

## **Planning beyond the boundaries: Perspectives on the challenging intergovernmental collaboration towards a sustainable regional governance in Indonesia**

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### **1. Introduction**

Cities and regions are rarely stagnant, especially during the fast-paced development stage in the growing economy such as Indonesia. In the past decade, governments in Indonesia have been struggling to cope with growing urban problems as urbanization spilled over the city administration boundary. With urban problems are getting more scaled up to the regional level as well as increasing demand in urban service and the lack of sources available, collaborative governance has become an important strategy. Collaborative forms, such as partnerships and networks, are emerging in many urbanized cities in Indonesia. While collaborative movements have been popular in the developed countries for the past several decades, it is considered as a new initiative in Indonesia.

Managing cities during the rapid urbanization is not the only challenging issues for Indonesian governments and planners. Following the regional autonomy on fiscal and administrative policy enacted in 1999, Indonesia experienced a sudden transformation from centralized to decentralized system. 15 years after this big-bang decentralization policy, not only the local and regional planning system that undergone rapid and multiple changes but also the collaborative governance system. In looking over the array, it is no surprise to find that the institutional structure of regional governance has also undergone restructuring. With the shift in intergovernmental relations gone is the once dominant principle of authority-based, hierarchical organization that was central pre the decentralization. Yet the replacement is not necessarily the other ideal type of institutional form of delivery. In one side, the new policy was deemed successful to make government closer to the people by empowering the local governments, but it has also largely contributed to the inward-looking behavioral orientation of these local governments. In this sense the government has responded in many ways to maintain their newly acquired autonomous power while minimize their operational expenses and maximize their service coverage. Some have kept their intergovernmental collaboration or have decided to steer away toward contract arrangements with nonprofit and for-profit organizations. And, some have tried a mix of both.

Building on a debate about the challenging nature of the collaboration, the paper argues that conceptualize, measure and compare cases of intergovernmental collaboration will bring another step towards understanding the different approaches for enabling regional governance to cope with contemporary Indonesia. It aims to draw the reasoning why one local government decides to exercise a certain type of collaborative arrangement while the other chooses different type. In order to explore this potential the paper starts with an analysis of intergovernmental relations using a dimensional approach to measure the vertical and horizontal structure of Indonesian regional governance. To limit the scale of collaboration, this paper will focus on collaborative activities in providing urban service taking place in the metropolitan area. The paper also identifies the establishment and transformation of intergovernmental collaboration to draw a clear overview of the collaborative mechanism. Time series based analysis of local fiscal power diffusion index is examined to bring the reasoning from financial context.

This paper is divided into five parts. The first part revisits the relevant literatures on regional governance and intergovernmental collaboration, drawing from theoretical perspectives and

international experience. The second part introduces the Indonesian intergovernmental collaborative mechanism. The third part explains the methodology used in this research, a taxonomy of the metropolitan region and fiscal decentralization index that both have been modified to suit the Indonesian context. The fourth part covers the result of the analysis and elaborates discussion on its implication to regional governance policy. The concluding part offers a contribution to further research in collaborative governance in general and in Indonesia.

## **2. Intergovernmental collaboration**

Governance is a topic that has long been studied by organizational scholars both in the business firms and the nonprofit context (Mizuchi, 1983; Fama and Jensen, 1983; Provan, 1980). Concern about governance and collaborative activities among city's stakeholders have produced some of the most important and enduring questions in the field of political science, planning and public administration. A lot has been crafting the conceptual tools needed to decode the process of governance (Olson, 1965; Ostrom, 1990, 1998). Within the smaller context, recent research in collaborative governance basically focuses on the two branches, intergovernmental collaboration which represents the long-standing tradition of government cooperation within the public system (Conlan, 2006; Gough, 2008) and cross-sectoral collaboration which goes beyond the implicit delegation of authority sharing that occurs with outsourcing of government service delivery (McGuire, 2006; Agranoff and McGuire, 2003; O'Leary et al , 2006).

The need to address pressing regional problems without having renounced autonomy or created concentrated power calls for intergovernmental collaboration or to some extent collaborative governance across sectors. This type of decentralized approach to regionalism emphasizes self-governance through horizontally and vertically linked organizations. On this issue, collective action theory provides the building blocks to understand a system of metropolitan governance without a metropolitan government (Feiock, 2004). This theory posits that local governments can act collectively to create a civil society that integrates a region across multiple jurisdiction through a web of voluntary agreements and associations and collective choices. Investigations of successful collaboration among decentralized actors challenged with common-pool resource issues provide a useful starting point for understanding how collaboration can be forged among local actors (Weber, 1998; Lubell et al, 2002). The recent study by Luo and Shen (2009) provided many insights on the building of collaborative research especially regarding the formation process of collaboration and actor partnership. Other research focuses on investigating how collaborative network is formed (Heeg et al, 2003; Provan and Kenis, 2007) as starting point to analyze the process of collaboration.

While research in planning stresses the value in intergovernmental collaboration, there is little attention paid to the factors that form and sustain collaborative relationships for planning. Even less research acknowledges why local government decides to exercise intergovernmental collaboration instead of cross-sectoral collaboration or vice versa. Understanding the collaborative arrangement characteristics and formation is undeniably an imperative step to have a clear idea of government's collaborative preferences. This is important due to the political nature of planning and the complexity of the decision making process that demand collaborative problem solving. However as much as understanding the formation and process of collaboration is important, the pressing challenge is to move away from describing processes and behaviors or focusing on how actors function within the network and examine the whole system in greater depth, including how they are governed, is needed. The question on how each collaboration comes into its specific governing form has not yet much explored. Addressing this issue will help governments to choose the most proper collaborative arrangement that suit their situation and help to improve the current

system. Thus examine how the system as a whole network works through measuring the collaboration and observing the dynamics that inter-dimensional interactions are generated (Miller and Lee, 2009) becomes important.

*Table 1: A typology of collaborative governance.*

	Limited partnership	Hierarchical partnership	Hybrid partnership	Voluntary partnership
Mobilization	Either higher-level or local/subordinate government	Higher-level government	Both higher-level government and its subordinate government	Local government
Mechanism	No regulation/ from higher-level government	Regulation from higher-level government	Both mutual interest and state regulation	Mutual interest
Actors	Higher-level government as provider, less participation from subordinate	Government at higher levels as leader, subordinate government, academics	Governments at various levels, other actors	Governments, NGOs, private sectors, academics
Role of higher-level government	Moderate	Greatest	Great	Small
Goal consensus	Low	Low	Moderate	High
Trust	Low	Low	Moderate	High
Degree of dependency towards higher government	Moderate	High	Moderate	Low
Need for network competencies	Low	Moderate	High	Low

*Source: Reconstructed from Luo and Shen (2009) and Provan and Kenis (2007).*

In spite of the multitude of empirical research on governance, current research on intergovernmental collaboration in Asian context is still limited, far behinds its counterpart in the United States or European countries. There has been yet research regarding Asian intergovernmental collaboration which delves into the structural differences of each collaborative arrangement as a whole or takes into detail conceptual clarity to distinguish its pattern of collaboration. The current literature mostly focuses on identifying micro aspect of collaboration such as effectiveness, mobilization and historical formation (Luo and Shen, 2009; Firman, 2010; Zul Fahmi et al, 2010).

### 3. Indonesian intergovernmental collaboration: Background and challenges

Indonesian government's first efforts to establish an intergovernmental collaborative arrangement in planning were started in the late 1970s with the formation of a development coordinating body in Jakarta. It aimed to collaborate development occurred in the Jakarta metropolitan region and considered as a coordinating initiative, as a necessary ability to play their role in controlling the implementation is missing. During the span of more than twenty years, the first initiative in Jakarta is only replicated in a few other metropolitan regions across the country. Intergovernmental collaboration then started to emerge again following the enactment of the decentralization act in 1999. Various types of collaborative arrangement, range from intergovernmental to contracted collaboration, is practiced due to different economic development, political situation and governmental culture as a result of Indonesian nature as an archipelago country with a number of tribes, language and culture. Since the Indonesian system does not recognize a supra-local level government there is no formal and rigid structure of governance in the metropolitan region to frame how, why, when and where local governments engage in their rational action with each other. With all of these fragmented attributes between distinctive and often opposing urban system, it is difficult if not impossible to put one single type of intergovernmental collaboration to provide the basis for lasting regional partnership, resurgence of planning, planning effectiveness and relationship.

*Table 2: Transformation of Indonesian intergovernmental collaboration*

Metropolitan region	Initial	Present
<i>Mobilization of the collaborative arrangement</i>		
Jakarta	Top-down (provincial) – top-down (central) – top-down (provincial)	
Surabaya	Top-down (provincial)	Top-down (provincial)
Yogyakarta	Top-down (provincial)	Bottom-up (local)
Denpasar	Bottom-up (local)	Top-down (provincial)
<i>Mechanism of the collaborative arrangement</i>		
Jakarta	Hierarchical partnership	Limited partnership
Surabaya	Hierarchical partnership	Limited partnership
Yogyakarta	Voluntary partnership	Voluntary partnership
Denpasar	Voluntary partnership	Hybrid partnership
<i>Type of network governance structure</i>		
Jakarta	Lead organization	Communicating
Surabaya	Lead organization	Network administrative organization
Yogyakarta	Shared partnership	Shared partnership
Denpasar	Shared partnership	Shared partnership
<i>Main partners for collaboration</i>		
Jakarta	Provincial government	Other local government, private sector
Surabaya	Provincial government	Other local government, private sector
Yogyakarta	Other local government	Other local government
Denpasar	Other local government, private sector	Provincial government, other local government, private sector

As can be seen from Table 2 above, three among four metropolitan regions observed transformed their collaborative arrangements at least once during the time from its mobilization to present time, albeit in various levels of changes. It also shows the tendency of local governments to shift away from the authority-based hierarchical type of partnership. With the local government gaining more power financially and administratively in developing their planning and infrastructure provision, the change is expected. While in the past planning is rather subjected to central government control, at present it becomes a local affairs. However, at some regions, the provincial government retained its position as the coordinating or mobilizing agency even after the decentralization. Denpasar, for example, shows interesting movement from a bottom-up type of collaborative mobilization towards a provincial based mobilization type of collaboration. It may occur due to the institutional capacity of provincial government in responding to the decentralization policy. The ability of provincial and local governments to respond to the decentralization has been considerably variable, depending on their capacity (Firman, 2010) and their relationship with each other. Maintaining and improving regional relations and capacities are quite challenging even without the sudden power gained by local governments and their unsurprising inward looking behavior. Under this circumstance, local governments are only interested in bargaining with the higher-level government to maximize their own interest while have less interest to collaborate with other cities, especially in delivering planning implementation. This fragmented attitude of local governments could be counterproductive with the objectives of the decentralization and has resulted in a number of problems in bigger scale service delivery which requires cross-border cooperation. The current regional collaboration mostly covers smaller scale of cross-border collaboration projects such as coordinating infrastructure projects planning along the border as observed in Jakarta and Surabaya. The problem with limited partnership is that implementation delivering heavily depends on the wistful intention of each local government in putting the project as their priority development.

Unlike Jakarta and Surabaya, the collaborative arrangements in Yogyakarta and Denpasar from the beginning were initiated by local governments not long after the decentralization law was enacted. For Yogyakarta case, it was then supported by the provincial government, making it essentially as a top-down type of mobilization with a bottom-up initiation. Even though prior to the establishment of the cooperating agency, the management of infrastructure development in the region was planned and implemented by the provincial government (Firman, 2010), gradually the provincial government only acts as a facilitating actor. The three local governments agreed to tackle regional infrastructure service provision

problem together by creating a common pool resource, including financial and personnel resources. On the other hand, collaborative arrangement in Denpasar is genuinely mobilized by local governments without any support from the central or provincial level government. From its mobilization, Denpasar already exercised both intergovernmental and cross-sectoral type of collaboration between local governments and private sector. Together, four local governments contracted their solid waste management's operational service to the private sector and cost shared the transportation service. After several years, Denpasar sees the growing interest from the provincial government in coordinating collaborative activities with the regional government starts to mobilize intergovernmental collaboration in another sector that has been tackled yet by local government such as regional transportation.

Looking over the changes taking place in each metropolitan region, even though some of them are heavily influenced by the new regionalism movement, it indicates that each local government has their specific consideration in adopting certain type of collaboration. Such outcomes imply that transformation happens due to certain situation experiencing by local government at certain moments. Now the question is how to learn from these changes and why it happens to improve collaboration for more sustainable regional governance. As basically collaboration based on relations among its actors, it becomes necessary to understand the structural relationship taking place behind those collaborative arrangements. Thus this study utilizes a dimensional approach to analyze the structural relationship and employs the fiscal power diffusion index to understand the fiscal-institutional structures of local government. The application of the fiscal power diffusion index makes it possible to explore collaborative policy questions and analyze the correlation between fiscal dependency and collaboration.

## 4. Methodology

### 4.1 Dimensional approach on regional governance

The main idea of metropolitan taxonomy done by Miller and Lee (2009) is analyzing all types of relations occurred among actors in dimensional perspectives; vertically and horizontally. It tries to capture both macro-foundational and micro-foundational studies of metropolitan regions in one taxonomy. The research defines the vertical dimension of metropolitan regions as the fundamental relationship between the state government and the constituent local governments within its jurisdiction. In the same sense that a city charter defines the structure of governance of the city, the general grant of authority from the state to local governments defines the vertical structure of governance for the region. It also describes the second dimension as horizontal and involves the fundamental relationships among the local governments within a metropolitan area. This dimension consists of three layers, one that involves the relationship between the local governments within a metropolitan area and captures the inter-organizational interactions within the public sector which closely related and sometimes can be referred to intergovernmental dimension. The second layer of the horizontal dimension involves the nature and pattern of relationship that exists within a metropolitan area between the local governments, the civic sector and the private sector. The third layer involves the relationship between the local governments within the region and regional institutions.



Figure 1: Dimensional model of governmental relations in Indonesia.



The first step to apply this dimensional-based approach to measure regional governance in Indonesian cases is by recognizing how the Indonesian system differentiates itself from the United States system. Vertically, the Indonesian system consists of central, provincial and local governments interacting in a hierarchical manner. The vertical dimension of the governmental structure can be divided into two layers; first that consists of the relations between central and local government and second that represented the relations between provincial and local government (please refer to Figure 1 for illustration).

The measuring instruments used for the analysis were retracted from the governance collaborative activities survey originally developed by Agranoff and McGuire (2003), including: joint-policy efforts, resource exchange, project based work, information seeking, and adjustment seeking. Weigh is added to the activities which more likely to involve interest accommodation or policy integration since these kind of collaborations represent an individual rational choice and norm of reciprocity that will promote voluntary cooperation (Axelrod, 1984) as well as surviving economic challenges and become the social capital that facilitated fast economic development (Putnam, 1993).

*Table 3: Collaborative management activities*

Vertical dimension		Weighted
Information seeking	New funding of programs and projects	
	Financial assistance	
	Policy guidance	
	Technical assistance	
	Review of plans/plan approval	
Adjustment seeking	Request resolution of conflicts with other local governments	✓
	Change in policy (flexibility)	✓
Horizontal dimension (intergovernmental and cross-sectoral relations)		
Joint policy efforts	Consolidate policy effort	
	Engage in formal partnership	✓
	Engage in the joint policy making	✓
	Engage in joint policy implementation	✓
Resource exchange	Pool/Share financial resources	
	Pool/Share personnel resources	
	Exchange information/share ideas	
Project based works	Partnership for particular project (planning, implementation)	
	Asset specificity and measurement (monitoring)	

A structured survey was conducted during two periods, from October to November 2012 and from May to June 2013. The survey targeted chief officers from the local development planning board and public works agency who responsible for planning and implementation for collaborative activities in their respective cities. The respondents were asked to check each activity they participate with various kinds of organization, including central and provincial government agencies, neighboring city agencies, state owned enterprises as well as private and civic sector. Respondent's experiences, accounts and opinions were documented through semi-structured interviews that were designed to encourage discussion about decision to collaborate with a certain actor.

*Table 4: Summary of observed regions.*

	Jakarta	Surabaya	Yogyakarta
Population (million) (2010)	26.6	9.1	2.4
Area (sq.km)	6,175	5,862	1,114
Density (per sq.km) (2010)	14,508 (core)	8,304 (core)	13,253 (core)
	2,874 (inner zone)	1,807 (inner zone)	1,902 (inner zone)
	3,621 (outer zone)	850 (outer zone)	1,798 (outer zone)
% Share of National GDP (2009)	24.0	7.2	0.7
Average GDP per capita (US\$) (2011)	8,185 (Jakarta only)	3,514	2,138
	3,202 (other cities)		
Number of local governments	14	7	3
Total respondent (collected)	18(16)	14(12)	6(6)
% Response rate	88.89	85.72	100.00

## 4.2 Fiscal power diffusion index

The fiscal power diffusion index (FPDI) used in this paper is extracted, generated and developed from fiscal decentralization model (FDM) used by Uchimura and Suzuki (2009) to meet the availability of data while adequate enough to explain the Indonesian situation. The idea is derived from an acknowledgement that decentralized governments are those that have more governing bodies making decisions on public services and has enough fiscal autonomy to implement their plan while more centralized governments have fewer governing bodies making the same decisions and more fiscal dependency to higher-level government. Unlike the metropolitan power diffusion index (Miller, 2002) which employs a single score that measures how many separate local-level governments in the United States provide common public services and how much each of those governments spends on providing those services, the FDM examines the intergovernmental fiscal relationship between higher and lower level of governments including the local expenditure responsibility and local fiscal capacity to show local governments' fiscal diffusion from higher-level government. The sole reason to use FDM as a basis for this study at this moment is mostly due to data constraint but the possibility to utilize MPDI for more comprehensive result is not closed.

The data used in FPDI address the present need for an adequate fiscal assessment in relation to local government fiscal dependency. Three major variables are used and all data are collected from 1998 to 2013 annual local government financial report issued by the Ministry of Finance to sufficiently cover the difference between before and after the decentralization era. The result is divided into four periods according to the year when a new fiscal balancing budget policy was issued, first period covers 1998 to 2000, second period (2000-2006), third period (2007-2010) and last period (20011-2013). The first period will give an overview of fiscal balancing power before the decentralization, the second will represent the situation of local fiscal power in the wake of decentralization and the last two will show the result of fiscal balancing policy update post-decentralization issued in 2004 (new fiscal decentralization act) and 2005 (new budget balancing regulation).

*Table 5: Indicators for fiscal power diffusion index.*

Indicators	Description
Local dependency on fiscal transfer	% fiscal transfer from central, provincial governments on local total revenue
Local fiscal autonomy	% local revenue compares to local total revenue
Local fiscal responsibility	% local expenditure funded by local compares to total expenditure

## 5. Findings and discussion

Table 5 shows the pattern of collaborative governance in three Indonesian metropolitan regions based on their vertical and horizontal activities. Both dimensions can be viewed broken down into two component parts each. The two components for the vertical dimension are central and provincial interaction while the horizontal dimension consists of intergovernmental and cross-sectoral interaction. The information given from the results demonstrated that the pattern of vertical interaction for both central and provincial is fairly comparable in the three regions. One important aspect of this result is that it rejects the common belief which claim that Jakarta as a capital region has a historical legacy of closer relations with central government. This claim may have been correct during the pre-decentralization era when planning system and Indonesian government system as a whole are highly centralized and hierarchical at best where central government controlled all aspects of planning. At that time, as the capital region, Jakarta has been given development priority which resulted in the high level of primacy compared to other major cities across Indonesia. In the post decentralization era rather than closer proximity, proactive approach from local government to central government plays more important role in shaping local-central interaction. Indeed, in this study, the Jakarta region demonstrates about the same

level of activity with the Surabaya region and has less activity compared to the Yogyakarta region.

*Table 5: Mean of collaborative arrangements.*

	Unweighted			Weighted		
	Jakarta	Surabaya	Yogyakarta	Jakarta	Surabaya	Yogyakarta
<i>Vertical dimension</i>						
Central interaction	7.06	7.30	9.17	8.12	8.90	10.67
Provincial interaction	7.00	6.30	11.67	8.17	8.10	14.00
<i>Horizontal dimension</i>						
Intergovernmental interaction	11.65	9.20	18.67	15.53	11.70	24.00
Cross-sectoral interaction	15.12	13.70	6.83	18.06	16.80	8.00

The result of the statistical analysis of the provincial interaction follows a similar pattern as the central interaction where a significant score gap occurred between Yogyakarta and the other two regions. Yogyakarta maintains a high level of activities with its provincial government, almost doubled compared to Surabaya. Looking into the detail of the provincial interaction, it is partially understandable that the Yogyakarta region enjoys a higher level of provincial interaction given it is also a special provincial region where the sultanate system still employs a strong influence upon the provincial governmental system. Unlike other provinces in Indonesia, the Yogyakarta special province is basically a sultanate government system where the head of the province is not directly elected by citizen but an inherited position given to the king. Historically, it has a strong Javanese tradition embedded in its social and political culture which is hierarchical in nature.

When the extent of change from weighted to unweighted measures for the vertical dimension is compared, it is found that Surabaya shows the biggest change, which may indicate that local governments in Surabaya are involved more in adjustment-seeking activities with the central and provincial governments among other observed regions. This means that the region puts more consideration and emphasis towards activities to accommodate its interest to the higher-level governments. Between Jakarta and Yogyakarta, when the indexes are weighted, there are not many differences which means that both regions are much similar in their priority activities directed to the central and provincial governments.

The horizontal dimension produces the most complex results of all the indices in both intergovernmental and cross-sectoral interaction, with Surabaya and Yogyakarta located at the extreme ends of the spectrum and Jakarta is falling in the middle. On the intergovernmental interaction, the score from the Yogyakarta region is twice higher than the Surabaya region, showing that the extent of interaction and collaboration between local governments is significantly higher in Yogyakarta. With this result, it means that the local governments in the Yogyakarta region are more likely to interact, exchange information and collaborate with each other than its counterparts in Jakarta and Surabaya. The Jakarta regions fares better than Surabaya with Jakarta officials are at least 30% as likely to interact with its neighboring local government compared to Surabaya. In the other hand, the exact opposite result is found in the cross-sectoral interaction. Whereas local governments in the Yogyakarta regions are the most frequent users of the intergovernmental interaction, they are the least frequent users of the cross-sectoral interaction. The score is strikingly different which lead to assume that the Yogyakarta region employs a limited cross-sectoral collaboration and more focused to develop their intergovernmental collaboration. Unlike Yogyakarta, instead of interacting with their neighboring municipalities, the local governments in Surabaya tend to put more focus to form a collaboration with the non-governmental organizations. Similar tendency is employed by Jakarta albeit in a less drastic manner.

When we further look into the weighted result of the horizontal interaction, a closely similar value increase in the intergovernmental interaction shows that all three regions have a corresponding view on their priority in developing its intergovernmental collaborative environment. The change on the cross-sectoral interaction is more diverse with Surabaya



puts the most changes, followed by Jakarta and finally Yogyakarta. This further explains the collaborative preference of each region whereas Surabaya is less likely to have interest to collaborate with its neighboring municipalities than with the public or private sector and Yogyakarta employs the exact opposite preferences. It can be translated that the local governments in the Surabaya region are more open in accommodating non-governmental sectors in their planning and infrastructure provision, while the local governments in the Yogyakarta is more accommodating towards other governmental entities. Moreover, Jakarta shows another different preference as the region inclines to put the same amount of attention for both its intergovernmental and cross-sectoral collaboration. The planning policy of local governments in the Jakarta region is more likely to accommodate all sectors, both governmental and non-governmental.

The considerable involvement of the non-governmental sector in the horizontal collaboration of Jakarta and Surabaya might be explained by the economic situation of the regions. As two of the biggest metropolitan areas and as a trade and industrial regions, the Jakarta and Surabaya region generate more capital compare to Yogyakarta. Regions with large and growing population create more opportunities for growth because they have more capital and in turn bring more economic revenue to the local government. It is unsurprising to find that local governments in both regions are more open and familiar with other stakeholders to collaborate. Yogyakarta which is more famous as a cultural region rather than a commercial or industrial region most likely has less non-governmental organization located in its area. Thus making it more challenging to form a cross-sectoral collaboration than an intergovernmental partnership.

Both Jakarta and Surabaya show a similar tendency on their vertical and horizontal interaction with other entities with respect to levels of intergovernmental collaboration, create a weak interaction with the central and provincial government and a strong relationship with other non-governmental organizations. It is also interesting to note that the Jakarta and Surabaya regions are statistically similar but with different reasons. Surabaya represents the example of an inward looking behavior government system given the tendency to deliver their service provision by themselves and maximize their own interest through a top-down assistance from the higher government if needed. In a sense, the absence of a coordinating agency in the region, the municipalities tends to communicate less with their neighbors adding to the almost non-present influence of provincial government in the region. Jakarta on the other hand, the lower score of intergovernmental collaboration might be explained by the physical location of the region. Since it covers 14 cities under three different provinces, inter-local or regional policy issues must be dealt within the context of two layers of government system and three different institutional arrangements, making negotiating with these issues are very challenging. Even though the Jakarta region has a coordinating agency, this result further clarifies that the agency is not functioning properly as it should be. In situations like this, building a strong regional institutions as policy coordinator or facilitator with a strong power to implement the policy is a viable option for the local government if this institution does not threaten local authority.

*Table 6: Fiscal power diffusion index.*

	Local dependency on fiscal transfer (Central government)				Local fiscal autonomy			
	1998-00	2001-06	2007-10	2011-13	1998-00	2001-06	2007-10	2011-13
Jakarta	69.70	70.16	63.38	56.71	24.51	20.39	21.43	29.50
Surabaya	79.91	80.95	75.79	70.10	15.91	13.03	14.55	21.45
Yogyakarta	78.68	79.44	74.04	69.87	17.36	13.41	15.16	18.24

Fiscal decentralization are expected to have a net positive effect on collaborative initiative and performance. Local autonomy growth affects the local dependency to the higher-level governments and is in turn affected by growth in the economy. Growth in the local autonomy means less centralized and hierarchical system of administering the plan. In assessing the result of the fiscal power diffusion analysis, it is found that each region observed displays

similar tendency of fiscal decentralization experienced over the years, with movement inclines towards higher fiscal autonomy and less dependency albeit in different levels.

As can be seen in Table 6, among all three regions, the Jakarta region has the least local dependency and the most local fiscal autonomy throughout the years. It can be explained due to its status as the economic engine of the country and fact that for years before the decentralization urban development is mostly focused in and around the region. The region possesses more opportunity to gain local revenue compare to other regions, making it more independent in directing their development using local revenue. Looking into more detail of the FPD, all three regions show similar increases in fiscal dependency from the higher-level governments and decrease on local fiscal autonomy in the wake of decentralization. It is understandable considering during that time the central government poured the central balancing fund to the local government following the enactment of first fiscal balancing policy. During 2001 to 2006, the local fiscal autonomy of the Yogyakarta region declined more compared to the Jakarta and Surabaya region even though all three regions receive an almost similar raise on their local dependency to the central government. There is a strong incline that it happened due to high provincial fiscal transfer from the provincial government to the local municipalities in Yogyakarta to help improving the local governance capacity.

The period of 2007 to 2010 and 2011 to 2013 shows the increase of local fiscal autonomy and the decline of local dependency on fiscal transfer in all regions observed. The increase saw the Jakarta and Surabaya regions as more fiscally autonomous regions compared to the pre decentralization era and the Yogyakarta region is slightly building up towards a similar place. The declining local dependency on fiscal transfer from central government in the last three years follows the central government's target to reduce the local dependency. However, it means that we expect to see an increasing fiscal transfer from the provincial government as the central government policy aims to increase the role of the provincial government to the local level. So far, the fiscal transfer from the provincial government is not significant enough, in some regions it is less than the grant and fiscal transfer from the non governmental sector and other local governments.

Matching the results from the dimensional analysis of collaborative arrangements and the FPD, we find that different tendency to perform cross-sectoral collaboration is subject to the fiscal decentralization power possessed by each local government while the same cannot be applied to intergovernmental collaboration as it depends more to interaction between local governments. As we can see, Jakarta and Surabaya with higher local autonomy have more tendency to form a cross-sectoral collaboration. Yogyakarta which possesses similar local dependency with Surabaya around the year 2001 successfully formed an intergovernmental collaboration while Surabaya failed. In a sense high level of interaction with the higher level governments has more significant effects in developing intergovernmental collaboration than the local fiscal autonomy. At present, two of three regions observed are still focusing on rather inward looking behavior tendency which is counterproductive for developing a good intergovernmental collaboration environment. With local governments only focusing on maximizing their own interest and the intergovernmental collaboration remained largely as slogan in many governmental agreements and documents rather than concrete actions.

## 6. Conclusion

This article has provided an examination and discussion of the structure of collaborative governance, offering a perspective on how interaction among organizations involved in planning and service provision as well as local government's fiscal power can shape the collaborative arrangements. Considering the various types of collaborative arrangements taking place in each region with its underlying characteristics such as local culture, financial and political situation, this research agrees with previous research by Ostrom (1990) that

locally evolved self-governing institutions that are adapted to specific local circumstances may provide more effective resolution of collective action problems than central intervention in many circumstances. By referring to a precedent study from Provan and Kenis (2007) we can classify those structures as lead organization structures for the first collaborative mobilization in Jakarta and Surabaya, network administrative organization structures for the current collaboration in Jakarta and voluntary structures for mobilization in Yogyakarta. Furthermore, the current challenge is how each local government can self-transform their collaborative arrangements into a sustainable collaborative governance. Given the likelihood and the desirability of change as contingency conditions evolve, how exactly the new collaborative arrangement does take place? We argue that change from one form of collaborative governance to another is predictable, depending on which form is already in place and what kind of structure it inhibited.

The above analysis demonstrates important findings at several levels. First, dimensional approach from Miller and Lee's metropolitan taxonomy is moderately effective in explaining the extent of institutional interaction and mechanism of collaboration. Second, intergovernmental collaboration depends on several factors with structural interaction among institutions and fiscal decentralization deliberately play significant impacts to determine the transformation of collaborative arrangements.

Horizontal interaction, is the most flexible and adaptable form since they are shaped by the participant sitting at the same level of governments. Since there is less fiscal dependency involved in this interaction than the vertical collaboration, it highly depends on the good intention of the local government. In the other hand, it is less stable due to its nature of push and pull of bargaining tendency where participants can enter and leave the arrangements, especially when needs and expectation change, partially due to change of local government leadership. We argue at this point, shift to a better cross-sectoral collaboration, for example, will require more fiscal autonomy from the higher-level governments as cross-sectoral collaboration is highly shaped by economic development and local government openness towards non-governmental sector which usually achieved when it is developed and independent economically. However high fiscal autonomy should also be accompanied by increasing local government capacity and balancing the network structure. Balance in network is needed since it plays an important role in intergovernmental collaboration where cities with a more central position in the network, as indicated by connections to more economic development actors, are not more likely to engage in intergovernmental collaboration since they will prefer to form collaboration with non-governmental sector. The role of balancing network can be handled by an intermediate organization. Other than balancing the vertical network, there is a recognized need or demand for having an intermediate organization outside the local government to help supporting the horizontal interaction. In a sense that the Indonesian system does not acknowledge another supra-local level of government, the provincial government has to play its role as regional government.

Another issue is to improve the interaction among organizations, especially local governments, in order to develop a collaborative environment in intergovernmental relations. More attention should be paid to the process of intensifying communication and interaction among cities. As the interaction among organizations gives significant effects on the probability collaborative outcomes, it can be translated that local government has to pay attention in increasing trust and consensus among all actors involved to sustain the collaborative network.

Further research is needed in this study to test the findings using estimation models in order to give a more appropriate and straightforward interpretation as well as observing some variances. There is still much work to do to build and test theory related to governance tendency, structures, and outcomes. This article should be viewed as a starting point for explaining the correlation between government structural interaction and transformation of intergovernmental collaboration, what forms it takes, how it evolves and how it might matter for sustainable collaboration.

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