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**AN INQUIRY OF INDONESIA
CENTRAL AND SUB-NATIONAL
GOVERNMENT COOPERATION ON
NATIONAL EXPENDITURE PROGRAM**

Riatu M. Qibthiyyah

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Institute for Economic and Social Research
Faculty of Economics and Business
Universitas Indonesia (LPEM-FEB UI)

Salemba Raya 4, Salemba UI Campus Jakarta, Indonesia 10430
Phone : +62-21-3143177
Fax : +62-21-31934310
Email : lpem@lpem-feui.org
Web : www.lpem.org

An Inquiry of Indonesia Central and Sub-national Government Cooperation on National Expenditure Program*

Riatu Mariatul Qibthiyah^{1,★}

Abstract

Indonesia decentralization policy is an expenditure type of decentralization. It has evolved from setting functional assignments to coordination of expenditure programs across level of governments. This study will compare type of cooperation that has taken place in three sectors of expenditure programs: (1) environmental - carbon emission mitigation programs, (2) infrastructure programs, and (3) social assistance program. We investigate challenges and opportunities of central government support that can still be salience for the sub-national and local governments involvement on those expenditure programs.

JEL Classification: H5, H10

Keywords

expenditure decentralization — functional assignment — government cooperation

¹ *Institute for Economic and Social Research, Faculty of Economics and Business, Universitas Indonesia*

★ **Corresponding author:** Jl. Salemba Raya No. 4, Jakarta, 10430, Indonesia. Email: riatu.mariatul@ui.ac.id.

1. Introduction

This study revisit on how the coordination on national program across level of government work within decentralization policies adopted in Indonesia. Decentralization policies may influence sectoral approach related to national program. Lower level of governments programs may support or align with central government program. Interchangeably, central government program can be a mix to lower level governments expenditure program.

The national program can be viewed as multi-level government and multi-sectoral program. It refers to government expenditures program that produce benefits and or costs beyond people and or area of the local or provincial administrative unit. These programs create externality referring that the benefits may spillover not limited to a certain administrative unit of lower level government. Thus, it may justify coordination – and to some extent on – administration across level of government. The program needs to capture institutional setting reflecting how intergovernmental relationship in these sectors have evolved. It is done by aligning these multi-level government programs with the existing policies of decentralization.

In this paper, we identify type of cooperation that has taken place in three sectors of expenditure programs: (1) environmental – carbon emission mitigation programs, (2) infrastructure programs, and (3) social assistance program. This study will investigate challenges and opportunities of central government support the sub-national and local governments involvement on those national programs.

2. Overview on Functional Arrangement and Multi-Level Government Expenditures

2.1 Reassignment of Government Functions

The Government formally defined functional assignments in 1999 starting a set of major reform on intergovernmental relation. Law 22 1999 has amended previous regulation – Law 5 1974 – that viewed both provinces and local governments only as intermediary of central government. The functions across level of governments has changed in frequent as shown in Figure 1. Figure 1 presents characteristic and amendments on Law of Functional Assignment (FA), which also to an extent reflects Indonesia intergovernmental relationship.

<p>Law 5 1974</p> <p>There is no explicit division of function (FA) across level of government. Province and Local Government function as intermediary unit (of administration).</p>	<p>Law 22 1999</p> <p>FA put limitation on CG functions, and major devolution to Local Governments</p>
<p>Law 32 2004</p> <p>FA to allow for CG program supported by provincial and or local government (establishment of Decentralized / Assistance Fund)</p>	<p>Law 23 2014</p> <p>FA to allow for cooperation across level governments and to business.</p>

Figure 1. Law on Functional Assignment across Level of Government

Prior to 2001, lower level of governments is not an autonomous administrative unit, as it functions as intermediaries of central governments in delivering government

*The draft (material) is presented in LKYSPP National University of Singapore (NUS), workshop on Asia Decentralization, October 25 2018.

services. Province will support central government in coordinating local governments, while local governments including lowest administrative unit – villages deliver services as directed by central government. Law 22 1999 on functional assignment across level of government emphasize limitation of central government functions, a major shift from a centralized government. Law 22 1999 stated set of 11 mandatory functions assigned to local government and leave it to local government on optional functions.¹ The devolution of functions from central government to lower level governments ran smoothly as local governments exercising larger functions assigned to them. There is a gradual shift of central government civil servants located in the region to province and or local governments given most government services are decentralized. This policy marked by a relatively smooth transition despite major changes in institutions at provincial and local government level (Green, 2005; Nasution, 2017). Nonetheless, over the years there is also a concern that decentralization has weakly reduced central government function as well as shaping an effective administration of lower level governments (Guess, 2005; Lele, 2012).

Law 32 2004 abolished an open list approach on functions at lower level of governments. The Law stated lower level government functions on a relatively broad range of functions. There is a list of functions assigned to province as well as local governments. However, the law has not stated clearly division on each function especially between province and local government. A government regulation, Government Regulation 38 2007, further listed coverage of activities in each function assigned to each level of government. Furthermore, a defined norms, standard, and procedures on each function have been slow and progress is varied across functions (Mahi, 2010). During this period, central government can get provincial and or local governments assisting functions assigned to central government. The provincial and or local government support for central government national program funded by either Deconcentrated Fund (*Dana Dekonsentrasi*) and/or Assistance Fund (*Tugas Pembantuan*).

The latest policy changes on functional assignments, attributed by Law 23 2014, shift some functions of local governments to provincial government. In addition to this re-assignment of functions, Law 23 2014 also emphasize on shared functions that can be conducted by central government in coordination of provincial and or local governments, and vice versa. The coordination may become an alternative to re-assignments however Law 23 2014 seem to experiment on both approaches.

Based on Law 23 2014, the 24 mandatory functions to both province and local government consist mandatory functions on basic deliveries (6 functions) and non-basic deliveries (18 functions). In addition, 8 optional functions are assigned to both province and local governments. In comparison to previous functional assignments, more functions assigned to lower level governments, as in Law 32 2008, there are 16 mandatory functions to provinces and local gov-

ernments. List of provinces and local governments functions tend to proliferate, which may reflect of less clear division between province and local government function. As shown in Table 1, previous regulation –referring to Law 22 1999 on functional assignments, has objective of applying different (exclusive) functions for each level of government, while subsequent Laws on functional assignments, as in Law 32 2004 and Law 23 2014 has moved to shared functions across level of governments.

Table 1 shows characteristics of functional assignments across level of government, as amended. Similar to previous Law (Law 32 2004), the coverage functions FA stated in Law 23 2014 are not clearly defined despite of having included previous government regulation in recent Law referring to Law 23 2014. The majority of functions are shared functions especially between province and local governments. In this case, the coverage on each function across level of government is stated in annex of Law 23 2014. Functional assignments stated in Law 23 2014 still put large aspect of technical policies designed by central government agencies rather than province and or local government. Therefore, even as number of functions assigned to provinces and local governments have increased, discretions or decision-making authority of province and or local government are still limited. Ferrazzi (2015) view that lack of clarity on functional assignments can be influenced by a relatively non-transparent process of designing and having category of those functions in the first place. In this case, Dafflon (2016) view that functional assignments policy is a political decision and may depend on historical assignments across level of governments.

2.2 Government Spending by Functions

The budget item as regulated by Ministry of Finance Decree (PMK 127 2015) classify functions as follows: (1) general administrative, (2) defense, (3) order and safety, (4) economy, (5) environmental protection, (6) housing and public facilities, (7) health, (8) tourism, (9) religion, (10) education, and (11) social protection. This category of budget classification, which consisted of 11 functions, does not reflect development of functions assigned across level of governments. However, despite a relatively extensive number for each level of government mandatory and optional functions, budget realization data are available to public in terms those 11 spending categories. From this accessible public data on budget realization, there is limitation on reviewing performance and effectiveness of functional assignment. A lack of alignment across budget item (category) and functional assignment have been acknowledged and there is an effort to link up to program and or initiative on budget item, and piloting has taken place on climate change mitigation program by implementing what is called as budget tagging (Ministry of Finance, 2017).

Figure 2 shows composition of government spending by functions. Description or sub-categories that defines programs or activities can be classified in each functional spending. To note, religion and defense are absolute functions of central government.² From Figure 2, other than exclusive

¹In subsequent regulation, Government Regulation 25 2000, issued of what is called as Minimum Standard of Services (MSS) as a tool of measuring performance of governments in its respective 11 mandatory functions Adrison et al. (2012).

²On orders and safety although in terms of administration and agency assigned of this function is central government, and thus naturally this function is exclusive function of central government, province and local

Table 1. Type of Functional Assignments

Law 5 1974	Law 22 1999	Law 32 2004	Law 23 2014
Functional Assignment (FA) are not regulated. The functions (stated in the regulation) only refer to central government functions.	CG functions: foreign affairs, defense, order and safety, monetary and policies, justice, and religion.	CG functions: foreign affairs, defense, order and safety, monetary and policies, justice, and religion. There are criteria to determine which level of government will conduct the specified functions (that are not stated in the Law). CG may also coordinate with province and local government to deliver its functions.	CG functions: foreign affairs, defense, order and safety, monetary and policies, justice, and religion. There is no limitation of CG on conducting functions, and it may also coordinate with province and local government.
Ps & LGs are intermediary. The regulation stipulated source of revenues for lower level government.	Ps & LGs functions: 11 mandatory functions for LGs. There is an open list of province and local government optional functions.	Ps & LGs functions: 16 mandatory functions, and others are optional functions. Mandatory and optional functions can be added by Government Regulation.	Ps & LGs functions: 24 mandatory functions, and 8 optional functions. There are 6 mandatory functions of basic services, and 18 mandatory functions of non-basic services.

Note: List of mandatory and optional functions in Annex (Table 1A)

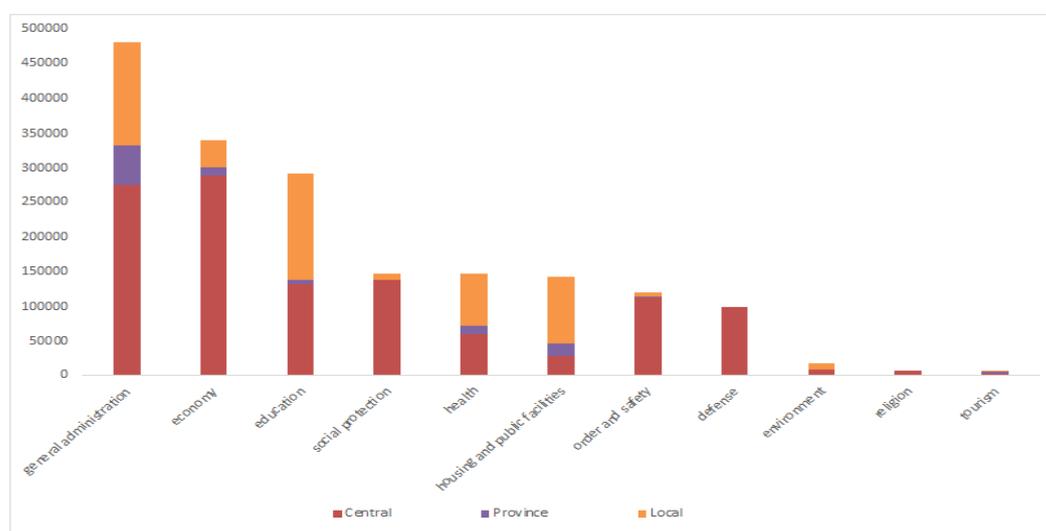


Figure 2. Government Spending by Functions (Billion IDR, 2016)

Source: Compiled from Ministry of Finance

functions reserved for central government, dominant lower level government spending related to deliveries of public services. Government spending of local governments are high on general administration, education, housing and public facilities, and health. These functions are mandatory functions on basic services as stated in Law 23 2014. A continued central government support especially on basic services mandatory functions is in the form conditional transfers (DAK – Specific Allocation Fund). On non-basic service deliveries mandatory functions and on optional functions, central government support is generally through technical ministries (or other government agencies) spending as part of program implementation.

The aggregate provincial spending as shown in Figure 2 is not dominant on all functions of expenditures. Low level of provincial spending implies the provinces role is more as central government intermediary, coordinating local government programs, and or engaging in capacity building, as

government has also been mandated to be responsible as well on orders and safety as stated in Government Regulation 37 2008, which later also included in Law 23 2014.

well as evaluating and monitoring local governments programs. From Figure 2, provincial spending is moderate for the following functions: general administration, housing and public facilities, health, and economy. Government spending on economy refers to spending item of optional function on sectors such as agriculture, energy and natural resources, transportation, and industry. Oswald et al. (2016) pointed one of Law 23 2014 objectives is to expand province role through re-assignment of several local government functions to province.

From Figure 2, central government spending seems to align to lower level government expenditure programs on mandatory functions of lower level governments, but less likely to lower level government optional functions. From Figure 2, most of central government spending is on economy function which mostly subsidy or intervention to specific sectors, that generally are optional functions on all level of government. While public service deliveries are mostly conducted by lower level government in line with functional assignment, there is a concern that dominant central government spending may indirectly weaken priority

to provision of service deliveries. In the context of national program, even in the case that national program is driven by central government, there is a need of a strong and effective involvement of lower level government (Shah, 1998).

Government spending on specific national program are frequently across these functional spending or reflected in sub-category of functional spending. For example, social assistance spending is part of spending on social protection. As shown in previous Figure 2, spending on social protection program is dominated by central government. The province and or local government optional functions as in the case of social assistance programs create risks of lacking budget commitment. However, on environmental spending, the role of local governments and provinces as overall is still higher than central government spending. A similar trend occurs on part of government infrastructure spending. Government spending on housing and public facilities is part of spending on infrastructure. This infrastructure spending – the spending on housing and public facilities is still dominated by local governments, despite an increase trend of central government overall infrastructure spending – classified mostly in economy function. In this case of national program on climate change mitigation, part of spending is reflected partly from government environmental spending and some spending item on economy function.

3. National Programs: Government Spending on Environment, Infrastructure, and Social Assistance

3.1 Environmental Program: Coordination across Level of Government

One of environmental related major program that strongly need provinces and local governments involvement is national program on mitigating carbon emission. Indonesia has committed reducing GHG emission up to 29% by 2030, and to 41% if there is external funding support. The national commitment of carbon emission mitigation is stated as part of national planning on carbon emission mitigation. From Government Regulation 61 2011, Indonesia has committed carbon emission reduction by 25% in 2020 from a BAU (Business as Usual) baseline, which then have been updated to a 29% carbon emission reduction from BAU by 2030.

The carbon (CO₂) mitigation program is a national program, led and coordinated by central planning agency (Bappenas) in regard to central government program from the Ministry of Environment and Forestry, and related technical ministries which are: Ministry of Energy and Mineral Resource, Ministry of Transport, Ministry of Industry, Ministry of Public Works, and Ministry of Agriculture. Therefore, carbon emission mitigation program funded by government is a multi-sectoral program as it covers expenditure programs on five sectors, which are environment, transportation, forestry, energy and natural resources, and industry.

The climate change mitigation program is an example, in which for either central government or its lower level government - provinces and local governments, the expenditure programs ranged from mandatory to optional functions. Government spending on environment is only one of the five sectors indicated to be strategic for mitigating carbon

emission. Environmental and transportation are mandatory function of non-basic services for either provinces and or local governments. Meanwhile, provinces and local governments functions on forestry, energy and natural resources, and industry are classified as optional functions. Therefore, there may be a concern that central government, provinces, and or local governments may forgo to deliver programs related to these functions despite that these programs are national priority.

Carbon emission mitigation national program to an extent may influence government commitment on environmental spending. As shown in Figure 3, there is an increase growth of central government, and to some extent local government environmental spending.

The carbon emission mitigation expenditure program has been driven by central government, and to an extent – it has involved lower level governments, referring to the provincial level. The effectiveness coordination at the level of province is vary depending on how the internal coordination within the province as well as the engagement and type of coordination between province and local governments in that respective province. On internal coordination within each province, the effectiveness may depend on the role of planning agency at the region and its relation to other technical units as it is technical unit that have discretion on budget item and program execution.

The carbon emission mitigation program is considered as national program as stated in Presidential Decree 61 2011. The planning document at the national level may still be inadequate, as it does not necessarily link between programs designed by technical ministry and plan of programs at the regional. The programs due to the approach taken, seem as not yet bind lower level governments. The necessary coordination between provinces and local governments on the programs require each party open for engagement have resources and commitment to make it work.

The coordination has taken place, and in stages – work to improve coordination between province and local governments. Figure 3 shows that, in aggregate, provincial government function more as intermediaries, as most of related activities may need to be conducted at local level. Historically, spending on environment, has an increase trend for the case of local government. At lower level of government, it is local government that is more dominant. The roadmap of carbon emission mitigation program has been discussed, and it is mostly voluntary and does not put emphasize on the incentive scheme and or the issue of provinces that does not participate in the program.

The programs to reduce carbon emission may not be quite clear in terms of finding an effective program. Despite application in other countries, approach and type of programs are likely to be different as characteristics are quite vary. This context also applies in assessing the effectiveness of carbon emission reduction program. Reduction of carbon emission need to focus on provinces that are considered to be large emitter, and in the case of Indonesia – it refers to mostly resources-rich provinces.

Indonesia has started to develop stock-taking of carbon emission mitigation program, given the enactment of Presidential Decree 61 2011 and Presidential Decree 71 2011. Both of these regulations regulate planning, measurement,

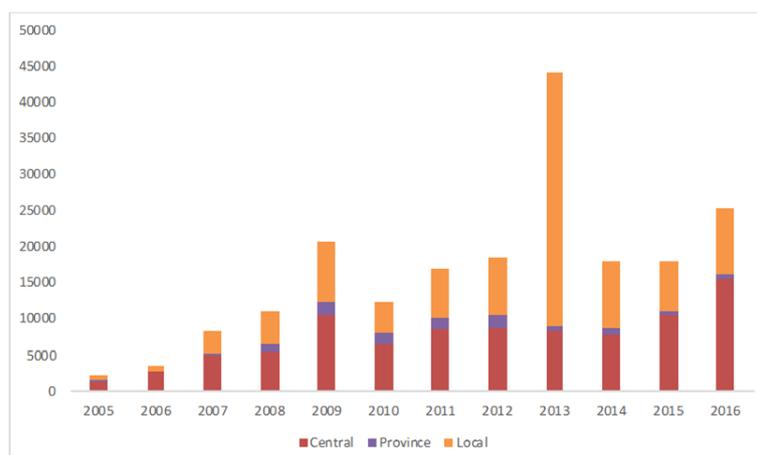


Figure 3. Government Spending on Environment (in IDR Billion): 2005–2016

Source: Compiled from Ministry of Finance

and monitoring of carbon emission program. The stock-taking of carbon emission is not only for government-driven activities but also on private activities. Given characteristics of carbon emission reduction data that are self-reported, assessment on the effectiveness of the program may fall flat as unit of data especially at the regional level, is quite complex. The stock-taking and reporting activities is non-uniform across provinces creating complexity in identifying and aggregating spending program at provincial and national level (LPEM, 2017).

On the case of Indonesia, climate change mitigation program which relies on coordination at provincial level may not be adequate. Given that most of programs related to carbon mitigation need a strong involvement of local governments, provincial government commitment on budget allocation is likely ineffective without support of local governments. As local governments spending on environment are on par to central government, there are potentials of scaling-up effort at lower level government through involvement of local governments. The coordination with the provincial level would need to be supported by local governments as well. From Figure 4, planned provincial government spending is low while central government support seems to concentrate in few provinces limiting programs that can be implemented. Local governments spending is the last mile that may expand carbon emission mitigation program initiatives.

3.2 Infrastructure Program: Initiative on Intergovernmental Transfers

Central governments spending on infrastructures also covers intergovernmental transfers allocated to lower level governments. Figure 5 and Figure 6 shows an increase trend of infrastructure spending and how to some extent it also translates to high increase in intergovernmental transfers. As the spending also consist of intergovernmental transfers related to infrastructure, it will then channel to local and provincial government spending. Figure 6 shows intergovernmental transfers allocated to infrastructure which consist of conditional grant DAK (*Dana Alokasi Khusus*), village fund, and other transfers. DAK is a sectoral-based conditional transfer allocated to provinces and local governments. There is high increase in DAK allocation since 2015, in line with central

government infrastructure spending priority. The DAK allocation has increased more than double from previous year. This trend of high DAK allocation continued in 2016.³

The other intergovernmental transfers that are directed as part of infrastructure spending are village fund. The villages received village fund as lumpsum. The village fund come from central government budget. Provinces and local governments also contributed to the fund as mandated by Village Law No. 6 2014. The village fund is grant targeted to village community level, which consist of transfers that are allocated by central government, called as *Dana Desa* (DD). The central government will allocate the fund to local governments that will further distribute to villages. There are conditionalities on spending item or program that can be funded by this transfer – *Dana Desa*. Infrastructure spending are one of spending item that can be funded by *Dana Desa*. There is also other transfer, *Alokasi Dana Desa* (ADD), referring to transfer to village community (Figure 6). In addition to village fund, provinces and local governments allocated at least 10% DAU (*Dana Alokasi Umum*) to villages for operating costs including salary head of village (officials) for managing village communities.

Intergovernmental transfers have increased due to central government infrastructure program. A large increase in DAK mostly on infrastructure related program. DAK (*Dana Alokasi Khusus*) has adopted a proposal-based approach as part of the scheme. As DAK does not have a pre-determined pool fund, to some extent, information from proposed DAK activities have become benchmark of activities that will be conducted by either provinces and or local governments. Most infrastructures funded by DAK is on road infrastructure and sanitation facilities, referring to capital improvement grant (DAK).⁴

³DAK is a top-down formula-based allocation, however starting 2016, the scheme is changed into a proposal-based allocation.

⁴To note, based on type of activities that can be funded, there are two types of DAK: DAK capital grant known as DAK fisik covers grant allocation to small infrastructure and or maintenance of public facilities, and DAK operating grant known as DAK non-fisik is a grant to fund operating cost of public service facilities as in the case of School Aid Fund (BOS – *Bantuan Operasional Sekolah*) and operating grant for health facilities (BOK – *Bantuan Operasional Kesehatan*).

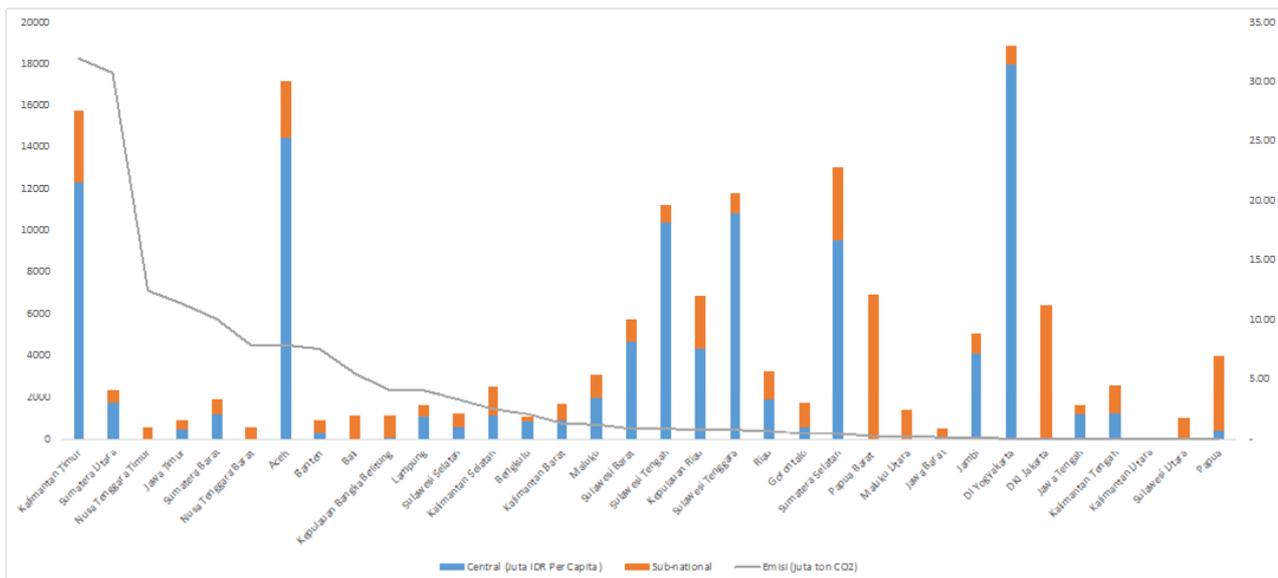


Figure 4. Per Capita Emission (planned) Reduction and Sub-national Spending: 2005–2015
Source: Ministry of Finance & Bappenas

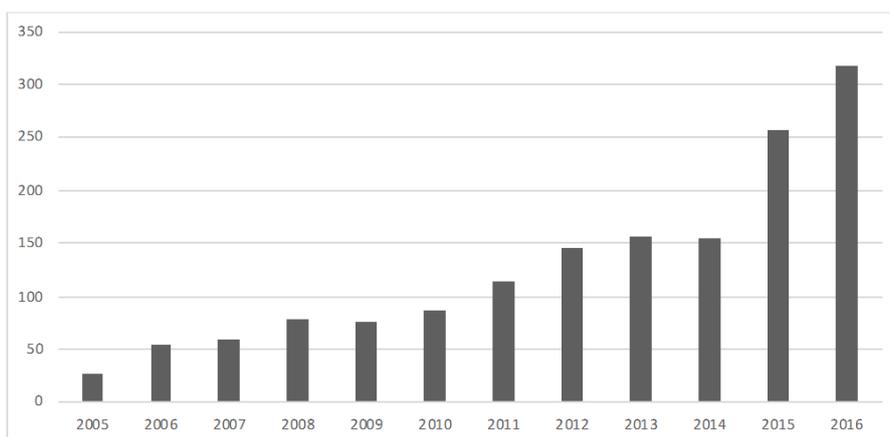


Figure 5. Central Government Spending on Infrastructure (in Trillion IDR): 2005–2016
Source: Compiled from Ministry of Finance

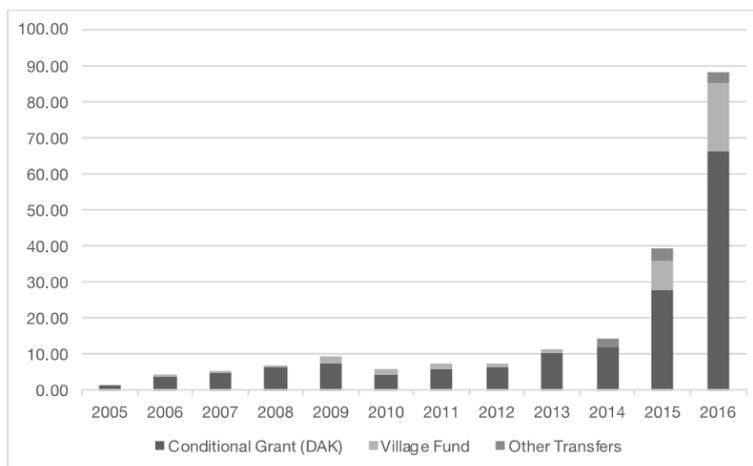


Figure 6. Intergovernmental Transfers on Infrastructure (in Trillion IDR): 2005–2016
Source: Compiled from Ministry of Finance

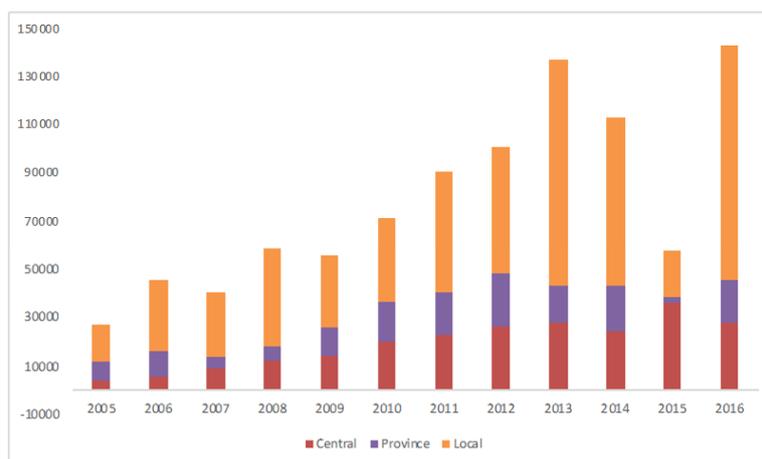


Figure 7. Housing and Public Facilities Spending across Level of Government (Billion IDR): 2005–2016

Source: Compiled from Ministry of Finance

Intergovernmental transfers channels to lower level government spending. On lower level government functional spending, as shown in Figure 7, an increase in related infrastructure spending has even started in 2013. This government spending refers to spending on housing and public facilities which also includes road and sanitation infrastructure. From Figure 7, an increase in infrastructure spending is mostly dominated by local governments spending. During this high spending period, there is an anomaly of a relatively high share central government spending in 2014. The scheme of funding directly from central government for example through technical ministries budget may not be sustainable given the related functions are mostly mandated to lower level government. On housing and public facilities, function covers program delivered by local governments. Thus, even for programs directly funded by central government, it is likely delivered or assisted by lower level governments. Direct central government spending for infrastructure related projects is limited in its effectiveness on these small infrastructures. A large decrease of central government spending in 2015 may reflect a shift in scheme of funding. The intergovernmental transfers allocation related to infrastructure spending priority mostly catered by local governments. As noted earlier, this spending generally associates with road infrastructure and sanitation facilities.⁵

Central government infrastructure spending as well as provinces and local government spending that are funded from intergovernmental transfers generally applicable for one-year cycle of budget. To some extent, limitation on period of execution brought some issues, as it is not a natural cycle of some of these infrastructure projects. High share of local government spending on housing and public facilities, may be mostly due to an increase in intergovernmental transfers especially on capital grant – DAK. Given the characteristic of the project that are funded by DAK, and dominant spending of local governments on housing and public facilities, type of infrastructure that are funded are small infrastructures. The role of local governments on provision of small infrastructures would then may and may not have aligned to large infrastructures planned and conducted by central government.

⁵Other type of infrastructure spending as in the case of infrastructure

3.3 Social Assistance and Role of Province and Local Government

At national level, government spending on social assistance, in a broad term, is a part of poverty alleviation program. It consisted of programs that are catered through various technical ministries spending. Government program on social assistance, does not refer to national social insurance spending, which already a mandated spending program. Social assistance government spending is mostly in the form of aid to targeted beneficiaries of poor households. This social assistance program is a central government program. Involvement of province and or local government is generally on administration rather than on the design of the program.

Social assistance program is perceived best provided by central government given it is a distributive program that may be inefficient if it is directly provided by lower level of government. A sustainability of the program required a stable revenues sources, the condition that may not be existed for a large part of provinces and local governments. In the context of Indonesia, there is limitation of lower level government resources to deliver effective social assistance programs. Most provinces and local governments rely on central government social assistance programs. The social assistance national program targets poor individuals frequently proxy to household unit.⁶ The central government design, implement, and monitor the programs bypassing provinces and local governments. There is a limited engagement of lower level of governments to the system of social assistance programs that are driven by central government.⁷

Figure 8 shows high share of central government spending on social assistance is observed in 2013 onward. There is an ad-hoc national program, a temporary cash transfer in 2013 and 2014, reallocation of gasoline subsidy reduction. Central government expenditures allocation has been excep-

on electricity or infrastructure on irrigation, port, are not covered in this category of function.

⁶There is an attempt to shift to family as target unit of social assistance program, however, that is unlikely to be realized unless there is good database to support it (Qibthiyah and Utomo, 2016).

⁷There are periods in which provinces and local governments pool fund in the form of *Dana Daerah Urusan Bersama* (DDUB), on related poverty alleviation programs, matched by central government transfer. However, it is more of a-small size ad-hoc transfers.

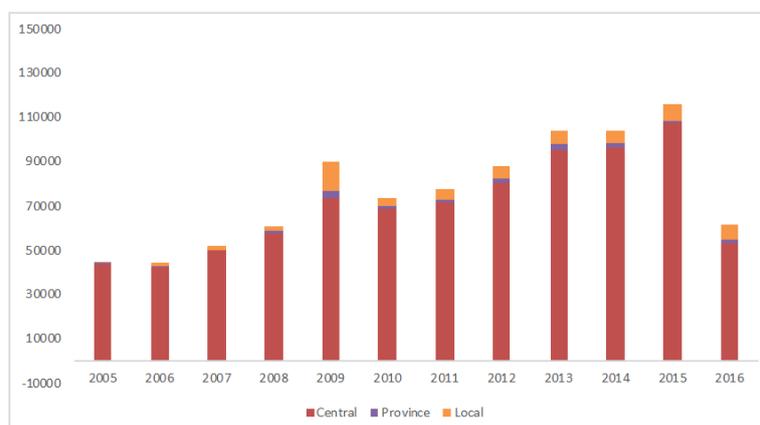


Figure 8. Social Assistance Spending across Level of Government (Billion IDR): 2005-2016

Source: Compiled from Ministry of Finance, Central Bank of Indonesia

tionally high in 2013–2016 as national programs expanded to include conditional cash transfers to households⁸, and community-level program, other than rice-subsidy program. Given a perceived view that these national programs are mainly central government programs – the implementation hampered as not all provinces and or local government provide support and thus partly funded the programs (UNDP 2013). Difficulties in capturing sub-national expenditures may due to limited province and or local government discretion on social assistance national programs. The share of provinces and local governments social assistance spending, proxied by a broad spending item – social protection, in aggregate, is high in 2009, and the reverse in other periods (Figure 8).⁹

4. The Decentralized System: The Challenges and Opportunities in the Three Sectors

The national programs related to – environmental protection, infrastructures, and social assistances are multi-sectoral programs and perceived partly as optional functions to both provinces and local governments depending on coverage of the sectors. From the three types national programs, there is likely to be an issue of how central government may adopt the program, and whether coordination of programs in these sectors with lower level governments are needed and effectively existed. National programs need to be viewed in context of multi-level expenditure program if to some extent there are differences in demand on size or level of provision, a characteristic on supply side that required coordination or having provided by different level of government, as well as context of pooling resources. Low coordination on national programs, between central government and its lower level of government may be due to a relatively diverse activities

⁸The program is previously known as PKH (*Program Keluarga Harapan*) which later on transform or become reference of beneficiaries for *Program Simpanan Keluarga Sejahtera*, *Program Indonesia Pintar*, and *Program Indonesia Sehat*. —it Program Indonesia Sehat with the issuance of *Kartu Indonesia Sehat* interchangeably referred as beneficiaries of Health BPJS PBI (*Penerima Bantuan Iuran*).

⁹A surge on social assistance spending of local governments in 2009 is likely to be in the form social grant allocated to organization and or directly to community, referring to spending item *bansos – bantuan sosial*. These programs are generally provinces and or local government programs.

and limited knowledge on what actually needed and worked at local level, this is the case on small infrastructures provision by lower level government, and to a degree the case on multi-sector carbon mitigation programs, or the reverse as in the case social assistance program.

From Table 2, on infrastructure programs, provincial and local governments involvement limited to improvement of existing infrastructure facilities. Despite a relatively high central government spending on housing and public facilities, as shown in previous section, there is an increase in intergovernmental transfers following the trend of increased public spending on infrastructures. The intergovernmental transfers surge on infrastructure related program that is conducted either by provinces and or local governments characterized high share of small infrastructures in complement to large infrastructures that are directly managed by central government. An approach of separating infrastructure projects based on functions aligned to each level of government may simplify completion of the programs.

On environmental programs, as public spending size on environmental programs are not historically large, a national program on carbon mitigation basically relies only on each level of government commitment, especially between central and provincial governments. There is not yet a link between provincial commitment on carbon mitigation and public spending especially at the local level. However, even in the case of non-involvement of local governments on carbon mitigation planning, public spending on environment at lower level of government is dominated by local government spending. In contrast to infrastructure programs, there are no direct intergovernmental transfers to either provinces and or local governments related to environmental programs especially in supporting carbon mitigation activities at local level. From Table 2, national program on climate change mitigation mainly based on voluntary approach by each level of government. General commitment come from the issuance of planning document on climate change mitigation programs.

Meanwhile, in the case of social assistance program, it is a central government programs that have focused on better improved the design and targeted beneficiaries. The downside of central government dominant role on social assistance programs, that it may resulted to lack of ownership

Table 2. National Programs – Coordination Characteristics

Description	Environmental Program	Infrastructure Program	Social Assistance
Characteristic of cooperation	Planning driven, separated activities conducted by CG and province. LG is considered as part of province level planning.	Ps and LGs provided small infrastructures. In some part of (large) infrastructure project, P and or LG involved in land clearance, and or on the maintenance of the facilities.	Ps and or LGs provided and funded administrative support.
CG unit (coordination)	Central Government Planning Agency.	Ministry of Finance, Technical Ministries, and other national entities.	Social Ministry, and other Technical Ministries.
Unit in the Province and or Local Government	Planning agency at provincial level. It has not involve local governments.	Provinces and Local Governments.	Local governments, and to a to a degree – directly between CG and services providers.
% of CG, P, and LG Spending	54:7:39 ¹	80:20 ²	92:2:7 ¹
Existing IGTs	No	Yes – some type of small infrastructure - embedded in DAK and Village Fund	Yes – for some period of time

Note: (1) Average share of spending across level of government 2005–2016

(2) intergovernmental transfers from overall infrastructure spending 2015-2016. On housing and public facilities spending, share of spending across level of government 2005-2016 is 25:16:59 for central, province, and local government spending respectively.

and thus small commitment of provinces and or local governments spending size on the programs. Lack of ownership may also come from a relatively limited policies on those national programs that can be managed by either provinces and or local governments. Nonetheless, current social assistance national programs have much improved through the use of technology to ensure accountability and better disbursement of the subsidy.

In sum, Table 3 describes challenges of these three national programs, and opportunities on coordination involving: pooling fund across level of government, complementary of the program across level of governments, and to a lesser extent linking revenues and expenditures for sustainability of the programs.

5. Conclusion

Expenditure decentralization characterized Indonesia decentralization policies. Several re-assignments of functions across level of governments are still an open debate in its effectiveness. The functional assignment stated in Law 22 1999 has been amended by Law 32 2004 and recently amended by Law 23 2014. Despite higher number of assignments, the effectiveness of delivering services by lower level of government may depend whether provinces and or local governments have adequate discretions and thus able to exercise decision-making authority on those functions. From spending composition 2005–2016, we distinguish government priorities and role of each level of governments especially between central government and its lower level government. Provinces and or local governments expenditures allocation on each function may also signal functional assignment across these two lower-level of government.

From assessment of vertical – across level of government expenditures, in a decentralizing model of government, central government programs are still dominant and may influence provinces and local governments expenditures programs. Despite that Indonesia has adopted wide

decentralization policies, the country has a long history of a relatively strong central government – especially at its executive branch. Thus, it is likely that provincial and local governments' spending and programs are influenced or aligned – mandated or naturally – with national programs, proposed by central government.

This study has shown of at least a different approach of central government coordination in the three initiatives: environmental – climate change mitigation related program, infrastructure, and social assistance programs. These expenditure programs are not purely viewed as mandatory functions of sub-national – provinces and local governments. The influence and role of central government is different across these three types of national programs.

On those three programs, interactions are not limited to size of spending between the central level and sub-national – provinces and local governments. An understanding of an interactions on government sectoral spending, is an early step to identify of what may and may not work from specific national programs. To some extent, whether coordination is the right approach is still an open question. In this case, further studies are needed to investigate the likely response across level of government on spending.

For last five years, stronger effort on infrastructure projects is part of government-led spending. Local governments and to a lesser extent provincial government has conducted initiative on small infrastructures mostly funded from conditional transfers. This lower government small infrastructure initiative should be in complement to large infrastructures managed by central government. In the same time, Government has maintained its commitment on environmental and social assistance. On environmental program, although local governments have not involved in coordination of climate change mitigation program, high local governments spending, in relative to other level of governments, implies of potential scale-up and or better improved of the program by strengthening coordination of local governments. The last one, in regard to social assistance programs, there is only

Table 3. National Programs – Challenges and Opportunities

Description	Challenges		(Possible) Opportunities
	Program – Multi Sectors	Multi Level Government	
Environmental Programs	Central and province planning is menu-list approach. The respective plan has not yet translate to budget commitment.	Lacking LGs involvement in coordination. Donor's support limited to certain region. There is no CG (funding) support to lower level government.	Pooling fund across level of government. Strengthening Ps and LGs –planning simultaneously. Provision of capacity building.
Infrastructure Programs	Activity (project) level and not yet a program-based. There is no integrated (multi-sectoral) planning. Regulations are still evolving.	The fund to lower level government is mainly come from CG. Complementarity between small (provision by Ps and LGs) and large infrastructures.	Regulatory framework on infrastructure has taken place, that have (potential to) involve Ps and LGs coordination. Provision of facilities with a clear connections between revenue source and expenditures.
Social Assistance	Implemented as programs across ministries. Use of technology to ensure accountability. Unclear sustainability of the program.	Current system lack of clear involvement of Ps and LGs.	An adoption of 'top-up' funding approach by Ps and LGs, and plausibly some non-uniformity on social protection program. Exercising use of technology for multi-level government coordination.

a small size of provinces and local government spending, which may be a consequence of putting these lower level governments in a back seat.

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Appendix

Table A1. Mandatory and Optional Functions of Provinces and Local Governments

Law 22 1999	Law 32 2004	Law 23 2014
(Exclusive) central government functions: 1 foreign affairs 2 national defense 3 security 4 justice 5 monetary and fiscal 6 religion	Province and Local Government Mandatory Functions 1 development planning 2 spatial management 3 orders and safety 4 public works 5 health 6 education 7 social affairs 8 labor 9 cooperatives and small-medium enterprises 10 environmental protection 11 land administration 12 population and civil administration 13 general administration 14 investment 15 other basic deliveries 16 other mandates stated by government regulation	Province and Local Government Mandatory Functions, as follows: Basic - Services Mandatory Functions: 1 education 2 health 3 public works and spatial management 4 housing and residential area 5 safety and protection 6 social affairs
Local government mandatory functions: 1 public works 2 health 3 education and culture 4 agriculture 5 transportation 6 industry and trade 7 investment 8 environment 9 land management 10 cooperatives 11 labor	Note: on mandatory functions - Government Regulation 38 2007 adds housing, youth and sports, national integration and domestic politics, food security, family planning, women, and child protection as mandatory functions. Optional Functions as stated in Government Regulation No. 38 2007 1 Maritime and Fishery 2 Agriculture 3 Forestry 4 Energy and mineral resources 5 Culture and Tourism 6 Industry 8 Transmigration	Non Basic - Services Mandatory Functions: 1 labor 2 women empowerment and child protection 3 food security 4 land 5 environment 6 civil administration 7 community and village development 8 population control and family planning 9 transportation 10 communication and information 11 cooperatives and small medium enterprises 12 investment 13 youth and sports 14 statistic 15 cryptography (<i>persandian</i>) 16 culture 17 library 18 fillings catalogue (<i>arsip</i>) Optional Functions 1 maritime and fishery 2 tourism 3 agriculture 4 forestry 5 energy and mineral resources 6 trade 7 industry 8 transmigration

Source: Law 23 2014, Law 32 2004, Law 22 1999, and as updated from Lele (2012) and Adrison et al. (2012)

Gedung LPEM FEB UI

Jl. Salemba Raya No. 4, Jakarta 10430

Phone : +62-21 3143177 ext. 621/623;

Fax : +62-21 3907235/31934310

Web : <http://www.lpem.org/category/publikasi/workingppers/>

