For quite some time the IBRD had required the establishment and operationalization of the RDA as a pre-condition for its East Java-Bali IUIDP loan.

the formation of functional units (PMOs, PMUs, PFOs, PIUs) for IUIDP programme/project implementation are issued (too) late, while funding sometimes is already available. In order to equip these PMOs, PMUs, PFOs, and PIUs with the necessary management capabilities, they will need both formal and informal on-the-job training by TA consultants. It has been noted that the training itself will have to drop the sectoral approach and become orientated to the practical issues of implementation management (*Tim Koordinasi P3KT 1993*).

The availability of loan funding, coupled with the inability to use these funds whenever Sub-loan Agreements (SLAs) between provincial and local governments have not been prepared, is becoming a costly affair. In the case of the West Java-Sumatra IUIDP programme, this has led to unnecessary wastage of "commitment" fees to be paid to the ADB for the unutilized (!) loan funds. Many local governments have not yet finalized their SLAs, not fully knowing the procedural arrangements, or still being reluctant to borrow.

Additionally, there is considerable uncertainty, due to lack of explanation from the central government, about the steps and procedures to handle "retroactive" financing (and pre-financing) as is built into many IBRD and ADB loan packages; hence, the possibility to start implementation through this financing stream is usually not utilized.

Although there should be sufficient strength for programme/project implementation if functional units are established, central government project managers (of centrally financed special projects in the water and sanitation field) still exist. This means that although there is an evolution of a decentralized project management capacity, central government continues to run its "de-concentrated" project management approach through special, centrally steered projects which are not related to the *PJM* and may not fulfill its programmatic priorities. At the local level, this poses coordination problems, both from the technical as well as from the city management point of view. Formal project implementation agreements with local government agencies (as in the case of the East Java-Bali programme) have not addressed this persistence of "deconcentrated" project managers operating at local levels.

In the case of Central Java and D.I. Yogyakarta, due to the absence of loan funding for many years, local governments have started to implement components of their *PJM* (formulated at an early stage of the IUIDP approach, 1986-1989) through their own and other national funding. This is certainly a positive and encouraging experience, but it has rendered these first generation *PJM* in Central Java rather obsolete. The arrival of the ADB loan for Central Java-D.I. Yogyakarta will require a drastic revision of the existing *PJM* before its physical implementation can go ahead.

During the physical implementation phase, many of the above problems in the preparation phase appear again, as well as the late mobilization of TA consultants for technical engineering design and project implementation support and for *PJM* updating. As far as physical implementation in the field is concerned, there is still significant experience to be gained in the actual integration of physical works. Some local governments have unified all technical sectors under the management of one Project Implementation Unit (PIU), but in other cases (such as the city of Bandar Lampung), several sectoral PIUs coexist. A lot of on-the-job training is required to strengthen the PIUs in their implementation tasks.

In the case of the ADB and IBRD sponsored IUIDP programme packages, there are different implementation guidelines in place (until 1993). After pressure from the IBRD, comprehensive and detailed IUIDP Implementation Guidelines were issued for East Java-Bali (1991) and for Sulawesi-Irian Jaya (1992). They still need to be fully disseminated and explained to provincial and local government agencies in order to clarify their roles and obligations. In the case of the ADB sponsored IUIDP programme packages, less detailed guidelines were issued in 1989 which proved to be not altogether helpful in their application. Hence, the IUIDP Management Group (IMG), assisted by the IUIDP Implementation Support Project (IISP), intends to issue guidelines more similar to the IBRD guidelines for the Central Java-D.I. Yogyakarta ADB project (starting implementation in 1993).

Experiences in the 'field' point to many weaknesses within central government. Central government, including its many agencies involved in guideline formulation and the monitoring of the IUIDP, is still seen as being too occupied with itself and its interministerial squabbles. The guidance received at local level is seen as inconsistent, and inconsistency is not only found between the concerned ministries but also between directorates of one and the same ministry. Technical support is thus not felt to be helpful enough to handle and settle many implementation-related problems.

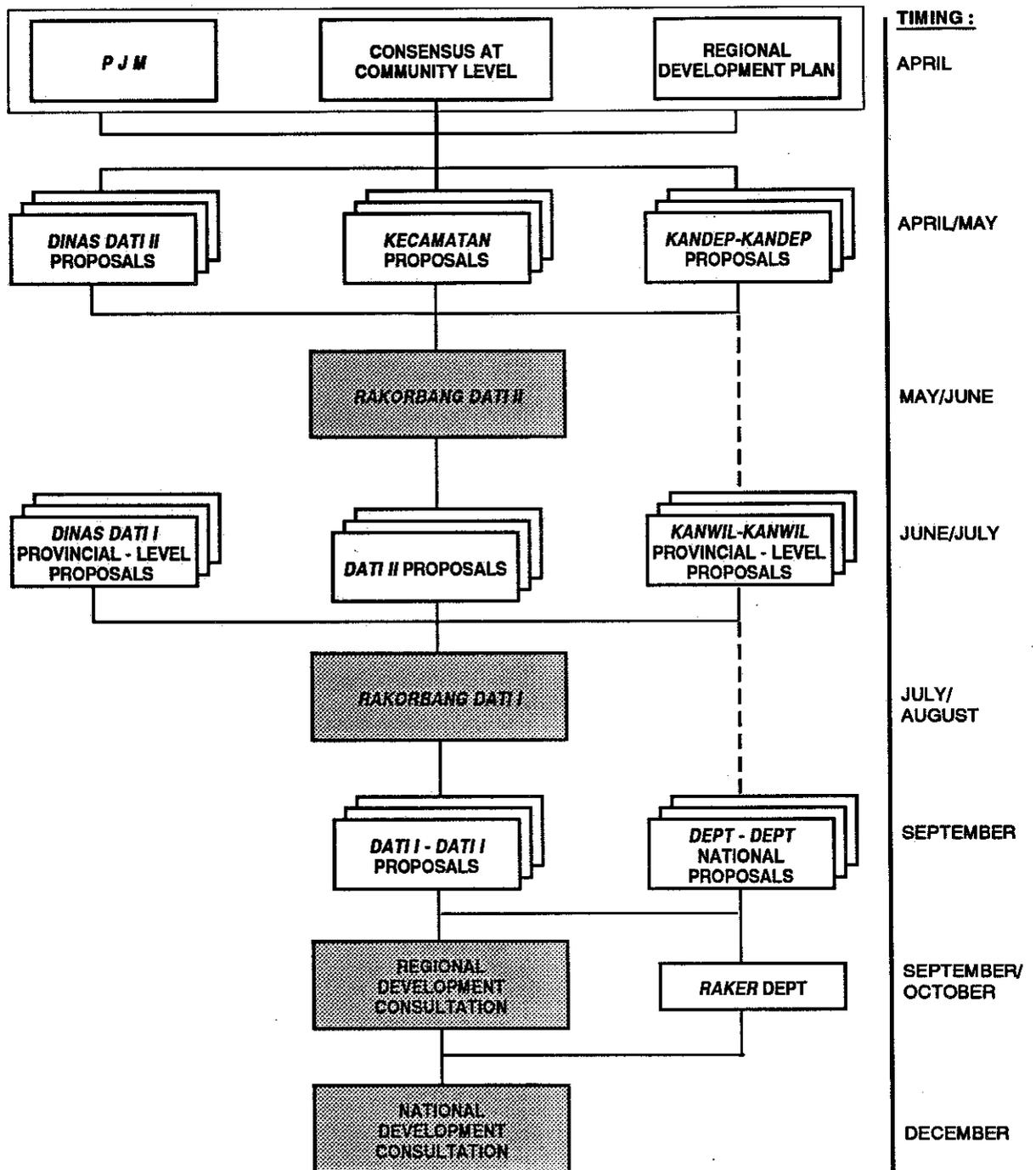
For many local governments (as well as provincial governments), it appears, however, that their IUIDP programmes are in fact running more or less under their own management, while important decisions about the financing policy for these programmes and the loan-related decisions are too strongly centralized within central government.

As the degree of integration between the various government levels is the main bench mark for the future success of the IUIDP, there is reason to doubt whether central government is ready for IUIDP as a programme in support of decentralization. Some local governments would even go a step further in their

self-assessment by claiming that their own readiness for IUIDP is far higher than that of central government (Sorayah 1992, p.8).

Figure 5

**THE PROPOSED, REVISED RAKORBANG PROCESS :
INTEGRATION OF IUIDP PLANNING AND COMMUNITY PARTICIPATION**



Legend :

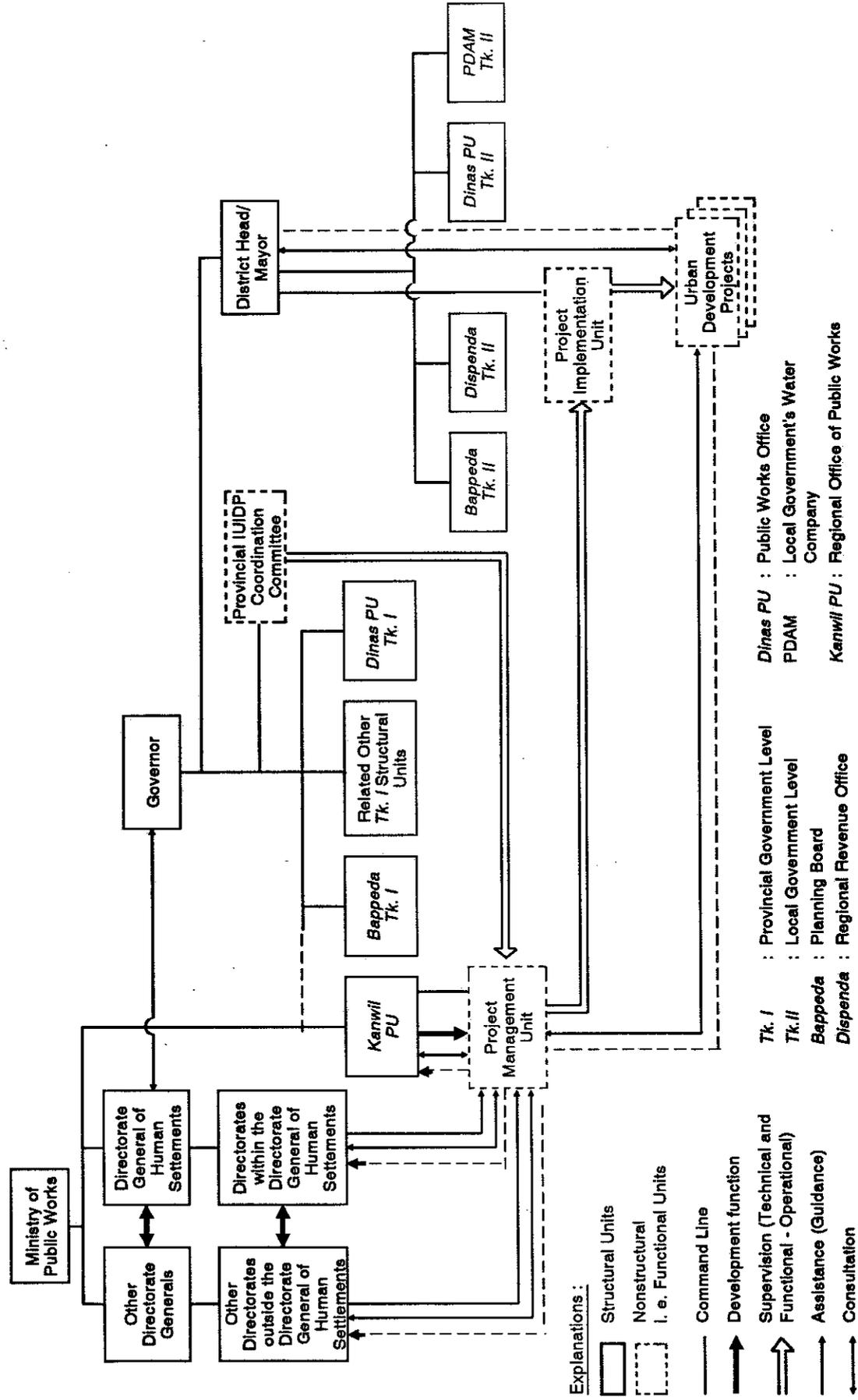
- PJM* = Multi-year IUIDP Investment Programme
- DATI II* = Tk. II = Local Government
- DATI I* = Tk. I = Provincial Government
- Dinas* = Agency
- KANDEP* = Local level office of a ministry

- KANWIL* = Regional level office of a ministry
- RAKORBANG* = Development Consultation Meeting
- Dept* = Ministry/ministerial
- Kecamatan* = Sub-District

(based on : UNDP Project INS/88/021)

Figure 6

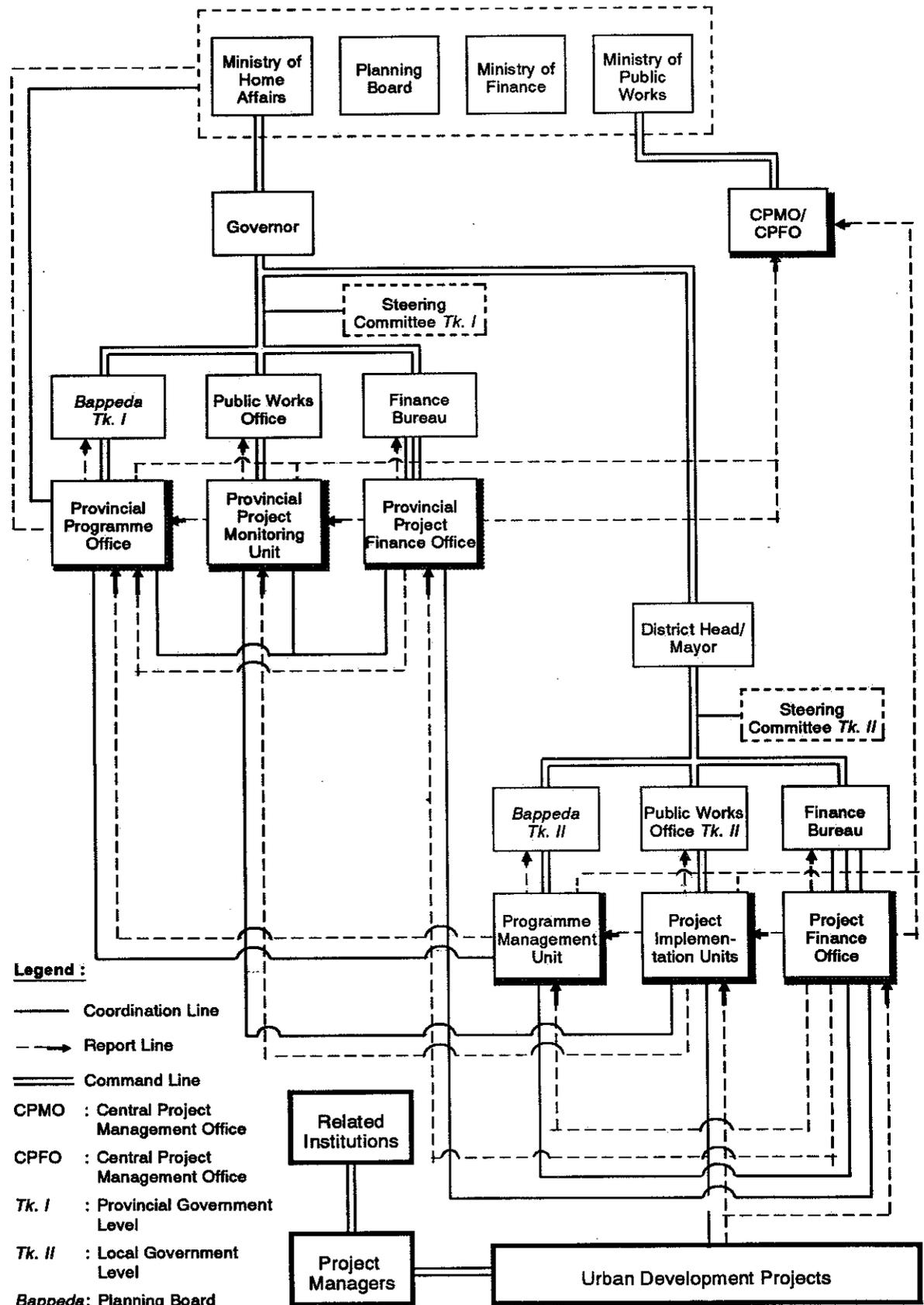
THE DECONCENTRATION MODEL FOR IUIDP IMPLEMENTATION



Source : Soegijoko et al, 1992.

Figure 7

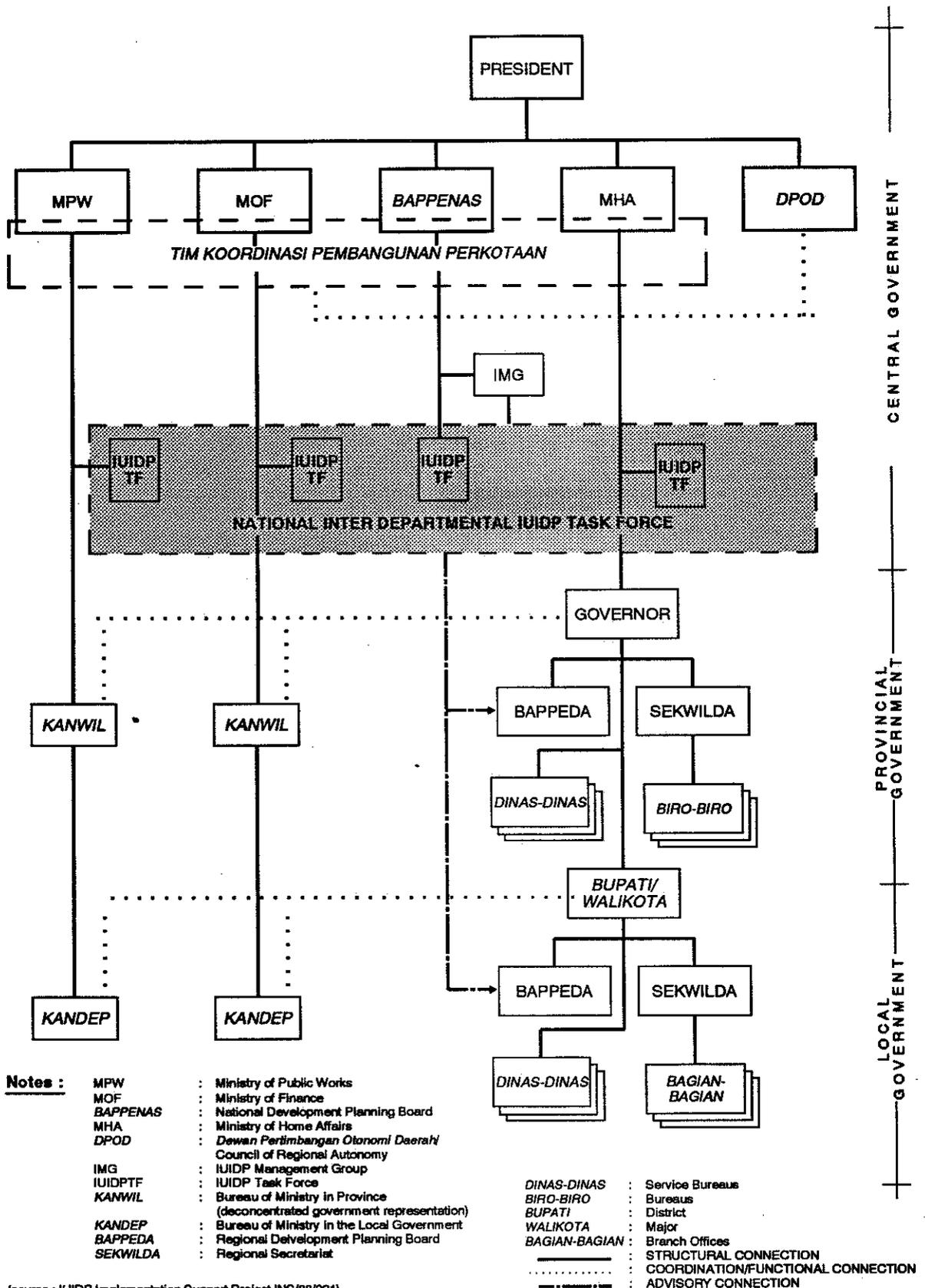
THE DECENTRALIZATION MODEL FOR UIDP IMPLEMENTATION



Source : Soegijoko et al, 1992.

Figure 8

THE INSTITUTIONAL SYSTEM OF CENTRAL, PROVINCIAL AND LOCAL GOVERNMENT INSTITUTIONS PARTICIPATING IN IUIDP



(source : IUIDP Implementation Support Project, INS/88/021)

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plan 10

3

The IUIDP - Looking at Past Experiences and Looking Ahead

The achievements of the IUIDP since its inception in 1985 are quite significant. The programme's objective to improve local infrastructure provision combined with an important initiative to generate more decentralization of government functions has become the subject of many reform measures for a more efficient urban management system. There is now a growing awareness of the limitations of sectoral approaches and unrealistic planning without necessary considerations of appropriate design standards and affordability.

The first experiences of the IUIDP have not been without difficulties due to insufficient clarification and communication about the programme's objectives, scope and contents, its limitations, its place in the "bottom-up" planning system, and the relationships between concepts, procedures and planning guidelines. The attempt to apply the IUIDP approach as quickly as possible nationwide imposed heavy loads on the management capacities of all agencies at local, provincial and central levels (and even within external assistance agencies). However, the intended development and standardization of guidelines and manuals for IUIDP programme formulation, appraisal, implementation and operation and maintenance have been delayed for years in a lengthy process to find interministerial consensus on their contents. The dissemination and nationwide application of these guidelines are still delayed due to the failure to complete these documents. This has contributed to uncertainties among the provincial and local governments about the operational implications of the IUIDP, but it also illustrates the embryonic state of the IUIDP as a new, comprehensive programme development and management approach.

Attempts to standardize IUIDP packages for nationwide application have to be seen as unrealistic and less responsive to locally felt priorities or capacities, although in central government there may be a strong tendency to lean towards standardization. This can even be seen as a reason for some delays in programme preparation and implementation, or for criticism of the programme from the local level that had expected to "take off" more quickly. Also, there is not much evidence yet that the IUIDP has resulted in a much accelerated provision of integrated infrastructure. On the contrary, there are even indications that the implementation problems of the IUIDP, particularly in the funding arrangements of *PJM* –through foreign loans that are mobilized by central government– have delayed projects. The present expenditure levels for the urban

sector in general and the underspending in the *Cipta Karya* sectors (as mentioned in the introduction) have to be seen as a lack of management capacity rather than as a lack of funds. On the other hand, it is obvious that the IUIDP has made considerable contributions to innovation in the local government finance field. It has started making local governments more aware of the tools of loan financing and of their own obligation to mobilize a larger share of local resources.

The integration of donor or bank sponsored funding with national funding mechanisms has, nevertheless, only caused many managerial and coordination problems and also resulted in programme implementation delays while local matching funds were mobilized. The constraints lay in the time lag between the Indonesian budgeting (*Rakorbang*) procedure and the rather unpredictable timing and processing of foreign loan funds. The IUIDP is also still quite "donor-driven", instead of being fully "demand-driven" through the "bottom-up" planning process.

The IUIDP has to date (February 1993) led to about 143 multi-year investment plans (*PJM*) for 313 towns (*Tim Koordinasi P3KT* et al 1993). A large number of these *PJM* have agreed financing plans, while those remaining are about to be negotiated for financing. Other *PJM*s are to be negotiated for international (or bilateral) financial support in the near future. A number of IUIDP packages in West Java and Sumatra (with ADB loan assistance) and in East Java and Bali (with IBRD loan assistance) started physical implementation during 1991 and 1992 respectively. IUIDP Programmes in Sulawesi (with IBRD loan assistance) and in Central Java/Yogyakarta (with ADB loan assistance) are starting in 1993. On a national scale it can be concluded that preparation of *PJM* is now ongoing in all provinces (mostly with donor-assisted Technical Assistance programmes), directed by the IMG (and *TKPP*) and the provincial IUIDP teams. Metropolitan and large city *PJM*, which are by their nature more sophisticated, are expected to need longer preparation periods as compared with the *PJM* of small and medium-sized towns.

The general --fairly ambitious-- objective for the IUIDP by the end of *Repelita V* (March 1994) is to develop it into an institutionalized routine activity at all government levels. By the end of *Repelita V*, all local governments should have reached the final stages of programme preparation and readiness to implement IUIDP programmes. It is expected that before the end of *Repelita V* in 1994, the IUIDP will have embarked on the implementation phase in the fastgrowing priority urban areas. The importance of the IUIDP programme is indicated by the fact that it encompasses approximately Rp. 8 trillion of the Rp. 9.3 trillion investment estimated for urban infrastructure during *Repelita V*. This includes the IUIDP subsectors of water supply, drainage, flood control, sanitation, solid waste, urban roads, *kampung* improvement and market infrastructure improvement, excluding flood control. Even though the IUIDP is still a limited

concept for urban infrastructure (mostly in the public works, *Cipta Karya* field, but excluding for instance electricity and telecommunication facilities, social and commercial services etc.), it can nevertheless be used as a stepping stone for a more integrated urban development approach.

The recently promoted, new approach of an integrated urban and rural infrastructure programme, known as the Integrated *Kabupaten /Kotamadya* Infrastructure Development Programme (IKIDP) --which is presently being tested in some *Tk.II* in the provinces of West Java and Aceh-- provides an example of the possible further expansion of the IUIDP concept ("IUIDP Plus").⁶ The positive impact is that community participation and public-private partnership programmes are promoted by IKIDP as important vehicles for widening the scope of development initiatives which involve not only *TK II* but also *TK III* (the *camat*) and *TK IV* (the *lurah/kepala desa*) in planning and implementation of infrastructure and housing activities. However, the IKIDP is very ambitious and it remains to be seen whether such a programme with a widened scope can be established at such an early date when the IUIDP "culture", as such, is not yet fully established and institutionalized.

In the medium term, the IUIDP foresees a continued decrease in central government technical assistance for local governments and a shift from 'hardware' assistance (equipment, office buildings, stores and workshops) to the improvement of local government's 'software' (i.e., administrative, technical and financial management skills; new financial management and administrative systems). Decentralization is the cornerstone of the IUIDP approach, transferring basic responsibilities for project planning, programming and implementation supervision to local government. Central government's role will gradually shift to one of giving general guidance and support, acting as a catalyst for development finance, and coordinating interministerial co-operation (between the Ministries of Public Works, Home Affairs, Finance and *BAPPENAS*). Progress made in the field of technical integration has to be matched by institutional and financial integration which is still lagging. Nevertheless, the IUIDP has achieved the goal of ministries involved now recognizing and addressing a large number of infrastructure development and urban management problems, such as the lack of local institutional and managerial capacities and inadequate financial mechanisms, that have so far blocked greater decentralization and local autonomy. The implementation phase of the IUIDP promises to be a most important contribution to the national decentralization process (Soekardi, 1992).

⁶ Due to the discontinuation of Dutch aid to Indonesia in April 1992, the IKIDP approach was severely affected since The Netherlands was its main source of funding. However, with local efforts, both the provinces of West Java and Aceh are trying to maintain the programme's momentum.

With respect to the IUIDP as an innovative approach (Wegelin 1990; Peterson et al 1990; Dimitriou, 1991; Rondinelli 1991), it may be necessary to stress that it will not become fully institutionalized in the near future. Experience has shown that there is often a ten to twenty years time lag between new ideas and their full incorporation into public policy and, after that, into the routine practices of local government (Davey 1989). It is time to turn our attention to how to make large cities function better for the people who are there and for those who are inevitably coming. It is common knowledge that conventional solutions and approaches will not help to make up the deficits in physical and social infrastructure and provide for the stimulation needed for accelerated urban economies.

The IUIDP has already provided an important start in this new direction, while the wider concept of Integrated Urban Development (IUD) will be a challenge for the future. So far, the ministries outside the Ministry of Public Works have not yet responded to this ministry's IUIDP initiative in making their own programmes part of a larger programming and implementation exercise. It does not seem easy to match the Ministry of Public Works development sectors with those 18 programme sectors defined by the Ministry of Home Affairs – which include, among others, electricity, telecommunications, urban transport, social facilities (schools, hospitals etc.), recreation and religious facilities – and to merge these into a joint multi-year investment programme. The above mentioned proposal to fuse the Ministry of Home Affairs' (PUOD) PAFPACK system with the RIAP approach is another case illustrating this point.

On the other hand, the IUIDP process also requires the full commitment of all *Kabupaten* and *Kotamadya* in order to become the catalyst for major institutional changes in the course of decentralization and local capacity building. The dynamism of urban development will largely depend upon the existence of active and well trained urban managers. The IUIDP may take considerable time to become effective as a mechanism for incremental transfer of powers and improved responsibilities. Increased pressure from local governments may be a good indicator that technocratic and managerial skills are being developed at local levels and that the time is appropriate for more decentralization. It should also be stressed that decentralization may in the beginning be rather costly and not yet cost-effective; the actual yields of decentralization may only become visible in the medium or long term. This underlines the well-known fact that decentralization is and can not be a "quick fix" (Rondinelli et al, 1983, p. 69). At present (in 1993) there are very positive prospects for the evolution of a new central-local government relationship which, it is hoped, will establish more firmly the basis for a more efficient and equitable local government.

A critical development issue is, and will remain to be, the successful involvement of the private sector, non-governmental organizations (NGOs) and communities in urban development through public-private partnership projects or through people's direct participation. The nature of the IUIDP provides an excellent opportunity for increased public-private partnership and community participation, but these will require proper stimulation. The multiyear planning process of "bottom up" planning, with its many, fairly complicated steps, needs to be opened up for more participation by the above mentioned formal and non-formal private sector groups. They will need strong encouragement and guidance by urban managers in order not to become disorientated in the workings of the planning machinery. On the other hand, it appears that the ambitious development goals of Indonesia's urban development strategy and innovative programmes such as the IUIDP can only achieve their intended strength and impact if an effective partnership among the public, private and community sectors is built up. This as a whole encompasses the new agenda for Indonesia's urban managers.

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Annexes

Annex 1: Secondary Cities per Capita Expenditure by Region

Annex 2: Secondary Cities per Capita Expenditure by Region

SECONDARY CITIES PER CAPITA EXPENDITURE BY REGION
(Based on 45 urban areas. PJM population and current prices)

ANNEX 1

Rp. ('000)

Components	Funding sources																							
	All cities (45)						Java (7)						Sumatera (27)						East Indonesia (11)					
	Central	Local		Percent of Total	Total	Central	Local	Dati I	Dati II	Total	Percent of Total	Central	Local	Dati I	Dati II	Total	Percent of Total	Central	Local	Dati I	Dati II	Total	Percent of Total	
		Dati I	Dati II																					
Water Supply	8.4	0.4	28.3	37.1	36.5	0.1	0.4	20.5	21.0	31.9	4.2	0.2	10.6	15.0	21.4	18.9	0.5	52.7	72.1	43.8				
(percent O&M)	(0.1)	(0.3)	(30.8)	(23.8)		(-)	(5.5)	(44.0)	(43.6)		(0.1)	(-)	(4.9)	(3.7)		(2.3)	(3.6)	(34.2)	(25.6)					
Drainage	6.1	2.6	5.3	14.0	13.8	4.4	0.8	3.0	8.2	12.5	7.7	1.8	5.6	15.1	21.5	4.2	5.1	7.5	16.8	10.2				
(percent O&M)	(25.6)	(36.4)	(32.7)	(30.2)		(49.2)	(34.1)	(56.1)	(48.6)		(22.9)	(27.3)	(21.1)	(22.8)		(22.7)	(50.3)	(31.4)	(31.2)					
Human Waste	2.1	0.7	3.1	5.9	5.8	1.6	0.9	1.9	4.4	6.7	0.5	0.1	1.6	2.2	3.1	4.3	1.2	5.9	11.4	6.9				
(percent O&M)	(1.1)	(7.5)	(9.0)	(6.1)		(-)	(1.2)	(45.7)	(22.3)		(13.6)	(41.1)	(2.8)	(6.0)		(-)	(4.8)	(3.7)	(2.6)					
Solid waste	1.5	1.6	5.0	8.1	8.0	0.7	0.9	4.5	6.1	9.2	1.1	0.3	2.4	3.8	5.4	2.8	3.5	9.5	15.8	9.6				
(percent O&M)	(24.2)	(45.3)	(48.5)	(43.3)		(-)	(4.2)	(71.4)	(53.1)		(11.4)	(4.8)	(4.7)	(6.2)		(36.5)	(66.0)	(51.8)	(50.8)					
Urban Roads	5.7	4.8	17.4	27.9	27.4	4.1	3.6	14.4	22.1	33.5	4.5	1.0	16.1	21.6	30.8	8.7	10.0	22.7	41.4	25.1				
(percent O&M)	(23.1)	(48.8)	(31.8)	(32.9)		(46.6)	(-)	(49.2)	(40.4)		(36.8)	(22.3)	(34.1)	(34.2)		(8.2)	(63.7)	(24.3)	(30.5)					
KIP, MIIP, etc	3.9	1.5	3.2	8.6	8.5	0.9	1.7	1.5	4.1	6.2	6.3	1.9	4.3	12.5	17.8	3.4	1.1	2.8	7.3	4.4				
(percent O&M)	(11.4)	(12.1)	(7.0)	(9.9)		(-)	(-)	(-)	(-)		(7.5)	(6.0)	(2.9)	(5.7)		(20.7)	(37.1)	(12.6)	(20.1)					
Total Rp. ('000)	27.7	11.6	62.3	101.6	100.0	11.8	8.3	45.8	65.9	100.0	24.3	5.3	40.6	70.2	100.0	42.3	21.4	101.1	164.8	100.0				
(percent O&M)	(13.7)	(36.7)	(30.4)	(26.5)		(34.4)	(2.9)	(47.6)	(39.6)		(17.0)	(16.7)	(18.4)	(17.9)		(9.2)	(53.4)	(31.1)	(28.3)					
Percent of Total	27.3	11.4	61.3	100.0		17.9	12.6	69.5	100.0		34.6	7.6	57.8	100.0		25.7	13.0	16.3	100.0					

a) Per capita expenditure of urban areas within various regions as a factor of "all cities" per capita expenditure
 b) Including Bali (3), Sulawesi (2), Irian Jaya (3), NTB (10), NTT (1), Kalimantan (1)
 Source : Urban Policy Advisory Team : PJM Analysis for Secondary Cities, Jakarta September 1990

SECONDARY CITIES PER CAPITA EXPENDITURE BY REGION
(Based on 45 urban areas. PJM population and current prices)

ANNEX 2

Rp. ('000)

Components	Funding sources																			
	All cities (45)					Low growth cities (13) < 13% p.a					Average growth cities (13) < 3-% p.a					High growth cities (16) > 5% p.a				
	Central	Local		Total	Percent of Total	Central	Local		Total	Percent of Total	Central	Local		Total	Percent of Total	Central	Local		Total	Percent of Total
	Dati I	Dati II				Dati I	Dati II				Dati I	Dati II				Dati I	Dati II			
Water Supply	8.4	0.4	28.3	37.1	36.5	4.9	15.7	20.6	22.6	6.2	0.7	30.7	37.6	37.0	12.5	0.1	32.4	45.0	39.2	
(percent O&M)	(0.1)	(0.3)	(30.8)	(23.8)		(12.6)	(-)	(27.8)		(2.8)	(2.0)	(16.5)	(14.0)		(-)	(20.9)	(45.0)	(32.5)		
Drainage	6.1	2.6	5.3	14.0	13.8	10.9	3.4	11.2	28.0	5.8	2.5	3.8	12.1	11.9	5.5	3.0	5.9	14.4	12.5	
(percent O&M)	(25.6)	(36.4)	(32.7)	(30.2)		(12.0)	(41.4)	(18.2)		(22.2)	(63.9)	(47.4)	(38.7)		(36.5)	(18.7)	(27.2)	(28.9)		
Human Waste	2.1	0.7	3.1	5.9	5.8	0.2	0.1	1.4	1.9	1.5	0.8	4.8	7.1	7.0	3.6	0.8	2.1	6.5	5.6	
(percent O&M)	(1.1)	(7.5)	(9.0)	(6.1)		(24.4)	(-)	(8.8)		(1.6)	(5.4)	(2.7)	(2.8)		(1.0)	(10.3)	(26.6)	(10.5)		
Solid waste	1.5	1.6	5.0	8.1	8.0	1.5	0.3	5.4	7.9	1.5	2.5	3.7	7.7	7.6	1.9	1.0	7.4	10.3	9.0	
(percent O&M)	(24.2)	(45.3)	(48.5)	(43.3)		(28.6)	(-)	(28.5)		(52.1)	(41.3)	(38.9)	(42.2)		(2.5)	(58.7)	(57.2)	(47.4)		
Urban Roads	5.7	4.8	17.4	27.9	27.4	2.7	2.5	23.9	31.9	3.2	6.3	17.5	27.0	26.5	10.5	4.1	16.2	30.8	26.8	
(percent O&M)	(23.1)	(48.8)	(31.8)	(32.9)		(15.7)	(33.9)	(26.2)		(26.1)	(74.0)	(30.9)	(40.3)		(22.2)	(8.9)	(35.5)	(27.4)		
KIP, MIP, etc	3.9	1.5	3.2	8.6	8.5	3.5	2.0	1.5	7.7	4.5	1.8	3.9	10.2	10.0	3.7	1.1	3.1	7.9	6.9	
(percent O&M)	(11.4)	(12.1)	(7.0)	(9.9)		(0.4)	(-)	(1.3)		(15.1)	(13.6)	(6.2)	(11.4)		(9.3)	(17.8)	(8.8)	(10.3)		
Total Rp. ('000)	27.7	11.6	62.3	101.6	100.0	23.7	8.3	91.1	100.0	22.7	14.6	64.4	101.7	100.0	37.7	10.1	67.1	114.9	100.0	
(percent O&M)	(13.7)	(36.7)	(30.4)	(26.5)		(11.9)	(29.2)	(22.3)		(16.7)	(51.6)	(21.9)	(25.0)		(12.6)	(17.9)	(40.3)	(29.2)		
Percent of Total	27.3	11.4	61.3	100.0		26.0	9.1	64.9	100.0	22.3	14.4	63.3	100.0		62.8	8.8	58.4	100.0		
Expenditure indicators	1.0	1.0	1.0	1.0		0.86	0.72	0.95	0.90	0.82	1.26	1.03	1.00		1.36	0.87	1.08	1.13		

a) Per capita expenditure of urban areas within various regions as a factor of 'all cities' per capita expenditure

Glossary of Terms and Abbreviations Used

ADB	Asian Development Bank
AMDAL	<i>Analisis Mengenai Dampak Lingkungan</i> = Environmental Impact Analysis
APBD I/II	<i>Anggaran Pendapatan dan Belanja Daerah</i> = provincial or local government expenditure budget
Bappedal	<i>Badan Pengkajian Analisis Dampak Lingkungan</i> = Board for the Study of Environmental Impacts
BAPPENAS	<i>Badan Perencanaan Pembangunan Nasional</i> = National Development Planning Board
Bappeda	<i>Badan Perencanaan Pembangunan Daerah</i> = Regional Development Planning Agency
BKPMMD	<i>Badan Koordinasi Penanaman Modal Daerah</i> = Regional Investment Coordination Board
BOO	Build-Operate-Own
BOT	Build-Operate-Transfer
<i>camat</i>	head of a sub-district (= <i>kecamatan</i>)
<i>Cipta Karya</i>	Directorate General of Human Settlements, Ministry of Public Works
CBO	community-based organization
DIP	<i>Daftar Induk Proyek</i> =

list of approved development projects

GLD	Guided Land Development
IPOMMS	Integrated Performance Oriented Operation and Maintenance System
IDAP	IUIDP Development Assessment Plan
IKIDP	Integrated <i>Kabupaten/Kotamadya</i> Infrastructure Development Programme
IMG	IUIDP Management Group
<i>Inpres</i>	<i>Instruksi Presiden</i> = central government subsidy funds for development activities at provincial or local government levels
<i>Inpres Perkotaan</i>	central government subsidy funds for urban development
IISP	IUIDP Implementation Support Project
IUDP	Integrated Urban Development Programme
IUIDP	Integrated Urban Infrastructure Development Programme
<i>kabupaten</i>	district
<i>kampung</i>	village; traditional urban residential area
<i>kepala desa</i>	village head, on same position as <i>lurah</i> in urban area
KIP	<i>Kampung</i> Improvement Programme
<i>kotamadya</i>	large municipality
LIDAP	Local Institutional Development Action Plan
LIS	Land Information Systems

<i>lurah</i>	head of an urban village (= <i>kelurahan</i>)
MAPATDA	<i>Manual Pendapatan Daerah</i> = Manual for Regional/Local Revenues
MIIIP	Market Infrastructure Improvement Programme
MVROM	Ministry of Housing, Spatial Planning and Environment, The Netherlands
NGO	non-governmental organization
NUDS	National Urban Development Strategy
O&M	operation and maintenance
PAD	<i>Pendapatan Asli Daerah</i> = local revenues
PAFPACK	Programming and Financial Planning, Analysis, Control and Coordination
PFAMS	Programme Finance Accounting and Management System
PFO	Project Finance Office
PMO	Project Management Office
PMU	Project Management Unit
PIU	Project Implementation Unit
PBB	<i>Pajak Bumi dan Bangunan</i> = Land and Property Tax
PJM	<i>Program Jangka Menengah</i> = multi-year IUIDP investment plan
POMMS	Performance Oriented Operation and Maintenance Management System

PMDU	Provincial Monitoring and Development Units (for the supervision of local government water enterprises)
P5D	<i>Pedoman Penyusunan, Perencanaan & Pengendalian Pembangunan di Daerah</i> = Guideline for the Formulation, Planning and Control of Regional Development
PUOD	<i>(Direktorat Jenderal) Pemerintahan Umum dan Otonomi Daerah</i> = (Directorate General of) Public Administration and Regional Autonomy, Ministry of Home Affairs
PURSE	Privatization of Urban Services
<i>Rakorbang</i>	annual development consultation and budgeting process
RDA	Regional Development Account
<i>Repelita</i>	Five Year Plan
RIAP	Revenue Improvement Action Plan
RUTRK	General City Plan
RUTRP	General Regional Plan
RDTRK	Detailed Urban Plan
SLA	Sub-loan Agreements
<i>swadaya</i>	mutual aid
TA	Technical Assistance
TK I	provincial government level ("level one")
TK II	local government level ("level two")
TK III	sub-district, <i>kecamatan</i>

TK IV	(urban) village, <i>kelurahan / desa</i>
TKPP	<i>Tim Koordinasi Pembangunan Perkotaan</i> = Urban Development Coordination Team
UP2L P3KT	<i>Unit Pengembangan Program Latihan Program Pembangunan Prasarana Kota Terpadu</i> = IUIDP Training Development Unit
UNCHS	United Nations Centre for Human Settlements
UNDP	United Nations Development Programme

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