



## Research Article

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# The Problem of Policy Coordination in a Newly Decentralised Government: A Study of Policy Implementation in the Province of Bali, Indonesia

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## Abstract

*The aim of this article is to describe inter government relations resulted from disorganized political change from Autocratic political system to the Democratic one. This purpose is described through a challenge against Governor's moratorium policy in 2010 made by three Heads of Districts within the province of Bali over the issuance of principle of building permit of new hotels and tourist accommodations. The method by which this research is conducted is exploratory. The research found that the problems of coordination in the policy emanate from a radical change in politics and government from centralised to decentralised government and termination of President Soeharto from the office. The un-coordinated political transition at the national level being faced by Indonesia has brought about serious problems on coordination of inter government institutions of the local governments. In effect, to the large extent, the performance of local governments -as it has been the case in the province of Bali- is contra productive in fulfilling societal needs of public services as well as local-economic development.*

**Keywords:** Coordination, Public Policy, Management, Local Government, Tourism

## 1. Introduction

Many studies on the management of local government have been conducted. The perspectives by which the study is based on also vary. Take for example, there are studies taken from the perspective of economic development (Roostika, et.al, 2015), from the perspective local autonomy (Montin, 2000), and from the perspective of governance (Caroline & Goldsmith, 1998). However, the perspective in this study is different from the previous study in the sense that this study looks at the problem of the coordination of local government from the perspective of public administration.

Good coordination in the policy process not only assures harmony in the inter government institutions, but also brings about positive impact to the wealth of the nation. In the case of Indonesia, the success story of coordination in the government can be traced back to the era of President Soeharto who was in power from the second mid of 1960s to the first quarter of 1998. In order to assure the establishment of standardised public services as well as state-led economic development programs, through the Law Number 5 Year 1974, the president imposed the implementation of management principles which was called Coordination, Integration, Simplification and Synchronization (*Koordinasi, Integrasi, Simplifikasi dan Sinkronisasi/KISS*). This law clearly defines vertical and horizontal authority relations among government institutions. The magnitude of power and authority which can be exercised by the government institutions was tightly controlled by the higher level of government structure. Through his autocratic regime of leadership, this principle has successfully colored the dynamics of inter government relations throughout his reign.

In Soeharto's era, no public policy, government's project and/or practice(s) at the national level can not be realised without prior approval of the National Board Planning. Any government institution fails to comply with this rule will not get any funding and otherwise may result in administrative and/or political sanction too. Further, ignorance or disobedience to the rule may be perceived as violation against the system or even as a challenge against the authority. As the result, during Soeharto's reign the process of development could be well coordinated without significant resistance. The "KISS" in the development simply means centralised coordination. The result of this imposition is, however, Indonesia successfully ascended in the country rankings from Less Developed Country (LDC) in the 1960s to Developing Country in the 1980s.

Since the last three decades Indonesia has undergone a rapid political change. Together with "the success story" of economic development, societal expectations of life have also increased. In the political life, Soeharto's authoritarian regime which was popularly "accepted" in the first two decades of his reign, was "shaken" by political protests and resistances due to widening economic gap between "the have" and "the have nots." Although at the initial period the protests could be handled, popular resistance remained soaring. In short, the society eventually crystallised into an unprecedented popular political demand that pushed Soeharto to step down. Demonstrations, riots and violence were widespread in the capital city of Jakarta, and elsewhere particularly of the big cities. People demanded political reform from autocratic political system to democratic one, and from centralized model to decentralized model of government.

The political protest towards Soeharto's regime was characterized by demands of radical political changes, especially in some laws and regulations related to the Administrative Government, Local-Financing Government, and Local-General Election. The Law of Local Government number 5 Year 1974 regarding the Management of Local Government was the first to be amended. In 1999, only one year after Soeharto's termination, this law was successfully amended by the law Number 22 Year 1999. In the Local-Financing Government the Law Number 32 Year 1956 was amended by the Law Number 25 Year 1999 and the Law Number 3 Year 1999 in general election was amended subsequently by series of law, from the Law Number 4 Year 2000 followed by the Law Number 12 Year 2000, the Law Number 23 Year 2003, the Law Number 22 Year 2007, the Law number 20 Year 2008, the Law Number 42 Year 2008 and so on.

First, the Law number 22 Year 1999 was supposed to replace the centralistic Law Number 5 Year 1974. Unfortunately, the new law has not successfully met the expectation of the reformation of government and must be amended in only a relatively short period and replaced by the Law number 32 Year 2004. All these laws have put emphasis on decentralization instead of centralization of the government. These laws are not only significantly different from, but also contradictory to the previous one. The principle of de-concentration which for such a long time have been the mainline of Central – Local Government relation was amended by the principle of decentralization. The sharp stratification of power and authority among local governments under the previous law number 5 Year 1974 was removed. Vertical power relations among the local governments of provinces, districts and municipalities were changed into horizontal administrative hierarchy. Local autonomy which was marginalised, was revitalised with an emphasis more on local political right rather than administrative capacity. Because of such political movement, the local governments tend to act beyond political autonomy putting the existence of local government as if a state within the federal state.

Secondly, the law regarding Local-Government Financial System also changes. The amendment of the Law no 32 Year 1956 by the Law Number 25 Year 1999 means a shift in the orientation of the income generated for the local government. While the Law Number 32 Year 1956 has put emphasis on the role of central government in collecting and redistributing government revenue to the local governments, the new law provides a wider room for the local government to raise income generated from local resources in order to support their expenses.

Thirdly, there is institutionalisation of election for political recruitment. Since 1971 general election for executive and legislative is regularly held every 5 years. However, it cannot be denied that the election constitutes a political ceremony rather than a legal mean for seeking political legitimacy. The election is normally followed by around 75% of the voters. However, it cannot be denied that the big number was resulted from political mobilization rather than political participation.

In effect, in many cases the result of the election can be predicted far before process the election is finished. These characteristics could only be achieved through autocratic regime of the election.

To sum up, the laws covering three government spheres have been amended several times in a relatively short period. As it had been shown how the laws and the regulations have changed within the last two decades, it can be concluded that starting from 1999 Indonesia has been under a relatively less disorganized political changes towards democracy in politics and decentralization in the government sphere. One inevitable impact of all these kind of changes was the strengthening tendency towards society-centred approach in politics. The domain of government is replaced by the domain of governance, and centralisation is replaced by decentralisation. Under such circumstances, there must be some impacts on coordination. The questions to be addressed in this research are, first, to what extent the demand of political change from authoritarianism to democracy and from centralized to decentralized government has affected processes of coordination in the policy making. Secondly, what are the impacts of such problematic coordination in the policy process on the local development? The aim of this article is to describe inter government relations resulted from disorganized political change from autocratic model of political system to the democratic one and from centralized-model government to decentralized-model of government. This purpose will be explored through the case of moratorium policy imposed by the Governor of Bali.

### 1.1 Literature Review

The theoretical framework for analysis is based on theory of coordination. Coordination is a term frequently called for as a solution to implementation problem. To say that a policy or program is uncoordinated means in a general sense that its elements are incongruent, that they do not interact smoothly to produce desired results, and that the connections among them create excessive friction or conflict (Brinkerholl, et al., 2002). Being specific about coordination for policy implementation leads to some questions about the nature of the linkages among the various actors involved. What do they need from and provide to each other in order to fulfill their respective functions and contribute to achieving results? How can these exchanges be orchestrated effectively? One way to think about coordination is the term of three types of activities: information-sharing, resource-sharing, and joint actions. Information-sharing essentially involves communication. One agency or sub-unit lets another or others know what it is doing. The notion of resources includes a broad range of items, not simply money, personnel, and equipment. It can include knowledge, motivation and commitment, the capacity to mobilize others either for or againts change, and so on. Joint activities could include planning, data gathering, service delivery, monitoring, training, and/or supervision. Each of these types of coordination implies greater or lesser degrees of linkage among the organisations involved (Montin, 2000).

In many instances sharing is not that easy to be achieved. Some obstacles from various sources may emanate during the process of coordination. First, threats to autonomy. The core dynamic in most organisations is to try to maintain as much independent control over inputs, outputs, and operations as possible. To the extent that coordination requirements impinge upon its independence, an organisation will be reluctant to coordinate. Secondly, lack of task consensus. Without some minimum level of agreement, however, cooperation and coordination are difficult to be maintained. Thirdly, conflicting vertical-horizontal requirements. Frequently, coordination places actors whose actions are to be coordinated in a situation in which they are subject to conflicting demand. Here is the description of the pattern of problems for interorganisational coordination.

**Table 1.** Problem Areas for Inter-Organisational Coordination

Types of Coordination	Obstacles to Coordination		
	Threats to Autonomy	Lack of Task Consensus	Vertical-Horizontal Conflicts
Information Sharing	Low	Medium-High	Low
Resource-Sharing	Medium-High	Medium	Medium
Joint Action	Medium-High	High	High

The above definition of coordination applies to any management unit, including government. Essentially, moratorium is an authorized delay or stopping of some activities. In this context, moratorium technically refers to policy initiative launched by the Province of Bali in order to coordinate the construction of new hotels, lodges and accommodations related to tourism business throughout the province. The moratorium policy was about to be realised, especially in three out of nine Districts and municipalities under coordination of the Province government. The three local governments are the City of Denpasar, The Regent of Badung and the Regent of Gianyar. The three local governments are geographically located in the Southern part of the Island.

Topographically, these areas are worth visiting by the tourists due to many reasons such as beautiful-natural scenery of mountainous areas as well as sea sides. Besides, there is also cultural uniqueness represented in arts such as dance, painting and religious ceremony which for a long time have become the focus of interest for many people from all over the world. Certainly, there must be other reasons why people visit Bali. Nevertheless, at least for these two reasons -natural beauty and cultural uniqueness- for such a long time, Bali has enjoyed being the first leading sector of tourist destinations in Indonesia. Traditionally, not until visitors visit Bali will they leave Indonesia. Both domestic and foreign tourists have come to Bali. As the result, Bali has been very famous domestically and internationally. Due to the same reason, in the era of decentralisation the local governments of Bali have perceived of tourism as one primary income-generating source which is important especially for the three local governments in the South, and for the society within the area too.

Given the fact that tourism industry has become the main source of income for Bali, the locus of tourism activity is uneven. The Southern part of the Island seems to be visited more by the tourists than the Northern part due to attraction. For the sake of fulfilling the gap between the North and The South, in 2010 the Governor of Bali published moratorium policy of the issuance of license of new hotels and accommodation in the South and urged the three local governments of the South to comply with the regulation.

The moratorium taken by the Governor of Bali or other government institutions was not the sole in kind. In the following year, such kind of policy was repeated. In May 2011 Indonesia declared a two-year moratorium on the issuance of new forest licenses for logging, oil-palm, and wood fibre plantations. This was part of a larger bilateral 'REDD+ Readiness programme of governmental reform and forest conservation. The moratorium was a response to the haphazard and often illegal system of forest licensing in Indonesia, and thus it entailed two goals: (i) cease licensing in 'primary' forest areas, at least temporarily, in order to dampen high rates of forest loss; and (ii) for rational forest management integrated registries, maps, and regulations concerning the extent and status of licences and forest cover are imposed (Sean, 2014).

Another moratorium policy can also be found in different cases. Starting from 26 May 2015, the Indonesian government through the Decision of the Minister of Man Power number 260 Year 2015 about Moratorium and Prohibition of Sending Indonesian Domestic Workers to some Middle Eastern Countries, Indonesia has stopped sending Indonesian workers to some Middle Eastern countries such as Saudi Arabia, Kuwait, Jordan and Suriah. The government of Indonesia has sent workers abroad, especially to the Middle Eastern countries for a relatively long time. The history of the policy has been as long as the history of New Order regime under President General Soeharto, that is a centralistic regime which was 32 years in power.

At the time General Soeharto took over the power from President Soekarno in 1966, Indonesia was trapped in a vicious circle of severe problems in all aspects of life. In politics for example, the nation was torn apart by severe horizontal conflicts along the line of ideologies especially between Islam Vs Communism, and rivalries among military groups, i.e. Army Vs Airforce, among local governments and rivalries among ethnic groups. In coping with all this kind of political problems, Soeharto put himself as the centre of power to whom most of decisions in the Bureaucracy, within *Golkar* party, within the government as well as the military must get his approval before implementation. It is not an exaggeration to say that the President was successful in coping with all of these problems. In government sphere in particular, the Law no 5 Year 1974 which put the principle of deconcentration at first in the management of central – local government was successfully imposed. Based on the law, the President exercised his control of power from the

Central Government in Jakarta hierarchically to the lowest government level structure in the village through a tight control of politics in public administration. Organisation and coordination are words which were given more political accentuation instead of administrative meaning. All local governments including their officers must comply with the rule. Failure to comply with the rule and procedure of organisation might be perceived as political challenges which will result in consequences.

In economic sector, the country was suffering from high rate of inflation, high rate of unemployment, absolute poverty, lack of food, bad sanitation, bad public health, lack of education, and so on. Under such circumstance, it can be understood if Soeharto's regime was also centralistic in economic sector. Planned economy was imposed and state-led development constituted the main characteristic of performance in development policies. It must be acknowledged that at the initial stage, sending Indonesian workers abroad, especially to Middle Eastern countries, was not a preference of the society. However, in its development it can not be denied that sending domestic workers abroad has significantly helped the society to cope with their problems which could not be overcome by the government.

Based on a tight control in public services and politics as well as economic development, President Soeharto was successful in bringing about economic development, maintaining political stability and lifting the country from the stage of under developed to developing country. In line with the general economic policy, the sending of Indonesian workers abroad has resulted in economic advantages, especially in the revival of village economy (Hakim & Fitrianto, 2015). Therefore, it must be acknowledged that to the large extent the centralisation was beneficial in the sense that for such a long time the policy has been successful in providing basic needs of the society.

In 2015, however, the moratorium of sending domestic workers abroad was implemented. There are at least two reasons. The first and the foremost, lately there have been so many side effects emanating from the existence of Indonesian migrant workers, especially in the Middle Eastern Countries. The position of migrant workers, most of whom are domestic workers, have always been vulnerable against physical suppression and/or social discrimination and they have no protection over their position. Many of them have been treated badly and found themselves difficult to get legal advocacy from the government where they live. Many Middle Eastern countries where most Indonesian migrant workers live are reluctant to provide legal advocacy, nor to upgrade their diplomatic relations from Government to Private (G to P) to Government to Government (G to G). Secondly, domestic work is a low income job which is impossible to promise a significant change in their life and their family. For the sake of migrant workers, a moratorium policy was taken by the government regardless the resistances from those who have been dependent on the job.

Further, in the second mid of 2016, the moratorium policy was also imposed by the government in a different area. Since 2008 the Province Government of East Java issued licence of exploration of B type mineral mine and C type non mineral mine to business corporations in the Regent of Lumajang. The regent of Lumajang is one out of twenty nine regencies in East Java. According to several publications, the moratorium is imposed due to several reasons as follow. First, the exploration has been uncontrollable and resulted in environmental hazard. Second, it is still speculative whether the sea sand contains iron. Third, technically the exploration of the sand has promoted collusion and corruption among state apparatus and private business corporation. Forth, the exploration has promoted horizontal conflicts among people in the area. One person of the village dwellers named Salim Kancil was killed in the related conflicts.

## 1.2 Research Method

A major purpose of many social science studies is to describe situation and events (Babby, 2014). Here the researcher describes how the conflicts in the policy formulation have resulted in problems in the management of intergovernment relations between the province and the regency government. Thus, the research is essentially descriptive.

The approach used in the research is qualitative. Descriptive research is a kind of research which describes or provides as clear description as possible with no intervention to the objects (Kountor, 2004). Further, descriptive research is a method usually used for describing the status of

a group of people, a particular object, condition, thought or any kind of human activity (Nazir, 2003). The research was conducted in the Province of Bali between August to December 2014. The source of the primary data are officers of both provincial government and local government and local key informants. Data are collected through observation, in depth interview on the matter and documentation of related facts. The secondary data are obtained from observation of physical development of hotels and accommodations and documentation.

## 2. Analysis Result

Post Soeharto era indicates that Indonesia has undergone political change from authoritarian government to democracy and from centralized to decentralized government. Meanwhile, resistance against the Moratorium Policy imposed by the Governor of Bali clearly indicates serious problems in coordinating the policy or program in the Province. Some elements or at least the three local governments, are by some means incongruent with the governor to produce desired results which have been contra productive and promoted conflict of interests. Obstacles to coordination may come from various reasons such as feeling being threatened, lack of consensus or vertical-horizontal conflicts.

To the large extent, the political euphoria emanating from the termination of of President Soeharto has excessively endangered the national integration. The upheaval political protests of anti autocratic regime of Soeharto followed by amendment of the law at the same time have provoked the "spirits of localising power and large autonomy" among local governments. Implementation of the Law No 22 Year 1999 about Local Government as mentioned before has strengthened the political movement. Based on this new law, the local governments, including those in Bali, perceive of themselves as having "extensive autonomy" to exploit whatever resources available under the authority of the local government. Autonomy is perceived almost the same as "sovereignty."

The main reason to this is simply because the Law Number 22 Year 1999 no longer puts the province at a higher position above the Regent government. Instead of having higher authority, the province is merely seen as coordinator of Regent with a horizontal authority and with no authority to impose administrative or political sanction. It can be understood then if the city of Denpasar, the Regent of Badung and the Regent of Gianyar have refused the imposition of the moratorium policy over issuance of license of new hotels and lodges. As it had been stated the main reason to refusal because license and tax from the hotel occupancy are the main original income sources for these three local governments. Furthermore, acceptance of the moratorium policy of the governor may also be seen as a threat to their "sovereignty" to generate income from other resources within their "jurisdiction."

Such difficulties in the coordination of intergovernment relations faced by Indonesia as what happened in Bali, seem to be similar to the problems taking place in the last decade in Sweden.

"Decentralization has been one of the most important trademarks of modern change in the Swedish public sector. Even if many local politicians would disagree when the central government or state agencies are trying to intervene in municipal matters, the general tendency during the last twenty years has been that local self-government is increasing. Furthermore, steps have been taken towards further decentralization within local government, and public-private interaction has increased substantially. Hence, the development follows the general trend of devolution in Western countries. In the Nordic countries we often encounter the notion 'the third decentralization', which means that the responsibility or everyday politics has been further decentralized within the public sector and towards the private or voluntary sector. This can be interpreted as a growing possibility of citizen influence and control at the local level (Montin, 2000).

The lesson learned from Sweden is the fact that democracy, decentralization and development need coordination in the policy implementation. Since Indonesia is undergoing political transition, the country is in desperate need of building up coordination and sew the friction within inter-government institution.

Since its independence in 1945 Indonesia, has been led by 8 presidents. President Soeharto , among the other presidents, was the longest president in power. He was in power for as long as 32

years. During his reign, his regime has been well known as an authoritarian (Jackson, 1978). During his reign, Soeharto relied his power on three pillars of power, namely Bureaucracy for technocratic back up, functional group named *Golkar* for mobilising political support, and the Military for maintaining political stability. The three pillars, however, are made dependent upon authority of his personal decision. By the law, the president is the highest leader in the government, *Golkar* party as well as the military. Based on the law, the president enjoys the right as the top decision maker in these three pillars. One who will be appointed as the head, the chief of the organisation in these three pillars, including what may or may not be conducted by him, must get prior approval or a "green light" from the upper level of structure of the Bureaucracy, *Golkar* and the Military commander. Within the hierarchy of this organisation, however, the final decision is kept remained in the hand of president. Therefore, based on this structure of power the president controls politics, economy, natural resources as well as other aspects of social life. How strong the centralisation of the system can be simply described by the absence of room of authority for every single player to initiate a political decision, unless for a technical purpose. This pattern of power relations not only applied between President and his staffs, but also applies to all power holders in the Bureaucracy, *Golkar* and the Military.

To modern Indonesia's history of politics and economy, Soeharto was definitely a milestone. Not only that he was the man who enjoyed the longest period in power, but more importantly under his reign the foundation of economic development of the country was successfully established. Starting from his time, economic development of the country revived. In the 1960s when the first president of Indonesia, Soekarno, handed over the power, the rate of inflation was 650%. The fact may have put Indonesia a paralysed country. Amazingly, under Soeharto's reign within two years the inflation was successfully reduced very significantly to only 15% and slowly national economy revives ever since.

The centralisation of power in the hand of President Soeharto has enabled him to impose a centrally planned-economic development, restructure social and political relationship, including central-local government relations, and even penetrate individual life. In order to assure the implementation of policy, National Planning Board in Jakarta and its hierarchical structures in the local government were set up. In 1974, the law of Local Government number 5 Year 1974 was set up and since then all government institutions ought to comply with the principle of "deconcentration."

The three political pillars: Bureaucracy, *Golkar* and Military, play a role as guardians to assure dynamics and stability of the government process. Under such a circumstance, communication line between the president and the three political pillars was always kept open in order to assure information sharing, source sharing and joint action. In such a way, the president assured himself as there is no threat to local autonomy, lack of task consensus and vertical and horizontal conflict. Violation against the higher decision by the lower structure of government institution will not be tolerated and will surely result in a severe political or administrative sanctions. A strict hierarchy and centralised power and authority must be accepted as something given throughout the country, including the local governments in the Province of Bali. In the context of moratorium being discussed, under the Unitary State System, the nature of authority is top-down, and there is no room of refusal and challenge against the Province Government by the Regent under its authoritative coordination. In consequence, under such circumstance, coordination among government institutions was relatively much easier to be pursued.

The termination of the president from his position was preceded by a rally of massive demonstrations, riots and violences. The rally took place in the capital city of Jakarta and elsewhere, from the big cities like Yogyakarta, Surabaya in East Java and small cities like Kebumen in Central Java. The message of all these political rallies is simply to say "yes" to democracy and decentralization and "no" to autocracy and centralization. The termination of Soeharto from power in 1998 however, not only followed by political spirit of anti Soeharto, but was also fraught with glorification of the spirit of freedom, democracy and liberalism. Since then the wave of democracy has been underway, hitting authoritarianism of the old regime without stopping like sea wave which continuously hits the rocky wall of the island.

The political rallies occurring outside the government give effects to the political parties and

bureaucracy too. In term of inter-government relations, the demand of democracy and decentralization accords to a strong political demand of decentralization and local autonomy. For this purpose, the law number 5 Year 1975 of Local government which had been applied throughout Soeharto era was amended soon after that and replaced by the law number 22 Year 1999 which provides a wider room for local autonomy.

This `new` law only has a relatively short life time. To a certain extent, the provision of wider autonomy for the local governments has led to conflict of interest among government institutions as well as horizontal conflicts among groups in the society. Early in the 2000s there were horizontal conflicts between the fishermen of Pekalongan Regent versus the fishermen of the North Coast of Central Java. The main reason to the conflicts was simply because an excessive interpretation of autonomy provided by law number 22 Year 1999. Based upon the law, people perceived of autonomy as the right to absolute control of resources in the area. As if all natural resources available within the area of a particular Regent belong limitedly to the local population. By implication, fishermen from different Regents are not allowed to do fishing outside jurisdiction of the local government where the fisherman comes from. Certainly, the interpretation as such is not in line with the Constitution, but that was the case. Many similar conflicts also occurred in different areas.

Further, the law also promotes excessiveness in the exercise of power or "localising power" (Hadiz, 2011). For example, in Kutai Kartanegara, a Regent surrounded by forest locates in the Province of East Kalimantan. Syaukani as the Head of Regent has perceived of himself as having the right to take advantage of the forest in such a way by cutting down quite a huge number of trees in the name of local autonomy. After Soeharto era the problem of coordination between the provincial governments and local governments revealing in Java may be the case in point. Shortly, it can be concluded that spirit of localising autonomy promoted through the Law number 22 Year 1999 on the Local Government has promoted serious problems in the coordination between central and local governments. The amount of power `provided` by the law tends to be interpreted excessively as `a local "sovereignty" by local governments, and consequently it may endanger cohesiveness of national integrity.

From the public administration point of view, excessive interpretation of autonomy by the local government has provoked serious problems the inter government relations. Besides, the local autonomy has also resulted in widespread of corruption. The classic statement of Lord Acton which says "power tends to corrupt. Absolute power corrupts absolutely" seems to accord this tendency. This is the main reason why in 2004 law number 22 Year 1999 was, again, amended by the law number 32 Year 2004 although its life time was still relatively short too.

Law no 32 Year 2004 on the Local Government still provides a wider room of local autonomy compared to the previous Law number 5 Year 1974. However, in many cases, interpretation of the law exceeds the limit. Starting from the publication of law number 32 Year 2004, many problems of coordination between the province and local government revealed. The relatively extensive authority of the local government has led the administration to behave in such a way beyond the limit. The disobedience of the municipal of Denpasar, the Regent of Badung and the Regent of Gianyar towards the policy of moratorium made by the Province may be the case in point.

Tourism represents one among other prospective industries which may play a significant role in generating local income. Such proposition may be supported by the fact that in many instances tourism industry has stimulated, at least, local economic growth. As noted that in most tourism areas, tourist shopping contributes to the attractiveness and revenue to the destination. By implication this means that the market for souvenirs and tourism products are not only very promising, but more importantly other related sectors such as hotels, accommodations, travel and transportation services may grow up too. In the case of Bantul, the Special Province of Yogyakarta, it must be acknowledged that local government has played an important role behind the success story of tourism-related business. The proposition is that political will of the government represents an important factor towards its development.

Politics and economy can not be separated, they are two different sides of the same coin. A political stability will never come into existence without economic development and vice versa. By implication, it means that economic development in any place including tourist development in Bali



needs a strong political support from both the provincial government and from the central government. For such a long time, since the New Order's era of the 1960s, Bali has been a province which enjoys special attention from the central government. To promote tourism in particular, quite abundant of money from the central government has been poured, gigantic investments have been made, infrastructures have been built, both national and international events are held, security is strengthened, local government is promoted and so on. For such a long time Bali island which has been widely known as the island of goddess, represents the first tourism destination in Indonesia. Places of interest to visit as well as the products for tourism in the area vary. There are some objects such as beautiful scenery, unique cultures, and friendly environment which undoubtedly have attracted tourists. Since Bali has become a more popular destination for tourists, annual visits of tourists from all over the world keep increasing. In consequence, the number of hotels and accommodations in the area mushroom. Unfortunately, the capability of environment to support the development is less adequate. For the sake of tourism, quite a huge area of paddy fields which are needed by Bali to guarantee rice self-sufficiency have been sacrificed and replaced by hotels, lodges, shops or other tourism-related projects. People gradually leave behind their custom and traditions of farming. It seems obvious that such a tendency can hardly ever be stopped. However, rationally it must be controlled or otherwise Bali physical environment may be damaged because of boomerang effect of an uncontrolled development of tourism.

Thus, it is strongly believed that all of these activities have given positive impacts to make Bali the first tourist destination in Indonesia. Indeed, the compliance of any local government to regulations imposed by a higher level of government represent a conducive political environment without which tourism within local jurisdiction will never develop. There is no argument that to political support from the central government represents one main factor of success story tourism in Bali.

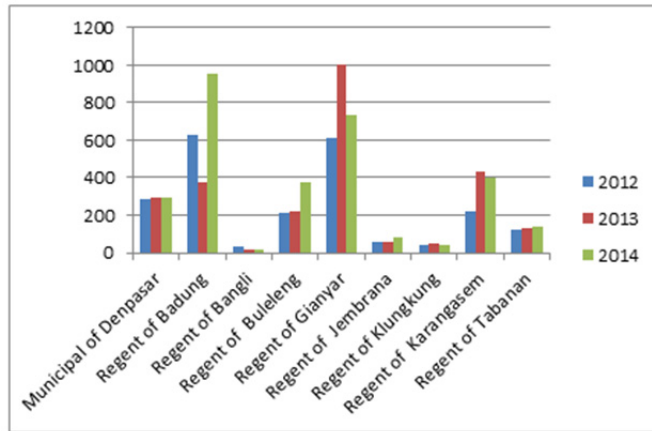
As it had been described earlier, moratorium essentially constitutes a policy evaluation. Normally, a moratorium is taken after considering pros and cons of a particular policy. In this context moratorium is not only possible, but quite probable. For the sake of tourism, a number of policies are revised, amended or just abandoned. Hardly ever in the previously-centralized autocratic government systems, the implementation of a policy taken by a province is challenged nor denied by the lower level of local government.



Figure 1: Guide Map of Bali

So far, the provision of hotels as well as lodges in Bali which follows the trend of tourist destination has been very much concentrated in the Southern area of the island. In effect, there is inequality in the number of hotels and accommodation facility between the Southern area and Northern area, whereas the potential of tourism objects in the Northern area is in fact not less attractive compared

to those in the South. For example, agro tourism in the North may be a fascinating tourism object. This is because agriculture which colours the Northern part of Bali must not be solely seen as the central of production of food and fibre, but also original Balinese culture, economic system, political thought as well as religious outlook of the whole indigeneous people of Bali. Many dynamics of rural areas and culture in the North are worth knowing. As a comparison, Bohatova has shown how rich is a rural area in Kopaniciarsky region of the Slovak Republic (Bohatova, et al., 2015). Unfortunately, so far the Northern area of Bali has been neglected as a potential tourist destination.



**Figure 2.** Development of Hotel and Accommodation in Bali Province 2012-2014

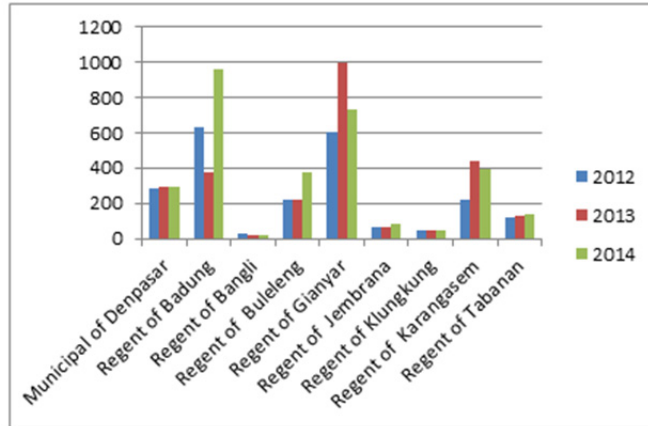
**Source:** Directory of Tourism 2014, Bali

From the positive insight, massive construction of hotels and accommodation facilities represents a rapid economic development in the South. However, it must not be forgotten that at the same time the fast development also promotes an inequality in the economic growth between the South and the North.

Based upon the reality as such in 2010 Governor of Bali issued a moratorium on construction of hotels and accommodations in the South. Legally this regulation is named as Surat Edaran (SE) or Letter of Circulation on the Development of Accommodation for Tourism No. 570/1665/BPM dated 27 December 2010 on Temporal Moratorium of Issuance of Principle License (Registration of Investment and/or Principle License of Investment) for Accommodation of Star and Jasmine type hotels, including guest house and the like. The policy was aimed at controlling the mushrooming development of hotels and accommodations in the South while at the same time promotes development of tourist destination in the North. This policy was supposed to be applied in such areas as the City of Denpasar, the Regent of Badung and the Regent of Gianyar which have been over capacity.

However, the implementation of the policy was rejected by the three local governments of the South since its commencement on 5 January 2011. In the name of local autonomy, the three local areas were determined to reject and challenged the decision made by the Governor. Instead of complying with the policy, these three local governments even issued license of construction of hotels and accommodation in the name of their local autonomy. In the previous era of law no 5 year 1974 about local government, it would not be possible for the Regent to stand against the higher level of government.

The city of Denpasar, the Regent of Badung and the Regent of Gianyar have individually or collectively refused the moratorium policy by keep issuing approval for building new hotels and accommodation. Certainly, the refusal to the policy shown by some local governments have resulted in negative impacts to the economy of the province. The inequality between areas remains and even worsens due to such refusal. Figure 1 below shows the trend of development.



**Figure 3.** Development of Hotels and Accommodations in Bali Province 2012-2014

Based upon the data, the negative impacts of are obvious. Figure 1 shows there are four out of seven local governments, namely the city of Denpasar, The Regent of Badung, the Regent of Gianyar and the Regent of Karangasem in the Province of Bali which posit the front line in the development of hotels and accommodation for tourism. As a result, it is not an exaggeration to say that in term of economic development inequality between the South and the North remains. Further, because tourism is concentrated in the South the inequality tends to widen too.

**Table 2.** Paddy Field in Moratorium Areas 2012-2014 (in 1000 Ha)

City/Regent	Year		
	2012	2013	2014
The City of Denpasar	2.519	2.519	2.509
The Regent of Badung	10.195	10.003	9.984
The Regent of Gianyar	14.729	14.651	14.575

**Source:** Bali dalam Angka Tahun 2015 (Bali in Number Year 2015).

Another serious problem related to the massive development of hotels and the like is the decrease of paddy field (sawah environment). Beside the positive impacts there are also negative impacts resulted from the failure of implementation of the policy. The first and the most tangible is the transformation in the land use which mostly take places in the moratorium areas. Table 1 above clearly indicates a tendency that the available areas traditionally used for rice plantation annually decreases. Many areas of paddy field have now been converted into hotels and the like. The fertile land which is supposed to be preserved for food slowly decreases. This makes the area which was used to be self-sufficient in food becomes dependent upon food supply from outside areas or even from outside Bali. Secondly, environmental degradation occurs due to massive and “uncontrolled” deployment of new buildings, mainly hotels, lodges and the like. The uncontrolled rubbish production has increased both in water and air. Thirdly, there are also changes in people orientation in art and culture due to many ideas from outside Bali adopted in such a way without adequate screening in advance.

Given the fact of the negative impacts, it can not be denied that the spirit of decentralization in the post New Order era also brings about positive impacts. In fact, it can not be denied that the rapid development of hotels and accommodations in the South have produced significant contribution to development of other areas too. The research also shows that in fact the provincial government of Bali has made an effort to promote dispersion of development of tourist destinations.

First, based on Article 2 Presidential Regulation No 38 Year 2015 on Joint Venture and Infrastructure, the provincial government invites foreign investment to provide infrastructures for tourism, one of which is *Airports Kinesis Canada* (AKC) from Canada. The construction of Buleleng International Airport in the Regent of Buleleng, Northern part of Bali Island, may be seen as a serious effort to develop tourism in the Northern part of the island. Secondly, based on the Government Regulation No 25 Year 2000 on the Authority of Government and the Authority of the Province of Bali as an Autonomous Government, the Province of Bali accommodates and promotes the contribution from “the moratorium areas” to other areas in the Province.

Certainly, as the policy maker, there is an inconsistency of the provincial government in implementing its policy. Ironically, the policy which was aimed at stopping the issuance of permit or license of development by the regents was obstructed by the provincial government itself. There is an evidence that the provincial government issued a permit to the investor for building hotels within the moratorium areas. There have been some local dailies as well as social organisations which criticized the government over this permit issuance. Even one mass organisation has launched a protest in the form of demonstration too. In response, the government made an alibby that the issuance of license had been made by the previous regime. This argument seemed to have failed to satisfy the protesters. Eventually, the feeling of frustration among individuals in the society have promoted them to be ignorant to the regulation too.

Any success or failure of policy in its implementation will bring about social and/or economic impacts on the practice of governance. There are some impacts resulted from the failure which can be classified into two. Some positive impacts revealed from the failed implementation of the moratorium are: first, a significant increase in the Original-Local Revenue originating from the hotel tax as follow. Data in Table 3 below shows increasing tendency in the revenue of the three local governments within three years.

**Table 3.** Revenue from the Hotel Tax 2012-2014 (US\$)

Regent/ Municipal	Year		
	2012	2013	2014
The city of Denpasar	103.999	113.504	119.104
The Regent of Badung	1.037.741	1.074.000	2.181.858
The Regent of Gianyar	648.910	80.770	101.061

**Source:** Bali dalam Angka Tahun 2015 (Bali in Number 2015).

Secondly, a decrease in the rate of unemployment. Apparently, the fact shows that the more accommodation available, the lower rate of unemployment. The rate of unemployment in Bali which was 2.04 in 2012 fell to 1.83 in 2013, and it decreased to 1.9 in 2014 which makes the rate of unemployment in Bali the lowest throughout all local governments in Indonesia. In consequence, Bali has now become a destination for those who seek a job, and population density slowly increases accordingly.

Based upon the above data, it can be predicted that in the long run coordination at all levels of government will be more difficult to be maintained. The reason behind this trend is quite simple. Many local governments find themselves difficult to be friendly and cooperative to the ‘changing world’, adapting to new trends and variety of roles played by different actors. In other words, sooner or later the government at any level must change its nature from government to governance. What it means to the government is that state-led economic development will be questioned and the government can no longer play the role as a sole locomotive pulling the chain of carriers. For comparison, an article title “From Local Government to Local Governance,” is worth reading (Caroline & Goldsmith, 1998). Exploration of the case of Bali may then enrich the study of coordination, especially for developing countries. Indeed, any type of coordination that is information-sharing, resource-sharing and joint activities are not such an easy task. However, in order to assure a good result of management of local government, such a trend of change is surely worth considering.

### 3. Conclusion

The world of politics in Indonesia is changing, leading towards democracy and decentralization. Political change, like or dislike, must be prepared accordingly without which Indonesia world of politics will only result in an unsmooth transition of public administration. Based on the previous discussion, it can be concluded that the denial of the implementation of Letter of Circulation on Development of Accommodation for Tourism, or *Surat Edaran* (SE) Gubernur Bali No.570/1665/BPM date 27 December 2010 which is also widely known as the Policy of Moratorium, represents inevitable problems emanate from an unprecedented political change. The process of political transition from autocratic and centralised government to democracy and decentralization in Indonesia has begun, but not finished yet. The problems of coordination breavealed due to dramatic and `uncontrolled` political transition. As a result, without adequate preparation, in the next future such kind of anomaly may reveal. As a consequence, public administration must be promoted to be impersonal bureaucratic system with minimum risk of dramatic change due to political dynamics.

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