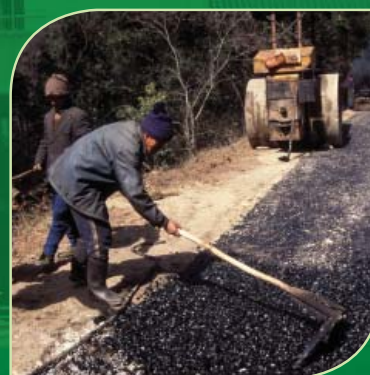


Southeast Sulawesi Public Expenditure Analysis 2012

Public Service Delivery Performance and Development Challenges in *Bumi Haluoleo*



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Southeast Sulawesi
Public Expenditure Analysis 2012

Public Service Delivery Performance
and Development Challenges
in *Bumi Haluoleo*

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Introduction

Southeast Sulawesi is one of Indonesia's developing provinces and over the past five years has achieved one of the country's highest growth rates. In 2010, Southeast Sulawesi's economy grew at 8.2 percent – the third fastest in Indonesia. The poverty rate has declined significantly in the past 10 years and the unemployment rate is one of the lowest in Indonesia. Per capita expenditure in Southeast Sulawesi has increased nine-fold compared to pre decentralization rates – Southeast Sulawesi's consolidated per capita expenditure now falls in the top 10 in Indonesia.

However, Southeast Sulawesi is still facing a range of challenges. The Human Development Index (HDI) has continued to lag at 25th in Indonesia over the past five years. Although regional GDP has grown rapidly, in real per capita terms it is still far below the national provincial average. Southeast Sulawesi's poverty rate also remains above the national average. It will be important for the high and growing rate of per capita expenditure to be matched with improvements in public financial management capacity within the local government. In the context of overcoming these challenges and capitalizing on expanding opportunities, the local governments in Southeast Sulawesi and in particular the provincial government need to work harder to make the most of its budgetary resources. The development agenda and programs must be sharpened and budget allocations must be optimized to achieve development targets, especially in the strategic sectors of education, health, infrastructure and agriculture.

This report contains findings and recommendations intended to support subnational governments in Southeast Sulawesi Province to enhance their public financial management performance; improve the quality of evidence based planning and budgeting; and accelerate the achievement of existing development targets. This report is the result of a collaborative effort by the Government of Southeast Sulawesi Province, the Haluoleo University Research Institute and the World Bank, with support from donors CIDA and AusAID. The Southeast Sulawesi Provincial Development Planning Agency has played a key role in facilitating the process of producing this report.

We hope that this report can be utilized by subnational governments in Southeast Sulawesi in particular, as well as subnational governments throughout Indonesia, the central government and subnational finance and development stakeholders. Finally, we hope that this report can contribute to the efforts to enhance governance and achieve better development outcomes.



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Glossary of Terms

APBD	Subnational Government Budget (Anggaran Pendapatan dan Belanja Daerah)
APBN	State Budget (Anggaran Pendapatan dan Belanja Negara)
Bahteramas	Community Welfare Development in Southeast Sulawesi (Bangun Kesejahteraan Masyarakat)
Bappenas	National Development Planning Board (Badan Perencanaan Pembangunan Nasional)
Bawasda	Regional Monitoring Agency (Badan Pengawas Daerah)
BKD	Regional Finance Agency (Badan Keuangan Daerah)
BLUD	Regional Public Service Agency (Badan Layanan Umum Daerah)
<i>Block Grants</i>	Assistance in the form of <i>Block Grant</i> Funds from the Government of Southeast Sulawesi for Villages located all over Southeast Sulawesi Province.
BOP	Operational Education Fund (Bantuan Operasional Sekolah)
BPK	Supreme Audit Board (Badan Pemeriksa Keuangan)
BPS	Central Bureau of Statistics (Badan Pusat Statistik)
DAK	Special Allocation Fund (Dana Alokasi Khusus)
DAU	General Allocation Fund (Dana Alokasi Umum)
DBH	Shared Revenue Fund (Dana Bagi Hasil)
Dekon/TP	Deconcentration/Co-Administration (Dana dekonsentrasi/Tugas Pembantuan)
DJPK	Directorate General of Fiscal Balance, Ministry of Finance (Dirjen Perimbangan Keuangan)
DPPKAD	Regional Revenue and Financial Management Office (Dinas Pendapatan Pengelolaan Keuangan Daerah)
DPRD	Regional House of Representatives (Dewan Perwakilan Rakyat Daerah)
DRSP	<i>Democratic Reform Support Program by USAID</i>
FGD	<i>Focus Group Discussion</i>
FTT	Farmer's Terms of Trade
GDI	Gender-related Development Index
GDP	Gross Domestic Product
GEM	Gender Empowerment Measure
GER	Gross Enrollment Rate
GRDP	Gross Regional Domestic Product
HDI	<i>Human Development Index</i>
HH	Household
HPS	Indicative Prices
IDR	Indonesian Rupiah
IMR	Infant Mortality Rate
KIBLA	Maternal and Neonatal Health (Kesehatan Ibu Melahirkan dan Bayi Baru Lahir)
KTI	Eastern Indonesia (Kawasan Timur Indonesia)
KUA	General Budget Policy (Kebijakan Umum Anggaran)
LEMLIT UNHALU	Research Institute of Haluoleo University (Lembaga Penelitian Universitas Haluoleo)
LER	Life Expectancy Rate
LHP	Inspection Report (Laporan Hasil Pemeriksaan)

LR	Literacy Rate
MMR	Maternal Mortality Rate
MoNE	Ministry of National Education
MP3EI	Master Plan for Economic Expansion and Acceleration in Indonesia (Master Plan Perluasan dan Percepatan Ekonomi di Indonesia)
MSS	<i>Minimum Service Standard</i>
NER	Net Enrollment Rate
NGO	Non-Governmental Organizations
NTB	West Nusa Tenggara (Nusa Tenggara Barat)
NTT	East Nusa Tenggara (Nusa Tenggara Timur)
PAD	Regional Own Source Revenue (Pendapatan Asli Daerah)
PDAM	Regional Drinking Water Company (Perusahaan Daerah Air Minum)
Perda	Regional Regulation (Peraturan Daerah)
Perpu	Government Regulation in Lieu of Law (Peraturan Pemerintah Pengganti Undang-Undang)
PEA	Public Expenditure Analysis
PEACH	Public Expenditure Analysis and Capacity Harmonization
Perkada	Head of Regional's Regulation (Peraturan Kepala Daerah)
PFM	<i>Public Financial Management</i>
PHBS	Hygienic and Healthy Lifestyle (Perilaku Hidup Bersih dan Sehat)
PKD	Subnational PFM (Pengelolaan Keuangan Daerah)
Pokja	Working Group (Kelompok Kerja)
Polindes	Village Maternity Post (Pos Bersalin Desa)
Posyandu	Integrated Health Service Center (Pos Pelayanan Terpadu)
PP and PA	Empowerment of Women and Child Protection (Pemberdayaan Perempuan dan Perlindungan Anak)
PPK	Financial Management Officials (Pejabat Penatausahaan Keuangan)
PUG	Gender Mainstreaming (Pengarusutamaan Gender)
Puskesmas	Center for Public Health (Pusat Kesehatan Masyarakat)
Pustu	Auxiliary Public Health Center (Puskesmas Pembantu)
RAD	Regional Action Plan (Rencana Aksi Daerah)
Renstra	Strategic Planning (Rencana Strategi)
RKA	Work Plan and Budget (Rencana Kerja dan Anggaran)
RPJMD	Regional Medium Term Development Plan (Rencana Pembangunan Jangka Menengah Daerah)
RSUD	Regional Public Hospital
SCA	Standard Cost Analysis
SD/MI	Elementary School/Islamic Elementary School (Sekolah Dasar/Madrasah Ibtidaiyah)
SER	School Enrollment Rate
SG	Subnational Government
SKPD	Subnational Government Working Unit (Satuan Kerja Perangkat Daerah)
SMA	High School (Sekolah Menengah Atas)
SMK	Vocational High School (Sekolah Menengah Kejuruan)
SMP	Junior High School (Sekolah Menengah Pertama)
SPD	<i>Fund Provision Letter (Surat Penyediaan Dana)</i>
STR	<i>Student Teacher Ratio</i>

SE Sulawesi	Southeast Sulawesi
Susenas	National Socio-economic Survey by the Central Bureau of Statistics (Survei Sosial Ekonomi Nasional)
TMP	No Opinion for regional audit status (Tidak Memberikan Pendapat)
TPT	Open Unemployment Rate (Tingkat Pengangguran Terbuka)
TW	Adverse Opinion for regional audit status (Tidak Wajar)
UMR	<i>Regional Minimum Wage (Upah Minimum Regional)</i>
U5-MR	Under Five Mortality Rate
WB	<i>World Bank</i>
WDP	Qualified Opinion for regional audit status (Wajar dengan Pengecualian)
WTP	Unqualified Opinion for regional audit status (Wajar Tanpa Pengecualian)

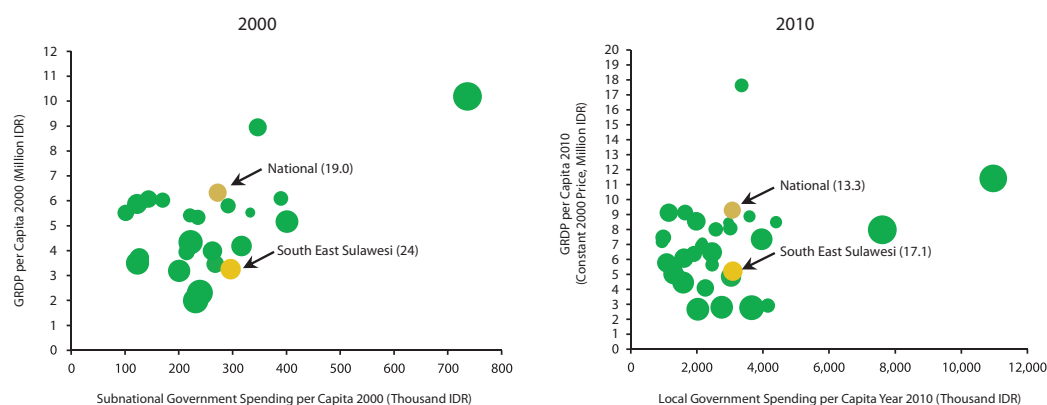


Executive Summary

Southeast Sulawesi is a province consisting of islands rich in natural resources. As an archipelago, Southeast Sulawesi is blessed with abundant natural marine resources. It is also known for its wealth in minerals such as nickel and asphalt. The total population in the region reached 2.2 million in 2010 with average growth rate above national level. The number of districts/municipalities in the region has doubled from 4 districts and 1 municipality before decentralization to 10 districts and 2 municipalities just 7 years after decentralization.

Southeast Sulawesi is a developing province with a number of challenges. It is a province with one of the the fastest economic growth rates in Indonesia. However, until 2010, its contribution to the national economy remained small (0.6 percent). Since decentralization, Regional GDP per capita in Southeast Sulawesi has grown 6 percent per year, higher than the average national growth (4.7 percent per year). However, this growth rate has not been able to place the Regional GDP per capita of Southeast Sulawesi above the national average. The Poverty headcount in the region has been successfully decreased 6.8 percentage points compared to the headcount before decentralization (2000) and this is faster than the decrease in the national poverty headcount during the same period (5.6 percentage point). However, the poverty headcount in Southeast Sulawesi in 2010 was still above the national level. Subnational government expenditure has also increased ten fold compared to the time before decentralization although efficiency still needs to be optimized.

Figure 1. Southeast Sulawesi is a developing province in Indonesia



Source: Processed, based on BPS and DJPK (Ministry of Finance) data, 2011.

Note: The Diameter of the circle and the number in brackets shows the poverty headcount. To clarify the illustration, DKI Jakarta Province, Riau (year 2000), the Riau Kepulauan (2010), and East Kalimantan are not included in the figure; the national poverty headcount is based on national statistics, while the rate of real regional GDP per capita and national regional expenditure is based on average provincial rates.

Economical Challenges, Obstacles, and Opportunities

Maintaining an economic growth rate above 8 percent is one of the challenges faced by Southeast Sulawesi. To increase the Regional GDP per capita and to maximize its role in the national economy, Southeast Sulawesi needs to maintain an economic growth rate above 8 percent and this was accomplished in 2010. To reach the target, the region needs to overcome a few obstacles, among which are: (i) almost one third of the economy in the region relies on agriculture, although the sector has now undergone a decrease in its growth rate over the past two years (2009-2010); and (ii) although the region is famous for its minerals, these natural resources have not yet made a significant impact on the economy. The mining and quarrying sector still contributes less than 6 percent with fluctuating production growth over the past five years. The fast rate of increase in the service sector (especially commerce) accompanied by a high rate of workforce absorption is another area where Southeast Sulawesi still needs to take advantage of its opportunity to increase economic growth.

The open unemployment rate (TPT) in the region is considerably low, although it remains a challenge in urban areas. The unemployment rate in the region is still lower than the national rate and the average provincial rate. However, the rate in the urban areas is still considerably high. More than 49 percent of the unemployment in the region is centralized in the City of Kendari and Bau-Bau, while the other 51 percent is spread throughout the other 10 districts. The high level of employment in the urban area resulted from the high rate of urban migration which exceeds the growth of work opportunities.

Social Development Challenges

The poverty headcount has decreased significantly, but further efforts are still needed. The poverty headcount in Southeast Sulawesi has decreased significantly over the past 10 years. Referring to the poverty headcount reduction target in the provincial mid-term regional development plan or *Rencana Pembangunan Jangka Menengah Daerah* (RPJMD), the poverty headcount must fall to 10 percent in 2013. With the poverty headcount in 2011 remains at 14.6 percent, the government needs to work harder to reduce the headcount at least 2.3 percentage points per year over the next two years (2012 and 2013). Given the success of the 2.5 percentage point reduction of the poverty headcount in 2011 (from 17.1 percent in 2010 to 14.6 percent in 2011), the target of 2.3 percent over the next two years is considered achievable. Poverty reduction efforts need to prioritize areas with the highest poverty headcounts such as Kolaka, Muna, Buton, and Konawe.

The national Human Development Index (HDI) rank for Southeast Sulawesi has not changed from 25th for the past five years. The most problematic HDI indicators are the literacy rate and life expectancy indicators that are still below the national average, while the average school year has risen above the national rate. The literacy index continues to struggle because the prevalence of illiteracy in Southeast Sulawesi occurs among the elderly (65 years and over). Motivational factors that stem being part of a non-productive age group have been difficult to overcome and have hampered efforts to improve the literacy rate. Meanwhile, the high rate of population morbidity and the Infant Mortality Rate (IMR) still present challenges to government's endeavours to increase the life expectancy rate.¹

Subnational Public Financial Management Performance

In general, the capacity of Subnational Public Financial Management (Subnational PFM) in Southeast Sulawesi still needs to be improved. The Subnational PFM capacity survey aimed at charting PFM capacity throughout all regional, provincial, and district/municipal governments. The survey instrument is in the form of a balance scorecard consisting of 145 indicators classified into 9 strategic fields of Subnational PFM. On average, the rate of Subnational PFM capacity in districts/municipalities in Southeast Sulawesi only satisfies 49 percent of the 145 assessment indicators. This score was still below the score for the province which had reached 60 percent. 7 out of 12 districts/municipalities are still below the average Subnational PFM capacity in Southeast Sulawesi (49 percent). The cities of North Kolaka and Kendari are two areas whose rates are above average compared to other districts/municipalities and higher than the rate of provincial PFM capacity. Subnational PFM capacity shortcomings on both the provincial and district/municipal levels are spread over many fields. Generally, however, the accountancy and reporting fields need the most improvement.

Subnational Government Revenue Performance

The share of the DAU has shown a declining trend, while the share of PAD has shown the opposite. Although the annual growth of the DAU fluctuates, the share of the DAU relative to provincial and district/

¹ The Population Morbidity Rate is the number of people suffering from illnesses divided by the total population. The data is based on the National Socio-economic Survey (Susenas).

municipal government revenue generally declined over the period of 2007-2010. The adverse trend characterized the general performance of PAD, which showed an improvement over the period of 2007-2010. On the provincial level, the role of PAD was already at 46 percent in 2010, while on the district/municipal level, it was still below 7 percent. More efforts are still needed for the district/municipal government to improve regional independence. The inter-regional mobilization capacity of PAD has shown significant variation. For example, in 2010, Wakatobi managed to earn IDR 22 million from every IDR 1 billion of PDRB, while South Konawe and North Buton only managed to earn IDR 6 million. This variation can affect the economy characterizations (the number of informal and formal sectors, the characteristic of work fields that form Regional GDP in each region, etc), regulations, institutions, to the capacity of human resource managing the revenue.

Southeast Sulawesi is a province rich in minerals, but it has not yet been able to contribute significantly to subnational government revenue. This can be seen from the decline in revenue from non-tax shared profit of natural resource through the years, even though mining sector activity has since increased. In 2007, the subnational government took in non-tax shared-revenue (DBH) amounting to IDR 118 million for each IDR 1 billion of non-oil-and-gas mining production from the previous year. However, in 2010, every IDR 1 billion of non-oil-and-gas mining production from the previous year only produced IDR 13 million in SDA non-tax DBH. The regulation framework and data and supervision system regarding mining companies needs to be improved.

Subnational Government Expenditure Performance

On the provincial level, the share of transfer expenditure (financial aid, etc) and capital expenditure has increased over the past three years. The improved share of capital expenditure indicates an upgrade in structure. The challenge is how the allocation of capital expenditure can be optimized to improve the development of strategic sectors (the facilities for education, health, infrastructure, etc). Meanwhile, the role of provincial government transfer expenditure has also shown an increase, especially because it is linked to priority programs such as the free School Operational Grant (*Bantuan Operasional Sekolah - BOS*), scholarships, free health care services, and block grants to the villages. The challenges in transfer expenditure lie in the improvement of planning, management, monitoring and evaluation quality.

On the district/municipal level, the portion of employee expenditure has consistently increased throughout the years. This tendency will provide a beneficial impact if such increases are aimed at the improvement of salary expenditure for functional employees (teachers, doctors, counselors, etc) and will have the adverse effect if the increase is dominated by an increase of the number of non-functional employees. Further study still needs to be done on the employee expenditure growth trend seen from growth in the number and the composition of employees.

General Administration expenditure is still the biggest allocated share at the provincial or the district/municipal level.² Until 2010, the biggest share of provincial government expenditure was allocated to the general administration sector followed by the infrastructure, health, agriculture, and education sectors. Particularly in 2011, there was a slight change in the composition of provincial government expenditure, with health expenditure increasing to almost 20 percent because of the development of the provincial general hospital. Meanwhile, on the district/municipal level, the biggest proportion of expenditure goes to the general government sector followed by education, infrastructure, health and agriculture. The share of general government sector expenditure needs to be rationalized gradually to allow for an increase in the proportions allocated to the strategic sectors (education, health, infrastructure, and agriculture).

2 General administration sector expenditure or general administration in this study consists of expenditure for general government affairs, staffing affairs, as well as empowerment affairs for village communities. In general, the general government sector comprises institutions such as the regional secretariat, the Regional House of Representatives (DPRD), and heads/deputy heads of regions, districts, sub districts (outside the villages), etc.

On both the provincial and the district/municipal level, approximately 60 percent of the expenditure has been allocated to direct expenditure. Nevertheless, the share of direct provincial government expenditure for programs/activities linked to routine office administration and apparatus is still significantly high (around 26 percent of total expenditure, or around 43 percent of total direct expenditure). This number is higher than at the district/municipal level (19 percent of total expenditure, or approximately 32 percent of total direct).³ The share of direct expenditure for administration and apparatus needs to be rationalized gradually to allow a larger share for development programs/activities.

Performance and Challenges in Strategic Sectors.

Health

Provincial government health expenditure reached 20 percent in 2011. On the provincial level, health expenditure rose from an average of below 10 percent in the period of 2007-2010 to almost 20 percent in 2011. This improvement was impacted by the increase in capital expenditure for the construction of the new provincial hospital. Although the need for capital expenditure decreased after construction, provincial health expenditure was expected to be no less than 10 percent not including employee expenses. In addition to the burden that the new hospital's operational expenditure will place on impending health expenditure, the share of health expenditure above 10 percent (excluding employee expenditure) will fulfill the requirements of the Health Law (see Law No. 36 Year 2009 regarding Health Article 171 Verse 2).

Direct expenditure on the district/municipal level has been declining and most is still allocated for programs linked to administration/apparatus. Expenditure for programs linked to administration and apparatus has been increasing on the district/municipal level, reaching 30 percent in 2011. The decrease of direct expenditure will adversely impact the composition of the health sector since it tends to lead to a reduction in mandatory programs/activities more than a reduction in expenditure for programs/activities linked to office administration/apparatus. The second biggest allocation of direct health expenditure is the provision for and improvement of public health center facilities and infrastructure, followed by community health programs.

The performance of health services in Southeast Sulawesi is generally seeing improvements although it has yet to have an impact on the improvement of outcome indicators. The progress of health outcomes performance has shown a paradox between improvement in health output (health facilities) on one side, while the outcomes (morbidity rates, IMR, U-5MR⁴, and Mother Mortality Rate) has not shown improvements. The disparity is thought to be due to the lack of social awareness regarding hygienic and healthy living; community awareness of and motivation to use health facilities; and the small number of programs linked to maternal and child health.

Although at the provincial level a variety of facilities and health care staff to population ratio have increased, a wide gap still exists among the districts/municipalities. Two newly expanded districts (North Buton and North Konawe) still do not have regional public hospital. Although there are hospitals in many areas, the ratio of hospital beds per person is still uneven. The availability ratio of Public Health Centers (Puskesmas), Auxiliary Public Health Centers and health care staff on a provincial level is sufficient, though at the district/municipal level, a disparity can still be seen. The provincial government still needs to work to reduce the imbalance in the ratio of facilities and health care staff among the districts/municipalities.

³ Expenditure for office and personnel programs/ general administration (routine) is coded from 1 to 14 in direct expenditure, commonly known as SKPD expenditure. This expenditure is generally allocated by SKPD for office stationery supplies, maintenance or development of government offices, employee training, improvement of employee discipline, etc.

⁴ IMR (Infant Mortality rate) per 1,000 live births, U-5MR (Under five Mortality Rate) per 10,000 live births).

Education

Since at least 2009, it is estimated that most provincial government education expenditure was allocated by transfer (financial aid, grants, etc). The proportion of provincial education expenditure increased to 12 percent in 2009, but again declined to 4 percent in 2011. The decrease in education expenditure in the past two years occurred because most provincial education expenditure was allocated through educational assistance expenditure such as Education Operational Assistance (BOP), scholarships, etc. These are the provincial government priority programs over the 2008-2013 period. Until the end of the study, the annual data in regards to this matter can not be obtained. Therefore, the analysis of education expenditure in this research was solely based on the expenditure for matters related to education (education, libraries, and youth/sports). As a result, the figures in this study are lower than the true figures. The publication of data linked to educational assistance needs to be updated annually in particular to promote public awareness of the provincial government's commitment to education.

Education expenditure on the district/municipal level still varies. In 2009, Buton was able to allocate more than 40 percent of its expenditure to the education sector while North Konawe still contributed less than 10 percent. When compared to the number of school age children who were main beneficiaries of the education sector, education expenditure for Bau-bau city reached IDR 3.7 million per school age child, while in Konawe city, it was still less than IDR 1 million per school age child although the share of its education expenditure was already more than 20 percent. This situation occurred in 2009 and the disparities among districts/municipalities may have been different for previous years.

The education sector performance in Southeast Sulawesi is generally good although improvements in many areas are still needed. The average years of school in Southeast Sulawesi is better than the national average. However, there is still room for improvement. For example, the drop-out rate for Senior/Vocational High School level was still considerably high; the School Transition rate particularly from junior high school to senior/vocational high school was still low; the Net Enrollment Rate (NER) still needs to be improved, particularly at junior high school and senior/vocational school levels. That aside, the education sector performance in Southeast Sulawesi has not been able to contribute to HDI improvement because of the low literacy rate.

The challenges in educational services in Southeast Sulawesi lie in equity and the improvement of facilities and teacher quality. The Student Teacher Ratio in Southeast Sulawesi is already lower than national ratio. The same also apparent in Student to School Ratio and Student to Class Ratio which are low relative to the national average. Nevertheless, the disparities among districts/municipalities are still significantly high. For example, one elementary school class in North Konawe can only accommodate 20 students, while in Kolaka and Kendari, it can accommodate twice as many (40 students/study group). The Minimum Service Standard (MSS) has, in fact, determined that one study group in elementary school can accommodate a maximum of 32 students. Also, one teacher in Konawe teaches 11 students, while in Buton, the number is 20 students. The percentage of damaged classrooms is still high, especially at the elementary level. In terms of quality, the percentage of teachers with an undergraduate degree or higher is still low, whereas the education sector MSS states that every SD/MI must have at least two teachers with undergraduate qualifications or educator certificates.

Infrastructure

The infrastructure expenditure structure in Southeast Sulawesi is already good, but total spending on infrastructure is still volatile. On average, more than 75 percent of infrastructure expenditure was allocated to direct expenditure on the provincial and district/municipal levels, and also, most direct expenditure was allocated for capital expenditure. However, overall, infrastructure expenditure is still volatile. Subnational governments on the provincial and district/municipal level need to devise a scheme/projection for infrastructure spending increases that is more consistent with a focused medium term expenditure framework.

Some of the challenges of infrastructure development are the construction of basic infrastructure, irrigation and roads. Housing is one aspect of infrastructure development linked to health. The challenges facing basic housing infrastructure in Southeast Sulawesi are limited access to electricity, clean water and adequate sanitation especially in the poorest households. Irrigation is one area of public works linked to the development of agriculture, especially rice fields. Along with the increase in rice field areas in 2010, the challenge for the subnational government is to build more advanced irrigation. To further increase rice productivity, the subnational government needs to improve the scope of technical irrigation especially in rainfed rice field areas, which in 2010 still comprised around 22.4 thousand hectares. The various levels of government (central, provincial, and district/municipal) need to coordinate to identify irrigation needs according to their respective authority (primary, secondary, tertiary).

The provincial road length per land area is still below the national average. In 2009, provincial road length was still around 488.8 km.⁵ When compared to the land area, the provincial road length in Southeast Sulawesi is still around 1.3 km per 100 km² of land area. This number is still below the average of provincial roads nationally which has reached 2.5 km per 100 km². Meanwhile, the ratio of national road length to district/municipal road length per land area in Southeast Sulawesi is relatively high compared to the national average. In supporting the Master Plan of Economic Expansion and Acceleration in Indonesia or MP3EI, roads have become important in facilitating the improvement of regional connectivity, especially in supporting Southeast Sulawesi's potential economic prominence nationally, as well as Indonesia's potential economic prominence internationally (cacao and nickel).

Agriculture

Agriculture expenditure in Southeast Sulawesi was still below 7 percent both at the provincial and district/municipal levels. In 2011, agriculture expenditure in Southeast Sulawesi improved, but most was from the deconcentration spending. Meanwhile, the subnational government expenditure remained unchanged from previous years. The significant increase in agricultural sector expenditure due to deconcentration/co-administration in 2011 was only temporary and is estimated to decrease in line with the changing priorities and programs of the central government. For a province which aims to rely on the agricultural sector to increase the economic growth rate, 7 percent allocation is still insufficient. The subnational government (provincial and district/municipal) needs to devise a scheme for increased agricultural sector expenditure that is more consistent so that the total public investment in agriculture in Southeast Sulawesi can be more stable..

The agriculture sector in Southeast Sulawesi is growing annually, but the growth rate is slowing. The deceleration of agricultural sector growth in Southeast Sulawesi influences the real growth rate in almost all sub sectors (cash crops, livestock, subsistence crops, and fishery/maritime). Revitalization needs to be enacted by prioritizing increased production, productivity, and marketing strategies for leading agricultural products (cacao, rice, cows, and seaweed). The four leading commodities are the commodities with the largest contribution to their respective sub sectors (cacao to cash crops, rice to subsistence crops, cows to livestock, and seaweed to fishery and maritime). Increased production of the four commodities can have a significant impact on the recovery of sub-sector growth and eventually on the agricultural sector at large.

Block Grants

Village block grants are one of the three main pillars of the Bahteramas (Community Welfare Development) program. In 2008, the governor of Southeast Sulawesi launched the Bahteramas program, which covers the exemption of Education Operational Assistance (BOP), free health services, and an IDR 100 million per year. The block grant for village governments program is one of its priorities. To realize the

⁵ In 2011, Southeast Sulawesi documented road length through 2009, along with the length, surface types, and condition of provincial roads that had yet to change. Based on the information from Provincial Bappeda, in 2010, the length of provincial roads increased from 488.86 km (2009) to 906.09 km (2010). The increase was mostly due to the transfer of national roads to provincial roads.

programs that were Bahteramas program linked to block grant, the provincial government allocated funds to which mostly located in the post of transfer expenditure, which was in the form of financial assistance for to village governments. Block grants are evenly allocated all villages without taking into account variations in population, area, etc.

Community response has been high and it needs to be accompanied by a bigger commitment from provincial government. Based on the results of the survey, there is a fairly high level of public knowledge regarding block grants; the level of public understanding is also good; community participation in the planning, implementation and accountability of activities funded by the block grants has occurred in a few villages; and community perception with regards to the benefits of the block grants was also positive. This condition is prerequisite to the success of the program. The provincial government limit regarding financial assistance for village governments needs to be increased so that block grant distribution can reach what had previously been planned (IDR 100 million per village per year). Guidance to improve the quality of the proposed grant-funded activities needs to be intensified. Accountability guidance in the preparation and implementation of block-grant activity can smooth the grant disbursement process from one phase to the next. Cooperation with district/municipal governments in assisting the realization of block grants on the village level needs to be done, for example, through the provision of block grant assistance facilitators for the village/subdistricts.

Women's Empowerment and Gender Equality

The subnational government still needs to address the gap in development achievement between male and female in Southeast Sulawesi. Based on a comparison of GDI and GEM indicators at the provincial and district/municipal level, three out of four existing indicators (literacy rate, average school year and wages) show an inequality between male and female. Meanwhile, the Gender Empowerment Measures (GEM) in the province decreased in 2008-2009. This is inversely proportionate to the district/municipal GEM, which, in fact, increased regarding the indices for women's involvement in parliament, women as professionals and income contribution for women.

To bridge the gap, gender institutionalization development at the management level is needed so that government commitment to gender equality can be brought into realization. The strengthening of the capacity for gender institutionalization through Gender Work Groups in Southeast Sulawesi has not been optimized. One of the reasons is the transfer of post/mutation which is not in line with the capacity strengthening of respective official and therefore, the result of the executive and technical training has yet reflected in the regional budget planning consistently in all affairs. As a result, there are still plenty of business or sector budgets which have yet to become gender responsive, so adequately meeting the needs for men and women in this region is still a challenge.

In addition to institutional strengthening, the minimal availability of gender database statistics (data sorted according to gender) also contributes to the scarcity of gender-responsive budget planning. Whereas the availability of this disaggregated data can help speed up the development of policies, programs, activities and projects that ensure the needs of men and women in this region are fulfilled equally and according to their different needs. Detailed, disaggregated, systematic data and information collection is necessary for each specific business activity.



Chapter I

Overview

1.1 History and Administrative Context

Southeast Sulawesi province is located in the southeastern part of Sulawesi Island and is rich with natural resources. Southeast Sulawesi province lies south of the equator and stretches from north to south. The province is bordered by South Sulawesi and Central Sulawesi to the north; NTT province (Flores Sea) to the south; Maluku province (Banda Sea) to the east; and South Sulawesi province (Bone Gulf) to the west. More than 74 percent of the Southeast Sulawesi region is water (ocean) with a total coastline of 1,740 km, and a total of 110,00 km² of ocean. Southeast Sulawesi province is also rich in various flora and fauna as potential economic and tourism resources. It is also famous for its richness in mining, particularly asphalt in Buton and North Buton Utara districts, and nickel in Kolaka, North Kolaka, North Konawe, South Konawe and Bombana.

Southeast Sulawesi became a province in 1964 after splitting from South Southeast Sulawesi Province (Sulselra). There were two factors which formed the bases for the emergence of public demands for separation from Sulselra: (i) the frequent hindrance of government implementation and development in Southeast Sulawesi district as a result of transportation difficulties between Bau-Bau (the then capital of Southeast Sulawesi district) and Ujung Pandang (the capital of Sulselra Province); and (ii) the growing awareness of the large amount of natural resources in Southeast Sulawesi districts which gave the communities the to form their own province.

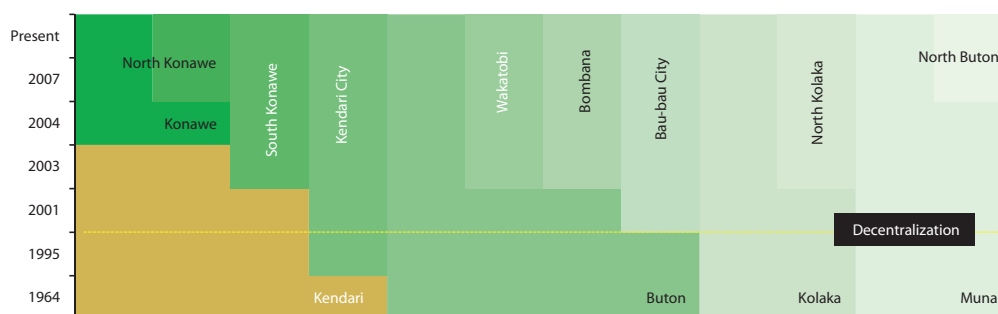
Figure 1.1. Southeast Sulawesi lies in the southeastern part of Sulawesi Island



After a long struggle, the demands were met on April 27, 1964. This was marked with a transition of power from the Governor of Sulselra Province, Col. Inf. A. A. Rifai, to the deputy Governor of Southeast Sulawesi Province, J. Wajong. Although the region officially became a province on September 22, 1964 through Regulation (Perpu) 2/1964 in conjunction with Law 13/1964, the community still marks April 27, 1964 as the anniversary of the creation of Southeast Sulawesi Province.

After the implementation of regional autonomy, the number of districts/municipalities in Southeast Sulawesi more than doubled. Within just seven years of the implementation of regional autonomy (2001–2007), there was rapid increase in district numbers, which went from five districts/municipalities (before decentralization) to 12 districts/municipalities.⁶ As a result of this expansion, as of today (2010), Southeast Sulawesi province is comprised of 201 sub-districts and 2,087 villages.

Figure 1.2. There was rapid regional growth after decentralization



Source: 2011 Southeast Sulawesi PEA Database.

The large area of the districts expanded becomes the reason why the area was split into smaller areas. The regional growth evaluation conducted by DRSP and Percik in 2008 showed that the elites who struggled to expand the region put forward the vastness of the area as the reason for expansion. The vastness of the region that was not supported with infrastructure availability caused difficulties in controlling the area and therefore, tertiary services to the community were not optimized. This condition was complicated by the fact that most of Southeast Sulawesi is comprised of islands.

1.2 Population

Population growth in Southeast Sulawesi is considered high with a high dependency ratio. In 2010, Southeast Sulawesi's population was 2.2 million with an average growth rate in the past 10 years (2000–2010) of 2.3 percent per year, or almost double the national average population growth rate (1.5 percent per year). The high rate of population growth was a result of the lack of government attention to promoting family planning programs. The ratio of men to women in Southeast Sulawesi in 2010 was close to the national ratio of 101. Meanwhile, the dependency ratio in Southeast Sulawesi was still high, at 63.6 (2010), far above the national dependency ratio of 46.7. The high dependency ratio showed that the non-productive age population was far greater than the productive age population.

⁶ The growth of district/municipality formation in Southeast Sulawesi can be illustrated as follows: (i) in 1964, during the formation of the province, Southeast Sulawesi was comprised of 4 districts, which were Kendari, Buton, Kolaka, and Muna; (ii) more than 30 years afterwards, in 1995, Kendari City was formed as a result of the expansion of Kendari District; (iii) in 2001, Bau-Bau City was formed, growing out of Buton District; (iv) in 2003, there was massive growth with the formation of 4 new districts, Wakatobi and Bombana, growing out of Buton, North Kolaka, growing out of Kolaka, and South Konawe, growing out of Kendari District; (v) in 2004, Kendari District officially changed its name to Konawe District; and (vi) in 2007, 2 new districts were formed, North Buton, growing out of Muna District, and North Konawe which grew out of from Konawe District (formerly Kendari District).

In 2010, urban areas and areas rich with mineral resources had the highest population growth. Many areas have a growth rate higher than 8 percent such as Bombana, North Buton, Kendari City, Kolaka, South Konawe, and Muna. This high growth rate was probably triggered by population migration either in the pursuit of education or of work in urban or mining areas. Meanwhile, on many islands, like Wakatobi and Buton, the population growth rate was in fact negative and the composition of the population tended to have more women than men (*sex ratio* under 100). Low population growth accompanied by a high sex and *dependency ratio* shows the existence of population migration from such areas, especially among productive-age males.

Table 1.1. Most of the population still lives in main regions

	Population (2010)			Sex Ratio	Distribution (%)	Density (Person/km ²)	Population Growth (%)		Dependency Ratio F
	L	P	Total				2009-2010	L	
Buton	124,417	131,295	255,712	95	11.5	96	Buton	124,417	131,295
Muna	129,535	138,742	268,277	93	12.0	93	Muna	129,535	138,742
Konawe	123,641	118,341	241,982	104	10.8	36	Konawe	123,641	118,341
Kolaka	161,914	153,318	315,232	106	14.1	46	Kolaka	161,914	153,318
South Konawe	136,201	128,386	264,587	106	11.9	59	South Konawe	136,201	128,386
Bombana	70,367	68,868	139,235	102	6.2	46	Bombana	70,367	68,868
Wakatobi	44,640	48,355	92,995	92	4.2	218	Wakatobi	44,640	48,355
North Kolaka	62,550	58,790	121,340	106	5.4	36	North Kolaka	62,550	58,790
North Buton	27,529	27,207	54,736	101	2.5	27	North Buton	27,529	27,207
North Konawe	26,980	24,553	51,533	110	2.3	11	North Konawe	26,980	24,553
City of Kendari	146,401	143,565	289,966	102	13.0	980	City of Kendari	146,401	143,565
Bau-Bau City	67,651	69,340	136,991	98	6.1	448	Bau-Bau City	67,651	69,340
Southeast Sulawesi	1,121,826	1,110,760	2,232,586	101	100.0	59	Southeast Sulawesi	1,121,826	1,110,760
National				101		124	National		

Source: Central Bureau of Statistics, 2011.

Note: *) Annual Growth Rate 2000-2010, data from 2000 and 2010 Census results.

The population distribution in Southeast Sulawesi was uneven. Generally, most of the population is still concentrated in long-established areas such as Kolaka, Kendari City, Muna, Buton, and Konawe (formerly Kendari District). Kolaka District was home to largest proportion of the population, while the lowest proportion was located in North Konawe. When looked at in terms of population density, the urban areas tend to be more crowded than the districts. The population density in Kendari City was close to 1,000 people per km² and in Bau-Bau City was almost 450 people per km², while in district areas, it was below 100 people per km². The exception was in Wakatobi district with a density of 218 people per km².

1.3 Economy⁷

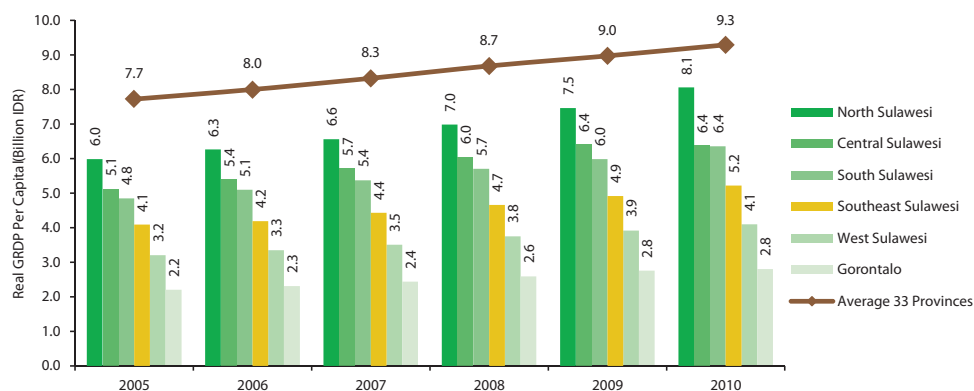
Southeast Sulawesi's economy was still relatively small compared to other provinces nationally, even when compared to the long established Sulawesi provinces. Until 2010, the size of Southeast Sulawesi's economy was ranked the eighth smallest nationally and the third smallest in Sulawesi after the two new

⁷ From here onward, the GDP data analyzed in this section are based on GDP data at constant prices (2001=100) or real (not nominal) production value.

provinces (Gorontalo and West Sulawesi). The economy of Southeast Sulawesi in 2010 was IDR 12.2 trillion, or 0.6 percent of the national economy.

As with the economy, GRDP per capita in Southeast Sulawesi in 2010 was low when compared to the provincial average nationally. GRDP per capita in Southeast Sulawesi was IDR 5.2 million in 2010, ranking ninth lowest nationally (the provincial average nationally of GRDP per capita was IDR 9.3 million per year). Compared to the other three established provinces in Sulawesi (North Sulawesi, Central Sulawesi, and South Sulawesi), GRDP per capita in Southeast Sulawesi was the lowest.

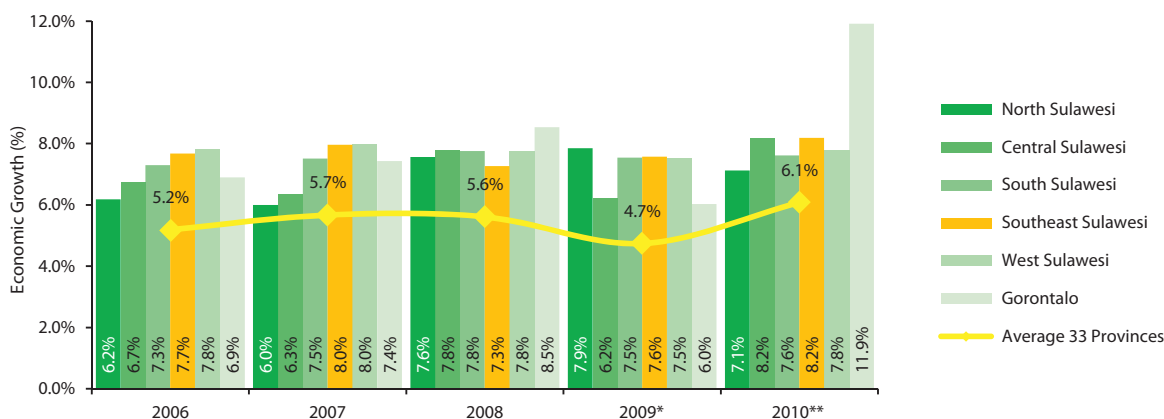
Figure 1.3. Southeast Sulawesi GRDP per capita was the lowest among established provinces in Indonesia



Source: Processed based on data from the Central Bureau of Statistics, 2011.

Although small, the economy of Southeast Sulawesi grew rapidly over the past five years. Over the 2006-2010 period, the economy of Southeast Sulawesi grew an average 7.7 percent per year. This number was slightly higher than the provincial average in Sulawesi which was 7.5 percent per year, and far above the national provincial average, which was 5.5 percent per year. In 2006 and 2007, the growth of the economy in Southeast Sulawesi was the second highest nationally, but decreased slightly from 2008 to 2010, in which it was the seventh, the third and the fourth highest nationally.

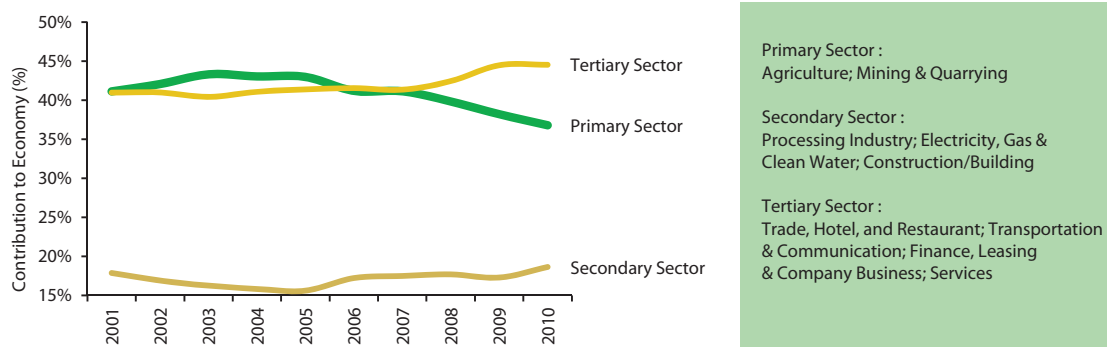
Figure 1.4. Southeast Sulawesi economic growth was rapid over the past five years



Source: Processed based on data from the Central Bureau of Statistics, 2011.

The structure of the Southeast Sulawesi economy has shifted significantly to the tertiary sector over the past three years. This shift can be seen in the decline of the primary sector contribution on one side and the increase of the tertiary sector on the other side. The decline in primary sector contribution was triggered by the decline in contribution from the agricultural sector and the unstable year-to-year growth of the mining sector, while tertiary sector growth was boosted by increased contribution from the commerce sector, hotels and restaurants; the finance sector, rental and company tertiary; and the transportation and communication sectors. Meanwhile the contribution from the secondary sector was generally steady at below 20 percent. In 2010, the tertiary sector contributed 45 percent of GRDP for Southeast Sulawesi, while the primary and secondary sectors contributed 37 percent and 19 percent respectively.

Figure 1.5. Tertiary sector has been the top contributors to Southeast Sulawesi economy over the past three years



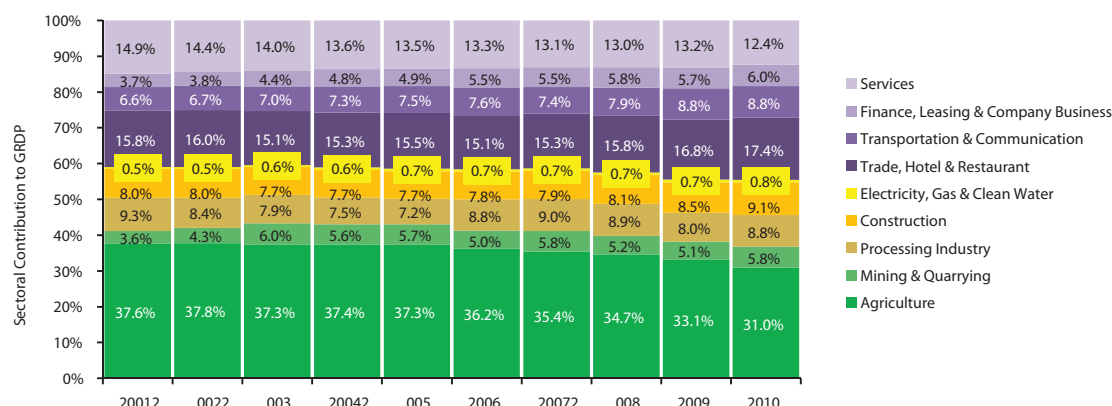
Source: Processed based on data from the Central Bureau of Statistics, 2011.

Although there was a decline in contribution, the agriculture sector was still the biggest contributor for the Southeast Sulawesi economy followed by commerce, hotels and restaurants. The contribution of the agricultural sector declined from 37.6 percent in 2001 to 31 percent in 2010. Nevertheless, the agriculture sector was still the biggest contributor for the Southeast Sulawesi economy followed by commerce, hotels and restaurants, whose contributions increased from 15.8 percent in 2001 to 17.4 percent in 2010.

Although Southeast Sulawesi is known for its mineral-rich natural resources (particularly asphalt and nickel), economic activity in the sector had yet to contribute significantly to GRDP. In the past 10 years, the contribution of mining sector, in average, has contributed 5.2 percent to GRDP, or almost six times smaller than the agriculture sector. Low contribution from the mining sector was caused by the fluctuative mining production as well as large portion of it is informal mining and can be considered as part of the underground economy⁸. In addition, mining sector activity so far is still mostly in the exploratory phase (has yet to be exploited)⁹.

⁸ The underground economy, also known as the shadow economy, consists of all unrecorded economic activity, typically including unrecorded informal economic activity, illegal economic activity and tax evasion (Kompas October 8, 2011 page. 17).

⁹ Southeast Sulawesi Bappeda estimated the potential mining resources that have yet to be explored in Southeast Sulawesi at 27,207 ha, with 8.2 billions WMT in reserve, or at a value of IDR 1,850 trillion spread over 5 regions. That potential was spread over the 5 mining regions designated by the Southeast Sulawesi Provincial Government. The five regions are: (i) Central Lasalimu Buton Island and Muna; (ii) North Konawe and South Konawe District; (iii) North Kolaka which comprises North Kolaka District and the northern part of Konawe District; (iv) Kolaka which comprises Kolaka District and the southern part of South Konawe; and (v) Torobulu which comprises South Konawe District, Bombana and Wawonii.

Figure 1.6. Agriculture was still the biggest contributor to Southeast Sulawesi economy

Source: Processed based on data from the Central Bureau of Statistics, 2011.

The Trade, Hotel, and Restaurant Sectors were the most important sources of growth over the past 5 years. Along with the tertiary sector in general (excluding services), the trade, hotel and restaurant sectors have experienced double digit growth since 2008 and have trended upward every year. The second biggest contributor for the economy was agriculture and with the highest growth rate, this sector was the most important source of growth in the region. Wholesale and retail trade accounted for more than 97 percent of the trade, hotel and restaurant sector, followed by the restaurant sub-sector with a 2 percent contribution, and the hotel sector with just 0.2 percent.

The mining and manufacturing sectors had the highest growth, but remained unstable. In 2007, the mining sector grew 23.8 percent, but then contracted to negative 3.3 percent (2008), and was able to recover in 2010 with 23 percent growth. The same happened to the manufacturing industry which grew 30.6 percent in 2006, but contracted to negative 2.8 percent (2009). The growth of the manufacturing industry was influenced by the growth of the mining sector since almost 60 percent of manufacturing industry production was from the iron and steel industries.

Table 1.2. Agriculture was still the most important source of economic growth in Southeast Sulawesi

Sector	Real Growth(%) (2001=100)								Source of Growth (%)							
	'06	'07	'08	'09	'10	Average	rank	'06	'07	'08	'09	'10	Average	rank		
Agriculture	4.6	5.6	5.0	2.7	1.3	3.9	9	1.7	2.0	1.8	0.9	0.4	2.6	2		
Mining and Quarrying	-5.7	23.8	-3.3	6.0	23.0	12.4	1	-0.3	1.2	-0.2	0.3	1.2	1.2	7		
Manufacturing Industry	30.6	10.4	6.2	-2.8	18.8	8.2	7	2.2	0.9	0.6	-0.2	1.5	2.0	6		
Electricity, Gas, Clean Water	7.6	6.4	7.9	15.6	8.8	9.7	6	0.1	0.0	0.1	0.1	0.1	0.1	9		
Construction	8.8	9.1	11.3	12.7	15.4	12.1	2	0.7	0.7	0.9	1.0	1.3	1.0	3		
Commerce, Hotels and Restaurants	4.7	9.3	10.5	14.6	12.0	11.6	4	0.7	1.4	1.6	2.3	2.0	3.7	1		
Transportation and Communication	9.2	5.8	13.7	19.6	9.0	12.0	3	0.7	0.4	1.0	1.5	0.8	2.8	4		
Financing, Leasing and Business Services	21.5	7.8	11.5	7.3	12.5	9.8	5	1.1	0.4	0.6	0.4	0.7	1.1	8		
Services	6.6	6.0	7.1	8.8	1.4	5.8	8	0.9	0.8	0.9	1.1	0.6	2.3	5		
Southeast Sulawesi	7.7	8.0	7.3	7.6	8.2	7.7		7.7	8.0	7.3	7.6	8.2	7.7			

Source: Processed based on data from the Central Bureau of Statistics, 2011.

Kolaka had the highest growth and income per capita in Southeast Sulawesi. Kolaka is a region with export-quality mining products and its contribution to the economy is quite significant. In addition to Kolaka, a few other areas can be categorized as developed and rapidly growing: (i) North Konawe and North Buton as the usage area for mining resource which were relatively good especially after they became the new autonomy regions; and (ii) Kendari City and Bau-Bau City as urban areas which became manufacturing and distribution centers for goods and services in increasing the added value for the needs of other areas. North Kolaka had fairly high GRDP per capita, but the growth rate was quite low, due to the declining productivity of cacao and clove over the past few years from age and pests.

Figure 1.7. Five regions in Southeast Sulawesi are categorized as developed and rapidly growing regions

		GRDP Per Capita	
		High	Low
Economy Growth	High	Developed and Rapidly Growing Kolaka, North Konawe, North Buton, Kendari City and Bau-Bau City	Developing Areas Konawe, South Konawe, Bombana, Wakatobi
	Low	Developed but Slow Growing Areas North Kolaka	Disadvantaged Areas: Buton & Muna

Source: Processed based on data from the Central Bureau of Statistics, 2011.

Along with the shift in economic structure, the role of the agricultural sector in workforce absorption has tended to decline as an adverse effect of increased workforce absorption in the tertiary sector. Agriculture still had the highest workforce absorption but with negative growth over the past two years. In 2010, the whole sector underwent negative workforce growth with the exclusion of the industrial, tertiary and commerce sectors. The tertiary and commerce sectors were able to absorb the largest new workforce, 27 percent and 17 percent respectively. This marked the shift of the workforce toward commerce and services, which is currently the fastest growing trend in Southeast Sulawesi.

Table.1.3. There was a shift in workforce trend from tertiary sector to trade, in 2010

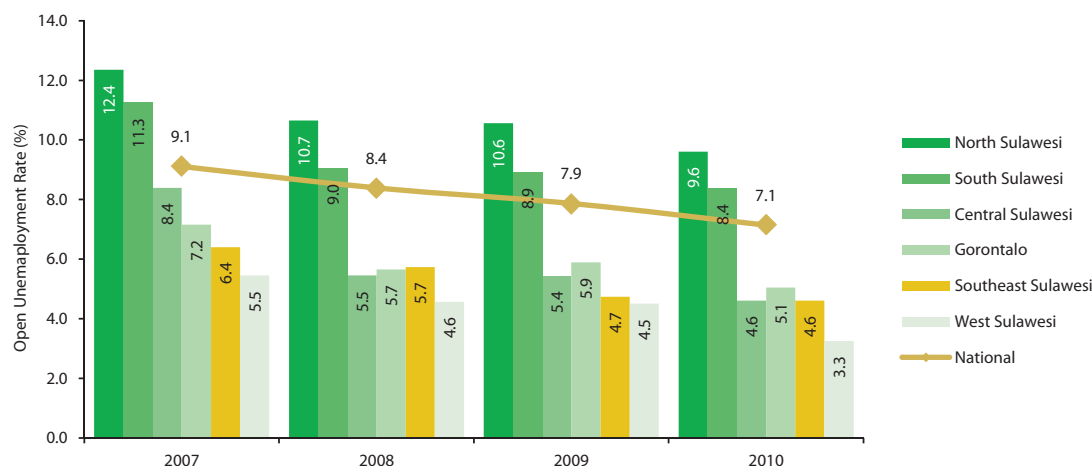
Economic Sector	2007			2008			2009			2010		
	Person	(%)*	(%)**	Person	(%)*	(%)**	Person	(%)*	(%)**	Person	(%)*	(%)**
Agriculture	512,140	57.3	1.9	538,626	58.4	5.2	502,886	52.9	-6.6	496,054	49.7	-1.4
Industry	54,233	6.1	-8.6	45,616	4.9	-15.9	50,178	5.3	10.0	53,666	5.4	7.0
Construction	33,675	3.8	50.8	32,869	3.6	-2.4	38,198	4.0	16.2	37,597	3.8	-1.6
Trade	127,469	14.3	10.9	127,781	13.8	0.2	135,477	14.3	6.0	158,411	15.9	16.9
Transportation	48,663	5.4	3.7	46,309	5.0	-4.8	50,054	5.3	8.1	45,766	4.6	-8.6
Services	102,412	11.5	30.1	115,142	12.5	12.4	138,687	14.6	20.4	175,748	17.6	26.7
Others	16,009	1.8	51.5	16,775	1.8	4.8	35,396	3.7	111.0	30,436	3.1	-14.0
Southeast Sulawesi	894,601	100.0	7.1	923,118	100.0	3.2	950,876	100.0	3.0	997,678	100.0	4.9

Source: Processed based on data from the Central Bureau of Statistics, 2011.

Note: *) The Percentage of the sectoral worker contribution against the total number of workers; **) the percentage of growth.

The Open Unemployment Rate (TPT) in Southeast Sulawesi was better than in other provinces in Sulawesi. Over the past four years, TPT in Southeast Sulawesi has been much lower than the average national TPT and compared to the TPT in other provinces in Sulawesi. In 2008, the TPT in Southeast Sulawesi was briefly higher than in Central Sulawesi and Gorontalo. However, in 2007 and the past two years, the TPT in Southeast Sulawesi was only slightly higher than West Sulawesi, the province with the lowest TPT in Sulawesi.

Figure 1.8. Southeast Sulawesi was relatively unproblematic in terms of TPT when compared to other provinces in Sulawesi

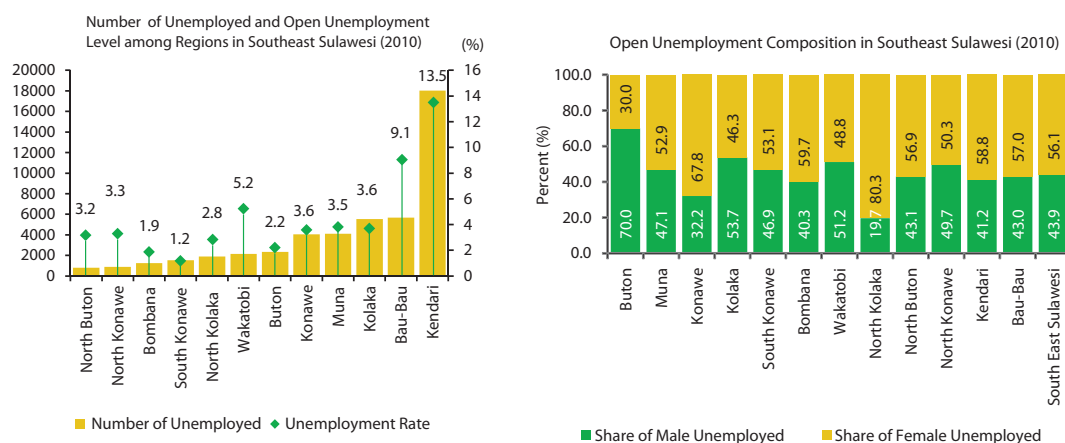


Source: Processed based on data from Central Bureau of Statistics, 2011.

Kendari and Bau-Bau Cities were the areas with the highest unemployment rates. In addition to having the highest TPT, Kendari City also contributes the highest number of unemployed. In 2010, the number of unemployed in Kendari City was 21 thousand followed by Bau-Bau City. Meanwhile, the area with the lowest TPT was North Buton with a total number of 793 unemployed. The high unemployment rate in urban areas was mainly driven by the imbalance between population growth and the growth of work opportunities.

Open unemployment in Southeast Sulawesi province was dominated by women. The total of open unemployed in Southeast Sulawesi province in 2010 was 48.2 thousand, and 56.1 percent were women. The high proportion of women in the open unemployment rate was not only reflected at the provincial level. Of the 12 districts/municipalities in Southeast Sulawesi, 7 had unemployment rates dominated by women. The rate in Kendari City, the area with the highest number of unemployed, was also dominated by women. The high number of unemployed women compared to men shows that women still have obstacles to entering work in certain sectors compared to men, and also reflects the low standard of education for women compared to men.

Figure 1.9. Kendari City is the region with the highest TPT dominated by women

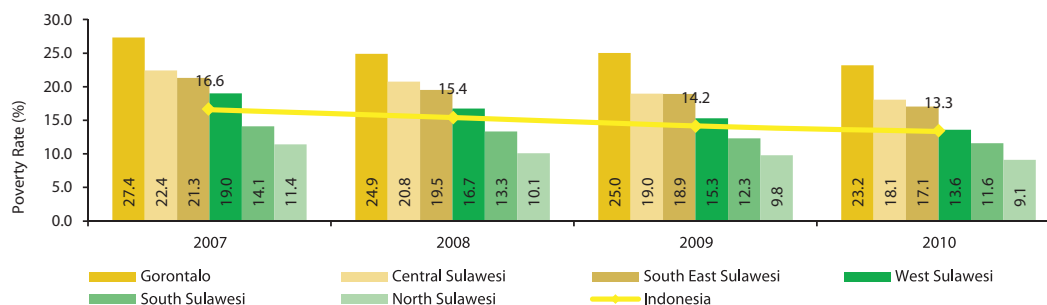


Source: Processed based on data from the Central Bureau of Statistics, 2011.

1.4 Social

The poverty headcount in Southeast Sulawesi declined from 21.2 percent in 2007 to 17.1 percent in 2010. Efforts to bring down the Poverty headcount in Southeast Sulawesi Province through various poverty alleviation programs that were nationally implemented or implemented through certain local programs and policies have shown favorable results. However, 17.1 percent is still considered high compared to the national poverty headcount of 13.3 percent. When compared to other provinces in Sulawesi, Southeast Sulawesi is still in the top three below Gorontalo and Central Sulawesi. Meanwhile, nationally, the poverty headcount in Southeast Sulawesi still ranked in the top 11.

Figure 1.10. Though declining, the poverty headcount was still relatively high

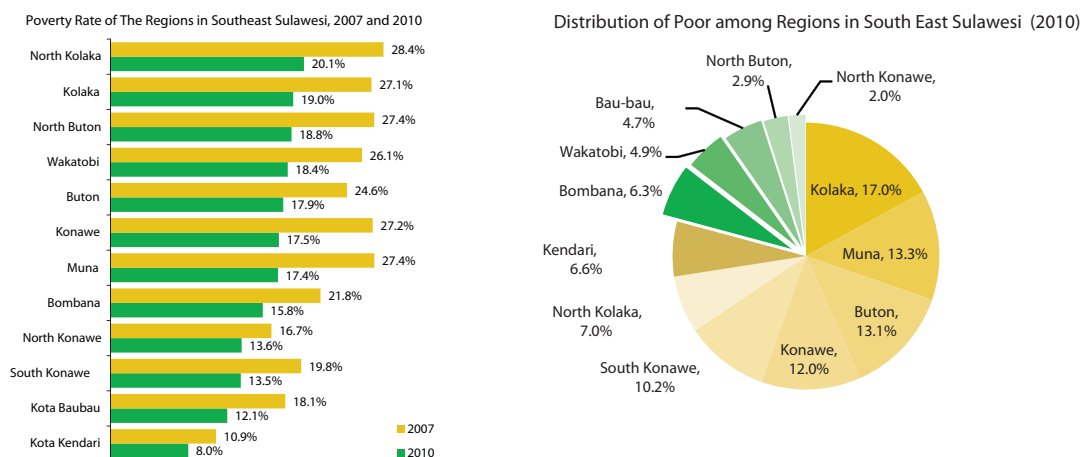


Source: Processed based on data from the Central Bureau of Statistics, 2011.

The highest poverty headcount was in North Kolaka and the lowest in Kendari City. North Kolaka had the highest poverty headcount in 2007 and 2010, although the headcount declined significantly. Meanwhile, although it saw the smallest reduction, Kendari City still had the lowest headcount. North Kolaka had the highest poverty headcount, but the smallest number of people living in poverty.

Muna and Konawe experienced a significant shift. Muna saw the largest decline in poverty headcount among districts and moved from the second highest in 2007 to the seventh highest, or the fifth lowest in 2010. Nevertheless, Muna was still the area with the largest poor population after Kolaka. The areas with the highest number of people living in poverty were generally those where the majority of the population were working in the agricultural sector and living in rural areas and which were experiencing a decline in land productivity due to the uneconomical and narrow plots of land which had become the backbone of the household economy.

Figure 1.11. The Poverty headcount declined in all districts/municipalities in Southeast Sulawesi

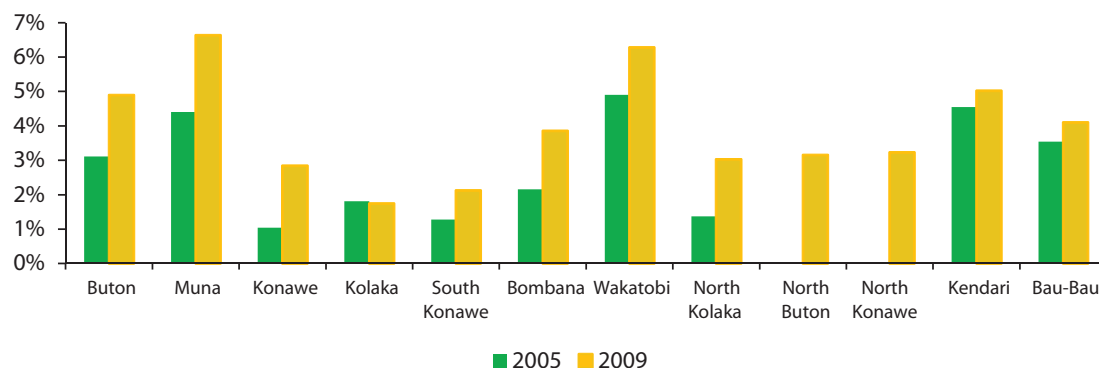


Source: Processed based on data from the Central Bureau of Statistics, 2011.

The decline in the poverty headcount in Southeast Sulawesi Province was not in line with the poverty headcount in households headed by women. The number of households headed by women in Southeast Sulawesi Province increased one percent from 2.8 percent in 2005 to 3.8 percent in 2009. The number of poor households (20% low income) rapidly increased (1.2%) from 2.7 percent in 2005 to 3.9 percent in 2009 (Table attached). This shows that the poverty eradication program had not been implemented evenly in this province.

Half of the districts/municipalities in Southeast Sulawesi Province experienced an increase in poor households headed by women. Muna had the highest number of poor households headed by women (2.2%), followed by Buton and Konawe (1.8%), and Bombana, North Konawe,¹⁰ and North Kolaka (1.7%). The change in percentage of poor households headed by women may have occurred due to the shift of households to other income groups, for example, to quintile 2. This could be seen among those in North Kolaka and Kendari. All 6 previously mentioned districts still need more attention from the subnational government so that the existing number of poor women can be significantly reduced.

Figure 1.12. The Increased Number of Poor Households Headed by Women



Source: Processed based on Susenas from Central Bureau of Statistics, 2011.

Table 1.4. Southeast Sulawesi HDI has not shifted from 25th position for the past five years

KTI Province	2005		2006		2007		2008		2009	
	HDI	Rank	HDI	Rank	HDI	Rank	HDI	Rank	HDI	Rank
North Sulawesi	74.2	2	74.4	2	74.7	2	75.2	2	75.7	2
Maluku	69.2	17	69.7	17	70.0	18	70.4	19	71.0	19
South Sulawesi	68.1	23	68.8	23	69.6	21	70.2	21	70.9	20
Central Sulawesi	68.5	21	68.9	22	69.3	22	70.1	22	70.7	22
Gorontalo	67.5	25	68.0	24	68.8	24	69.3	24	69.8	24
Southeast Sulawesi	67.5	24	67.8	25	68.3	25	69.0	25	69.5	25
North Maluku	67.0	27	67.5	27	67.8	27	68.2	28	68.6	29
West Sulawesi	65.7	29	67.1	29	67.7	28	68.6	27	69.2	27
West Papua	64.8	30	66.1	30	67.3	30	68.0	30	68.6	30
NTT	63.6	31	64.8	31	65.4	31	66.2	31	66.6	31
NTB	62.4	32	63.0	32	63.7	32	64.1	32	64.7	32
Papua	62.1	33	62.8	33	63.4	33	64.0	33	64.5	33
KTI Average	66.7		67.4		68.0		68.6		69.1	
Indonesia (Central Bureau of Statistics)	69.6		70.1		70.6		71.2		71.8	

Source: Processed based on data from the Central Bureau of Statistics, 2011.

10 The number of poor households headed by women increased due to expansion.

The HDI in Southeast Sulawesi was slightly higher than the Eastern Indonesia average, but still far below the national average. HDI Achievement in Southeast Sulawesi in 2009 was 69.5. This number was slightly higher than the provincial average in Eastern Indonesia which was 69.1. Southeast Sulawesi's HDI ranking remained stagnant at 25th or the ninth lowest nationally. The low HDI in Southeast Sulawesi was caused by the low life expectancy indicator.

Based on data from 2009, Bombana was the area with the lowest HDI and Kendari had the highest HDI. The low HDI achievement was due to the small increases in the literacy and life expectancy rates which were still below the national average. In 2009, Wakatobi, Bombana, and Muna were still the areas with the lowest HDI, while the highest were in Kendari City followed by Bau-Bau City.

Table 1.5. The HDI in Southeast Sulawesi has not shifted from 25th position for the past 5 years

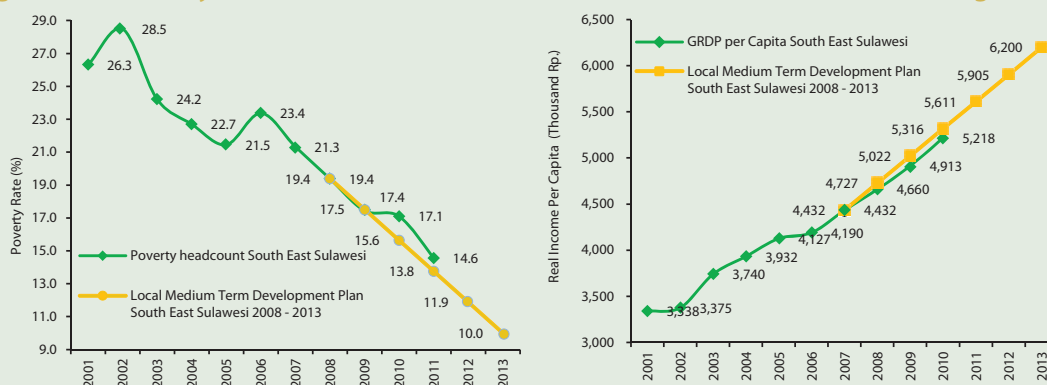
District/ Municipality	Life Expectancy Rate (year)			Literacy Rate (%)			Average School Year (year)			Expenses Per capita (IDR thousand)			HDI		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Kendari	68.9	69.0	69.0	98.4	98.4	98.4	11.0	11.0	11.1	621.7	628.1	629.3	74.6	75.1	75.3
Bau-Bau	69.5	69.8	70.1	95.2	95.2	95.3	9.6	9.6	9.8	601.8	607.1	608.1	71.6	72.1	72.6
Kolaka	66.4	66.6	66.9	93.1	93.1	93.2	7.7	7.7	7.7	624.5	626.6	629.3	69.8	70.1	70.4
South Konawe	67.2	67.3	67.5	94.1	94.1	94.1	7.6	7.6	7.6	599.0	604.2	607.8	68.4	68.9	69.2
Konawe	66.5	66.7	67.0	94.0	94.6	94.6	8.0	8.0	8.0	595.6	601.4	606.2	68.0	68.7	69.3
North Kolaka	65.1	65.3	65.4	93.0	93.0	93.0	7.4	7.4	7.5	608.2	611.6	617.2	67.6	67.9	68.5
Buton	67.6	67.9	68.2	85.7	85.7	85.7	6.1	6.3	6.5	618.0	623.5	627.1	67.1	67.8	68.5
North Konawe	66.2	66.5	66.8	93.8	93.8	93.8	7.0	7.0	7.1	592.6	598.3	602.7	66.8	67.4	68.0
North Buton	67.3	67.6	68.0	86.5	86.5	86.6	7.6	7.6	7.9	600.8	601.8	602.4	66.9	67.2	67.6
Muna	65.7	65.8	65.9	87.6	87.6	87.8	7.2	7.3	7.4	600.8	606.1	611.3	65.9	66.5	67.0
Wakatobi	67.7	67.8	68.0	88.8	88.8	89.1	6.5	6.5	6.9	584.4	589.4	593.1	65.5	66.0	66.7
Bombana	67.1	67.3	67.5	87.6	88.2	88.9	6.2	6.2	6.6	592.6	598.0	599.8	65.4	66.1	66.6
Southeast Sulawesi	67.2	67.4	67.6	91.3	91.4	91.5	7.7	7.7	7.9	605	611.7	615.3	68.3	69	69.5

Source: Processed based on data from the Central Bureau of Statistics, 2011.

Box 1.1. RPJMD Macro Indicator Achievement in Southeast Sulawesi Province from 2008-2013

In 2010, two out of four macro indicator targets were met for the Southeast Sulawesi provincial government. The two indicators were: (i) the decline in the Open Unemployment Rate (TPT) which reached 4.6 percent in 2010 while the target for 2013 was 7 percent; and (ii) the economic growth rate, which reached 8.2 percent in 2010 and met the annual target which was 8 to 8.5 percent. Meanwhile, the two macro indicator targets which have yet to be reached are the poverty headcount and real income per capita. Using the *baseline* trend, the poverty headcount in 2007 with the 2013 target of 10 percent, the 2010 poverty headcount in Southeast Sulawesi should have been at 15.6 percent, when in fact, in that year, the rate was still at 17.1 percent. Divergence (a movement away from the target) in 2010 was successfully corrected in 2011 with a sharp decline in the poverty headcount to 14.6 percent, even though it had not reached the desired target for that year of 13.8 percent. The provincial government also targeted an increase in real GRDP per capita to IDR 6.2 million in 2013, and therefore, the GRDP per capita in 2010 should have reached IDR 5.3 million, when in fact the GRDP per capita for 2010 was still below the target at IDR 5.2 million.

Figure 1.13. Poverty headcount and GRDP Achievement vs. the 2008-2013 RPJMD Target



Source: Processed based on data from the Central Bureau of Statistic and RPJMD Provincial Government Southeast Sulawesi 2008-2013

1.5 The Challenge of Economic and Social Development

Maintaining a growth rate above 8 percent is a strategic challenge Southeast Sulawesi economy.

The Southeast Sulawesi provincial government needs to take steps to maintain economic growth above 8 percent - a target that was achieved in 2010. This is important since the region is lagging behind with a relatively small economy compared to other provinces nationally. To maintain stable growth at above 8 percent, the provincial government can conduct some of the followings:

- Encouraging revitalization in the agricultural sector, which has experienced a downward trend in growth through the years. Agricultural sector recovery can be achieved by revitalizing productivity and production in the cash crop sub-sector, which is the biggest contributor to the agricultural sector in Southeast Sulawesi. Research and development, as well as marketing in the cash crop sub-sector also needs to be improved in order to improve the quality of cash crop production (especially cacao) and also to help the sub-sector become more export-oriented.
- Properly managing the transition of the economy and workforce from the primary sector to the tertiary sector in order to promote infrastructure sector development. The commerce, hotel and restaurant sector; transportation and communication sector; and the service sector all have high growth rates accompanied by high workforce absorption and therefore, need to be continuously promoted with the support of adequate infrastructure.
- Managing investment in the mining sector through professional management, expansion, and licensing control with a priority on improving production growth which normally tends to fluctuate. Stable growth in the mining sector can impact growth stability in the Southeast Sulawesi manufacturing industry, whose inputs are mostly from mining.

Improving the effectiveness of poverty eradication efforts must be a priority on the agenda for the next two years (2012 and 2013). The challenge of social development in Southeast Sulawesi lies in improving the effectiveness of poverty eradication efforts in order to catch up with the target set for reducing the poverty headcount. With the target of reducing the poverty headcount to 10 percent in 2013, and the actual poverty headcount in 2011 at 14.6 percent, the Southeast Sulawesi provincial government needs to push the reduction of the rate to at least 2.3 percent per year over the next two years (2012 and 2013). Poverty headcount reduction efforts should be focused on regions with the largest poor populations such as Kolaka, Muna, Buton, and Konawe.

In order to improve the HDI, the subnational government in Southeast Sulawesi needs to focus its priority on lengthening the average school year and raising the life expectancy rate. The most problematic HDI indicator in Southeast Sulawesi was the very low literacy rate. Nevertheless, this problem only occurred in 60 years and older age group in the region, although it was still below 60 percent. Meanwhile in the 15-44 year age group, a significantly high achievement rate can be seen (above 96 percent). The low motivation factor among individuals in the target group and the fact that they are about to enter the non-productive age made the efforts to eradicate illiteracy in this age group difficult. Thus, it was also difficult to make the efforts a top priority. Therefore, the HDI improvement efforts needed to be directed at the two other indicators, which were: (i) the improvement of the average school year in the education field through school enrollment rate improvement, drop out prevention, and school transition rate improvement; and (ii) the improvement of the life expectancy rate index through the improvement health promotion efforts (PHBS – Pola Hidup Bersih and Sehat, or Hygienic and Healthy Lifestyle) to reduce the population morbidity rate and the promotion of KIBLA (kesehatan ibu melahirkan and bayi baru lahir, or Maternal and Neonatal Health) to reduce the maternal and neonatal mortality Rate.



Chapter II

Regional Financial Management

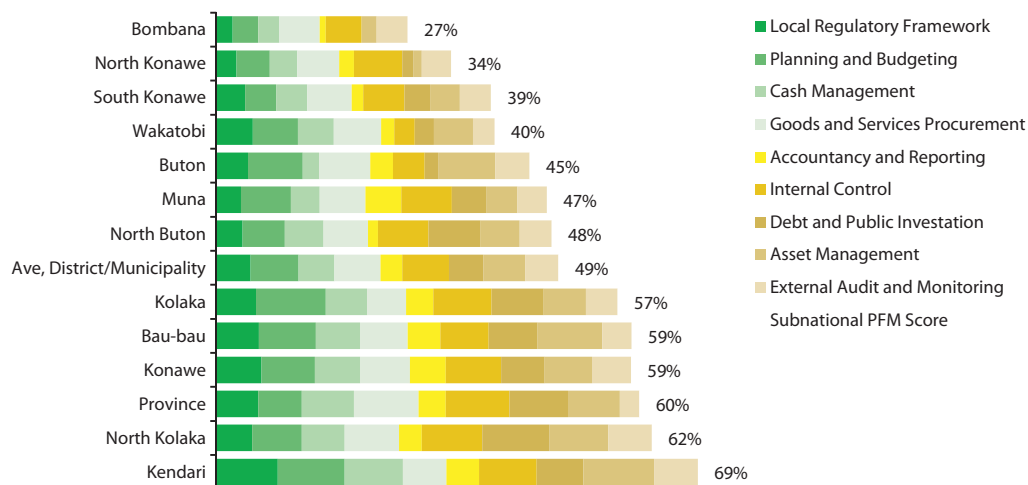
2.1 Preface

Analysis of Subnational PFM was based on Subnational PFM Capacity Survey results. Results The purpose of the survey was to conduct Subnational PFM capacity mapping for all Southeast Sulawesi regional governments which include 1 provincial government and 12 district/municipal governments. The survey was conducted from February until March 2011. The survey instrument was developed by the World Bank and the Ministry of Internal Affairs with reference to laws and regulations related to Subnational PFM and various *best practices* for public financial management. The survey instrument consists of *balance scorecard* comprising 145 assessment indicators classified into 9 Subnational PFM strategic fields: (a) Regional Regulation Framework; (b) Planning and Budgeting; (c) Cash Management; (d) Provision of Goods and Services; (e) Accountancy and Reporting; (f) Internal Monitoring; (g) Debt, Grant and Public Investment; (h) Asset Management; and (i) Audits and External Monitoring. The score for each Subnational PFM fields was stated in percentage, which was the percentage of required indicators against the number of assessment indicators.

2.2 General Illustration of Subnational PFM Capacity

In general, Subnational PFM capacity of subnational governments in Southeast Sulawesi Province still needs improvement. The average Subnational PFM scores for districts/municipalities in Southeast Sulawesi only reached 49 percent. This means that on average, the district/municipal governments in Southeast Sulawesi could only fulfill less than 50 percent of what is considered as best practice. This score was still below the score for the province which had reached 60 percent. Of the 12 districts/municipalities, seven were still below average and only five were above average; these were Kendari City, North Kolaka, Bau-Bau City, Konawe and Kolaka. North Kolaka and Kendari City even scored better than the Province. Subnational PFM capacity weakness at the district/municipal level was spread over six Subnational PFM fields, and only two had relatively good scores, planning and budgeting and internal monitoring.

Figure 2.1. Subnational PFM Capacity Score for subnational governments in Southeast Sulawesi



Source: Southeast Sulawesi PEA database, 2011.

The provincial government scored higher than the district/municipal average in seven strategic fields. The provincial government had a score lower than the district/municipal average in only two strategic fields, external audits and planning and budgeting. Meanwhile in seven other fields, the provincial scores were higher. The provincial government succeeded in reaching scores above 80 percent for goods and services procurement and internal monitoring. Of all nine strategic Subnational PFM fields, accountancy

and reporting had the lowest score at the district/municipal level, while at the provincial level, the external monitoring field was lowest.

Outside of the province, many districts/municipalities can provide a good example for other regions in certain fields. Many areas such as Kendari City, North Kolaka, Bau-Bau City, and Kolaka held the highest score in one or more Subnational PFM strategic fields. For example, Kendari City scored the highest in four fields; these were the regional regulation framework, cash management, asset management, and audits and external monitoring; North Kolaka had the highest score in debt management and public investment and also audits and external monitoring; Kolaka had the highest score for planning and budgeting; and Bau-Bau City for accountancy and reporting. Although none was able to reach 100 percent, the region with the highest score in a particular field can certainly be held up as a model for other regions.

Table 2.1. Subnational PFM capacity scores of regional governments based on subnational PFM strategic fields

Regional Government	PFM Strategic Field Code (percent)									Value
	1	2	3	4	5	6	7	8	9	
Bombana	21	33	27	52	8	46	0	19	40	27
North Konawe	26	43	35	54	19	62	14	11	38	34
South Konawe	37	40	40	57	15	53	33	38	40	39
Wakatobi	47	58	46	61	17	26	25	50	28	40
Buton	41	70	21	66	29	41	17	74	50	45
Muna	32	64	37	59	46	65	44	40	38	47
North Buton	34	54	50	57	13	65	67	50	38	48
Kolaka	51	90	53	50	35	75	67	54	44	57
Konawe	55	73	57	61	42	62	63	83	38	59
Baubau City	58	69	58	64	46	71	56	61	50	59
North Kolaka	46	64	55	70	29	78	86	76	56	62
Kendari City	79	86	75	56	42	74	60	91	56	69
District/Municipal Average	44	62	46	59	28	60	44	54	43	49
Southeast Sulawesi	50	56	67	83	35	82	75	67	31	60

Source: Southeast Sulawesi PEA database, 2011.

Subnational PFM Strategic Field Code:

- | | | |
|---------------------------------|--------------------------------|---------------------------------|
| 1 Regional Regulatory Framework | 4 Goods & Services Procurement | 7 Debt and Public Investment |
| 2 Planning and Budgeting | 5 Accountancy and Reporting | 8 Asset Management |
| 3 Cash Management | 6 Internal Controls | 9 External Audit and Monitoring |

 : The Highest Value in each Field

2.3 Illustration of Subnational PFM in Strategic Fields

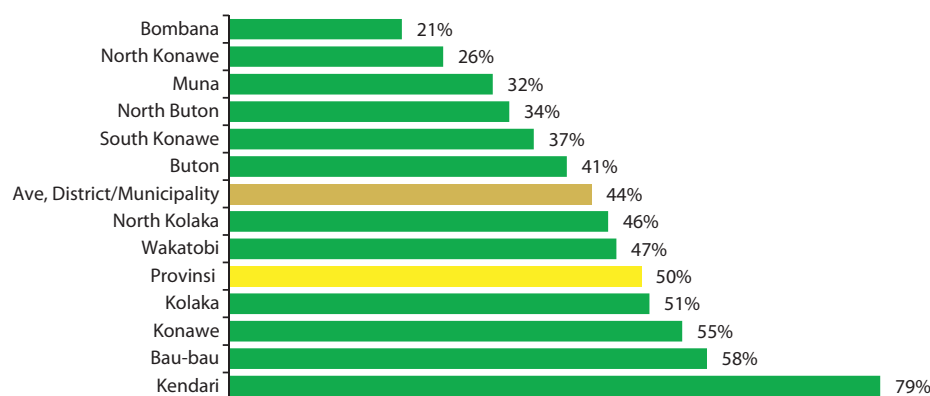
2.3.1 Regional Regulatory Framework

Regional autonomy demands that all regions create an adequate legal framework to manage its finances. Regional regulation assessment focused on three targets: (a) regional regulatory framework related to Subnational PFM as stipulated by the national regulation mandate; (b) effective Subnational PFM organization; and (c) the existence of legal framework following the principles of transparency and participation.

Regional regulatory framework was one part of the assessment field which had not achieved satisfactory results. The average district/municipal Subnational PFM capacity score in this field was 44 percent. Although it is still not high enough, the provincial score in this field was higher than the district/municipal average. Of the 12 districts/cities, Kendari City was the most outstanding area, while 6 regions were still below average. Low regional scores were mainly due to the absence of one or more of the following regulation frameworks: **Regional Head of Regulation** on expenditure standards; accountancy policy; **Regional Regulation** on Public Service Agencies (BLU); regulations on capital investment; regulations on regional asset management; and regulations on transparency.

However, there were several satisfactory achievements. For example, all areas were able to adopt Regional APBD Regulation in a timely manner, to approve Regional Heads of Regulation on RKPD, and to compose Memoranda of Understanding (MoU) on KUA/PPA before drafting Regional Regulations. With regards to organizational structure, seven out of 12 districts/municipalities have already integrated organizational structure into an agency called the Regional Revenue, Financial and Asset Management Office (DPPKAD); these were Kendari City, Bau-Bau City, South Konawe, North Konawe, Muna, Wakatobi, and North Buton.

Figure 2.2. Subnational PFM Capacity in Regional Regulatory Framework

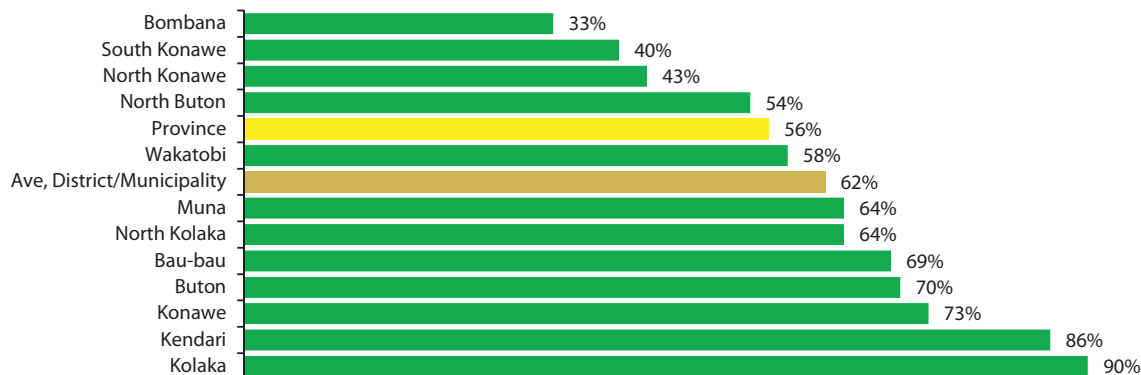


Source: Southeast Sulawesi PEA database, 2011.

2.3.2 Planning and Budgeting

The PEA survey in Southeast Sulawesi used 13 indicators to look at planning and budgeting in Southeast Sulawesi Province. This survey had three goals: (a) the composition of multiyear planning and budgeting, (b) appropriate budget targets based on a realistic budget composition process, and (c) a comprehensive monitoring system and participatory evaluation.

The capacity of district/municipal governments in planning and budgeting was generally higher than at the provincial level, but there were still some areas that needed improvement. The average planning and budgeting score over the 12 districts/municipalities was 62 percent. This number was better than the provincial score of only 56 percent. The number of districts/municipalities with scores well above average was around seven. Kolaka and Kendari City were scored highest in this field at above 80 percent. The high score in this field among which was because almost all regions in Southeast Sulawesi were generally capable for composing planning documents by including the measured indicator such as RPJMD, RENSTRA, RKPD, KUA/PPA, RKA-SKPD, etc, although they were not as comprehensive as expected. One weakness in Southeast Sulawesi that occurred consistently throughout the province was the fact that none of the regions used a Standard Cost Analysis (ASB) as the basis for budgeting. In addition, the transparency standards (public access to planning and budget process documents) had not been met. The difference between the main APBD and the newly revised APBD for direct expenditure group was still high and this showed that the quality of planning was still poor.

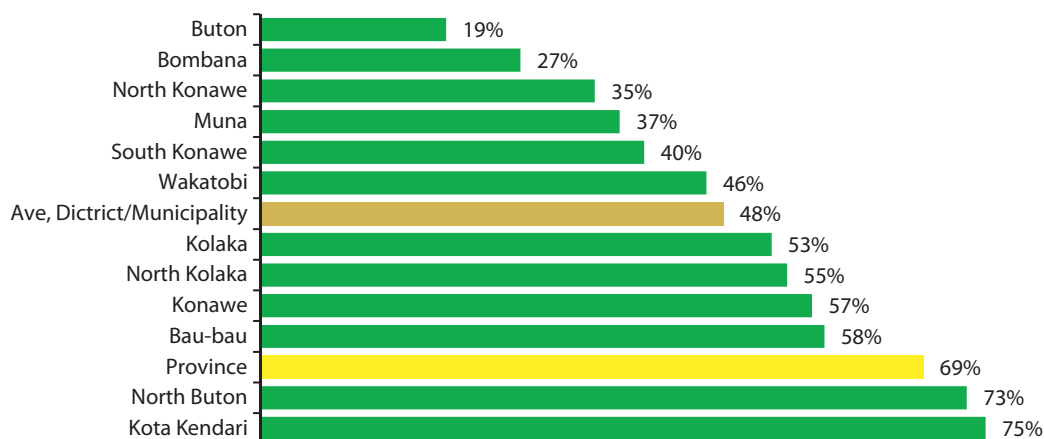
Figure 2.3. Subnational PFM Capacity in Planning and Budgeting

Source: Southeast Sulawesi PEA database, 2011.

2.3.3 Cash Management

Cash Management assessment is intended to determine effective cash management practice in order to ensure cash management efficiency. Cash Management assessment refers to 4 objectives: (a) policy, procedures and controls that lead to efficient cash management, (b) expenditure governance and surplus cash handling, (c) regional billing and a revenue collection system, and (d) improved revenue management.

In this field, average district/municipality capacity is still below 50 percent. Some indicators that district/municipal governments have been unable to satisfy are, among others: no monthly cash budget realization reports are prepared, billing and tax collection is not yet integrated, the absence of a Regional Head Regulatory concerning the quantity of the money supply, and the absence of strict sanctions for delinquent taxpayers. Meanwhile, some indicators that have been satisfied are, among others: Provision of Funds Letters (SPD) are prepared based on the cash budget; bank reconciliation with the general ledger is prepared monthly; tax assessment principles are verified annually; supporting billing information is made available to all tax payers; Own Source Revenue (PAD) is deposited to the regional treasury on a daily basis. Kendari, North Buton and Southeast Sulawesi Province were the three regional governments that received a positive assessment due to their ability to satisfy more than 65 percent of the indicators in question.

Figure 2.4. Subnational PFM Capacity in Cash Management

Source: Southeast Sulawesi PEA database, 2011.

2.3.4 Goods and Services Procurement

District/municipal government capacity in goods and services procurement still needs to be improved. Average district/municipal capacity in goods and services procurement is only 59 percent. This number is below the province's capacity, which has already reached 83 percent. At the provincial level, goods and services procurement is the strategic Subnational PFM field with the highest score. There are seven regions that still require special attention in this field, given that the indicator was less than 60 percent satisfied. Some general weaknesses are the unavailability of reasonable Owner Estimate (HPS); not having a strict pre-qualification document selection; the staff capability in procurement is not proper; the tender bidding is not transparent yet; and there is no Regional Head Regulation concerning goods and services procurement yet.

Figure 2.5. Subnational PFM Capacity in Goods and Services Procurement

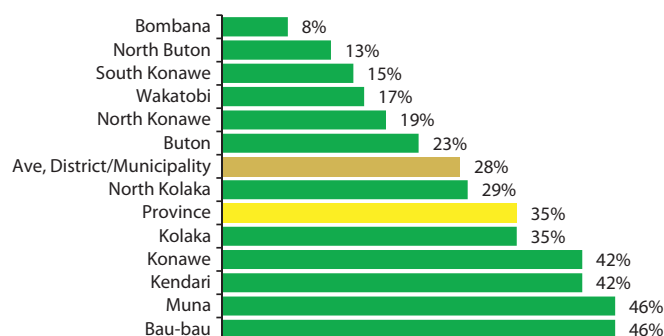


Source: Southeast Sulawesi PEA database, 2011.

2.3.5 Accounting and Reporting

Accounting and reporting is the field with the lowest average score at the district/municipal level. In this field, the average district/municipal capacity is only 28 percent while at the provincial level, it is only 35 percent. The weakest aspects of this field are generally related to Human Resources. For instance, survey results indicate that most Financial Administration Officials (PPK) and Heads of Bureau/Internal Affairs in the Regional Revenue and Financial Management Office (DPPKAD) do not have accounting backgrounds. This is compounded by the absence of periodic accounting training programs for finance staff in most of the region.

Figure 2.6. Subnational PFM Capacity in Accounting and Reporting



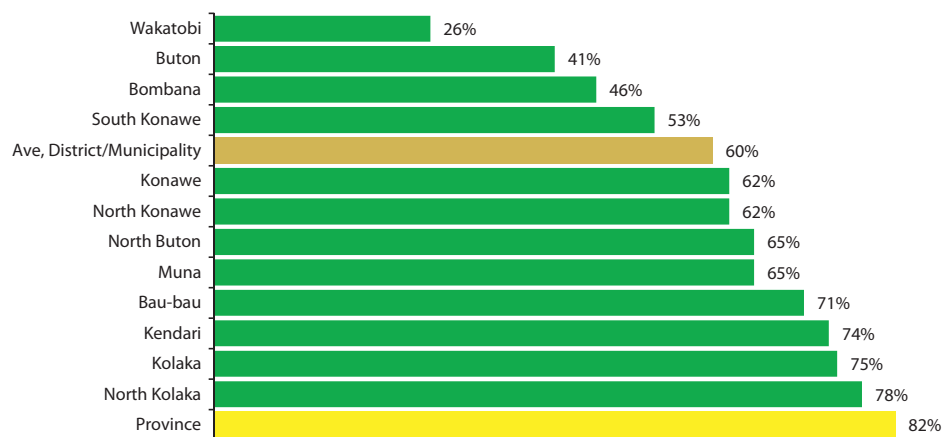
Source: Southeast Sulawesi PEA database, 2011.

2.3.6 Internal Controls

In this field, both the province and districts have fairly high average scores, yet there are regions that have very low scores. This field is measured with 16 indicators divided into 3 objectives: (a) the implementation of effective and efficient internal control functions, (b) the establishment of standards and

standard auditing procedures, and (c) follow-ups on findings. District/municipal government capacity in the internal control field is encouraging. The Province scores highest in this field, followed by North Kolaka, Kolaka, Kendari, and Bau Bau with scores above 70 percent. Weakness in this field is generally found in the availability of proper auditor resources. Most regions are still unable to reach 50 percent of functional audit staff and 50 percent of general staff with accounting backgrounds. Furthermore, most districts/municipalities have not met the operational expenditure stipulation of 1 percent of the budget for the Regional Monitoring Agency.

Figure 2.7. Subnational PFM Capacity in Internal Control

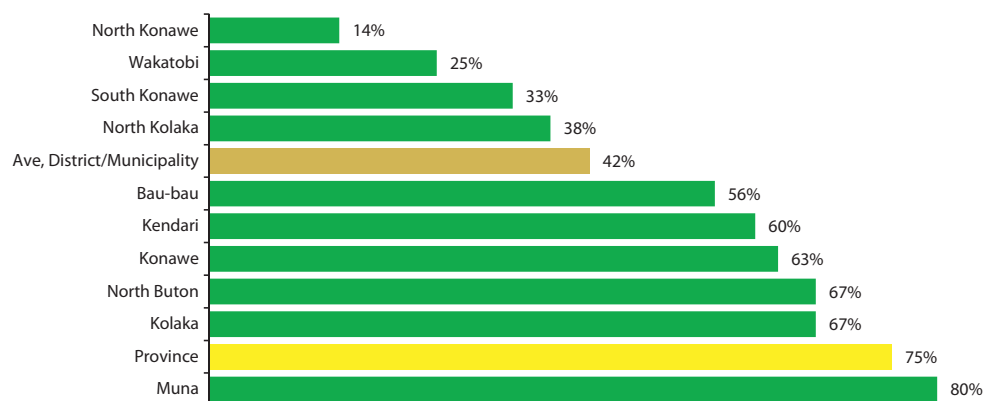


Source: Southeast Sulawesi PEA database, 2011.

2.3.7 Debt, Grant and Public Investment Management

There is a fairly high capacity gap for debt, grant and investment management. This is reflected in the fact that certain regions' capacity is higher than the average district score, while there are regions whose capacity is lower than the average. The general weakness in this field stems from the absence of policies regarding debt, grant and investment management with regards to Government Regulation 54/2005. Moreover, there is a lack of regulation regarding record keeping and receipt reporting for grants and loans, and capital investment in Regionally Owned Enterprises (BUMD).

Figure 2.8. Subnational PFM Capacity for Debt, Grant and Public Investment Management



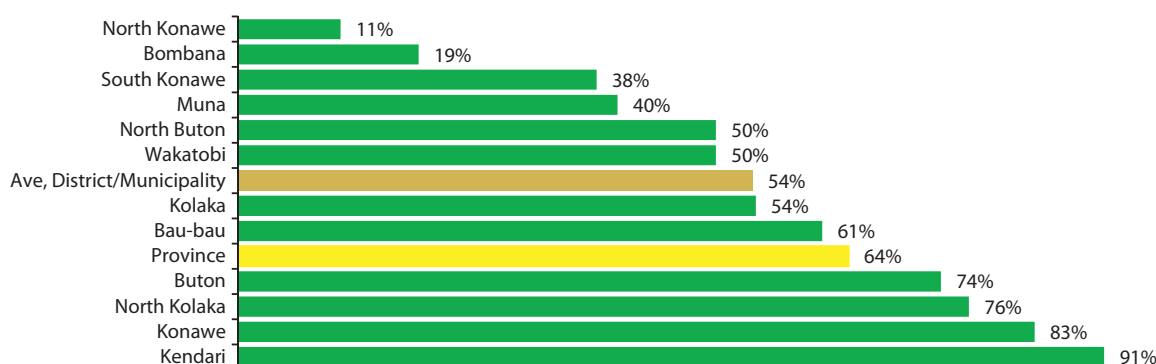
Source: Southeast Sulawesi PEA database, 2011.

Note: Bombana and North Konawe are not included in the assessed regions in this field, because until the time this survey was conducted, they had never received any grant/loans nor conducted regional investment.

2.3.8 Regional Asset Management

The capacity gap among districts/municipalities in asset management is very high. Regional asset management covers requirement planning, procurement, and goods utilization, maintenance, assessment, disposal, transfer, control and regional asset management. Overall, the average capacity for districts/municipalities in this field is 54 percent. This low average score is due to certain regions having very low scores (under 20 percent), namely North Konawe and Bombana, though there are five districts/municipalities with scores above 60 percent. All regions generally need to improve their capacity in this field, mainly in preparing information systems for local goods, preparing annual reports for goods/asset inspection results, and disposing of goods with the proper methods and for good reasons. Moreover, there is also a need for declaration of goods utilization status through Stipulation Letter from Head of District/Mayor/Governor. Those stipulations must be followed by sanction upon the misuse of regional assets.

Figure 2.9. Subnational PFM Capacity in Asset Management

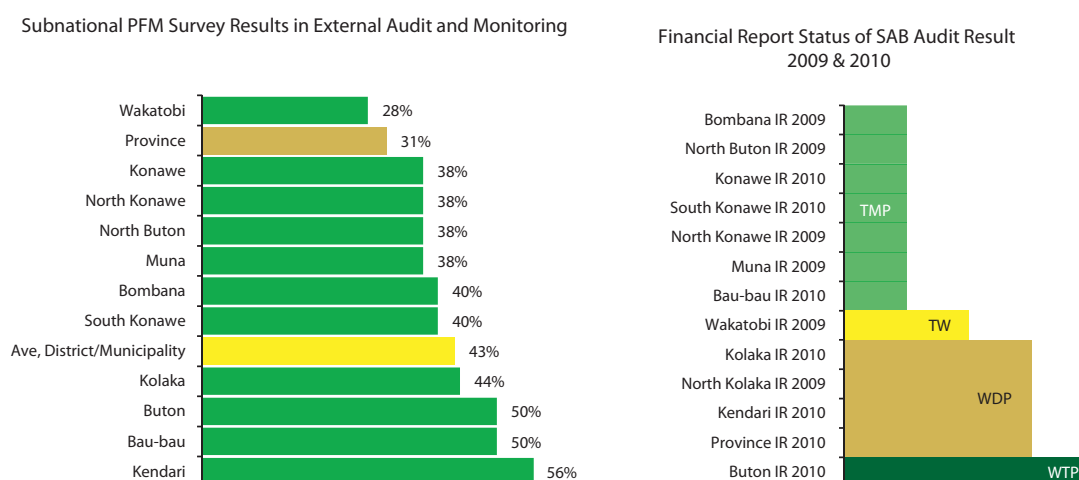


Sumber: Southeast Sulawesi PEA database, 2011.

2.3.9 External Audit and Monitoring

On average, districts/municipalities and the province both have low scores in this field. The Wakatobi District Government has the lowest score in this field, while the other districts/municipalities also only satisfied, on average, 43 percent of the indicators in question. The low regional government score in this field is due to most regional governments being late in submitting their financial reports to the Supreme Audit Board (BPK), never publicly publishing their financial reports, and never providing open public access to meetings of the Regional Parliament or Regional House of Representatives (DPRD) to discuss the results of the audit accountability report. Moreover, with regards to the audit results, of the 13 regional governments (provincial included), only Buton has Unqualified Opinion (WTP) status, five regional governments with Qualified Opinion status, one regional government with Adverse Opinion (TW) status, and most others have *disclaimer* statuses (Disclaimer of Opinion or No Opinion/TMP). However, there are indicators in this field that are highly rated. For instance, BPK findings are followed up by regional heads, coordination between DPRD in each Local Government Work Unit (SKPD) against the Regional Revenue and Expenditure Budget (APBD) runs well.

Although having an Unqualified Opinion status, the district of Buton is still not the best one in this field. This is due to unsatisfied indicators that could support audit effectiveness and external monitoring such as financial reporting publications, access to Regional Parliamentary meetings, and timely delivery of financial reporting to BPK. Moreover, there is no indication of the role of DPRD in the process of in-depth analysis and evaluation of financial reports.

Figure 2.10. Subnational PFM Capacity in External Audit and Monitoring

Source: Southeast Sulawesi PEA database, 2011 and the 2010 BPK Investigation Results Summary.

Note: In 2010, there were 6 regions that did not receive the 2010 2nd Semester Supreme Audit Board Inspection Report (LHP), therefore the financial report assessment status is taken from the previous year (2009). WTP = Unqualified Opinion TW = Adverse Opinion WDP = Qualified Opinion TMP = Disclaimer of Opinion or No Opinion.

2.4 Conclusions and Recommendations

Out of nine strategic fields, there are five top priority fields that need to be improved at the district/municipal level. These five fields are Regulation and Legislation related to regional financial management, Cash Management, Accounting & Reporting, Regional Asset Management, and External Monitoring and Audits. More detailed recommendations for improving each field are listed in the following table.

Table 2.2. Agenda and Program Proposal in Improving Subnational PFM Capacity in Southeast Sulawesi

Field	Recommendation	Program Proposal
Regional Regulatory Framework	All districts/municipalities in Southeast Sulawesi Province, especially the relatively new districts, immediately need to complete regional regulation relating to Subnational PFM in accordance with the national legislation mandate.	Regulatory Enhancement Program in Regional Financial Management.
	<i>This program is focused on creating: (i) Regional Regulation regarding Regional Financial Management Principles, especially for North Konawe, North Buton and Bombana; (ii) Regional Head Regulation regarding Basic Price and Cost; (iii) Regional Head Regulation regarding Accounting, Standard and Cost Analysis; and (iv) Regional Regulation regarding Regional Goods Management</i>	
Planning & Budgeting	The quality of planning and budgeting must be improved through, among other things: (i) the arrangement of a development and budget plan based on measurable data and indicators; (ii) minimizing the discrepancy of direct expenditure component in Regional Revenue and Expenditure Budget and Amendment of Regional Revenue and Expenditure Budget below 10 percent; (iii) arrangement of Basic Price and Potential Analysis of Regionally Generated Revenue as the budgeting principle; and (iv) improvement of society involvement in monitoring and evaluating the activity conducted by each Local Government Work Unit	<ul style="list-style-type: none"> Quality Improvement Training Program for Planning and Budget Preparation Research into the potential of Regionally Generated Revenue in all districts and municipalities

Field	Recommendation	Program Proposal
Cash Management	Some regions require improvement in their cash management system through: (i) the arrangement of Regional Head Regulation regarding the procedure of opening a bank account; (ii) cash management technical training, (iii) the creation of an integrated billing and tax collection system; (iv) the compilation of a cash budget realization report every month; (v) the arrangement of Regional Head Regulations regarding the scale of the money supply.	Cash Management Training Program for Regional Government Financial Staff
Goods & Services Procurement	Some regions need to improve their Owner Estimate based on reasonable price; the pre-qualified document should be well selected, improve the procurement staff capability, create the partner's track record list, and improve the understanding and implementation of Article 3 of President Regulations No. 80 Year 2003	Goods & Services Procurement Training Program for District/ Municipal Government Employees
Accounting and Reporting	All districts/municipal and provincial governments need to add staff with education backgrounds in accounting and technical skills in the process of making and submitting financial reports; there should be a proper accounting manual to prepare the report; there should be a regular accounting training for the financial management officials.	The recruitment process for finance staff must prioritize candidates with accounting backgrounds; Accounting Training Program
Audit and Internal Controls	The regional government apparatus in Monitoring Working Unit must improve their capability especially in a districts where their internal control is weak such as the districts of Wakatobi, Buton, Bombana and South Konawe	The accounting training program for regional government officials; staff recruitment process; prioritizing candidates with educational backgrounds in accounting
Debt, Grants & Public Investment	Some regions must create Regional Regulations regarding debt, grants and public investment management	
Asset Management	There should be a regulation that stipulates the utilization of goods so when an asset is misused, there is a sanction; proof of asset ownership must be complete and well maintained; regional asset inspection should be conducted every year and there should be a report; the status of goods utilization must be declared through a Stipulation Letter from the District Head/ Mayor; regional goods disposal should be done with a proper method and a clear reason	Asset Management Training
External Audit and Monitoring	There should be regular monitoring of regional financial management; an Independent Monitor is required; the Regional Government Financial Report (LKPD) for each Regional Government should be submitted to the Supreme Audit Board within 3 months at the latest of the end of the fiscal year; Regional Government Financial Report should be published.	



Chapter III

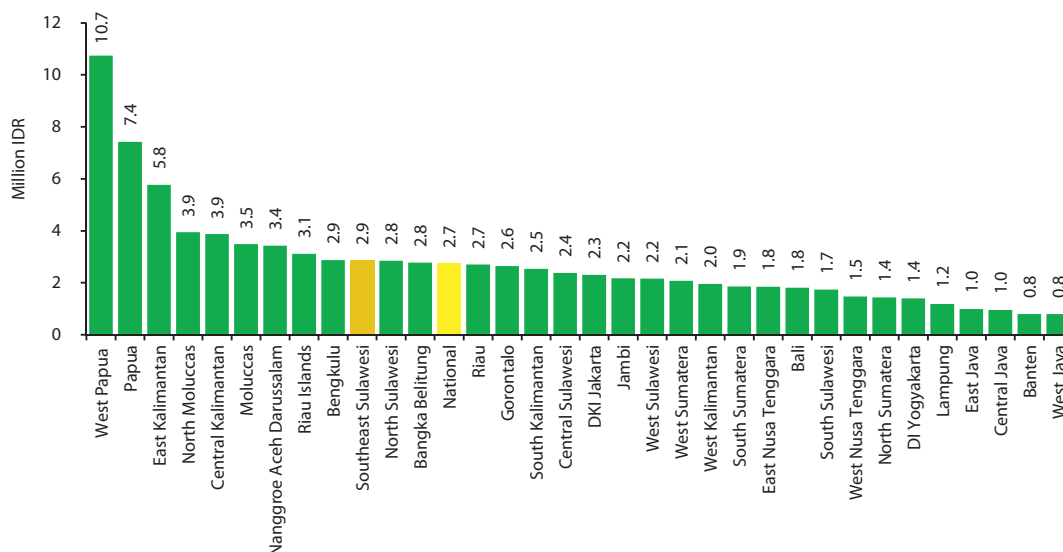
Revenue

Southeast Sulawesi Province requires a substantial financial resources in order to improve the quality of public services for the community. In this section, we will see the extent of existing financial resources, trends over the last five years, and revenue components that show potential for Southeast Sulawesi to increase their financial resources in the future.

3.1 General Description of Subnational Government Revenue

Subnational government revenue¹¹ per capita in Southeast Sulawesi is relatively high compared to the other provinces and is above the national average. In 2010, the Subnational revenue per capita of Southeast Sulawesi was IDR 2.9 million, higher than the subnational government revenue per capita at the national level, which was IDR 2.7 million. Papua and East Kalimantan subsequently had the highest Subnational revenue per capita. In comparison with other provinces in Sulawesi, Southeast Sulawesi has the highest Subnational revenue per capita, followed by North Sulawesi, Gorontalo, Central Sulawesi, West Sulawesi and South Sulawesi.

Figure 3.1. Southeast Sulawesi subnational government revenue per capita was above national average in 2010

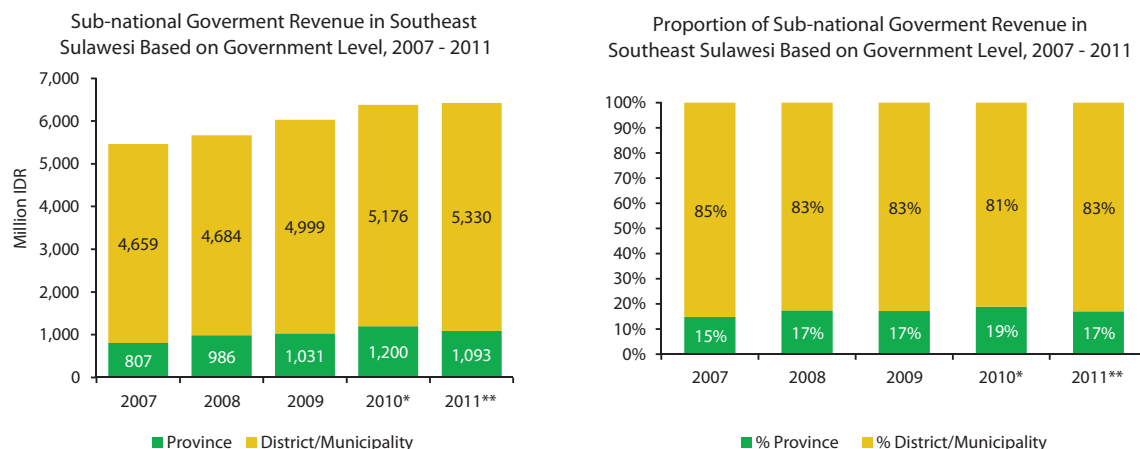


Source: Processed based on data from the Directorate General of Fiscal Balance, The Ministry of Finance.

Subnational government revenue of Southeast Sulawesi has seen stable growth over the last five years, and has mostly been sourced from district/municipal government revenue. In real terms¹², total subnational revenue in Southeast Sulawesi has increased from IDR 5.2 billion (2007) to IDR 6.4 billion (2011), or in real terms, it has grown about 4.4 percent annually. Provincial revenue has increased from IDR 803 billion in 2007 to IDR 1.2 trillion in 2010, or 3.6 percent annual growth. Based on the planned data, it is estimated that provincial government revenue experienced a decrease in 2011 to IDR 1.1 trillion. Meanwhile, district/municipal government revenue in Southeast Sulawesi is increasing consistently from IDR 4.6 trillion in 2007 to IDR 5.3 trillion in 2011, or in real terms, almost 9 percent growth in each year. In general, in 2007-2011, more than 80 percent of subnational government revenue of Southeast Sulawesi is sourced from district/municipal government revenue.

¹¹ Subnational government revenue is a consolidation of provincial government revenue and district/municipal government revenue.

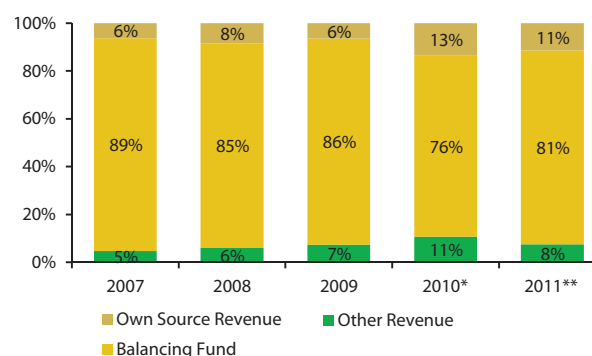
¹² This real number indicates that the financial data used has been deflated by using the base year of 2009 (2009=100). This real data is used to see the real increase after adjusting for inflation. From this point forward, the financial analysis uses the real data.

Figure 3.2. Southeast Sulawesi subnational government revenue is constantly increasing

Source: Processed from the PEA Database, University of Haluoleo, 2011.

Note: From this point forward, the fiscal data of 2007 - 2009 is a realization data; data of year 2010 is revised data *); and data of year 2011 is a planned data **). This figure**. This figure uses real numbers (2009=100).

Most subnational government revenue in Southeast Sulawesi is sourced from a balancing fund. Over the last five years, the share of transfer from central government in the form of a balancing fund made up more than 80 percent of total subnational government revenue in Southeast Sulawesi, and most has been distributed in the form of a General Purpose Grant (DAU). The second biggest share of subnational revenue is Own Source Revenue (PAD), followed by other revenue. Although still dominant, the balancing fund experienced a decline as a proportion of subnational government revenue with the increased proportion of PAD and other revenue. In 2011, based on the planned APBD data, the proportion of the DAU is estimated to have increased again.

Figure 3.3. Since 2009, share of Balancing Fund from central government has decreased

Source: Processed from the PEA Database, University of Haluoleo, 2011.

The composition of Southeast Sulawesi revenue is dominated by the DAU albeit with a decreasing share. In 2007, the DAU's share of provincial government revenue reached 68 percent, then decreased to 45 percent in 2010. In 2011, the DAU's share of provincial revenue is estimated to have increased again. Although annual growth fluctuated, the growth of PAD in 2010 indicated a strong improvement, both in real absolute and proportional terms (from 20 percent in 2007) to 46 percent in 2010). The Specific Purpose Grant's share of Southeast Sulawesi Province's revenue is relatively stable with an average of 3 percent. The share of shared revenue decreased quite rapidly from 9 percent in 2007 to 5 percent in 2011. The improvement of PAD in Southeast Sulawesi province shows that there is future potential that they could be more independent in generating their revenue and reducing their dependence on transfers from the central government.

Table 3.1. Most Provincial Government revenue comes from the General Purpose Grant

Province	2007		2008		2009		2010*		2011**	
	Billion IDR	%	Billion IDR	%	Billion IDR	%	Billion IDR	%	Billion IDR	%
General Purpose Grant	548.3	67.9	583.4	59.1	589.8	57.2	544.9	45.4	626.3	57.4
Specific Purpose Grant	0.0	0.0	30.8	3.1	56.3	5.5	22.0	1.8	30.2	2.8
Revenue Sharing	74.6	9.2	62.7	6.4	58.9	5.7	58.9	4.9	57.6	5.3
Own Source Revenue	166.7	20.6	305.5	31.0	223.1	21.6	552.3	46.0	376.7	34.5
Others	17.7	2.2	4.2	0.4	102.5	9.9	22.1	1.8	0.0	0.0
Total	807.2	100	986.5	100	1,030.7	100	1,200.3	100	1,090.8	100

Source: Processed from the 2011 PEA Database, Haluoleo University.

The proportions of the DAU and Own Source Revenue (PAD) for the district/municipal government appeared to have the same tendencies as those for the provincial government where the share of the DAU decreased and that of the PAD increased. The DAU dominated share of district/municipal government revenue of over the 2007-2010 period showed a downward trend from 71 percent (2007) to 66 percent (2010). During the same period, the share of PAD increased from 4 percent to 6 percent. The share of other revenue significantly increased from 5 percent to 13 percent over that period. Other revenue mostly sourced from the Adjustment Fund. Meanwhile, the proportions of the DAK and the Shared Revenue Fund decreased. As with the provincial government, the district/municipal government will subsequently be able to become more self-sufficient in raising subnational revenue through PAD.

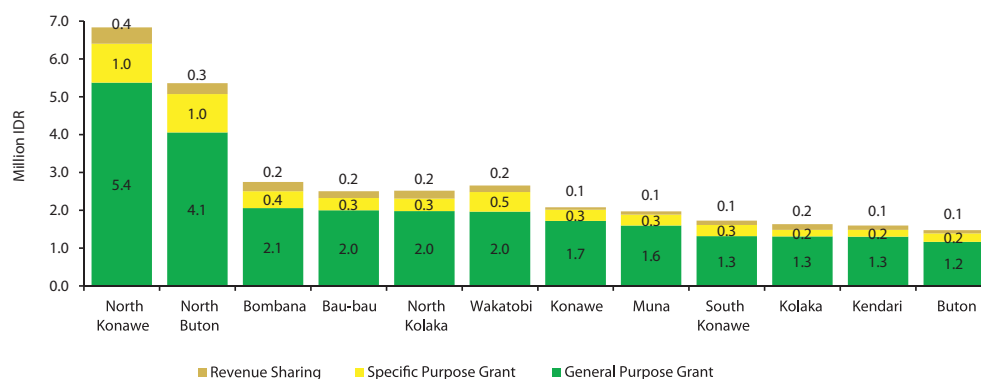
Table 3.2. District/municipal governments has similar trend with provincial government

District/City	2007		2008		2009		2010*		2011**	
	Billion IDR	%	Billion IDR	%	Billion IDR	%	Billion IDR	%	Billion IDR	%
General Purpose Grant	3,305.0	70.9	3,233.1	69.0	3,542.4	70.9	3,434.1	66.4	3,745.0	70.4
Specific Purpose Grant	581.2	12.5	635.2	13.6	655.5	13.1	440.7	8.5	479.2	9.0
Revenue Sharing	357.1	7.7	298.2	6.4	289.7	5.8	336.6	6.5	257.2	4.8
Own Source Revenue	177.2	3.8	173.8	3.7	166.1	3.3	303.5	5.9	356.8	6.7
Others	238.3	5.1	343.4	7.3	345.7	6.9	660.8	12.8	481.6	9.1
Total	4,658.9	100	4,683.7	100	4,999.3	100	5,175.6	100	5,319.9	100

Source: Processed from the PEA Database, University of Haluoleo, 2011.

The fiscal capacity of districts/municipalities in Southeast Sulawesi was varied and inequal. Based on 2009 subnational revenue and budget expenditure data, North Konawe District has the highest fiscal capacity at IDR 6.8 million per capita, while Buton District has the lowest capacity at IDR 1.5 million per capita. The largest source of district/municipal revenue came from the central government's DAU transfer.

Figure 3.4. Fiscal Capacity in Southeast Sulawesi was varied



Source: Compiled from the PEA Database, University of Haluoleo, 2011.

3.2 Own Source Revenue (PAD)

On aggregate, the PAD for all subnational governments in Southeast Sulawesi (provincial+district/municipality) was quite volatile from 2007-2011. The highest increase occurred in 2010, when PAD rose from IDR 389 billion (2009) to IDR 856 billion (2010) or more than doubled. During that year the portion of PAD increased from 6 percent to 13 percent of total subnational revenue in Southeast Sulawesi (see Figure 3.3). The high volatility of PAD was driven by the highly volatile revenue taken in from other PAD from year to year.

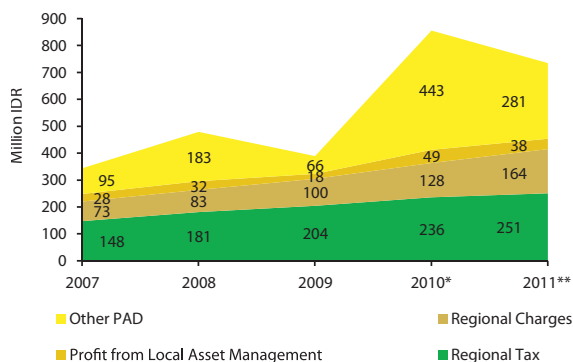
Regional taxes and charges consistently increased; nevertheless, their contributions to total PAD have fluctuated. In real terms, regional taxes and charges have consistently increased from

year to year, while the components of profit from local asset management and other PAD have been quite volatile. Regional taxes in Southeast Sulawesi increased by 70 percent over the 2007-2010 period, while charges increased by more than 126 percent. The high volatility of the components of the profit from local asset management and other PAD resulting in the fluctuation of the contribution of each PAD component to the total PAD. For example, the contribution of regional tax to PAD increased from 43 percent (2007) to 53 percent (2009), however it decreased to 28 percent in 2010, even though in real terms, there was an increase. The decrease in regional tax contribution was driven by the significant increase in the other PAD, which resulted in revenue contribution increasing from 17 percent to 52 percent.

The composition of the Southeast Sulawesi provincial government's PAD tends to fluctuate. In general, subnational tax has been the largest component of Southeast Sulawesi provincial government's PAD, except in 2010. Most of these taxes were generated from Tax on Mining and Processing of resources, especially in the nickel mines in Southeast Sulawesi. However, realization of this tax was still categorized as low in comparison to the potential of Southeast Sulawesi's natural resources, especially in the mining sector, due to the lack of tax collection facilities within the region.¹³

In the meantime, most of the district/municipal government's PAD in Southeast Sulawesi came from other PAD followed by regional charges. The majority of Southeast Sulawesi's district/municipal governments' PAD received contributions from third parties, especially from mining companies in the form of donations, for example, a donation from PT. Antam for the construction of the Regional Public Hospital and donations that were directly transferred to the subnational government account.¹⁴ As with regional taxes, the realization of these donations decreased due to the declining price of nickel and the inefficiency of district/municipal government supervision of the mining sector.

Figure 3.5. Highly volatile PAD in Southeast Sulawesi, 2007-2011

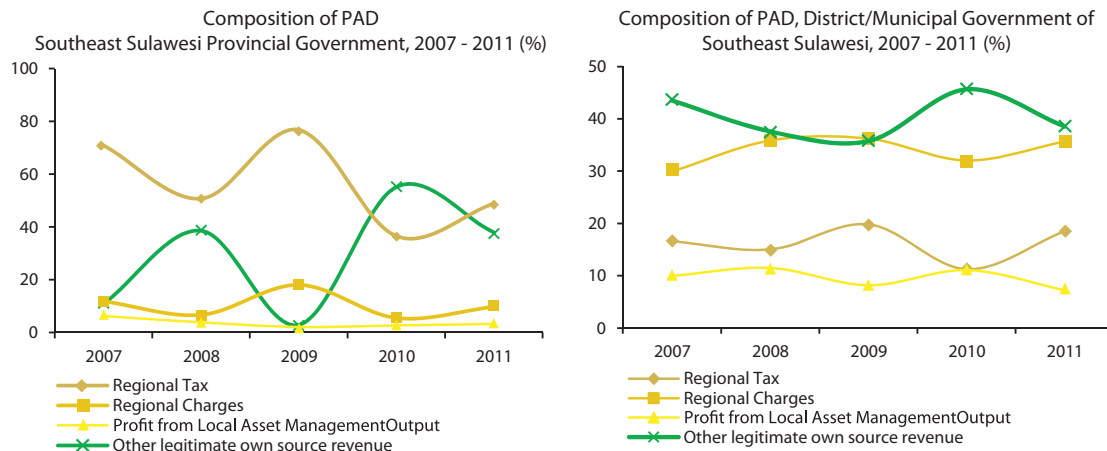


Source: Processed from the PEA Database, University of Haluoleo, 2011.

¹³ Penerimaan Pajak Sultra IDR 256 Miliar Southeast, National Journal, 14 July 2011, accessed through <http://nasional.jurnas.com/halaman/15/2011-07-14/176227> on 17 November 2011.

¹⁴ PAD Sultra dari Sektor Pertambangan Capai IDR 63 M Southeast, Kendari News 14 August 2011, accessed through <http://beritakendari.com/pad-sultra-dari-sektor-pertambangan-capai-rp-63-m.html> on 17 November 2011.

Figure 3.6. Provincial and District/Municipal Revenue in Southeast Sulawesi, 2007-2011



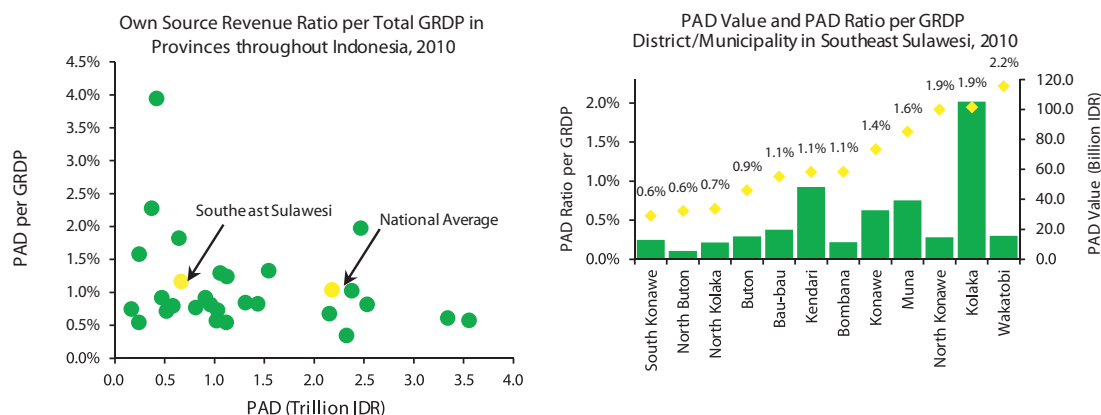
Source: Processed from the PEA Database, University of Haluoleo, 2011.

3.2.1 PAD Mobilization Capacity

The mobilization capacity of PAD in Southeast Sulawesi was above the national average. In 2010, IDR 1 billion in GRDP in Southeast Sulawesi generated IDR. 120 million in PAD. This figure was slightly higher than the national provincial average, which generated IDR 100 million in PAD per IDR 1 billion in GRDP. This fact showed that overall, Southeast Sulawesi Government has good mobilization capacity with its PAD. In comparison to the other provinces in Sulawesi, Southeast Sulawesi's mobilization capacity of its PAD was only slightly below Gorontalo, which was able to collect IDR 160 million in PAD for each IDR 1 billion in GRDP.

However, mobilization capacity at the district/municipal level varied. In 2010, every IDR 1 billion in GRDP in Wakatobi District generated IDR 22 million in PAD, while South Konawe and North Buton Districts generated only IDR 6 million for every 1 billion in GRDP. Although Kolaka District has relatively high PAD, its revenue mobilization capacity per GDRP was still below Wakatobi's. These variations in mobilization capacity for PAD reflect the different characteristics of the local economy, the collection system for PAD and to the quality of human resources.

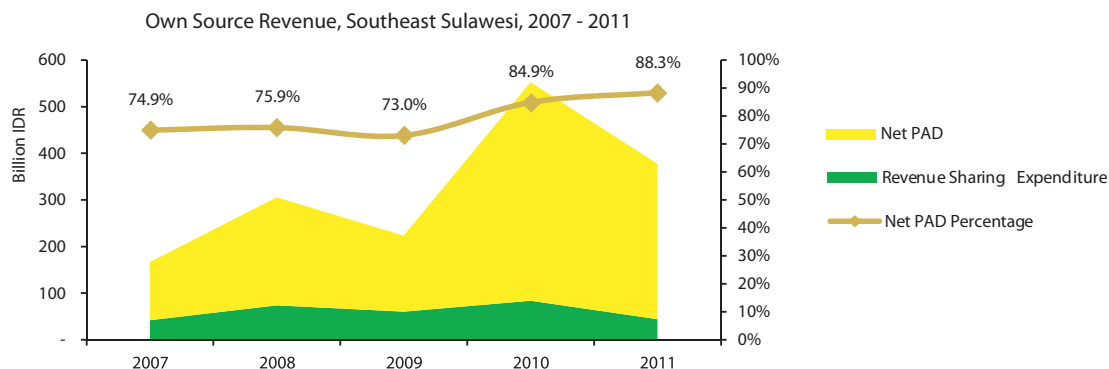
Figure 3.7. Southeast Sulawesi's PAD Mobilization Capacity is above the National Average, Nevertheless the Capacity for Each District/Municipality still Varies



Source: Processed from the PEA Database, University of Haluoleo, 2011.

Southeast Sulawesi's Net PAD has also increased. This net PAD was calculated by deducting the Province's PAD from the Revenue Sharing Expenditure for the sub-regions within the province. This was intended to avoid any double counting in the province and district/municipality's PAD calculations. Over the past 5 years, Southeast Sulawesi revenue sharing expenditure decreased, thus resulting in an increase in the province's Net PAD. This showed a good tendency which indicates a increase of the real potential on Southeast Sulawesi's subnational revenue (excluding its revenue sharing expenditure).

Figure 3.8. The Increase in Southeast Sulawesi's Net PAD (PAD minus Expenditure to Sub-Regions)



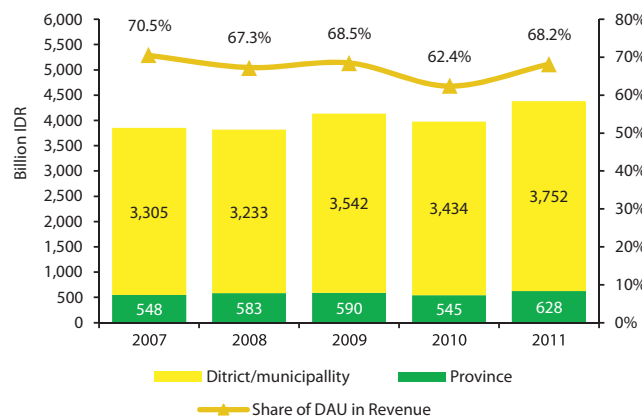
Source: Processed from the PEA Database, University of Haluoleo, 2011.

3.3 General Purpose Grant (DAU)

Southeast Sulawesi's dependency on the General Purpose Grant from 2007-2011 was still quite high. Southeast Sulawesi's high level of dependency on the DAU is shown by the DAU's 70 percent share of the province's total revenue in 2007 and even with a decrease in share to 69 percent this dependency has continued through 2011. However, the majority of this DAU has seen a larger relative decrease at the provincial government level than at the district/municipal level.

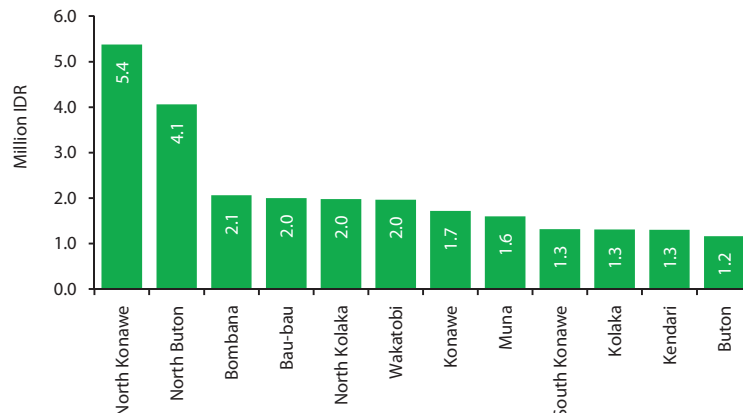
DAU Transfers for Southeast Sulawesi districts/municipalities are quite varied. North Konawe District had the highest average DAU per capita at IDR 5.4 million in 2009. The gap between districts with the lowest and the highest DAU was quite large, with Buton District being the lowest at IDR 1.2 million per capita.

Figure 3.9. The Fluctuating General Purpose Grant in Southeast Sulawesi from 2007-2011



Source: Processed from the PEA Database, University of Haluoleo, 2011.

Figure 3.10. Inequality in the DAU for Southeast Sulawesi Districts/Municipalities in 2009

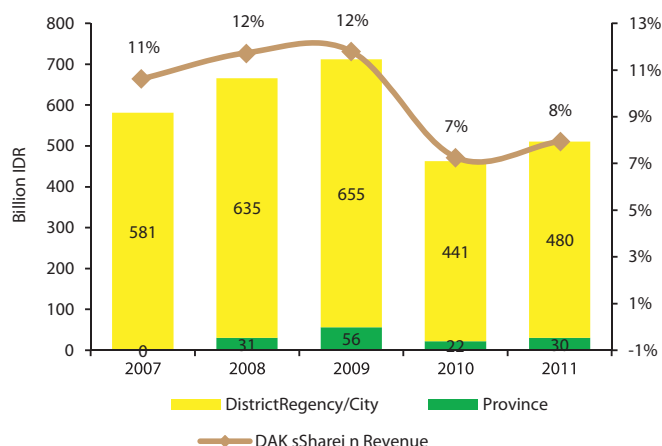


Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

3.4 Specific Purpose Grant (DAK)

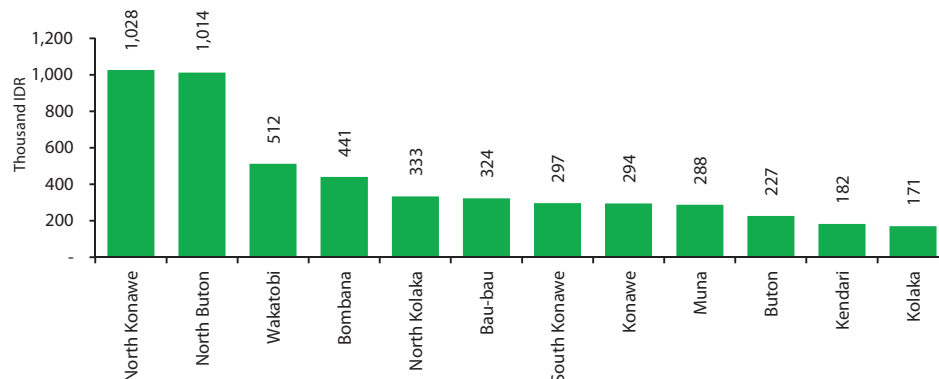
The progress of Specific Purpose Grant (DAK) transfer in Southeast Sulawesi was targeted more at district and municipal governments. In 2011, 94 percent of the total DAK for Southeast Sulawesi was allocated for districts/municipalities. A large proportion of the DAK for districts/municipality was associated with efforts to accelerate increases in welfare through programs/activities in the districts/municipalities, particularly in the proliferated regions. Overall, DAK transfers in Southeast Sulawesi were still quite low at only 8 percent in 2011.

Figure 3.11. Nearly all of the Southeast Sulawesi Special Allocation Fund was allocated to district/ municipal governments from 2007-2011



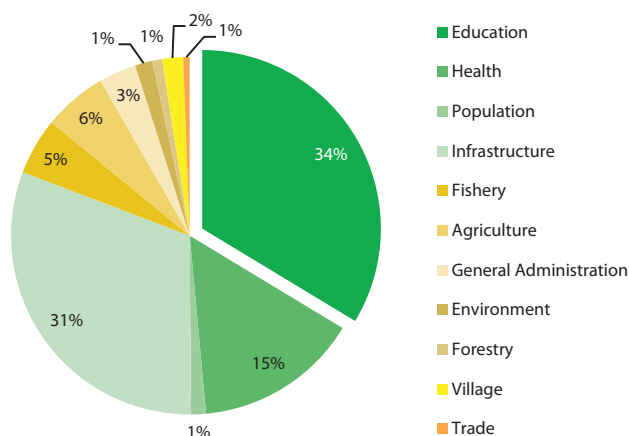
Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

The proliferated regions in general have a higher DAK per capita than the non-proliferated regions. In 2009, North Konawe and North Buton Districts had the largest DAK at IDR 1 million each, while Kolaka District had the smallest fund at IDR 170 thousand. There was quite a large difference in the value of the DAK per capita among districts/municipalities in Southeast Sulawesi.

Figure 3.12. Inequality in the District/Municipal DAK per Capita in 2009

Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

DAK transfers in Southeast Sulawesi were dominated by the education and infrastructure sectors. In 2009, the education sector had the largest share of total DAK transfers at 34 percent, while the infrastructure sector had a 31 percent share of the total DAK. In line with subnational government programs to improve the education level in the community, all districts and municipalities in Southeast Sulawesi received greater share of the DAK for education than for other sectors. In addition, in support of public economic activity, road infrastructure improvement programs and irrigation provision also received greater proportions of the 31 percent from the total DAK.

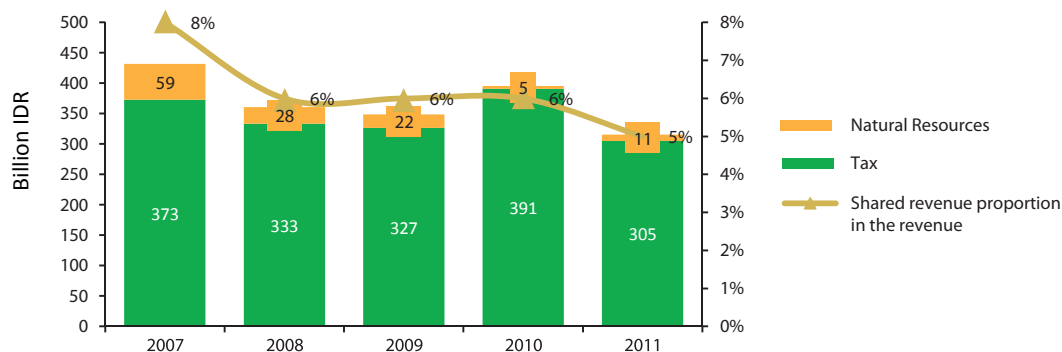
Figure 3.13. Southeast Sulawesi DAK mostly goes to Education Sector in 2009

Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

3.5 Revenue Sharing (DBH)

The amount and proportion of the Revenue Sharing in Southeast Sulawesi have decreased over the past five years and mostly came from tax revenues. Southeast Sulawesi's total Revenue Sharing reached IDR 431.7 billion in 2007 and decreased to IDR 315 billion in 2011. The decline in the Revenue Sharing in Southeast Sulawesi, especially from natural resources, is one of the main issues in Southeast Sulawesi's public financial management. One of the reason is weak government institutions and facilities for the collection of DBH funds, especially from the mining sector.

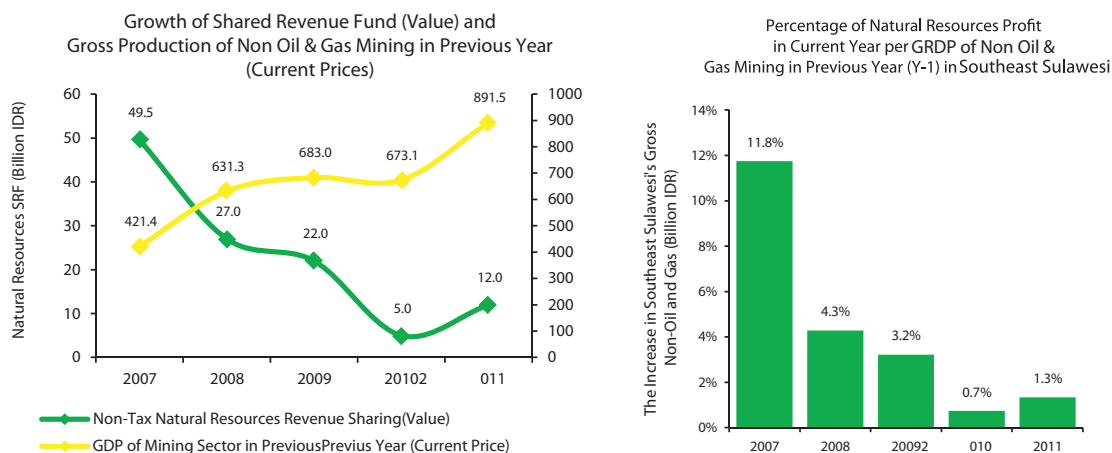
Figure 3.14. The Decrease in the Shared Revenue Fund for Southeast Sulawesi from 2007-2010



Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

Through 2010, the percentage of the revenue Sharing from natural resources in Southeast Sulawesi declined compared to the total mining production of the previous year (Y-1). In 2006, the total mining production (gross) of non-oil and gas resources in Southeast Sulawesi was IDR 421.4 billion. In 2007, the non-tax amount of the Revenue Sharing from natural resources received by Southeast Sulawesi Government was IDR 49.5 billion (nominal), or 11.8 percent of the total previous year's mining production. This means, in 2007, the subnational government of Southeast Sulawesi received IDR 118 million for each IDR 1 billion of the previous year's non-oil and gas mining production. In the subsequent years, the proportion of the revenue sharing from Natural Resources received by the Southeast Sulawesi subnational government continued to decrease compared to the total non-oil and gas mining production. This mining production increase in 2010, resulted in a forecast of rise in revenue sharing from natural resources in 2011, albeit a smaller proportion than it was in 2007. There were two possible factors: (i) the decreased proportion of the revenue sharing Fund that was allocated by the central government for the subnational government, or: (ii) the decreased capacity in revenue collection from the mining sector due to the existence of a number of illegal mining companies. The latter possible factor has been a developing issue in Southeast Sulawesi.

Figure 3.15. The increase in Southeast Sulawesi's gross non-oil and gas production and the decline in Southeast Sulawesi shared revenue fund from natural resource



Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

3.6 Conclusions and Recommendations

Increased PAD through increased regional taxes and charges. District/municipal government revenue depends largely on the DAU (above 65 percent on average), while the proportion of PAD is still low (below 7 percent on average). Efforts are needed to enhance the mobilization capacity for PAD especially in regions with low mobilization capacity (measured by the ratio of PAD to Gross Regional Domestic Product), such as South Konawe, North Buton, North Kolaka, and Buton with a PAD/Gross Regional Domestic Product ratio under 1 percent. In the short term, capacity enhancement for PAD mobilization can be done through: (i) identification of potential resources for new revenues within the framework of Law 28/2009; (ii) improvement of relevant regulations on taxes and charges; (iii) improvement of the tax management system and human resources; and (iv) additional provision of tax offices.

In the long term, an increase in PAD must be carried out by supporting the economic development in sectors that are considered potential sources of PAD. Without economic development in these sectors, the intensification of PAD will have a negative impact (become a disincentive) on the economy. Economic development in these potential sectors can be carried out through: (i) improvement of facilities and infrastructure that supports the tourism sector (e.g. in Wakatobi, Bau-bau, etc), (ii) support for simplification of licensing procedures and incentive for service providers such as restaurants, hotels, advertising, etc; (iii) establishment or quality improvement for the management of service providers that are owned by the subnational government for increment in charges, e.g.: construction of markets/stores, recreational areas, waste management, terminals, parking lots, etc; (iv) formalization of illegal business such as illegal mining (*underground economy*).

The subnational government needs to create data collection systems and strictly supervise mining activities in Southeast Sulawesi. Sources for the non-tax revenue sharing (natural resources) are still quite small compared to the tax revenue sharing. Southeast Sulawesi has abundant natural resources especially the from mines which are widely spread across several districts, this raises the question of how the non-tax revenue sharing is still at such a low percentage compared to other fund transfers. In addition, there are currently mining companies in Southeast Sulawesi that operate illegally and have no valid permit. Several steps can be taken to increase revenue from the Natural Resources Revenue Sharing: (i) a study on the natural resource potential in Southeast Sulawesi is needed to determine the amount of available resources and the potential they have to serve as revenue sources for the region; (ii) creating systems/mechanism for supervision and control of increased mining activities; and (iii) law enforcement for illegal mining companies.

Additional financing alternatives such as domestic loans, and even cooperation with private companies in a better public services provision. This can be implemented through cooperation with mining companies (also as part of their *Corporate Social Responsibility*), for instance working together to build public education and health facilities, or on infrastructure construction (roadwork) within the region.



Chapter IV

Expenditure

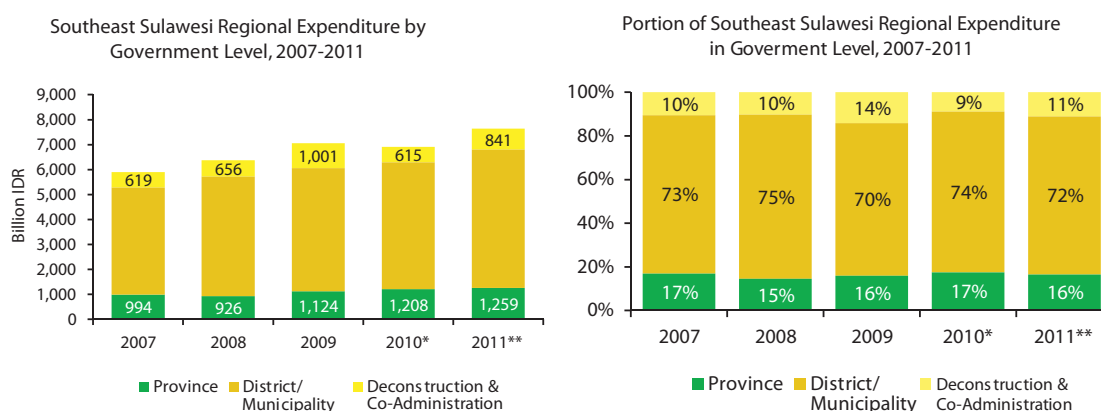
The high quality of public services that meet the standards is subjected to the government's efforts through quality of Southeast Sulawesi Subnational expenditure. In this chapter we will look at expenditure trends in Southeast Sulawesi, followed by the expenditure composition, both based on economic classification and on sectors in general. Also in this chapter we will look at the general composition of government expenditure through its programs.

4.1 General Overview of Subnational Expenditure

Over the past five years, the real expenditure of the Southeast Sulawesi subnational government has increased. Total expenditure consists of provincial, district/municipal and central government expenditure in the form of de-concentration funds and co-administration (Dekon/TP). In real terms, the total subnational expenditure of Southeast Sulawesi fluctuated. After an increase from IDR 5.9 trillion (2007) to IDR 7.1 trillion (2009), total subnational expenditure decreased to IDR 6.9 trillion (2010) (revised data), and is forecasted to increase to IDR 7.6 trillion (2011) (planned data). Overall, from 2007-2011, government expenditure in Southeast Sulawesi grew an average of 7 percent per year.

Government expenditure in Southeast Sulawesi was mostly managed by district/municipal government expenditure. Over the past five years, on average, 73 percent of government expenditure in Southeast Sulawesi is district/municipal government expenditure and increased from IDR 4.2 billion (2007) to IDR 5.5 trillion (2011). Meanwhile, provincial government expenditure was on average 16 percent of the total government expenditure, increased from IDR 994 billion to IDR 1.2 trillion. Central government expenditure in Southeast Sulawesi was very small in proportion, at about 11 percent of total government expenditure with an upward trend from IDR 619 billion (2007) to IDR 841 billion (2011).

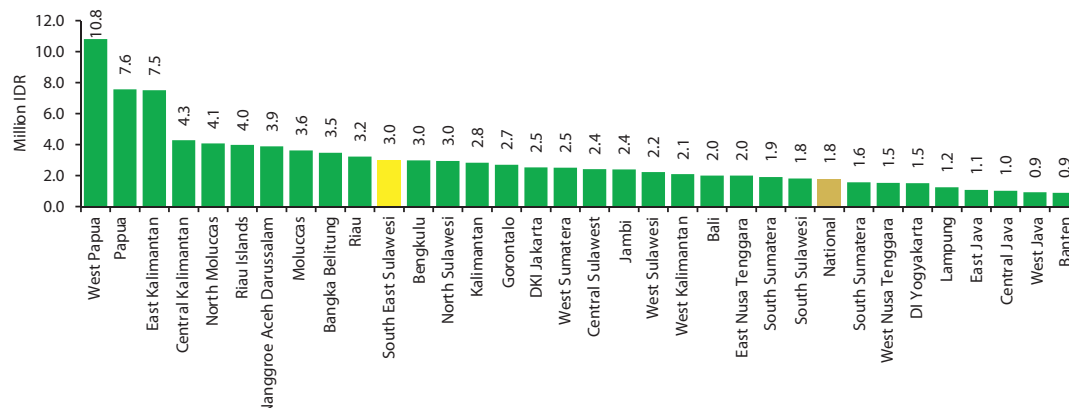
Figure 4.1 The increased in Southeast Sulawesi subnational expenditure, 2007-2011



Source: Processed based on data from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

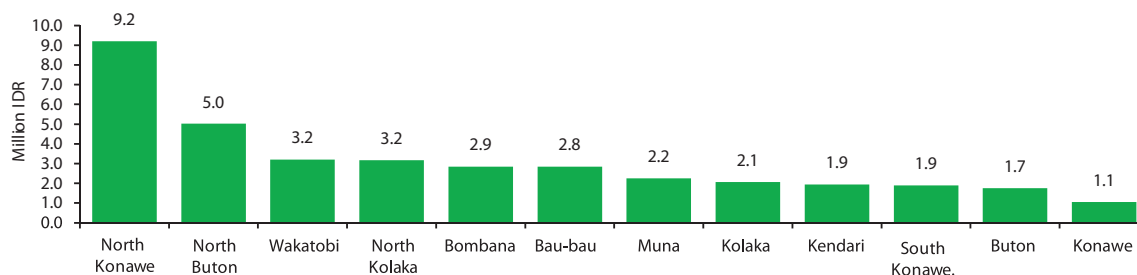
Note: From here on, the fiscal data of 2007 - 2009 uses realization data; while 2010 data uses revised data *); and 2011 uses planned data **).

Subnational expenditure per capita in Sulawesi is above the national Subnational expenditure per capita. Subnational expenditure is a consolidated expenditure of the province and district/municipal government. Compared to other provinces in Sulawesi, the subnational expenditure per capita of Southeast Sulawesi is the highest. In 2010, the subnational expenditure per capita of Southeast Sulawesi amounted to IDR 3 million while the national average was only IDR 1.8 million. In eastern Indonesia, West Papua province has the highest subnational expenditure per capita. The high subnational expenditure of Southeast Sulawesi indicates that the Southeast Sulawesi government has greater fiscal resources than other provinces in Indonesia.

Figure 4.2 Regional expenditure per capita of provinces in Indonesia is quite diverse in 2010

Source: Processed based on APBD 2010 data from DJPK, the Ministry of Finance.

Regional expenditure disparities per capita between district/municipalities in Southeast Sulawesi was varied. In 2010, North Konawe district had the highest regional expenditure amounting to IDR 9.2 million while Konawe District had the lowest regional expenditure per capita amounting to IDR 1.1 million. Regional expenditure in North Konawe District reveals a significant gap with North Buton district, which has the second highest regional expenditure in Southeast Sulawesi. In general, proliferated districts/municipals have shown that they have higher regional expenditure than parent districts/municipalities. This is due to the low population in proliferated districts/municipalities.

Figure 4.3. Disparity of regional expenditure per capita among districts/municipalities in Southeast Sulawesi, 2009

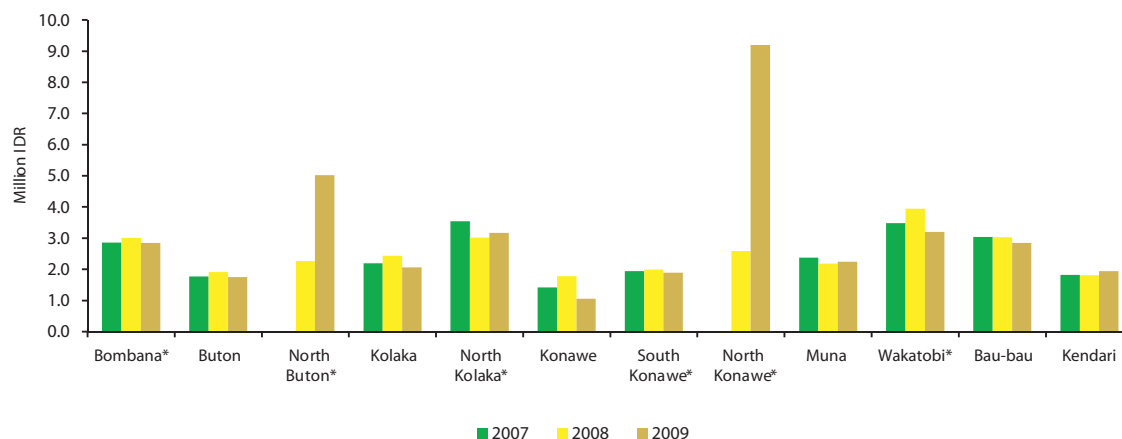
Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

4.1.1 Regional Expenditure of Proliferated and Non-Proliferated Districts

The subnational expenditures of proliferated districts are significantly higher than the non-proliferated districts. Some of the proliferated districts in Southeast Sulawesi are Bombana District, Wakatobi District, North Kolaka District, and South Konawe District which was proliferated in 2003. In addition, North Konawe and North Buton District were also proliferated in 2007. The highest regional expenditure per capita was IDR9.2 million in North Konawe District in 2009. The rise was quite significant considering subnational expenditure in 2008 was only IDR 2.6 million. North Buton district also had a significant rise in its regional expenditure from IDR 2.3 million in 2008 to IDR 5 million in 2009. South Konawe District had the lowest regional expenditure per capita which amounted to IDR 1.9 million in 2009. The cause of the high regional expenditure per capita in proliferated districts was that the populations on these districts were proportionally lower than the fund allocated for development, both for general administration affair and for the relatively minimal infrastructure facilities.

Meanwhile, the subnational expenditure per capita of the parent districts/municipalities and non-proliferated districts is relatively low. Konawe District had the lowest regional expenditure per capita at only IDR 1.7 million in 2008, decreasing to IDR 1.1 million in 2009. This low regional expenditure per capita of the non-proliferated districts was caused by the decrease in their fiscal resources as an effect of proliferation and furthermore, by the fact that most of the population lived in the capital of the parent district.

Figure 4.4. Regional expenditure per capita of proliferated and non-proliferated districts, 2009



Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

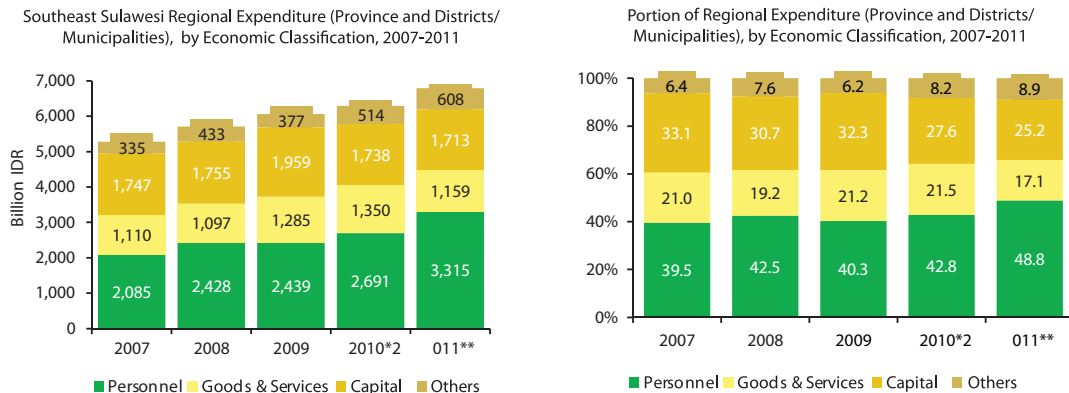
4.2 Expenditure By Economic Classification

According to economic classification, all types of regional expenditure (provincial+district/municipality) have increased in real terms except capital expenditure. After increased to IDR 1.9 trillion (2009), the capital expenditure of the Southeast Sulawesi government decreased to IDR 1.7 trillion (2011). From 2007 - 2011, other expenditure¹⁵ and personnel expenditure had the highest increases of 80 percent and 58 percent respectively. Most of the rise in other expenditure came from the rise in financial assistance to districts/municipalities from IDR 148 billion in 2009 to IDR 379 billion in 2011. The increase in this financial assistance was mostly from the provincial government to districts/municipalities for education, health, and the direct aid fund to villages.

The increase in personnel and other expenditure was very high causing the proportion of these expenditures to rise every year. The proportion of personnel expenditure rose every year. In 2011, almost half (49 percent) of the total regional government expenditure in Southeast Sulawesi was allocated for personnel expenditure. For the past five years, on average, the proportion for personnel expenditure has decrease to 43 percent. The increase of personnel expenditure came with the decreased proportion for capital and goods expenditure. The second largest share, capital expenditure, also decreased significantly since 2010. From 2007-2009, the proportion of capital expenditure was still above 30 percent and starting in 2010, it decreased to 27 percent and then to 25 percent in 2011. Goods and services expenditure and miscellaneous expenditure made up the smallest proportion over the past 5 years, on average 20 percent and 7 percent respectively.

¹⁵ Other expenditure is a sum of financial assistance to sub-ordinate regions, social aids, grants, shared revenue expenditure, subsidies, interest expenditure, and unexpected expenditure. Since the amount is relatively low compared to personnel, goods and service, and capital expenditure, these expenditures are categorized as other expenditure. In the following discussion, other expenditure will be separated into transfer and non-transfer expenditure. Transfer expenditure is otherexpenditure excluding interest expenditure and unexpected expenditure.

Figure 4.5. In term of economic classification, Southeast Sulawesi subnational expenditure (province and districts/municipalities) increased

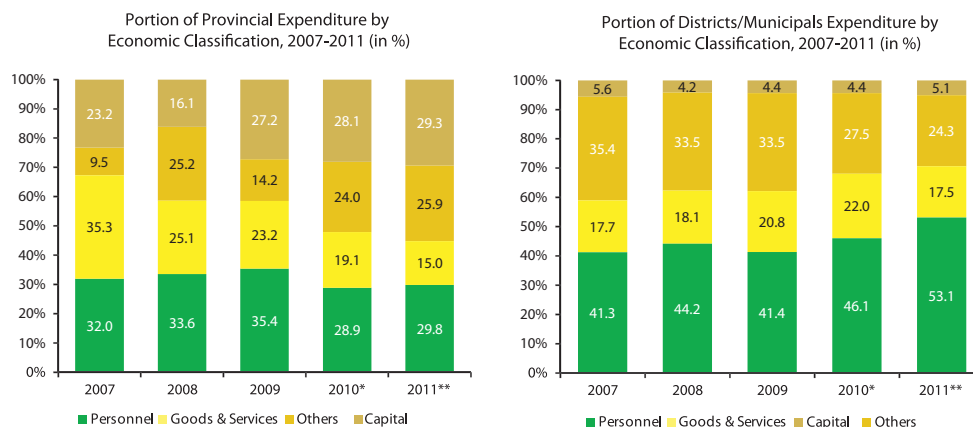


Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

The composition of provincial government expenditure had a tendency to fluctuate over the past five years. Generally, the largest portion of expenditure has been allocated to personnel expenditure even though its proportion decreased in 2010 from 35 percent to 29 percent of total regional expenditure. Besides that, goods and service expenditure has seen the biggest decrease. In 2007, goods and services expenditure was 35 percent and gradually decreased to 15 percent in the 2011 planned data. The proportion of capital expenditure has increased significantly since 2008. In 2008, capital expenditure increased from 16 percent to 29 percent in the 2011. The increase of capital expenditure was driven by rapid infrastructure development, including road expansion to Haluoleo Airport and beginning development of the Regional Public Hospital. The proportion of provincial government other expenditure has tended to fluctuate. However, since 2009, its proportion has increased from 14 percent to 24 percent in the 2010 budget and 26 percent in the 2011 budget. The increase in other expenditure was mainly dominated by grant expenditure to finance district/municipality and rural government which was IDR 71 billion in 2009 and IDR 124 billion in 2011 and IDR 252 billion in 2011. The high amount of grant expenditure was due to the fulfillment of Southeast Sulawesi's vision and mission in its program, "Program Bahteramas", a block grant of IDR 100 million for each village and IDR 50 million for each sub-district in all regions of Southeast Sulawesi province.

On the district/municipal level, personnel expenditure makes up the highest proportion and has trended upward for the past two years. Personnel expenditure increased from 41 percent in 2009 to 46 percent in 2010 and 53 percent in 2011. In addition, the increase in capital expenditure coincided with a decrease in the proportions of capital expenditure and goods and service expenditure. Capital expenditure decreased from 33 percent in 2009 to 24 percent in 2011 budget and goods and services expenditure decreased from 22 percent in 2010 to 18 percent in 2011. District/municipality other expenditure has remained unchanged with a 4 percent share.

Figure 4.6. Provincial expenditure was dominated by miscellaneous spending while district/ municipal expenditure was dominated by personnel spending



Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

4.3 Expenditure By Sector

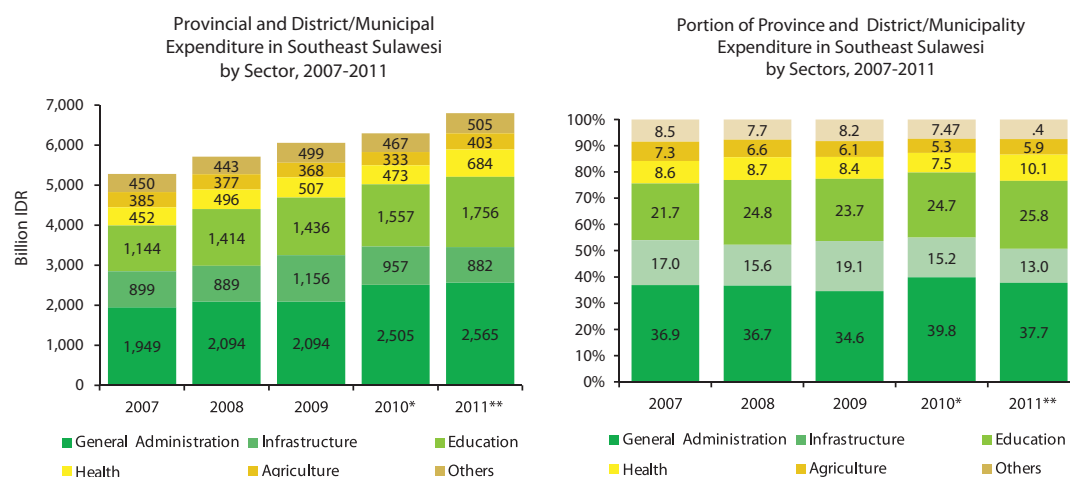
The general administration sector was still the sector with the highest expenditure in Southeast Sulawesi¹⁶ From 2007, general government expenditure in real terms increased from IDR 1.9 trillion to IDR 2.5 trillion in 2011 despite decreasing in 2009. General administration expenditure was dominated by indirect expenditure such as personnel expenditure; salary and allowances. Expenditure in this largest sector was followed by education and infrastructure expenditure. Education expenditure has increase since 2009. However, infrastructure expenditure has decreased for the past three years. In this report, infrastructure expenditure includes Public Works Affairs, Transportation Affairs, and Housing Affairs. Other strategic sector expenditure, namely Agricultural Sector (includes Agricultural Affairs, Forestry Affairs, Maritime and Fisheries Affairs and Food Security Affairs), has not increased significantly from IDR 385 billion in 2007 to IDR 403 billion in 2011. Health sector expenditure also remained relatively unchanged except that it increased from IDR 452 billion in 2007 to IDR 684 billion in 2011.

Proportionally, expenditure in this sector was still dominated by the general administration sector followed by education and infrastructure expenditure. Education sector expenditure has increased from 22 percent in 2007 to 26 percent in 2011. This means that the subnational government in Southeast Sulawesi Province has the commitment to allocated 20 percent of the budget for education as ammended in the Law. On the other hand, the proportion of infrastructure expenditure has decreased from 17 percent in 2007 to 15 percent in 2010. It then decreased again to 13 percent in 2011. Ironically, infrastructure sector has become one of the obstacles for economic development in Southeast Sulawesi. According to Bank Indonesia report, road issues, particularly provincial roads, have become an obstacle to connectivity in Southeast Sulawesi.¹⁷ In 2009, only 15 percent of provincial roads in Southeast Sulawesi were in good condition (Southeast Sulawesi in numbers, 2011). This infrastructure issue needs to be the focus of sectoral expenditure allocation in Southeast Sulawesi.

¹⁶ In this report, General Government Sector Expenditure includes General Government Affairs, National Unity and Domestic Politics Affairs, Community and Village Empowerment Affairs and Statistics Affairs.

¹⁷ Dilema Infrastruktur Jalan Provinsi Sulawesi Tenggara, Bank of Indonesia Accessed on 1st December 2011 through <http://www.bi.go.id/NR/rdonlyres/043F685D-B00E-4795-B5AD-EF11BB4E6132/17505/BOKS1.pdf>

Figure 4.7. Southeast Sulawesi provincial and district/municipal expenditure was mostly allocated to general administration



Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

At the provincial level, the general government affairs sector took the highest proportion, although it has shown a tendency to decrease over the past five years. This proportion has decreased from 57 percent to 48 percent over the past five years. This was mainly caused by transfer expenditure and share expenditure consisting of grants, subsidies, social aid, monetary aid to districts/municipalities and unforeseen expenditure (Rules and Regulations of MoHA 13/ 2006). Over the past five years, transfer expenditure in the General Government sector has grown from 9 percent to 25 percent, while the general government net expenditure has decreased from 47 percent to 22 percent. The infrastructure sector has become the second largest sector expenditure wise. However, its proportion fluctuates unpredictably. This proportion increased from 17 percent in 2007 to 25 percent in 2010 but it decreased to 15 percent in the 2011 budget. 2010 expenditure increased in order to implement many infrastructure development programs such as; the completion of the Southeast Sulawesi Regional General Hospital, development of foundation piles for the Al-Alam mosque, road expansion development to Haluoleo airport, and other provincial road improvement in Southeast Sulawesi.

The proportion of the health sector in real provincial expenditure has increased significantly while the education and agriculture sectors have seen a small decrease. Health expenditure increased from 7 percent in 2007 to 8 percent in 2010. Health expenditure increased in order to implement a number of health sector programs, such as free medical treatment at Community Health Centers (Puskesmas) and the Regional General Hospital for “Bahteramas” card holders. On the other hand, education expenditure has decreased from 11 percent in 2009 to 3 percent in 2011. This shows that the funds allocated to education were still relatively low and are continuously decreasing. Despite this, the provincial government has implemented a number of education sector policies such as the Education Operational Fund (BOP) for both private and public kindergartens, primary schools and secondary schools, and a scholarship fund for students in the 1000 Scholarships for Education Restoration in Southeast Sulawesi in 2011 program at Unissula Semarang. Provincial government agricultural expenditure which mostly came from agricultural affairs has only seen a slight decrease from 7 percent to 6 percent over the past five years.

Table 4.1. Provincial expenditure by sector and its share to total expenditure, 2007-2011

Province	2007		2008		2009		2010		2011	
	Billion IDR	%	Billion IDR	%	Billion IDR	%	Billion IDR	%	Billion IDR	%
General Administration	565	56.9	497	53.7	449	40.0	598	49.5	609	48.4
General Administration	471	47.4	263	28.4	290	25.8	309	25.6	284	22.5
Transfer	92	9.2	229	24.7	159	14.1	287	23.7	321	25.5
Others	3	0.3	5	0.5	1	0.1	3	0.2	4	0.4
Education	58	5.8	75	8.2	134	11.3	53	3.5	51	3.0
Education	58	5.8	75	8.2	127	11.3	43	3.5	38	3.0
Sport	0	0.0	0	0.0	2	0.2	5	0.4	5	0.4
Library	0	0.0	0	0.0	5	0.5	5	0.5	7	0.6
Agriculture	69	6.9	75	8.1	95	8.5	71	5.9	81	6.4
Agriculture	40	4.0	46	5.0	62	5.5	42	3.5	45	3.6
Fisheries and Marine	16	1.7	19	2.1	19	1.7	16	1.3	20	1.6
Forestry	12	1.2	10	1.0	12	1.1	11	0.9	13	1.1
Food Security	0	0.0	0	0.0	2	0.2	3	0.2	3	0.3
Infrastructure	165	16.6	128	13.9	262	23.3	299	24.8	189	15.0
Public Works	120	12.1	96	10.4	247	22.0	286	23.6	177	14.1
Transportation	45	4.5	32	3.5	14	1.3	14	1.1	12	1.0
Housing	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Health	53	5.4	68	7.4	92	8.2	101	8.4	247	19.7
Other Sectors	84	8.4	82	8.8	99	8.8	95	7.9	94	7.4
Total	994	100.0	926	100.0	1,124	100.0	1,208	100.0	1,259	100.0

Source: Processed based on the PEA Database, University of Haluoleo, 2011.

Districts/municipal government has given serious attention to the education sector. Education and general government affairs have received the largest expenditure. The proportion of general government expenditure has increased from 32 percent in 2007 to 35 percent in 2011 and the allocation of education sector expenditure has also increased from 26 percent to 32 percent over the same period. This shows district/municipal government commitment to implementing the National Education System Law (Sisdiknas) which stipulates allocating 20 percent minimum for the education sector. The proportion even reached 32 percent in 2011. Other strategic sectors, infrastructure, health and agriculture, have been made secondary priorities behind education. Infrastructure expenditure, particularly on public work affairs has shown a tendency to decrease while health and agriculture expenditures have not changed significantly. Infrastructure expenditure has decreased from 17 percent to 12 percent over the past five years. The proportion of health expenditure only suffered a small decrease from 9 percent to 8 percent. Agricultural sector expenditure has been very small and has continued to decrease. It has remained below 8 percent for the past five years.

Tabel 4.2. District/municipal expenditure by sector and its share to total expenditure, 2007-2011

District/Municipality	2007		2008		2009		2010		2011	
	Billion IDR	%	Billion IDR	%	Billion IDR	%	Billion IDR	%	Billion IDR	%
General Administration	1,384	32.3	1,597	33.4	1,645	33.3	1,907	37.5	1,956	35.3
General Administration	1,143	26.7	1,398	29.2	1,428	28.9	1,683	33.1	1,673	30.2
Transfer	224	5.2	185	3.9	210	4.3	218	4.3	264	4.8
Others	17	0.4	14	0.3	7	0.1	6	0.1	19	0.3
Education	1,115	26.0	1,347	28.1	1,334	27.0	1,561	30.7	1,754	31.7
Education	1,086	25.4	1,339	28.0	1,309	26.5	1,514	29.8	1,719	31.0
Sports	29	0.7	8	0.2	21	0.4	41	0.8	30	0.5
Library	0	0.0	0	0.0	4	0.1	5	0.1	5	0.1
Agriculture	317	7.4	302	6.3	273	5.5	262	5.2	322	5.8
Agriculture	165	3.8	166	3.5	129	2.6	116	2.3	166	3.0
Fisheries and Marine	88	2.1	82	1.7	76	1.5	85	1.7	71	1.3
Forestry	63	1.5	49	1.0	54	1.1	46	0.9	63	1.1
Food Security	0	0.0	6	0.1	14	0.3	15	0.3	22	0.4
Infrastructure	734	17.1	761	15.9	895	18.1	658	12.9	693	12.5
Public Works	660	15.4	670	14.0	706	14.3	565	11.1	587	10.6
Transportation	52	1.2	69	1.4	162	3.3	87	1.7	91	1.6
Housing	22	0.5	23	0.5	27	0.6	6	0.1	15	0.3
Health	398	9.3	427	8.9	414	8.4	372	7.3	436	7.9
Others	366	8.5	361	7.5	400	8.1	372	7.3	544	9.8
Total	4,284	100.0	4,787	100.0	4,936	100.0	5,085	100.0	5,536	100.0

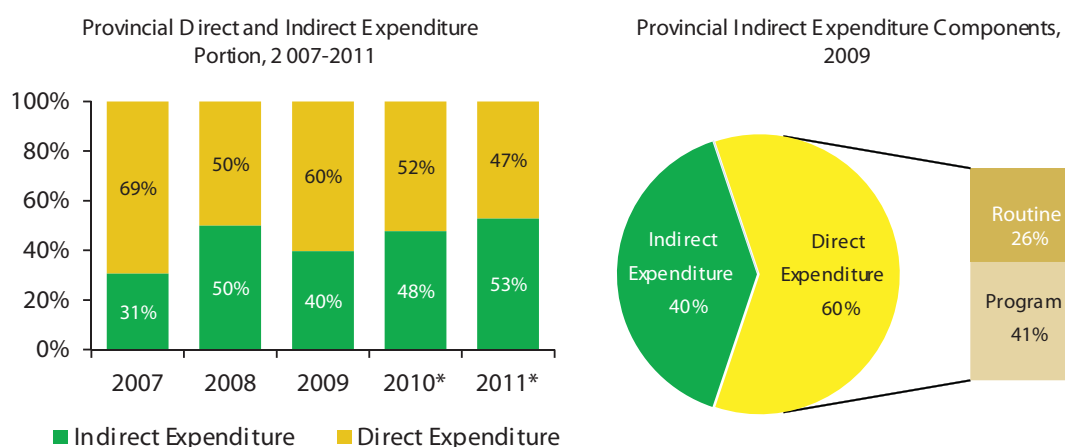
Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

4.4 Program Expenditure

The proportion of indirect expenditure in Southeast Sulawesi has increased over the past five years. Over the past five years, the proportion of provincial and district/municipal indirect expenditure in Southeast Sulawesi has generally increased except in 2009. In 2007, 38 percent of Southeast Sulawesi expenditure was allocated to indirect expenditure. With the exception of 2009, this proportion has usually increased as it did in 2011 to 53 percent. At the provincial level, most of indirect expenditure was allocated for personnel expenditure although, over the past three years, shared revenue expenditure and village grant expenditure have increased significantly. At the district/municipal level, the biggest increase in expenditure came from personnel expenditure. Meanwhile, the proportion of direct expenditure in Southeast Sulawesi has decreased for the past five years.

The provincial government allocated more than 50 percent of direct expenditure on development programs. In 2009, of the 60 percent proportion of direct expenditure for Southeast Sulawesi, 34 percent of it was allocated for development programs and 26 percent of it was allocated for office and personnel programs/general administration (routine).¹⁸ Of all of development program expenditure, 39 percent or IDR 186 billion was allocated for public works on roads and bridge development (IDR 120 billion). The second largest routine expenditure of the provincial government was for education affairs and the education service management program. This program included implementation of education performance evaluations, institutional collaborations, the socialization of government rules on the education sector, the development of education committees and school committees, and monitoring and evaluation activities. In the following chapter on the education sector, certain issues facing this sector in Southeast Sulawesi will be discussed so that it can be known whether the provincial government's allocation of education expenditure has been sufficiently on target to address these issues.

Figure 4.8. Southeast Sulawesi provincial direct spending was dominated by spending for development program

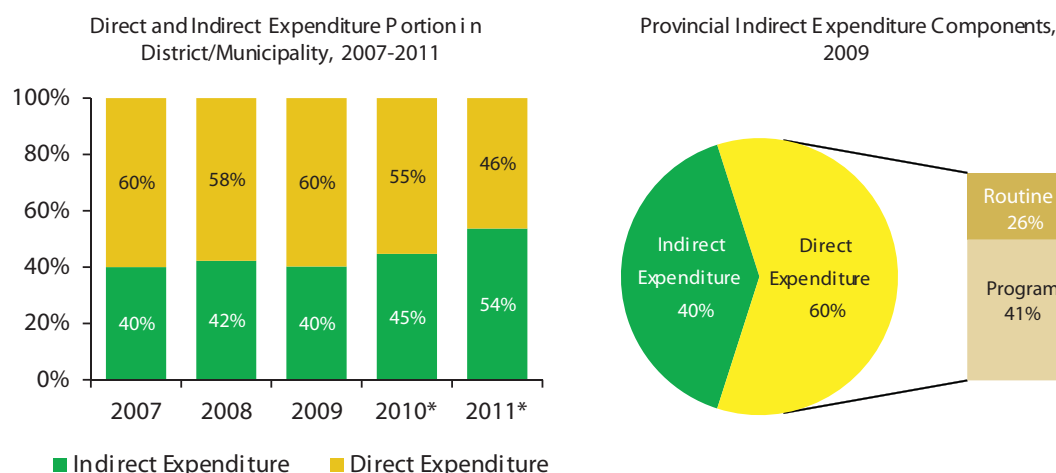


Source: Processed from Southeast PEA Database, University of Haluoleo, 2011.

As with the provincial government, the district/municipal government allocated almost 70 percent of its direct expenditure to development programs. In 2009, 60 percent of Southeast Sulawesi district/municipal expenditure was allocated as direct expenditure. From that 60 percent of direct expenditure, 41 percent was allocated for development program expenditure and 19 percent was allocated for routine program expenditure. Infrastructure affairs had the largest expenditure allocation at 34 percent of total direct expenditure (IDR 633 billion), used for roads and bridge development programs (IDR 299 billion). The second largest allocation was education affairs which amounted to 15 percent of total district/municipal direct expenditure (IDR 285 billion), used to implement the Nine Year Compulsory Education Program. The strategic difference in the implementation of education expenditure between the provincial and district/municipal governments was that the province government focused on education system improvement while the district/municipal government focused on education output improvement as indicated by decreases in the Net Enrollment Rate (NER) and illiteracy rate.

¹⁸ Expenditure for office and personnel programs/ general administration (routine) is coded from 1 to 14 in direct expenditure, commonly known as SKPD expenditure. This expenditure is generally allocated by SKPD for office supply expenditure, building maintenance and development, government, training and personnel discipline improvement, etc.

Figure 4.9. District/municipal direct spending was also dominated by spending for development programs

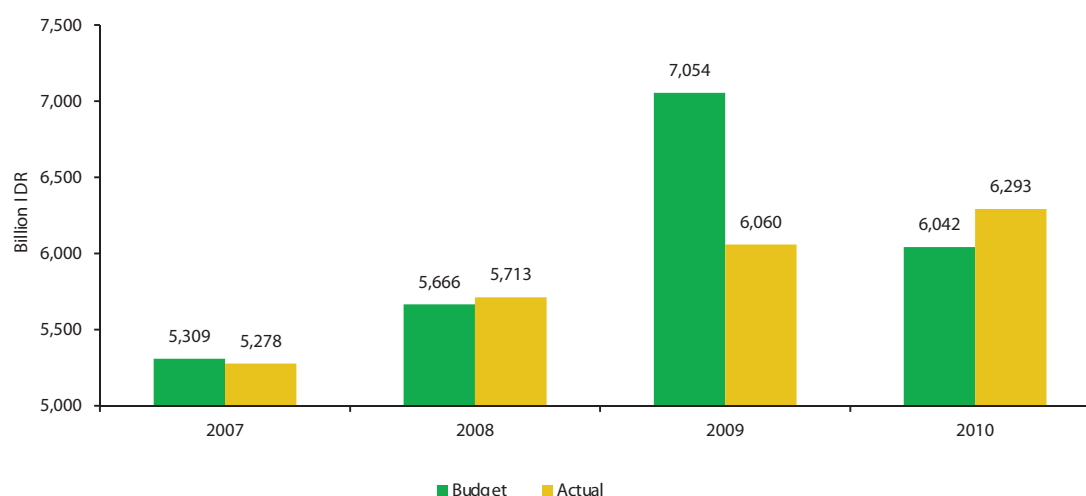


Source: Processed from Southeast PEA Database, University of Haluoleo, 2011.

4.5 Budget Versus Realization

The rate of subnational expenditure realization in Southeast Sulawesi constantly fluctuated from 2007 - 2011. In 2007, regional expenditure in Southeast Sulawesi could not be fully realized while in 2008, realized expenditure surpassed its allocated budget. In 2009, Southeast Sulawesi apparently seemed to have problems implementing its budget since its realization rate was 85 percent. Further study is needed regarding how the government plans its regional expenditure budget to determine the reason why the expenditure could not be well allocated.

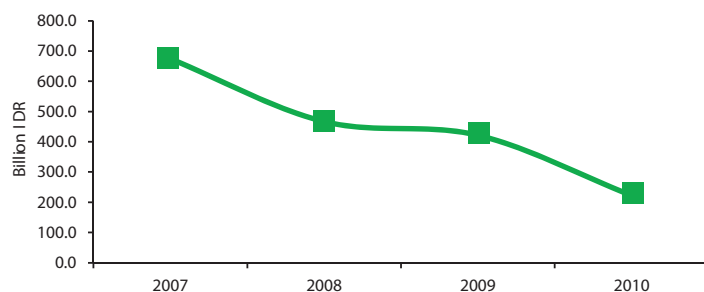
Figure 4.10. Southeast Sulawesi provincial and district/municipal expenditure, 2007-2011



Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

4.6 Expenditure and Financial Management

Figure 4.11. Southeast Sulawesi budget surpluses and deficits

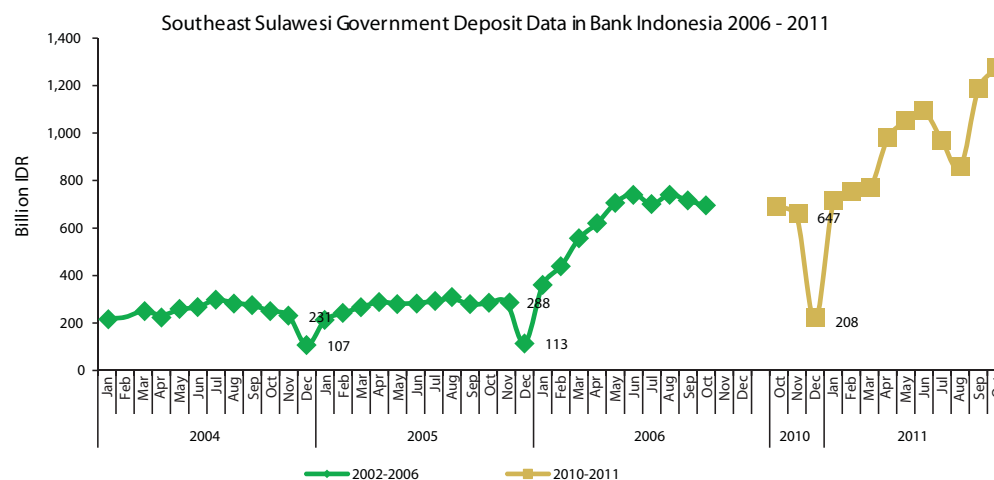


Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

From 2007 - 2011, Southeast Sulawesi recieved a surplus of subnational revenue. The largest surplus was reached in 2007 amounting to IDR 674 billion. This number gradually decreased to IDR 224 billion on 2010. The government's ability to manage its funds indicates that the government's management/absorption capacity across various programs is quite good. This could be seen in the tendency of relatively small budget surpluses or excesses from year to year.

Difficulties experienced in the budget spending process were one cause of the budget surpluses. In recent years, most of the Southeast Sulawesi government budget which was under the Bank of Indonesia reserve was spent in December. The phenomenon of budget accumulation at the Bank of Indonesia reserve has occurred since 2006. This is due to many causes, such as the slow approval process for issuing documents for budget implementation, slow bid processes, flaws in initial planning mechanisms, and concerns from government personnel regarding budget absorption.¹⁹ This can be overcome by addressing the issue of expenditure management at the start of the budget planning process so that when the budget is absorbed, solutions are at hand for any budget absorption problems.

Figure 4.12. Government budget was mostly spent in November and December



Source: Processed from the Bank of Indonesia database.

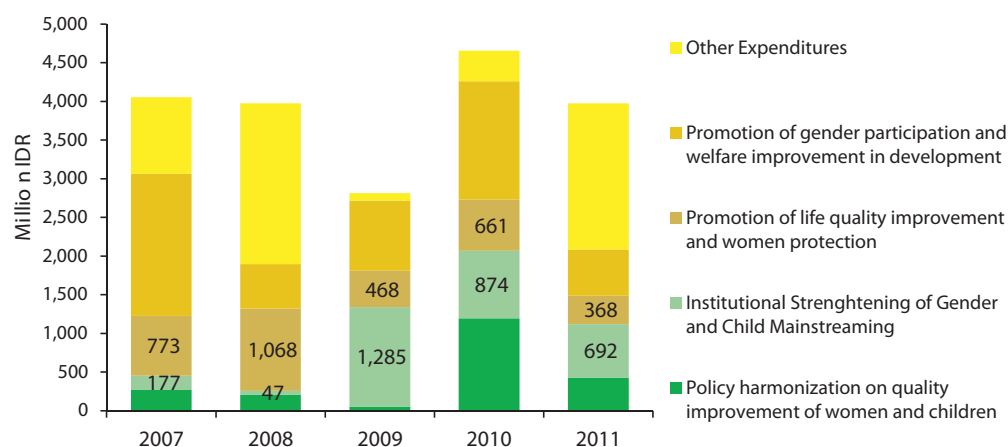
¹⁹ Problematika Penyerapan Anggaran di Daerah, SWA Mandiri 12 February 2011, can be accessed through <http://swamandiri.wordpress.com/2011/02/12/problematika-penyerapan-anggaran-di-daerah/> in 30th December 2011.

4.7 The Relationship between Expenditure and Gender

Implementation of Presidential Instruction 9/2000 on Gender Mainstreaming (PUG) in National Development is different in each region. Gender mainstreaming is a cross-sector issue of development and is already integrated in some sectors such as education and health. But in other sectors such as infrastructure and agriculture, this has yet to be translated and implemented. However, the gender mainstreaming expenditure that is clearly visible in every region is expenditure on affairs and agencies directly related to it; namely Empowerment of Women and Child Protection, Family Planning, and Public Administration.

The focus of program expenditure for Women Empowerment and Child Protection (PP&PA) in districts/municipalities of Southeast Sulawesi province from 2007-2011 varies widely, so does the amount of spending. For instance, Spending for Child and Gender Mainstreaming Institutional Strengthening fluctuates, with the lowest expenditure in 2008 in the amount of IDR 47 million and the highest in 2009 in the amount of IDR 1,285 million. The same thing happened with spending on the Improved Quality of Life and Protection for Women, which also showed considerable fluctuation, with the lowest expenditure in 2011 amounting to IDR 368 million and the highest in 2008 amounting to IDR 1,068 million. The above facts show a weak commitment and consistency in budgeting and spending on PP&PA program affairs at the district/municipal level. Understanding the importance of Gender Mainstreaming programs, in every aspect, especially PP&PA, also needs to be improved so that the implementation of Presidential Instruction No.9 Year 2000 can be maximized.

Figure 4.13. District/municipal spending for women empowerment and child protection program in Southeast Sulawesi, 2007-2011



Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

A lack of consistency in PP&PA program spending and implementation is also evident from the number of programs that were implemented each year at the district/municipal level. From a total of 12 PP&PA programs, only 4 programs were implemented each year; namely (1) Policy Harmonization of Women and Children Quality Improvement, (2) Institutional Strengthening of Children and Gender Mainstreaming, (3) Improvement in Quality of Life and Protection of Women and (4) Increasing Participation and Gender Welfare in Development. Whereas programs such as Increasing the Role of Women in Rural Functions and the Development of Women's Organizations and Female Caregivers are not held regularly every year.

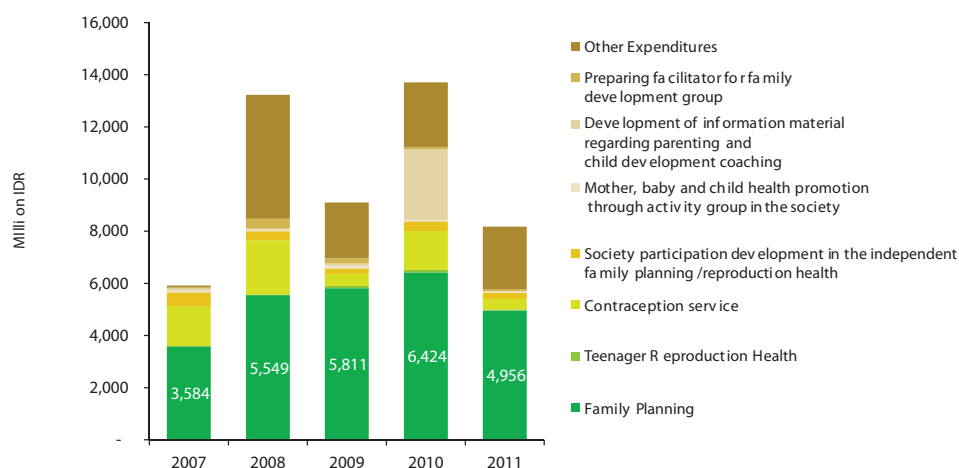
Meanwhile, at the provincial level, PP&PA spending seemed more sporadic over the past five years. There was no program spending that consistently receive allocation over five years in a row. The longest running programs, which lasted three years, were (1) Program on Increasing Participation and Gender Welfare in Development and (2) Program on Family Planning Service Development for the Poor (data attached). This shows the importance of institutional strengthening with regards to Gender Mainstreaming.

As intended, Family Planning spending dominates Family Planning program expenditure at the district/municipal level in Southeast Sulawesi. After growing for 4 years from 2007-2010, family planning program spending declined in 2011, although the total amount was still higher than spending for other programs. Program spending on contraception services and fostering community participation and independent KB/KR services ranked second and third respectively. Although the total amount is much below than the amount spent on KB programs. That aside, expenditure for these programs fluctuated quite sharply. As with PP&PA expenditure, government consistency and commitment in managing the affairs of family planning programs still needs to be improved in order to maximize results.

At the provincial level, Southeast Sulawesi provincial government spending for matters of family planning had just started in 2009 with the focus on personnel expenditure as well as goods and services expenditure for the children and adolescents development and protection programs, amounting to IDR 80 million. This program was repeated in 2010 with a smaller budget of IDR 64 million, but was not seen again in 2011. The provincial government also seemed inconsistent in implementing commitments related to the development of children and women, both in terms of reproductive health, drug prevention, and family development.

Meanwhile, in the general government affairs, spending related with women empowerment is only visible in the 2011 budget, for goods and services spending on programs for Institutional Development of Education, Youth, Sports, Women Empowerment and Children and Adolescents Protection, amounting to IDR 113 million. This shows the absence of proper attention from the Southeast Sulawesi provincial government in relations to the empowerment of women and children.

Figure 4.14. District/municipal spending on family planning program in Southeast Sulawesi, 2007-2011

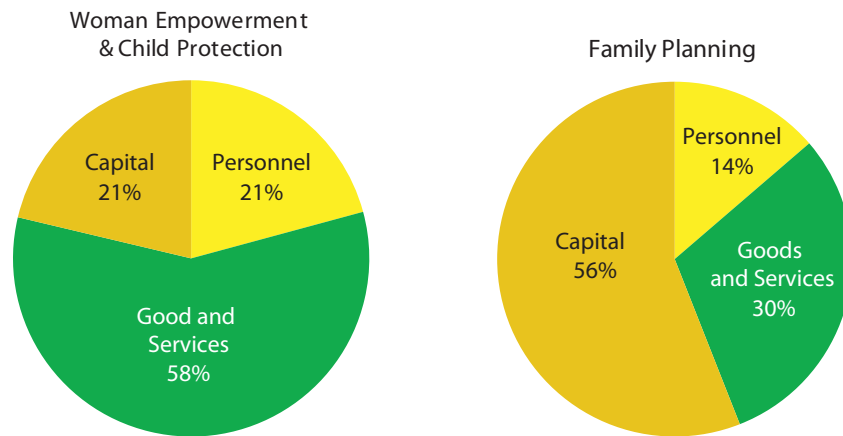


Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

Classification of PP&PA affairs program spending at provincial and district/municipal level showed the highest amount of expenditure for goods and services (58 percent or IDR 15.2 billion) While personnel expenses and capital expenditures, each amounting to 21 percent. Expenditure components of goods and services showed a high counseling activity that require official traveling and consulting.

While the classification of program spending in the affairs of Family Planning at province and district/municipal level is highest in capital expenditure, amounting to 56 percent (IDR28.2 billion), followed by goods and services spending amounting to 30 percent (IDR 15.3 billion) and personnel expenditure 14 percent. In accordance with its programs, Family Planning affairs activities are dominated with training and counseling (goods and services) and equipped with visual aids (capital).

Figure 4.15. Classification of women empowerment and child protection, and family planning spending at province as well as district/municipal level in Southeast Sulawesi



Source: Processed from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

4.8 Conclusions and Recommendations

Further study on the personnel expenditure and total amount growth is needed. Along with the increase in expenditure from year to year, the portion of personnel expenditure at district/municipal level has increased over the last five years until it reaches more than 50 percent in 2011. The impact is the share of direct expenditure for development has decreased from year to year. If the personnel expenditure is largely allocated for functional staff (doctor, teacher, nurse, etc), then the growth in personnel expenditure can support the improvement in public services of Southeast Sulawesi. But if most of this spending is used for structural personnel expenditure, then the growth of personnel expenditure can have an impact on spending inefficiency. District/municipal governments need to do the following: (i) more in-depth study on the growth pattern of total number of employees to the real needs of employees and to formulate employee rationalization strategy in the long run; (ii) reduce the growth in the number of non-functional employees and push for the number of functional employees, especially those who will have direct impact on services such as doctors, teachers, counsellors, etc.

Along with the increase in expenditure from year to year, the portion of expenditure for general government sector (excluding transfers) should be reduced gradually. At provincial level, general government expenditure excluding transfers is estimated at 22 percent from the 2011 total spending, while at district/municipal level amounts to 30 percent. That portion is much higher than the portion for strategic sectors such as education, health, infrastructure and agriculture. Along with the increase in expenditure from year to year, the portion of expenditure for general government should be reduced gradually to allow an increased change of a larger portion for strategic sectors.

With the increasing role of transfer spending (financial aids, grants, social assistance, etc) to the provincial government spending, improvements on planning transparency, quality, administration, monitoring and evaluation of the type of expenditure should be increased. The portion of transfer spending has increased, especially in the last two years to reach 25.5 percent in 2011. This portion is higher

compared to the portion for strategic sectors. Most of the allocation of transfer spending actually related to provincial priority programs, such as assistance in the field of education, social, health, etc. However, the detailed data on that expenditure is not available up to now. The provincial government needs to improve the quality of financial information in regards to the transfer spending so that the public can know how much from the transfer spending is truly related to strategic sectors such as health, education, infrastructure, agriculture, etc. This is important to promote public awareness toward provincial government's commitment to the fund allocation in these sectors. Apart from that, the quality of planning, administration, and monitoring and evaluation from the allocation of transfer spending must be improved in order to provide maximum impact on the achievement of development indicators.

At district/municipal level, the share for infrastructure spending to the total spending experienced a decline. The portion of infrastructure spending at district/municipal level experienced a decline from 15.4 percent in 2007, to become only 10.4 percent in 2011. The share of infrastructure expenditure needs to be increased as it is an important factor to increase economic growth. The share of general government spending at district/municipal level is still quite high and therefore needs to be gradually reduced so that it allows bigger chance for infrastructure expenditure to increase.

The share of agriculture both at provincial level and district/municipal level needs to be increased. The portion of expenditure in agriculture section at provincial level and district/municipal level is still under 8 percent. As a province that targets economic growth through agriculture sector, that allocation needs to be increased. For example, one of the challenges in the production of exported cocoa is the revitalization of cocoa that still faces various challenges caused by the lack of financial support for the farmers from the government, especially for the cost of socialization and coaching.²⁰ Increase in agriculture spending could be directed to the financing program for cocoa farmers that aim to revitalize cocoa production for export.

Direct expenditure for general administration and personnel need to be reduced gradually. Both in provincial and district/municipality, around 60 percent of total expenditure has been allocated for direct expenditure. However, the share of direct expenditure for office administration and personnel (routine) program of the provincial government is still large (around 26 percent of total expenditure or 43 percent of total direct expenditure). This figure is higher than that of district/municipal government expenditure (19 percent of the total expenditure or 32 percent of total direct expenditure). The share of office administration and personnel (routine) program of the provincial government in its direct expenditure needs to be rationalized to be switched into development programs.

Southeast Sulawesi subnational government, both provincial and district/municipal government, need to strengthen their commitment on expenditure that related to women's empowerment and child protection program. There is lack of consistency on the women's empowerment and child protection (PP&PA) affair expenditure throughout 2007 to 2011. Only 4 out of 12 programs included in the PP&PA affair that consistently received budget every year in district/municipal level. Meanwhile, in province level, program expenditure for PP&PA affairs seems to be sporadic. This is similar to Family Planning affair where only 7 out of 20 programs included in the affair, consistently received budget allocation. Therefore, institutional capacity strengthening is essential to support the implementation of Presidential Instruction (Inpres) 9/2000 on Gender Mainstreaming in National Development immediately.

20 Regional Economic Study of Southeast Sulawesi Province, Quarter IV-2009, accessed through http://www.bi.go.id/web/id/Publikasi/Ekonomi_Regional/KER/Sultenggara/ker_sultra0409.htm on December 6, 2011.



Chapter V

Strategic Sector Analysis

5.1 Health Sector

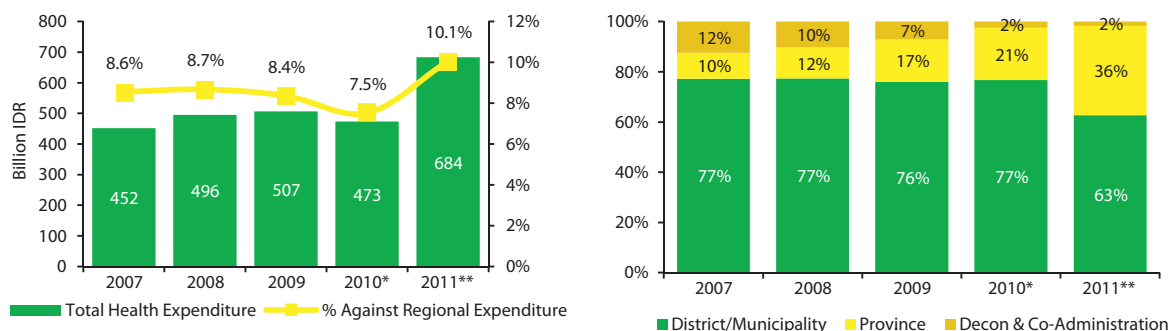
As stated in RPJMD of Southeast Sulawesi Province 2008-2013, the provincial government hopes to achieve public health and services indicators. Increased level of public health will be achieved through an increased life expectancy rate; decreased population morbidity rate, decreased maternal mortality rate and infant *mortality rate*; decreased prevalency of malnutrition and poor nutrition; an increase in the coverage for health worker assisted labors; and an increase in the coverage for exclusively breast-fed infants. In terms of services, the provincial government also targets an increase in the number, quality, and accessibility of health care centers; and the building of new provincial hospitals.

5.1.1. Health Expenditure

Reduced dependency of health expenditure in Southeast Sulawesi on deconcentration/TP funds.

In real, health expenditure in Southeast Sulawesi experiences an increase, which is from IDR 452 billion (2007) become IDR 684 billion (2011), with the biggest contribution coming from health spending of district/municipality that contributes on average more than 76 percent in 2010. In 2011, the contribution of district/municipality health spending has decreased to 63 percent due to a significant increase in provincial government health spending with an increased contribution of 36 percent that year. Health spending contribution from deconcentration/TP funds experienced a decline from 12 percent (2007) to only 2 percent (2011).

Figure 5.1. Dependency on health spending toward Deconcentration/Co-Administration Fund in Southeast Sulawesi has decreased



Source: Processed based on data from Southeast Sulawesi PEA Database, Haluoleo University, 2011.

Note : From here onwards, data from year 2007-2009 is realization; *) 2010 APBD Budget Modifications; **) 2011 is Pure APBD Budget; All fiscal data used are real numbers (2009=100).

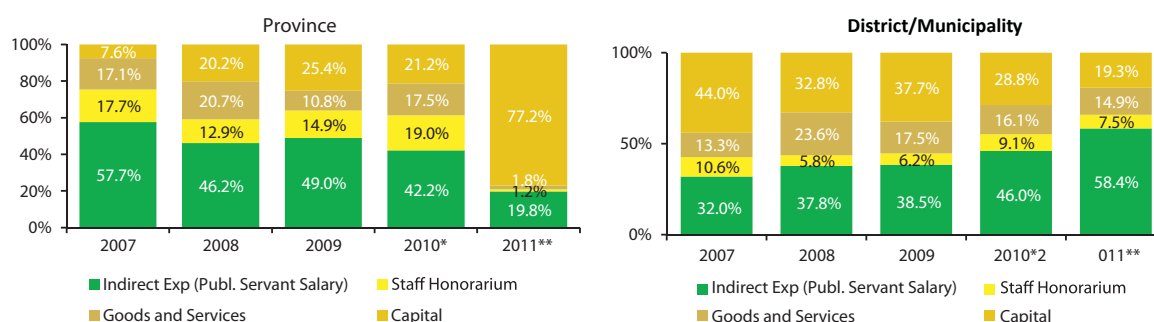
The proportion of health expenditure to the total spending at provincial level is higher compared to similar things at district/municipality and deconcentration/TP levels. Proportion of provincial health spending increases from year to year. Significant increase happened in 2011 that reached up to 19.7 percent. At district level, the proportion of health spending tends to be fluctuative, while the health spending proportion that comes from deconcentration funds declined from 12.2 percent from the total deconcentration/TP spending to become only 1.2 percent (2011).

Table 5.1. Province allocated more of its expenditure on health compared to district/municipality

	2007	2008	2009	2010*	2011**
Province					
Health Expenditure (Billion IDR)	53.5	68.1	92.4	101.1	247.4
Proportion to Provincial Expenditure	5.4%	7.4%	8.2%	8.4%	19.7%
District/Municipality					
Health Expenditure (Billion IDR)	398.1	427.5	414.3	372.3	436.4
Proportion to district/municipality Expenditure	9.3%	8.9%	8.4%	7.3%	7.9%
Deconcentration/TP					
Health Expenditure (Billion IDR)	75.7	58.4	38.7	10.9	10.4
Proportion to Deconcentration/TP Expenditure	12.2%	8.9%	3.9%	1.8%	1.2%

Source: Processed based on data from Southeast Sulawesi PEA Database, Haluoleo University, 2011.

Capital spending in provincial health sector experienced a significant increase in 2011. Along with the increase in health spending, the provincial government has succeeded in reducing the proportion of salary expenditure from 57.7 percent in 2007 to only 19.8 percent (2011). The significant drop of salary expenditure proportion in 2011 is due to the significant increase in capital expenditure. The high allocation for health capital spending is due to the building of a new Regional General Hospital (RSUD). Meanwhile, the proportion of salary expenditure for health sector at district/municipality level keeps increasing from year to year. The high allocation for salary expenditure in health sector at district/municipality level is because employees are at the forefront of health services in the area.

Figure 5.2. At provincial level, significant increase occurred in capital component, while at district/municipal level the increase occurred in salary spending

Source: Processed based on data from Southeast Sulawesi PEA Database, Haluoleo University, 2011.

Until 2010, direct spending by the health sector at provincial government level was still dominated by routine expenditures, but in 2011, significant changes occurred in the structure of direct spending. Until 2010, an average of more than 40 percent of provincial level health direct spending was focused on administration and apparatus expenditures, followed by spending on programs for procurement and improvement in facilities and infrastructure of general and specialty hospitals (mental hospitals, lungs, etc), as well as for maintenance. In the year 2011, almost all direct expenditure (98 percent), was allocated to the hospital procurement program. Hospital expenditure in 2011 increased the provincial health expenditure more than two fold.

The province has also created health insurance programs for the community but these have not been consistent. Health insurance program expenditure was highest in 2009, with total expenditure IDR 6.3 billion or 4.6 percent of direct spending. The insurance program was budgeted for in 2010, but this was allocated only half of the amount given in 2009. In 2011, this program was not budgeted at all since the majority of the direct health expenditure was used for hospital procurement.

Figure 5.3. Provincial health sector direct expenditure for hospital procurement spending, 2011



Source: Processed based on data from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

Direct Health Expenditure at district/municipality level had a tendency to decline with most of the expenditure allocated to administration/apparatus linked programs. The expenditure for programs linked to administration and apparatus at district/municipality level increased proportionally to 30 percent in 2011. The decrease of direct expenditure had an unfavorable impact on the composition of the health sector program. It had more effect on reducing programs that directly affect the community than programs linked to administration and apparatus. Meanwhile, the second biggest allocations for direct health expenditure were the procurement and the improvement of facilities and infrastructure of public health centers followed by public health effort programs. Several programs such as community nutrition improvement and public health promotion were allocated for at district/municipality level, but they have yet to have any significant impact.

Figure 5.4. The second biggest direct health spending for public health centers in districts/ municipalities

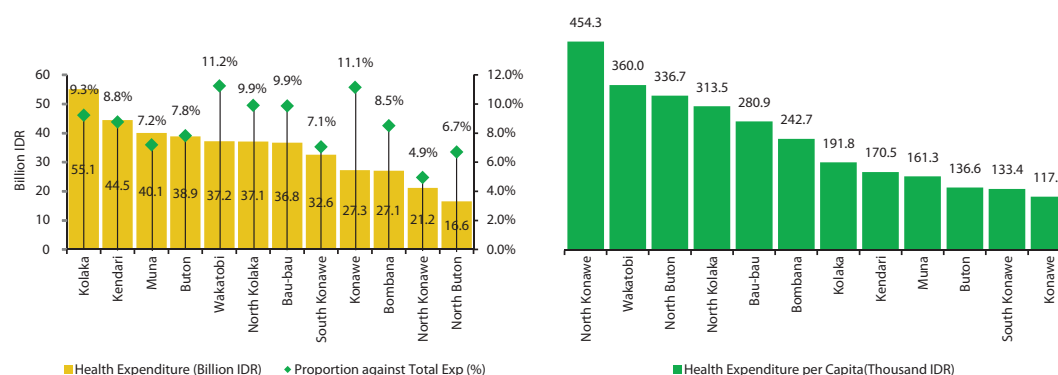


Source: Processed based on the data from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

Based on the realization of expenditure in 2009, Wakatobi had the highest proportion of health expenditure against total expenditure (11 percent), and North Konawe had the lowest (5 percent). In figures, Kolaka had the highest amount of health expenditure, but in terms of percentage against total expenditure, the region only ranked fifth. In 2009, only two districts/municipalities had a percentage of health expenditure above 10 percent against total APBD, namely Wakatobi and Konawe. When calculated on population numbers (as a proxy of health expenditure need), North Konawe had the highest health

expenditure per capita in Southeast Sulawesi, in IDR 454,000, followed by Wakatobi District with IDR 360,000. The large amount of expenditure per capita in North Konawe was mainly due to the small population, while in Wakatobi, the large amount of expenditure per capita was contributed to by relatively high expenditure.

Figure 5.5. Bau-Bau City had the highest health expenditure proportion in Southeast Sulawesi, 2009



Source: Processed based on the data from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

5.1.2. Health Services

Health Facilities

The number and accessibility of health facilities in Southeast Sulawesi increased, except for Village Maternity Centers. The number of health facilities in Southeast Sulawesi has continued to increase, which was evident by increase in the ratio of 1 hospital per 100,000 people (2006) to 1.6 (2010); the ratio of hospital beds has also risen, from 4.3 per 10,000 people (2006) to 7.8 (2010); the ratio of Public Health Centers has increased from 8.4 per 100,000 people (2006) to 10.8 (2010); and the ratio of Public Health Sub-Centers has increased from 27 per 100,000 people (2006) to 29 (2010). Aside from that, the accessibility of health services has also improved. The ratio of Public Health Centers has increased from 4.4 per 1000 km² (2006) to 6.3 (2010); and the number of villages served by a single Public Health Sub-Center has declined from 4.1 villages (2006) to only 3.4 villages (2010). The improvement of various ratio revealed that the growth of health facilities was higher than the increase in population or the number of villages served. Nevertheless, until 2009, the availability of Public Health Sub-Centers declined, from 1 Sub-Center serving 4 villages (2006) to serving 11 villages (2009). This was due to the increase in the number of Sub-Center's being less than the increase in the number of villages, due to an expansion during this period. Since 2010, the number of Public Health Sub-Centers has grown significantly and the ratio of villages per Sub-Center has declined, although it has not yet reached the ratio of 2004.

Table 5.2. Availability and accessibility of health facilities in Southeast Sulawesi has improved except for village maternity centers

Year	Availability				Accessibility		
	Hospital Ratio per 100,000 Population	Hospital Bed Ratio per 10,000 people	Public Health Center Ratio per 100,000 people	Auxiliary Health Center Ratio per 100,000 people	Public Health Center Ratio per 1,000 km ²	Village Ratio per Auxiliary Health Center Ratio	Village Ratio per Village Maternity Center
2006	1.0	4.3	8.4	27.1	4.4	4.1	4.1
2007	1.1	5.1	8.5	25.2	4.5	3.7	6.5
2008	1.3	5.6	10	26.7	5.4	3.5	8.2
2009	1.3	6.7	10.5	27.8	5.8	3.4	11.2
2010	1.6	7.8	10.8	29.0	6.3	3.4	8.1

Source: Processed based on the data from Sulawesi Tenggara Dalam Angka for various years, 2011.

Although it was improving at provincial level, the gap between the availability and the accessibility of health facilities among the districts/municipalities can still be seen in Southeast Sulawesi. In 2010, the highest ratio of hospitals per 100,000 population was located in Kendari City, however, 2 districts formed from an expansion in 2007 (North Buton and North Konawe) did not have a single hospital in the region. Although a few regions already had at least 1 hospital, not all had an adequate number of hospital beds. In Kendari City for every 100,000 people, there are more than 16 beds available, while in Bombana, there are only 2. North Konawe had the highest ratio of Public Health Centers in Southeast Sulawesi, but the accessibility was still poor. The number of Public Health Centers per 1000 km² in North Konawe was only two units, while in Wakatobi, the number was more than 44. It was the same findings with the Public Health Sub-Centers.

Table 5.3. Konawe District had the highest health facility ratio in Southeast Sulawesi in 2010

Year	Availability				Acessibility		
	Hospital Ratio per 100,000 Population	Hospital Bed Ratio per 10,000 people	Public Health Center Ratio per 100,000 people	Auxiliary Health Center Ratio per 100,000 people	Public Health Center Ratio per 1,000 km ²	Village Ratio per Auxiliary Health Center Ratio	Village Ratio per Village Maternity Center
2006	1.00	4.3	8.4	27.1	4.4	4.1	4.1
2007	1.1	5.1	8.5	25.2	4.5	3.7	6.5
2008	1.3	5.6	10	26.7	5.4	3.5	8.2
2009	1.3	6.7	10.5	27.8	5.8	3.4	11.2
2010	1.6	7.8	10.8	29.0	6.3	3.4	8.1

Source: Processed based on data from Sulawesi Tenggara Dalam Angka 2011, 2011.

Health Workers

The number of health workers and the ratio of health workers per total population increased in all levels of competency. To achieve quality public health in Southeast Sulawesi, the Government continues to make efforts to improve the availability and sufficiency of health worker numbers across various competencies. The number of health workers in Southeast Sulawesi has been steadily increasing both in terms of the numbers and ratio per 100,000 population. This shows that the increasing number of health workers can meet the population growth.

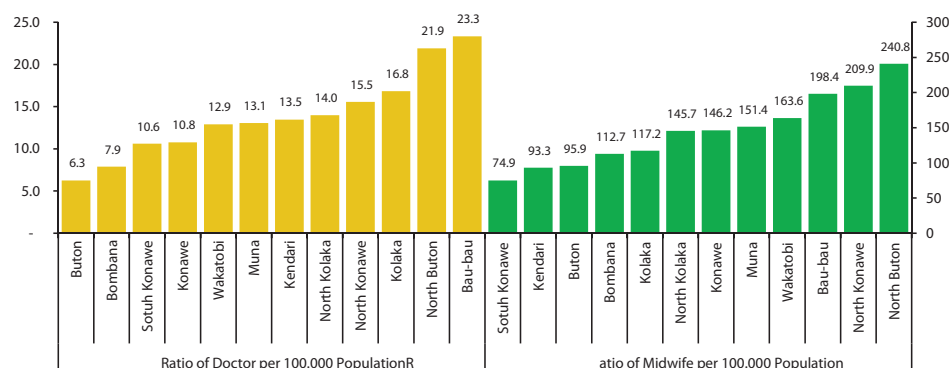
Table 5.4. The number of health workers continues to rise

Health Workers	Number of Health Workers		T Ratio. Health per 100,000 people	
	2007	2010	2007	2010
Specialists	47	60	2.3	2.7
General Practitioners	202	352	9.9	15.8
Dentists	47	85	2.3	3.8
Nurses	2,131	3,153	104.9	141.4
Midwives	662	1,500	32.6	67.2
Pharmacists	55	137	2.7	6.1
Pharmacist Assistants	102	217	5.0	9.7
Community Health Experts	410	994	20.2	44.6
Sanitarians	323	489	15.9	21.9
Nutritionists	385	576	19.0	25.8
Physical Therapists	22	40	1.1	1.8
Medical Technicians	185	88	9.1	3.9
Number of Health Workers	4,971	7,541	244.7	338.1

Source: Processed based on data from Sulawesi Tenggara Dalam Angka for various years, 2011.

Similarly, with health facilities, the disparity between districts/municipalities is still quite high in terms of health personnel availability. In 2010, the highest ratio of doctors per 100,000 inhabitants was found in Bau-bau City with more than 23 doctors per 100 thousand inhabitants, whereas the lowest ratio was in Buton City with only 6.3 doctors per 100,000 inhabitants. The same was the case with the ratio of midwives, where North Buton had more than 240 midwives per 100,000 inhabitants, whereas South Konawe had only 74 midwives. Aside from this, there was the phenomenon of uneven distribution of specialists and dentists. In 2010, the cities of Bau-Bau and Kolaka had 7 specialists, while 6 other areas had none. The city of Kendari had 19 dentists, while none were available in Wakatobi.

Figure 5.6. Bau-Bau City had the highest ratio of doctors per 100,000 citizens, while North Buton District had the highest ratio of midwives per 100,000 citizens in 2010

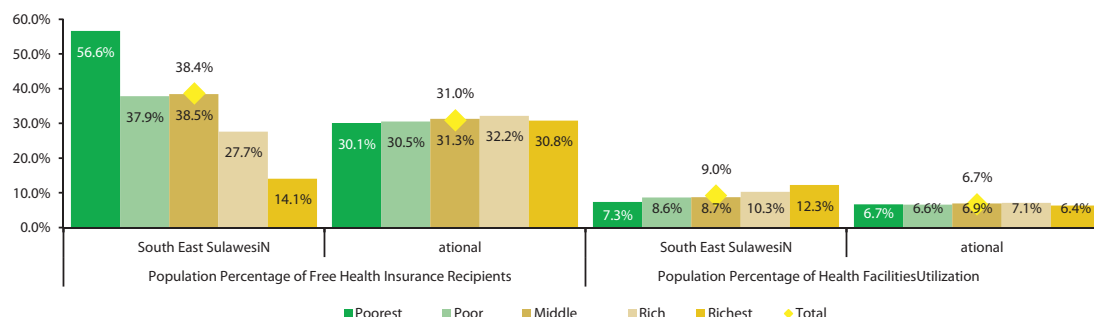


Source: Processed based on data from Sulawesi Tenggara Dalam Angka, 2011.

5.1.3. Free Health Insurance and the Use of Health Facilities

Free health insurance coverage in Southeast Sulawesi is relatively well while the level of health facilities utilization rate is relatively low. In 2010, Southeast Sulawesi is the 5th highest nationally and the highest in Sulawesi in term of free health insurance coverage. It covers 38 percent of the population and 57 percent of the poor population, well above national coverage at 37 percent. Even though availability and access has improved, free health insurance has relatively well coverage, only 9 percent of the population actually utilize these facilities. That number is still higher than national's, but still low if compared with the morbidity rate which is in the top ten in the country. Women free health services coverage is a bit higher compare men's (39 vs 38 percent), and has higher utilization rate (10 vs 8 percent).

Figure 5.7. Free health insurance coverage was quite high but utilization of the facilities was still low



Source: Processed based on data from Susenas 2010, 2011.

Bau-Bau City has become the best region in terms of free health insurance coverage for the poorest group. In 2009, almost 95 percent out of 20 percent of the poorest population in Bau-Bau City had free health insurance, and the city also had the lowest Morbidity Rate for the poorest population. Meanwhile,

out of the poorest 20 percent of the population, Wakatobi was the region with the biggest free health insurance coverage with the second lowest Morbidity Rate. When viewed from the level of health facility usage, most areas were still under 10 percent except in urban areas (Kendari and Bau-Bau), Muna, and also North Konawe. Kendari City was the area with the highest Morbidity Rate for both the poorest and poor population groups.

Table 5.5. Bau-Bau City had the highest free health insurance coverage for the poorest population

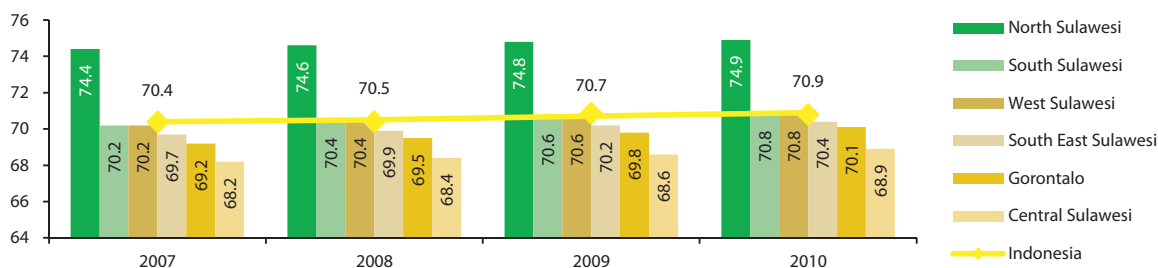
	Poorest			Poor		
	Poorest Population Morbidity Rate	Free Health Insurance Recipients	Use of Health Facilities	Poor Population Morbidity Rate	Free Health Insurance Recipients	Use of Health Facilities
Buton	36.8%	67.7%	8.2%	37.7%	39.9%	13.1%
Muna	37.2%	35.9%	12.5%	28.9%	31.0%	8.2%
Konawe	41.7%	75.7%	7.6%	43.5%	54.3%	14.5%
Kolaka	32.5%	21.8%	5.9%	28.4%	29.5%	6.5%
South Konawe	24.5%	54.7%	5.8%	33.4%	35.4%	4.6%
Bombana	37.5%	23.1%	1.3%	22.2%	16.4%	1.3%
Wakatobi	17.4%	80.4%	2.0%	24.8%	89.6%	4.2%
North Kolaka	31.3%	8.9%	3.7%	36.6%	15.8%	9.2%
North Buton	26.1%	75.7%	6.3%	24.5%	70.7%	5.8%
North Konawe	44.3%	56.2%	5.3%	55.5%	56.3%	14.8%
City of Kendari	48.9%	80.7%	16.6%	56.3%	20.2%	11.7%
Bau-Bau City	24.3%	94.4%	10.0%	36.6%	55.0%	16.9%

Source: Processed based on data from Susenas 2009, 2011.

5.1.4. The Result of Health Sector Development

The Life Expectancy Rate in Southeast Sulawesi continues to increase, though it is still far below the national life expectancy rate, and lower than in other established provinces in Sulawesi. The rate is one of the Human Development Index (HDI) indicators linked to health development. In the past 4 years, the rate in Southeast Sulawesi has continuously increased, but it has not changed its rank of 22nd nationally. Generally, the increase in the rate in Southeast Sulawesi was relatively high with an average of 23 percent annually. This increase was the same as the increase of the life expectancy rate average in West Sulawesi and higher than the increase of the rate average in other more established provinces on the island, with an average of 17 to 20 percent annually, but lower than in Gorontalo with a 30 percent annual increase. Generally, the male life expectancy rate in Southeast Sulawesi was lower than the female: 65.5 years for males, and 69.4 years for females in 2010.

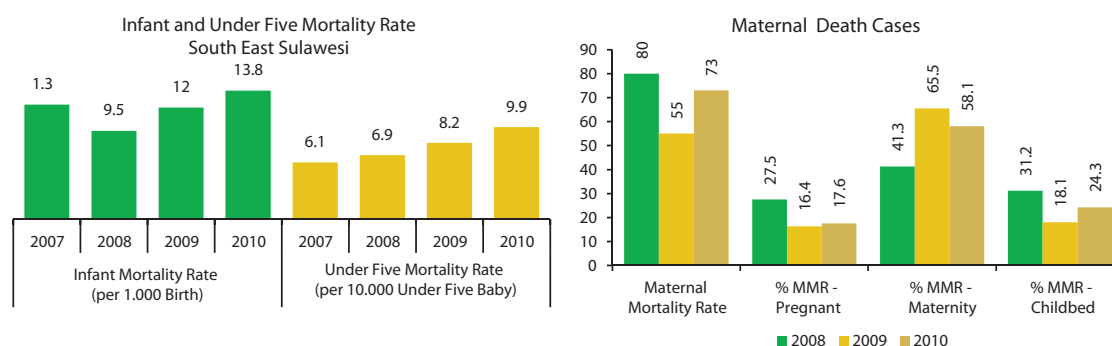
Figure 5.8. The Life Expectancy Rate in Southeast Sulawesi was still below the National's and the rates from other established provinces in Sulawesi



Source: Processed based on data from Central Bureau of statistics, 2011.

The Infant Mortality Rate (IMR), the Under-Fives Mortality Rate, and the maternal mortality (MMR) cases increased in 2010. In Southeast Sulawesi the IMR decreased significantly in 2008, but since then it has been increasing consistently to up to 14 infants per 1,000 live births. Similar to the IMR, the under-fives mortality rate has also been increasing consistently throughout the years to 10 cases per 10,000 toddlers. The number of maternal mortality decreased in 2009, but increased in 2010. The most popular causes of maternal mortality in 2008-2010 were labor complications, post-natal bleeding and death during pregnancy. Even though maternal mortality cases increased, the MMR in 2010 was lower than in 2007 (which was 161 vs. 191 per 100,000 live births)²¹.

Figure: 5.9. Development performance of mother and child health was less than satisfactory in 2010



Source: Processed based on data from the Southeast Sulawesi Health Profile, 2007-2010, 2011.

Buton was the area with the highest IMR, while Kolaka had the highest under-five mortality rate. Aside from being the highest, the IMR in Buton also increased from 17.5 per 1,000 live births (2007) to 27.7 (2010). Buton not only had the highest ratio of IMR, in terms of the number of cases, but also had the highest contribution to the IMR with 27.8 percent of total infant mortality in Southeast Sulawesi. Meanwhile, the highest under-five mortality rate in 2007 was found in Muna, and in 2010, in the district of Kolaka. In 2007, there were no infant mortality cases in North Kolaka, but in 2010, the under-five mortality rate reached 19.2 per 10,000 infants. There was no data available from North Konawe and North Buton in 2007 since these districts were newly formed. There was no consistent link between infant mortality with the number of health facilities, doctors, midwives, and the number of health expenditure per capita.

²¹ The IMR, Under-Five Mortality Rate, and MMR data used in this research was based on cases reported by the health facilities. This data was estimated to be lower than in reality since this was based on the data reported and not on the full details of what took place at the health facilities.

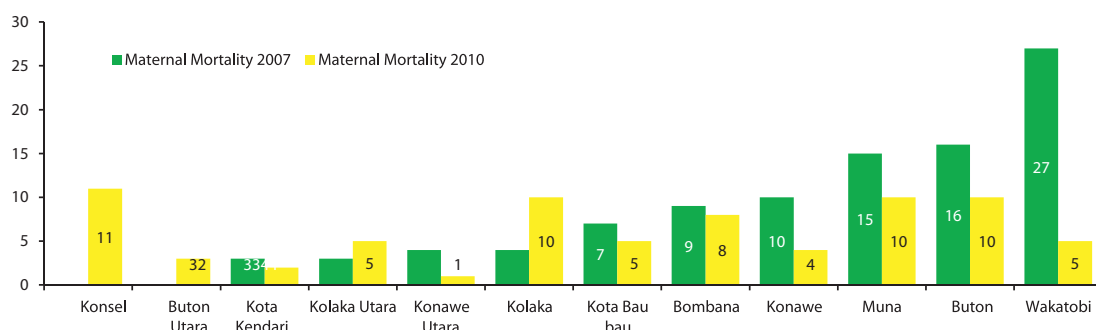
Table 5.6. The Growth of MMR and IMR varied among the districts/municipalities in Southeast Sulawesi

	Infant Mortality					Under-Five Mortality				
	IMR per 1,000 Live Births		Status	Number of Cases	Case Distribution	Under-Five Mortality Rate per 10,000 Under-Fives Children		Status	Number of Cases	Case Distribution
	2007	2010				2007	2010			
Buton	17.5	27.7	Up	163	27.8%	15.1	14.2	Turun	44	17.6%
Muna	12.5	11.5	Down	56	9.5%	98.0	6.8	Turun	18	7.2%
Konawe	4.6	66.7	Up	29	4.9%	0.0	8.8	Naik	29	11.6%
Kolaka	9.9	6.3	Down	43	7.3%	0.0	62.0	Naik	20	8.0%
South Konawe	21.9	14.0	Down	68	11.6%	45.4	24.5	Turun	78	31.2%
Bombana	12.4	29.8	Up	75	12.8%	13.8	6.5	Turun	10	4.0%
Wakatobi	0.0	21.6	Up	40	6.8%	9.7	9.9	Naik	10	4.0%
North Kolaka	11.4	1.3	Down	3	0.5%	0.0	19.2	Naik	3	1.2%
North Buton	N/A	19.5	N/A	23	3.9%	N/A	36.3	N/A	23	9.2%
North Konawe	N/A	27.5	N/A	26	4.4%	N/A	3.3	N/A	2	0.8%
City of Kendari	3.8	3.4	Down	19	3.2%	0.0	0.7	Turun	2	0.8%
Bau-Bau City	3.8	14.0	Up	42	7.2%	17.4	6.3	Turun	11	4.4%

Source: Processed based on data from the Southeast Sulawesi Health Profile, 2007-2010, 2011.

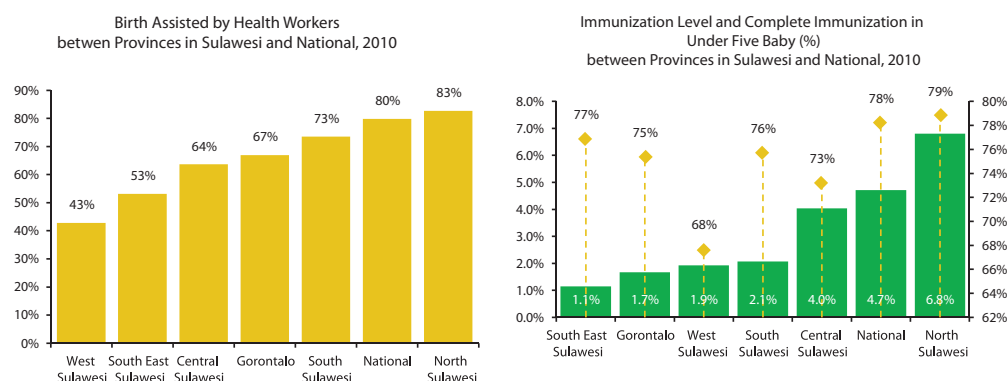
In 2010, throughout the all the districts/municipalities, except the districts of North Kolaka and Kolaka, there was a decrease in the Maternal Mortality Rate compared to 2007. In 2007, the highest Maternal Mortality Rate was in Wakatobi, and the lowest was in Kendari city. However, in 2010, there was a significant decrease in maternal mortality cases in Wakatobi from 27 to 5 cases. Meanwhile, North Kolaka and Kolaka experienced an increase in maternal mortality cases. With this decrease, areas with the most number of maternal mortality cases in 2010 were identified as Buton, Muna and North Kolaka. The number of maternal mortality cases has a close link to the ratio of doctors assisted by health workers per 100,000 inhabitants. However, there was no consistent link between the number of maternal mortality cases and the availability of health facilities.

Figure 5.10. Maternal Mortality cases in all districts/municipalities except North Kolaka and Kolaka



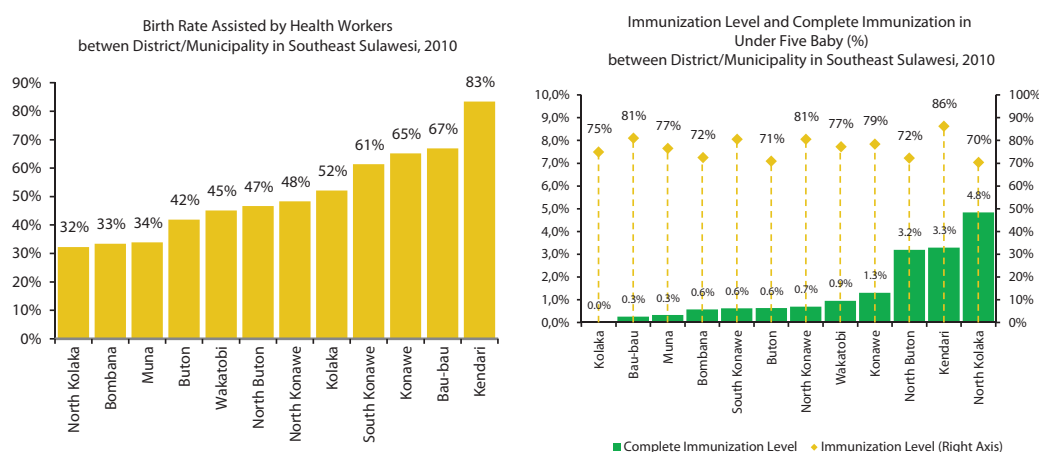
Source: Processed based on data from the Southeast Sulawesi Health Profile, 2007-2010, 2011.

Southeast Sulawesi is one of the provinces with the lowest health worker assisted labor and complete immunization coverage. Professional medical assisted labor staff levels in Southeast Sulawesi were the second lowest in Indonesia after West Sulawesi. Nationally, the coverage of health worker assisted labor in Indonesia has reached 80 percent, but in Southeast Sulawesi, it has only reached 53 percent. Although immunization coverage in the region (77 percent) was approaching the national level (78 percent), complete immunization coverage for Southeast Sulawesi was still the lowest compared to other provinces on the island. With this situation, it is not surprising that the Mortality Rate for Mother and Infants in Southeast Sulawesi was considered the highest.

Figure 5.11. The number of birth attended by health worker in Southeast Sulawesi is still low, 2010

Source: Processed based on data from Susenas 2009, 2011.

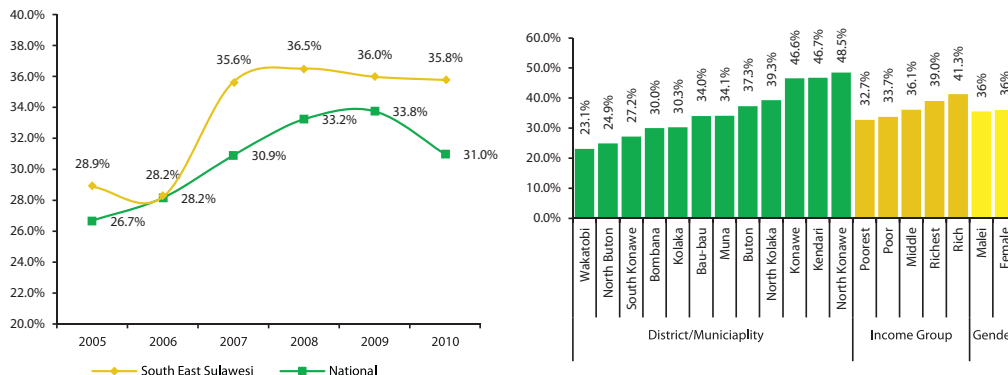
The coverage for immunization was relatively even among the districts/municipalities, but the gap between the coverage of professional health worker assisted labor was still wide. The coverage for the first and last birth delivery which was assisted by health workers was highest in 2009 in Kendari City with 75 percent, while in Buton and Bombana it was only 14 percent. Generally, urban areas had a much higher rate of health worker assisted labor compared to the districts. Meanwhile, the coverage of immunization in all district/municipalities in Southeast Sulawesi was fairly positive, at over 70 percent.

Figure 5.12. The Gap in the Number of Health Worker Assisted Labor among the Regions was high, 2010

Source: Processed based on data from Susenas 2009, 2011.

In the 2005-2008 period, the Morbidity Rate in Southeast Sulawesi increased rapidly, and then slightly declined in 2009. The Morbidity Rate was one of the important Indicators for health development. The Morbidity Rate in Southeast Sulawesi increased from 28.9 percent of the total number of population (2005) to 36 percent (2009). Looking at the situation in 2009, areas in Southeast Sulawesi with the highest Morbidity Rate were North Konawe, Kendari City, and Konawe, with above 45 percent Morbidity Rate of the total population. But if looked at from the income groups, the richest group had the highest prevalence. The Population Morbidity Rate for men and women was the same at 36 percent. Although the Morbidity Rate was high, the community awareness for using health facilities was still low (only 9 percent, see Figure 5.7). Aside from that, public access to adequate sanitation and clean water was also still low, especially in the poorest and poor household groups (refer to the Infrastructure Sector Chapter, Housing Section).

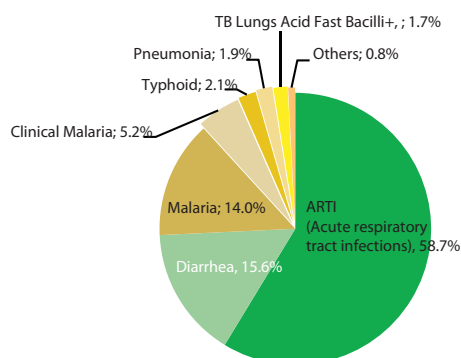
Figure 5.13. Compared to 2005, the Morbidity Rate in Southeast Sulawesi in 2010 worsened



Source: Processed based on data from the Central Bureau of Statistics and Susenas 2010, 2011.

Acute Respiratory Infection Disorders, Diarrhea and Malaria are types of common diseases amongst the population. In 2010, more than half of the population suffered from these diseases and underwent treatments for Acute Respiratory Infection Disorders (ISPA) followed by Diarrhea. The population suffering from Malaria was slightly lower than with Diarrhea, but when combined with clinical Malaria, this disease ranked second after ISPA. This combination did not only occur in 2010, but also in previous years.

Figure 5.14. Acute Respiratory Infection Disorders, Diarrhea and Malaria are Three Types of Common Diseases among the Population, 2010



Source: Processed based on data from Sulawesi Tenggara Dalam Angka 2011, 2011.

5.1.5. Conclusion and Recommendation

Increased expenditure along with the efficiency and effectiveness of its usage. At the provincial level, health expenditure increased at an average of below 10 percent (in the 2007-2010 period) to almost 20 percent in 2011 due to the increased capital expenditure for the construction of a new provincial hospital. Meanwhile at district/municipality level, the proportion of health expenditure was still around 7-8 percent. Except in 2011, the composition of direct expenditure at the provincial level tended to be dominated by routine spending on administration and apparatus. At the district/municipality level, although the direct spending in real terms had declined, the proportion of routine expenditure did not decline along with it, and therefore the reduced health expenditure proportion for programs/activities had a direct impact on the community. To improve the structure of health expenditure, some steps need to be implemented and they are:

- (1) After the allocation for the hospital in 2011, the provincial health expenditure was estimated to decline again due to the reduction of capital expenditure needs. However, such decline was expected to be no less than 10 percent after deductions of personnel expenditure. This is due to the requirements of Health Law (see Law No. 36, Year 2009 Health Article 171 Item 2), and also because in the future, the Provincial Government will be burdened by the operational expenditure needs of new hospitals;
- (2) A number of districts/municipalities still need to improve their health expenditures, especially those who still allocated under 8 percent and whose health expenditure per capita was below average.
- (3) Improving the efficiency of health expenditure usage to gradually reduce the proportion of direct expenditure linked to administration and apparatus;
- (4) Start prioritizing the health expenditure on health promotion efforts for PHBS and the development of KIBLA, especially for regions with a good ratio of health facilities.

The Regional Government in Southeast Sulawesi needs to work harder to promote the Clean and Healthy Lifestyle and Behavior (PHBS) movement, and also the improvement of Mother and Child Health (KIBLA) program. The improvement of health performance achievements in Southeast Sulawesi shows the paradox between the improvement in health sector *output* (in the form of health care facilities) on the one hand, and the absence of improvements in health *outcomes* (Morbidity Rate, IMR, Under-Five Mortality Rate, and maternal mortality cases) on the other. The break in this link was mainly due to the poor awareness of the community about clean and healthy lifestyles; the awareness or the willingness from the community to utilize health facilities; and also the small number of programs linked to mother and child health. In reducing the Infant Mortality Rate (IMR), the Government needs to encourage an increase in full immunization coverage.

The Provincial Government needs to facilitate even distribution of health services among districts/municipalities. At the provincial level, various ratios of facilities and health workers had undergone improvement, but there was still a wide gap among the districts/municipalities. These following steps are expected to help speed up the equal distribution process: (i) supporting the construction of hospitals in the newly formed districts of North Buton and North Konawe; (ii) improving the coverage of hospital services in several districts such as Buton, Muna, and Wakatobi, where hospital beds per population ratio are still low; (iii) supporting the construction of Public Health Centers in several districts such as Kolaka and South Konawe where the ratio of Public Health Centers per 100,000 inhabitants ratio is still low, and also in North Buton, Konawe, and North Kolaka which are still facing accessibility issues; (iv) improving the availability of general practitioners, especially in the cities of Bau-Bau and North Buton, and also the availability of midwives especially in North Buton, North Konawe, and Bau-Bau; and (v) improving the equal distribution of specialists and dentists which are now still not available in most districts/municipalities.

5.2 Education Sector²²

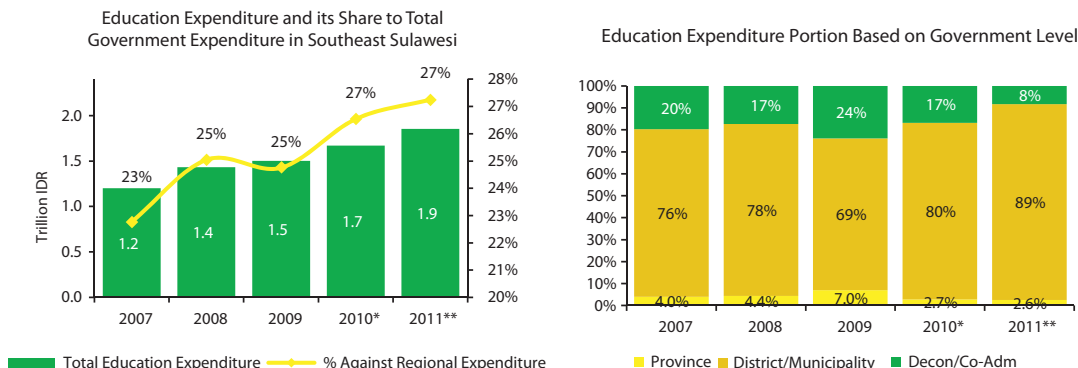
Education in the Southeast Sulawesi Province is directed towards efforts to enlarge the capacity of quality and relevant education units. The main point of this matter is to provide equal opportunity for people from various community groups with different social; economic; gender; residential; intellectual; and physical conditions and levels, to receive education specifically for primary and secondary education levels.

5.2.1. Education Expenditure

Education expenditure in Southeast Sulawesi has increased and the majority of this has come from the education expenditure of districts/municipalities. The education expenditure in Southeast Sulawesi increased in real terms (from IDR 1.2 trillion (2007) to IDR 1.9 trillion (2011)) and also proportionally against the total government expenditure in Southeast Sulawesi (from 23 percent (2007) to 27 percent (2011)). In 2011, almost 90 percent of education expenditure in Southeast Sulawesi came from the education expenditure of the districts/municipalities. The portion of the provincial education expenditure was seen to be declining since most provincial education expenditure was in the form of educational assistance and absorbed into the education expenditure for the districts/municipalities. The role of deconcentration/co-administration expenditure declined from 20 percent (2007) to only 8 percent (2011).

²² Education Sector in this research comprises of education, youth, and sports, and library concerns.

Figure 5.15. Education expenditure in Southeast Sulawesi increased



Source: Processed based on data from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

Note: From here onwards, data from years 2007 – 2009 has been realized; *) The data from 2010 is the Revised APBD data; **) The data from 2011 is the Unrevised APBD data. The fiscal data used is real Figures (2009=100).

The proportion of education expenditure against the total expenditure at provincial level and deconcentration/co-administration was smaller compared to the total at the district/municipality level. The proportion of the provincial education expenditure increased to 12 percent in 2009, but has declined again to 4 percent over the past couple of years. The decline of education expenditure in the past couple of years was mainly because most expenditure for education in the province was allocated through educational assistance expenditure (distribution through the finance bureau)²³. Most funds for educational assistance in this province were absorbed in the expenditure for district/municipality and this was thought to be the source of the significant increase in district/municipality education expenditure over the past couple of years. Meanwhile, the portion of education expenditure against the total deconcentration/co-administration expenditure declined significantly from 53 percent (2010) to only 19 percent (2011).

Table 5.7. Proportion of education expenditure in district/municipality had been above 20 percent since 2007

	2007	2008	2009	2010*	2011**
Province					
Education Expenditure (Billion IDR) ²⁴	58	75	134	53	51
Proportion to provincial expenditure	5.8%	8.2%	11.9%	4.4%	4.0%
District/Municipality					
Education Expenditure (Billion IDR)	1,115	1,347	1,334	1,561	1,754
Proportion to district/municipal expenditure	26.0%	28.1%	27.0%	30.7%	31.7%
Deconcentration/Co-Administration					
Education Expenditure (Billion IDR)	287.8	296.9	461.3	326.1	161.9
Proportion to Deconcentration/Co-administration expenditure	47%	45%	46%	53%	19%

Source: Processed based on data from PEA Database, University of Haluoleo, 2011.

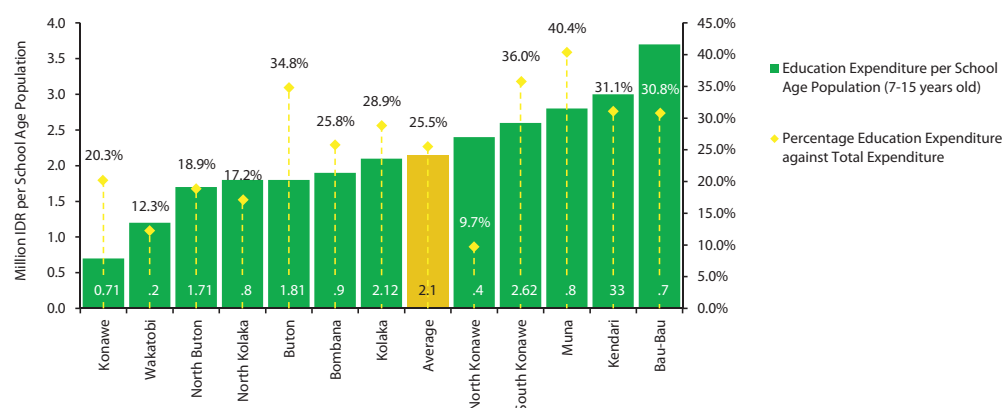
23 Up until the completion of this research, there was no official data on the total expenditure for the provincial “education assistance” that was disbursed through the regional secretariat (Finance Bureau) of the Provincial Government, except in 2010. Because of this data limitation, the analysis of education expenditure in this chapter was therefore merely based on the total education expenditure that was recorded as spendings on matters of education, libraries, and youth/sports by the Provincial Government. When calculated, it is estimated that the value of education assistance expenditure in 2010 was around IDR 68.3 billion or 5.2 percent of the total expenditure, and thus, the total education expenditure for the Provincial Government was estimated to reach 9.2 percent in that year.

24 At the completion of this research, there was no official data on the total expenditure for the provincial education assistance that was disbursed through the regional secretariat (Finance Bureau) and therefore, the analysis of education expenditure in this chapter was merely based on the total education expenditure that was recorded as spendings on matters of education, libraries, and youth/sports by the provincial government. When calculated, it is estimated that the value of education assistance expenditure in 2010 was around IDR 68.3 billion or 5.2 percent of the total expenditure, and thus, the total education expenditure by the Provincial Government was estimated to reach 9.2 percent in that year. However, this matter could not be verified as there was no official data on the aid amount.

Based on the realized expenditure data of 2009, 8 out of 12 districts/municipalities had allocated 20 percent of their education expenditure, while 4 districts still allocated less than 20 percent. This data also revealed that Muna was the district with the highest education expenditure both in terms of amount and proportion against total expenditure. Meanwhile, the district with the lowest education expenditure was Wakatobi, and the district with the lowest proportion of education expenditure was North Konawe (10 percent).

Although most districts/municipalities had allocated 20 percent for education, the education expenditure per number of school age population was still uneven. The school age population (7-15) is one of the *beneficiaries* of education development. The district/municipal governments have an obligation to ensure that this population group is able to gain access to adequate quality education. Nevertheless, while fulfilling this obligation, the gap amongst the regions was still wide. Based on 2009 data, Konawe was the region with the lowest education expenditure per school age population (IDR 706,000 per person), while the education expenditure per school age population in Bau-Bau City was 6 times higher compared to Konawe (IDR 3.7 million). 7 out of 12 districts/municipalities allocated below average education expenditure per school age population.

Figure 5.16. Education expenditure among districts/municipalities in Southeast Sulawesi was still varied in 2009

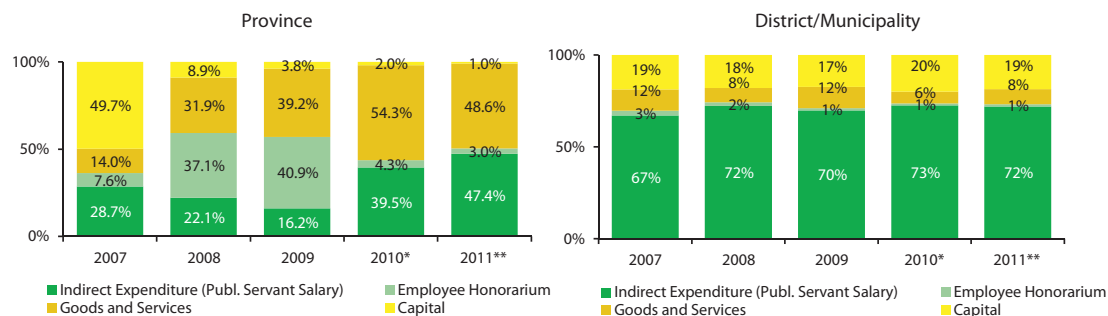


Source: Processed based on data from Southeast Sulawesi PEA Database, University of Haluoleo, and BPS, 2011.

The proportion of salary expenditure in the education sector for the Provincial Government of Southeast Sulawesi has increased in the past couple of years. After experiencing a decline to 16.2 percent in 2009, the proportion of expenditure for employee salaries in the education sector increased again in the last couple of years, reaching 47.4 percent in 2011. This increase was due to the decline of the provincial education expenditure that was channeled through the Education Office, while at the same time employee salaries consistently increased. The increased spending portion of salaries had an impact on the significant reduction of direct education expenditure of the province both in proportional and real terms. In the component of direct expenditure of the provincial education sector, the proportion of employee honorarium expenditure briefly increased in 2008 and 2009 due to the existence of expenditure for temporary teachers. As a result of the impact of the decline of direct expenditure, the capital expenditure of the education sector plummeted to only one percent, while the expenditure for goods and services still increased.

More than 70 percent of the district/municipality expenditure for education was spent on salary expenditure for personnel. The employee salary expenditure in the education sector increased to 72 percent. This increase was in line with the increase in education expenditure in the districts/municipalities. The large proportion of employee salary expenditure in the education sector for the districts/municipalities was due to the large component of teacher salaries. Although most education expenditure was exhausted by personnel expenditure, the proportion of capital expenditure in the district/municipality level was still relatively higher than the proportion in the province, which was 9 percent.

Figure 5.17. At the provincial level, the capital expenditure for education sector declined sharply

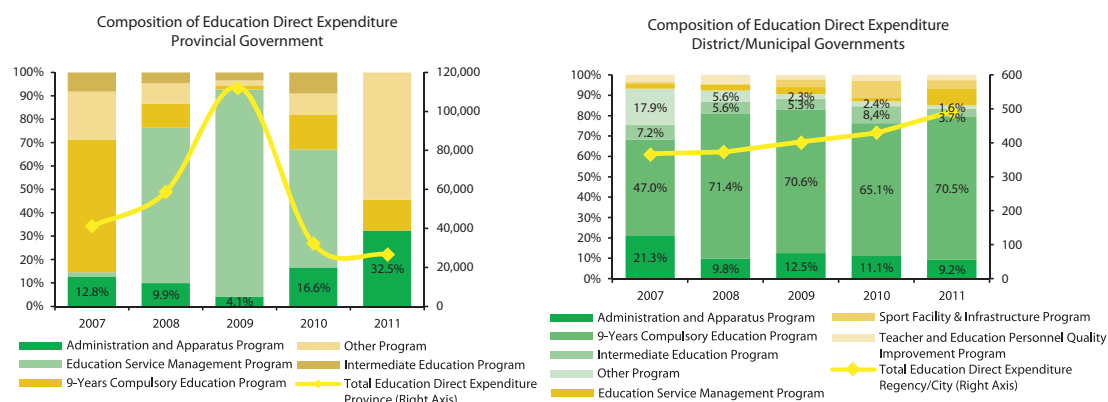


Source: Processed based on data from Southeast Sulawesi PEA Database, University of Haluoleo 2011.

The program spending portion linked to administration and apparatus (routine) of direct provincial expenditure has increased in the past couple of years, while a decrease was seen at the district/municipality level. Along with the reduction of provincial education expenditure in the last couple of years (2010-2011), the portion of direct provincial education expenditure also declined sharply and as a result the portion of expenditure for programs linked to administration and apparatus in the provincial education sector increased to 32 percent of direct expenditure in 2011. The portion increase of administration and apparatus expenditure caused the reduction of the direct education expenditure portion linked to the implementation of compulsory education matters. Different from the provincial level, the proportion of expenditure for programs linked to administration and apparatus in the education sector at the district/municipality level continued to decline to just 9 percent of direct expenditure in 2011.

The program priorities at provincial level shifted from year to year, while at the district level the program was consistently directed towards the 9 year compulsory education program. In 2007, more than 56 percent of direct expenditure for provincial education was allocated to the 9 year compulsory education program. Then in 2008-2010, the education service management program gained priority with the biggest allocation in 2009, which reached 90 percent of direct expenditure. In 2011, the priority was again given to 9 year compulsory education program expenditure with an allocation of 15 percent from direct expenditure. Until 2010, only a small amount of attention was given to secondary education by the Provincial Government while none was given in 2011. Meanwhile, direct expenditure for education at district/municipality level had a tendency to increase and most of this was used consistently for the 9 year compulsory education program which kept on increasing both proportionally and in real terms (from 47 percent (2007) to 70 percent (2011)).

Figure 5.18. Direct expenditure for education in district/municipality was mostly for the 9 Years Compulsory Education Program



Source: Processed based on data from Southeast Sulawesi PEA Database, University of Haluoleo, 2011.

5.2.2. Education Services

Ratio and Quality of Education Facilities

The number of schools and classes in Southeast Sulawesi was sufficient, but there was still a shortage of laboratories and libraries. The ratio of students per school and students per classroom in Southeast Sulawesi was relatively low compared to the national ratio. Even for vocational high school, the ratio of students per school and per classroom was the lowest in Sulawesi.²⁵ However, the availability of laboratories and libraries for high school levels (Junior and Secondary) was still minimum. In the 2009/2010 Academic Year, only 40 percent of junior high schools in Southeast Sulawesi had laboratories, while the national figure was already 60 percent. One senior high school in Southeast Sulawesi had one lab, but based on the national ratio, each senior high school should have 2 labs. Exception was given to vocational high schools where the labs/school ratio in Southeast Sulawesi was higher than the national ratio and the ratio of other provinces in Sulawesi.

Table 5.8. The number of schools and classrooms in Southeast Sulawesi was adequate, but more laboratories and libraries were needed, Academic Year 2009/2010

	Students-School Ratio				Student-Classroom Ratio				School-Laboratory Ratio			School-Library Ratio		
	Elementary School	Junior High School	Senior High School	Vocational High School	Elementary School	Junior High School	Senior High School	Vocational High School	Junior High School	Senior High School	Vocational High School	Junior High School	Senior High School	Vocational High School
North Sulawesi	117	187	251	327	19	31	29	39	0.4	1.4	1.4	0.4	0.6	0.7
Gorontalo	184	200	397	348	27	32	32	39	0.2	1.5	1.5	0.3	0.6	0.6
Central Sulawesi	135	200	319	271	22	32	34	39	0.2	0.9	1.1	0.1	0.4	0.4
South Sulawesi	168	285	366	336	25	36	34	39	0.3	1.9	1.5	0.2	0.7	0.7
West Sulawesi	146	217	324	241	23	36	35	39	0.4	1.3	1.4	0.5	0.5	0.4
Southeast Sulawesi	160	217	327	234	23	33	30	38	0.4	1.0	1.8	0.3	0.4	0.6
National	191	310	357	395	27	36	35	38	0.6	2.1	1.4	0.5	0.7	0.8

Source: Processed based on data from Education Statistics, the Ministry of National Education, Academic Year 2009/2010, 2011

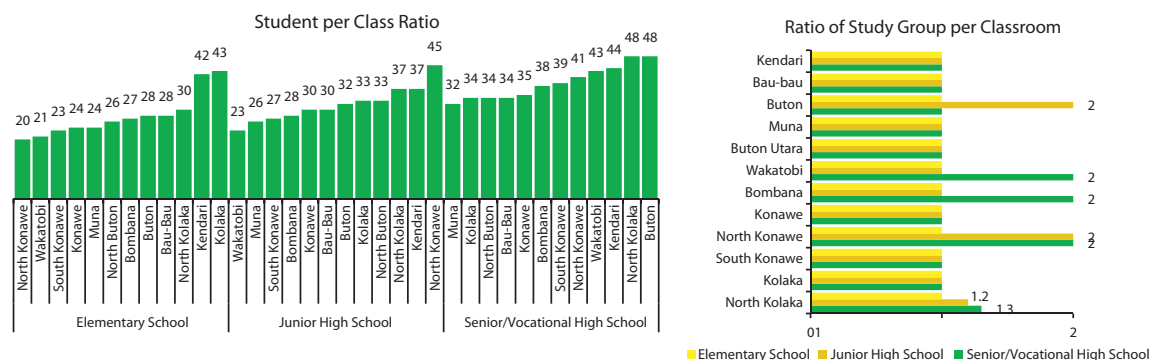
Note: ratio is based on joint numbers (public and private schools).

The gap in the number of students per class ratio among districts/municipalities in Southeast Sulawesi was still wide. Based on Academic Year 2009/2010 data, for students/classroom ratio, there was a wide gap at elementary school level with the best ratio belonging to North Konawe (20 students/classroom) and the worst ratio with Kolaka and Kendari City (42 to 43 students/classroom). Aside from that, in many districts, there were still many study groups at junior and senior high school levels which did not have their own classes, such as in Buton, North Konawe, and North Kolaka for junior high school level; and in Wakatobi, Bombana and Konawe North for senior high school level.²⁶

²⁵ The ratio of students/school and students/classroom are ratio indicators that provide information that the lower the ratio, the better, since a single school or class accommodates fewer students. However, with the ratio of labs/school and libraries/school, the reverse applies, where the lower the ratio is, the worse, as a ratio less than 1 reveals that not all schools have such facilities.

²⁶ The ideal ratio of study groups per class is 1. More than one study group per classroom ratio indicates that classrooms are fewer than the number of study groups and thus, a single classroom was used for more than one study group (double shift).

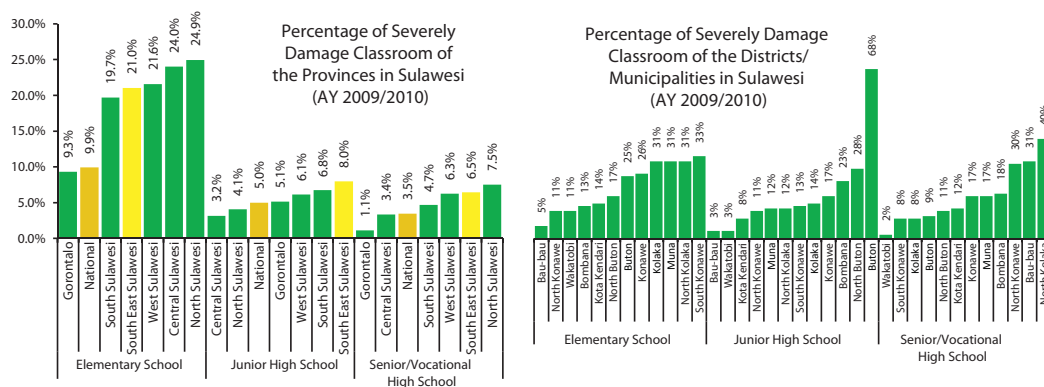
Figure 5.19. Disparity of classroom availability was still high among districts/municipalities, Academic Year 2009/2010



Source: Processed based on data from Education Statistics, Education Office of Southeast Sulawesi Provincial Government, 2011.
Note: the ratio was based on joint numbers (private and public schools).

Southeast Sulawesi had a considerably higher percentage of damaged classrooms. At elementary school level, though not the highest among the provinces in Sulawesi, the percentage of severely damaged classrooms in Southeast Sulawesi was still above 20 percent, far higher than the national percentage which was only 9.9 percent. At junior high school level, though it was not more than 10 percent, the percentage of severely damaged classrooms in Southeast Sulawesi was the highest amongst the provinces in Sulawesi. The same results were found at senior high school/vocational high school level, even though these were slightly lower than North Sulawesi. When observed at district/ municipality level, the percentage of severely damaged classrooms was the highest in South Konawe for elementary school (33 percent); in Buton (68 percent) for junior high school; and in Wakatobi (40 percent) for senior high school/vocational high school.

Figure 5.20. Southeast Sulawesi had a considerably higher percentage of damaged classroom



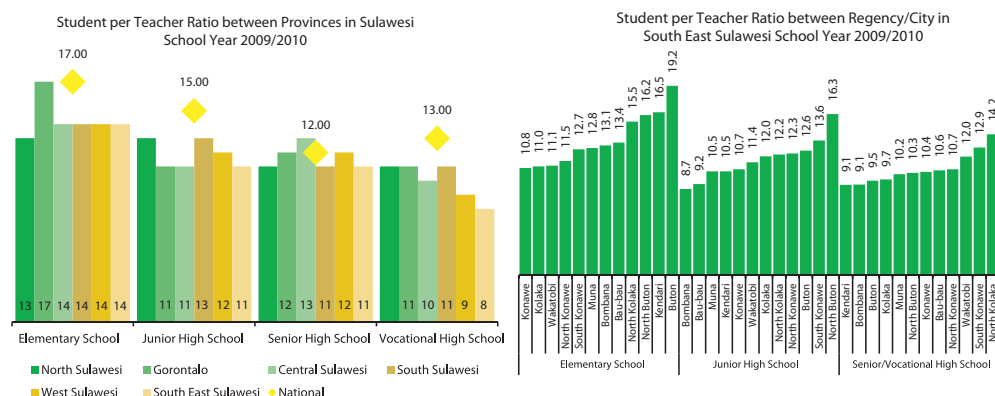
Source: Processed based on data from Education Statistics, Ministry of National Education and Education Office of Southeast Sulawesi Provincial Government, 2011.
Note: The data was solely based on the numbers from public schools; the source of data for the provinces was from the Ministry of National Education; and the source of data for the districts/municipalities was from the Education Office of Southeast Sulawesi.

Ratio and Teacher Quality

The Number of Teachers was adequate but the distribution was uneven. In the 2009/2010 Academic Year, based on the data from the Ministry of National Education, the ratio of students per teacher in Southeast Sulawesi was lower than the national ratio. Even at junior high school, senior high school and vocational high school level, the ratio of students per teacher in Southeast Sulawesi was the lowest out of the other provinces in Sulawesi Island. The low ratio revealed that the availability of teachers was adequate since a

single teacher taught less students. Nevertheless, when observed at the district level, the gap was still wide. At elementary school level, one teacher in Konawe could teach less than 11 students, while in Buton, he/she could teach close to 20 students. The same results were found at junior high school and senior high school/vocational high school level. This gap showed an uneven distribution of teachers.

Figure 5.21. Student-teacher ratio in Southeast Sulawesi was adequate, but not evenly distributed, Academic Year 2009/2010

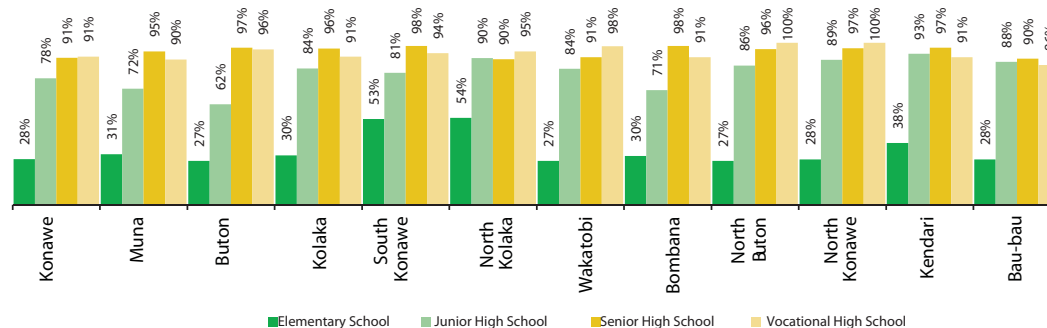


Source: Processed based on data from Education Statistics, Ministry of National Education and Education Office of Southeast Sulawesi Provincial Government, 2011.

Note: the ratio was based on joint numbers (private and public schools); the comparison among the provinces used data from the Ministry of National Education, for the 2009/2010 Academic Year; the comparison of ratios among the districts/municipalities used data from the Education Office of the Southeast Sulawesi Province, for the 2009/2010 Academic Year.

The percentage of teachers with undergraduate qualifications or higher at elementary school level was still low. In Buton, North Buton and Wakatobi, only 27 percent of elementary school teachers had undergraduate qualifications or higher, while the highest percentage was in North Kolaka with 54 percent. At junior high school level, the percentage of teachers with undergraduate and graduate qualifications was considerably high with a range of 70-90 percent, except in Buton District which was still at 62 percent. At senior high school level, the percentage was better, at more than 90 percent, and for vocational high schools even reached 100 percent.

Figure.5.22. Percentage of elementary school teachers with undergraduate qualification or higher was still low

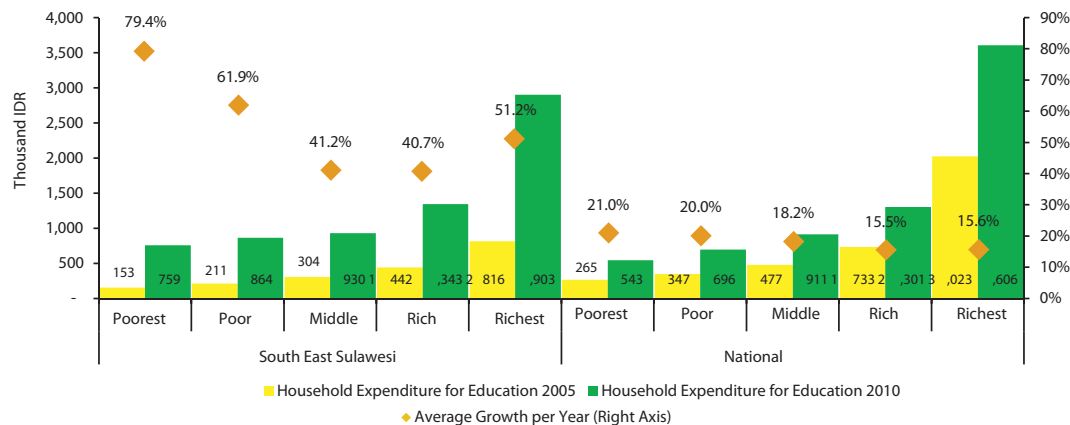


Source: Processed based on data from Education Statistics, Education Office of the Southeast Sulawesi Provincial Government, 2011.

5.2.3 Out of Pocket Education Expenditure²⁷

In 2010, the poorest households in Southeast Sulawesi paid more for education compared to the national average. In 2005, the poorest households in Southeast Sulawesi spent an average IDR 153,000 annually on education, which was lower than the national average IDR 265,000 annually. Even so, in 2010, the poorest households in Southeast Sulawesi spent more on education compared to the national average (IDR 759,000 vs. IDR 543,000). This occurred because the average annual growth for out of pocket education expenditure in the poorest group in Southeast Sulawesi was higher (7.4 percent) compared to the national level (21 percent).

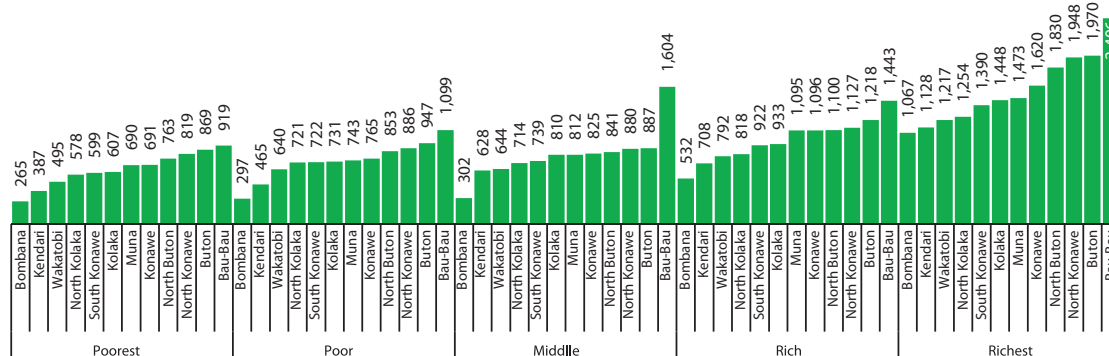
Figure 5.23. Highest increase in education spending occurred in the poorest households in Southeast Sulawesi, 2010



Source: Processed based on data from Susenas 2005, 2010.

Bombana was the district with the lowest average education expenditure, while Bau-Bau City was the region with the highest expenditure for education. For the poor household group, the average education expenditure in Bombana was only IDR 265 per year, while Bau-Bau City was four times higher. The gap between education expenditure occurred throughout the districts/municipalities, while income groups with the highest gap were in the middle household group.

Figure 5.24. The out of pocket education expenditure in Bau-Bau City was four times higher than Bombana, 2010



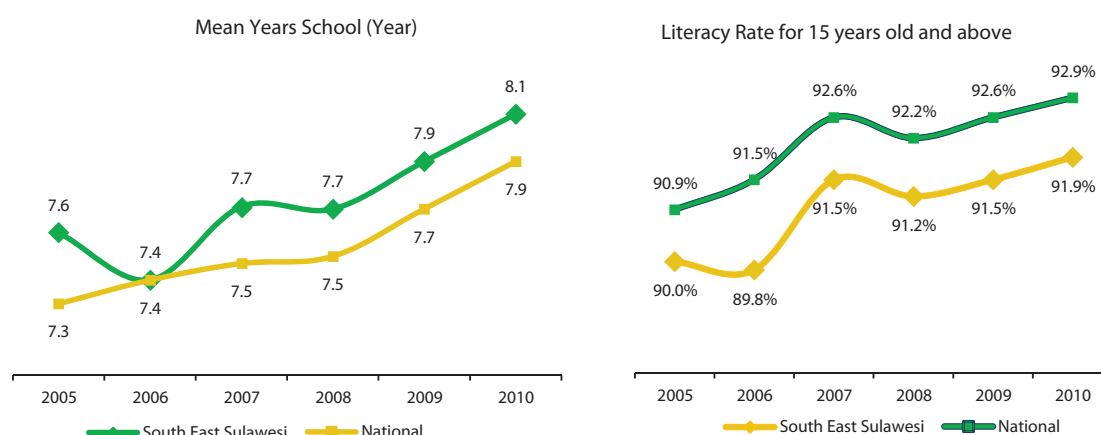
Source: Processed based on data from Susenas 2010.

²⁷ Out of pocket education expenditure is household expense linked to education needs such as schools, co-curriculum and extra curriculum options, location choices, educational institutes and academic time for children/dependents.

5.2.4. Education Sector Performance

The average mean school year in Southeast Sulawesi was relatively better than the national average, but the Literacy Rate was still below the national average. Aside from the national average, the development of the average mean school year in Southeast Sulawesi was in tune with the development in the national level. In 2010, the average mean school year in Southeast Sulawesi was 8.1 years, and ranked 16th, or second highest in Sulawesi Island after North Sulawesi. Meanwhile, for the Literacy Rate, Southeast Sulawesi Province was still 1 of the 10 provinces with the lowest Literacy Rate and ranked third lowest in Sulawesi Island after South Sulawesi and West Sulawesi.

Figure 5.25. The average school year in Southeast Sulawesi was relatively good, while literacy rate still need some improvement



Source: Processed based on data from Susenas 2005-2010, 2011.

The groups with the highest Literacy Rate in Southeast Sulawesi were the productive age group and male population. According to 2009 data, the lowest Literacy Rate was in Buton, and the highest was in Kendari City. Aside from the lowest Literacy Rate, Buton was also the region with the widest Literacy Rate gap between the male and female groups. Meanwhile, based on the age group, the lowest percentage Literacy Rate was for the 60 year age group (non productive age).

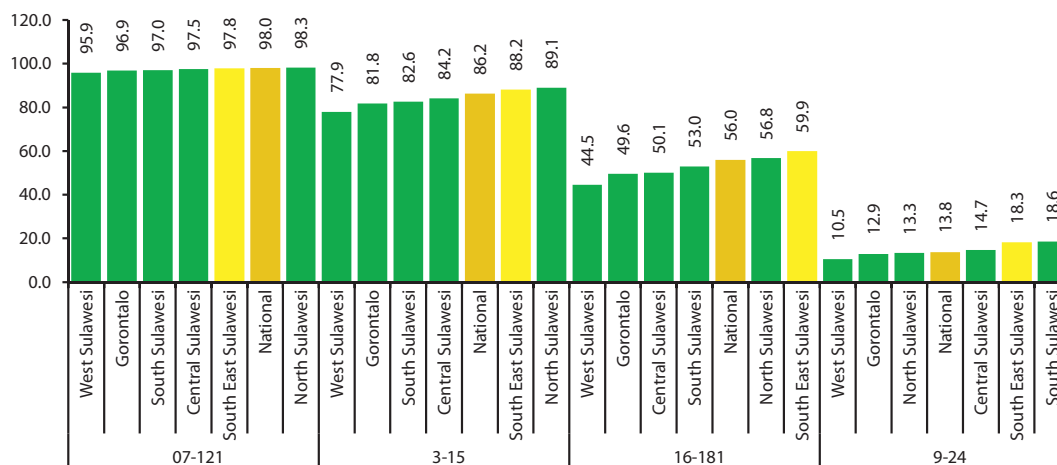
Table 5.9. Literacy rate in districts/municipalities in Southeast Sulawesi varied, 2009

	Total	By Age Group				By Gender	
		15-29	30-44	45-60	60 and above	Men	Women
City of Kendari	98%	99.9%	99.4%	94.1%	91.4%	99%	97%
Bau-Bau City	96%	99.8%	97.5%	93.4%	71.2%	98%	94%
North Konawe	93%	99.1%	95.8%	85.7%	61.7%	96%	89%
Konawe	93%	99.7%	96.2%	85.2%	61.9%	96%	89%
Kolaka	92%	99.5%	95.3%	83.3%	63.7%	95%	90%
South Konawe	92%	99.4%	95.5%	80.5%	67.5%	95%	88%
North Kolaka	92%	99.7%	95.6%	75.6%	71.3%	93%	90%
Bombana	91%	99.0%	95.1%	81.8%	56.3%	92%	90%
North Buton	91%	98.9%	96.9%	83.5%	50.1%	95%	87%
Wakatobi	89%	99.3%	96.7%	86.0%	57.7%	93%	85%
Muna	88%	99.1%	95.9%	78.3%	50.1%	94%	83%
Buton	84%	99.0%	93.4%	70.0%	44.4%	91%	78%
Province	91%	99.4%	96.1%	82.5%	60.6%	95%	88%

Source: Processed based on data from Susenas 2009.

The School Enrollment Rate in Southeast Sulawesi was considered high in almost all age groups. The School Enrollment Rate of the 7-12 year age group in Southeast Sulawesi was still just below the national average. Meanwhile, for the 13-15 and 19-24 age groups, the Southeast Sulawesi Province was better than the national average and ranked the second highest compared to other provinces in Sulawesi. For the 16-18 year age group, Southeast Sulawesi was the province with the highest school enrollment rate in Sulawesi. Even though the rate at provincial level was reasonably high, the rate among the districts/municipalities in Southeast Sulawesi still showed a wide gap (see the analysis on Net Enrollment Rate).

Figure 5.26. School enrollment rate for primary education in Southeast Sulawesi was considered high, 2010

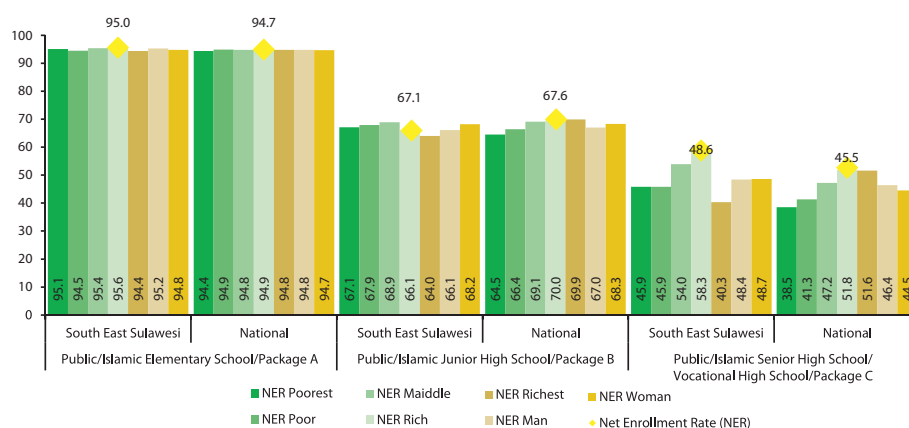


Source: Processed based on data from BPS, 2011.

The Net Enrollment Rate (NER) in Southeast Sulawesi was relatively better than the national elementary school and senior high school NERs and the equity and gender equality in education was also relatively good. At elementary school and senior high school level, the NER in Southeast Sulawesi was better than the national NER, but at junior high school level, it was slightly lower than the national average. The level of school enrollment among the income groups revealed the existence of an even distribution in education. Even at junior high school and senior high school levels, the poorest group had a higher NER than the richest group. In terms of gender equality, Southeast Sulawesi also scored better than the national average. At junior high school and senior high school, the NER for girls was higher than for the boys. From the RPJMD target achievement side, Southeast Sulawesi Province achieved the target for elementary school NER, set at a range of 95-100, but did not achieve the target for junior high school and senior high school NER which was consecutively set at a range of 95-100 for junior high school, and 65-75 for senior high school. Based on the data from the Education Office in Southeast Sulawesi, the provincial RPJMD target for the Gross Enrollment Rate (GER) at the junior high school and senior high school level had not been achieved (see Table 5.10 on NER/GER year 2009).

Although the NER at provincial level showed good performances, there was still a gap left among the districts/municipalities. In 2009, the NER at elementary school level was the lowest in Wakatobi (90.1) and the highest in Bau-Bau City (96.3). At junior high school level, the lowest NER was located in South Konawe and Bombana (59), whilst the highest was in Konawe (77.9). At senior high school level, the lowest was in North Konawe (31) and the highest in Kendari City (65.1). There was also a gap in ER. At elementary School level, the lowest was in North Konawe (95.8), whilst the highest was in Kendari City (121); for junior high school level, the lowest APK was in Bombana (92.1) and the highest was in Bau-Bau City (93.9); for the senior high school level, the lowest APK was in North Konawe, and the highest in Kendari City.

Figure 5.27. Southeast Sulawesi NER was higher than the national's except for junior high school, 2010



Source: Processed based on data from Susenas 2010.

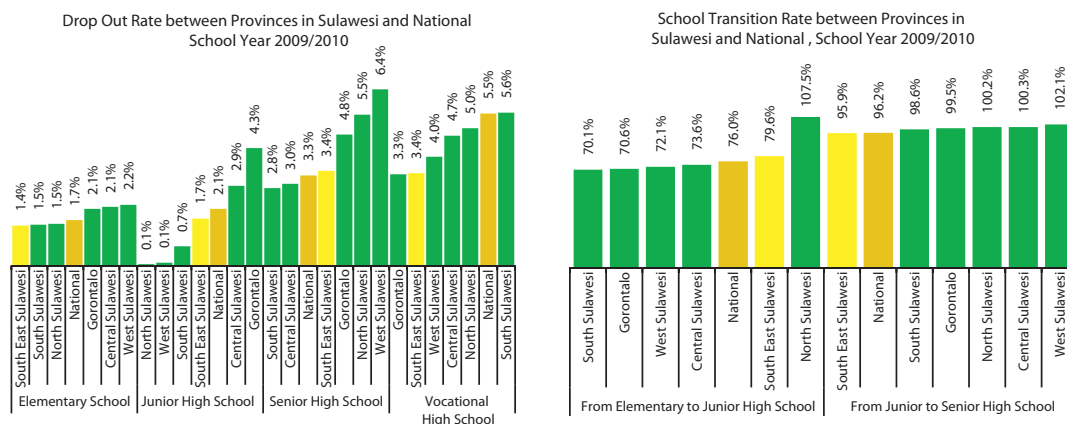
Table 5.10. The gap for NER among districts/municipalities was still high especially at junior high school and senior high school level, 2010

	Net Enrollment Rate (NER)			Gross Enrollment Rate (GER)		
	Elementary School	Junior High School	Senior High School/Vocational High School	Elementary School	Junior High School	Senior High School
City of Kendari	95.9	71.7	65.1	121.2	92.9	74.8
Bau-Bau City	96.3	75.3	55.0	111.6	93.9	72.7
Bombana	94.4	59.5	38.9	96.9	92.1	47.8
Buton	92.4	70.8	47.8	99.0	92.8	59.0
North Buton	90.4	69.6	35.9	97.9	92.8	39.3
Konawe	96.0	77.9	59.2	98.1	93.1	62.5
South Konawe	94.7	59.1	32.7	98.8	92.4	59.0
North Konawe	91.3	67.5	31.0	95.8	92.3	34.0
Kolaka	91.7	67.7	44.0	99.2	92.7	57.2
Muna	96.2	67.6	42.9	101.3	93.5	56.4
North Kolaka	91.0	70.8	34.7	98.1	92.1	43.8
Wakatobi	90.1	75.0	46.7	97.4	92.5	57.2
Province	93.8	69.4	46.9	101.3	92.8	58.6

Source: Processed based on data from the Education Office of the Southeast Sulawesi Provincial Government, 2011.

The School Drop Out Rate (DO) in Southeast Sulawesi was still high at senior high school level and the School Transition Rate from junior high school to senior high school/vocational high school was still low among the provinces in Sulawesi. The School Drop Out Rate at senior high school level in Southeast Sulawesi was still above national average. At elementary school and junior high school level, the School Drop Out Rate was already below 2 percent, but still below the national average. Meanwhile, for the School Transition Rate from elementary school to junior high school, the Southeast Sulawesi Province had the highest rate among the provinces in Sulawesi, but the rate from junior high school to senior high school/vocational high school was considered low in Sulawesi.

Figure 5.28. Drop out rate at senior high school level was still high and school transition rate from junior high school to senior high school was still the lowest in Sulawesi



Source: Processed based on data from Education Statistics, the Ministry of National Education, for the 2009/2010 Academic Year, 2011.

The Literacy Rate in the productive age group was dominated by the male population. The data from 2009 revealed that the biggest gap for the 45-60 year age group was located in Buton District since the percentage of the Literacy Rate for the male population reached 82.9 percent and 58.8 percent for the female population. The lowest percentage of the Literacy Rate was in the 45-60 year age group with the smallest gap between the male and female populations located in North Kolaka District. This shows the gap in the education opportunities around 30 years ago, when the 45-60 year age group were in their school years.

Table 5.11. Literacy rate at district/municipal level in Southeast Sulawesi for various age groups

District/ Municipality	15-29		30-44		45-60		60 and above	
	Men	Women	Men	Women	Men	Women	Men	Women
Buton	99.7%	98.5%	97.0%	90.5%	82.9%	58.8%	67.6%	29.8%
Muna	98.9%	99.2%	99.2%	93.4%	88.0%	70.4%	71.9%	35.2%
Konawe	99.8%	99.6%	97.7%	94.6%	91.4%	79.2%	82.3%	39.9%
Kolaka	99.4%	99.5%	95.5%	95.0%	87.9%	78.2%	79.8%	49.0%
South Konawe	99.1%	99.7%	98.0%	92.9%	87.8%	73.4%	79.6%	53.7%
Bombana	99.6%	98.5%	94.2%	96.1%	85.3%	78.5%	69.9%	40.0%
Wakatobi	98.4%	100.0%	98.2%	95.4%	92.0%	80.2%	74.7%	45.3%
North Kolaka	99.6%	99.7%	95.4%	95.8%	77.9%	72.7%	84.6%	59.2%
North Buton	99.0%	98.8%	97.9%	95.7%	91.9%	74.9%	74.5%	25.0%
North Konawe	98.6%	99.6%	98.6%	92.8%	91.6%	79.4%	82.6%	34.3%
City of Kendari	100.0%	99.8%	99.7%	99.1%	97.7%	90.8%	96.0%	86.5%
Bau-Bau City	99.8%	99.8%	98.3%	96.8%	97.3%	89.7%	84.0%	60.4%
Province	99.5%	99.4%	97.5%	94.7%	89.1%	76.1%	78.2%	45.3%

Source: Processed based on data from Susenas 2009.

5.2.5. Conclusion and Recommendation

The Provincial Government of Southeast Sulawesi needs to periodically publicize the education expenditure allocation distributed through transfers (financial assistance, etc). At least since 2009, it is estimated that most of the education expenditure of the Provincial Government such as Education Operational Assistance (BOP), scholarships, etc, has been allocated through transfers (financial assistance, etc) which were managed by the expenditure post of the Regional Secretariat Finance Section. Nevertheless, by the end of this research, the annual data on this matter cannot be obtained since the amount of education investment spent by the Provincial Government could not be fully consolidated. In this study, the portion of the Provincial Government expenditure was shown to have declined in the past couple of years since the calculation had not included the transfer expenditure component. The publication of data linked to transfers needs to be improved, particularly to promote awareness in the public of the Provincial Government's commitment to education.

The education expenditure should be based not only on regulations (above 20 percent), but also on a need basis. The portion of education expenditure which was above 20 percent was not proportional with the education expenditure per school age population (7-15 year olds), the *main* beneficiaries in the education sector. For example, in regions such as Kolaka, Bombana, and Buton, the education expenditure was high at above 20 percent in 2009, but the education expenditure per school age population in these regions was still below average.

The priority for education expenditure in many districts/municipalities need to be directed towards the improvement of the number of facilities, the condition of facilities and also the improvement of the quantity and quality of teachers. Based on the analysis on the performance of the education sector service, the improvement needs to be directed towards: (i) increasing the number of classrooms in many districts/municipalities with a high ratio of students per classroom, just like in Kolaka and Kendari City for elementary school, Konawe North for junior high school, and also Buton and North Kolaka for senior high school/vocational high school; (ii) improving damaged classrooms, especially at elementary school level which was still above 20 percent; (iii) increasing the number of teachers, especially in many districts/municipalities with a high ratio of students per teacher, as in Buton for elementary school, North Buton for junior high school, and North Kolaka for senior high school; and (iv) improving the quality of teacher qualifications especially at elementary school level where most teachers did not have undergraduate qualifications. The Provincial Government needs to have an active role in facilitating the implementation of the aforementioned 4 priorities.

The scholarship package and the operational education assistance must be able to aid reduction in the out of pocket expenditure for education, especially for the poorest and poor households. Based on 2010 Susenas data, the poorest and poor households in Southeast Sulawesi spent more on education compared to the national average. The Regional Government in Southeast Sulawesi needs to be more proactive in ensuring the implementation of an operational education assistance exemption program and that the distribution of education scholarships are on target.

In improving HDI, the efforts to improve the mean school year need to be intensified. The mean school year indicator in Southeast Sulawesi was better than the national average. Nevertheless, the improvement of the mean school year indicator still needs to be intensified, particularly to compensate for the difficulties in eradicating illiteracy in the biggest group proportion which was the elderly age group. Three steps that are needed so that school year rates can be improved are: (i) reducing the school drop out rate, particularly at the high school/vocational high school level; (ii) improving the continuing school rate particularly from junior high school level to high school/vocational high school; and (iii) increasing NER (Net Enrollment Rate) particularly for junior high school and high school/vocational high school levels as well as reducing NER disparity between districts/ municipalities.

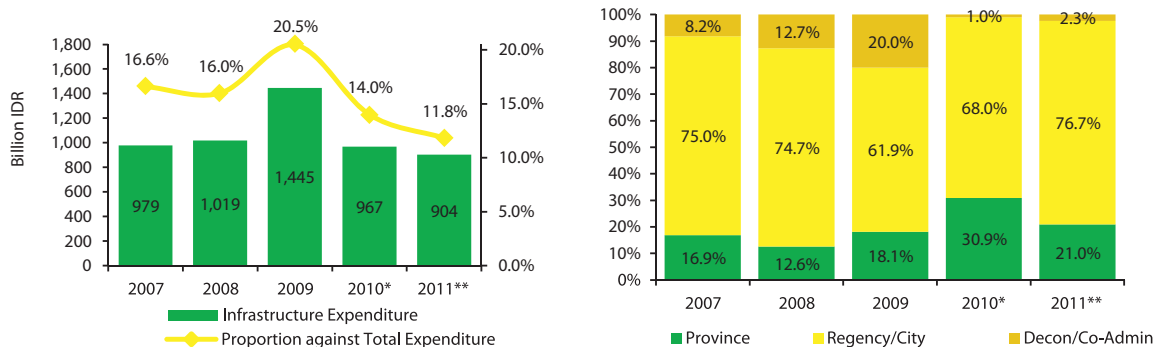
5.3 Infrastructure Sector²⁸

Based on the 2008-2013 RPJMD of the Southeast Sulawesi Province, the target of infrastructure sector development in Southeast Sulawesi is the improvement of accessibility, availability, and also the quality of facilities and infrastructure of land, sea, and air transportation. The infrastructure has a role in supporting the improvement of the economy sector.

5.3.1. Infrastructure Expenditure

The infrastructure expenditure in Southeast Sulawesi has declined in the past couple of years. Until 2009, the actual infrastructure expenditure in Southeast Sulawesi increased to IDR 1.4 trillion, but has declined for the past couple of years to less than IDR 1 trillion. In 2010, the decline was caused by a significant decrease in infrastructure expenditure originating from deconcentration/co-administration and districts/municipalities, while in 2011, the decline was caused by a decrease of the local government infrastructure expenditure (provincial and district/municipality). Until 2011, the infrastructure expenditure in Southeast Sulawesi had been dominated by the district/municipality infrastructure expenditure.

Figure 5.29. Infrastructure expenditure has been declining for the past two years



Source: Processed based on data from Southeast Sulawesi PEA Database, Haluoleo University, 2011.

On average, the proportion of infrastructure expenditure compared to total expenditure at provincial level is higher than the proportion at district/municipality level, or the deconcentration/co-administration fund. In the past five years, on average, the province has allocated 18.7 percent of its expenditure for infrastructure, whilst districts/municipalities allocated 15.3 percent, and the deconcentration/co-administration fund just 13.1 percent. Each year, the infrastructure expenditure fluctuated proportionally and in real terms or at all government levels. The highest infrastructure expenditure proportion at provincial level was seen in 2010 with 24.8 percent, while at district/municipality and deconcentration/co-administration level it was in 2009.

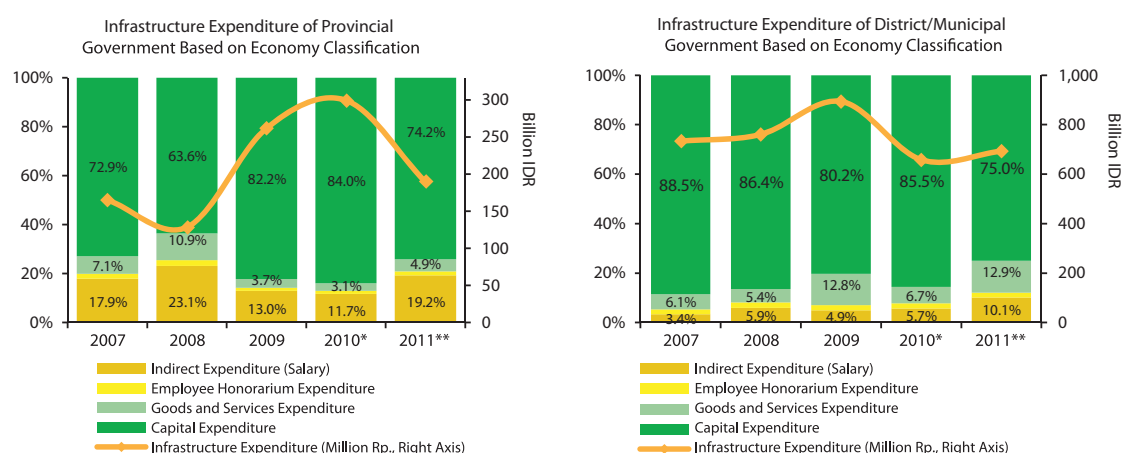
Over the past 5 years, there has been an average of more than 75 percent infrastructure expenditure allocated for capital expenditure. Compared to other sectors, infrastructure expenditure has the biggest proportion of direct expenditure, which is above 75 percent of the total sectoral expenditure, both in the provinces and the districts/municipalities. Aside from that, more than 90 percent of direct expenditure has been allocated for capital expenditure. This occurs because the infrastructure sector required huge physical investments (*capital intensive*). Meanwhile, indirect expenditure for employee salaries has increased in real terms, but not significantly. The proportion of indirect expenditure fluctuated as its proportion increased and the total sectoral expenditure decreased, and vice versa, it seemed to decrease when the total infrastructure expenditure increased.

²⁸ The infrastructure expenditure in this research consists of the expenditure for public works, transportation, and housing/settlement affairs.

Table 5.12. The Province Allocated More Infrastructure Expenditure than the District/municipality Allocations

	2007	2008	2009	2010*	2011**	Average
Province						
Infrastructure Expenditure (billion IDR)	165.1	128.4	261.7	299.3	189.3	208.8
Proportion to total provincial expenditure (percent)	16.6%	13.9%	23.3%	24.8%	15.0%	18.7%
District/ Municipality						
Infrastructure Expenditure (billion IDR)	733.6	760.9	894.5	657.8	693.1	748.0
Proportion to total district/municipal expenditure (percent)	17.1%	15.9%	18.1%	12.9%	12.5%	15.3%
Deconcentration/Co-Administration						
Infrastructure Expenditure (billion IDR)	80.0	129.8	288.6	10.1	21.2	106.0
Proportion to total provincial expenditure (percent)	12.9%	19.8%	28.8%	1.6%	2.5%	13.1%

Source: Processed based on data from Southeast Sulawesi PEA Database, Haluoleo University, 2011.

Figure 5.30. More than 75 percent of infrastructure expenditure spent for capital expenditure

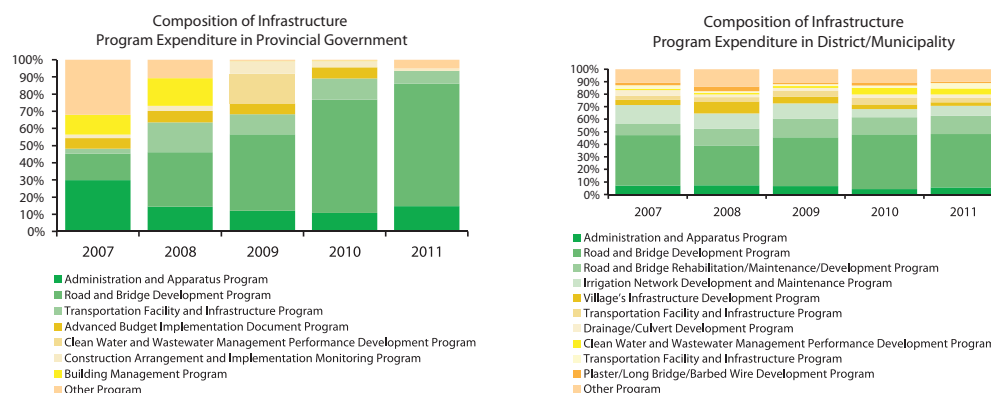
Source: Processed based on data from Southeast Sulawesi PEA Database, Haluoleo University, 2011.

Most direct expenditure for infrastructure is allocated to road and bridge construction at provincial and district/municipality level. At provincial level, road and bridge construction expenditure receives the biggest allocation and it increases every year proportionally and in real terms. In 2010, road and bridge construction program expenditure took up more than 70 percent of the provincial infrastructure direct expenditure. The infrastructure expenditure proportion at district/municipality level is relatively lower than the proportion at provincial level. However, it is still the biggest allocation in infrastructure direct expenditure and relatively steady at between 38 to 42 percent.

The second and third priority of infrastructure programs differ between provinces and districts/municipalities. At provincial level, the second priority for infrastructure expenditure is the development of transportation facilities and infrastructure with a proportion that tends to fluctuate, while the second priority at district level is the rehabilitation/maintenance/ improvement of roads and bridges with a relatively stable proportion. The Southeast Sulawesi Province has not prioritized rehabilitation/maintenance/improvement of roads yet, while the districts have allocated adequate proportions for this.

The proportion of expenditure for the administration and personnel program in the infrastructure sector is relatively controllable. At provincial level, the expenditure for administration and personnel was successfully suppressed, going from 29 percent (2007) to 14.4 percent (2008). The administration and personnel expenditure proportion increase in 2011 was due to a decline in direct infrastructure expenditure. Meanwhile, at district/municipality level, the administration and apparatus expenditure in the infrastructure sector was relatively under control at below eight percent of direct expenditure.

Figure 5.31. Roads are the priority for infrastructure expenditure at the province and district/ municipal levels



Source: Processed based on data from Southeast Sulawesi PEA Database, Haluoleo University, 2011.

The infrastructure expenditure by each district/municipal government was quite varied proportionally and in real terms against total expenditure. Based on the realization of the 2009 expenditure, Muna was the region with the highest infrastructure expenditure. When calculated based on proportion against total expenditure, North Buton had the highest proportion of infrastructure expenditure. Meanwhile, when compared with the total area as a proxy of the infrastructure development needs, Kendari City had the highest infrastructure expenditure per hectare. North Konawe was the district with the lowest infrastructure expenditure both proportionally and in real terms against total expenditure and per hectare area.

Public works (roads, bridges and irrigation) are still the main priority of infrastructure development in all districts/municipalities, except Wakatobi. From 12 districts/municipalities, Wakatobi is the only region which prioritizes its infrastructure expenditure allocation for transportation (almost 70 percent), but only 30 percent for public works. This is because the Wakatobi region is an archipelago. In addition, of the 12 districts/municipalities, only 5 districts/municipalities have specifically allocated expenditure for housing. Out of these five regions, housing expenditure is the smallest allocation after public works and transportation. Only a few regions allocate special expenditure for housing and this is for a couple of situations: (i) they still allocate housing expenditure as part of public works expenditure, or (ii) they do not allocate for housing at all.

Table 5.13. Muna was the district with the highest infrastructure expenditure, 2009

	Expenditure for Infrastructure Related Affairs (billion IDR)			Infrastructure Expenditure (billion IDR)	Total Expenditure (Billion IDR)	The Proportion of Infrastructure Expenditure	Total Area (Ha)	Infrastructure Expenditure per Area (IDR/ Ha)
	Public Works	Housing	Transportation					
Muna	88.1	17.9	4.4	110.4	558.3	19.8%	289,041	382,026
Kolaka Utara	102.8	0.0	3.5	106.3	374.6	28.4%	339,162	313,451
Wakatobi	28.9	0.0	65.7	94.7	331.4	28.6%	42,597	2,222,267
Kolaka	77.5	0.7	12.6	90.9	593.7	15.3%	691,838	131,340
Buton Utara	72.9	0.0	9.4	82.3	247.1	33.3%	199,659	412,264
Kota Kendari	67.8	3.3	4.6	75.7	507.4	14.9%	29,589	2,559,096
Konawe	42.7	0.0	21.7	64.4	245.1	26.3%	679,245	94,829
Konawe Selatan	53.7	1.1	5.2	60.0	461.6	13.0%	451,420	132,852
Buton	50.9	0.0	7.7	58.6	497.4	11.8%	267,525	219,037
Kota Bau-Bau	41.3	4.3	12.8	58.4	372.5	15.7%	30,570	1,908,911
Bombana	45.1	0.0	10.1	55.2	317.8	17.4%	305,608	180,652
Konawe Utara	33.9	0.0	3.8	37.7	428.8	8.8%	487,746	77,308

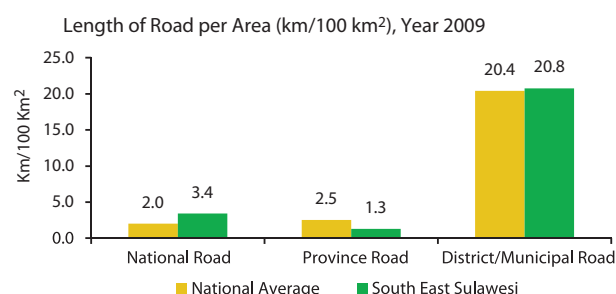
Source: Processed based on data from Southeast Sulawesi PEA Database, Haluoleo University, 2011.

5.3.2. The Infrastructure Development Performance

Road Infrastructure

The provincial road length per area is still below the national average, while the national and the district/municipal roads are better. In 2009, the length of provincial roads was still around 488.8 km.²⁹ This length has not changed since 2006. This shows that there has not been any increase in provincial road length over the past 4 years. Compared to the whole area, the provincial road length in Southeast Sulawesi is still around 1.3 km per 100 km². This number is still below the provincial road national average which has reached 2.5 km per 100 km². Meanwhile, the national and the district/municipal roads in Southeast Sulawesi were relatively longer than the national average.

Figure 5.32. The length of provincial road per 100 km² of total area was still below national average

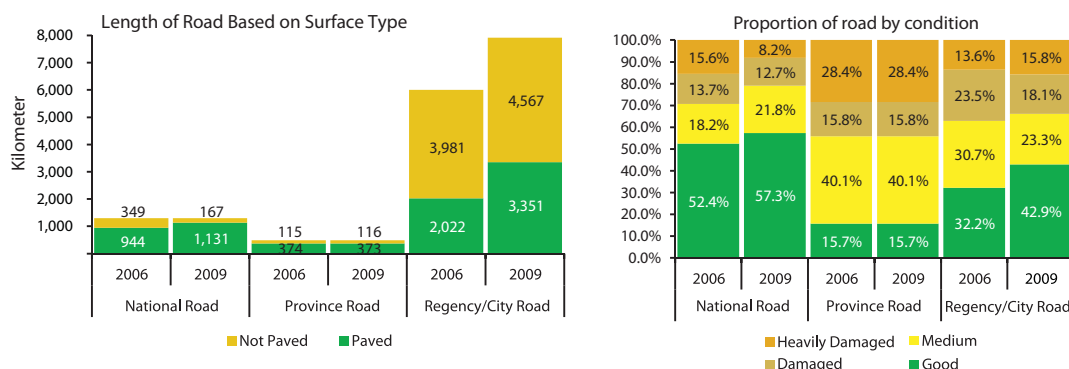


Source: Processed based on data from Southeast Sulawesi Statistics and the Central Bureau of Statistics, 2011.

In addition to there being no increase in road length there has also been no improvement in asphalt road conditions and no additional good quality roads. Good quality roads will facilitate economic and social activities. However, there has not been any length increase in provincial asphalt roads while the national and district/municipal roads have had a significant length increase. The length of asphalt district/municipal roads increased more than 65 percent in a 3 year period, from 2,022 km in 2006 to 3,351 km in 2009. Aside from that, in 2009, the condition of provincial roads did not undergo any significant improvement to their condition in 2006, while the national and district/municipal roads underwent repairs and maintenance marked by an increase of roads in good condition.

²⁹ The 2011 Southeast Sulawesi Statistical Document notes that until 2009, the length, surface type and condition of provincial roads had not undergone changes. Based on information from the Provincial Bappeda (Regional Development and Planning Board), the length of provincial roads increased from 488.86 km (2009) to 906.09 km (2010). However, the addition of these roads was partly derived from the transfer of national roads to provincial roads.

Figure 5.33. There has been no increase of asphalt road and road with good condition in the provincial road

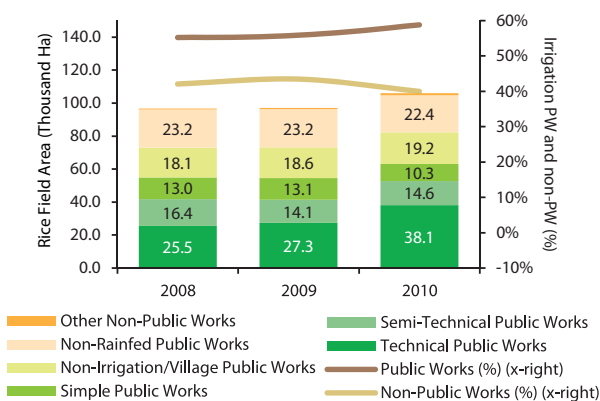


Source: Processed based on data from Southeast Sulawesi Statistics and the Central Bureau of Statistics, 2011.

Irrigation Infrastructure

Technical irrigation coverage has increased significantly over the past 3 years, but has still not been able to significantly reduce the rain-fed rice field areas. Irrigation is one area of public works that is linked to agricultural sector development, especially paddy fields. Until 2010, the coverage of technical irrigation managed by public works increased from 25.5 thousand hectares in 2008 to 38.1 thousand hectares in 2010. However, in line with the increase in rice field areas in 2010, the challenge for the Regional Government to build technical irrigation increased. To further increase rice productivity, the Regional Government needs to improve coverage of technical irrigation especially in rain-fed areas, which until 2010 included about 22.4 thousands hectares.

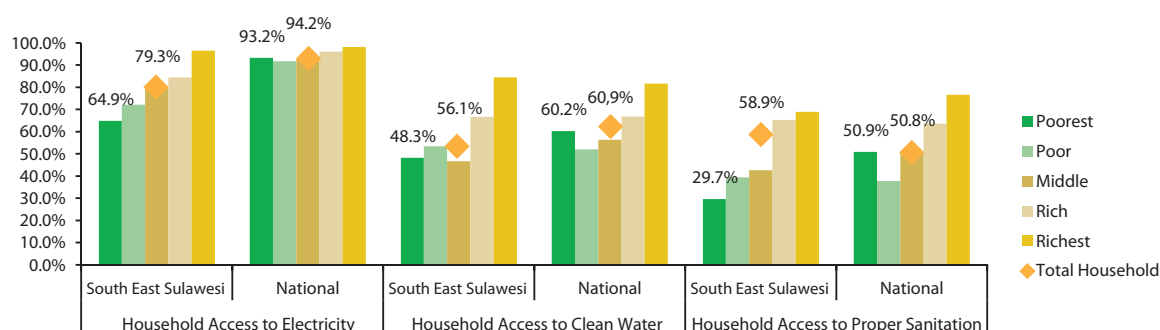
Figure 5.34. Technical irrigation coverage increased but total rain-fed rice fields have not decreased



Source: Processed based on data from Southeast Sulawesi Statistics and the Central Bureau of Statistics, 2011.

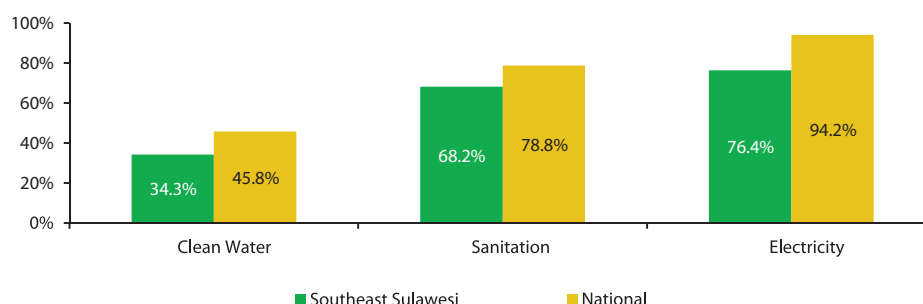
Basic Housing Infrastructure

In addition to being under the national average, household access to basic infrastructure in Southeast Sulawesi was still colored by disparity among income groups. In 2010, Southeast Sulawesi was one of the 10 provinces with the lowest household access to electricity in Indonesia. This condition was also characterized by a high level of access disparity between the poorest and the richest households (which was 65 percent vs. 96 percent), much more imbalanced than the national percentage (93 percent vs. 98 percent). Access to clean water also showed a similar trend, with an access level below the national average and a high access gap between the poorest (48.3 percent) and the richest (81.6 percent) income groups. Meanwhile, even though household access to proper sanitation in Southeast Sulawesi was higher than the national average, it has not succeeded in narrowing the gap. (29.7 percent of the poorest households and 50.9 percent of the richest households).

Figure 5.35. A wide gap still occur in household access to basic housing infrastructure

Source: Processed based on data from Susenas Year 2010, 2011.

In 2010, about 14 percent of households in Southeast Sulawesi were run by women, and most did not have access to adequate basic infrastructure. Access to clean water facilities for households run by women was only 34.3 percent, and 11.5 percent away from the national percentage. Meanwhile, access to proper sanitation reached 68.2 percent, or 10.6 percent lower than the national percentage. The widest gap was seen in access to electricity for the same female headed households with 17.8 percent.

Figure 5.36. Most female headed households had no access to basic infrastructure

Source: Processed based on data from Susenas Year 2010, 2011.

Transportation Infrastructure

Air transportation is growing rapidly. In 2010, the frequency of flights from and to Southeast Sulawesi through Haluoleo Airport increased more than 100 percent compared to 2005. The Regional Government has also facilitated the opening of new airports in Bau-Bau (operational since 2008), Wakatobi (operational since 2009), and Kolaka (operational since 2010). This effort has significantly increased the number of travelers to the areas. Although operational for just over 2-3 years, the growth of travelers passing through Bettoambari Bau-Bau Airport has increased 6 fold and increased 3 fold at Matahora Wakatobi Airport in 2010. This indicates that the opening of new airports increases population mobility and eventually has a favorable impact on economic activities.

Table 5.14. The opening of the new airport has significantly increased citizen's mobility

	The Number of Flights				The Flow of the Travelers			
	Haluoleo Kendari	Betoambari Bau-Bau	Matahora Wakatobi	Sangia Ni Kolaka	Haluoleo Kendari	Betoambari Bau-Bau	Matahora Wakatobi	Sangia Ni Kolaka
2005	1,205							
2006	1,439				158,261			
2007	1,729				203,260			
2008	1,696	243			210,661	4,710		
2009	2,517	282	438		279,645	5,250	3,493	
2010	2,616	1,224	527	226	303,420	34,583	9,653	12,486

Source : Processed based on data from Susenas 2009.

The frequency of special shipping and overseas sea travel increased to more than 200 percent, while domestic sea travel (between provinces) dropped drastically over the past 3 years. In 2010, the most popular types of water transportation were public water transportation (40 percent), water crossings (30 percent), and traditional water transport (23 percent). And the fastest growing mode of water transport between 2007-2010 was special shipping and international sea travel.³⁰ Meanwhile, the frequency of domestic water travel declined due to the increase of air transport during this period. Generally in 2010, regions with the most active water travel activities were Bau-Bau (27 percent), Kendari (20 percent), Muna (14 percent), Kolaka (9 percent), Konawe (8 percent), and others (23 percent). The best port status in Southeast Sulawesi was given to Kendari and Bau-Bau (Third Class Category), followed by Pomala, Kolaka, Raha, and Langgara ports (Fourth and Fifth Class Category).

Table 5.15. Special and international sea travel and shipping have grown rapidly

	2007	2010	Growth
Domestic Sea Travel	24,480	29,546	21%
General	8,775	12,076	38%
Community	5,393	6,880	28%
To remote region	286	567	98%
Specific purpose	255	794	211%
Inter-island crossing	8,817	8,756	-1%
Public crossing (Ferry)	768	457	-40%
Other	186	16	-91%
International Sea Travel	86	324	277%

Source: Processed based on data from Sulawesi Tenggara dalam Angka BPS 2011.

5.3.3. Conclusions and Recommendations

Improving infrastructure expenditure and maintaining existing structure that prioritized capital expenditure. The infrastructure expenditure structure in Southeast Sulawesi was already high, with an average of above 75 percent allocation for direct expenditure at provincial and district/municipality levels, with most of this direct expenditure was allocated for capital expenditure. However, in total, the infrastructure expenditure was still fluctuate. Even though it doesn't need to be significant, Regional Government needs to support an improvement scheme of a more consistent infrastructure expenditure at province as well as at district/city level. A more quality framework for medium term expenses for infrastructure needs to be composed so that public investments in infrastructure are more focused in the direction of the development of the Southeast Sulawesi Province.

³⁰ Special shipping is a type of water transport for carrying special commodities such as mining materials, etc., while international sea travel involves travel toneighboring ports covering a distance of no more than 3000 miles from the farthest ports in Indonesia.

Improving rehabilitation expenditure and road maintenance for the provincial government. Looking at developments from 2006 to 2009, damaged roads and roads with asphalt layers have not undergone significant repairs. This condition might have been different in 2010 and 2011. However, from the composition of direct expenditure until 2011, it can be seen that priority was given to road and bridge constructions rather than to rehabilitation and maintenance. With the extension of provincial roads almost doubling in 2010, the provincial government should give sufficient attention to road rehabilitation and maintenance.

Aside from public works, a share of infrastructure expenditure needs to be given to housing. The challenge of basic housing infrastructure in Southeast Sulawesi was narrowing the disparity in access between the rich and the poor to electricity, clean water, and adequate sanitation. To catch up on the national average, the regional governments in Southeast Sulawesi need to give priority to improving access to electricity, clean water and sanitation for the poorest and poor households. Aside from that, regional government expenditure for housing was still insufficient and therefore, needs to be increased.

Continuing the improvement of technical irrigation coverage. Aligned with the increase in rice field area in 2010, the regional government is facing the challenge of building a technical irrigation system. To further increase rice productivity, the regional governments need to improve coverage for technical irrigation especially in rain-fed areas, which until 2010 included about 22.4 thousands hectares. Coordination among various levels of government (central, provincial, and district/municipality) needs to be done to identify irrigation needs according to their respective authorities (primary, secondary and tertiary).

Continuing efforts to improve the quality and quantity of facilities and infrastructure of air and sea transportation. The efforts of the regional government to facilitate the development of facilities and infrastructure for Marines (AL) and Air Force (AU) has had an impact on the increase of population mobility and has also been beneficial to economic activities that support growth. These efforts need to be done continuously, especially through supplementary infrastructure development of air and sea transport accompanied by quality improvements.

5.4 Agriculture Sector³¹

The agriculture sector in Southeast Sulawesi Province is a strategic sector, but growth has slowed in the last couple of years. Aside from being the largest absorber of labor, the agriculture sector is also the highest contributor to the Southeast Sulawesi economy. In improving the agricultural sector performance, the Southeast Sulawesi Provincial Government has set 4 leading commodities in RPJMD 2008-2013. These 4 leading commodities are: cocoa in the plantation sub-sector, rice in the crops sub-sector, cows in the animal farming sub-sector and seaweed in the fishery and marine sub-sector. The 4 commodities are the biggest contributors in each sub-sector. Out of all 4 commodities, cocoa is the commodity that has succeeded in becoming an export commodity. The challenges of agriculture sector in Southeast Sulawesi over the past couple of years have been the slow growth in the agriculture sector and the decrease in direct agricultural expenditure at provincial and district/municipality level.

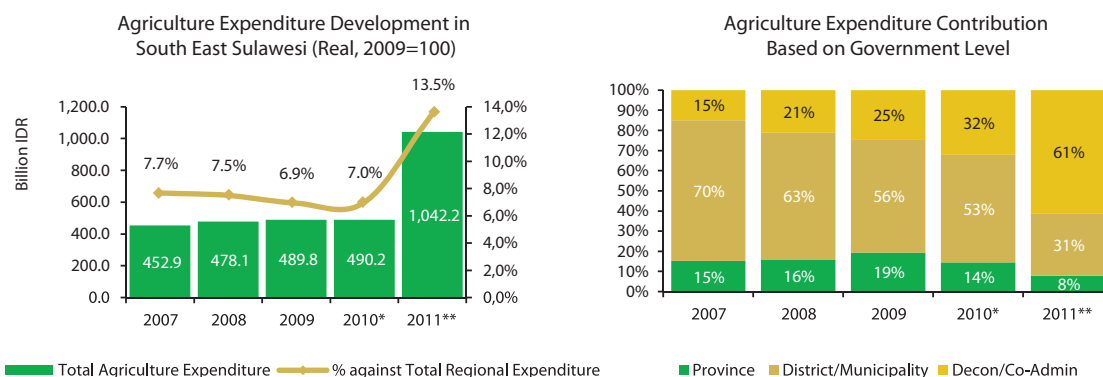
5.4.1. Agricultural Expenditure

Encouraged by deconcentration/co-administration expenditure improvements, the agriculture sector expenditure in Southeast Sulawesi increased two fold in 2011. The agricultural expenditure increased in real terms from an average of below IDR 500 million in the 2007-2010 period to IDR 1.04 trillion in 2011. Nevertheless, the significant agricultural expenditure increase in 2011 did not come from Regional Government expenditure, but from the deconcentration/co-administration expenditure due to

³¹ The agriculture sector in this research is agriculture in general which covers farming, food crops, plantation/forestry and also fishery and marine affairs.

the existence of the national cocoa movement program in the form of increased funding for cocoa farmers for production. With this increase, the expenditure originating from deconcentration/co-administration accounted for 61 percent of the agricultural expenditure in Southeast Sulawesi.

Figure 5.37. The increasing role of Deconcentration/Co-Administration Expenditure in agriculture sector



Source: Processed based on data from Southeast Sulawesi PEA Database, Haluoleo University, 2011.

Unlike the agricultural expenditure originating from deconcentration/co-administration, which increased every year, the agricultural expenditure of the provincial and district/municipal governments tended to fluctuate. In the period between 2007-2009, the actual agricultural expenditure of the provincial government increased to IDR 95 billion, but it decreased in 2010. It was estimated that it would increase again in 2011. On average, the province allocated 7.2 percent of its expenditure to the agriculture sector. At district/municipality level, the fluctuation occurred with a smaller proportional average of agricultural expenditure than the average for the province, which was only 6 percent. The agricultural expenditure originating from the deconcentration/co-administration fund had a tendency to increase every year to a bigger proportion. In 2011, 60.9 percent of deconcentration/co-administration expenditure in Southeast Sulawesi was allocated to the agriculture sector only.

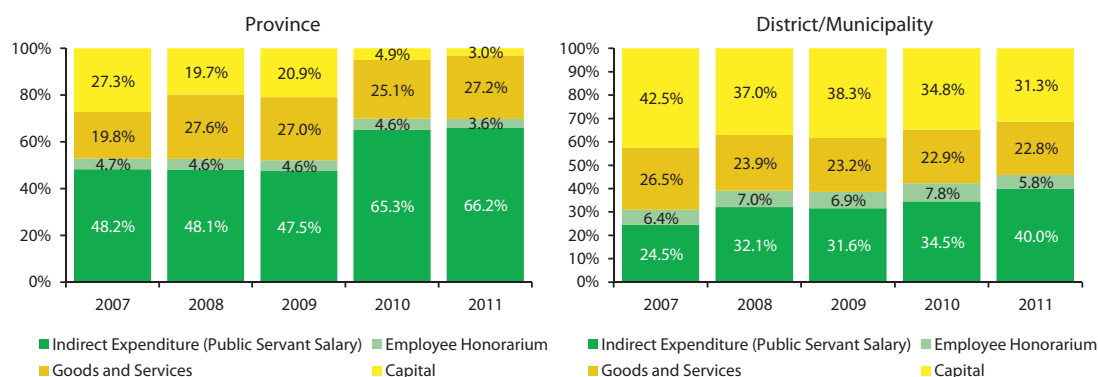
Table 5.16. Deconcentration/Co-Administration expenditure for agriculture has increased three fold in 2011

	2007	2008	2009	2010*	2011**
Province					
agricultural expenditure (billions IDR)	68.7	75.2	95.0	71.0	81.0
Percentage to total provincial expenditure	6.9%	8.1%	8.5%	5.9%	6.4%
District/ City					
agricultural expenditure (billions IDR)	316.5	301.9	273.4	262.0	321.6
Percentage to total district/municipal expenditure	7.4%	6.3%	5.5%	5.2%	5.8%
Deconcentration/Co-Administration					
agricultural expenditure (billions IDR)	95.3	107.1	121.4	131.5	512.8
Percentage to total Deconcentration/Co-administration expenditure	10.9%	15.4%	12.1%	21.5%	60.9%

Source: Processed based on data from Southeast Sulawesi PEA Database, Haluoleo University, 2011.

Aside from fluctuating, the agriculture sector expenditure for provincial and district/municipal governments tended to be used for **Employee Salary Expenditure (Indirect expenditure)**. The share of employee salary expenditure in the agriculture sector for the provincial government increased 48.2 percent (2007) to 66.2 percent (2011), meanwhile the share for district/municipality level increased from 24.5 percent (2007), to 40 percent (2011). The increase of indirect expenditure not accompanied by a consistent improvement of expenditure in the agriculture sector affected the decline of direct expenditure in the sector in terms of value or proportion. The decline of direct expenditure had an impact on the decline of agricultural expenditure allocated for capital expenditure or public investment agricultural expenditure.

Figure 5.38. The share of salary expenditure increased while the share for capital expenditure decreased

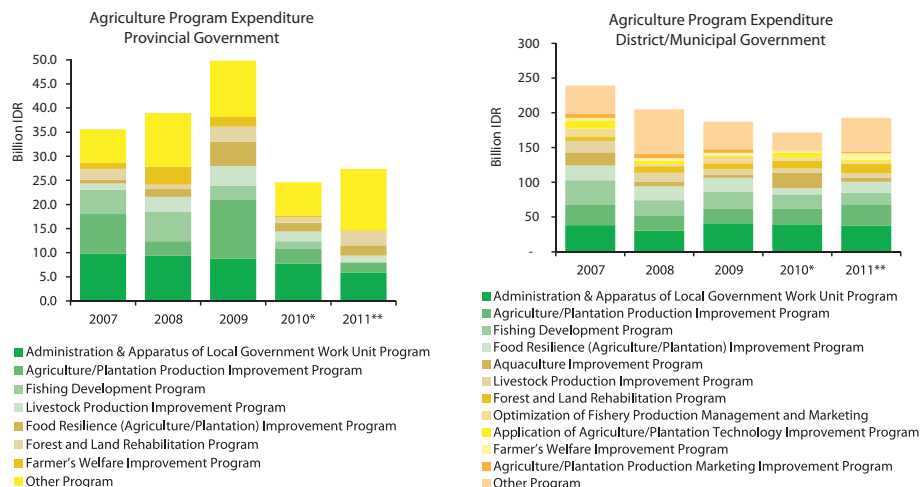


Source: Processed based on data from Southeast Sulawesi PEA Database, Haluoleo University, 2011.

Aside from declining, the provincial government's direct expenditure for the agriculture sector was also burdened by expenditure for programs/activities linked to administration and apparatus. On average, the provincial government expenditure for programs/activities linked to administration and apparatus in the agriculture sector was still around 30 percent of direct expenditure, while on a district/municipality level, it was relatively stable at around 19 percent of direct expenditure. The high amount of expenditure for programs/activities linked to administration and apparatus and the decline of proportion and value of direct expenditure in the agriculture sector had a direct impact on the development of the agriculture sector, causing it to decline over the past two years.

The largest proportion of direct expenditure linked to agriculture sector programs was directed towards increased production. Three priority programs for agriculture at provincial level were linked to increased production in agriculture, plantation, crops, fishery production development and farming. The same thing occurred at district/municipality level. Although budgeted every year, the expenditure for the improvement of farmers' welfare, agricultural technology, and the marketing of agricultural products was relatively smaller than the expenditure for production increase.

Figure 5.39. For the past five years, agriculture program focused more on increasing production



Source: Processed based on data from Southeast Sulawesi PEA Database, Haluoleo University, 2011.

Based on the realization of expenditure in 2009, Kolaka was the district with the biggest agricultural expenditure. The agricultural expenditure per hectare of agricultural land was still under the average, however. Kolaka was the district with the biggest total area of agricultural land in Southeast Sulawesi. The agricultural expenditure in Kolaka ranked the highest in 2009 with IDR 42 billions and the proportion against the total expenditure at 7 percent. Nevertheless, when compared to the area of agricultural land, the agricultural expenditure in Kolaka was just IDR 63,894 per hectare area of agricultural land. This number was slightly higher than in Konawe, but still far below the average of the district/municipality level in Southeast Sulawesi. On the other hand, although included in the areas with the smallest agricultural expenditure, the urban areas had the largest leeway to improve quality and productivity per hectare of agricultural land, considering the size of agricultural expenditure per hectare which was far above the average.

Table 5.17. Agriculture expenditure in Kolaka was the highest among districts/municipalities in Southeast Sulawesi, 2009

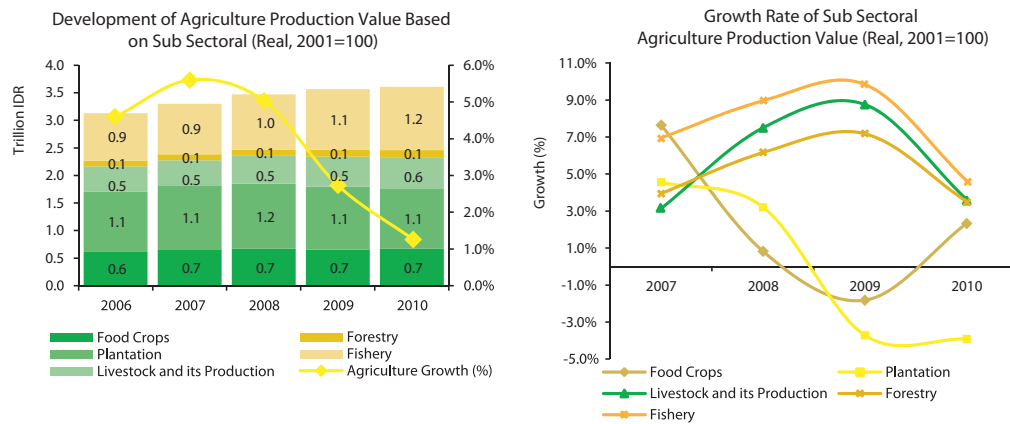
	The Realization of agricultural expenditure 2009 (billions IDR)	The Proportion of Agricultural Expenditure	The Agricultural Expenditure per Area of Agricultural Land (IDR/Ha)	Agricultural Land		
				Area (Ha)*	Being Cultivated	Potential**
Buton	29.2	5.9%	136,545.8	214,115.0	87.3%	12.7%
Muna	27.5	4.9%	109,682.6	251,149.0	76.8%	23.2%
Konawe	18.5	7.5%	30,214.0	611,668.0	92.6%	7.4%
Kolaka	42.0	7.1%	63,894.2	657,487.0	97.3%	2.7%
South Konawe	32.7	7.1%	84,131.2	388,785.0	91.4%	8.6%
Bombana	21.8	6.9%	76,391.6	285,826.0	96.7%	3.3%
Wakatobi	16.5	5.0%	582,880.9	28,283.0	73.4%	26.6%
North Kolaka	24.2	6.5%	73,910.5	327,650.0	99.9%	0.1%
North Buton	17.4	7.0%	90,387.7	192,431.0	95.5%	4.5%
North Konawe	15.5	3.6%	34,338.3	451,715.0	96.4%	3.6%
City of Kendari	14.7	2.9%	805,395.1	18,264.0	81.2%	18.8%
City of Bau-Bau	13.3	3.6%	552,609.7	23,996.0	94.2%	5.8%
The Average of Districts/ Municipalities in Southeast Sulawesi	22.8	5.7%	220,031.8	287,614.1	90.2%	9.8%

Source: Processed based on data from Southeast Sulawesi PEA Database from Haluleo University and Southeast Sulawesi in Numbers, 2011.
 Note : *) The area of agricultural land consists of cultivated and potential lands. *) Potential agricultural land is temporary uncultivated land or an unfarmed swamp.

5.4.2. The Macro Performance of the Agriculture Sector

The growth of gross production value in the agriculture sector in Southeast Sulawesi had decelerated for the past three years. Even though the actual value of gross production for the agriculture sector in Southeast Sulawesi had been increasing, the growth has decreased for the past three years. This deceleration was influenced by negative growth in crops and the plantation sub-sector in 2009, and the deceleration of the growth rate in three other sub-sectors in 2010. Even though the crops sub-sector recovered its growth rate to 2.3 percent in 2010, it was not able to revive the growth of the agriculture sector considering the size of the plantation sub-sector which was still experiencing negative growth. As the biggest contributor to the agriculture sector, the growth of the plantation sub-sector strongly influenced the performance of overall agricultural growth.

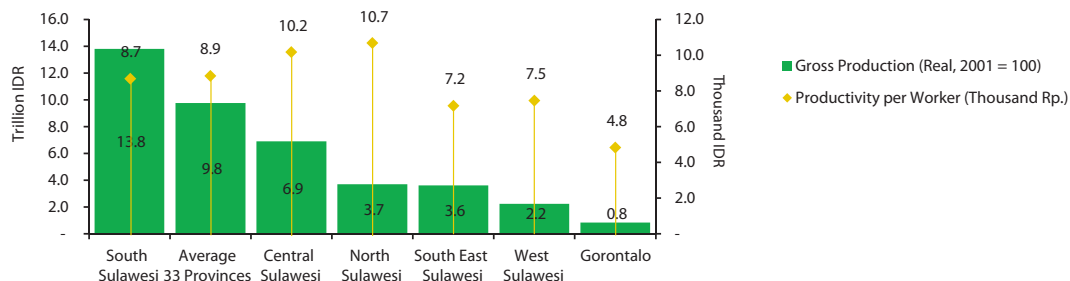
Figure 5.40. Production in agriculture sector increased but at a slowing rate



Source: Processed based on data from Central Bureau of statistics, 2011.

In 2010, the value of production or productivity in the agriculture sector in Southeast Sulawesi was still below the national average. In 2010, the actual production value of the agricultural sector in Southeast Sulawesi was still one fourth of the production value of South Sulawesi's agriculture or one third of the average provincial production value nationally. Aside from the low production value, the value of productivity per farmer in Southeast Sulawesi was also considerably lower than the national average and the average in a few other provinces in Sulawesi Island.

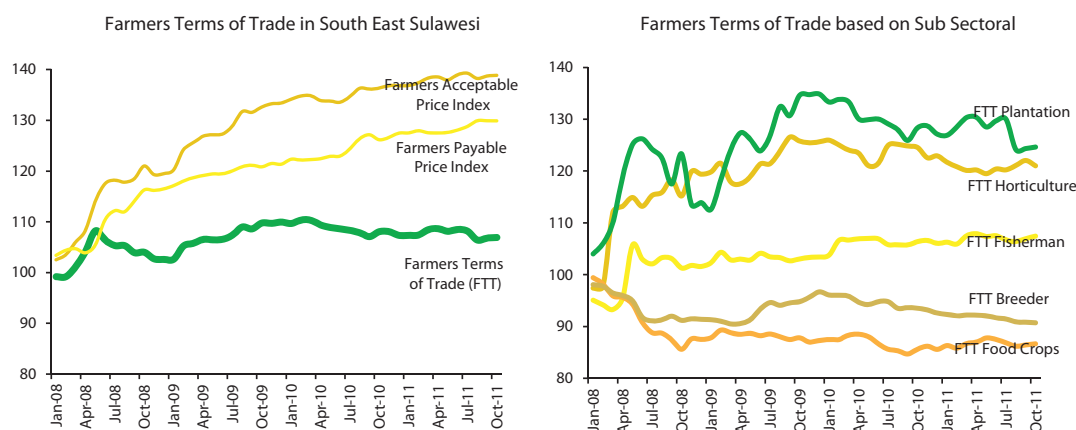
Figure 5.41. Further improvement is still needed for Southeast Sulawesi gross production value and agriculture productivity



Source: Processed based on data from Central Bureau of statistics, 2011.

Crops and Cattle Farmers were still Unfortunate. Generally, the Farmers' Terms of Trade (NTP) in Southeast Sulawesi were already above 100 and increasing monthly in the 2008-2011 period.³² With the index above 100, the farmers in Southeast Sulawesi generally have a surplus. However, when observed more closely, the high index of NTP in Southeast Sulawesi was mostly contributed by the high indexes of plantation and horticulture NTP which were an average of above 120 and the fishermen NTP index which was above 100 in average, while the indexes of crops and cattle farming NTP were still under 100. The high index of Terms of Trade in the plantation and horticulture sub-sectors indicated a higher value added compared to the other agricultural products. The low NTP in the crops and cattle farming sub-sector can have an effect on the reduction of incentives for farmers to survive in this sub-sector.

Figure 5.42. Farmer Terms of Trade index in Southeast Sulawesi was already above 100 except for crops and cattle farmers



Source: Processed based on data from Central Bureau of statistics, 2011.

5.4.3. The Performance of Main Commodities in the Agricultural Sector

Cacao

After undergoing a sharp decrease in 2008 and 2009, the volume of cacao production in Southeast Sulawesi grew 58 percent. Aside from being the biggest contributor to the plantation sub-sector, cacao is also one of the most important export commodities from Southeast Sulawesi. In 2008 and 2009, cacao commodities briefly underwent a sharp decrease in production. The decrease was due to the following reasons³³: (i) the spread out of branch-eating pest in several cacao plantations; (ii) the overdue in rejuvenation process for cacao plant that has exceeded their production age (15 years), especially in cacao centre that occupied by traditional farmers; (iii) most of the rejuvenated cacao plant were not ripe enough (iv) there was likely a regional leak, especially in cacao centre such as North Kolaka³⁴ that still has no reliable infrastructure, so that farmers prefer to sell their cacao to Siwa (South Sulawesi) through sea transportation. In 2010, most obstacles were overcome and the volume of production increased sharply, reaching 58 percent.

³² An NTP index of above 100 indicates that the price index received by the farmers (IT) from the sale of their products is still relatively higher than the price index purchased by the farmers (IB) to acquire agricultural inputs (seeds, fertilizers, animal feeds, etc) and goods for household consumption and staple needs. On the other hand, an NTP index of below 100 indicates that the IT is lower than the IB.

³³ The result of interviews with cacao farmers' counselors, 2011

³⁴ The distribution volume of cacao production in Southeast Sulawesi: North Kolaka (58 percent), followed by Kolaka (21 percent), Konawe (7 percent), South Konawe (6 percent), Bombana (4 percent), and others (4 percent).

In 2010, either the production volume, productivity, or the percentage of cacao productive areas had increased again, but a corresponding increase in exports was not achieved. The volume of exported cacao has decreased throughout the years. In 2007, cacao exports reached 8.7 percent of total production, with an export value of USD 18.1 million. A sharp decline in the export value occurred in 2008 and there was no increase in value until 2010. An increase in Cacao product prices and slow demand from the world market due to the global economic crisis were the cause of the cacao export decline.

Table 5.18. In 2010, cacao production was increased once again, but the exports did not increased

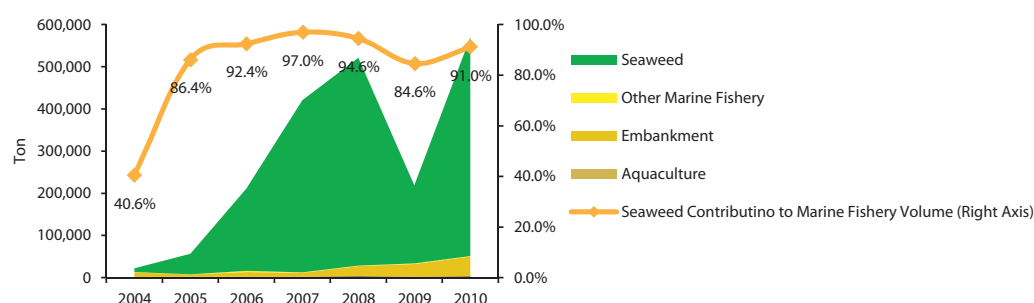
	2007	2008	2009	2010
Cacao Production				
Volume (Ton)	134,757	115,898	93,465	147,917
Growth (%)	7.9	-14.0	-19.4	58.3
Contribution towards the Total Volume of Plantation Production (%)	57.5	52.6	42.1	68.0
Cacao Productivity (Ku/Ha)	9.1	7.5	5.9	8.4
The Total Area of Cacao Plantation (Ha)				
The Total Area of Productive Lands for Cacao (Ha)	148,177	154,326	157,527	175,820
The Growth of Productive Land Area for Cacao (%)	12.0	4.1	2.1	11.6
The Percentage of Productive Land against the Total Area of Cacao Plantation (%)	74.1	70.5	68.4	73.9
The Export of Cacao				
The Export Volume of Cacao (Ton)	11,700	2,000	1,200	1,000
The Export Percentage against the Total Cacao Production (%)	8.7	1.7	1.3	0.7
The Value of Cacao Export (thousands USD)	18,117	3,886	3,102	2,798
The Price of Cacao Export (USD per Ton)	1,548	1,943	2,585	2,798
The Cacao Contribution against the Total Export of Southeast Sulawesi (%)	4.6	0.8	1.6	0.7

Source: Processed based on data from Sulawesi Tenggara Dalam Angka Numbers, various years.

Seaweed

Seaweed is the main commodity in the fishery and marine sub-sector. The performance of fishery and marine production was influenced by the performance of seaweed production in the 2005-2010, contributing an average of above 91 percent. In the period between 2004-2008, the production of seaweed experienced a rapid increase with an average annual growth of more than 165 percent. The highest growth in seaweed production occurred in 2006 with the growth rate reaching 300 percent. In 2009, the volume of seaweed production briefly underwent a production decrease, but recovered to the highest production in the last 6 years in 2010 with a total production of 518.6 thousand tons. The centers of seaweed production were spread through eight districts, which were Buton, Muna, Kolaka, South Konawe, Konawe, North Konawe, and North Buton. In 2010, a significant improvement in seaweed production occurred in South Konawe.

Figure 5.43. The growth of fishery sub-sector is highly dependent to seaweed production



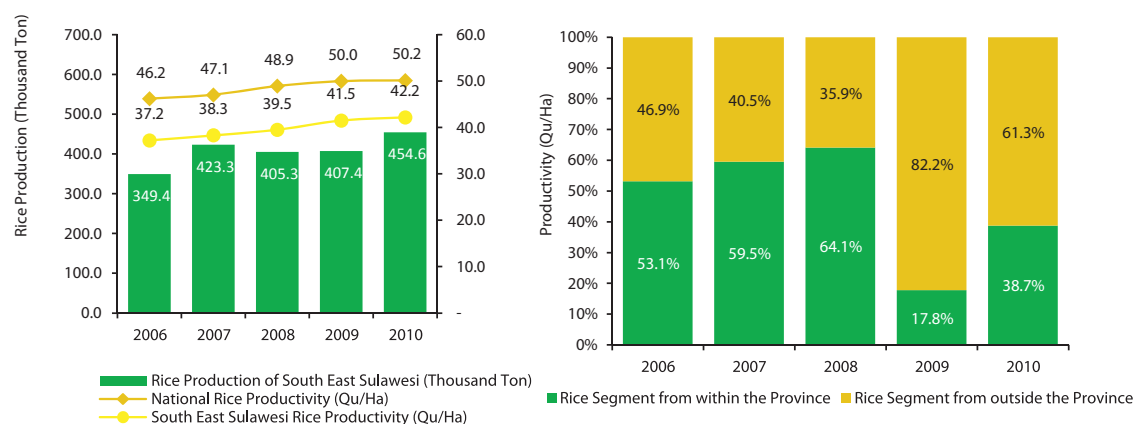
Source: Processed based on data from Fishery and Marine Office Data of Southeast Sulawesi Province, 2011.

Rice

More than 50 percent of crop production came from rice, but its production in Southeast Sulawesi was still under the national average. Rice production in Southeast Sulawesi fluctuated throughout the 2006-2010 period. In 2007, Rice production sharply increased (21 percent) followed by a contraction (negative growth) in 2008 of minus 4.3 percent as the consequence of extreme weather in Southeast Sulawesi. In 2010, Rice production again sharply increased to 11.6 percent. Even though the volume of rice production fluctuated, the crop productivity per hectare increased throughout the years, from 37.2 quintal per hectare to 42.3 quintal per hectare. Nevertheless, when compared with rice production nationally, production in Southeast Sulawesi was still low.³⁵

The Southeast Sulawesi provincial government still needs to encourage crops self-reliance. In 2006-2008, the rice production segment in the province accounted for up to 64.1 percent of the Logistics Affairs Agency (Bulog) rice supplies. However, in 2009 the rice production segment within the province decreased sharply to just 17.8 percent while the segment outside the province increased sharply to 82.2 percent. In 2010, the segment within the province slightly increased, but it has not been able to return to the levels of 2006-2008 period. The high levels of the rice supply segment coming in from outside the province showed the gap between the needs of rice consumption and rice production within the province.

Figure 5.44. Rice productivity has increased but still below national rice productivity

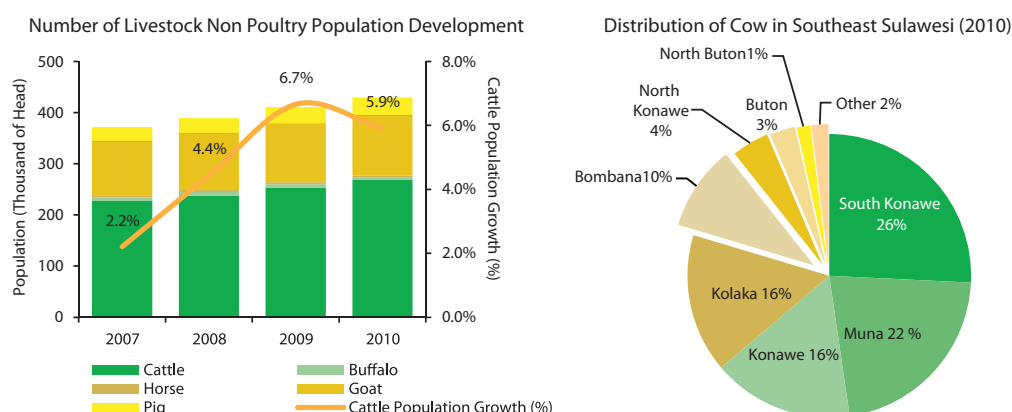


Source: Processed based on data from Sulawesi Tenggara Dalam Angka, various years.

Cows

The population of cows has increased throughout the years, but its growth unexpectedly slowed down in 2010. Cows are the main commodity in Southeast Sulawesi since it is a growing commodity and accounts for more than 60 percent of the non-poultry product segment in Southeast Sulawesi. The centers of the cow population were spread across five districts in Southeast Sulawesi: South Konawe, Muna, Konawe, Kolaka and Bombana. In 2009, the cow population rapidly increased from 2.2 percent in 2007 to 6.7 percent. In 2010, the growth of the population slightly decelerated to 5.9 percent.

³⁵ In improving rice production, the agriculture and public work offices need to cooperate more intensively on improving irrigation. Based on data from the Central Bureau of statistics, the area of rice field equipped with technical irrigation increased from 25.5 thousand hectares in 2008 to 38.1 thousand hectares in 2010. Nevertheless, the expansion of rice field with technical irrigation has not been able to reduce the area of rainfed rice field significantly. Until 2010, there were still 22.4 thousand hectares of rainfed rice field whose drainage system heavily relied on the existence of rain. (See the Chapter on Irrigation Infrastructure Sub Chapter)

Figure 5.45. Cow is the main commodity in Southeast Sulawesi farming sub-sector

Source: Processed based on data from Sulawesi Tenggara Dalam Angka, various years.

Box 5.1. The RPJMD Agricultural Sector Target Achievement by the Southeast Sulawesi Provincial Government in 2008-2013

Of the 21 achievement indicators in the agriculture sector announced by the Southeast Sulawesi Provincial Government, 9 indicators had not been measured, 6 indicators were achieved and 9 had not been achieved. In RPJMD 2008-2013, the provincial government of Southeast Sulawesi proclaimed 21 achievement indicators linked to agriculture sector. Of the 21 aforementioned indicators, around nine indicators had not had measurable targets. A few of the immeasurable indicators are the total production of vegetables, fruits, forest products, palm trees, etc. The target indicators were not accompanied with baseline data and the measurable achievement target. Meanwhile, of 15 measurable target indicators, 6 targets had been achieved in 2010, while the other 9 targets had not been achieved. Of the targets for the 4 main products announced by the provincial government, only the targets for paddy and sea products had been achieved since 2008, while the targets for cacao and cows had not been achieved. The RPJMD's achievement target for agriculture was based on the average annual achievement.

Table 5.19. Nine out of 15 agricultural indicators in Southeast Sulawesi's RPJMD had not been reached by 2010

Types of Agriculture Commodities	Units	Target per Year (RPJMD 2008-2013)	Achievements in 2008-2010				Performance
			2008	2010	Average per year		
Rice	Ton	400,000	423,316	407,367	454,644	428,442	Achieved
Corn	Ton	100,000	93,064	71,655	74,840	79,853	Not Yet Achieved
Soy Beans	Ton	6,000	3,812	5,615	3,203	4,210	Not Yet Achieved
Cacao	Ton	150,000	115,898	93,465	147,917	119,093	Not Yet Achieved
Cashews	Ton	75,000	37,981	52,436	13,191	34,536	Not Yet Achieved
Cloves	Ton	4,000	2,174	6,094	5,872	4,713	Achieved
Vanilla	Ton	150	194	192	87	158	Achieved
Pepper	Ton	5,000	3,663	6,648	4,546	4,952	Not Yet Achieved
Candle Nuts	Ton	3,000	1,723	1,786	927	1,479	Not Yet Achieved
Cows	Per Head	300,000	237,360	253,171	268,138	252,890	Not Yet Achieved
Goats	Per Head	200,000	110,629	114,177	117,819	114,208	Not Yet Achieved
Chicken	Per Head	10,000,000	10,953,070	13,651,634	16,075,436	13,560,047	Achieved
Fowl Eggs	Kg	7,500,000	7,659,219	7,064,613	8,170,987	7,631,606	Achieved
Salt Water Fish*)	Ton	275,000	493,834	186,616	519,875	400,109	Achieved
Fresh Water Fish*)	Ton	5,000	2,973	1,936	2,844	2,584	Not Yet Achieved

Source: Processed based on data from RPJMD Southeast Sulawesi 2008-2013, and the Fishery and Marine Office, 2011.

Note : *) Data for the Salt and Fresh Water Fish in the table above were taken from the Fishery and Marine Office data. This data was different from the data recorded in Southeast Sulawesi in Numbers published by Central Bureau of Statistics of Southeast Sulawesi Province.

5.4.4. Summary and Recommendation

A reduction of dependency on deconcentration/co-administration expenditure. The significant increase of agricultural sector expenditure originating from deconcentration/co-administration in 2011 was only temporary and is estimated to drop with a change of priority or a change of program from the central government. Therefore, the regional government (province and district/municipality) needs to plan the scheme of expenditure increase in agriculture sector more consistently so that the total public investment in the agriculture sector in Southeast Sulawesi is more stable.

Improving efficiency and the structure of the provincial and the district/municipal government agricultural expenditure The improvement of efficiency is aimed at the following steps: (i) along with efforts to increase agricultural expenditure more consistently, the growth of the employee salary expenditure (BTL) needs to be managed in such a way that it does not have an effect on the decline of direct expenditure; (ii) reducing gradually the proportion of expenditure for programs linked to office administration and apparatus so that direct expenditure for the agriculture sector can be optimized for investment programs/activities which directly impact agriculture performance; (iii) programs which focus on the application of agricultural technology and the improvement of agricultural products and produce marketing need to be prioritized gradually to encourage the increase of productivity (intensification), the increase of agricultural products added value, and also the development of agribusiness; (iv) paying more attention to the improvement of farmer welfare especially in the crops and farming sub-sectors which tend to have lower Terms of Trade (under 100); and (iv) directing agriculture intervention for increased production of commodities which had not reached the target or had undergone production decrease in 2010.

Revitalizing the growth of the agriculture sector The deceleration of agriculture sector growth influenced by the decrease of the actual growth rate in all agriculture sub-sectors needs to be anticipated through: (i) an improvement of export marketing for cacao commodities which have experienced a decline in volume and export value throughout the years. The improvement of export marketing is needed to meet the high growth momentum of cacao production which begun to surface in 2010; (ii) the growth of paddy productivity through the expansion of technical irrigation to reduce the area of rainfed rice fields; the improvement of production technology application, and also more intensive agricultural counseling; (iii) maintaining and improving the stability of cow population growth and the volume of seaweed production as the main commodities in the farming and fishery/marine sub-sectors.



Chapter VI

Village Block Grant

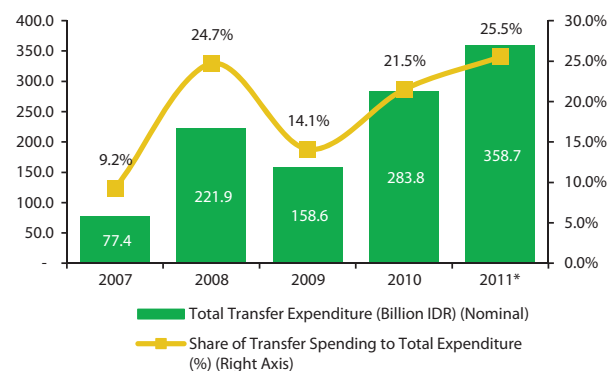
6.1 Preface

The provision of block grants to the villages is one of the three main pillars of the **Bahteramas (Community Welfare Development) program**. In 2008, the Governor of Southeast Sulawesi announced the Bahteramas program, which covers the exemption of Education Operational Assistance (BOP), free health services, and an 100 million per year block grant for village governments. To realize the program that was linked to the block grant, the Provincial Government allocated a certain amount of funds to the transfer expenditure post, which was in the form of financial assistance to village governments. In this chapter, the discussion will focus on the realization of the block grant program to villages and the community perception of the composition of the program's planning, implementation, reporting and the benefits.

6.2. General Patterns of Provincial Government Transfer Expenditure ³⁶

As generally happens in provinces throughout Indonesia, the use of financial assistance instruments by the Southeast Sulawesi Provincial Government has tended to increase. In the period 2007-2011, the Southeast Sulawesi government's total transfer expenditure increased almost four times, from 77.4 billion (2007) to 358.7 billion (2011), or increased proportionally against the total provincial expenditure nearly three times, from 9.2 percent (2007) to 25.5 percent (2011). The increase in transfer expenditure showed the importance of this type of expenditure as a development intervention instrument for the Southeast Sulawesi government. This phenomenon has not only occurred in Southeast Sulawesi, but also in almost all provincial governments in Indonesia³⁷. The main challenges associated with the use of transfer expenditure instruments were transparency and accountability³⁸.

Figure 6.1. Transfer expenditure increased in amount and proportion for the past two years



Source: Bureau of Finance Southeast Sulawesi Provincial Government.
 Note: The 2007-2010 data was based on realized numbers; the data for year 2011* was based on pure APBD. The data for 2010 in this Figure will be different from the data in Table 4.1. because this Figure uses the realization data (not APBD-P).

³⁶ Based on the Minister of Home Affairs Regulation (Permendagri) 13/2006, the types of financial assistance expenditure for district/municipality/village are profit sharing, social assistance, grant and subsidy. These five expenditures in this research were categorized as transfer expenditures. The Permendagri 13/2006 classifies these five expenditures into indirect expenditures (BTL) along with employee salary expenditures, interests and emergency expenditures.

³⁷ This is because, on the one hand, the provincial government had a significant amount of budget resources, while, on the other, most public service deliveries were at district/municipal level. Through financial assistance transfer instruments, the provincial government can create fiscal balance (general financial assistance) or encourage the sub-provincial governments to achieve the set visions and missions (special financial assistance) (see Permendagri 13/2006 Article 47).

³⁸ On the transparency side, the transfer expenditure information in the budget documents was often lacking in details. An example is the lack of clarity over education expenditure by the provincial government. The provincial government often uses transfer expenditure for education assistance and does not record it as education expenditure, but as financial assistance expenditure. Permendagri 13/2006 regulates that financial assistance expenditure, grants, etc can only be budgeted within RKA-SKPKD (Special RKA in Regional Finance Manager Work Unit/Finance Section, Regional Secretariat, read Article 97 Verse (2) Permendagri 13/2006). As a consequence, education assistance expenditure is often categorized into general government expenditure. Meanwhile, in terms of accountability, transfer expenditure, especially grants and social assistance expenditure, has lately become a national issue particularly when it comes to who is entitled to receive them, how the financial management is carried out, and who is to be held accountable for them.

The largest share of transfer expenditure was allocated to financial assistance expenditure for district/ municipal governments, followed by profit sharing expenditure. The financial assistance for district/ municipality/village governments exhausted almost 50 percent on average of the total transfer expenditure and increased over the past two years. In 2011, financial assistance expenditure for district/ municipality/village governments increased to 78.4 percent of total transfer expenditure. The realization of profit sharing expenditure for district/municipality/village was the biggest expenditure type in 2007. However, in the following years (2008-2011), the biggest expenditure type was financial assistance for the province/district/municipality and village. This phenomenon shows a shift in provincial transfer instruments from the original form of profit sharing to financial assistance.

Table 6.1. Most transfer expenditure was allocated for financial assistance expenditure (in IDR Amount)

	2007	2008	2009	2010	2011*	Average
Financial Assistance Expenditure for the District/Municipal/Village Government						
Expenditure (Billion IDR)	18.0	108.1	70.7	120.7	281.1	119.7
Share to transfer spending (%)	23.2%	48.7%	44.6%	42.5%	78.4%	47.5%
Profit Sharing Expenditure for the District/Municipal/Village Government						
Expenditure (Billion IDR)	35.2	71.6	60.2	79.7	49.2	59.2
Share to transfer spending (%)	45.4%	32.3%	37.9%	28.1%	13.7%	31.5%
Social Assistance Expenditure						
Expenditure (Billion IDR)	11.2	19.4	10.0	75.5	19.7	27.1
Share to transfer spending (%)	16.9%	8.7%	6.3%	26.6%	5.5%	12.8%
Grant Expenditure						
Expenditure (Billion IDR)	13.1	23.0	17.7	7.9	8.7	14.1
Share to transfer spending (%)	14.5%	10.4%	11.2%	2.8%	2.4%	8.2%

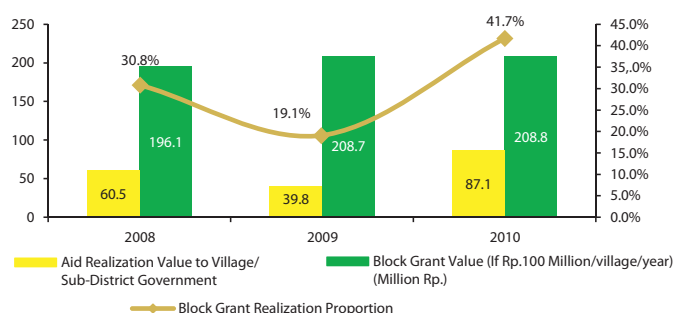
Source: Bureau of Finance of Southeast Sulawesi Provincial Government and PEA Database of Southeast Sulawesi, Haluoleo University, 2011.

Note: the 2007-2010 Data was based on realized numbers; the data for year 2011* was based on pure APBD.

6.3 The Planning and Realization of Block Grant Expenditure for villages

The provincial government planned to provide IDR 100 million per year block grants in the form of financial assistance to the villages. If the planned IDR 100 million per village was to be realized, then the provincial government would have needed to allocate more than IDR 196 billion every year. In reality, based on a standard of IDR 100 million multiplied by the number of villages in the 2008-2010 period, compared to realized provincial government financial assistance expenditure for villages in the same period, the block grant program realization was just 30.8 percent in 2008; 19.1 percent in 2009;

Figure 6.2. Up to 2010 realization of Village Block Grant Program has yet reached 50 percent



Source: Processed based on data from Bureau of Finance Southeast Sulawesi and Central Bureau of Statistics.

and 41.7 percent in 2010. In other words, the implementation of the block grant program for the villages has failed to reach 50 percent since its inception. Many factors could cause low block grant realization level, such as high block grant expenditure need (up to 19 percent of provincial expenditure) compared to the available budget resources, or obstacles in the planning process, implementation, and reporting for the next disbursement phase, etc.

Based on the results of a survey of 26 villages, as of 2010, no villages has received IDR 100 million per year. From 2008-2010, not one village surveyed had received IDR 100 million in the form of aid/assistance. The realization of assistance for each village varied considerably, from IDR 20 million to IDR 45 million in 2008; IDR 25 million to IDR 50 million in 2009; and IDR 40 million to IDR 50 million in 2010. There were two different views on the cause of the low levels of realization of block grants at the village level. The provincial government thought it was because of the poor proposal quality and the lack of capability of villages to deliver accountability reports on time. Meanwhile, the villages argued that complicated procedures and delayed realization were the main causes.

Table 6.2. Of the 26 sample villages surveyed, none had received IDR100 million per year

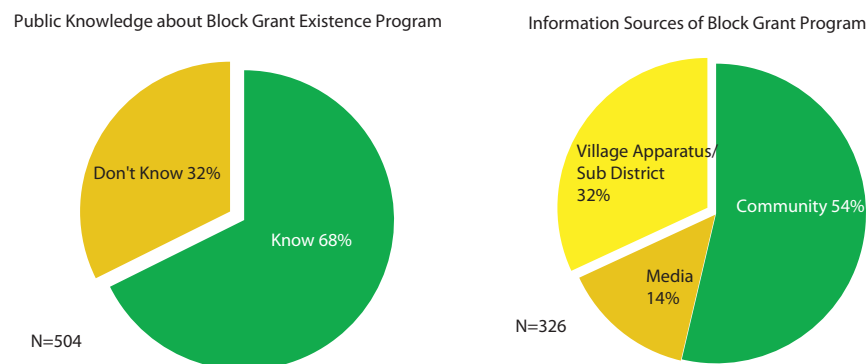
District/ Municipality	Sub-District	Village	Year 2008 (Million IDR)	Year 2009 (Million IDR)	year 2010 (Million IDR)
Bau-Bau	Betoambari	Wabarobo	40	25	
		Katobengke	40	25	50
		Sulaa	40	25	
	Bungi	Karingkari	40	25	
		Kalialia	40	25	
		Palabusa	40	25	
	Kokalukuna	Kadolomoko	40		
		Liwutu/Kadolo	40	25	
Muna	Katobu	Raha III	40		50
		Wamponiki	40	45	40
		Laende	40		50
	Lawa	Latugo	40	25	50
		Lalembaa	45	25	50
		Wamelai	40		
	Napabalano	Tampo	20		
		Pentiro	40		50
		Napalakuru	40		40
Kolaka	Kolaka	Watuliandu	40	25	50
		Sabilambo	40		50
		Laloeha	40	25	50
	Mowewe	Horodopi	40	25	50
		Puosu	45	25	50
		Lapangisi	40	25	50
	Lambandia	Pomburea	40	25	50
		Aere	25	25	40
		Penanggoosi	40	50	50

Source: Block Grant Survey Result, Haluoleo University, 2011.

6.4 Community Understanding of the Block Grant Program

The Block Grant Program is known by most communities through word of mouth. From 650 respondents spread across 26 villages in three districts, 504 respondents answered the questionnaires. From those 504 respondents, 68 percent (or 342 respondents) knew of the existence of the block grant program in the village where they resided. Of the respondents who did know of the program, 326 respondents mentioned the source of the information, while the rest did not. Of the 326 respondents who mentioned the source of information, more than half stated that they were told about the block grant fund from their neighbors (word of mouth information), while 32 percent of respondents got the information directly from the village government through socialization activities, and only 14 percent got the information from the media. The village government was seen as proactive enough in promoting understanding of the block grant program, as evidenced by the 32 percent who claimed to have received information directly from the village government. The high level of awareness of the block grant program amongst the community (See Figure 6.3).

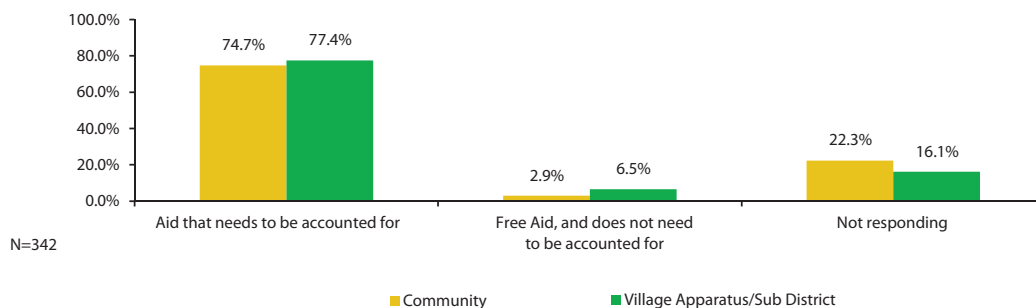
Figure 6.3. Most respondents were well aware of the Block Grant Program



Source: Block Grant Survey Result, Haluoleo University, 2011.

The availability of sufficient information had a positive impact on the community's understanding of the block grant program. Around 74.7 percent of respondents understood that the block grant funds needed to be implemented according to regulations and that the provincial government was responsible for delivering the program. Only three percent of respondents stated that the block grant funds were a form of free assistance and did not need to be spent in an accountable manner. This high level of understanding amongst the community showed that the community had received accurate information. From the village apparatus perspective, the percentage of respondents with a perception that the block grant required accountability was also quite high (77.4 percent). Nevertheless, there was still 6.5 percent of village officials who thought that the block grant program did not require accountability. This was quite a high number considering that the management and the accountability of the block grant funds is mostly in the hands of the village apparatus.

Figure 6.4. The Number of respondents who correctly understood the Block Grant Program was quite high



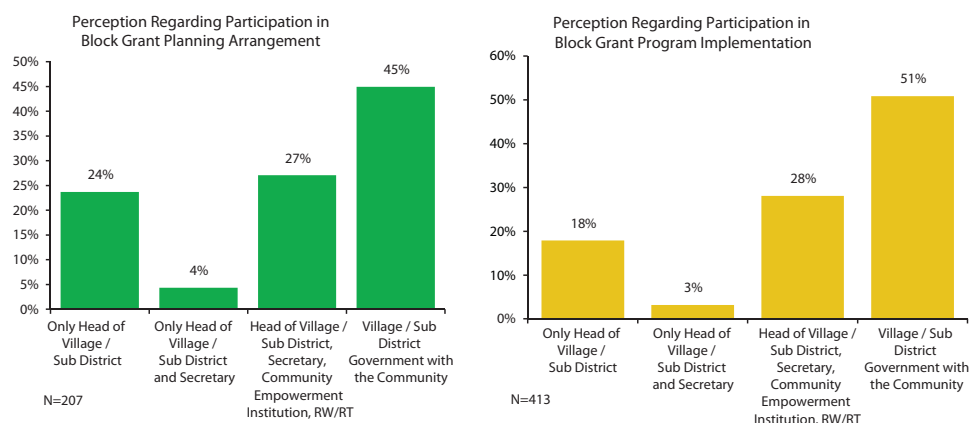
Source: Block Grant Survey Result, Haluoleo University, 2011.

6.5 Community Involvement in the Block Grant Program

The perception of the respondents toward community involvement in the block grant activity plan was quite good. Of the 342 respondents who knew of the existence of the block grant program, 207 respondents gave answers on community participation in the development of block grant activities. Of those 207 respondents, around 45 percent answered that the block grant activity plan was developed by the village apparatus with the involvement of the community; 27 percent answered that the block grant activity plan was developed by the village apparatus with the involvement of the LPM (Lembaga Pemberdayaan Masyarakat – Community Empowerment Organization), while 24 percent answered that the plan was developed by the village apparatus alone, or with the assistance of his/her secretary. The different perceptions among respondents indirectly showed that there were variations among the villages in the block grant activity plan development process.

Compared to the planning phase, more respondents were familiar with the process and confident of the involvement of the community in the implementation phase. Of the 342 respondents who gave answers on how the implementation process of the block grant was conducted, 51 percent said that implementation was conducted by the village apparatus accompanied by the community; 28 percent stated that implementation involved only the village head and LPM; while 18 percent stated that it was carried out by the village head alone, or with the assistance of his/her secretary. The result of this survey at least showed that: (i) in the implementation process, the knowledge that the respondents had was relatively better than the knowledge of the activity planning process; and (ii) in the implementation process, more than half of the respondents asserted that the process involved the community.

Figure 6.5. Community participation in the implementation phase was better than in the planning phase



Source: Block Grant Survey Result, Haluoleo University, 2011.

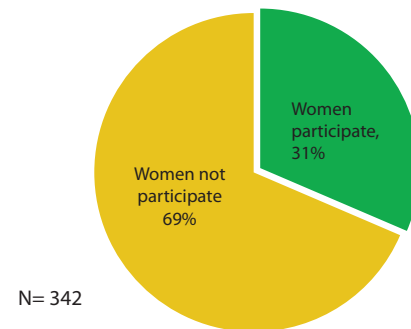
Although the level of community participation in implementation of the Block Grant program was relatively good, it was still dominated by men. Of 342 respondents who gave answers on gender equality in the implementation of the block grant, 69 percent said that women did not participate in the implementation phase, while 31 percent stated that women did participate. This variation showed that, more often than not, block grant activities did not involve women.

Most respondents understood that the preparation of activity reports was done together with (Community Empowerment Organization)/BPD (Village Discussion Body), but most did not update the status of the report.

Of 342 respondents who knew of the existence of the Block Grant program, 66 percent stated that the block grant activity report was prepared with the involvement of the LPM/BPD. The form of LPM/BPD involvement varied from involvement in just the report consultation process to direct involvement in the preparation of the report. Meanwhile, 18 percent of respondents answered that the report was composed by the village head and 16 percent did not answer.

Of the 342 respondents who knew of the existence of the Block Grant program only 146 respondents (less than half) knew whether the report was adverse or not. This means most respondents did not know what the block grant activity report found. Nevertheless, of the 146 respondents who answered the question, 73 percent stated that the report had no problems, while only 27 percent stated that it was adverse. Examples of problems detailed in the reports include: the fact that during the composition of the report LPM/BPD were not involved; the fact that the report was composed by the village head only; the constantly changing format of the report; and the fact that the report was incomprehensible to some.

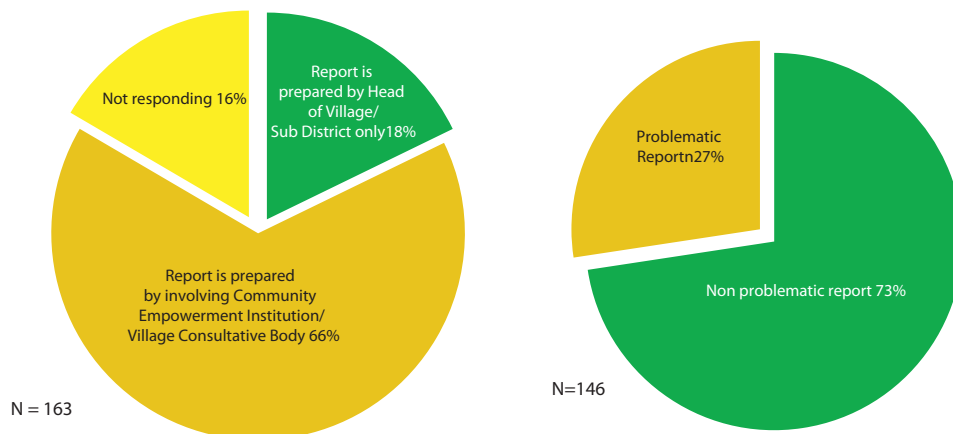
Figure 6.6. Most block grant implementation activities did not involve women



N= 342

Source: Block Grant Survey results, Haluoleo University, 2011.

Figure 6.7. Most respondents asserted that the preparation of activity reports involved LPM/BPD



N = 163

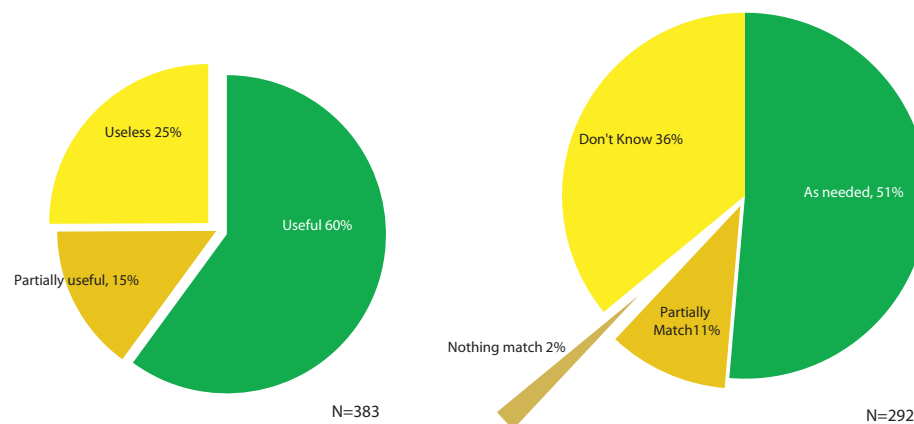
N=146

Source: Block Grant Survey Result, Haluoleo University, 2011.

6.6 The Benefits and Suitability of the Block Grant Program to Community Needs

Generally, the perception of respondents on the benefits and the suitability of the block grant program in terms of community needs was quite good. Of 342 respondents (most respondents did not give assessment on the benefits and suitability of the program and their needs), around 60 percent of respondents thought that all of the block grant activities were beneficial, 25 percent thought that the activities did not have any benefits, and remaining 15 percent said they were partially beneficial. When asked whether the block grant activities addressed the community's needs, only 292 respondents were willing to answer with around 36 percent saying that they did not know, more than half answering in the affirmative, 11 percent saying the activities only partially addressed their needs; and 2 percent stating that the activities did not meet the community's needs at all. Many respondents stated that they were beneficial in some way, but only a small number of respondents were able to answer that the activities addressed community needs. This is because most respondents can easily identify the benefits of the program for themselves, but struggle to identify the benefit of the program in fulfilling the needs of the community in a broader sense.

Figure 6.8. Most respondents said that the programs were beneficial, but only a few asserted that the program met the needs of the community in general



Source: Block Grant Survey result, Haluoleo University, 2011.

Box 6.1. Survey Method

The Research conducted in March 2011 in three districts determined based on regional representation both from an administration perspective and general development progress. Bau-Bau City was the representative of urban areas. Kolaka District represented the relatively more developed districts, while Muna District represented districts which were relatively less developed economically (See Figure 1.7, Chapter I).

In each district, three sub-districts were chosen randomly (random sampling), and in each sub-districts, three villages were chosen determined by the farthest, the medium, and the closest distance to the sub-district capital. The assumption was the distance from the sub-district capital would determine the quality of information that the respondents received. The respondents of this research consisted of: Village Head, Village Secretary, the Head of LPM/BPD, the Secretary of LPM, the Treasurer of LPM, the Head of RT/RW and the general public. Based on the method of the sampling, the total number of villages surveyed was 27. Since one of the villages did not give a complete response to the questionnaires, the analysis only used 26 villages. In each village, 25 respondents were chosen so the total number of respondents was 650.

Financial assistance transfer expenditure to the districts/municipalities/villages had increased significantly for the past two years. This illustrates the increasing importance of the transfer expenditure role in provincial government development policies. This was shown by a significant increase in the proportion of financial assistance expenditure compared to the total provincial government expenditure in the past two years. The transfer expenditure information needed to be perfected and socialized, especially since the transfer expenditure was closely linked to the provincial government's high profile programs such as the Block Grant program, the BOP exemption, scholarships, and free health services. The transfer expenditure information was updated not only based on the type of expenditure (financial assistance, profit sharing, subsidy, grant, and social assistance), but also based on sector (education, health, agriculture, infrastructure, etc)

The limit for financial assistance allocations to the village governments need to be increased, the procedures need to be simplified and the guidance, monitoring and evaluation of block grant funds need to be improved. Based on the survey results, the community's level of knowledge regarding the Block Grant program was quite high; the level of understanding was also quite good; community participation in the planning process, implementation and activity accountability was beginning to take place in many villages; and the community perception of the benefit of the block grants was positive. This condition was a prerequisite to the success of the program. Nevertheless, a full commitment from the provincial government to realize the Block Grant program needed to be improved.

The provincial government could take the following steps to further enhance the program: (i) increasing the limit for financial assistance for the village governments so that it is consistent with what has been planned (IDR 100 millions per village per year); (ii) increasing guidance/training to improve the quality of activity proposals, which will be funded by the block grant; (iii) continuing to encourage community involvement in the planning process and the monitoring of implementation; and (iv) improving the guidance/training provided to enhance implementation accountability in order to ease the process of fund disbursement from one phase to the next. Cooperation with district/municipal governments is essential to assist the realization of the Block Grant program. This could include the provision of block grant facilitators to assist villages with implementation.



Chapter VII

Women's Empowerment and Gender Equality

7.1 Human Development Index (HDI) and Gender-related Development Index (GDI)

A gender gap persists in Southeast Sulawesi Province. Therefore, the regional government has stipulated that gender mainstreaming is one of its main development priorities, including through the alignment of central and regional programs. The gender gap can be seen by comparing the Human Development Index (HDI) and Gender-related Development Index (GDI) which use the same indicators. Southeast Sulawesi's HDI increased from 69 in 2008 to 69.52 in 2009.. However, the GDI was 62.89 in 2009 (lower than the HDI), which shows the existence of a gap in development experienced by the men and women of Southeast Sulawesi.

Table 7.1. Human Development Index Indicator in Southeast Sulawesi districts/municipalities, 2008-2009

Code	Province/ District/ Municipality	Rate		Rate		Average		Expenses Adjusted per Capita Spending		HDI	
		Life Expectancy (Year)		Literacy (Percent)		Mean Year School (Year)					
		2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
	Southeast Sulawesi	67.40	67.6	91.42	91.51	7.74	7.9	611.72	615.29	69.00	69.52
1	Buton	67.89	68.23	85.72	85.75	6.27	6.52	623.50	624.09	67.82	68.24
2	Muna	65.79	65.88	87.59	87.59	7.30	7.35	606.14	611.30	66.49	67.03
3	Konawe/Kendari District	66.74	67.01	94.6	94.60	7.98	8.01	601.40	606.24	68.72	69.27
4	Kolaka	66.61	66.87	93.14	93.14	7.70	7.71	626.63	629.26	70.06	70.41
5	South Konawe	67.31	67.47	94.10	94.10	7.60	7.62	604.15	607.83	68.86	69.24
6	Bombana	67.30	67.51	88.2	88.20	6.23	6.59	598.00	599.84	66.05	66.63
7	Wakatobi	67.83	67.95	88.8	88.80	6.52	6.85	589.39	593.12	66.03	66.70
8	North Kolaka	65.27	65.41	93.02	93.02	7.4	7.51	611.61	607.2	67.91	68.50
9	North Konawe	67.64	66.96	86.50	86.50	7.59	7.87	601.82	602.44	67.16	67.62
10	North Buton	66.47	66.76	93.80	93.80	7.00	7.05	598.33	602.70	67.49	67.97
11	City of Kendari	68.95	69.02	98.37	98.37	11.01	11.13	628.14	629.21	75.09	75.31
12	City of Bau-Bau	69.79	70.09	95.16	95.16	9.55	9.75	607.11	612.11	72.14	72.87

Source: Gender Inequality in Human Life Quality Achievement, 2010.

In three out of four district/municipalities in Southeast Sulawesi, women fared worse on HDI indicators. These indicators were the Literacy Rate, the Mean Years of Schooling, and Labor Wages (Table 7.2).

Table 7.2. Gender Development Index indicators for districts/municipalities in Southeast Sulawesi in 2008-2009

Code	Province/District/ Municipality	Life Expectancy Rate (Year)		Literacy Rate (%)		Average School (year)		Contribution Income (%)		GDI	
		M	F	M	F	M	F	M	F	2009	2008
	Southeast Sulawesi	65.68	69.64	95.45	88.28	8.35	7.49	66.23	33.77	65.68	69.64
1	Buton	66.30	70.28	92.69	81.95	7.39	5.85	62.73	37.27	66.30	70.28
2	Muna	64.00	67.88	96.58	82.87	8.24	6.87	63.25	36.75	64.00	67.88
3	Konawe/Kendari District	65.10	69.03	97.52	91.52	8.95	7.81	59.33	40.67	65.10	69.03
4	Kolaka	64.96	68.89	94.94	92.34	8.49	7.11	73.42	26.58	64.96	68.89
5	South Konawe	65.55	69.50	96.93	91.61	7.97	7.5	73.41	26.59	65.55	69.50
6	Bombana	65.59	69.54	92.73	86.49	7.11	6.54	65.57	34.43	65.59	69.54
7	Wakatobi	66.02	69.99	94.33	86.49	7.50	6.22	66.12	33.88	66.02	69.99
8	North Kolaka	63.54	67.40	95.82	86.43	7.90	7.55	72.44	27.56	63.54	67.40
9	North Konawe	64.86	68.78	88.10	85.98	7.97	6.47	62.08	37.92	64.86	68.78
10	North Buton	66.03	70.00	96.07	85.26	8.18	7.00	67.38	32.62	66.03	70.00
11	City of Kendari	67.1	71.06	99.42	97.89	11.3	10.98	67.02	32.98	67.1	71.06
12	City of Bau-Bau	65.68	69.64	95.45	88.28	8.35	7.49	66.23	33.77	65.68	69.64

Source: Gender Inequality in Human Life Quality Achievement, 2010.

The biggest gap in the literacy rate indicator in 2009 occurred in Muna, with a difference of 13.71 percent. Placed in second, third, and fourth were North Buton, Buton and North Kolaka, with 10.81 percent, 10.74 percent and 9.39 percent respectively, while the smallest gap occurred in Kendari City with 1.53 percent. This shows that the urban population got a bigger opportunity to gain education, in terms of access or facilities. Meanwhile the Southeast Sulawesi provincial data showed a gap in literacy rates with 7.17 percent between men and women in the same year, which means that the provincial average was still above the gap in the national level which was 6.28 percent. Therefore, education equity and improvement in education program expenditure allocation is needed.

The biggest imbalance between male and female students in terms of mean years schooling occurred in Buton, with 1.54 years followed by North Konawe with 1.5 years. Kolaka, Muna and Wakatobi placed third, fourth and fifth with 1.38, 1.37 and 1.28 years respectively, while the lowest imbalance was in Kendari City with 0.32 years. This shows that school age girls in the newly formed districts and remote districts receive a lesser chance to continue their education. Meanwhile, the imbalance in mean years of schooling in Southeast Sulawesi Province (0.86 years) was slightly lower than the national rate of 0.89 years.

From an economic perspective, wages for women in non-agricultural sectors were lower compared to the wages for men, with the biggest difference occurring in Kolaka with 46.84 percent. South Konawe, North Kolaka, and Bau-Bau City placed next with a difference of 46.82, 44.88, and 44.06 percent respectively. In general, the imbalance in wage conditions for men and women occurred throughout Indonesia. This deserves special attention from policy makers and the Regional Minimum Wage (UMR) body so that male and female worker receive equal pay for equal work.

Box 7.1. Millennium Development Goals (MDG) Achievements

Women's health in Southeast Sulawesi has shown improvement, but significant challenges in the health sector persist. The infant mortality rate and under five mortality rate remained high with 97 deaths per 1,000 live births. Therefore, reaching the target of 23 children/infant deaths per 1,000 live births in 2015 remains a tough challenge for the provincial government. Specifically, the improvement of health performance in reducing the maternal mortality rate only slightly improved. Also, the prevalence of malnourished children was still 42 percent and thus the target of 15.5 percent in 2015 will be difficult to achieve. In addition, improvements in child and infant nutrition was in decreasing geographical disparity, even though studies show that between male and female still persist. This is linked to poor levels of education for women, especially in rural areas compared to urban areas. Also, the tendency to marry at a young age was increasing in rural areas. Several studies show that economic factors dominated the reasons women married in rural areas. It is a challenge for the Southeast Sulawesi Provincial Government to empower women in the health sector since performance improvement is still needed in many important fields. If this is not taken seriously, it is likely that some of the MDGs linked to health will not be achieved. Efforts to reduce the maternal mortality rate by half – from 204 per 100,000 live births in 2010 to 102 per 100,000 live births as targeted in 2015 – will need systematic hard work towards women's empowerment in the health sector.

Meanwhile, at the provincial level the GDI Gender-related Development Index in Southeast Sulawesi decreased from 56.34 in 2008 to 55.56 in 2009. This is in contrast to the increase of GDI at the district/municipality level. In terms of women's involvement in parliament, Kendari City reached the highest score with 30 percent, or 10 percent higher than the provincial score. Meanwhile, North Buton's score in women's participation in the professional workforce was the highest at 49.81 percent and also higher than the provincial score of 34.79 percent. Meanwhile, Konawe ranked the highest in terms of women's contribution to income with 40.67 percent, which was higher than the provincial score of 33.77 percent.

Table 7.3. Gender Empowerment Measures in Southeast Sulawesi districts/municipalities, 2008-2009

Code	Province/ District/ Municipality	Women's involvement in parliament (%)	Women with managerial, administrative, professional, and technical occupations (%)	Female share of income (%)	Gender Empowerment Measures	
					2009	2008
	Southeast Sulawesi	20.0	34.79	33.77	55.56	56.34
1	Buton	20.0	28.99	37.27	49.67	48.49
2	Muna	10.0	41.16	36.75	62.92	62.19
3	Konawe/Kendari District	13.3	31.85	40.67	59.36	58.61
4	Kolaka	16.7	30.92	26.58	51.53	50.86
5	South Konawe	13.3	42.33	26.59	58.78	57.83
6	Bombana	12.0	34.42	34.43	51.88	51.70
7	Wakatobi	08.0	29.03	33.88	45.54	45.37
8	North Kolaka	10.0	41.12	27.56	54.25	50.29
9	North Konawe	00.0	46.62	37.92	48.72	47.95
10	North Buton	13.0	49.81	32.62	49.18	48.05
11	City of Kendari	30.0	30.66	32.98	65.52	64.94
12	City of Bau-Bau	12.0	25.35	27.97	47.26	46.58

Source: Gender Inequality in Human Life Quality Achievement, 2010.

Eventhough the involvement of women in parliament and professional jobs continued to increase, participation in the public sector based on class and rank was still low. The percentage of women in Class IV was 44 percent, while Class III and Class II were each 30 percent. In terms of available posts, more than 65 percent were dominated by male civil servants. This condition, however, had been anticipated by the local government with a few policies to support a gradual improvement in women's positions in the government.

Box 7.2. Gender Equality in Higher Education

Gender empowerment for decision making in higher education level in Southeast Sulawesi is still an issue, eventhough higher education plays an important and strategic role in gender issues, including producing educators and conducting gender research (as *Body of Knowledge*). The male population dominated almost all functional posts in all public and private higher education institutions in the region. Deans/Directors/Heads were Male (92 percent male versus 8 percent) Female, Dean Assistant/Director Assistant I Male (93%) Female (7%), Dean Assistant/Director Assistant II Male (97%), Female (3%) Dean Assistant/Director Assistant III Male (99%) Female (1%) Dean Assistant/Director Assistant IV Male (97%) Female (3%) Dean Assistant V Male (89%) Female (11%). When compared to other provinces in Eastern Indonesia, the GDI for this indicator was considered low at 4 percent. Several studies reveal that education management where psychological and socio cultural factors are influential, i.e. the issue of interests, egoism, superiority and cultural interests, interest both in individual and in population groups, heighten professional competition and are the determining factors in the emergence of this gender. These structural and cultural factors has created gender bias.

7.2 Institutionalizing Gender

Although gender mainstreaming is explicitly stated as a development priority in Southeast Sulawesi, gender mainstreaming is not fully understood by all development managers. In other words, gender mainstreaming is not yet institutionalized. Institutionalizing gender is, in fact, the key component in realizing the government's political commitment to gender equality as a development priority towards achieving good governance in Southeast Sulawesi, with the target of creating gender equality, equity, efficacy and women's empowerment in all fields.

The institutionalization of gender is needed on two levels: the individual government apparatus level and the organization and institution level. At the individual level, the institutionalization of gender will support the government's capacity in terms of gender responsive knowledge, skills in implementing, competency and work ethics. At the organizational The organization and institutional level, the institutionalization of gender will mean that legal and policy products will be formulated in such a way that they can strengthen women's access to a sustainable future and their receipt of equal rights to men. The institutionalization of gender will ensure that the whole system uses a gender data lens and that all regional regulations, decrees, technical guidance and implementation guidance adequately address gender issues. .

According to Minister for Home Affairs Regulation 15/2008 on the insitutionalization of Gender in the Regions, institutional capacity strengthening was conducted through the Gender Work Group. The Gender Work Group serves initiation, dynamic and quality assurance functions for the composition and implementation of gender-oriented development policies and various gender mainstreaming programs in various development fields. The composition of policies and development programs which are gender responsive, the availability of rules, institutions and mechanisms which support the implementation of gender mainstreaming will be reflected in the Position Paper and Regional Action Plan on Gender Responsive Development. The following are the functions of the Gender Work Group:

1. Initiation Function: Gender Work Group compose and propose ideas and activity/program expenditure plans linked to the study of policies and development programs which were gender equality and fairness oriented (Gender Budgeting) and emphasized equal productivity, empowerment and sustainability.
2. The Dynamic Function: the work group conducts discussions, hearings, data analysis and policy and program discussions with relevant decision makers and managers.
3. The Quality Assurance Function: the Gender Work Group conducts monitoring, supervision and evaluation on various gender mainstreaming activities.

Box 7.3. Gender Responsive Budgeting

The role of gender responsive budgeting in institution strengthening includes: i) public expenditure for regulation development/legal aspects, including support systems to monitor the implementation of gender activities (guidance composition activities, information/software); ii) public expenditure for resource development programs program (the preparation of gender databases); and, iii) public expenditure for human resource capacity improvement programs, which provide specialized training.,

Gender Work Group had been established in almost all districts/municipalities in Southeast Sulawesi by 2010. However, the status of the work groups as non-structural organizations in the provincial and district/municipality bureaucracies was not optimal. One indication of the sub-optimal institutionalization of gender in Southeast Sulawesi was the limited availability of gender specific data and gender statistics. This was reflected in the lack of government expenditure allocation for Work Groups activities, which were:

1. The Composition of statistic/profile/gender lens data,
2. The Socialization of gender mainstreaming
3. Gender mainstreaming training for stakeholders
4. Gender mainstreaming training for Echelon II policy makers
5. Gender mainstreaming training for Echelon III technical planner
6. Gender mainstreaming training for Echelon IV activity executors
7. Research on gender issue in the regions
8. Regulation Development

One of the causes of the sub-optimal institutionalization of Southeast Sulawesi was the rotation of staff who had been trained in gender issues, which mean they were unable to apply their skills. This occurred in almost all districts/municipalities across the province. As a result, gender mainstreaming in the region was not yet successful and Southeast Sulawesi's GDI continued to be low.

If looking at the budget and the provincial government expenditure closely, it can be seen that the budget composed by the Southeast Sulawesi Provincial Government was not gender responsive. Gender budgeting, as an approach for budget composition that can foresee distance between policies and resources and as an approach that can ensure that public money is used in a gender equal manner, had not been implemented fully by the government. Gender budgeting is still considered an effort to invest the same amount of money in men's and women's issues, rather than an effort to establish whether or not the needs of both men and women have been met.

7.3 Conclusions and Recommendations

Despite the provincial government's commitment to gender mainstreaming, gender responsive budget planning (gender budgeting) has not been implemented in all sectors. This was shown in the Provincial Medium Term Development Plan (RPJM) of 2008 - 2013. Therefore, gender based institutions should be holistic and integrated so that future policies and programs will be based on the fulfillment of men's and women's needs.

Although all districts/municipalities in Southeast Sulawesi have allocated expenditure to support gender equality (as shown in the graphic in chapter 4), programs that aim specifically at the enhancement of gender based institutions are still required. Essential programs include: strategic framework enhancement such as rules and regulations development; institutions and mechanisms (development of rules and regulations) including monitoring support systems to supervise the implementation of gender based activities (such as much needed information systems/software/guidelines/standards/implementation guide for gender based activities) in collaboration with local NGOs.

Lack of availability of gender databases, or streamed data according to gender, also contributed to the low response rate in planning budgets with gender awareness, which is imperative to ensuring the fulfillment of men's and women's needs in this region. Through the gathering, compiling and distribution of data and streamed information, it is expected that an easily accessible gender database could also be the grounds for gender based policies, programs, activities and projects. To support this, it is necessary to have gender databases, research, communication, information, and education in the form of a gender kit or web site accessible to the community.

Besides a gender database, the development of sources related closely with gender responsive budgeting is also needed. Training or capacity building related to women's economic empowerment, for policy makers (Echelon II), people in charge of the programs (Echelon III) and program executives (Echelon IV) would be most beneficial. However, these programs need to be synchronized with the schedule of staff rotations for optimum results.

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Annex

Annex A What is the Southeast Sulawesi Public Expenditure Analysis?

Having seen the experience of numerous areas in Eastern Indonesia in implementing the Public Expenditure Analysis and Capacity Harmonization (PEACH), provincial government of Southeast Sulawesi initiated the implementation of similar program in the province.

Implementation in other provinces has shown that participatory public expenditure analysis is a good starting point to improve the quality of subnational government public expenditure management in performing their functions and responsibility newly apportioned to them following the decentralization.

In responds to that need, the World Bank, in collaboration with a research team organized by the Faculty of Economy. Haluoleo University, has performed a comprehensive public expenditure analysis to help strengthen subnational government's capacity. The Southeast Sulawesi PEACH aims to improve budget resource allocation to contribute to a better public service provision at subnational in accordance with subnational government's preferences and deliberations. The aforementioned objective can be achieved by involving decision makers as well as other stakeholders in identifying public expenditure priorities and financial management. The main goals of the Public Expenditure Analysis (PEA) component are as follow:

- (i) to obtain a better understanding of public expenditure management in a province, particularly related to the participatory planning and budgeting, as well as provision of basic services.
- (ii) to obtain a better understanding of the ongoing civil service reform, particularly related to regional welfare allowance.
- (iii) to develop strategies to improve Southeast Sulawesi financial management to achieve better public service provision and public capital investment in order to stimulate higher economic growth.
- (iv) to establish a better system to analyze and monitor the subnational budget. Such system could comprise of:
 - establishing a network of counterpart from local universities in Southeast Sulawesi and subnational government institutions to take the lead of the implementation of Southeast Sulawesi PEACH, thereby building capacity to be able to independently conduct public expenditure analysis in the future.
 - providing technical assistance/capacity enhancement for this network to enable it conducting similar analysis in the future.

Annex B. Methodology Notes

B.1 The Subnational Budget (APBD)

The subnational budget or APBD is an annual budget which is allocated and/or spent by provincial and district/municipal governments. This budget consists of two categories: plan (to be approved by the local parliament) and realization (actual expenses or the accountability report of the head of regional government).

This report compile a dataset from 2005-2009 from provincial and district/municipal governments in Southeast Sulawesi. The Ministry of Finance also provided data to enable national-level comparison.

B.2 Framework for Public Financial Management (PFM): Strategic Sectors, Outcomes and Indicators

The World Bank and the Ministry of Home Affairs (MoHA) will assess the financial management capacity of district/municipal governments in developing Public Financial Management (PFM) framework. This framework is divided into nine sectors, which are the keys to district/municipal government level financial management:

- (1) Regional Regulatory Framework (1)
- (2) Planning and Budgeting,
- (3) Cash Management,
- (4) Goods and Services Procurement,
- (5) Accounting and Accountability,
- (6) Internal Control,
- (7) Debts and Public Investment,
- (8) Asset Management, and
- (9) External Audit and Monitoring.

Each strategic sector is divided into one to five outcomes, with the list of indicators for each results. The results represents the desired achievements in each strategic sector and the indicator were used to assess the performance of district/municipal government in these sectors. These outcomes were not formulated based on international best practices, because the disparity between the resultant outcomes and current realities would be too great to produce practical results.

Respondents were asked to provide “yes” or “no” answers to questions, each of which corresponds to an indicator.

Answers were tallied for each outcome, and the score is the percentage of “yes” answer.

Some of the strategic sectors have been apportioned greater number of indicators than others, to provide more weight to these sectors in the overall results. **For example, there are 49 planning and budgeting indicators , but only eight indicators for public debt and investment. Procurement (41 indicators) and cash management (31 indicators) are other strategic sectors to have been apportioned greater weight.**

The Southeast Sulawesi Public Financial Management survey covered the provincial government and 12 districts/municipals governments. Haluoleo University was involved in the research for the survey. At the end of 2011, the PFM Capacity Survey had been conducted in approximately 75 districts/municipalities throughout Indonesia.

Methodology

Results were obtained through interviews and Focused Group Discussion (FGD) with subnational government representatives from relevant offices. These discussions involved the regional development planning agency (Bappeda); the finance bureau; regional parliament (DPRD); regional revenue service office; regional treasury office; public works office; and regional supervisory agency. To guarantee data accuracy, every “yes” answers must be supported by relevant documents and/or cross-checking with additional respondents.

Interpretation of Result

A score was generated for every strategic sector and survey location. For comparison and evaluation, the score of strategic sectors may be assessed in accordance to the following categories. However, the results are prone to subjectivity bias, because the results depend crucially on the interpretation of the party conducting the survey. Currently, the World Bank and MoHA are collaborating to improve the survey, particularly to attempt to minimize the risk of subjectivity.

Overall Score (percent)

80 - 100 perfect/fully acceptable
60 - 79 very good/very acceptable
40 - 59 good/acceptable
20 - 39 average/sufficiently acceptable
0 - 19 poor/unacceptable

Annex C Matrix of Conclusions and Recommendations

Main Issues		Recommendation	Agenda
Economy and Social Although economic growth in Southeast Sulawesi was quite rapid, the economic scale of Southeast Sulawesi was still relatively small and Gross Regional Domestic Product (GRDP) per capita was still far below the national average. The Open Unemployment Rate (TPT) in Southeast Sulawesi is relatively low compared to the national TPT number. However, 49 percent of unemployment is concentrated in urban areas		The development rate of real sectors in 2010 had reached 8.2 percent through: (i) Revitalization of agriculture sector that had undergone slow growth rate for the past 3 years particularly in farming sub-sectors which, as of 2003, still has negative real growth rate. (ii) Agriculture revitalization must be followed with rural economic development to reduce migration and unemployment rate in the city. (iii) Improving stability of real production growth of mining sector, which had been fluctuating sharply for the past 5 years, through regulation enhancement and investment management in this sector. (iv) Improving connectivity and logistic system by maintaining the development of infrastructure to support the growth of investment in tertiary sectors (trade, hotel, restaurants and service companies) that has grown rapidly with a very high employment absorption.	Provincial Government: to coordinate the development and implementation of economic development plan with district/municipalities by prioritizing on: (i) revitalization of the growth of agriculture sector; (ii) maintain stability of the development of the mining sector; and (iii) improving connectivity and logistics systems to support the development of tertiary sectors, particularly trade. Provincial Government: coordinate the development and implementation of poverty eradication strategy particularly in regions with the highest levels of poverty: Kolaka, Muna, Buton, and Konawe.
		The success in decreasing the poverty headcount by a 2.5 point base percent in the period of 2010-2011 needs to be maintained and improved. To reach the 2013 target of 10 percent, the rate of poverty in Southeast Sulawesi should be decreased by at least 2.3 point base percent in the next two years (2012 and 2013). With obstacles in the improvement of literacy rate of elderly age groups, provincial government of Southeast Sulawesi needs to encourage significant improvement on the average of school year. Such improvement is expected to compensate for the obstacles met in the improvement of the literacy rate so that it could increase overall HDI in education. The improvement of life expectancy could be achieved through efforts to reduce morbidity rate in the population, the infant mortality rate, the under-five mortality rate, and maternal mortality rates.	Provincial and district/municipal government: (i) endeavor to significantly improve the average school year through improvement of school participation at the Junior High School (SMP) and High School (SMA) levels; (ii) promote promotion of KIBLA (kesehatan ibu melahirkan and bayi baru lahir, or Maternal and Neonatal Health), promotion of complete immunization coverage as well as health promotion efforts (PHBS – Pola Hidup Bersih and Sehat, or Hygienic and Healthy Lifestyle).

Main Issues	Recommendation	Agenda
Management of Regional Finance		
The matrix has been shown in conclusion and recommendation in the table in Chapter 2.		
Revenue		
The contribution of Own-source Revenue (PAD) to the district's/municipality's revenue is still low (on average below 7 percent)	In the short term, the improvement of PAD mobilization capacity can be accomplished through: (i) identification of potential resources for new revenues; (ii) improvement of relevant regulations on taxes and charges; (iii) improvement of the tax management system and human resources; and (iv) additional provision of tax.	Provincial Government: to facilitate the capacity improvement of district/municipality PAD mobilization for the long term (development of potential revenue resources and formalization of business), as well as short term (improvement in regulation and human resource capacity for tax management).
Mining production in Southeast Sulawesi has shown a nominal increase. However, the percentage of natural resource non-tax revenue sharing received by subnational government of Southeast Sulawesi is decreasing in agregat.	<p>In the long term, an increase in PAD must be carried out by supporting the economic development in sectors that are considered potential sources of PAD (like tourism, etc). Without economic development in these sectors, the intensification of PAD will have a negative impact (become a disincentive) on the economy.</p> <p>Subnational government needs to promote formalization of informal sectors through simplification of licensing procedures and incentives (in Southeast Sulawesi case, formalization of business needs to be done on the mining sector which mainly runs informally/underground economy).</p> <p>The increase in mining activities and production in Southeast Sulawesi needs to be supported by a better supervision and monitoring system. Transparency in this sector may also facilitate the negotiation process of natural resource non-tax revenue sharing between Southeast Sulawesi and central government.</p>	<p>Provincial Government, along with district/municipal governments (with mining production center): to improve monitoring on the development of mining production and to facilitate negotiation with central government on the increase of share from natural resource revenue sharing.</p>

Main Issues		Recommendation	Agenda
Expenditure			
Along with increased expenditure every year, personnel expenditure at district/ municipality level has shown an increase for the past five years reaching more than 50 percent in 2011. As a result, the proportion of direct expenditure for development has decreased every year.	<p>(i) more in-depth study on the growth pattern of total number of employees to the real needs of employees and to formulate employee rationalization strategy in the long run</p> <p>(ii) reduce the growth in the number of non-functional employees and push for the number of functional employees, especially those who will have direct impact on services such as doctors, teachers, counsellors, etc.</p>	<p>Provincial Government: (i) Improving the quality of financial information on transfer expenditure (financial assistance, grants, social assistance, etc) so its relationship with strategic sector expenditure (education, health, etc) can be more known by public; (ii) reducing the proportion of direct expenditure for the administration office and personnel by controlling the planning and budgeting process.</p> <p>District/Municipal Government: (i) controlling the increase of non-functional personnel spending and directing an increase in the level of personnel spending on functional personnel (doctors, teachers, counsellors, etc).</p> <p>Provincial and District/ Municipal Government : (i) the share (not nominal) of expenditure for general government should be reduced gradually to allow an increased change of a larger portion for strategic sectors; (ii) institutional capacity strengthening to support the implementation of Presidential Instruction (Inpres) 9/2000 on Gender Mainstreaming in National Development immediately in Southeast Sulawesi.</p>	
At provincial level, general government expenditure excluding transfers is estimated at 22 percent from the 2011 total spending, while at district/municipal level amounts to 30 percent. That portion is much higher than the portion for strategic sectors such as education, health, infrastructure and agriculture .	Along with the increase in expenditure from year to year, the share (not nominal) of expenditure for general government should be reduced gradually to allow an increased change of a larger portion for strategic sectors.	The provincial government needs to improve the quality of financial information in regards to the transfer spending so that the public can know how much from the transfer spending is truly related to strategic sectors such as health, education, infrastructure, agriculture, etc. This is important to promote public awareness toward provincial government's commitment to the fund allocation in these sectors. Apart from that, the quality of planning, administration, and monitoring and evaluation from the allocation of transfer spending must be improved in order to provide maximum impact on the achievement of development indicators	
The share of transfer expenditure has shown an increase especially in the past 2 years when it reached 25.5 percent in 2011. This share is much higher than the share of other strategic sectors. Some of the transfer expenditure allocation was actually related closely with the main programs of the province such as financial assistance for education, social, and health etc. Nevertheless, the data on this matter still not easily available for public.		The share of office administration and personnel (routine) program of the provincial government in its direct expenditure needs to be gradually rationalized to be switch into development programs.	
the share of direct expenditure for office administration and personnel (routine) program of the provincial government is still large (around 26 percent of total expenditure or 43 percent of total direct expenditure)			

Main Issues	Recommendation	Agenda
<p>In the area of Women's Empowerment and Child Protection (PP & PA) and Family Planning (KB) affairs during 2007-2011, there are lack of consistency on the women's empowerment and child protection (PP&PA) affair expenditure throughout 2007 to 2011. Only 4 out of 12 programs included in the PP&PA affair that consistently received budget every year in district/municipal level. Meanwhile, in province level, program expenditure for PP&PA affairs seems to be sporadic. This is similar to Family Planning affair where only 7 out of 20 programs included in the affair, consistently received budget allocation.</p>	<p>Institutional capacity strengthening is essential to support the implementation of Presidential Instruction (Inpres) 9/2000 on Gender Mainstreaming in National Development immediately in Southeast Sulawesi.</p>	
Strategic Sectors Health		
<p>At the provincial level, health expenditure increased at an average of below 10 percent (in the 2007-2010 period) to almost 20 percent in 2011 due to the increased capital expenditure for the construction of a new provincial hospital.</p>	<p>Although the need for capital expenditure after the completion of hospital development was expected to decrease, the health expenditure of the province is expected to remain above 10 percent. This is because the health expenditure will be burdened by operational expenditure of the new hospitals, furthermore, the share of health expenditure above 10 percent (excluding personnel expenditure) is required by the Health Law (refer to Law No. 36 year 2009 on Health Article 171 verse 2).</p>	<p>Province/District/Municipal Government:</p> <p>(i) a projection of a more consistent health expenditure proportion increase above 10 percent along with a measurable medium-term plan; (ii) to support prioritizing health promotion and development of KIBLA (Maternal and Neonatal Health) to achieve better health outcomes; (iii) to evaluate the availability of facilities and health personnel between district/municipality and also to support the addition of health facilities in the regions with minimum facilities and health personnel.</p>
<p>At district/municipality level, the proportion of health expenditure was still around 7-8 percent. Health expenditure per capita between district/municipality varied with population size (in 2009, the lowest was IDR 117 thousand per capita and the highest was IDR 454 thousand per capita).</p>	<p>(1) A number of districts/municipalities still need to improve their health expenditures, especially those who still allocated under 8 percent and whose health expenditure per capita was below average.</p> <p>(2) Improving the efficiency of health expenditure usage to gradually reduce the proportion of direct expenditure linked to administration and apparatus;</p> <p>(3) Start prioritizing the health expenditure on health promotion efforts for PHBS and the development of KIBLA, especially for regions with a good ratio of health facilities.</p>	

Main Issues		Recommendation	Agenda
Outputs of the health sector (consisting of health service facilities) have shown improvement. However, health outcomes (Morbidity Rate, Infant Mortality Rate, Under-Five Mortality Rate, and Maternal Mortality Rate) have not shown any significant improvement.	In addition to improving the availability, accessibility, and service quality of the health sector, the regional government also needs to pay attention to community awareness on Clean and Healthy Lifestyles (PHBS), to reduce Morbidity Rate, and promote mother and child health as well as complete immunization coverage to reduce Infant and Under-five Mortality Rate and Maternal Mortality Rate.	<ol style="list-style-type: none"> (1) supporting the construction of hospitals in the newly formed districts of North Buton and North Konawe; (2) improving the coverage of hospital services in several districts such as Buton, Muna, and Wakatobi; (3) supporting the construction of Public Health Centers in several districts such as Kolaka and South Konawe, and also in North Buton, Konawe, and North Kolaka which are still facing accessibility issues; (4) improving the availability of general practitioners, especially in the cities of Bau-Bau and North Buton, and also the availability of midwives especially in North Buton, North Konawe, and Bau-Bau; and (5) improving the equal distribution of specialists and dentists which are now still not available in most districts/municipalities. 	
<p>Education</p> <p>At least since 2009, is estimated that most of the education expenditure of the Provincial Government such as Education Operational Assistance (BOP), scholarships, etc., has been allocated through transfers (financial assistance, etc) which were managed by the expenditure post of the Regional Secretariat Finance Section. However, the financial information regarding this expenditure was insufficient.</p> <p>Although most districts/municipalities have spent more than 20 percent on education, the education expenditure per school-age population still varied.</p>	<p>Province Government: (i) to publicize transfer expenditure (monetary assistance, grants, social assistance, subsidy) based on its close connection with strategic sectors (education, health, infrastructure, etc); (ii) to enhance monitoring, evaluation, training and facilitation to overcome disparity of ratio of education facilities and personnel among districts/municipalities, to achieve education sector MSS (Minimum Service Standards).</p> <p>District/Municipal Government: districts/municipalities with education facility or personnel ratio below the province ratio, in particular, need to increase their education facilities and personnel.</p>		

Main Issues	Recommendation	Agenda
<p>There is still disparity in the availability of education facilities between districts/ municipalities.</p>	<p>In order to create equal distribution of education facilities between districts/municipalities, provincial government should promote the following:</p> <ol style="list-style-type: none"> (1) increasing the number of classrooms in many districts/ municipalities with a high ratio of students per classroom, just like in Kolaka and Kendari City for elementary school, Konawe North for junior high school, and also Buton and North Kolaka for senior high school/vocational high school, as well as regions with more than one study group; (2) improving damaged classrooms, especially at elementary school level which was still above 20 percent; (3) increasing the number of teachers, especially in many districts/ municipalities with a high ratio of students per teacher, as in Buton for elementary school, North Buton for junior high school, and North Kolaka for senior high school; and (4) improving the quality of teacher qualifications especially at elementary school level where most teachers did not have undergraduate qualifications. 	
<p>Although the mean school year indicator in Southeast Sulawesi was better than the national average, the improvement of the mean school year indicator still needs to be intensified, particularly to compensate for the difficulties in eradicating illiteracy in the biggest group proportion which was the elderly age group .</p>	<p>Three steps that are needed so that school year rates can be improved are: (i) reducing the school drop out rate, particularly at the high school/vocational high school level; (ii) improving the continuing school rate particularly from junior high school level to high school/vocational high school; and (iii) increasing NER (Net Enrollment Rate) particularly for junior high school and high school/vocational high school levels as well as reducing NER disparity between districts/ municipalities.</p>	

Main Issues		Recommendation	Agenda
Infrastructure			
<p>The infrastructure expenditure structure in Southeast Sulawesi was already high, with an average of above 75 percent allocation for direct expenditure at provincial and district/municipality levels, with most of this direct expenditure was allocated for capital expenditure. However, in total, the infrastructure expenditure was still fluctuated.</p> <p>Looking at developments from 2006 to 2009, damaged roads and roads with asphalt layers have not undergone significant repairs. In 2010, the length of road doubled as a devolved from central government.</p> <p>The challenge of basic housing infrastructure in Southeast Sulawesi was narrowing the gap between the rich and poor in term of access to electricity, clean water, and adequate sanitation.</p> <p>Aligned with the increase in rice field area in 2010, the regional government is facing the challenge of building a technical irrigation system. To further increase rice productivity, the regional governments need to improve coverage for technical irrigation especially in rain-fed areas, which until 2010 included about 22.4 thousands hectares.</p> <p>The efforts of the regional government to facilitate the development of facilities and infrastructure for Marines (AL) and Air Force (AU) has had an impact on the increase of population mobility and has also been beneficial to economic activities that support growth.</p>		<p>Even though it doesn't need to be significant, Regional Government needs to support an improvement scheme of a more consistent infrastructure expenditure at province as well as at district/municipal level. A more quality framework for medium term expenses for infrastructure needs to be composed so that public investments in infrastructure are more focused in the direction of the development of the Southeast Sulawesi Province.</p> <p>The increase of provincial road in 2010 suggested the need to increase direct expenditure on infrastructure sector for road and bridge maintenance and rehabilitation.</p> <p>Government spending for housing is still inadequate, therefore need to be increased. In addition, the governments of Southeast Sulawesi should also give priority to improving access to electricity, clean water and sanitation for the poorest and poor households.</p> <p>To boost rice production, the government needs to support the increase in the range of technical irrigation, especially for rain fed rice field areas. Coordination among various levels of government (central, provincial, and district/municipality) needs to be done to identify irrigation needs according to their respective authorities (primary, secondary and tertiary)</p> <p>These efforts need to be implemented continuously, especially through supplementary infrastructure development of air and sea transport accompanied by quality improvements.</p>	<p>Province Government: to develop a master plan of infrastructure development in Southeast Sulawesi with an integrated medium-term financing scheme (multi-year) consisting of road infrastructure, bridges, irrigation systems, housing and transportation.</p>

Main Issues		Recommendation	Agenda
Agriculture			
In 2011, agriculture expenditure increased sharply compared to 2010. However, this increase came from the increase of central government expenditure through deconcentration/TP. This significant increase would be permanent because it was influenced by policy priority and central government program.		With a goal of increasing economic growth by relying on the agriculture sector, subnational government (province and district/municipality) should plan a more consistent and increased agriculture expenditure scheme so that the total public investment on the agriculture sector in Southeast Sulawesi is more stable and not dependent on central government. At this moment, the average expenditure of agriculture sector is still below 8 percent of the total expenditure of province as well as district/municipal.	Province and district/municipal government: (i) to coordinate in the formulation of an increased regional expenditure scheme for agriculture in medium-term planning along with setting up measurable indicators and targets; (ii) to improve the efficiency of agriculture expenditure by mainstreaming the growth of direct expenditure rather than personnel expenditure; (iii) to support the recomposition of program expenditure that focuses not only on production improvement but also on technology application, marketing, agribusiness and improvement of farmer's welfare.
Expenditure on employee salary in the agriculture sector has increased, not only at provincial level (66.2 percent in 2011) but also at district/municipality level (40 percent in 2011).		However, the growth of personnel expenditure in the agriculture sector needs more thorough analysis to establish whether the growth was affected by the increase in the number of training personnel or non-functional personnel. The increase of personnel expenditure in the agriculture sector could have a positive impact if the expenditure is directed to the increase of the expenditure on training personnel.	
The priority of direct expenditure in agriculture sector was still on increasing production.		Besides production increase, agriculture expenditure should also directed toward technology applications and marketing improvements. This would support production increase (intensification), improvement in the added value of agricultural products, and agribusiness development. In addition, program expenditure on improvement of farmer's welfare, particularly in the agriculture and crop farming sub-sectors, still has an NTP (Farmers Terms of Trade/ FTT) below 100.	
The deceleration of agriculture sector growth influenced by the decrease of the actual growth rate in all agriculture sub-sectors needs to be anticipated .		<p>(1) an improvement of export marketing for cacao commodities which have experienced a decline in volume and export value throughout the years. The improvement of export marketing is needed to meet the high growth momentum of cacao production which begun to surface in 2010;</p> <p>(2) the growth of paddy productivity through the expansion of technical irrigation to reduce the area of rainfed rice fields; the improvement of production technology application, and also more intensive agricultural counseling;</p> <p>(3) maintaining and improving the stability of cow population growth and the volume of seaweed production as the main commodities in the farming and fishery/marine sub-sectors.</p>	

Main Issues	Recommendation	Agenda
Block Grant for Villages <p>Based on the survey results, the community's level of knowledge regarding the Block Grant program was quite high; the level of understanding was also quite good; community participation in the planning process, implementation and activity accountability was beginning to take place in many villages; and the community perception of the benefit of the block grants was positive. This condition was a prerequisite to the success of the program.</p>	<p>a full commitment from the provincial government to realize the Block Grant program needed to be improved. Several steps that can be taken to further enhance the program:</p> <ol style="list-style-type: none"> (1) increasing the limit for financial assistance for the village governments so that it is consistent with what has been planned (IDR 100 millions per village per year); (2) increasing guidance/training to improve the quality of activity proposals, which will be funded by the block grant; (3) continuing to encourage community involvement in the planning process and the monitoring of implementation; (4) improving the guidance/training provided to enhance implementation accountability in order to ease the process of fund disbursement from one phase to the next; and (5) Cooperation with district/municipal governments is essential to assist the realization of the Block Grant program. This could include the provision of block grant facilitators to assist villages with implementation. 	Provincial Government
Women's Empowerment and Gender Equality <p>Gender gap was still persist in Southeast Sulawesi in 2009 where the difference between HDI and GDI was 6.63 points.</p>	<p>To minimize gender gap, it is important to have institution strengthening at all levels so that a gender responsive budget can be formulated.</p> <p>Gender institution strengthening through POKJA (Working Group) needs to be optimized though many ways, one of them is through synchronization of activities with the staff mutation schedule.</p> <p>In addition, subnational government needs to start developing gender database or gender-based data to be used as a ground in the formulation of a gender responsive budget for all affairs.</p>	<p>Province government: (i) to ensure and optimize the functions and activities of Gender POKJA (Working Group) and enhance the capacity of the gender-based institutions. Support on policies, institutions, budget and programs that relate to gender equality would increase the quality of budget planning so that it would be a gender responsive budget. (ii) provincial government also need to apply streamlined recording system and data collection (by gender). Such database will serve as a valuable supporting data for budget formulation, to ensure the needs of men and women are equally fulfilled.</p>

Annex D. Budget Master Table

Annex D.1 Consolidation of Southeast Sulawesi Government Budget

Table D.1.1 Revenue By Source (in Rupiah)

Province	2007	2008	2009	2010	2011
Own-source Revenue (PAD)	166,651,528,651	305,471,899,899	223,128,480,722	552,310,637,003	377,415,842,219
Regional Tax	118,124,231,631	154,961,430,556	171,402,250,571	201,884,852,986	184,434,903,380
Regional Charges	19,776,026,150	20,381,833,049	40,252,603,584	30,358,052,181	36,803,817,413
Separated Proceeds of Regional Asset Management	10,572,533,311	12,082,815,718	4,871,003,708	15,277,616,391	12,670,070,082
Other Legal Own-source Revenue	18,178,737,559	118,045,820,577	6,602,622,859	304,790,115,444	143,507,051,342
BALANCING FUND	622,916,414,471	676,861,856,258	705,062,821,830	625,842,789,635	715,505,016,702
Tax Revenue Sharing	50,980,517,731	62,731,062,936	53,254,936,389	58,940,000,831	57,699,462,389
Non-Tax Revenue Sharing	23,606,523,827	0	5,645,751,441	0	0
General Purpose Grant (DAU)	548,329,372,914	583,371,799,922	589,844,134,000	544,921,264,978	627,536,553,687
Specific Purpose Grant (DAK)	0	30,758,993,400	56,318,000,000	21,981,523,827	30,269,000,626
OTHER SHARING FROM RATIFIED RECEIPTS	17,656,374,254	4,154,689,105	102,528,828,100	22,111,954,633	0
Grant Revenue	5,783,687,054	0	0	22,111,954,633	0
Emergency Fund	0	0	43,026,050,100	0	0
Tax Revenue Sharing from Other Provinces and Subnational Governments	0	0	0	0	0
Special Autonomy and Adjustment Fund	11,872,687,200	4,154,689,105	59,502,778,000	0	0
Financial Assistance from Other Provinces and Subnational Governments	0	0	0	0	0
Non-Tax Revenue Sharing from Other Provinces and Sub-naional Governments	0	0	0	0	0
Other revenues	0	0	0	0	0
TOTAL REVENUE	807,224,317,376	986,488,445,262	1,030,720,130,652	1,200,265,381,270	1,092,920,858,921

District/Municipality	2007	2008	2009	2010	2011
Own-source Revenue	177,239,196,244	173,782,739,159	166,086,239,534	303,480,292,693	357,498,637,310
Regional Tax	29,439,140,484	26,124,754,306	32,960,950,057	34,057,944,937	66,393,054,977
Regional Charges	53,003,846,630	62,314,286,161	60,156,917,400	97,248,889,243	127,550,050,908
Separated Proceeds of Regional Asset Management	17,664,040,938	19,994,322,844	13,582,635,818	33,661,342,245	25,816,902,192
Other Legal Own-source Revenue	77,132,168,192	65,349,375,847	59,385,736,259	138,512,116,267	137,738,629,233
BALANCING FUND	4,243,344,939,981	4,166,519,374,648	4,487,579,864,799	4,211,333,301,785	4,490,231,956,803
Tax Revenue Sharing	321,916,718,447	270,404,871,478	273,358,316,737	332,064,508,225	247,033,824,037
Non-Tax Revenue Sharing	35,192,620,824	27,815,203,160	16,320,377,062	4,528,491,722	10,706,860,482
General Purpose Grant (DAU)	3,305,036,017,432	3,233,138,026,886	3,542,402,171,000	3,434,069,673,466	3,752,330,775,288
Specific Purpose Grant (DAK)	581,199,583,278	635,161,273,125	655,499,000,000	440,670,628,373	480,160,496,996
OTHER SHARING FROM RATIFIED RECEIPTS	238,292,181,635	343,365,062,839	345,667,352,808	660,755,458,456	482,579,316,687
Grant Revenue	37,168,637,543	16,784,278,240	8,655,891,701	48,774,971,243	40,734,694,152
Emergency Fund	2,374,537,440	17,405,310,000	4,517,977,954	2,743,986,097	-
Tax Revenue Sharing from Other Provinces and Subnational Governments	36,507,234,121	79,393,086,659	54,155,427,398	92,657,912,109	85,285,286,063
Special Autonomy and Adjustment Fund	100,324,206,840	156,651,876,293	243,877,381,500	304,671,182,091	271,675,231,942
Financial Assistance from Other Provinces and Subnational Governments	31,466,116,409	52,461,861,703	20,117,179,500	55,172,983,628	38,234,997,763
Non-Tax Revenue Sharing from Other Provinces and Sub-national Governments	30,451,449,283	199,823,670	14,343,494,755	156,734,423,288	46,649,106,767
Other revenues	-	20,468,826,275	-	-	-
TOTAL REVENUE	4,658,876,317,860	4,683,667,176,646	4,999,333,457,141	5,175,569,052,934	5,330,309,910,800

Table D.1.2. Spending By Economic Classification (in Rupiah)

Province	2007	2008	2009	2010	2011
Personnel Spending	317,977,304,214	310,707,491,251	397,821,667,390	348,766,770,458	375,377,572,510
Indirect	209,400,543,540	228,572,724,811	286,532,406,394	286,011,710,543	339,093,200,324
Direct	108,576,760,674	82,134,766,440	111,289,260,996	62,755,059,915	36,284,372,187
Goods and Services Spending	351,060,361,292	232,052,619,736	260,377,529,372	230,371,844,943	188,874,383,110
Capital Spending	230,684,165,588	149,189,823,049	305,969,283,259	338,984,338,525	368,897,144,029
Other Spending	94,546,645,685	233,617,864,279	159,739,118,211	289,758,769,919	325,646,108,888
Interest	-	-	-	-	-
Grants/Subsidy	-	23,660,106,919	17,724,951,975	7,976,859,051	7,790,073,110
Social Assistance	28,839,050,446	19,925,644,029	10,019,034,611	70,991,443,154	17,632,875,255
Profit Sharing to Sub-Regions	41,778,054,474	73,718,745,273	60,160,658,250	83,557,463,049	44,033,432,128
Assistance to Sub-Regions	21,335,218,898	111,276,827,726	70,729,016,875	124,214,619,958	251,712,674,883
Unexpected Spending	2,594,321,866	5,036,540,332	1,105,456,500	3,018,384,707	4,477,053,511
Assistance to Vertical Agency	-	-	-	-	-
TOTAL SPENDING	994,268,476,780	925,567,798,315	1,123,907,598,232	1,207,881,723,844	1,258,795,208,537
District/ Municipality	2007	2008	2009	2010	2011
Personnel Spending	1,767,384,997,024	2,117,433,660,874	2,041,652,739,336	2,342,281,485,617	2,939,953,527,514
Indirect	1,469,365,955,327	1,822,771,592,264	1,762,973,808,997	2,044,967,721,349	2,686,049,134,831
Direct	298,019,041,697	294,662,068,610	278,678,930,339	297,313,764,269	253,904,392,683
Goods and Services Spending	759,229,837,425	865,185,400,349	1,024,241,267,663	1,119,538,569,156	969,673,571,995
Capital Spending	1,516,654,270,266	1,605,777,324,797	1,652,656,107,433	1,398,886,970,259	1,344,165,089,493
Other Spending	240,889,592,652	199,075,385,826	217,130,422,423	224,353,672,856	282,271,661,037
Interest	2,739,320,239	4,991,824,348	2,067,668,614	136,471,292	186,556,638
Grants/Subsidy	12,061,591,053	20,346,331,774	56,337,223,679	74,814,130,350	108,527,022,980
Social Assistance	112,680,239,385	48,697,977,828	71,509,290,606	35,943,950,663	28,225,232,862
Profit Sharing to Sub-Regions	104,906,589	32,069,773,928	5,428,650,000	-	-
Assistance to Sub-Regions	99,353,620,043	83,788,965,332	77,158,777,101	107,249,865,545	126,807,248,833
Unexpected Spending	13,949,915,342	9,180,512,616	4,628,812,423	6,209,255,006	18,525,599,725
Assistance to Vertical Agency	-	-	-	-	-
TOTAL EXPENDITURE	4,284,158,697,368	4,787,471,771,846	4,935,680,536,856	5,085,060,697,887	5,536,063,850,039

Tabel D.1.3. Spending By Functions (in Rupiah)

Province	2007	2008	2009	2010	2011
OBLIGATORY FUNCTIONS	900,302,147,281	826,552,985,755	1,004,599,789,753	1,116,607,762,141	1,162,193,638,856
Education Affairs	57,730,647,647	75,467,252,987	126,714,577,706	42,857,839,471	37,804,717,247
Health Affairs	53,476,034,662	68,134,907,619	92,357,904,752	101,117,790,206	247,437,210,009
Public Works Affairs	119,939,393,957	95,997,329,259	247,201,930,152	285,508,224,453	177,374,519,898
Public Housing Affairs	-	-	-	-	-
Spatial Planning Affairs	-	-	-	3,441,395,317	1,142,230,662
Development Planning Affairs	15,048,593,182	16,050,010,547	13,882,032,779	10,715,996,158	11,001,970,575
Transportation Affairs	45,193,833,164	32,432,070,835	14,467,078,486	13,814,429,708	11,973,015,455
Environmental Affairs	2,174,025,859	4,242,004,237	3,179,586,670	3,189,336,961	3,341,632,000
Land Affairs	-	-	-	-	-
Population and Civil Registration Affairs	-	-	-	-	-
Women's Empowerment Affairs	-	-	1,651,263,221	2,945,281,442	3,249,176,726
Family Planning and Family Welfare Affairs	-	-	-	-	-
Social Affairs	8,474,894,931	8,657,212,908	9,511,857,168	10,590,470,502	11,372,029,850
Employment Affairs	18,629,234,075	17,286,058,423	14,970,977,975	13,034,207,925	13,831,130,108
Cooperatives and Small and Medium Enterprises Affairs	8,168,524,908	6,780,573,829	7,359,460,123	5,262,781,213	5,515,249,986
Capital Investment Affairs	-	-	1,154,147,403	2,177,806,549	3,271,096,201
Cultural Affairs	-	-	12,811,967,737	9,118,811,305	7,878,382,543
Youth and Sports Affairs	-	-	2,251,248,434	4,801,488,704	5,498,224,289
National Unity and Domestic Political Affairs	19,371,363,863	21,033,361,058	17,461,254,416	13,539,303,668	12,860,691,421
General Governance or Public Administration Affairs	539,265,812,251	464,774,039,666	420,264,778,429	573,734,105,556	589,664,932,996
Village and Community Empowerment Affairs	6,859,465,409	10,933,700,273	11,572,281,243	11,126,995,884	6,920,616,603
Statistics Affairs	-	-	-	-	-
Archive Affairs	3,536,006,653	2,350,670,396	255,500,000	-	54,754,364
Communication and Information Affairs	2,434,316,719	2,413,793,717	633,489,412	1,170,085,247	1,412,191,169
Library	-	-	5,194,958,468	5,486,571,389	7,359,676,943
Food Security	-	-	1,703,495,179	2,974,840,483	3,230,189,811

Province	2007	2008	2009	2010	2011
DISCRETIONARY FUNCTIONS	93,966,329,499	99,014,812,560	119,307,808,479	91,273,961,703	96,601,569,682
Agriculture Affairs	39,965,172,633	46,038,044,292	61,659,142,067	41,880,564,346	44,700,939,496
Forestry Affairs	12,305,527,252	9,650,805,926	12,413,207,968	10,509,350,293	13,432,772,632
Energy and Mineral Resources Affairs	10,194,007,905	8,412,896,375	13,883,503,593	11,787,359,188	7,590,178,312
Tourism Affairs	4,920,183,917	4,832,976,607	-	2,978,551,175	851,643,027
Marine and Fishery Affairs	16,473,718,776	19,494,207,574	19,223,437,537	15,617,920,562	19,685,379,183
Trade Affairs	-	-	-	-	601,160,837
Industrial Affairs	10,095,846,329	10,585,881,786	11,089,161,314	8,352,781,766	9,524,552,855
Transmigration Affairs	11,872,687	-	1,039,356,000	147,434,373	214,943,339
TOTAL SPENDING	994,268,476,780	925,567,798,315	1,123,907,598,232	1,207,881,723,844	1,258,795,208,537
District/Municipality	2007	2008	2009	2010	2011
OBLIGATORY FUNCTIONS	3,899,797,274,003	4,418,849,366,514	4,584,142,683,554	4,769,870,045,629	5,158,089,177,374
Education Affairs	1,086,225,026,385	1,338,875,801,319	1,308,967,003,376	1,514,193,427,001	1,718,530,008,704
Health Affairs	398,069,376,053	427,499,394,676	414,297,951,997	372,253,142,901	436,406,398,555
Public Works Affairs	660,060,096,174	669,501,125,550	705,670,806,218	564,902,812,380	586,941,772,777
Public Housing Affairs	21,938,010,315	22,725,324,161	27,337,834,490	5,889,229,940	14,851,383,513
Spatial Planning Affairs	16,615,116,773	9,759,965,479	14,421,538,183	11,470,501,805	18,181,674,702
Development Planning Affairs	74,563,606,692	65,881,848,346	62,207,204,535	50,939,858,276	62,742,577,617
Transportation Affairs	51,623,943,532	68,710,356,395	161,537,555,763	87,055,935,228	91,303,460,319
Environmental Affairs	47,455,153,939	62,253,890,104	57,902,805,676	52,662,814,352	65,320,748,949
Land Affairs	7,024,221,900	4,324,809,635	2,868,018,000	896,368,792	582,016,956
Population and Civil Registration Affairs	23,070,639,695	30,327,594,663	22,654,988,439	20,293,879,887	23,841,684,498
Women's Empowerment Affairs	837,358,908	6,884,544,208	10,649,508,819	13,410,760,226	13,590,675,559
Family Planning and Family Welfare Affairs	12,220,139,478	13,411,840,549	19,257,218,170	22,071,050,850	23,869,185,680
Social Affairs	21,900,867,885	22,437,107,633	35,751,056,238	29,213,845,167	28,345,956,496
Employment Affairs	22,836,267,186	20,907,215,682	18,100,624,938	19,310,361,026	20,630,195,185

District/Municipality	2007	2008	2009	2010	2011
Cooperatives and Small and Medium Enterprises Affairs	20,826,756,924	27,029,003,322	13,665,097,334	11,619,703,936	14,786,289,388
Capital Investment Affairs	6,535,615,612	1,643,202,331	1,094,193,600	1,063,846,520	2,603,160,379
Cultural Affairs	1,442,733,448	5,160,701,530	11,215,771,210	14,692,916,693	13,621,253,054
Youth and Sports Affairs	28,883,100,601	8,360,350,101	20,915,260,038	41,061,887,389	29,973,290,850
National Unity and Domestic Political Affairs	46,590,724,558	52,935,193,787	59,358,409,304	255,669,794,042	72,189,882,397
General Governance or Public Administration Affairs	1,281,124,960,774	1,475,684,818,536	1,506,190,935,052	1,564,017,772,809	1,787,316,572,427
Village and Community Empowerment Affairs	56,106,604,861	68,663,772,753	79,276,652,236	87,358,041,827	96,026,988,280
Statistics Affairs	513,166,035	461,395,200	604,890,000	257,020,031	496,952,940
Archive Affairs	2,100,209,616	1,356,583,052	3,431,439,619	3,680,538,535	3,276,708,226
Communication and Information Affairs	11,233,576,658	8,294,634,143	8,632,812,308	5,128,218,234	5,863,859,393
Library	-	-	3,881,620,223	5,407,251,168	5,140,581,987
Food Security	-	5,758,893,359	14,251,487,788	15,349,066,617	21,655,898,544
DISCRETIONARY FUNCTIONS	384,361,423,365	368,622,405,332	351,537,853,302	315,190,652,259	377,974,672,665
Agriculture Affairs	164,745,179,586	165,767,636,119	128,923,407,448	116,191,980,889	165,740,453,435
Forestry Affairs	63,368,923,197	48,501,200,593	54,006,675,604	45,944,244,589	63,167,551,688
Energy and Mineral Resources Affairs	22,406,082,215	23,602,795,784	40,975,041,150	29,655,220,558	31,950,082,342
Tourism Affairs	14,600,011,054	16,846,258,629	11,253,000,176	7,349,394,486	5,911,511,283
Marine and Fishery Affairs	88,401,024,628	81,892,161,258	76,212,877,851	84,511,922,718	70,998,959,344
Trade Affairs	13,666,317,192	14,938,842,916	8,385,751,506	9,432,888,537	15,374,891,548
Industrial Affairs	14,367,085,713	14,248,647,185	28,550,162,067	20,386,041,093	23,833,126,625
Transmigration Affairs	2,806,799,779	2,824,862,847	3,230,937,500	1,718,959,389	998,096,402
TOTAL SPENDING	4,284,158,697,368	4,787,471,771,846	4,935,680,536,856	5,085,060,697,887	5,536,063,850,039

Annex D.2. Central Government Spending for Southeast Sulawesi

Table D.2.1. Deconcentrated Central Government Spending for Southeast Sulawesi (in Rupiah)

	2007	2008	2009	2010	2011
Education	287,805,224,148	296,923,278,707	461,288,349,480	326,097,396,872	161,855,701,073
Health	75,728,623,866	58,378,780,183	38,737,676,777	10,941,239,367	10,390,795,285
Agriculture	95,325,955,042	107,095,555,610	121,382,755,926	131,500,332,937	512,821,565,823
Infrastructure	79,997,259,149	129,811,694,356	288,612,387,456	10,147,291,686	21,229,826,005
Others	79,937,672,081	64,198,933,385	91,290,771,319	136,650,141,590	135,161,798,699
Total	618,794,734,285	656,408,242,241	1,001,311,940,958	615,336,402,451	841,459,686,887

Annex D.3. Subnational Budget By District/Municipality

Table D.3.1.1. Real Per Capita Subnational Income By District/Municipality, 2009 (Rupiah)

	Bombana District	Buton District	North Buton District	Kolaka District	North Kolaka District	Konawe District	South Konawe District	North Konawe District	Muna District	Wakatobi District	City of Bau-Bau	City of Kendari
Own-source Revenue (PAD)	68,608	49,127	81,818	123,087	69,138	54,809	26,432	82,164	62,620	82,273	121,624	129,755
Regional Tax	3,462	6,108	9,429	21,647	17,263	12,221	4,357	959	7,177	12,044	22,504	46,693
Regional Charges	24,950	11,924	28,668	45,868	19,758	10,263	10,332	41,207	26,870	10,919	59,617	56,023
Separated Proceeds of Regional Asset Management	25,358	3,445	-	4,429	5,072	12,162	2,909	-	3,706	18,898	6,929	2,207
Other Legal Own-source Revenue	14,839	27,649	43,720	51,141	27,046	20,163	8,834	39,998	24,867	40,412	32,573	24,832
BALANCING FUND	2,746,215	1,471,806	5,361,018	1,632,881	2,519,029	2,075,931	1,723,334	6,836,211	1,969,848	2,652,046	2,502,359	1,599,113
Tax Revenue Sharing	225,944	77,632	278,480	153,433	187,824	50,301	104,508	396,823	84,528	163,552	173,214	114,038
Non-Tax Revenue Sharing	20,006	6,595	11,507	-	20,748	14,673	5,215	35,611	-	10,785	6,635	3,272
General Purpose Grant (DAU)	2,059,330	1,160,675	4,057,389	1,308,658	1,977,174	1,716,504	1,316,356	5,376,179	1,597,621	1,965,221	1,998,910	1,299,874
Specific Purpose Grant (DAK)	440,936	226,904	1,013,642	170,791	333,283	294,453	297,255	1,027,597	287,699	512,488	323,600	181,928
OTHER SHARING FROM RATIFIED RECEIPTS	83,368	72,224	89,377	152,181	357,838	89,612	79,773	182,906	280,182	588,105	99,101	126,702
Grant Revenue	5,510	-	-	17,059	18,583	-	3,667	1,004	-	-	-	-
Emergency Fund	-	-	-	-	-	12,871	-	32,550	-	-	-	-
Tax Revenue Sharing from Other Provinces and Subnational Governments	17,462	14,484	24,534	30,840	27,133	13,296	13,132	-	5,796	19,400	37,082	77,455

	Bombana District	Buton District	North Buton District	Kolaka District	North Kolaka District	Konawe District	South Konawe District	North Konawe District	Muna District	Wakatobi District	City of Bau-Bau	City of Kendari
Special Autonomy and Adjustment Fund	34,203	47,586	44,513	104,283	304,646	6,345	48,170	91,455	269,757	547,090	47,865	41,940
Financial Assistance from Other Provinces and Subnational Governments	-	10,154	20,331	-	7,476	15,424	9,322	57,896	4,628	21,224	14,154	6,038
Non-Tax Revenue Sharing from Other Provinces and Subnational Governments	26,193	-	-	-	-	41,676	5,482	-	-	392	-	1,269
Other revenues	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	2,898,192	1,593,157	5,532,213	1,908,149	2,946,005	2,220,352	1,829,540	7,101,281	2,312,650	3,322,424	2,723,083	1,855,570

Tabel D.3.2. Real Per Capita Subnational Spending by Economic Classification by District/Municipality, 2009 (Rupiah)

	Bombana District	Buton District	North Buton District	Kolaka District	North Kolaka District	Konawe District	South Konawe District	North Konawe District	Muna District	Wakatobi District	City of Bau-Bau	City of Kendari
Personnel Spending	1,158,271	857,123	1,068,167	991,635	857,533	123,927	912,274	2,288,251	1,287,304	629,081	1,483,308	1,120,939
Indirect	922,332	780,697	897,889	863,371	667,637	22,271	827,602	1,395,692	1,242,901	420,500	1,299,646	1,043,112
Direct	235,939	76,426	170,278	128,263	189,896	101,655	84,672	892,559	44,404	208,580	183,662	77,827
Goods and Services Spending	816,158	349,059	880,603	440,905	621,492	397,901	369,026	2,928,532	201,106	880,377	394,232	300,473
Capital Spending	645,098	487,846	2,934,362	579,397	1,450,448	490,562	514,441	3,730,641	695,331	1,534,043	833,977	402,482
Other Spending	230,946	53,591	139,694	54,992	234,834	39,229	95,641	246,566	63,357	160,610	135,335	121,201
Interest	-	-	-	-	-	214	-	-	6,073	-	2,904	493
Grants/Subsidy	-	6,125	129,091	3,307	4,761	18,413	20,951	-	25,404	70,023	29,851	76,154
Social Assistance	223,112	5,537	203	4,768	36,436	20,602	12,625	203,501	1,095	35,763	58,264	39,862
Profit Sharing to Sub-Regions	-	-	-	-	-	-	-	1,673	-	51,736	-	-
Assistance to Sub-Regions	-	41,885	10,067	46,916	184,297	-	62,065	24,600	29,599	-	44,316	-
Unexpected Spending	7,834	44	332	-	9,340	-	-	16,793	1,185	3,088	-	4,691
Assistance to Vertical Agency	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL SPENDING	2,850,474	1,747,620	5,022,826	2,066,929	3,164,307	1,051,619	1,891,382	9,193,990	2,247,098	3,204,111	2,846,851	1,945,094

Table D.3.3. Real Per Capita Subnational Income by Functions, by District/Municipality, 2009 (Rupiah)

	Bombana District	Buton District	North Buton District	Kolaka District	North Kolaka District	Konawe District	South Konawe District	North Konawe District	Muna District	Wakatobi District	City of Bau-Bau	City of Kendari
Education Affairs	735,279	608,287	917,028	582,966	542,990	211,442	621,998	879,890	899,910	376,662	874,969	605,134
Health Affairs	242,684	136,588	336,713	191,789	313,511	117,161	133,421	454,308	161,320	360,027	280,892	170,466
Public Works Affairs	404,455	178,926	1,483,053	269,802	868,412	183,151	219,873	726,502	354,684	279,833	315,345	260,057
Public Housing Affairs	-	-	-	2,520	-	-	4,677	-	72,112	-	32,846	12,487
Spatial Planning Affairs	-	5,567	26,006	2,064	-	-	1,224	-	745	41,051	16,415	15,668
Development Planning Affairs	35,524	19,049	69,416	21,045	33,952	18,978	18,942	143,806	17,180	65,733	26,512	34,721
Transportation Affairs	90,775	26,949	190,436	44,013	29,587	93,202	21,191	82,044	17,625	635,456	97,740	17,724
Environmental Affairs	26,663	15,216	43,947	45,000	29,110	6,976	13,256	49,008	8,488	21,258	64,673	46,569
Land Affairs	-	-	-	5,904	-	-	-	-	4,717	-	-	-
Population and Civil Registration Affairs	12,505	3,912	28,142	10,003	25,001	1,281	7,702	30,327	9,407	19,785	11,443	13,252
Women's Empowerment Affairs	-	-	22,060	692	-	-	17,758	26,049	14,977	77	672	-
Family Planning and Family Welfare Affairs	-	16,629	15,243	13,342	16,947	6,000	-	-	1,375	21,262	28,483	1,032
Social Affairs	-	46,816	24,803	14,763	17,447	763	9,554	80,473	6,189	49,719	14,961	-
Employment Affairs	32,455	6,745	-	11,515	-	1,183	14,551	-	9,154	848	1,660	10,920
Cooperatives and Small and Medium Enterprises Affairs	-	6,682	-	12,817	17,341	2,286	9,348	-	8,327	9,786	1,023	-
Capital Investment Affairs	-	-	1,128	2,044	-	-	358	-	1,466	-	-	-
Cultural Affairs	-	5,859	5,793	5,368	16,630	-	902	20,870	5,383	26,777	3,457	-
Youth and Sports Affairs	-	481	30,732	9,411	-	910	53,854	3,898	7,764	8,546	1,633	-

	Bombana District	Buton District	North Buton District	Kolaka District	North Kolaka District	Konawe District	South Konawe District	North Konawe District	Muna District	Wakatobi District	City of Bau-Bau	City of Kendari
National Unity and Domestic Political Affairs	26,707	19,081	42,666	25,634	42,599	3,497	31,472	71,433	26,931	44,749	45,557	28,127
General Governance or Public Administration Affairs	906,215	520,061	1,044,787	558,073	829,607	315,668	476,562	5,798,720	434,247	957,560	818,292	605,892
Personnel Affairs	-	-	39,219	-	25,525	309	-	-	26,892	-	24,149	-
Village and Community Empowerment Affairs	18,985	-	116,124	48,221	49,758	915	69,905	357,631	12,611	33,665	16,208	34,575
Statistics Affairs	-	-	3,517	609	-	-	-	-	1,034	-	-	-
Archive Affairs	-	-	-	920	13,177	-	-	-	2,466	180	-	3,741
Communication and Information Affairs	-	6,880	1,010	13,033	-	-	-	-	32	-	21,956	-
Library	-	-	-	4,024	-	1,001	4,767	10,701	48	7,911	-	-
Food Security	-	16,983	2,772	-	-	1,900	35,291	-	-	-	-	866
Agriculture Affairs	114,021	27,579	75,436	93,355	137,133	34,426	43,455	171,196	46,392	67,389	51,951	37,162
Forestry Affairs	37,179	28,207	134,632	28,734	30,932	9,212	27,973	60,230	39,699	2,084	10,958	-
Energy and Mineral Resources Affairs	61,257	9,378	185,318	18,009	68,968	1,256	12,004	57,984	5,710	4,623	9,173	-
Tourism Affairs	-	-	13,973	4,548	-	-	235	-	5,888	23,906	11,914	14,213
Marine and Fishery Affairs	44,661	29,950	140,784	24,160	36,492	33,753	27,309	101,181	24,778	89,927	38,422	18,360
Trade Affairs	-	-	-	826	-	-	8,483	-	12,513	17,667	8,727	-
Industrial Affairs	61,108	11,796	28,085	507	19,189	6,349	-	67,738	744	37,423	16,822	14,130
Transmigration Affairs	-	-	-	1,217	-	-	5,317	-	6,288	206	-	-

Annex E. Gender Indicators

Table E.1. Employment Rate Gap with the Women Labor Force in Southeast Sulawesi Province in 2005-2009

SOUTHEAST SULAWESI PROVINCE

	2005	2006	2007	2008	2009
Total of Women Workforce	301,511	285,779	327,738	374,727	356,890
Total of Women Labor Force	365,578	336,590	365,726	406,989	389,702
Gap (Unemployment)	64,067	50,811	37,988	32,262	32,812

Source: Processed based on National Socio Economic Survey (Susenas).

Table E.2. Number of Poor Household Headed By Women in Southeast Sulawesi

SOUTHEAST SULAWESI PROVINCE

	1	2	3	4	5	
	Lowest 20 Percent Income Group				Highest 20 Percent Income Group	Total
2005	2.7 percent	2.4 percent	3.2 percent	3.5 percent	2.6 percent	2.8 percent
2006	3.5 percent	3.5 percent	3.8 percent	3.2 percent	3.0 percent	3.4 percent
2007	3.3 percent	3.5 percent	3.0 percent	3.5 percent	3.8 percent	3.4 percent
2008	3.6 percent	3.6 percent	4.0 percent	3.1 percent	4.0 percent	3.7 percent
2009	3.9 percent	3.9 percent	3.5 percent	3.6 percent	4.2 percent	3.8 percent

Source: Processed based on National Socio Economic Survey (Susenas) from various years.

Table E.3. Life Expectancy Rate of Provinces and Districts/Municipalities in Southeast Sulawesi

LIFE EXPECTANCY RATE BY DISTRICT/MUNICIPALITY 2004-2007

Province & District/ Municipality	2004		2005		2006		2007	
	M	F	M	F	M	F	M	F
Southeast Sulawesi	64.1	68	65	68.9	65.1	69	65.3	69.2
Buton	64.9	68.8	65.3	69.2	65.3	69.2	65.6	69.6
Muna	63.1	67	63.6	67.4	63.7	67.6	63.8	67.7
Konawe	63.9	67.8	64.2	68	64.3	68.2	64.6	68.5
Kolaka	63.5	67.4	63.8	67.6	64.2	68.1	64.5	68.3
South Konawe	64.2	68.1	65.1	69	65.1	69	65.3	69.2
Bombana	64.7	68.6	64.9	68.8	65	68.9	65.2	69.1
Wakatobi	64.2	68.1	65.2	69.1	65.7	69.6	65.8	69.7
North Kolaka	63.3	67.2	63.6	67.4	63.6	67.4	63.3	67.1
North Konawe					64	67.9	64.3	68.2
City of Kendari	66.3	70.2	66.5	70.5	65.1	69	65.4	69.3
City of Bau-Bau	66.4	70.3	67.1	71.1	66.8	70.8	67	70.9

Source: Gender Basis Human Development in 2005 and 2006, Cooperation Between Central Bureau of Statistics (BPS) and Ministry of Women's Empowerment and Child Protection.

