MANAGING WASTEWATER IN DECENTRALIZED INDONESIA: COULD LOCAL DEMOCRACY IMPROVE PUBLIC SERVICE?

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ABSTRACT

This article seeks the construal of sounds local democracy and public service improvements in Indonesian decentralization context by bringing the example of wastewater management in Bandung Municipality. Data collected through series of interviews with respected individuals involved in wastewater service, particularly those who directly engage in water and sanitation projects funded by local and external funding sources. Despite the positive view on decentralization could create a more powerful local government in overseeing local development for more effective public service delivery. It also could be tested by the fragile administrative system and the immature local democracy. In the case of wastewater service in Bandung Municipality, for example, the respected institution called PDAM Tirtawening (Bandung Municipality Water Supply Agency) shows less efficient use of fund compared to the same project funded by the AusAID (Australian AID) as one of Indonesian development partners. Sound governance and administrative reform should be employed to achieve better public service performance.

Keywords: local democracy, decentralized Indonesia, Bandung Municipality, wastewater management, governance reform

INTRODUCTION

More than ten years of the introduction of new Indonesian decentralization laws No. 22/1999 and 25/2009, the transition towards a more democratic country remains challenging. Many argue that the “big bang” process of decentralization could contributes to the problematic implementation of the laws which led to two signficants revisions of the decentralization laws (in 2004 and in 2008) (Erb, Priyambudi, & Faucher, 2005, p. 21; Widianingsih, 2006;
Widianingsih & Morrell, 2007; Widianingsih, 2015). Apart from continuous debates on the the Post-Suharto decentralization laws, to some extent the laws give more power to local government in managing more effective and deliberative local development.

Decentralization tends to explore the process of local democratization and improve community participation. Though the dynamic of Indonesian decentralization was also highly influenced by International Donor agendas on good governance (Widianingsih 2006; Widianingsih & Morrell 2007; Widianingsih 2015; Widianingsih, McLaren, & McIntyre-Mills 2017). In terms of water management in Indonesia, many International donors has been actively involved through various program interventions across different local governments.

Moreover, as stated by Zhang, Zhu & Hou (2016), Smoke (2015) and Lewis (2016), the positive aims of decentralization highlights the improvement of public service delivery for society. Decentralization encourages local governments to be more flexible in managing their regions for more qualified public service delivery. In Indonesian context, some studies revealed that instead of making faster improvement of public services, reverse impact occurred in local public service deliveries. This could be related to the readiness of changing local government system, limited participation of society, and limitless of political intervention.

As this paper focuses on discusses the challenges of wastewater governance of Bandung Municipality in the Post-Suharto Indonesia. Research conducted by (Horn, 2016) stated that more that 70% out of 422 PDAMs in Indonesia underperform due to lack of capacity, less professional management, and local political dynamics. Furthermore, the World Bank Water and Sanitation Program (WSP) evaluation report in 2015 found that in the last two decades, there are a gradual increase of water services in rural and urban areas. This partly related to “a well-functioning service delivery pathway” with a stronger policy and institutional frameworks. However, the evaluation report also revealed the unsupported financial system often hinder the successful implementation of the program (World Bank Water and Sanitation Program, 2015).

In the case of wastewater governance in Bandung Municipality Water Utility Service (Perusahaan Daerah Air Minum, PDAM), the Post-Suharto Indonesia decentralization often challenged by the fragile administrative system and inefficient resources uses and allocations. According to local regulation no. 15/2009, the PDAM has an authority to manage wastewater affairs in Bandung municipality. By comparing two different funding sources, the
research found different results. In the case of Wastewater infrastructure development, the local funded program performance is less efficient compared the one using external support. It concludes that local autonomy and democracy should be accompanied by governance and administrative reform for better performance.

RESULT

Implementation of decentralization in Indonesia has been the focus of considerable government attention. Hence, law 32/2004 appears to clarify law 22/1999 for local governments. Under law 32/2004, Indonesian government is divided into three levels: central government, provincial government, and municipal/ regency government. Decentralization means both reversing the concentration of administration at a single center and conferring powers of local government (Smith, 1985, p. 1).

This paper defines the local democracy as the implementation of decentralization. Concept of decentralization is about distribution of power and authority from the highest to lowest government level (Smith, 1985, p. 1). Decentralization involves different level of government combining with different functions. One of an example is Indonesia: central government doesn’t give all authorities for local government according to law 32/2004. It proves that every level of government has its functions. Even though a country implements decentralization government, central government still centralized some of authorities.

Implementation of decentralization has given opportunity for local government to provide public service delivery (Lewis, 2015) (Dickovick, 2014). In this paper, PDAM has authority to provide wastewater service in Bandung municipality. PDAM has to manage wastewater affairs from planning to evaluation process. Wastewater management is one of several critical issues in Indonesia. In 2010, central government decentralized a sanitation development program named as Percepatan Pembangunan Sanitasi Permukiman (PPSP) to some big cities in Indonesia like Bandung municipality. It focuses to address some sanitation problems including wastewater management.

In Bandung municipality, citizens and government are concerned about clear water management. Both focus on how to get clean water and avoid water scarcity. However, wastewater needs to be managed, especially because in Bandung area the coverage of centralized wastewater treatment is still limited (Rahmasary, 2017). Hence, local government has to provide an efficient wastewater management project for citizens.

Before PPSP implementation, wastewater service coverage in
Bandung municipality was 29% (Table 1). It means that PDAM hasn’t provided wastewater service successfully. More than 70% of population in Bandung municipality didn’t get wastewater service. By implementing PPSP, the provision of wastewater service has to increase up to 70% in 2015. Table 1 presents that PDAM couldn’t achieve 70% of wastewater service coverage in 2015. Furthermore, according to Indonesian National Medium Term Development Plan 2015-2019, wastewater service coverage has to be increased up to 100% in 2019.

**Table 1**

<table>
<thead>
<tr>
<th>Year</th>
<th>Wastewater Service Coverage</th>
</tr>
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<tbody>
<tr>
<td>2010</td>
<td>29%</td>
</tr>
<tr>
<td>2011</td>
<td>31.8%</td>
</tr>
<tr>
<td>2012</td>
<td>33%</td>
</tr>
<tr>
<td>2013</td>
<td>35%</td>
</tr>
<tr>
<td>2014</td>
<td>36.9%</td>
</tr>
<tr>
<td>2015</td>
<td>38%</td>
</tr>
<tr>
<td>2016</td>
<td>40%</td>
</tr>
</tbody>
</table>

*Source: research finding (2017)*

In 2011, Australian Agency for International Development (AusAID) supported Indonesian sanitation development through *Australia-Indonesia Infrastructure Grants for Sanitation* (sAIIG) program. It provided grants for local government to increase wastewater service coverage. Although it was for local development, central government had some authorities in this program. Directorate General of Cipta Karya and Ministry of Finance were representatives of central government in this program (Figure 1.). It shows how central government tries to shift from rowing to steering government concept. In steering concept, central government is not involved in delivering public service directly (Denhardt & Denhardt, 2007, p. 144). In this case, it was involved in evaluating performance by verifying implementation of project.

Responding sAIIG program, PDAM proposed a development plan proposal for installing wastewater pipes in Bandung municipality. Based on Table 1, PDAM needed more efforts for providing wastewater service in 2010. PDAM offered 1.500 pipes installation for low-income communities and required 7.5 billion rupiahs for installing wastewater pipes. As the acceptance of proposal, PDAM had to install 1.500 wastewater pipes for low-income communities in 2011. The program was running successfully and increasing 2.8% of wastewater service coverage in Bandung municipality. However, the target of wastewater service coverage hadn’t been achieved yet in 2011.
In 2012, PDAM increased wastewater service coverage without any assistance of AusAID. Enhancement of wastewater service coverage from 2011 to 2012 was 1.2% (Table 2). It was because PDAM reduced budget allocation for installing wastewater pipes. In 2011, PDAM allocated 7.5 billion rupiahs for increasing wastewater service coverage up to 2.8%. Then in 2012, PDAM allocated 4 billion rupiahs for increasing wastewater service coverage up to 1.2% (Table 2).

**Table 2**

<table>
<thead>
<tr>
<th>Year</th>
<th>Enhancement Wastewater Service</th>
<th>Budget (billion rupiahs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2011</td>
<td>2.8%</td>
<td>7.5</td>
</tr>
<tr>
<td>2011-2012</td>
<td>1.2%</td>
<td>4</td>
</tr>
<tr>
<td>2012-2013</td>
<td>2%</td>
<td>11</td>
</tr>
<tr>
<td>2013-2014</td>
<td>1.9%</td>
<td>13</td>
</tr>
</tbody>
</table>

*Source: PDAM annual reports (2014)*

Table 2 shows that AusAID wastewater management project is more efficient than local government project. For increasing wastewater coverage up to 1.2%, PDAM should need 3.2 billion rupiahs. Instead of that, PDAM allocated 4 billion rupiahs.
rupiahs in 2011-2012. Inefficiency also happened in 2012-2013 and 2013-2014 project. In 2012-2013, PDAM allocated 11 billion rupiahs for increasing 2% wastewater service (Table 2). Although in 2010-2011, PDAM allocated only 7.5 billion rupiahs to increase 2.8% of wastewater service coverage for AusAID wastewater management project. Emergence of inefficiency project is shown by comparing AusAID wastewater management project and local government project. Through AusAID project, PDAM increased wastewater service coverage efficiently.

This project reveals the failure of decentralization implementation obviously. Implementation of decentralization would lead to greater efficiency in public service delivery (Snyder, Ludi, Cullen, Tucker, Zeleke, & Duncan, 2014). However, it didn’t happen for wastewater service delivery in Bandung municipality. Failure of local government project might be influenced by some factors. Basically, two wastewater management projects are the same. And the difference of those projects is source of funds. Even though, AusAID funded this project in 2010-2011, some of management processes — planning, organizing, and actuating — are implemented by PDAM.

**DISCUSSION**

Implementation of AusAID wastewater management project was according to PDAM development proposal for increasing wastewater service in Bandung municipality. It means that PDAM conducted all of wastewater development plans including budget allocation for this project. Basically, AusAID had two roles as donor and supervisor in this project. Even though AusAID funded wastewater management project, local government still had flexibility for managing this project. Within AusAID project, the flexibility of local government performed in a good performance. But, it showed an inefficiently project within local government project.

The emergence of local government flexibility could not be resisted in decentralization government. Decentralization gives participation opportunities for responding local needs to local government (Grindle, 2007, p. 167). Hence, it might increase the efficiency of government programs. In this case, it leads to an efficient wastewater management program within AusAID projects not local government project. The emergence of AusAID produces a better performance of local government flexibility in this project.

There are some significant differences of these projects. Those are goal setting, controlling, and funding systems. In AusAID project, the goal is very specific — PDAM had to install 1.500 wastewater pipes in 2010-2011. Comparing with local government project, it was
determined for five years – wastewater service coverage has to increase up to 70% in 2015. There was no specific target to be achieved per year. However, an organization needs to set a specific goal because it leads to better performance (Walker & Andrews, 2013). It also makes organization performance assessment clearer.

In local government project, PDAM did not set a specific goal because wastewater management is not a priority to be achieved. According to local regulation 15/2009, PDAM has authorities for wastewater and water management in Bandung municipality. And somehow, water management is PDAM priority. For these several years, PDAM concerns to increase water service delivery. Because of that, budget allocation for water management is much more than wastewater management. PDAM also initiates some programs for increasing water service delivery. And those have specific targets to be achieved.

Decentralization implementation in Indonesia aims to improve public service delivery. So that, Indonesia needs public sector reform. It requires some key points, such as goal setting, success determination and performance measurement (Brinkerhoff & Brinkerhoff, 2015). By setting a specific goal, success determination and performance measurement could be determined easier. A clear performance measurement helps organization to observe some related factors in program implementation (Poister, 2003, p. xvi). Furthermore, organization could identify strength and weakness of program implementation (Wagner III & Hollenbeck, 2010, p. 16). So, organization could prepare to face challenges in future by learning from past experience.

Basically, all of activities in organization will be driven by organization goals. Hence, specific goals might help organization to arrange activities clearly. Furthermore, organization goals should be realistic (Farazmand, 2001, p. 554). Organizational goal is the first step to determine organizational change. Hence, public organization that avoids to set specific goals will not implement good governance successfully.

In AusAID project, the funding system is reimbursement. So that, PDAM had to finish installing wastewater pipes before submission the reimbursement (Figure 1). From this project, PDAM had installed 1.500 wastewater pipes in 2010-2011. PDAM obviously achieved project target successfully. Reimbursement funding system might influence implementation of wastewater management project. Because PDAM only would be paid for wastewater pipes that had been installed. It means that if PDAM installs 1.300 wastewater pipes, then PDAM will be paid only for installing 1.300
wastewater pipes. Furthermore, AusAID project funding system was based on PDAM achievement.

Figure 1 also shows the reimbursement process of AusAID project. Even though, wastewater pipes installed, Directorate General of Cipta Karya would verify it before give recommendation of reimbursement to ministry of finance. In other words, AusAID project has some steps to be trough before the disbursement of funds. Other than that, considering development plan proposal and its implementation was also implemented in AusAID project. Local government was forced to be more accountable within this project. And basically, good governance requires local government accountability to improve public service delivery (Aoki, 2015).

This paper emphasizes some topics in good governance within public administration perspective. Good governance considers some topics such as accountability, transparency, effectiveness, and efficiency (Gisselquist & Resnick, 2014). Accountability of local government would lead to better performance. It is also a focus of donors since the late 1990 (Repucci, 2014). Hence, within AusAID project forced local government to be more accountable. Accountability comes to be a critical issue in government reform that has to be considered. It could be created by implementation of reward and punishment system in public organization (Hong, 2016). Which is based on employee performance.

In local government project, the funding system is very different. AusAID project offered reimbursement system that was based on the achievement. Instead of considering achievement, local government offered to fund the project at the beginning. It is obviously the opposite of AusAID funding system. Instead of funding project after PDAM finished installing wastewater pipes, local government funded project even when the project had not done yet. In this case, it influences local government performance. Since there was no specific goal to be achieved, then local government funded project at the beginning, these made it further from good governance.

Reimbursement system might be the corruption control in a project. So that, negative behaviors from bureaucrats could be handled. Fighting corruption is one of aims of foreign aid (Frot, 2014). Hence, AusAID implemented reimbursement system for wastewater project. Furthermore, donor policies might influence the effectiveness of aid project (Dalgaard, 2008). Even in this case, AusAID project run effectively, PDAM could achieve the target for installing 1.500 wastewater pipes in Bandung municipality. It proves that AusAID policies – reimbursement system and goal setting- led to an effective wastewater project.
Other than that, this paper also proves that reimbursement funding system made wastewater project run efficiently. Efficiency is also an important topic in good governance. The aim of decentralization implementation is making public service delivery more efficient (Saito, 2008, p. 32). Unfortunately, this project revealed that local government project run inefficiently. Table 2 proves that budget allocation of AusAID project is more efficient.

Basically, allocating resources has to be based on results or achievements of projects (Poister, 2003, p. 11). In this case, PDAM has to allocate resources for increasing wastewater service delivery per year, but PDAM does not have a specific target to be achieved per year. Hence, PDAM could not allocate resources clearly. It might be the reason of local government failure for wastewater project. If there is no specific target, it will make allocating resources unclear. Furthermore, it will drive to inefficient project.

Moreover, controlling system was the next difference from wastewater project. Within AusAID project, there was a personal consultant from Indonesia Infrastructure Initiative (IndII) Facility. It had authority to control all of activities during AusAID wastewater project. It ensured AusAID project running effectively. Controlling system is also an important part to create good governance (Mcnabb, 2009, p. 193).

The degree of control might influence all of activities in organization (Osborne & Brown, 2005, p. 84). Hence, within AusAID project, controlling system came to be critical topic.

Control of institution is needed to avoid corruption probability in project. Controlling model within AusAID project was effective. At least for wastewater project, it helped project to run efficiently. Even though, it also showed an immature bureaucrat of local government. Without any assistance of personal consultant during the project, efficiency and effectiveness of wastewater project might not be created. Immature bureaucrat is one of several reasons for decentralization failure in Indonesia. In public service delivery reform, immature bureaucrat is a challenge that could not be avoided. And controlling system might help organization to face that challenge.

In contrast for local government project, there was no personal consultant. The controlling system was authority of local legislature (DPRD) Bandung. It is typical of government organization to be controlled by legislative (Mcnabb, 2009, p. 94). All of PDAM activities including budget allocation are according to DPRD regulation. Hence, PDAM needs DPRD approval for water and wastewater development plan in Bandung municipality. For local government project, PDAM has flexibility to
manage wastewater and water development plan in Bandung municipality. However, the final decision is still involving DPRD decision.

Controlling model for local government project is making annual reports to DPRD. In this case, that model did not drive to effective and efficient project successfully. Models of AusAID project and local government project are literally different. As mentioned before, the funding system AusAID project was reimbursement system. It could be one of controlling model that had been chosen by AusAID to control a project. Within AusAID project, controlling system was bigger than annual reports. It also involved central government (Directorate General of Cipta Karya) in case of verifying the project. It might force local government to be more accountable and transparent.

Implementing decentralization means that central government gives flexibility for local government to deliver public service. But this paper shows that decentralization implementation still needs control of central government especially for emergence of immature bureaucrats case. Flexibility is given for making public service delivery efficiently. But for this case, flexibility did not work as well as the expectation. This paper reveals that instead of making project more efficient, flexibility drove to inefficient wastewater project. Even though, Indonesia implements decentralization government, central government control of local government activities is still needed.

Controlling system will determine a transparency of local government (Lindert & Verkoren, 2010, p. 21). Which is needed to provide good governance (Hadiz, 2010, pp. 17-18). Aim of decentralization implementation in Indonesia is driving to greater accountability and transparency of local government. In this case, creating those things require a supportive controlling system. Controlling system aims to monitor and make correction of project activities (Wagner III & Hollenbeck, 2010, p. 16). Comparing AusAID project with local government project shows that there is an immature bureaucrat in Bandung municipality because of the fragile administrative. Hence, choosing best controlling system is needed.

CONCLUSION ANDRECOMMENDATION

Basically, the aim of all government activities is improving public service delivery and creating good governance. This paper reveals that creating good governance in local government might face some challenges such as immature bureaucrats because of the fragile administrative. Furthermore, it identifies some factor for avoiding the fragile administrative by learning
from wastewater project in Bandung municipality:

1. Setting specific goals to be achieved, it will help to determine performance measurement and budget allocation clearly.
2. Funding system based on result, it will increase accountability of local government. It also could be corruption control within a project.
3. Tight controlling system, it will lead to transparency government. Involvement of central government is also needed.

In this case, those might influence the achievement of project. Moreover, those factors increased efficiency and effectiveness of AusAID project. This paper suggests some changes for running local government project efficiently. Administrative system within AusAID project reveals an efficient project. Then, if local government adopts AusAID administrative system, it might lead to an efficient project of local government.

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