



City profile

Medan City: Development and governance under the decentralisation era

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A B S T R A C T

Over the last 30 years, Medan's economy has grown rapidly and has been the driver of the regional development in North Sumatra Province as well as the northern part of the Sumatra region. The recent adoption of decentralised public policies in Indonesia has to some extent influenced urban development in Medan and also contributed to several governance challenges. The city has also suffered from corruption in its urban management practices. This study elaborates on the city's historical background, urban characteristics, key challenges and future outlook. The study also offers directions for further improvements to support sustainable urban development and management for the city.

1. Introduction

With a population of 2.2 million, Medan is the fourth most populated city in Indonesia, after Jakarta, Surabaya, and Bandung, which makes it the country's biggest city beyond Java Island (BPS Indonesia, 2015). Located on the northern coast of Sumatra Island by the Strait of Malacca, which connects the Indian Ocean and South China Sea (see Fig. 1), Medan is connected to one of the most busiest shipping lanes in the world. The city serves as the capital of North Sumatra Province and has significantly evolved over the past few decades in terms of its economy and geographical expanse (Archer, 1992; RTRW Kota Medan, 2010). Within the development of the Medan Industrial Region, its shipping and logistic industries are among the most important sectors. With an economic growth rate of 6.4%, which is higher than the national average (BPS Indonesia, 2015; BPS Kota Medan, 2015), the city is one of the most important industrial and businesses centres in Indonesia as well as the Malacca Strait region.

Medan City is also an essential part of Mebidangro Metropolitan Area (which consists of Medan City, Binjai City, Deli Serdang Regency and some parts of Karo Regency). With the enactment of Government Regulation No 28/2008, this metropolitan area has been recognised as one of the Indonesian National Strategic Regions (in Indonesian: *Kawasan Strategis Nasional* or KSN). Since then, Medan City has continued to support a large portion of regional trade and logistic flow across the municipalities within this particular KSN as well as across most of the western part of Indonesia (RTR Metropolitan Mebidangro,

2012). Currently, Medan is the centre point for crop trading for different commodities produced in the region (rubber, palm oil, cinnamon, tobacco, tea, and coffee), a great portion of which have been exported to Europe, North America, and the Middle East. In the global context, Medan's geographical advantages have also played important parts in a triangular alliance with Malaysia and Thailand (known as the Indonesia–Malaysia–Thailand Growth Triangle or IMT-GT), that enables mutual partnerships in tourism, commerce, culture, health, and education among the three countries. For instance, Medan and Penang (on the northwest coast of Peninsular Malaysia) have agreed to partner under the sister city program, in order to attract opportunities in business and culture for both cities. Penang currently has been the main destination for Medan residents who are seeking alternatives for overseas-based healthcare treatment. For Penang residents and business stakeholders, Medan has been one of the destinations for leisure and trading. In parallel, different forms of mutual collaboration have been formed between Medan and Kuala Lumpur, Singapore, and Bangkok.

Following the economic and political crisis that hit Indonesia in 1997 (Forrester & May, 1999), some reforms in urban development and governance have taken place in the country. One of the most important changes was the enactment of Law no. 22/1999 (later on, this law was renewed with the enactment of Law no. 32/2004) which reduced the centralization of authority in the national government and gave considerably greater autonomy to local governments. After several stages of debate and campaign throughout the country, the decentralisation law was fully implemented in 2001. This new political scheme was

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Fig. 1. Location of Medan City in North Sumatra Province, Indonesia. (Source: Wikipedia under Creative Commons license.)

expected to support and improve local innovations and initiatives, especially related to the bureaucracy process in public service delivery. As argued by [Fisman and Gatti \(2002\)](#) and also [Arikan \(2004\)](#), decentralisation could enhance inter-regional competition, which would strengthen the accountability of (local) bureaucrats and therefore reduce the rent-seeking behaviour and corruption level of public officials. It has been widely agreed in scientific and public debates that corruption is one of the most serious obstacles to sustainable economic development. Since decentralisation could be expected to reduce corruption—which is an important issue in many Indonesian cities ([Server, 1996](#)) including Medan—it could, therefore, be expected to significantly improve local development in the country. However, along with the great improvement of infrastructure and economy, the issue of corruption in various aspects of urban management still exists in Medan City during the post-decentralisation era. The fiscal decentralisation from the state to the local government was also not smoothly implemented, due to the local government officials maintaining control of the budget. The lack of capability to manage the budget transfer from the central government and inability to seek other potential revenues has impacted local government during the adoption process.

Most of the scientific literature regarding urban development in Indonesia is based on cities in Java (see [Firman, 2003, 2009, 2013; Hudalah & Firman, 2012; Hudalah, Winarso, & Woltjer, 2014; Tarigan et al. 2016](#)), while very little is based on evidence from emerging cities like Medan. This profile discusses how Medan interprets its disaster governance, taking flood mitigation and adaptation as a case. The data in this study were collected from a variety of sources, including archival reviews, field observation, and in-depth interviews with key informants such as government officials from both central and local levels (12 respondents), local politicians (2), academicians (3), urban planners (3) and activists (4). The study was conducted between autumn 2014 and summer 2016. The key informants were recruited based on the snowball method, meaning that the next respondents were selected based on a recommendation from previous respondents. They were chosen due to

their professional role, seniority, and understanding as well as direct experience with the given issues. We adopted theories in urban planning, public policy, and infrastructure engineering as our guidance to systemise the discussions with the respondents during the interview stage.

The content of this article is structured as follows. [Section 2](#) outlines a brief history of Medan City's development. In [Section 3](#) the decentralisation policy in Indonesia is briefly examined, together with its impact on the development of Medan City. [Sections 4 and 5](#) discuss the problem of corruption within the city's management practices and future challenges for the city to establish a sustainable urban development. Last, [Section 6](#) presents the concluding remarks.

2. A brief history of Medan City

It is not known how the name of Medan was adopted. Tom Pires, a 16th-century apothecary who visited Sumatra and documented much information on the Malay-Indonesia archipelago, referred to Medan in his report as Medina ([Cortesão, 1990](#)). Some scholars argued that the name could, therefore, derive from the Tamil word *Maidhan* or *Maidhānam*, which means a ground or large field, since fishermen from Tamil Nadu and other regions of India often visited the coastal side of the Medan area. It could also derive from the Islamic holy city Medina in Saudi Arabia, as Muslim travellers from the Middle East often visited and traded along the northern coast of North Sumatra ([Meuraxa, 1975](#)). Others have claimed that Medan could also be derived from the Karonese language,¹ in which it literally means “a better and promising land for all” ([Prinst, 2002](#)).

According to [Pelly \(1983\)](#) and [Bappeda \(2012\)](#), Medan used to be a small village located at the confluence of the Deli and Babura river in

¹ The Karonese language has been used by Karonese community who originally settled in Karo highland (*Tanah Karo*).

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