

City of Balikpapan
International Resource Cities Diagnostic
March 19 - 20, 2001



Submitted by:
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USAID Cooperative Agreement

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Summary

THE RESOURCE CITIES PROJECT

On February 27, 2001 *Kota Balikpapan* (city of Balikpapan) signed a Memorandum of Understanding indicating their interest in participating in the Building Institutions for Good Governance (BIGG) Program of ICMA-USAID in Indonesia. Specifically, they agreed to participate in the International Resource Cities Program (IRCP) component of BIGG. Given this commitment, a municipal diagnostic was required to determine:

- Define the conditions of the city; conditions that will influence the effectiveness of the exchange.
- Provide a profile of the city that can be used to select the most appropriate US city as a partner of the program.
- Identify the appropriate type of technical assistance or resources that should be exchanged in the partnership.
- Establish a framework for the partner's technical exchange work plan.

On March 19 and 20, 2001, *Deborah Kimble*, ICMA Municipal Governance Advisor and *Trisanti Mitayani*, ICMA Partnership Manager for the IRCP of BIGG met with members of the executive and administrative staff of Balikpapan.

This report provides an overview of the meetings and findings of the diagnostic trip as well as an analysis of the findings as they relate to meeting the current main objectives of Balikpapan — flood control and development. Further, the diagnostic report offers a list of potential technical approaches that the partners may want to pursue. The report is divided into four sections;

- Section 1 : Background on the process;
- Section 2 : Summary of the meetings conducted;
- Section 3 : Description of the context that guided the analysis of the findings; and
- Section 4 : Recommendations on scope of technical exchange for the partnership.

1. Background on the Diagnostic Process

The diagnostic in Balikpapan is part of province wide process of tying four local government units — Kabupaten Pasir, Kota Balikpapan, Kota Samarinda and Kabupaten Kutai — through the budget and financial training program. As a result, a fair amount of the issues dealing with financial practices in Balikpapan were investigated earlier by ICMA Senior Budget and Finance Advisor, Philip Rosenberg and ICMA Budget and Finance Specialist, Charles Poluan Jr.

A general review meeting was held on Monday morning, March 19, 2001 to discuss the overarching issues that might be addressed through the IRCP. The Secretary to the city of Balikpapan, Idham Kadir convened the meeting. M. Sabani (Head of Program Development Division) and H. Purba Wijaya (Head of Finance) also participated in the meeting.

After a brief explanation of the BIGG program by Trisanti, Secretary of Balikpapan then listed the items that proved to be the agenda for discussions for the two days of meetings. Items on the list included:

Flood Control — due to the geographic conditions, the city experiences flooding in the plains area. Contributing factors include poor drainage maintenance, unstable soil, and development on hill and high lands of the city. The problems with development include the amount of land covered,

making the surface impervious and the development in the hills, which further destabilizes the soil.

Cleaning Department Management — *Dinas Kebersihan* (The Cleaning Department) would have primary responsibility for maintaining the drainage system. Some of the problems they have encountered include the system design for temporary disposal site, sediment in the system and the habits of citizens as it relates to dumping refuse in the system.

Traditional Market — little discussion ensued on this topic.

Coastal Development — discussion related to coastal development was encompassed in general developmental issues related to regulation and management.

Traffic Management — similar discussion to coastal development.

Public Utility Coordination — after considerable exchange of information, the issues that surfaced related what the city could do to improve the coordination of capital projects among the utilities, especially those still controlled by the Central Government such as the telecommunication and electric utility systems.

Based on the discussion and a quick review of the information shared in the general meeting two issues are systemic to 5 of the 6 concerns raised —

- i. *Formulating effective environmental regulatory ordinances (local regulations) that address the flooding and water concerns¹, and*
- ii. *Creation and enforcement of a comprehensive permitting process that results in better coordination of public improvement projects (of all levels of government)².*

The departments that would participate in work related to flood control and development include *BAPPEDA* (Regional Planning Agency) for planning, *Dinas Pekerjaan Umum* (Public Works Department) for construction of systems, *BAPPEDALDA* (Regional Board of Environmental Impact Assessment) in terms of environmental impact, and *Dinas Kebersihan* (the Cleaning Department). A similar list of participatory departments related to comprehensive permitting was not readily identifiable however, one can presume that at least Planning Agency and Public Works would have to be involved, assuming the role of plan reviewers and permit granting departments.

A final issue discussed related to the potential foci of the partnership, was external influences and what role they might play in bringing about effective environmental management. Balikpapan staff indicated that there are still major government institutions present in the city, particularly the state owned oil company PERTAMINA. When asked about potential conflict between central and local government as it related to oil production, city officials indicated they felt confident that under autonomy they did have and would use the authority granted to them in establishing priorities.

One of the real challenges facing the city is the anticipated changed of Mayor. In two months the Mayor, Tjutjup Suparna, will be replaced by the *DPRD* (city council) because

¹ The issue of a water shortage and contamination of existing water sources was raised in a subsequent meeting, discussed in section 2.

² Subsequent discussion with Graham Usher, COP of the USAID Natural Resource Management Project provided additional development issues that should be consider, comments are in Attachment A.

it would be the end of his second term of being an elected Mayor. Members of staff and the Mayor himself expressed a concern that a new Mayor, along with the city council, may want to follow a different vision than is currently charted.

2. Summary of the Meetings

Based on the discussion during the general meeting interviews were scheduled with the Planning Agency, Head of Finance, Head of Program Development Division, individual meeting with the Mayor, and the Environmental Board. What follows is a summary and analysis of all meetings.

Interview Findings

Finance Division : H. Purba Wijaya (Head)

APBD or *Anggaran Pendapatan dan Belanja Daerah* (Regional Revenue and Budget Plan) consists annual routine and development budget for the city. The Budget Plan is submitted by the city government and must be approved by the city council before it could be taking as a guide to run the government.

The mechanism of formulating or listing all the program required for the whole year begins from the community. Each community that could be reached by the lowest level of government holds their own meeting to submit the improvement program they need in a meeting called as "*Rapat Koordinasi*" (Coordination Meeting). The results then are being taken to the city government to perform the development budget. The city holds a Development Coordination Meeting or *Rakorbang*.

Along with self observation by the city on how they did a year before, proposal from other technical departments, the community's proposal was then considered to formulate a development program and budget as one comprehensive report known as Budget Plan. Budget Plan is then being taken to the DPRD to be discussed and reviewed and set priorities before approved to be the annual regional budget plan.

Planning Agency : Sri Sutantinah (Secretary)

As it relates to the flooding issues of Balikpapan, the Secretary to Planning Agency explained that the role of the agency plays is to develop long-term plans, analyze occurrences of flooding to determine what happened and what other divisions should be involved in abating conditions that would cause future floods.

At this time, the Public Works department maintains the drainage system along commercial areas, while the Cleaning Department maintains the systems in the residential areas. In both departments, part time workers provide the manual labor. In terms of budget allocations, Planning Agency works with the Program Development Division in the Administrative Offices, which fall under the direction of the Secretary to the city, to determine the amount of funds required for new drainage (or any other capital projects). Routine budgets are presented to the finance division. All three divisions finalize the budget review — Finance, Planning Agency and the Program Development Division of the Administrative Offices — and make recommendations to the Mayor. When asked which of the three divisions had the most authority to make final adjustments for spending a decisive answer was not given.

Program Development Division of the Administrative Office: M. Sabani (Head)

M. Sabani provided an overview of the organization structure, the budget process and an explanation of the transfer of national civil service employees. During the discussion he brought up an additional concern for the city, that of the water shortage. Sabani explained that the city was preparing to construct a new dam so that an additional water source would be available. He explained that at this time there was only one dam that collected water from a small river. In addition the City's Water Company (*PDAM – Perusahaan Daerah Air Minum*) drew water from 5 or 6 deep wells.

The problem at this time was contamination of the water supply. He noted that oil was now finding its way into the deep wells and the amount of sediment was increasing in the reservoir due to increased development in the watershed of the river. He felt this was an equally important problem.

Mayor of Kota Balikpapan : Tjutjup Suparna

The Mayor Tjutjup Suparna was briefed on the items that had been raised in prior meetings with his staff. Three key issues seemed to be at the front:

- Development and maintenance of a flood control system
- Coordination of public utility projects
- Protection of the water supply.

The Mayor agreed that these were critical issues. He also added that future issues that needed to be addressed included development of the industrial, trade and tourism sectors, however saw the items present as the most critical, current issues.

Mayor Tjutjup also explained his concerns regarding the imminent transition to a new mayor in May 2001. He felt that the new Mayor must explain his vision of the city and register his wealth. Presumably the latter is a concern related to source of income from community institutions that could be in conflict with or enhanced by future development of the city. Whatever the new Mayor's vision is for the city, Mayor Tjutjup felt measuring the performance. His suggestion was to have the new vision segmented into annual accomplishments and then analyzed using financial indicators as the measures of performance. This is entirely possible under the required performance based budget now required by PP 105 (regulation on budget matters).

Environmental Board : M. Saleh Bisri (Head)

Environmental Board determines the environmental impact of new development projects and monitors the environmental impact of existing business. Their description of the flooding and development issues was the most coherent. Saleh Bisri explained that Balikpapan was at the end of the rivers and that the [natural] catchment areas were now being developed thus destroying natural water percolations through the soil. Further he felt that the existing drainage system was not appropriate for the types of materials that entered the system.

He felt that the city needs strong ordinances to protect critical land areas, in particular the areas now being developed in the hills. His staff provided pictures that showed a steppe system of grass and concrete now being used to stop the increased amount of sediment entering the catchments.

A review process for new development projects was also described. The process itself is complete, however some items that should be added to the process were more

community involvement – both information sharing and responses and better representation of the low-income people (something also mentioned by the Mayor). In terms of monitoring industry for environmental impact, Saleh Bisri explained that his staff completed inspections every six months and also responded to citizen complaints. He indicated that the city could not assess a penalty; rather the industry had to go to court to receive a judgment after some reprimand letters sent to them.

3. Analysis of the Findings

For purposes of analysis, ICMA/USAID developed a four-point structure by which to determine the most useful technical information for each of the local government units in Indonesia as they implement Laws 22 and 25. The four points are:

3.1 Organizational Capacity

The real challenge facing Balikpapan is the impending change in Mayors. Mayor Tjutjup is visionary and provides organizational leadership. In time, he most likely would have been able to reorganize the staff and assign functions to more progressive staff members. It will be important to work with the new Mayor if the objectives of the partnership (as stated in Section 1) are to be met. At this time, it appears that the staff interviewed had the capacity to take on new roles; however, the organizational structure precludes the efficient delivery of services and decision regarding the allocation of funds to be made.

The need for a more integrated administrative structure (one which encourages communication and cooperation among departments) is evidenced by the desire to create a more comprehensive drainage maintenance system, by the desire to develop complimentary development ordinances, ones that consider the impact of development on flooding and water and a coordinated capital improvement permitting process. In each case, the problem to be resolved emanated from multiple, line departments, vertically organized, being responsible for some portion of the task or service delivered. As a result there is no overall accountability, resulting in the failure of existing systems to solve the problems identified.

3.2 Transparent Budgetary and Financial Systems

The process by which Balikpapan adopts its budget incorporates a high level of citizen involvement. There is a definite need, however, to institute performance based budgeting and financial practices to that the information shared with the community is more accurate. Further, as with all local governments in Indonesia, integration of the routine and development budgets must be accomplished. In the case of Balikpapan, developing the skills for this in relations to the creation of a more integrated drainage system would be appropriate could build on the community involvement model in place.

3.3 Effective Citizen Participation

Again, Balikpapan has a system in place that incorporates citizens into the decision-making role of the DPRD and the Mayor. It does not appear to be a formal structure yet, and further, it is not apparent how the administrative staff views the involvement of citizens, BAPPEDA in particular. As the partnership moves forward, it would be worthwhile trying to develop a more formal citizen involvement program that has built in feedback mechanisms that increase the usefulness of citizen comment. For example, creating a citizen board that works with the DPRD to interview potential candidates for Mayor.

3.4 Efficient Delivery of Urban and Environmental Services

By their own acknowledgement, delivery of services in Balikpapan is not seen as efficient. The division of responsibility of maintaining the drainage system between the Public Works Department for commercial customers and the Cleaning Department for residential promotes redundant use of labor and machinery/tools. This is only one example, however, given the history of vertical ties to the ministry under the New Order government structure, it safe to assume that other service areas suffer the same excesses.

4. Recommendations for the Partnership Exchange

Addressing the organizational and service delivery problems of Balikpapan could be accomplished by focusing the partnership on issues related to flood control. In particular, attention to be given to the creation of a more effective drainage program, one which addresses the systemic cause of flooding—development, land use, environmental degradation, and system operations and maintenance.

Consideration should be given to developing a citizen based development board, one that has representation from all effected stakeholders such as developers, environmentalist, residents, and commercial property owners. Such a board should work with a staff team comprised of staff from BAPPEDA, BAPPEDALA, Public Works, Cleaning Dinas, and the Assistant to the Secretary to the Mayor for Development. As work progress on the design and adoption of new practices, it will be critical to tie the implementation to the budget process.

General Issues

Kota Balikpapan, as other city governments in Indonesia, is facing problems related to the implementation of Laws No.22/1999 about Local Governments (and or it is well-known as “Regional Autonomy”).

1. Financial sharing between central and local (city/county) government, especially to specify what and how the city could know not only the amount of money they could use for development program in the city, but also to know how much the sharing are based on the actual revenue.
2. Personnel transferred from central and provincial government to be under the authority of the city government. Most of the personnel are teachers that are now being transferred to work for the city government.
3. Having many of important activities in the city that are still being controlled and regulated by the central government, but the city has the impact on the regional development and their limited revenue could gain from the activities. These activities in Kota Balikpapan are harbor/port and airport.

Additional Profile

Kota Balikpapan is a city located in the middle of East Kalimantan and South Kalimantan transportation network and has its ferry terminal from Balikpapan to Mamuju (South Sulawesi). In its administrative region, Balikpapan has centre for oil processing company which supplies 30% of national needs of gas.

Its vision is stated to be a city of industry, trade, services and tourism with its commitment to faith. Its mission consists:

- Improve community welfare
- Improve quality of human resources
- Serve the community with environmentally sensitive development
- Have the spirit to be independent, innovation, and protective.

Kota Balikpapan is now covering area about 125,000 acres consists about 15,000 acres of built area, 25,000 acres protected forest and 12,500 acres just forest. The rest area is designated to be the possible area for building and other urbanized activities. In 1999, population in Kota Balikpapan is around 400,000 people and they are distributed in 5 sub-districts.

Potential for Flood Control and Environmentally Sensitive Development

Developing an effective flood control system – including design, construction and maintenance – will involve at least three departments. Challenges faced, under this structure, is identifying the cost of maintenance (since two departments provide the service in different areas of town), the up/down stream relationship between residential and commercial drainage systems and how this contributes to the overall flooding problem.

INTERNAL NOTES KOTA BALIKPAPAN

Analysis of Findings

Decision making

Leadership

Financial management and revenue generation

Community development

Service delivery

Recommended Approaches for IRCP for Kota Balikpapan

Environmental friendly ordinance and environmental management

Flooding, development and water.

Project management systems

Environment

Sustaining development policy through leadership transition