

CAPACITY BUILDING AS THE CORE OF LOCAL GOVERNMENT PERFORMANCE

Suparjana
Training and Education Agency (Badan Diklat)
Ministry of Home Affairs
Jl. Kalibata Jakarta
Suparjana10870@yahoo.com

Abstract

The implementation of decentralization in Indonesia is still becoming an interesting study until now, irrespective of controversies in the initial stage of decentralization law enacted but GOI is successful in making an important step to give wider authority to local government in the beginning of year 2000. However, there are still various weaknesses concerning the aspect on management of the local governance and the impact to society. One of the aspects where it was able to set an indication of efficacy in the level of attainment of local autonomy is on its the Human Development Index (HDI), Sumedang District rank only eighth among 23 Districts/cities in West Java Province (Bappeda Kab Sumedang, 2005). Meanwhile, the dependency of Sumedang District to the central government remains high. It can be seen from the local budget which is dominated by central government's assistance constituting almost 90% with only around 10% come from Local Revenue. Based on research conducted on July- September in 2006, from nascent as the lower capacity performance to expand level as the higher level, there are 11 out of 16 indicators still lay on emerging level.

Keywords: Capacity building, Decentralization, Local Government performance

1. INTRODUCTION

Theoretically, decentralization is an attempt to bring government closer to local people and encourage the emergence of more democratic local government. Decentralization should be able to improve local people participation and even more responsive to people need. However without followed by local democracy, the implementation of decentralization and regional autonomy only transferring centralization and corruption from central to local level. In the last three decades where democracy is becoming global standard, decentralization believed as one of important vehicle to achieve it. Not only for some countries which struggle with basic standard need: education, health, poverty or even corruptions also for countries which succeed maximized local resources overcome those. Therefore together with democracy wave, decentralization will be unavoidable. Decentralization runs as wave swiping without any limitation started from developed country to developing country, rich country to poor country and democratic country to authoritarian country. World Bank noted almost 95% of Democratic Nations implemented decentralization on local government: "People around the world are demanding greater self-determination and influence in the decision of their government. Some 95 percent of democratic countries are evolving politic, fiscal, and administrative powers to sub-national governments..." (World Bank Report, 1999/2000).

The persistent demand of decentralization implementation based on several countries experiences in the world, especially the third world countries, which centralization had constraint local government role in giving a good quality of public service. On one side, the

central government is not able to overwhelm the entire wide and complex governance matters. Furthermore, this will be very complicated to a nation which has wide area, numerous population, as well as ethnic, culture and language complexities. This is parallel between Bowman and Hampton (1984) saying that "...no central government of a large state can effectively decide what is to be done in all spheres of public, nor can it implements its politics and program efficiently in all areas". From the fact above, it is likely that countries make decentralization as the best answer for various problems in a nation, both related to economic development, democratization climate development, good government realization, delivered service enhancement and as an effort to maintain the unity of a nation. The more complex problem facing by a nation, the more demand of high flexibility and responsibility governance to catch occurred alterations globally or local. However, if we discuss decentralization, it will unable to release from the analysis of intergovernmental relation. Therefore the interrelatedness among centralization-decentralization is two different side of a penny which un-separated in analyzing decentralization.

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Despitefully, massive growth of science and knowledge in the early 21st century influencing all kind of life aspects such as social, politic, and economic that demanding government's ability to adapt rapidly. Shah (1997) said that Nations with such alteration is categorized as transition Nation like in eastern and central Europe, former Soviet Union as well Latin America, Africa and Asians' countries. Auxiliary Shah described the tendency of government structure alteration in 20th heading to 21st century as following:

Table 1
Governance Structure; 20th Century and 21st Century

20 th Century	21 st Century
<ul style="list-style-type: none"> ● Unitary ● Centralized ● Center manages ● Bureaucratic ● Command and Control ● Internally dependent ● Close and Slow ● Intolerance of risk 	<ul style="list-style-type: none"> ● Federal/nonfederal ● Globalized/localized ● Center leads ● Participatory ● Responsive ad accountable ● Competitive ● Open and Quick ● Freedom to fail/succeed

Source: Shah (1997)

In East Asia itself, decentralization becomes a fundamental transformation in the government structure since 1990's. Before 1990, almost all countries in East Asia are implementing centralization system (White and Smoke: 2005). Despite that decentralization in East Asian countries relatively slow than others in the world, both in America, Europe, Latin America and a few of African's countries. However it is also be said that decentralization leaps were occurred in several countries in East Asia such as Philippines and

Indonesia. As well as the decentralization process is gradually occurred in Cambodia, Vietnam and Thailand where those countries were have already enhancing the service delivery and public participation at the local level.

Nevertheless, it doesn't mean that decentralization implementation in East Asian countries run smoothly. There are fundamental problems facing by these countries in implementing it, both related on authority distribution between central and local government, governmental organization structure, financial sharing system, accountability and management on natural and human resource as well as its capacity management aspect.

In Indonesian context, capacity building turns out to be an essential issue since decentralization was raised in 2001. At one side, it is considered that capacity building is an absolute requirement of decentralization policy in Indonesia. But on the other hand, it felt that capacity at the local level is weak at the same time creates an anxiety of failure in the implementation of the system in the country. Therefore, when decentralization was implemented, the local capacity is in a weak condition. That is the reason why decentralization in Indonesia moving very slowly.

The importance of decentralization has been advocated in Indonesia has a long story; local autonomy schemes were regularly introduced. The new chapter of local autonomy in Indonesia began in the reformation era in 2000 marked by Law number 22 on 1999 concerning Local Government. This Law was believed to able to bring fundamental alteration and wide spread in executing local government in Indonesia. The hope is reflected from the existence of drastic alteration both concerning management-relations among the central government, a province and district/city, an authority distribution among government tiers, a financial sources management, the human and natural resources management, a local legislative role, an evaluation and monitoring mechanism, a management concerning village government, etc.

However inappropriate prepared, not well organized, unprepared local capacity and also half baked on implementation of decentralization caused its execution was marked by various misuses. As a consequence, the gap between the objectives and the results remained wide. Miss understood on definition of local autonomy among LGUs has raised concern about increasing conflicts that might be lead to the nation's disintegration.

From the observation of the implementation of decentralization from 2000 to 2005 it can be listed general symptoms of negative impact; Intergovernmental relation between central-local still vague, there is still a central interference concerning on local natural resources¹. Other hindered to implement decentralization fully is imbalance human resources allocation between the central and the local where the potential human sources are more to the central. Though almost two million central officers had been dispatched to local government but for most LGUs especially for isolated area the local officers often hinder the successful to implement decentralization.

In financial aspect, the local resources are handled by the central government and there is imbalance in monetary dividing between those for the central and the local yet among the local government units (LGUs). For instance, the revenue sector is beyond proportional where central government gets 82% from total input and local government only gets 18%. On expenditure sector, the counter balance is no more proportional where for the central output allocation reaches 83% from output total while local only spends 17% from the available input (Nyoman, 2005).

¹ Several conflict emerged between the province and central government in Riau Province, involved the management of oil and gas resources that is controlled by central government. In this case, the region demanded that the oil and gas resources should be managing by local government. The other problem is the mining of sand that is allowed by central government but rejected by the region because it's destroys the environment. Later it became worse when sand mining management controlled under local government. Financial sharing between national-local government on natural resources up to now still being debate upon.

On the other hand, the district/city government dependency on central government in Local Budget (*Anggaran Pendapatan dan Belanja Daerah/APBD*) structure is still high. This is reflected from allocation of APBD sources (more than 85% from APBD structure) obtaining from central government assistance both on form of the General Block Grant (*Dana Alokasi Umum/DAU*), the Specific Block Grant (*Dana Alokasi Khusus/DAK*), the Sectoral Block Grant (*Dana Alokasi Sektoral/DAS*) and another assistance in the form of deconcentration, also fund of the assistance task *Dana Tugas Pembantuan* (Smeru report, 2003).

As well as re-arrangement on local government structure, local elite feels to having the right in determining the structure form and size of the development aiming without taking consideration on monetary ability, local potential, and human resources. As a result local budget allocation is more permeated for the expense of public than increasing the service quality to people.

Another primary problem from narrow comprehension of local autonomy is the tendency of local elite to develop the region through provincial or district extension reasoned to enhance service quality towards the people. In fact, the region extension is solemnly based on elite's political interest to get new position at a new region then it produces burden to the local government also the central government, for example the budget to build a new infrastructure, an executive functionary subsidy and a salary also a legislative needy, plus an operating expenses etc.

The number LGUs in Indonesia since 2000 was increase significantly; the number of regency (*kabupaten*) and town (*kota*) increase 99 and seven new provinces were established. In 2001 the amount of districts and cities in Indonesia reached 341, while the amount of province 26 and in 2002 it became 370 districts and cities. Such condition clearly influencing on government budget, hence obviously lessen the quality of public service. The phenomenon strengthened by the fact that most of the local governments in Indonesia allocated 77 % of its budget (APBD) for the government expenditure and only 23% are used for the expense of public service and development (Sadu, 2001). Moreover, the fact also shows that local autonomy which aimed to make government more honest and efficient by provide better public goods and services for local citizens still far away. Increasing new LGUs post local autonomy which embarked in Indonesia since 2000 unfortunately not followed by increasing life quality index at local level. In fact acceleration on LGUs number in line with increasing a pace of poverty and also a number of under-developed district indeed. In 2006, almost two hundred LGUs or 22.6% classified as under-developed districts, among others around 62% or 123 districts are reside in Indonesia East Region, 58 districts in Sumatra and 18 districts in Java and Bali (*Harian Kompas* 25/8/2006).

Another hinder problem on local autonomy implementation laid on narrow perspective on local autonomy among LGU's; in terms of natural resources management which if not taken into account and anticipated properly will be contra-productive for national development. Pursuing the short-term interest in order increasing local revenue, Ignoring the environmental impact, excessive, and lacking of well-planning on natural resource management became a serious problem on local autonomy implementation². Though environmental crisis in Indonesia began during the New Order era and escalated during the reform era. But decentralization contributes significantly in affecting the environmental crisis

² Tremendous environmental problem in Bangka Belitung when ex-tin mining which exploded during reformation era and left deep wells that contributes on malaria diseases in this area. The flash flood in Bahorok, Kabupaten Langkat, North Sumatra claimed 132 lives and destroyed 450 houses, 35 hotels, 2 mosques and 8 bridges (The Jakarta Post, November 9, 2003). This disaster followed other disasters such as the landslide in Garut at the beginning of 2003, which claimed 21 lives. At least 26 people died and 17 were missing after the landslide in Pacet, East Java at the end of 2002 (The Jakarta Post, March 6, 2003). Residents of Garut and Pacet are reportedly suing Perum Perhutani and the government for failing to stop legal and illegal logging in the surrounding protected forests. These natural disaster is also believed to have been caused by deforestation and illegal logging

as well as nation debt and globalization³. The narrow comprehension on local autonomy is also causing local elites tends to drive uneconomically and inefficient in managing a local resources.

The full implementation of Law 22 of 1999 in 2001 resulted in a huge influx of local regulations drafted in Indonesia. This law mandates that the central government review local regulations and the review burden are high. Nationally, there are 415 local governments, resulting in the issuance of 6,000 local regulations. In 2002, a decentralization cite this drafted 653 local regulations, 51 on trade and commercial sector formulated by 14 local governments, 27 on public works formulated by 12 local governments, 14 on health formulated by 10 local governments, and 14 on education formulated by 9 local governments. These Local government decrees emerged as an addition burden for Ministry of Home Affairs. In terms of local decrees, local governments must submit local regulations to the Ministry of Home Affairs, not to the relevant ministry. Therefore Ministry of Home Affairs will send these local decrees to the relevant ministry however it considerations are very slow in responding to and reviewing local regulations that they receive from the Ministry of Home Affairs.

Moreover decentralization is highly complex and multi-dimensional phenomenon. Since it holds great promises and challenge in the same time hence decentralization process and result can be carried out in various ways. Moreover for Indonesia as archipelago countries featured by various geographical landscapes, around three hundred ethnic and using different mother languages, variety of religion, those affected on it implementation. Hence the process and the progress of it implementation will differ from one LGU to another. Though in global observed is deniable that it progress tend to be similar there is no fundamental transformation in terms of the public provisions⁴. Due to Decentralization Survey on 144 districts/cities in Indonesia (Decentralizing Indonesia report, 2004) almost 50% of respondent presumed that public services on education and health is remain similar with pre local autonomy, while 39% believed that public services improved slightly post local autonomy, on the other hand 6% of respondent assumed that its worsen after local autonomy enacted. Despite decentralization is not an end but a process leading to provide better public services but this survey explained clearly that remarkable effort needed to make significant progress on post it implementation. Looking deeply on it survey seemed that with or without decentralization, local citizens remain left behind. Therefore observation particular region on implementation of local autonomy will be benefits to evaluate progress on it.

The importance of decentralization in promoting good governance is also stated by White and Smoke (2005) that decentralization is already affecting prospect for economic development, possibilities for "good governance" in country institution, and in the quality of service delivery, especially for the poor." To realize the balance decentralization also understood as a perfect way to create harmonic relationship between stakeholders' components on governance process. As figure by Kimura (2006):

³ World Bank 2001; Smeru report, 2003; IBSAP, 2003.

⁴ Jembrana is one of District in Bali Province which succeed provide basic public services; education and health freely, on the other hand education and health cost remain high in most LGU post local autonomy

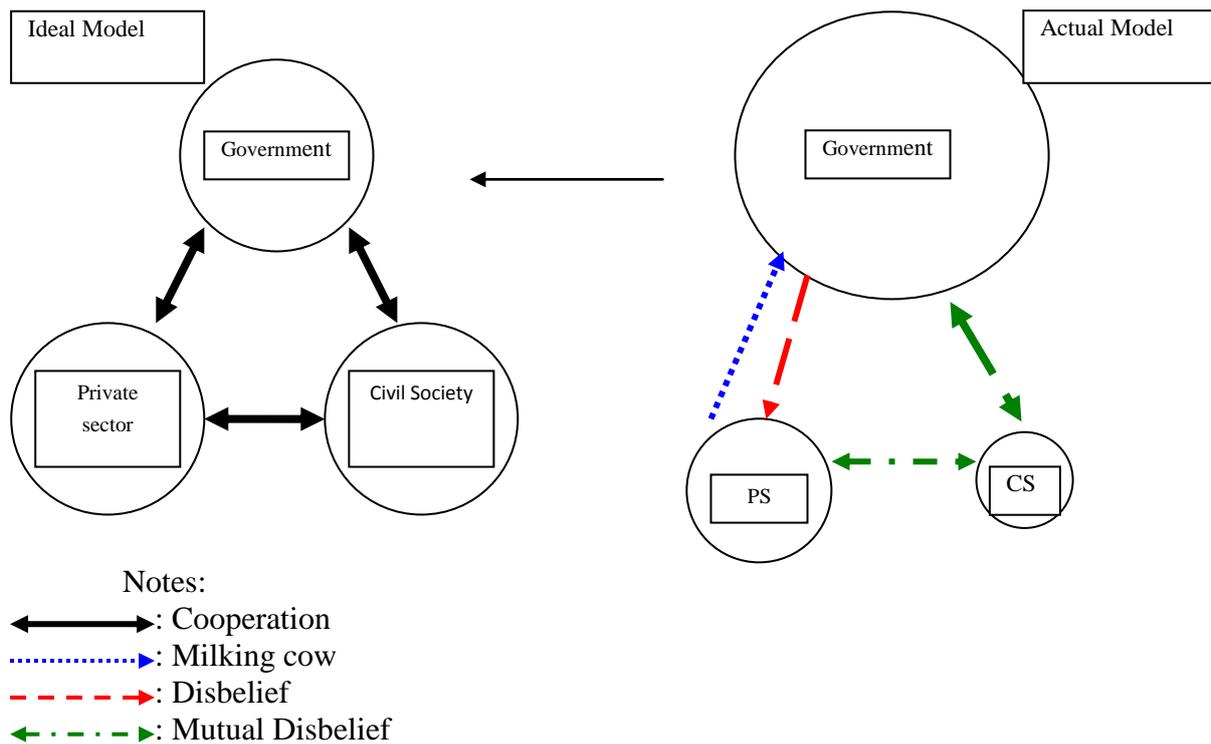


Figure 1
Interrelationship among Stakeholder

2. CAPACITY BUILDING AND LOCAL GOVERNMENT PERFORMANCE

Except of miss-coordination among national ministries, all hinder factors on local autonomy implementation addressed on lack of local capacity which became a major issue at the early stage. Local capacity building emerged as a key words and never-end debatable topic when discussion on local autonomy in Indonesia started. Constraints factors observed on local capacity as mentioned before are: lack of conceptual understanding on local autonomy; short-term orientation of public sector agencies; vague assignments of tasks and functions to agencies and individuals; lack of results and performance orientation; lack of local agencies collaboration; most LGUs were lack of accurate and reliable data; frequent institutional changes and staff rotation, lack of programs of the central government to support capacity building in the regions (Rohdenwohld, GTZ–SfDM paper).

However it is not easy to find an absolute definition of capacity building, because Capacity-Building has a great coverage and has different meanings in every context, such as in NGO, business organization and government organization.

From the definition above it can be comprehend that capacity-building in definition as a process of creating "learning" organization. As stated by Morrison (2001) that capacity-building can be seen as "a process to induce, or set a motion, multi-level change in individuals, groups, organizations and system seeking to strengthen the self-adaptive capabilities of people and organizations so that they can respond to a changing environment on an ongoing basis."

In government context, capacity refers to individual or organizational ability in implementing the function and achieving of government aims. Therefore, capacity building is

more than just a technical competence or availability of human or financial sources competently. Capacity is also measured quantitatively but in governance and service delivery context, it is often seen on the perspective on how the decision was made, the quality of public service supplied, as well as the results and what kind of outcomes will be realized.

According to UNDP (1998), capacity building covers three different levels: individual level, organizational level and system level as described in this figure:

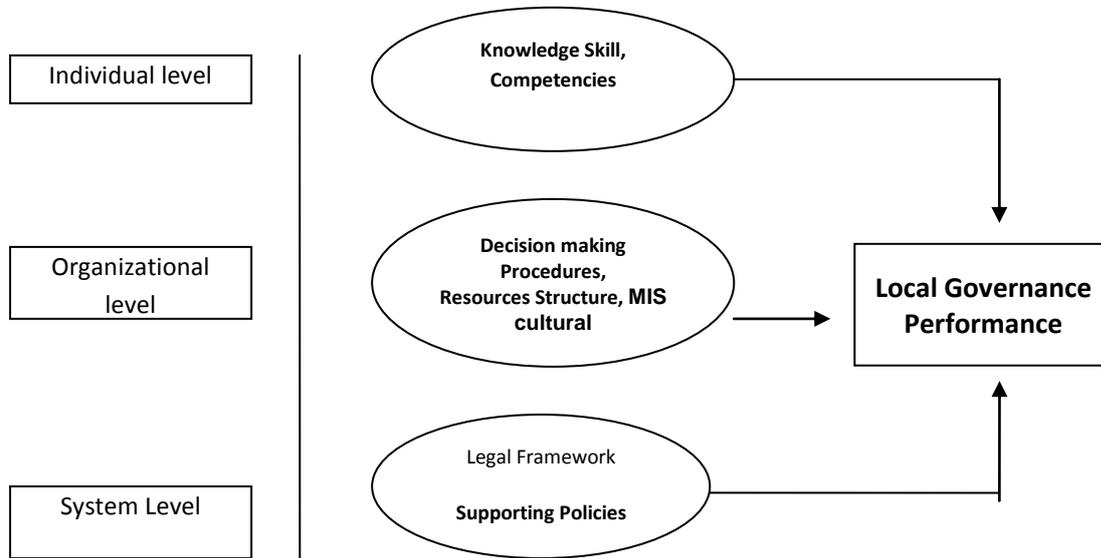


Figure 2
Capacity Building

In wider perspective, capacity-building is not only covering organizational involvement aspect or community alone in governance process but also individually. Therefore, each individual has right and obligation to build his self capacity then involving himself in governance process and development. Related on the matter above, Eade defined : “capacity building is marked by its own fundamental beliefs : that all people have the right to an equitable share in the world’s resources, and to be the authors of their own development; and that the denial of such right is at the heart of poverty and suffering. Strengthening people’s capacity to determine their own values and priorities, and to act on these, is the basis of development,..... then capacity building is an approach to development.”

As explained previously that capacity-building is an integral part of development. Hence as a part of development, capacity building has strong relations with other development factors as stated by Eade that :“Like development itself, capacity building is concerned with social and political relationship. It can not, therefore, be viewed in isolation from the wider social, economic and political environment- government, markets, and the private sector as well as CBOs, NGOs and other institutions, right down to the community, household, and personal level.” Base on those definition, basically capacity building has several meaning.

A. DECENTRALIZATION AND CAPACITY-BUILDING

On decentralization study, capacity building become a vital element which should get a serious attention for decentralization principally concerning the strategy to implement governance at local level especially relating to public services and delivery services. In other word, the orientation to increase working performance and quality of public services as well the substantial alteration both legal and political environment in local government are impeller factors of capacity building importance at local level. As stated by GTZ, that "in considerable responsibilities for the delivery of public services, and with substantial discretion in managing resources, the regions can now much better plan and implement programs and activities according to the needs and priorities of the local society. However, these new responsibilities often require a higher level of capacity....." (MfDM report 2005).

Experiences of developing countries in East Asian in executing decentralization also showing the weak of capacity management system and accountability become a very serious challenge. As saying by White and Smoke (2005) that "there are three challenges related to the implementation of decentralization, *first* is unclear assignment of functions among levels of government; *second*, the development of robust financial mechanism for channeling money to local government; *third*, challenge related to the accountability of local government and capacity of their management."

No matter how good the intergovernmental system between central government and local government can be build but if not balanced with good personnel capacity then decentralization will not effective. Similar to argument of White and Smoke (2005) "The best-design intergovernmental system in the world will not function effectively without sufficient capacity, particularly in the area of human resources".

While capacity limitations have surfaced as an important issue in decentralization processes throughout the developing world, two aspect require particular attention; first, insufficient capacity at the local level is not the only issue; central government in their ability to administer the intergovernmental system and drive the decentralization process effectively; second, capacity-building effort that focus purely – or even predominantly – on the supply side are likely to bring limited success. For capacity expand and endure, reform efforts need to generate effective and ongoing demand for enhanced capacity at the local level, and to create system responding to that demand.

According to the White and Kimura's statement above, capacity building should be done comprehensively from the three levels. It means that level system reinforcement both organizational and individual should be executed by synergize and unable to execute only on one level, for instance, only on system level otherwise organization or individual level. However at which level it should be started is very depend on the situation facing by government. It means that local capacity-building not always must be begin from level system later to institutional level and finally the enforcement on individual level. But, strengthening local capacity-building can be done in the contrary which is from individual level. Akin as quoted by UNDP (GTZ report, 2005) that strengthening of capacity building can begin from two directions:

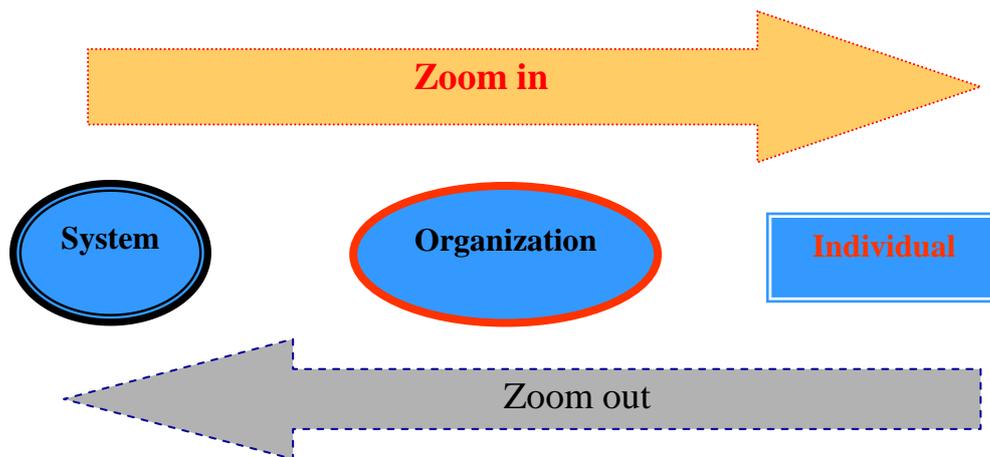


Figure 3
The Process of Capacity-building

B. DECENTRALIZATION TO STRENGTHEN CAPACITY-BUILDING; LOCAL GOVERNMENT PERFORMANCE IN INDONESIA

Decentralization and capacity building turn into two intertwined parts in decentralization policy in Indonesia, analogous two sides of a coin. Decentralization without capacity support at local level will reveal new problems and give an opportunity for decentralization failure. In Indonesian context, capacity building turns out to be an essential issue since decentralization was raised on 2001. At one side it is considered that capacity building is an absolute requirement of decentralization policy in Indonesia. But in the other hand, it felt that capacity at local level is weak point at the same time become an anxiety of failure of decentralization execution in Indonesia.

As noticed that decentralization in Indonesia was implemented at the time of the governance condition is very weak, both in central or local level, as the effect of economic crisis occurring since 1997. Besides that, during 32 years of new era governance under Soeharto regime, capacity-building at local level is nearly never realized. Centralization of power implementing by central government was causing the helplessly and dependency of local government to central government, both from decision making, financial and human resources aspects. Therefore when decentralization executed in 2001, the local capacity is in bad condition. That is the reason why decentralization in Indonesia feels like running very slowly.

Furthermore as suggested by UNDP, capacity building in the context of regional autonomy has to include and address three level intervention in order to be effective and sustainable in Indonesia, namely :

1. The system level i.e. the regulatory framework and policies that support or hamper the achievement of certain policy objectives;
2. The institutional or entity level, i.e. the structure of organization, the decision making process within organizations, procedures and working mechanism, management instrument, the relationships and networks between organization;
3. The Individual level, i.e. individual skill and qualifications, knowledge, attitudes, work

ethics and motivations of people working.

Besides of covering those three levels, capacity building should be able to alter the patterns of interaction between public sector organization, between public sector and the society, contribute to the development of effective democratic institutions with functioning system check and balances, promoting transparency and accountability through the participation and enhancing culture of service delivery in local public administration institution.

Effort for capacity-building in Indonesia can be divided into three phases : the implementation of multi-donor needs assessment exercise between November 1999 and October 2000, the formulation of national strategy on capacity-building to support the implementation of the decentralization policy between December 2000 and November 2002, and the beginning of efforts to systematically support capacity building in the regions (since late 2003) (Rohdewohld, 2005).

In Indonesian context, capacity building turns out to be an essential issue since decentralization was raised in 2001. At one side, it is considered that capacity building is an absolute requirement of decentralization policy in Indonesia. But on the other hand, it felt that capacity at the local level is weak at the same time creates an anxiety of failure in the implementation of the system in the country. As noted, decentralization in Indonesia was implemented at the time when government condition is very weak, both at the central or local level as the effect of the economic crisis occurring since 1997. Besides that, during 32 years of new order governance under Soeharto regime, capacity-building at the local level is almost absolutely never realized. Centralization of power implemented by the central government was causing the helplessness and dependence of local governments to the central government, both from decision making and financial and human resources aspects. Therefore, when decentralization was executed in 2001, the local capacity is in a bad condition. That is the reason why decentralization in Indonesia feels like moving very slowly. Hence, capacity-building must be made a main agenda since decentralization has been implemented in Indonesia. It means that all kinds of policies which are taken by the government should be aimed to increase the capability of institutions and of the people to improve performance and increase efficiency and effectiveness of procedures and processes.

C. SUMEDANG REGENCY PERFORMANCE POST DECENTRALIZATION

Due to the number and variation of differences among local governments, this thesis is not aimed at giving holistic description about implementation of decentralization in Indonesia, on the other hand it is a study case which attempt to reveal how the influence of decentralization toward local capacity in Sumedang Regency. Moreover, it does not try to resolve the whole contradictive phenomenon on its implementation. Instead the thesis explores the recent applied experience of Sumedang Regency as it attempts to run decentralization and deliver beneficial outcomes. The thesis contends that the implementation of decentralization underpins many problems facing Sumedang Regency.

Sumedang is one of the regency in West Java Province, formerly known as district-rural area which largely depends on the agricultural sector for its revenues. Recently, the eastern part of its area grew as a high education site where one of the reputable public universities is located. Hence, in socio-economic terms, Sumedang Regency is representing a complex environment. Moreover, as a developing district which is facing complex problems, it will be interesting to observe how Sumedang implements its local autonomy.

While implementing local autonomy based on new and wider authority since the enactment in 2001, Sumedang focused on enhancing the public service aspect; enhancement

of public services, improvement of accountability and transparency, enhancement public participation, and checks and balances mechanism as well. On the other hand, strengthening the local capacity focused on the bureaucracy has become the first priority, after it has been believed to be a key factor in fully accelerating local autonomy. The process includes the production of several significant policies, re-arrangement of the local government structure and improvements on human resources.

However, the various policies which have been implemented by the Government of Sumedang Regency do not mean that it succeeded in implementing local autonomy. There are still various weaknesses concerning the aspect on management of the local governance and the impact to society. One of the aspects where it was able to set an indication of efficacy in the level of attainment of local autonomy is on its Human Development Index (HDI). In comparison with other Regency/cities in West Java, the HDI of Sumedang Regency ranks eighth from among 23 Regencies/cities in West Java Province (*Bappeda Kab Sumedang, 2005*).

Meanwhile, the dependency of Sumedang Regency to the central government remains high. It can be seen from the local budget which is dominated by central government's assistance constituting almost 90% with only around 10% come from Local Revenue.

Three research questions are addressed, they are

1. What is the existing condition of local capacity at Sumedang Regency, does the local government capacity have significant improvements after 2001?
2. What is or are the problems of local government's capacity during decentralization era?
3. What should the local government do to enhance local capacity under decentralization?

The research question will be answered also explained through interview on Sumedang's stakeholders which are bureaucrats, politicians, Businessman, Media staffs, Scholars and NGO staff, it should be found the major constraint and the chance for Sumedang Regency to implement autonomy fully and satisfy local community.

Observation on Sumedang's capacity strengthening process consists of systemic level, institutional level and individual level. Observation on the systemic component led to identification of the government working performance covering direction and policy, transparency, accountability, legal system, combating corruption, local autonomy, local representative's role and financial management. Observation on the institutional aspect focused on identifying the organization performance covering management structure, leadership, job circumstances, personnel placement system, and promotion system. While the observation on the individual level was held to recognize human resource management and development, covering personnel specialization, personnel condition, merit system and human resource development.

The technique of analysis of this research applies both quantitative and qualitative techniques. Simple quantitative techniques are mainly used in calculating statistical data particularly on measuring the local governance capacity. Most of the research applies the qualitative method. As far as data collection is concerned, this research uses official data from sources such as national and provincial government and municipal documents, official statistical year books, district development plans, and so on.

Apart from this, much of the data used for analysis is from in depth interviews with various respondents in the object study. These include government officers who work in the local government offices, politicians, businessmen, media, scholars, and NGOs (see more details from the table 1.4).

In collecting required data and information, the following methods were taken:

1. Distributing questionnaires to local governments' officials to measure a local capacity, by using modification of organization capacity assessment tool (OCAT) by GTZ which have been used to vary NGO in Indonesia.
2. Using a wide variety of documents such as books, research reports, discussion papers, and newspapers written in both Indonesian and English. These materials provide a background to Indonesia, the local government organization, and the district administration.
3. In-depth Interview to the key persons directly, both from public and private sector as well as community groups. There were two periods of interview
4. After instrument has been scored, the findings will reflect the capacity of institution being evaluated. The final score will mark on 4 rating for categories and components to the four stages of development as described below:

Table 3
Rating Scale of Capacity Building Stages

Equating rating scale to stages of development	
Rating	Stage
0 – 1.4	Nascent
1.5 – 2.9	Emerging
3.0 – 4.4	Expanding
4.5 - 6	Mature

3. RESEARCH FINDING

The local autonomy in Indonesia, officially implemented in 2001, can be viewed as a new chapter of governance system in the country. Although the history of autonomy in Indonesia has begun since 1903, the implementation was mainly nominal. The central government having a strong role in the governance implementation at the local-base becomes a weak point of the decentralization process and in achieving local autonomy. As a result, the local autonomy which should be able to increase independence, competitive ability and society participation as well as capacity strengthening at the local level, was never realized.

Such condition significantly affects the decentralization and the local autonomy implementation currently being pursued. When the local government was given greater authority to manage their own functions, financial resources and personnel, it faces a problem of un-well-prepared of local institution. Besides that, problems such as lack of supportive rules in Law No. 32 Year 2004 and anti-decentralization attitude among political elites at the central level are still unsolved.

The local autonomy implementation aiming to create independence of societies and societal welfare should be supported by stakeholders including the local government organizations, civil society and private sector in order to obtain synergy and integrity in governance implementation at the local. This can be done through capacity building, in all levels: system, institutional and individual level.

Based on research conducted on July- September in 2006, it can be summed up that the process of decentralization and local autonomy has promises to strengthen the local capacity, improve the quality of public services and enhance the grass roots participation. From 16 indicators only direction and policy and local authority on systemic level;

Management and structure, Leadership and Job circumstances on institutional level achieve expanding level but 11 out of 16 indicators still lay on emerging level.

Table 2
Result of Sumedang's Performance

NO.	SUB INDICATOR	SCORE	CATEGORY
1.	System		
	● Direction and Policy	3.54	<i>expanding</i>
	● Accountability	2.93	<i>emerging</i>
	● Transparency	2.86	<i>emerging</i>
	● Combating corruption	2.65	<i>emerging</i>
	● Local Authority	4.09	<i>expanding</i>
	● Local Legislative Role	2.64	<i>emerging</i>
2.	Institutional		
	● Management and Structure	3.89	<i>expanding</i>
	● Leadership	4.33	<i>expanding</i>
	● Job Circumstance	3.64	<i>expanding</i>
	● Personnel Placement System	2.18	<i>emerging</i>
	● Promotion System	2.74	<i>emerging</i>
3.	Personal		
	● Specialty	2.70	<i>emerging</i>
	● Human Resources Development	2.59	<i>emerging</i>
	● Personnel Condition	2.30	<i>emerging</i>
	● Merit System	2.58	<i>emerging</i>

From the result above, it can be summed-up that theoretically, the process of decentralization and local autonomy will strengthen the local capacity, improve the quality of public services and realize democratic participation of the grass roots people. But in reality, decentralization and local autonomy have not minimized the problems at the local.

The phenomenon describes that:

1. In a systemic level, the local government capacity of Sumedang Regency has already indicated a good improvement and this is shown by the capability in setting the direction and policy of governance implementation and in reducing the dependence towards the central government in setting local policy. Unfortunately, this level is not fully supported with an implementation of accountability principals and proper transparency. This can be seen on the score reaching steady in the emerging level. The realization of good governance, however, urgently requires accountability principals and transparency. The lack of political will from the elites and the lesser role of mass media existing at the local require serious attention. On the other hand, the weak role of the Local Legislative gives a great impact on the lack of accountability implementation and transparency. The Local Legislative which control and perform budgetary functions should be able to concentrate on the governance implementation as it should be. Usually, a low quality member of the Local Legislative (both in terms of education level and experience) becomes a constraint in optimizing the Local Legislative performance at Sumedang Regency. From that, it can be concluded that the commitment on fighting corruption, collusion and nepotism (KKN) at the local level is still low. Several vital elements causing KKN behavior include weak control and lack of accountability and non-transparent mechanisms.

2. In an Institutional level, the local capacity at Sumedang Regency is considered improving. It is indicated by the local government's aims to build its organizational structure reflecting efficiency and effectiveness. A conduciveness leadership model within a working atmosphere practiced by Sumedang Regency government functionaries can build and motivate employees to enhance their performance. But such situation is not yet supported by the availability of proper personnel placement system and promotion system. And a good organization doesn't only require a slim structure but also one with a rich function supported by a recruitment mechanism and appropriate personnel placement suited based on one's capacity. Without those requirements, an organization will not work at the optimal level. Other serious problems in the organizational capacity development in the following period include the existence of conflict of interest among elites leading to recruitments and placement of government officers without strong legal bases.
3. At the Individual level, this appears to be still a weak point of Sumedang District's capacity development efforts. Vague of Officer specialization, human resource development and career training system remarkably affect the quality of a local government working performance. As this becomes a fundamental constraint faced by Sumedang Regency government, instead of developing individual capacities, the situation is aggravated by a weak commitment of the local elites, conflict of interest among elites, and also a limited budget for local human resource development.

Nevertheless, due to time limitation on the first stage of implementation of decentralization, Sumedang Regency shows progressive improvement on its public delivery. It has proved that Sumedang Regency try to optimize its capacity to enhance government responsiveness to meet local need. It can be seen from Sumedang Regency to make development program more flexible and has strong commitment for rural development. On the other side, Sumedang Regency needs more effort to enhance accountability to local people. Moreover, based on respondents analyses that Sumedang Regency should report its works more transparent. Another major problem that faced by local government is combating corruption, Sumedang Regency struggle to alleviate it. One of the pillars of the successful of implementing regional autonomy is the role of local legislative as stated on law that legislature and executive should be hand in hand to coop the local affairs, unfortunately it perform on disillusion standard.

Except that Sumedang try to promote cooperation between NGOs and government, Sumedang Regency shows little promise for reducing the corruption, reducing overall government expenditure mobilizing local resources, effectively performing task of-loaded by central government or for promoting community participation in development.

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4. RECOMMENDATIONS

1) For the System Level

The local government capacity development in a systemic level should try to involve all the stakeholders. The civil society and the private sector should be given wider opportunity to engage in the direction-setting and the establishment of policy at the local community, in order to make the policies more responsive and just to society's requirements. Bottom-up planning mechanisms through accommodation of people's aspirations ought to be intensively done. Therefore, the mass media association, NGOs and all the sectors of the society should voice out openly in the spirit of transparency and accountability. The local government must start by building any kind of facilities that would encourage the realization of government transparency and accountability, such as the usage of information technology, public test (*Uji Publik*) mechanism in compiling the budget (APBD) and public hearings to accommodate society's aspiration. Besides that, the Local Legislative function in reinforcement should be done through a qualified selection mechanism for all candidates of the Local Legislative education and training implementation for Local Legislative members, moreover giving appropriate incentives or suitable punishment to members. Quality control and monitoring of the Local Legislative members should also be open for public assessment for transparency of the monitoring institution. At the same time, anti-corruption policy has to become the main agenda in promoting good governance and clean government, by using information technology, law enforcement, and conducting accountability and transparency mechanisms.

2) For the Institutional Level

Sumedang Regency government should outline clear guidelines in arranging the governance organizational structure by conducting proper analysis of the potency, authority and budgetary ability available. Therefore, it should reduce the interference of individual or group interests in the determination of the governance organizational structure. At the same time, personnel management should be conducted in an accurate manner, both in recruitment and personnel placement mechanisms. Government ought to execute analysis on employee requirement properly based on the authority, available budget and the vision which will be developed by the local government. A competence standard and an employees' performance evaluation should be done periodically so that the achievement of the organization's working performance is clearly noted. Subsequently, personnel placement should be executed through appropriate selection so that they can be placed at a determined position or a "job tender" mechanism. It means opening the opportunity extensively toward employees in fulfilling the qualifications to be selected for a certain position placement. Therefore, it will become fair competition among qualified candidates.

3) For the Individual Level

Capacity development in an individual level should be done comprehensively and in an integrated manner. It should cover a whole spectrum starting from an analysis of employee's necessity, recruitment, and employees' data base compilation, position placement, education and training, and career construction, welfare construction and also retirement. The district government ought to make a grand design of exact personnel management, which is transparent and fair. Then, the specification of the main task of an employees' function, a standard measurement of working performance, and an assessment mechanism of employees' achievement will reflect a personnel's productivity and creativity. To support the program, the district government must allocate adequate budget for this personnel and human resource development. Moreover, the government official salary must

be increased in order to create incentives and encourage honest, effective and efficient government employees and to optimize effectiveness and productivity in government organizations.

Book Review

Title of the Book : Step by Step in Cascading Balanced Scorecard to Functional Scorecards.
Author : Suwardi Luis, B.Psy., MBA and DR. Ir. Prima A. Biromo.
Publisher : PT Gramedia Pustaka Utama
Year of Publishing : 2011.
Pages : 148 pages.
Reviewer : Dwi Indah Kartika

This book tells us about laying out the core concept of Balanced Scorecard development at the corporate level and the process of cascading that scorecard to the division level in a form that is easy to be grasped by readers from various industrial backgrounds. This book is designed in popular nuance in order that it can bring the concepts of Balanced Scorecard to earth.

Suwardi Luis, a Managing director of GML Performance Consulting begins his writing by explaining strategies to face change. He said that changes caused by external factors can occur within the body of organization involved (internal change). Examples include leadership change, changes to organizational structure, systems and procedures changes, and the like. Whether because of external or internal factors, these changes will influence the performance of organization.

Other changes involve environmental factors, such as demographics. If we observe the patterns of the communities in large Asian cities, there has been a real shift in lifestyle. Nowadays, the urban community is enamored with the trendy middle-class lifestyle from other countries. Take as an example the practice of hanging out at the coffee shop. This has been deeply impacted by the foreign franchise offering coffee on the corners of large Asian cities.

Our middle-class clothing trends are also increasingly influenced by foreign cultures. This can be seen by an increasingly incessant promotion of products at clothing boutiques from mainland Europe, which is very much in demand in Asia. Another example: the habit of bread in diet is rapidly increasing with the establishment of new bread shops across major Asian cities, such as Singapore, Taiwan and Jakarta. This bread shop trend is particularly

ironic considering that many Asians when traveling overseas search for rice and avoid bread because their stomach don't feel full with just bread.

Luis wrote that the business that succeeds in a competitive and constantly changing world is the business which can rapidly adapt with changes in their management and implementation strategies. He then illustrates how to build a Balanced Score Card with the case study of House of Candles where Carrie Thomson as the owner took advantage of a change by opening a business which makes and sell candles. When she lived outside the country she learned that candles are a very special product. Foreigners (particularly Europeans, Americans and Australians) are fond of candles. To them, candles don't only function as an object that gives romantic light at dinner time at candle light dinner, but, among other things, help to relax and dispel the smell of cigarette smoke. Therefore they use candles a lot as basic supplies and creating an ambiance, such as scenting in aroma therapy. In developing House of Candles business, Carrie engaged her younger brother, John Wood, as the Director of House of Candles. He is experienced in business management and considers this position to be a good challenge for him. In order to ensure success, John is determined to create a strategy framework for the House of Candles. He knows the importance of strategy in organization and so he invests much effort to create a prudent strategy. But he is a little concerned and worried that the strategy he has created may not be productive when implemented. He is concerned that the people he leads may not carry out the work according to the outlined strategy.

Luis said that to maintain organizational performance at a consistently productive level, in the midst of changes occurring here and there, a planned and accurate strategy does not guarantee good performance because "having a strategy" by itself does not solve the problems. He quoted a research done by Kaplan and Norton which indicated that only 10% of US companies execute their strategies well. This study also reveals 4 barriers to effective strategy execution. The first is the vision barrier. This barrier occurs because the company vision is ineffectively communicated. As Kaplan and Norton found that generally only 5% of the total workforce knows and understands the vision of the organization. It often occurs because the mission and vision of the organization are often felt to be too gimmicky by the workforce. Meanwhile, the strategy that is developed very often is too long and extensive, or extremely detailed and utilizes complex sentences without common terms that can be easily digested. The second is the people barrier. All the employees of a company, at all levels of the organizational structure, make up the workforces who execute the vision, mission and strategy of that organization. Their motivation to effectively and efficiently apply that strategy is critically linked to the incentive they can receive. Balance Score Card application sees that the employees will be more motivated to implement a strategy if they see that there is an incentive system linked to the strategy. Unfortunately, this is rarely done. Research shows that only 25% of managers have incentives that are linked to strategy. The third is the management barrier. Typically managers use large amounts of time on operational activities, but sadly have no time to study the company strategy. The study performed by Norton and Kaplan showed that 85% of managers devote less than one hour per month to discussing strategy. Furthermore, that hour of discussion typically only focuses on issues such as finance, sales and inventory. Often the intangible issues escape their attention and discussions. In the end their discussion just concerns products and achievements without giving attention to the processes. As opposed to a financial report, Balance Score Card not only gives a portrait of past performance, but also of the present and future while balancing one with the other. Balance Score Card with its indicators make possible for us to see performance in the past and the present, and urges us to improve performance in the future. Fourthly, the resource barrier is the final obstacle, which refers to capital. The study shows that 60% of the organizations studied did not link the budget with the strategy. But strategy

implementation comes with a cost, so the budget and strategy should be linked. Even better if the budget is built in harmony with the strategy. Luis stated that those four barriers can have fatal consequences for an organization because they cause failure or hamper the execution of the strategy. However, they are not impossible to overcome except through Balance Score Card concept.

In the next discussion, Luis continued illustrating the story of House of Candle when John knew that many strategies often fail, and then he determined to formulate a good strategy for the House of Candles. John applies Balanced Score Card that he got from management training. Balanced Score Card has a fundamental principle: that public as well as private organizations, for-profit as well as non-profit organizations, need to have a strategy that is simple, appropriate, and complete in understandable language. This simplicity is needed to enable and speed the process of communicating the strategy to the entire workforce. The Balanced Score Card was used in the creation of the House of Candles vision: "To become the most innovative candle maker in Asia, while providing international quality service and products". It means that Balanced Score Card is one of the important key to succeed an organization. In this part, Luis tried to explain the definition of Balanced Score Card, which is mean as a performance management tool that helps an organization translate its vision and strategy into actions, utilizing a collection of financial and non-financial indicators involved in a cause and effect relationships. Balanced Score Card (here in after is BSC) has a strong role as a translator, or converter, of organizational vision and strategy into actions. Because the actions are produced. The BSC doesn't stop when the strategy is developed, but continues to monitor the execution of the strategy. The BSC was originally introduced in 1992 in an article written by Kaplan and Norton in *Harvard Business Review*, January-February 1992 edition. BSC theory rapidly developed and in 1996 Kaplan and Norton presented a revision to their tool which was called as "strategy map". Moreover, Luis added that there are three innovations in their revision or strategy map, they are: (1) Focus. The BSC 1st generation (before revision) focused on measuring performance, whereas the 2nd generation BSC focuses on management which refers to strategy management, operational management, and management in other areas, not simply performance management, (2) Objective. 1st generation BSC had the objective of steering strategy implementation, while BSC generation 2 emphasizes strategy communication. Communication strategy became an objective because study results indicated that many strategy failures were the result of poor communication, and (3) Field of Application. BSC initially was purposed for the private sector, but the 2nd generation was broader to also include the public sector. Moreover, Luis attempted to explain the meaning of Balanced Score Card etymologically, which balanced means in equilibrium. So, the BSC is a tool that brings equilibrium between: (1) financial and non-financial indicators, (2) Indicators of the past, present and the future, (3) Internal and external indicators, (4) Leading indicators (Cause/Drivers) and lagging indicators (Effect/Outcome). Balance means that internal and external indicators are linked by cause and effect relationships. Internal factors form causes (drivers/input) and output impacts external factors. Because they are linked, the balance between them both must be guarded. The BSC makes that possible. The BSC tool can map causes that create both good and bad performance, along with the effects that are produced from those causes. There are four (4) perspectives in BSC, they are: (1) The Financial Perspective. Organizational finances can be viewed from two angles, short term and long term. When approaches for financial goals are long term, special strategies called Growth Strategies are used. These strategies primarily involve two things, they are: increasing earnings and customer value. (2) The Customer Perspective. In order to give good value to customers, there are generally three approaches, or value propositions, that our business model can embrace. These approaches are: Product leadership; Operational Excellence; and Customer Intimacy. (3) The Internal Business

Process Perspective, and the Learning and Growth Perspective. There are three primary categories that are analyzed and measured in this perspective: employee competency, technology for support capacity and culture, motivation and appreciation. These three categories form the incentive factor for employee satisfaction in their work. Its importance is clear because satisfied employees increase performance and retention rates.

In another chapter, Luis explained why BSC is important? The BSC is a strategy planning method that compared to other methods, has the following advantages: First, the BSC can function as a tool to communicate strategy to stakeholders of the organization including management, employees, shareholders, customers, and the community. With the use of the BSC, stakeholders can review the strategy and its achievements using the same language (which serves to overcome the vision barriers). Second, the BSC enables an organization to map all primary factors in the organization, whether physical (tangible) assets or non physical (intangible) assets. Other strategy planning concepts are generally limited to issues that are characterized as tangible (thus overcoming the management barrier). Third, the BSC can link the organizations strategy with its performance. Other strategy planning concepts only focus on developing the strategy and stop after the strategy is developed, while the BSC enables the organization to link the strategy development process with the strategy implementation process. And the implementation process can monitor level of achievement through the use of key performance indicator. The BSC not only helps the organization compose strategy, but also helps to monitor the achievement of the strategy (thereby addressing the people and management barriers). Fourth, the BSC recognizes the concept of cause and effect. With it the workforce can gain strategy and clarity, realizing that if the strategy they are responsible for achieves success, then that success will ensure benefits (productivity) to other strategies. In an indirect manner, the cause and effect relationship a strengthen cooperation in the organization and encourage the workforce that by working under a mutual umbrella they can achieve the organization's goal (which addresses the people and management barriers). Fifth, The BSC can help in compiling the budget. During the budgeting process, the organization can use the BSC as a checkpoint. With the BSC we can know what activities need to be executed by the organization in order to achieve its targets, from daily activities to special projects. Then the costs of those activities can be tabulated or included in the budget (which addresses the resource and management barriers). In this chapter, Luis tries to explain that BSC concept and process develop at the organizational level. But the process of applying the BSC doesn't stop here. It must flow down to the division level because in principle, it is at the division level that the strategy will be implemented.

According to Luis who continues and said that the strategy map at the organizational level has been launched by management, that strategy map needs to flow to and synchronize with the division level so that it can be implemented by all parties connected with the organization. The process of flowing to and synchronizing with is termed "cascading". With cascading we mean the process of breaking out strategy objectives at the company level and clarifying with more detail at the division level, even more so at the individual level, with a clear connection between these levels. With cascading we seek to synchronize the strategies at the company level with the strategies at the division level, and extending to the individual level. This synchronization is very important because it is the divisions, and eventually the individuals in those divisions, that will implement the various strategies of the organization. The meaning of division is an organizational unit at a different level or below that of company. Different terms that connote the same distinction are department or office. In implementation, generally speaking, strategies made at the company level are cascade to the relevant division. Cascading means to distribute responsibility for executing a portion of the

company strategy. The distribution is in accordance with the specific roles and tasks of the relevant division.

The role of the business division and the support division need to be studied because they link to the structure of the Balanced Score Card. Revenue becomes the end objective at the business division level so that the positions of the four perspectives have the same form as the strategy map at the company level. Luis then explained that there are 10 steps in cascading process, they are: (1) Division purpose to analyze division vision and mission, (2) Division relevance to identify the contribution and influence of the division in the context of the company strategy map, (3) Division customers to identify the division's customers, (4) Division activities to identify principal division tasks and core processes, (5) Customer expectation to tabulate outputs, customers and customer expectation, (6) Cascading company strategy objectives to the division to review step 1, and identify SOs that must be assumed by the division, then determine other SOs that are needed by the division, (7) local issues to look again steps 2,3,4 and 5 and develop SOs for the customer and financial perspective for the division, followed by SOs for the internal business process and learning and growth perspective, (8) Consolidation and logical testing to compose a division strategy map, (9) Key performance indicators to identify appropriate KPIs for each SO and (10) Target and strategy initiatives to determine targets for each KPI and action plans for each SO.

When beginning the process of cascading the company BSC to the HR division, consider the division vision and mission of the HR division itself. The vision and mission of the HR must be consistent with the vision and mission of the company, and are usually more specific than the company vision and mission. Luis then closed his book with preceding the balanced score card with commitment. Commitment sends the clear message to all employees regarding a continuous change process that is supported by the supervisors, and that leadership expects each employee to support the change process as well. That is, that all employees are invited into active participation in giving shape to the shared goals of the organizations.

The commitment asserts that initiatives that are launched are serious activities, will be executed in a serious manner, and not with fleeting enthusiasm that quickly cools off. Leadership commitment does away with the impression that employees need to busy themselves with gathering data only, without knowing how to follow up or give attention to trouble, or even worse, that there is no follow up whatsoever from management.

At the end of the day it is important to realize that the Balanced Scorecard is not a silver bullet for management problems. Management tools like the Balanced Scorecard are not a panacea that will heal an organization of all woes without hard work. The Balanced Scorecard is only able to offer a benefit to the extent that is consistently adopted and becomes a part of the organization life.