

# MAKING SERVICES WORK FOR THE POOR IN INDONESIA

## CASE STUDY 9: CIVIL SERVICE REFORM IN BOALEMO DISTRICT, GORONTALO PROVINCE

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### ABSTRACT

Since 2002, the *Bupati* (Regent) of Boalemo district in Gorontalo province, Indonesia, has led a process of civil service reform. The main reforms have included passage of a district regulation on transparency, the introduction of competitive bidding for procurement, and the introduction of a new system of salaries for civil servants (significantly increasing them), together with fines to improve civil servant discipline. The success of the reforms has been limited to date. There may have been an improvement in civil servant performance if narrowly defined in terms of staff attendance, but the data to prove this were not available to the research team. No fine has yet been levied on a civil servant for poor service quality, likely because quality-related violations are being neither investigated nor reported. Moreover, one reform—the removal of so-called “operational allowances”, used mainly to pay for fieldtrip expenses—has had a negative impact on the performance of field staff, some of whom must now rely on the financial support of those whom they are supposed to be inspecting. The reforms appear to have been successful in increasing the transparency of procurement, but only for smaller projects. Collusion remains in the larger projects that are usually done by non-local firms, and which likely represent a substantial portion of all construction project money being spent in the district. The reforms seem to have made civil servants more accountable to the public, as citizens living near the capital now have more opportunities to lodge complaints, and apparently do so more often. In fact, at least once such a complaint has resulted in the firing of corrupt officials. The success of reforms has been mainly due to the *Bupati*'s commitment and leadership, and to the financial promises and technical support offered by the World Bank-funded Initiatives for Local Governance Reform (ILGR) Project. On the other hand, many factors have conspired to limit the reforms' effectiveness to date, including poorly designed incentives reform (the dearth of salary fines for service quality, the impracticality of the monitoring system for salary fines, and the short-sighted decision to remove “operational allowances”), over-dependence on the *Bupati* as an individual, the marginalization of citizens living in distant and poor parts of the district, a very weak civil society, and unfulfilled financial commitments from the ILGR project.

### INTRODUCTION

As part of its mandate to alleviate poverty in Indonesia, the World Bank is undertaking a series of case studies to promote better services, especially for poor and disadvantaged people. The case studies were chosen through a competitive outreach process managed by the World Bank from the many innovative practices seen in Indonesian local government in

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recent years. Donors, non-governmental organizations, and local government staff were contacted and encouraged to submit proposals regarding innovative pro-poor service delivery work that they either were undertaking or knew about. The reforms being implemented in Boalemo district, Gorontalo province, touch upon a theme that is central to making services more pro-poor: reforming the civil service. Hence its selection as one of the case studies.

## THE STUDY SITE: BOALEMO DISTRICT

Boalemo district was established in October 1999, following the central government's decision to decentralize, and the new district government was formed in 2000. Immediately thereafter, a costly dispute over the location of the new capital forced the district to build government facilities in two cities. The dispute was settled at the end of 2002 by splitting Boalemo into two new districts, Boalemo and Pohuwato. The population of the new Boalemo district was 106,440 in 2003.<sup>1</sup>

By any standard, people in Boalemo are poor. A 2000 poverty assessment by the Central Body of Statistics (*Badan Pusat Statistik* or BPS) put its poverty rate at 39 percent, much higher than the national average of 19 percent. In 2003, its Gross Domestic Product (GDP) was Rp. 280 billion (US\$29.5 million) or just Rp. 2.6 million (US\$276) *per capita*. The district depends on agriculture and fisheries: in 2003, three-quarters of its labor force worked in these sectors, contributing just over one-third of the district's GDP.

Boalemo is culturally homogeneous; most citizens are of Gorontalo origin and many, especially older people, do not speak *Bahasa* Indonesia. Ninety-six percent are Muslim. Religion plays an important part in daily life, as reflected in the district's motto, *Boalemo Bertasbih*, which means "Boalemo with the prayer beads."

## THE CIVIL SERVICE IN BOALEMO

Two types of civil servants work in Boalemo. Full-fledged civil servants (*pegawai negeri*) receive their base salary from the central government, and only the central government may fire them. Districts are able to assign their jobs, however. In 2004, Boalemo employed 1,320 full-fledged civil servants.<sup>2</sup>

District-contracted employees (*honor daerah* or *honda*) get neither the salary nor the privileges<sup>3</sup> of full-fledged civil servants; however, they are also not bound by the same rigid central rules (which even govern personal issues such as marriage). *Hondas'* entire salary is paid by the district, which can hire and fire them at will. With the 2002 split of Boalemo, the number of full-fledged civil servants available to work in each of the two new districts was drastically cut. Together with the central government's 2003 decision to maintain a zero-percent growth rate for these employees, this has meant a shortage of full-fledged civil servants for Boalemo. Hence, the district has been relying heavily on *hondas*. According to a staff member of the District Finance Bureau, there were 1,476 *hondas* in 2004.<sup>4</sup>

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<sup>1</sup> *Boalemo Dalam Angka 2003 [Boalemo in Numbers 2003]*, Central Board of Statistics (2004).

<sup>2</sup> Interview with District Finance Bureau staff member.

<sup>3</sup> Full-fledged civil servant privileges can include a "structural" allowance, allowances for a wife and child, and monthly rice rations.

<sup>4</sup> *Hondas* cannot fill "structural" positions: they are generally, for instance, workers, teachers, and field staff rather than managers, school principals, or bureau heads.

## THE REFORMS

### GENESIS OF THE REFORMS

Governance reform has been part of the district government's mission since 2000 when the district was formed. From 2002 to 2004, the district government introduced a set of civil service reforms in order to achieve this mission.

Meanwhile, in October 2002, the World Bank-funded "Initiatives for Local Governance Reform (ILGR) Project" was initiated in 22 districts in Indonesia, including Boalemo. The project goal was to support district

(*kabupaten*) governments in improving transparency (specifically, issuing a district regulation on transparency), accountability and public participation and in undertaking reforms in financial management and procurement.<sup>5</sup>

#### **Boalemo's Vision and Mission on Governance**

**Vision:** Independence in governance: the ability to plan, formulate, implement, and control all government activities in order to serve the public.

**Mission:**

1. Provision of a high-quality civil service.
2. The implementation of a system of rewards and punishments.
3. The development of a government that is need-based.
4. Computerization of government administration.
5. Regional development.
6. Periodic meetings with the legislative body.
7. The formulation of public service standards.

The three main foci of civil service reform in Boalemo are described below.

### REFORM FOCUS #1: IMPROVING TRANSPARENCY

Following his election in 2001, the *Bupati* (district head or "Regent") ordered the removal of the fence surrounding his home to allow the public easy access to him. The next year he began a "morning coffee" tradition: the public was invited to visit him at home in the early mornings and make complaints directly to him. In addition, he has ensured that the public can complain directly to the District Inspectorate Office. In 2003, ILGR project implementation began in Boalemo. ILGR facilitators worked with the district government and civil society to draft a Regional Regulation (*Peraturan Daerah* or *Perda*) to strengthen the legal basis for government transparency.<sup>6</sup> At the end of 2004, Regional Regulation No. 6/2004 on "Transparency of Public Service in

Governance" was enacted by the district parliament. It is to become operational in January 2006.<sup>7</sup> On paper, the regulation is very progressive. It clearly requires public agencies to provide most types of information—except those related to police and national defense intelligence and the protection of intellectual property rights and competition—to anyone who asks for it. The regulation also states clearly which agency (the Transparency Commission) is responsible for implementation, as well as describing administrative and criminal sanctions for those who disobey it.

#### **The District Inspectorate Office**

(*Badan Pengawas Daerah* or *Bawasda*) is responsible for monitoring the district government and implementing the regional development plan. In practice, it mainly conducts financial audits. The head reports to the *Bupati*.

Following enactment of this groundbreaking legislation, the *Bupati* has continued to undertake other efforts to increase transparency. In 2005, he insisted that all high officials begin posting their official salaries on their doors. He requires all bureaus to publicize their progress in achieving the year's target for own-source revenue, for both transparency and accountability purposes. He has also published his own and his secretaries' mobile phone

<sup>5</sup> ILGR Project Appraisal Document.

<sup>6</sup> See <http://www.p2tpd.or.id>.

<sup>7</sup> Operationalizing any regulation requires an implementing decree, which usually takes about a year to issue. Regional Regulation No. 6/2004 was issued at the end of 2004.

numbers, so citizens can either call him directly or send him text messages to report on civil servants' performance.

## **REFORM FOCUS #2: REDUCING CORRUPTION IN PROCUREMENT**

Government procurement is one of the main sources of financial “leakage” throughout Indonesia.<sup>8</sup> With sole-sourcing as opposed to competitive bidding long the government's method of choice, procurement has often been used to reward politicians' cronies with government projects. District governments argue that sole-sourcing is not all bad: it can nurture the growth of local businesses, particularly in the construction sector. With the 2003 introduction of Presidential Decree No. 80/2003 on competitive bidding, however, most government purchases of goods and services must now go through a competitive bidding process. Neither district governments nor local businessmen are fans of the new requirement.

In 2004, despite protests from many local businessmen and politicians, the *Bupati* introduced competitive procurement to Boalemo—with a few twists. He made use of religion to try to restrain members of the Procurement Committee from corruption: all committee members are now sworn in in a public religious ceremony.<sup>9</sup> In addition, he began micro-managing the procurement process via two teams. The Verification Team (including the District Secretary and representatives from relevant technical bureaus and the Financial Bureau) verifies the accuracy of bidders' technical documents and disburses project budgets. The Legal Advocacy Team (including the head and staff of the District Attorney's office, the Chief of Police, the head and staff of the District Inspectorate, and the head of the Legal Department) gives legal advice about contractors, monitors the Procurement Committee, monitors projects that are prone to corruption, and advises the *Bupati* on measures to prevent corruption.<sup>10</sup>

## **REFORM FOCUS #3: RESTRUCTURING INCENTIVES TO IMPROVE PERFORMANCE**

In 2004, the *Bupati* began to implement a system of reward and punishment to improve civil service performance (narrowly defined as good discipline<sup>11</sup>). The reward he chose was the allowance that most districts provide to top up full-fledged civil servant salaries. In Boalemo, this allowance is called a regional performance operational allowance (*tunjangan operasional kinerja daerah* or TOKD). Prior to the reforms, the TOKD was not used in Boalemo. The *Bupati* initiated its use, thereby increasing the salaries of most full-fledged civil servants by as much as 80 percent (the exact amount depends on the civil servant's rank; see table below). For *hondas*, the TOKD became the entire salary (ranging from Rp. 450,000 to Rp. 800,000 depending on qualifications). The *Bupati* included a system of fines with the new TOKD, to be levied whenever any of ten violations is committed. The fines reduce the TOKD by a prescribed percentage for each violation. Most violations pertain to behavior; little emphasis is put on service quality. To help implement the fines, the *Bupati* introduced a monitoring system which requires civil servants to sign hourly (rather than the usual daily) roll-calls.

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<sup>8</sup> World Bank (2004).

<sup>9</sup> The Procurement Committee is an *ad hoc* body of civil servants from a project's implementing agency (usually a government bureau), set up during the procurement period to select the contractor for the project. Apparently, the text for the swearing-in ceremony includes threats of divine damnation for those who corrupt the process.

<sup>10</sup> *Bupati* Decree No. 65/2003.

<sup>11</sup> “Good discipline” is usually taken to mean coming to and leaving the office on time, taking breaks within the allowed time limit, attending the various civil service ceremonies, and following supervisor instructions.

**Full-fledged civil servant salaries, post-reform (Rp.)<sup>12</sup>**

	central government portion, 2003			district portion, 2004		
	base salary		non-operational allowance	TOKD	TOKD as % of central government portion	
	minimum	maximum			minimum	maximum
Rank 1	575,000	879,000	0	350,000	40%	61%
Rank 2	726,000	1,186,000	0	450,000	38%	62%
Rank 3	905,000	1,463,000	<sup>13</sup>	650,000	44% <sup>14</sup>	72%
Rank 4	1,069,000	1,800,000	210-2,500,000	1-3,500,000	78% <sup>15</sup>	81%

The *Bupati* also removed most “operational allowances,” which, depending on which bureaus the civil servants are in, can constitute a major percentage of the full-fledged civil servant salary. The allowances, for travel, project-related work, and participation in committees,<sup>17</sup> are prone to misuse, and create a “pecking order” among bureaus, with the most project-intensive bureau

Violations	Fine (% of TOKD)
1. Miss hourly roll call without explanation.	0.625
2. Arrive late at the office.	1.25
3. Leave the office early.	1.25
4. Are absent without explanation.	4.00
5. Are reported for poor service provision by the public.	10.00
6. Never perform public service.	5.00
7. Do not attend a required meeting or other event.	10.00
8. Fail to obey supervisor policy (for example, about religious dress, exercise, or lectures).	20.00
9. Fail to make appropriate reports.	5-10
10. Violate Central Gov. Regulation No. 30/1980 about civil servants. <sup>16</sup>	30-100

Source: *Bupati* Decree No. 55/2004

having the highest operational allowances. The *Bupati* intended the TOKD to substitute for the operational allowances, removing both the potential for abuse and the “pecking order”.<sup>18</sup>

**Summary of civil service reforms in Boalemo**

**Transparency**

- Improved access to the *Bupati* and District Inspectorate Office
- Passage of district regulation on transparency
- Posting of staff salaries and phone numbers and bureaus' progress in achieving goals

**Procurement**

- Introduction of competitive bidding, with religious swearing-in ceremony for Procurement Committee and micro-management of procurement via Verification and Legal Advocacy Teams

**Incentives**

- Introduction of TOKD with fines and monitoring, thereby greatly increasing civil servant salaries
- Removal of most “operational allowances”

<sup>12</sup> Decree of the Regent of Boalemo No. 55A/2004 and Regulation of the Government No. 11/2003 on civil servant salaries.

<sup>13</sup> Rank 3 staff occasionally receive non-operational allowances as well.

<sup>14</sup> Not including the non-operational allowance.

<sup>15</sup> Assuming minimum salary earners receive the smallest TOKD and maximum salary earners receive the largest TOKD.

<sup>16</sup> “Government Regulation (*Peraturan Pemerintah*) No. 30/1980 on Civil Servant Discipline” is the code of conduct for all civil servants in Indonesia.

<sup>17</sup> Civil servants often inflated claims for these allowances, particularly at the end of the fiscal year, when bureaus attempt to fully spend their budgets.

<sup>18</sup> There was an increase in the salary of all civil servants when this reform was implemented, to address the loss of “operational allowances”, but the size of the increase is not known.

## HYPOTHESES AND METHODOLOGY

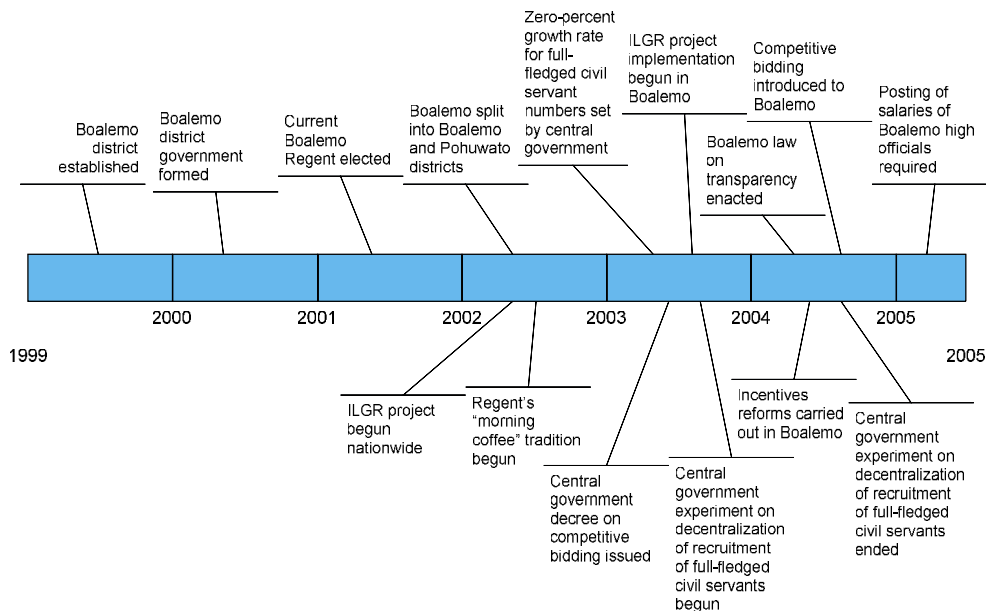
The research examined the following three hypotheses:

1. The civil service reforms have improved the performance of civil servants.
2. The civil service reforms have increased transparency in procurement.
3. The civil service reforms have made civil servants more accountable to the public.

The research team spent six days in Tilamuta (the district capital) and two days in Gorontalo City. Semi-structured interviews were conducted with high-level officials (the *Bupati* and the heads of the District Planning Agency, District Inspectorate, Bureau of Public Works, District Civil Service Agency, Bureau of Health, and Legal Department), lower-level officials, ILGR facilitators, several civil society organization (CSO) activists, the staff of health clinics in Dulupi and Tilamuta sub-districts, and a contractor who had won several development projects in Boalemo. In addition, two focus group discussions were conducted, one with 14 CSO activists representing 8 CSOs, and one with 12 members of parliament. Citizens were not interviewed in part because of the language barrier: team members would have had to rely on local government staff as interpreters, possibly skewing responses.

The impact of governance reforms is hard to measure, in part because of the sensitivity of the subject. This case study barely scratches the surface of this complex and elusive subject, and hence should be considered a mere snapshot of the story of governance reform in Boalemo.

## IMPACT OF THE REFORMS



## HAVE THE CIVIL SERVICE REFORMS IMPROVED THE PERFORMANCE OF CIVIL SERVANTS?

**There may have been an improvement in "civil servant performance", if narrowly defined in terms of staff attendance.** A head of the District Development Planning Agency (*Badan Perencanaan Pembangunan Daerah* or *Bappeda*) suggested that the new TOKD fines reduce absenteeism, and further noted that he has observed less absenteeism and "more enthusiasm" among *hondas* than among his agency's full-fledged civil servants. The head of the Public Health Centers (*Pusat Kesehatan Masyarakat* or *puskesmas*) in the district capital of Tilamuta also noticed this impact.

On the other hand, the head of the Public Works Bureau feels that workload fluctuations have had a greater impact on absenteeism than the TOKD fines. The research team was unable to obtain attendance records to support any of these claims.

**No TOKD fine has ever been imposed for poor service quality.** According to a staff member at the District Finance Bureau responsible for subtracting fines from regular TOKD payments, almost all fines have been imposed for the simplest violations, such as those related to attendance. This suggests that either quality-related violations have never occurred or that they have never been noted. Since the team found that complaints about civil servants are regularly made, whether to the *Bupati*, the District Inspectorate or the parliament, it is more likely that civil servants' quality-related violations are simply not being noted.

**TOKD violations related to service quality**

#5: Reported for poor service provision by the public.

#6: Never perform public service.

#9: Fail to make appropriate reports.

**The removal of “operational allowances” has created problems for staff who legitimately spend most of their time in the field.** By de-linking salary top-ups to project- and field-related activities, the *Bupati* did succeed in reducing financial “leaks”. However, this has had a negative impact on field staff performance. The head of the Public Works Bureau complained that he must now personally supplement the cost of staff meals during fieldtrips, as the TOKD has proved insufficient. He pointed out that without the “operational allowances”, project inspectors conducting field inspections must now often depend on financial support from the contractors they are supposed to be inspecting, with clear negative implications for accountability. Similarly, health clinic staff complained that they must now personally pay for gasoline during field visits to villages. The *Bupati* has responded to these unforeseen consequences by permitting “specialized allowances” for both project inspectors and health clinics—in effect a partial reversion to the system of “operational allowances”.

**Incentives reform places a financial burden on staff.** The head of the Public Works Bureau must go to the province 4 to 5 times a month, bringing 4 to 5 staff members each time. Prior to the reforms, a travel allowance covered his trip expenses. Now, however, only gasoline is reimbursed (from project budgets), and he often must personally pay for staff meals, an expense that usually exceeds his TOKD.

## **HAVE THE CIVIL SERVICE REFORMS INCREASED TRANSPARENCY IN PROCUREMENT?**

**The reforms appear to have been successful in increasing the transparency of procurement for smaller projects.**<sup>19</sup> A high official at the Public Works Bureau—the bureau responsible for infrastructure projects and often regarded as one of the main nests of corruption—stated that competitive procurement has reduced the “commission fees” received from contractors, due to their now thin profit margins. He reported that some local contractors are even incurring losses now because they have underestimated project costs.

According to the *Bupati* and the Public Works Bureau head, most, if not all, of the firms involved appeared to have respected the new process: no serious complaints or accusations of foul play were made in the mass media after the 2004 procurements were completed. Some three or four bidders came forward to complain about having had their bids rejected, but, according to the Bureau head, they were satisfied with his explanations.

<sup>19</sup> “Smaller” projects are those that can be managed by local (Boalemo) contractors. “Larger” projects are those that must be handled by provincial contractors. Projects with budgets less than Rp. 50 million (US\$5,300) are, however, exempt from the competitive bidding requirement.

**For larger contracts, however, collusion remains.** A private sector informant from one of the larger construction firms suggested that the introduction of competitive procurement has not changed the process of bidding for larger contracts very much. Covert agreements among the larger firms, with government officials, and with the Procurement Committee to divide large government projects continue. “Commission fees” usually paid to high officials have generally not changed. Moreover, firms that do not land contracts at the district level via the new competitive process can still be contracted for provincially- and centrally-funded projects.

Fifty-six percent of the total number of projects managed by the Boalemo Public Works Bureau in 2004 were won by local contractors, who tend to work on the smaller projects; but the value of projects managed by larger, non-local contractors was almost double that of smaller, locally-managed projects. Hence, the ongoing corruption in larger projects likely represents a substantial amount of money.<sup>20</sup>

## **HAVE THE CIVIL SERVICE REFORMS MADE CIVIL SERVANTS MORE ACCOUNTABLE TO THE PUBLIC?**

**Citizens living near the capital have more opportunities to lodge complaints, and apparently do so more often. At least once, such a complaint has resulted in the firing of corrupt officials.**

The *Bupati's* willingness to open up his home has allowed citizens to complain directly to him. Similar openings are available at the parliamentary and inspectorate offices. Government officials, parliament members and civil society agree that citizens actually use these opportunities to complain about officials and public services,<sup>21</sup>

**Citizen power in action.** In 2004, the Inspectorate received complaints from some citizens about suspicious transport levies from the transportation bureau. The Inspectorate office checked with the District Finance Bureau to see whether the levy money had been added to district revenue. After it was confirmed that the levies had not been added, the Inspectorate office gathered the necessary evidence to demonstrate fraud—including the fact that some minor department officials had printed bogus receipts to collect more levies. The Inspectorate reported the incident to the *Bupati*. Since all 10 officials involved had been contracted by the district, the district was able to fire them immediately.

and there is a general impression that complaints are often addressed effectively. Complainants have ranged from a teacher disagreeing with cuts to her salary, to a community reporting money siphoned from village grants by village leaders.

## **LESSONS FROM THE REFORMS**

### **WHAT MADE THE REFORMS POSSIBLE?**

**The *Bupati's* commitment and leadership.** Implementation of the reforms was greatly aided by the *Bupati's* personal involvement in them, especially his enthusiasm in opening his home to citizens and his willingness to listen. Of note, he was the first civil servant to have his travel allowances reduced following the allowance reforms. The *Bupati's* skill at managing challenges to the often controversial reforms has also been key; he has frequently used broad support from below to address resistance at the top. His success in pushing forward the implementation of the TOKD-with-fines system, despite some resistance from the parliament and some high-level bureaucrats, partly came from the support of civil servants at all levels (as most civil servant salaries were increased by the reform).

**Budgetary incentives and technical support for reform from the ILGR project.** The ILGR project, implemented in Boalemo beginning in 2002, came with a promise of

<sup>20</sup> Data from District Finance Bureau and *Bappeda* (2004).

<sup>21</sup> Interviews with the *Bupati*, Inspectorate, and District Parliament.



investment loans or grants to finance the district's poverty reduction strategy and several conditions for disbursement:

- Enactment of a district Regulation on Transparency (a "Freedom of Information" Act);
- Implementation of transparent district financial management practices in accordance with World Bank guidelines;
- Implementation of a transparent procurement process in accordance with the Presidential Decree No. 80/2003; and
- Creation of a Poverty Reduction Strategy Paper (PRSP).

The as-yet unfulfilled promise of investment funds was a strong additional impetus to reform.

**The national decree on procurement reform.** This decree provided a useful hook on which to hang the "hat" of procurement reform at the district level; it was used by both the *Bupati* and ILGR facilitators to push reform in the face of dissent.

**The use of significant financial incentives to improve civil servant performance.** For *hondas* whose entire salary is made up of the TOKD, the threat of fines was apparently effective, as fines could constitute a significant proportion of the salary.

**Easily understood, quantified and monitored violations.** Five of the ten TOKD violations relate to staff attendance, a variable that is easy to understand and monitor.

**The inherently larger number of bidders for smaller projects.** Many more firms are able to undertake smaller than larger projects, so there are inherently more potential bidders for smaller projects. The larger the pool of potential bidders, the more difficult for them to collude for unfair profits. Hence, competitive bidding is not only more accepted for smaller projects, but less naturally susceptible to corruption.

## **WHAT HAS LIMITED THE POSITIVE IMPACT OF THE REFORMS?**

**The inherently smaller number of bidders for larger projects.** Not many contractors, local or not, can do larger projects because of the high cost of the necessary equipment. Thus, any large project will have only a handful of potential bidders, making it fairly easy to collude with high district officials to set good prices. Moreover, given that virtually no local contractors can afford to bid for these projects, there are unlikely to be complaints in the district about such practices.

**The dearth of TOKD violations for service quality.** Half the TOKD violations relate solely to attendance; only three relate to service quality, and then only loosely. It is true that quality of service delivery is not easy to define, let alone measure, but it is possible through careful work to identify meaningful indicators for this important topic. The exclusion of service delivery quality issues from the civil servant performance reforms in Boalemo essentially limited performance improvements to non-quality areas.

**The impracticality of the monitoring system for TOKD violations.** The system only works if violators are caught, which makes monitoring crucial, but with insufficient staff to carry out this task, and only lackluster support from many high-level bureaucrats, monitoring has been patchy and inadequate. In particular, monitoring has only been effective close to the capital. The offices of *Bappedda*, the Public Works Bureau, and the Tilamuta public health centers, for example, are located close to the offices of the *Bupati* and the Inspectorate, which can therefore carry out frequent inspections. The threat of penalties is thus credible in those offices and the fines system has apparently had a positive impact on attendance. But the research team's visit to a public clinic in Dulupi, an hour away from the district capital, revealed a breakdown of this system the farther an office is from the *Bupati's* and the Inspectorate's. Neither the Inspectorate office nor the *Bupati* had ever conducted sudden visits to this clinic. The clinic director himself was not in attendance when the team arrived,

and had to be called from his home to meet them. The clinic was not implementing hourly roll-call sign-ups because its staff, who spend most of their time in the field, found the system a hassle, but staff were not fined because these TOKD violations had not been reported.

**Poorly designed “allowances reform”.** Removal of the “operational allowances” had negative as well as positive impacts—negative impacts that most likely could have been predicted by affected staff *before* the implementation of the reform. It appears the reform was designed neither systematically nor in a participatory manner. The government’s response to complaints from field staff—reinstating some allowances—only continues the somewhat *ad hoc* style of some of the reforms.

**Overdependence on one person—the *Bupati* himself.** Many citizen complaints are channeled directly through the *Bupati*, which means people must physically travel to his home for meetings at which complaints may be lodged. Uncertainty regarding the timing of meetings, however, creates a barrier to the reporting of poor public service. Moreover, meetings can be cancelled at the *Bupati*’s convenience. At the time of this research, one such meeting was cancelled because the *Bupati* had just returned from field inspections. The uncertainty about meetings would likely affect some people’s willingness to come and complain. Other reforms are also highly dependent on the *Bupati* himself, for example monitoring of TOKD violations. A clinic near the *Bupati*’s office saw positive changes in attendance as a result of frequent monitoring, but a clinic one hour away did not. An ILGR facilitator stated that during the *Bupati*’s recent one-month leave, there was a lessened sense of urgency in maintaining discipline, particularly among the bureaus close to the *Bupati*’s office, resulting in a negative impact on civil servant attendance.

**Lack of political incentive to deal with ongoing corruption in larger projects.** The likely corruption in procurement for larger projects rarely involves local firms, perhaps one reason there has been no local reporting about the issue. At the same time, there are rumors that the *Bupati* might actually get cuts from larger projects.

**Financial incentives for better performance were less effective for full-fledged civil servants than for *hondas*.** The difference was likely due to the fact that the portion of the salary subject to fines—the TOKD—is only part of the full-fledged servant’s salary, but comprises the whole of a *honda*’s salary.

**The barrier of distance for citizens, especially the poorest, who want to report poor service.** Since all offices at which citizens can complain are located in Tilamuta, the district capital, citizens outside the capital do not have equal opportunity to register complaints. This limits the potential for improving civil servant accountability. Poorer areas are especially at risk, including Paguyaman Pantai, the district’s poorest sub-district, more than an hour’s drive from the capital across a difficult mountainous area with poor-quality roads, and Dulupi, the second poorest sub-district, a forty-five-minute drive away. It is difficult, if not impossible, for poor people in these two sub-districts to find the time and transportation money to go to the capital to complain. On occasion, the *Bupati*, Inspectorate or members of Parliament visit these areas to get feedback, but these visits do not happen often.

**Weak civil society.** Greater transparency in the district was supposed to have provided more room for civil society organizations (CSOs) to demand better services and less corruption. CSOs have not, however, been effective in capitalizing on the improved transparency. On the contrary, the reputation of district CSOs has been tainted by an incident in which many were brought to court for their alleged involvement in misappropriating poverty-reduction funds.

**Unfulfilled financial commitments.** The government of Boalemo has fulfilled all the requirements for ILGR funding and is now entitled to receive disbursements directly. In anticipation of this funding, from 2002 to 2004 the district spent about Rp.150 million (US\$15,800) from its own budget to support the reforms—yet it is still waiting for ILGR funds. At one point, the parliament almost refused to endorse the district law on transparency due to the continued delay of the promised funds.<sup>22</sup> Similarly, the *Bupati* admitted receiving criticism for pushing the reforms despite the non-arrival of funds. There were three problems that have caused the delays: first, the central government dithered on the establishment of the regulations required to allow districts to borrow from foreign donors directly. Second, at the central government level, there was conflict about the very concept of taking World Bank loans, with one of the ministers (who has since left) taking a particularly strong stance. Third, there have been delays from the Bank side regarding clearance of the money. The current agreement is that the promised ILGR funds will be disbursed yearly for three years beginning in 2006, with Boalemo slated to receive a grant of Rp. 4.5 billion (US\$474,000) the first year (so technically the central government will be borrowing the money rather than the district), and the same amount in loans in each of the subsequent two years.

## MOVING THE REFORMS FORWARD

**Implement the law on transparency.** On paper, the law is very progressive, but its implementation will determine whether it will actually increase government accountability.

**Create mechanisms for third-party monitoring of civil service quality.** The district's experience suggests that, as long as it is not too costly to report complaints, citizens do come forward. However, collegial loyalty within the bureaus limits the effectiveness of internal mechanisms in monitoring performance; hence, the need for external monitors to improve civil service quality further. For example, the establishment of "report cards" for service quality could allow an independent organization such as a CSO survey service users, thus placing pressure on district offices to improve service quality. Public expenditure tracking (letting communities monitor project implementation by providing them with information regarding grants they are supposed to receive) combined with the new transparency law can complement competitive procurement to help fight corruption.

### **Nurture the growth of an independent civil society by reducing poverty in the district.**

A critical ingredient for governance reform that appears to be missing in Boalemo is an active and independent civil society.

Most CSOs in Boalemo cannot operate on income from their advocacy work alone. Hence, young activists are tempted to change their allegiance to the private sector or to become civil servants or politicians themselves. Thus, the success of the reforms depends mainly on local political leaders. Direct support from donors to civil society organizations can be useful, but might create an unsustainable dependency on donor projects.

**Civil society and politics in Boalemo.** CSOs in Boalemo do not seem able to maintain their independence. To quote a veteran activist: "The conviction [of CSO activists] can be shaken by money." Moreover, CSOs appear to have too cozy of a relationship with the region's power centers—the *Bupati* and the parliament. This is well-captured by the comments of an ILGR facilitator: "In other districts, I have never seen so many CSO activists hanging around regional government or parliament offices, except when there are real needs. Here, many CSO activists just stick around these offices [for no apparent reason]."

Another approach is to reduce the district's primary problem: poverty.

**Speed up reforms by removing inconsistency in central government support for decentralization.** In 2003, the central government decided to begin letting districts recruit their own full-fledged civil servants. Boalemo's *Bupati*, full of enthusiasm for this move, made

<sup>22</sup> Interview with an ILGR facilitator.

great efforts to ensure the recruitment process would be as transparent as possible. He drafted members of the police and the public attorney's office to monitor exams. He insisted that exams be evaluated transparently: a person would shout out the answers and the monitors would review the candidates' answers and final scores publicly. Most considered the process fair. Unfortunately, after only one year, the central government stopped the experiment. Many districts perceived this move as a reflection of the central government's half-heartedness in embracing decentralization. The episode illustrates a problem faced by many districts embarking on civil service reforms: sometimes reforms have had to be rolled back because of the decisions (or, more often, the indecisions) of the central government. A predictable regulatory framework is important for reform.

**Take the long view.** By its nature, governance reform does not produce immediate results. Worse, in the short term, it tends to alienate the political elite by insisting that they change their behavior and make themselves more accountable to the public. Results take time.