

**A Tale of two Practitioners:**

**Exploring the Indonesian Model of Decentralization and Development, post-Suharto.**

**By**

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A Thesis Submitted to  
Saint Mary's University, Halifax, Nova Scotia  
in Partial Fulfillment of the Requirements for  
the Degree of Masters of International Development Studies

March 28, 2016, Halifax Nova Scotia

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## **Abstract**

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By Michael Mercer

Abstract: Indonesia underwent rapid decentralization, referred to as the “Big Bang”, at the turn of this century. This study examines the causes and developmental impacts of this process. For this study, research was conducted in Jakarta, Indonesia. The research’s aim was to examine the effects of the forced political decision to decentralize power from the national government to the district level, and its effects on development. This research was conducted by primary source interviews with development and government actors in Indonesia. Interviews were conducted in Indonesia in January, 2012 with Canadian government officials as well as with development practitioners currently working within Indonesia.

## Acknowledgments:

This work has been a long time in the making – having started my research in 2011, and defending in 2016. I would be remiss if I did not acknowledge those life events that have happened during the course of this writing, and their impact on my family.

My longtime partner and world travel companion, Lisa Courtney-Mercer and I got married in 2013, and have since also had our beautiful daughter, Ellie. They are my everything. Lisa deserves much of the credit for allowing me to finish this work – as I was doing this on the side of a very full plate of career progression, family time and extensive travel.

Dr. Marty Zelenietz, my long suffering thesis supervisor – this being our second thesis together – has been both a mentor and a friend – and is credited with more that I can ever repay. Dr. Anthony O’Malley and Dr. Suzanne Dansereau round out my committee and deserve both acknowledgement and thanks for their patience and guidance.

To both Saint Mary’s and the Saint Mary’s University Students’ Association, where I served two terms as Vice President – I owe a debt of gratitude for the support provided and the opportunity to learn on one of the best campuses in the country.

My parents, Senator Terry Mercer and Ellen Mercer – thank you for believing in me. I told you I would get this done – and now, as promised...you owe me that graduation watch.

Thank you to the country of Indonesia – if you haven’t been, go. It truly is a special place full of richness and diversity and should be on any list of travel plans.

## Table of Contents

Acknowledgments	1
<b>Chapter One- Indonesia's Decentralization of Power – Post Suharto</b>	6
Central Issues in Decentralization	10
The Choice of Indonesia	11
Research problematic	12
Methodology	14
Outline – Indonesian Decentralization	16
Research Question	16
Thesis Statement	17
Background	17
Outline for thesis	17
Thesis Argument	17
<b>Chapter Two- A review of the Debates, exploring the theories of decentralization</b>	19
Government	24
Devolution	26
Deconcentration	27

The Theory of Decentralization	27
Forms of Exercised Power	29
The Impetus for Decentralization	30
The Debate	32
Administrative Efficiency	32
Local Competition	33
Fiscal Incentives	34
Democracy	35
Local information and policy innovation	36
Holding the country together	36
Decentralization: Structural Adjustment, Neoliberalism and the Conditionalities approach	37
<b>Chapter Three-</b> Empirical Chapter, a presentation of background information and a look at the Indonesian model of decentralization and development	40
Indonesia – An Overview	40
Indonesia – Origins	41
Indonesia – 1940`s to 1999	42
Indonesian decentralization model	48
Transition	50
The <i>Reformasi</i>	52

Law 22 and Law 25 – Decentralization reforms, 1999	54
Breaking down the Indonesian decentralization model	54
Big Bang Decentralization	57
Local Development	57
Research – A Tale of Two Practitioners	58
1 The manner in which the transition from centralized to decentralized was carried out	60
1.1 Context and rationale	62
1.2 Obfuscation	63
2 The Division of Decentralized Authority	64
2.1 Taxation, Finances	68
2.2 Corruption	71
3 Relationships – Donor-to-Government and National/Provincial/Regional Interplay	72
3.1 The Donor focus	73
3.2 Overall mood within the development sphere	77
3.3 Development relationships amongst levels of government	78
4 Lessons extrapolated from the local level	79
<b>Chapter Four: An Analysis and Discussion of the significance and meaning of my data collected throughout my field research and documentary review</b>	<b>82</b>

1 – The manner in which the transition from centralized to decentralized was carried out	83
2 – The Division of Decentralized Authority	84
3 – Relationships, Donor to Government and National/Provincial/Regional	85
4 – Lessons Learned from the Local Level	87
<b>Chapter Five- Summary of Findings and Recommendations and Conclusion</b>	<b>88</b>
1 – The manner in which the transition from centralized to decentralized was carried out	89
Recommendations	90
2 – The Division of Decentralized Authority	91
Recommendations	91
3 – Relationships, Donor to Government and National/Provincial/Regional	93
Recommendations	93
4 – Lessons Learned from the Local Level	94
Recommendations	95
5 – Comparing Data and Recommendations	95
Bibliography	97
Annex A – Research Ethics Board	102

## **Chapter One: Indonesia's Decentralization of Power – Post Suharto**

This thesis is a study of policy decisions, and the effects of those decisions as we follow them down the line to their eventual implementation. First, we explore the setting that Indonesia found itself in the late 1990's, and its decision to accept an international aid package with conditionalities. This decision was to have major ramifications for the governance and development sectors within Indonesia.

Next, we explore the effects of those decisions and the process in which they were carried out. Once the decision to acquiesce to the international donor organization was made, the speed at which many of those policies were implemented, and the lack of planning can be seen to interfere with the desired outcomes.

We then move on to a dual practitioner data set, where two highly placed in-country practitioners, asked a set of the same questions, provide insight into the new Indonesian decentralization and development paradigm. This is followed by a tightly focused look at some ways to improve the current development arena in Indonesia.

Decentralization is a process that addresses the relationship of a government to the governed. This question of relationship is, at its core, the very essence of governance: How do citizens and government interact? Every law passed, every financial resource allocated, every election (or non-election, as the case may be), can be viewed as agreements between the citizens and the government to behave in a certain manner. These decisions can be debated, fought over, died for, agreed upon, or anything in

between, yet every time they are altered it is a reflection of the nature of the relationship question.

Governments and citizens look for a relationship type that fits how they wish to balance this choice, and recently, many of them are looking - or have been forced to look - at forms of decentralizing power to smaller, local governments. This isn't the first time, and it won't be the last, but it is the prevailing one now – and we will explore why.

The nature of government and how a given country organizes to govern itself is an ever changing one. Throughout history, countries, regions and even whole civilizations have swung the pendulum of government from wholly centralized through almost totally decentralized, and every point in between (Chase-Dunn, 1997, p. 20).

In the past few decades, this swing has landed yet again on the idea of decentralization, as developing countries the world over have been moving away from the typically planned and controlled form of centralized government. A shift towards various forms of decentralization and deconcentration has been a staple of their development plans. This change is being encouraged by a growing number of development agencies and international development institutions.

As a condition of acceptance to receiving large financial support packages from organizations such as the International Monetary Fund (IMF), developing countries were forced to participate in a series of structural reforms that would align them with the prevailing neo-liberal theoretical underpinnings of: divestiture of government assets;

market liberalization; financial and corporate sector overhaul; and encouraged decentralization (International Monetary Fund, 2000).

There are a varied set of benefits that are associated with this shift towards decentralization depending on such factors as: geographical characteristics, population makeup and diversity, historical attitudes, and capacity of the newly devolved geographic areas to implement the changes, among others.

In terms of development, having a more localized approach to decision making is a key factor to community engagement and acceptance. This can turn a development project or concept into a successful endeavour, or consequently, can be a source of irritation or disillusionment if overly centralized. A clear picture of local versus central was presented along these lines in Lisa Courtney-Mercer's work, which demonstrated that without local knowledge and buy-in, a project cannot be truly successful (Courtney-Mercer, 2013).

One country that had no choice but to follow the decentralization path was Indonesia, following the fall of the Suharto regime in 1998. This was a period in the history of the country that can safely be said to have been a crossroads for its development. The catalyst for the change was the Asian financial crisis that shook the economies of many Asian countries during the period from 1997-2000 - some of its effects were still being felt long after the crisis was 'over' (Asian Development Bank, 2006). The highly centralized Suharto regime was unable to react to the unexpected crisis which saw the Rupiah lose 80% of its value by January of 1998 and caused widespread unemployment.

This was due in part to the government's highly centralized focus on domestic and local affairs rather than a keen sense of its duty to oversee the economic and financial sectors of the national economy (Rasyid, 2002).

The changes that were implemented by then President Habibbi after the fall of Suharto were carried out to specifically decentralize Indonesia's political and administrative systems. These changes were encouraged as a part of the conditionalities attached to the aid packages from the IMF and other international donor organizations<sup>1</sup> and were radically different from the previous thirty years of highly centralized systems of administration and national development that took little account of local wishes or equality amongst the provinces and regions. This change was seen as the means to achieve legitimacy in the eyes of the population as well as to start to concentrate on the areas that are generally considered to be within the purview of a central government, and away from delving into local administrative and development areas.

The Indonesian/IMF loan-program, undertaken in October of 1997, offered a structural adjustment focused on reorienting the Indonesian economy towards privatization and deregulation; opening up of sectors such as forestry and banking; along with the decentralization of the political and administrative authorities to lower levels of government (Barr, 2001).

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1

There were numerous conditionalities attached to the aid packages proffered to Indonesia that aimed to transform the banking and financial system and strengthen the rules around financing and supervision, among others. For the purposes of this work, we will explore the decentralization and governance aspects, and they will be examined later on in this thesis

In this thesis, I will look at what led to the decision to decentralize, the process of decentralization that occurred in Indonesia, and its impact on development issues in the post-Suharto era.

### **Central Issues in Decentralization**

There are three issues that stand out as central to the decentralization debate, as every State must choose for itself the type of relationship it wishes to have with its citizenry. As in any new model of service delivery, it is possible to look at aspects of it in order to generate a narrative namely: the rationale behind the decision; how decentralization is carried out; and if the decentralized state is properly supported afterwards – and all three of these issues are central within the Indonesian context. This can be grouped as the rationale, the setup and the follow through.

From this perspective, these three issues all interplay and can support the basis for a revealing study of the decentralization issue in any context. This ties in perfectly with why I chose Indonesia, and has been the inspiration for how I approached the work.

As an example of how these three issues would resolve themselves into a cohesive narrative, we can look at the permitting confusion that has been shown to be a consequence of the decentralized process. Research has shown that confusion and overlap are all too prevalent within the permitting sector, specifically in regards to natural resource permits and all levels of government being able to, or perceived to be able to, issue permits (Courtney-Mercer, 2013).

What we learn from this example is that the rationale for the decentralized model within the permitting sector was not well thought out as it was both devolved and kept by the higher authority at the same time. This clearly negatively impacted the setup of the decentralized model, and thus the follow through was not possible without a total re-alignment of the sector (Barr, 2001).

### **The Choice of Indonesia**

One of the main draws for me, both to this country and to the issue of decentralization, was the 'Big Bang' aspect of Indonesia's push towards the concept and practice of decentralization. As a practitioner of government and a scholar of development, I saw an opportunity in being able to explore the process that Indonesia undertook to break away from the grasp of an incredibly controlling and authoritarian regime. This presented a fascinating case study opportunity, as mentioned above, the two main criticisms of decentralization can often be: The lack of planning, and the lack of capacity devolved along with the authority itself.

Researching Indonesia's decentralization certainly had the potential to illuminate both of these areas, and as was born out during this research, those two factors were and continue to be very prominent within the decentralization sphere.

I did not however set out solely to cover this topic. My original research question was aimed more towards the idea of Indonesia arriving at middle income status, in large part due to decentralization.

After conducting research in-country, my original theory that decentralization was the means by which the country has been able to achieve middle-income status was contradicted by those I interviewed. They indicated that the link was simply not there, rather Indonesia was moving towards this goal under its former centralized power structure. I was strongly advised however to examine the way in which the development process works by looking at the process of decentralization that was undertaken. I started to shift towards this focus while on the ground and gathered much evidence that points towards the process being conducted in such haste as to have missed many of the goals of the transition.

I was then further encouraged to look at the conditionalities and forced nature of the implementation, especially as a source of the haste that was applied. While being forced to meet the structural reform timetable in order to receive the conditionality-laced loan payments doesn't totally alleviate all blame for the program being poorly administered, it does help to explain the haste of implementation, and its effects on the process.

### **Research problematic**

Indonesia's political transition from the Suharto era (1998) has had an incredible effect on the development of the country. Coming from one of the most centralized and authoritarian regimes of the last half century, almost overnight Indonesia had to implement a new way of governing and directing this diverse and geographically spread out archipelagic island nation.

This event drastically shook up the political and development processes of the country as from that point forward there was a massive push towards decentralization of political power within the Indonesian national framework.

For example, there is much concern over the manner in which the transition to a decentralized model was - and is - being carried out. Overlap occurred between various levels of government for everything from permitting for natural resource extraction to financial transfers, setting of priorities and monitoring of the ministries and the system as a whole. Confusion seems to be the reigning context for many development partners, governments at all levels and the population as a whole. While there is obvious broad based support for the decentralized model, especially as the model is now decentralized in terms of both financial and political aspects, the manner in which it was and is implemented will be my research focus to determine where the problems are and how to fix them.

With this transition towards decentralization, a new power balance was implemented that not only devolved financial and granting authority to the district level, but also, for the first time brought political power as well. Legislative authority and locally elected bodies have been at the forefront of creating a renewed sense of political relevance to the population at large. While there is still much work to be done in creating a proper civil society capable of interceding on behalf of the population, there is now a sense that the local populations have someone to hold to account through the electoral process, where this was never possible before. I heard many stories of corruption, and it does

not seem to be an over-exaggeration to suggest that Indonesia still runs on a semi-feudal system that has powerful figures remaining in control of much of the country's resources and power base, there is a renewed sense of hope that things are slowly going to get better for the average citizen.

## **Methodology**

I was in Indonesia from the 29<sup>th</sup> of December, 2011 to February 3<sup>rd</sup>, 2012 to conduct primary data gathering. I conducted interviews in Jakarta, Central Kalimantan, Palangaraya, Mantangai and the Kapuas River Region. I also made a trip to Ottawa to conduct some background interviews with senior government civil servants.

In the field I conducted in-depth interviews that were semi-structured, and followed a similar, open-ended question format. My goal was to gather first-hand information from practitioners in order to gain insight into the process and system of development that is in place. The research presented here is a compilation of the applicable primary data gathered in-country, as well as extensive secondary research that is publically available on the various topics and issues that are explored. As previously mentioned, I had to adapt to a changing research focus mid-field research, so some of the primary interviews that were gathered are not incorporated into this work, due to a lack of relevance to the new hypothesis.

I was fortunate enough to be able to interview two high level aid practitioners in Indonesia, Jeffrey Ong and Erman Rahman. While both of these men are deeply set within the delivery of aid through programs and services sphere – they approach the

matter from different viewpoints. This formed the basis for the 'Tale of two practitioners' vantage point, and was, I believe successful at portraying the effects of decentralizing the governance and aid functions of the state, through the eyes of on-the-ground practitioners.

Both took the opportunity to be constructive in their comments and criticisms, and provided an unvarnished view of both the challenges and the opportunities that are present within the Indonesian decentralization and development apparatus.

One issue that can arise from using practitioners as the data set, is that they are, rightly, approaching their observations from the vantage point of the field – not necessarily taking into account the theoretical underpinnings of their actions or recommendations.

This has become evident - and will be explored later in the recommendations and analysis – in areas of state versus local control and vetting of development resources. Admittedly, their allegiances are to the practice development, and the State's is to maintaining sovereignty and the overarching view of the situation. Sometimes these forces will clash – and this provides for a potential critique of the theory from a practitioner point of view, and those areas will be pointed out and discussed later in this work.

## **Outline – Indonesian Decentralization**

### **Research Question:**

*What were the obstacles to successful Indonesian decentralization, and what impact did this have on the country's development?* The aim of my research is to gauge the impact of the decentralized form of development on Indonesia's intended outcomes and expectations for this policy shift. This will be accomplished by comparing and contrasting the structure of Indonesia's governmental and development practices throughout the last fifteen years.

My research analyses the current state of the development protocols in place, and their transformation throughout the transitional process to a decentralized form. A move towards more local based decision making was the intended outcome, and is the correlation between decentralization and development, however there is concern with the hastiness of the implementation; how those issues were attempted to be resolved; and even in the current context, how all levels of government interplay on the development and decentralization files.

These issues of decentralization and development are tied together through this understanding of moving decision making to the lowest participatory level, and changes to one have invariably impacted the other. With particular attention to the issues of oversight and coordination, improvements to the decentralized development process are possible and warranted.

**Thesis Statement:**

Indonesia's conditionality-contrived post-Suharto decentralization of its political and administrative authority from the national to the district level has caused widespread chaos due to poor coordination and planning.

**Background:****Outline for thesis**

The manner in which the decentralization was undertaken (and managed) as well as the effects it has had on the development of the country and the regions will be the primary areas of focus of this study.

Chapter one will include an Introduction, an outline and the methodology used.

Chapter two will present, compare and contrast the theories of decentralization within the literature review. Chapter three will provide the background and history of Indonesia from the Soekarno era through to today, including empirical research relating to the Indonesian version of the decentralized model. Chapter four is the analysis and presentation of research-based evidence on problems within the Indonesian model.

Chapter five presents the recommendations within each of the evidentiary and analysis components, along with a conclusion to the entire work.

**Thesis Argument:**

The current decentralized Indonesian model did not meet its intended outcomes and expectations as there was little planning and coordination at the outset, due to the

imposition of conditionalities that mandated change at an untenable rate. This lack of clarity carried through to the implementation and its shortcomings have only recently started to be addressed in the follow-up phase. In order to correct the hastiness of the implementation, there are a number of challenges to overcome, particularly within the oversight and coordination roles.

## **Chapter Two – Literature Review (Theories of Decentralization)**

If we remove the factors that led Indonesia to implement the decentralization process with such haste, we are left with exploring the theoretical aspects of the concept of government, and the functioning of a governmental system in general. This section will - for the most part - explore those issues without looking at the impetus for the changes, in Indonesia's case – the civil upheaval, Asian financial crisis, and associated conditionality-laden loan program.

The issue of central versus local control is not a new one in government. This is the epitome of an age old question – one with moving goal posts and no perfect answer at that. Governments and citizens look for a relationship type that fits how they wish to balance this choice, and recently, many of them are looking at forms of decentralizing power to smaller, local governments.

This literature review will be structured to look at the main theoretical setting for my research question. The theories of decentralization in general will be the first explored. The core issues will be presented to start the process of refining the landscape of the debate on the topic of decentralization within the global context.

The decentralization debate centres on the nature and role of government and the services that it delivers. Within this debate there seems to be a rationale to decentralize that can suit any philosophical bent, and perhaps it is for this reason that many sides of the debate can be represented.

The World Bank (WB), as leaders of international thinking on Structural Adjustment Programs (SAP) through the 1980s and 1990s, has shifted their view of what should be the main focus of SAP. In the 1980's, the WB was almost totally pro-market – “designed to reduce state intervention in developing-country economies” (Drake, Malik, & Xu, 2002 p. 6). This paradigm changed in the 1990s from ‘getting the prices right’ to ‘getting the institutions right’ (Drake, Malik, & Xu, 2002).

The WB governance worldview is associated with “enhancing the relationship between government, civil society, and the market in recipient states” (Drake, Malik, & Xu, 2002 p.6). The WB now sees a symbiotic relationship between the three sectors – and includes civil society as an important check and balance on the actions of the state and the regulation of the market (Drake, Malik, & Xu, 2002).

The WB's appeal of the decentralized model “stems from its potential to improve state governance by means of increasing competition, accountability, and flexibility. As such, it is a ‘cross-cutting’ reform that has a bearing on most aspects of governance” (Drake, Malik, & Xu, 2002 p.24). The reader must remember that this latter day symbiotic view of the WB was not the model imposed on nations seeking aid in the 1990s.

The theoretical underpinnings of the Indonesian decentralization attempt was determined by the fact that during the Asian economic crisis of the late 1990's, Indonesia suffered terribly in terms of its currency valuation and banking system collapse. By October, 1997 – after the rupiah having already been floated as a response to the Thai baht being floated in July – the rupiah had depreciated by 30%. By end-July

1998, the rupiah had fallen by roughly 65% (relative to late 1997 levels). “The loss of confidence sparked financial instability, and output collapsed, with a severe impact on the poor.” (International Monetary Fund, 2000).

This led to a necessary loan program implemented by international donor organizations – spearheaded by the International Monetary Fund (IMF), totalling \$43 Billion. As a part of this neo-liberal structural adjustment program, conditionalities were attached to the loans that necessitated various structural reforms of the Indonesian economy (Barr, 2001). The neo-liberal structural adjustment components featured a heavy emphasis on privatization, deregulation and fiscal austerity – coupled with a push to decentralized political and administrative control over most sectors of the economy. This will be further explored as a function of the conditionalities section later in this literature review, and within other sections of this work. Decentralization of government is defined rather broadly as “any transfer of power from the centre to sub-national levels, thus including both the conventional categories of devolution and deconcentration” (Conyers, 1984, p. 187). A further and slightly differing definition, sees decentralization as “a division of the national resource pool amongst a country’s sub national districts, and the allocation of residual powers to independent and accountable governments in each” (Faguet, 2004, p. 25). In comparing these two definitions, which both aim to set decentralization to their respective philosophical viewpoints, we start to see the subtle yet divergent ways in which this subject is approached. This sets the stage for the debate that will follow in these pages on the types and forms – and philosophies – of this development model.

Countries of all sizes have inherent challenges when it comes to governance. Governing in and of itself is presented with a challenge to the forms and structures of the execution of power. While there are a multitude of possibilities when it comes to setting up a government structure, each country and citizenry must decide for itself which manner they are going to abide by. The questions surrounding the exercise of power and the concept of redistribution have been asked and debated since the formation of the first collection of villages decided – or were forced - to work together and share their resources in common (Sahlins, 1972). History has taught us that getting this balance correct can be the difference between enduring dynasty and brief historical footnote; although it must be noted that no state has so far lasted forever. The Romans tried a very centralized control mechanism over a vast territory, and were successful for a time, but ultimately that grew too unwieldy to manage. There have been countless historical and modern examples of empires or super-regions that could not maintain their diverse and power-imbalanced accords. Take a look at a map from the 1980's and it is plain to see that many populations chose - or were forced - to seek a new relationship with their fellow citizens or neighbours.

There have been consistent calls for either more autonomy or more centralization in governance philosophy, with a proper balance of the two often being the stated aim, yet that balance is a very difficult target to hit and can vary depending on the circumstances of the day. Generally speaking, in times of crisis there is a move towards a centralized control model, often for defensive or nationalistic purposes. In times of relaxed prosperity, the reverse is often seen, with a move towards loosening the

centralized control mechanisms. These are generalizations of course, and there are exceptions on all of these fronts but the trends mentioned above hold true as a matter of generally observed behaviour (Faguet, 2004).

One of the aspects of this tug of war that is invariably present is the matter of regionalism. All countries, no matter their size, have to deal with this issue in some manner. How much control to cede to those that do not live in the immediate area is an issue perennially debated and never resolved.

The United States presents a strong historical case study in this area in the form of 'The Federalist Papers', a collection of essays by some of the most prominent of the 'founding fathers' arguing in support of ratification of the U.S. constitution. Arguments and detailed explanations were meticulously laid out that were an attempt to convince their fellow citizens of the merits of their proposal for the way in which their republic should be governed (Federalist Papers, 2010). This demonstrates that there was an ongoing debate at the time to determine the best course of action for the fledgling country, and that debate still rages on in the state houses and national legislative chambers. This is invariably how the process works, and is one that is rarely - if ever - settled for good; as we can plainly see in the British Commonwealth of today (Economic and Social Research Council, 2006).

The exercise of power by government over its citizens can be achieved in a variety of ways and by all of the many layers of government that exist. As in any question, there are benefits and drawbacks associated with all of the theoretical ways to structure this

exercise of power. There are also many variances in the theoretical versus actual power structures and their stated intentions. This literature review will attempt to provide both an overview of the main types of power structures for all levels of governments, both developed and developing.

This section of the literature review will be structured in the following manner:

- A. Introduction to the terminology of government structure, including the terms utilized within the decentralization debate;
- B. Devolution as a theoretical concept;
- C. Deconcentration as a theoretical concept;
- D. The theory of decentralization; and
- E. The forms of power exercised and used in developing and developed countries and their rationales.

**A. Government:** “Government is not reason; it is not eloquent; it is force. Like fire, it is a dangerous servant and a fearful master.” George Washington (Washington, 1790).

George Washington is reminding us that government is, in our modern age, a necessary burden. For all of the complaints we have of our governments, and for all of the imperfections that are inherent in any organization that has fallible human beings as the ultimate authority, we rely on governments for so many things: from keeping the water in our taps running, to defense of the weak and innocent, and to the regulation of the vast majority of the aspects and interactions of our daily lives.

A major focus of this work is to attempt to gain more perspective on the various aspects of government and its relationships with the citizens that it represents. In order to conduct this study we must first understand the nature of its existence and couple that with the many facets of the decentralized model.

As is sometimes the case in developing countries, the citizenry's experiences with government can be negative ones. For some, governments are to be avoided and feared, not counted on for clean drinking water. It is this variance in relationship that I believe Washington was referring to; a relationship that we constantly strive to balance, in the hopes of finding a perfect fit.

i. General structure: Governments exist on many levels and can take many names for their various parts. They are generally structured on a geographical basis and are often considered to be layered from widest to narrowest in terms of encompassing area. Typically, there is a national government that oversees such areas as are deemed to be in its national sphere of influence. The next level of government down is often a regional/state/provincial one. The last level is generally one that encompasses a city or regional municipality. By structuring the layers in this manner, there is the theoretical separation of powers that allows for governments of all levels to maintain control over the jurisdictional areas of responsibility that they each maintain (Tanzi, 1996). There is a natural flow of power, authority and responsibility from one level to the next, in keeping with the assigned duties of each level.

ii. Government role: Government's role is to control and exercise the power over political decision making, this involves making and enforcing laws as well as arbitrating conflicts (Barclay, 1990, p. 31). These conflicts often arise out of a scarcity of resources, the allocation of which is often at the heart of political decisions that must necessarily be made or arbitrated.

### **B. Devolution:**

The concept of devolution of powers and responsibilities keeps the overall authority for the powers in question at the sovereign state level, while granting powers over an area to a lesser body (Economic and Social Research Council, 2006). This might take the form of a central government of a sovereign state granting provincial governments the ability to assign mining licenses and collect the revenues, either example of which would be devolving the central government's powers in that specific area to the provincial level. The term devolution is often used in the decentralization framework and can be considered a form of decentralization, as it does provide for the downloading of responsibilities to a lesser governmental level. The main difference in this area, which is not always fully recognized, is that the top level government that grants the authority is doing so on a loan basis rather than wholly divesting its power in the area. While it might remain politically difficult to do so, the devolved powers can be taken back, effectively recalling the loan. This nuance is often not recognized and is an important one. In Northern Ireland for example, devolution has been suspended a number of

times as the British parliament grapples with this new form of power sharing (Economic and Social Research Council, 2006).

In Canada, as an example of a Federal state, the sub-national governments that have devolved powers have them granted within the guaranteed context of a constitution, which specifically enumerates the assigned powers to each level of government, and would thusly require the consent of more than just the granting authority to take back the powers.<sup>2</sup>

### **C. Deconcentration:**

This facet of decentralization allows for redistribution of decision making authority from the central power to agents acting on its behalf (Agrawal & Ribot, 1999). This generally applies to civil servants in regions outside of the capitol who are still under the ultimate authority of the central power. An agency regional director of the central power would be a good example of deconcentrated authority over certain areas and responsibilities. Often this term applies to areas of responsibility of different levels of the central government.

### **D. The Theory of Decentralization**

Decentralization is a widely prescribed theory of development that at its most basic level allows for the transferring of power and responsibilities from the national to sub-national governments. The theory goes that this transfer will provide the citizens with

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Federal states have various ways to amend their constitutions. However all require some type consent from all levels of government, and often the citizens as well in some form of consultative process.

easier and more direct access to the services and necessities of government that they require (Hannan, 2003, p. 2). There are many forms and interpretations of decentralization; the most common being political, administrative and fiscal.

*Political Decentralization* aims to provide citizens and locally elected representatives with greater policy-making power and can often be the catalyst for the decentralization avenue overall (Mitchell & Bossert, 2010, p. 669). It is generally assumed by advocates that more local participation will lead to better informed outcomes that are more relevant to diverse interests (The World Bank Group, 2001).

*Fiscal Decentralization* equips local jurisdictions with greater authority over the use and collection of revenues that are spent at the local level and in support of locally designated projects. Fiscal independence is often the tool that allows for the freedom to exert independent political control and not be subject to overtures of the central authority (Mitchell & Bossert, 2010, p. 669).

*Administrative Decentralization* allows the role of the local level in delivering public services to be expanded and, through the political side, directed to be in tune with the wishes of the local citizens (Cheema & Rondinelli, 2007).

These three areas of decentralization all play important individual roles in any decentralized reform process. As is evident in their descriptions, they all have value in their respective areas of influence; however, it is when they are implemented in tandem and allowed to interact that they enhance each other and demonstrate their true strength. As an example, if only political power were given to a region and the fiscal

area retained by the central government, there is an inherent veto power over any decisions made by the local body. One of the tenets of combined decentralization is often that “the decentralization framework must link, at the margin, local financing and fiscal authority to the service provision responsibilities and functions of the local government - so that local politicians can bear the costs of their decisions and deliver on their promises” (Center for International Earth Science Information Network , p. 2).

#### **E. Forms of Exercised Power**

There is a historical perspective that shows that prior to the mid 1980’s, fiscal and administrative decentralization were mostly used “as a means to overcome perceived inefficiencies and bureaucratic rigidities in the public sector” (Mitchell & Bossert, 2010, p. 669). Following the mid 1980’s, political decentralization was added to complete what we know as the entirety of decentralization (political, economic and administrative). This is now seen as one way to increase the reform agendas that pertain to the oversight of governance and democracy which have been a mainstay of reform movements over the past quarter of a century. This has led to an empowering of local governments to the currently conceptualized theory of decentralization: making decision-makers more accountable to the beneficiaries of public policies and services, namely its citizens (Center for International Earth Science Information Network, p. 2).

The overarching theory is that control gets moved to lower levels of government and away from the central one. It is seen by many in the development sphere as a way to reduce central control over outlying areas and to better focus the various levels of the

state on the tasks that are suited to each level (White & Smoke, 2005). While a city government is not often able to intercede on matters of national security – this being a central government role – there are countless examples of national governments delving into the traditional roles of local government in areas such as infrastructure, crop management, and permitting, to name just a few. While there are arguments to be made on both sides of the debate over areas such as health and education, more often than not, these areas were claimed by central governments and have only been shared through efforts centred on decentralization.

One of the main benefits of this hiving off of control is that this control must naturally fall closer to the population. A strengthened local political franchise is one of the many positives that often accompany decentralization, and this result is frequently a catalyst for the decentralization in the first place. Citizens have the opportunity to actually meet and see their political representatives as they work in the community rather than lose them to the capitol city. There is also more power in the hands of more people, which is seen as a way to reduce the staggering levels of corruption of many developing countries. Whether this is as effective as imagined, or a means to put more people into positions to take less is a topic that will be explored further in subsequent chapters.

### **The Impetus for Decentralization**

Over the last quarter of a century decentralization has been a policy option for developing countries and they have been choosing this option on an ever increasing scale (White & Smoke, 2005). One of the many factors that has led to this shift is the

transition of many countries from authoritarian rule to forms of democracy (Center for International Earth Science Information Network). This has necessitated a reconnection to the citizenry as a means to capture this new power base, which is needed to maintain power in a democracy. Delivering enhanced service to the population is one of the primary roles of a democratic government, and the decentralized model is seen as a means to allow this function to be focused on (White & Smoke, 2005).

Another factor that enhances the decentralized model is the focus on governance, which is at the top of nearly every international donor and aid agency's policy mandate (Brautigam & Knack, 2004). The most encompassing definition that I have found to describe governance is espoused by Carolyn Hannan, the director for the United Nations division for the advancement of women. During her speech in 2003, organized by the Indonesian permanent mission to the UN, she said:

“Governance refers to the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences. Governance touches upon issues such as the interaction between the state and civil society, the legal framework, public administration, economic development, development policies, and peace and security” (Hannan, 2003, p. 1).

Allowing political control to be ceded to lower levels of government (i.e., expanding the political class) starts to take away the threat of more 'command economy' type principles as well as making it a more stable form of government. Both of these factors can be identified as rationale for why authoritarian governments would not have pursued decentralization, which effectively makes it a bulwark against the re-emergence of authoritarian governments.

## **The Debate**

There are a number of arguments mobilized by both proponents and opponents of decentralization. The debate focuses on several issues: Administrative efficiency, local competition, fiscal incentives, democracy, local information and innovation, and even holding the country together.

### **Administrative efficiency**

Wallace Oates argues for the administration of multi-tier government that makes it possible to satisfy citizens' demands for public goods and services more precisely and cost-effectively (Oates, 1972). Where appropriate, for areas of policy, preference or geography that might suit itself to a larger scale unit of output – such as defence - or a smaller scale unit of output – such as forestry services - to have the option to utilize whatever means is more practical and which would provide administrative efficiency (Tanzi, 1996).

This is countered as a fully implemented decentralized rationale by Daniel Treisman as he maintains that it would only be the administrative side of the decentralized model that would be necessary to encourage this efficiency. He further argues that this change would only make the efficiencies possible, not definite, and that “to know whether more tiers leads to greater efficiency, one must know how functions are allocated...it is an argument for cost-benefit analysis, not for a particular structure of government or direction of reform.” (Treisman, 2007, p. 12).

### **Local Competition:**

Hayek argues that competition to attract mobile residents and investment induces local governments to be more honest, efficient and responsive. The argument in favour is that central governments are able to accomplish this in their trade and foreign policy mandates and can lure investment to its borders, yet have a hard time implementing these policy options once within their borders. At that point, the country is seen as a whole rather than as requiring competition amongst the parts, therefore these responsibilities to drive competition should be given directly to local governments, bypassing the central authority (Hayek, 1948).

A similar counter argument to the efficiency debate sits in contrast. It goes that these conditions to acquire mobile residents amidst local competition would be so difficult to replicate in the real world that the argument in favour is hard to make. The continuation of the argument is that competition is not often virtuous, but is frequently perverse, which would lead to less competition through less desirable outcomes and efficiency. Think of each local government offering ever increasing incentives for business and residents to move to its particular jurisdiction. This already happens on an international scale and would only be replicated further if brought to the domestic level, says Treisman. He goes on to state that a motivated central government could achieve the same results, which would further undermine a decentralized model (Treisman, 2007, p. 12).

**Fiscal Incentives:**

Increasing local governments' portion in a shared tax should increase their motivation to support local economic activity and local initiatives, resulting in a heightened economic performance both locally as well as nationwide; effectively this is 'the more skin in the game, the more incentive one has to perform' argument. This is one of the main arguments that is encountered when reading the rationale for decentralization and is becoming the heart of many of the calls for the adoption of a decentralized model in the risk management area of the financial sector as a whole (Taleb, 2012).

Providing this type of fiscal authority to the local levels ties in with the franchise of the local population and their particular preferences for local initiatives spending and when combined with the incentive argument, this makes for a potent combination (Center for International Earth Science Information Network).

The counter argument to this concept is that to give to one level of government taxation authority, by necessity, an equal amount of taxation must be taken away from another level. This would be akin to Newton's third law of motion that for every action there is an equal and opposite reaction or to the 'zero sum game' aspect of game theory, whereby one gains and the offsetting losses are suffered by the other participant (Colman, 1995). The counter argument continues by positing that with the decrease in fiscal contribution, so would the motivation of the level of government who relinquished the powers. As Treisman points out, "Because, for better or worse, all

levels of government can influence economic performance, the resulting net effect on performance is indeterminate” (Treisman, 2007, p. 12)

One area that this counter argument fails to address is the nature of the democratic process that comes from spending powers and their determination being made locally, as referenced in the original argument in support of fiscal incentives being important for decentralized models.

**Democracy:**

Decentralization, by decreasing the scale of government, increases citizen participation and promotes civic engagement (Center for International Earth Science Information Network ). One of the big factors at play here, mentioned earlier, is the increase in electoral accountability that comes from having a more direct say in who controls the various aspects of the functions of government. For example, rather than electing a single representative to oversee all of government’s responsibilities, it is segmented into manageable and accountable portions for ease of determining either blame or credit. This consequently allows for a heightened sense of voter engagement and information as the voter can parse the various performances of each level of government, and because voters in small groups can coordinate better on a voting strategy (Treisman, 2007).

The natural critique of this argument is that ultimately the responsibility always remains with the voter to seek to be informed. Simply by being portioned into small and manageable groups does not facilitate the act of informing oneself in and of itself.

Treisman makes the argument that only in the tiniest of communities would there actually be anything close to resembling total participatory local government and that it is all a variation of degrees after that. When confronted with the electoral accountability argument, the prevailing counter argument is that simply because there are multiple tiers, this does not neatly subdivide the various functions of government as neatly. In practice, shared jurisdiction and management of resources could conceivably confound the electors further rather than clear up the lines of authority (Treisman, 2007).

**Local information and policy innovation:**

Proponents of local government argue that it is better suited to elicit and make use of local information or is more motivated to do so. Decentralization should increase policy experimentation as there are more actors trying to solve similar problems and there is no 'group think', allowing for a more fertile ground for testing of policy ideas. While local organizations might be better placed to make use of local information, it is conceivable that a larger organization would have more resources to bring to bear on an issue, thus negating the small organization's advantage in this regard.

**Holding the country together:**

Vito Tanzi makes the argument for decentralization being a source of cohesion for countries with heterogeneous populations. The argument goes that decentralization would be an inducement to remain a part of the federation to the various sections of the population that might feel to be distinct within the overall social construct (Tanzi,

1996). By giving them more of a direct say in their own affairs, they would be more apt to remain as a part of the federation (Center for International Earth Science Information Network ).

While this might be possible for some countries – Russia and Ethiopia are given as examples – this would necessitate that the ethnic, linguistic, racial, or cultural groups be regionally distributed to affect this type of decentralization. In other words, this type of franchise would be a difficult task if the populations were spread out and not geographically cohesive, as in the case of the former Yugoslavia.

Understanding the historical makeup of Indonesia is an important component to this study. The next chapter will knit together the various threads that have led Indonesia to its decentralized development approach.

### **Decentralization: Structural Adjustment, Neoliberalism and the Conditionalities approach**

In the abstract, the issues presented and reviewed above form the backbone of the decentralization debate. This does not take into account however the issue of structural adjustment and its associated conditionalities, which must also be addressed in the theoretical section of this work.

Structural adjustment programs (SAP) are a function of the prevailing 1980's and 1990's neo-liberal approach to both macroeconomic and development theory. SAPs could mandate a raft of policy changes - depending on the situation - that obligated recipient

countries to liberalize and promote international trade and investment; to reform financial and banking sectors; reduce inflation; promote exports; meet debt-repayment schedules; decrease budget deficits; and decentralize many aspects of the recipient country's administrative and political system (International Monetary Fund, 2000). These programs are attached to financial aid packages arranged through international lending agencies such as the IMF and World Bank.

There are those that argue that the SAP and their mandated conditionalities are not at all the proper prescription for helping countries caught in the midst of financial turmoil, and that developing countries are best to steer well clear of IMF counsel. As Smitha Francis writes in an article for Global Policy Forum, using our Indonesian model as her example:

The IMF has refused to take any responsibility for the way its wrong policy advice exacerbated the crisis and stalled the subsequent recovery. Further, instead of providing any long-lasting solution to the debt burden which they themselves helped create and accumulate, the multilateral bodies and bilateral donors have continuously insisted on policy measures requiring stringent constraints on expenditure and increased revenue mobilization, for servicing this sharply increased debt burden. (Francis, 2003)

To go even further in the criticism of SAPs and conditionalities, there is another argument that says the programs extend far beyond the 1944 'Articles of Agreement' that established the IMF – especially with respect to overstepping into clearly outlined jurisdictional sovereignty (Lee, 2003).

This is an extension of the 'IMF doesn't pass up a good crisis' argument, that speaks to the Fund needing these crises in order to make the necessary inroads into developing

economies. As Henry Veltmeyer and James Petras lay it out, using the 2008 global financial crisis in their example (which in their view would apply to much of the neo-liberal agenda) “the crisis has been used to the strategic advantage of capital in its class war against labor, to further the accumulation of capital and the consolidation of capitalist rule” (Petras & Veltmeyer, 2012)

### **Chapter 3 – Background, Current situation and empirical data**

In order to fully contextualize the Indonesian development story, a look at the factors that have influenced its development must be conducted. Everything from geography to political history and ethnicity has combined to create a truly unique and exceptional case. These issues and many more will be explored to document the reasons for the country's march towards decentralization and the manner in which it was conducted.

#### **Indonesia – An Overview:**

The archipelagic country of Indonesia is a collection of over 13,000 islands that straddle the equator in South East Asia. Indonesia's total area, including its territorial waters, is a little less than 2 million square kilometers at 1,904,569 sq km, and it has a population of over 242 million people (The World Bank, 2013). It is the 4<sup>th</sup> most populous country in the world after China, India, and the United States and is the most populous Muslim nation. There are five large islands that contain over 92% of the total population: Java, Sumatra, Sulawesi, Kalimantan and West Papua. Java, home to the Capitol, Jakarta, comprises over two thirds of the total population on its own, at 15,342 people per km<sup>2</sup>, making it one of the world's highest population densities (Bhattacharya & Pengeshu, 1997).

The Indonesian population is over 95% indigenous ethnic Malay. Within this Malay context there are over 350 various ethnic and linguistic groups represented, many with their own customary laws, and norms (Resosudarmo, 2005). In religious terms, the country is very homogenous at over 90% Muslim. There has been a relatively successful

trend since independence to unify their national language in the form of Bahasa Indonesia, although this has not stopped the concurrent uses of most regional dialects. It is not uncommon for travelled Indonesians to speak multiple regional dialects and for conversations to be in a mutually understood dialect, even if neither party is from the area where the dialect is in use<sup>3</sup>.

Indonesia is a former Dutch colony, greatly prized for its immense natural resource wealth and highly favourable agricultural conditions (Resosudarmo, 2005). Many considered it to be the jewel in the Dutch colonial crown, and it was this Dutch occupation that ultimately led to the Indonesian independence movement and its eventual independence - post-World War Two. This spirit to control its own destiny has so far manifested itself three times – at independence, the Suharto uprising, and the overthrow of Suharto as dictator in 1998 – likely tracing its formation to the idea that “since Dutch colonization, the state has asserted itself as the ultimate source of law, rights, and order, claiming a monopoly on authority and governance” (Centre for International Environmental Law, 2002, p. xxvii).

### **Indonesia – Origins**

During the 7<sup>th</sup> through 14<sup>th</sup> centuries, the Buddhist kingdom of Srivijaya, an advanced civilisation of its day, flourished on Sumatra and at its peak extended to West Java and the Malay Peninsula. At roughly the same time, the Hindu kingdom of Majapahit had

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While travelling through Kalimantan province (Borneo) with my interpreter, he would change dialects frequently to one that the majority of the local population would be able to converse in, often not even the dialect from that particular area.

risen in Eastern Java. These 2 civilizations, along with many tributary regions that would cover roughly the current expanse of Indonesia, had a system of allegiances that started to knit this region together. Islam began to spread throughout the entire area and had supplanted Hinduism by the end of the 16<sup>th</sup> century on Java and Sumatra, although the island of Bali remains to this day predominantly Hindu.

Beginning in 1602, the Dutch started to forcefully acquire lands and began to rule areas of what is now Indonesia. This was accomplished by exploiting the inherent weaknesses of the many small Islamic kingdoms. The Portuguese managed to retain East Timor throughout the Dutch expansion, holding it until 1975. During the 300 years of Dutch rule, natural resources were discovered, harvested, and exploited to the extent that the colony was turned into one of the richest colonial possessions in the world (United States State Department, 2012).

This history is important to the development of the independence movements that have sprung up at various junctures in Indonesian history, both to demonstrate that the formation of the country itself was a Dutch construct over the long term, and for the historical roots of religion within its borders, which account for some of the stresses that have impacted on the decentralization debate (Nordholt & Van Klinken, 2007).

### **Indonesia – 1940`s to 1999**

For the three hundred years of Dutch colonial rule the colony of Indonesia was forced to play a resource extraction role for its colonial master. The Dutch Governor-General of Java, B.C. de Jonge (1931-1936) remarked “we have ruled here for 300 years with the

whip and the club, and we shall still be doing it for another 300 years” (O'Lincoln, 2009, p. 83). As this paternalistic and forceful attitude demonstrates the lack of any forward thinking on the Dutch side relating to independence of any type, there was clearly no attempt to prepare or to elevate colonial Indonesians into the administrative class, as the British did with India. This led to a much unprepared country when Independence was first gained, and took years to even start to rectify (Masters, n.d.) Unsurprisingly, this treatment led to a resentment of the subordinate colonial role that Indonesians were forced to play and ultimately, to an independence movement. As with many such former colonies, there was a long and bitter battle for the colony's right to become a self-determining country.

Soekarno, an independence leader during the 1920's and 1930's, managed to obtain weapons and training from the Japanese – who had captured the colony from the Dutch during WWII – as the Japanese foresaw the inevitable invasion by the allies. While they were counting on the armed Indonesian's to help repel the allies, Soekarno saw this as an opportunity to seed an army for eventual independence. When the British arrived and freed the captive Dutch troops, these troops, along with some Dutch reinforcements managed to re-take the major cities and towns of Indonesia, with the armed Indonesians holding the countryside. Soekarno and Mohammed Hatta proclaimed the independent Republic of Indonesia on August 17, 1945 with Soekarno and Hatta as President and Vice-President respectively (Library of Congress, 1992). Eventually due to pressure from the United States over Marshall Plan aid – they weren't going to be delivering aid to the Dutch if they remained a colonial power – the foreign

troops left Indonesia and the country was formed with Soekarno as its first President (Dillon, 2007, p. 20).

Indonesia was recognized as a sovereign state by the Netherlands in 1949. The new constitution was based on the doctrine of *Pancasila*<sup>4</sup> which was based on five guiding principles of the Indonesian nation. These included a belief in the "one and only God," although this reference to God is not meant to be specific to any particular religion (Department of Foreign Affairs, 1997). Soekarno had such a broad and unstable governing coalition of nationalists, advocates of political Islam, and Communists that the resulting clashes led to an increasingly unstable government (Sato, 2003).

The Soekarno period in Indonesia was its first attempt at self-rule. With the amalgamation of disparate groups into a parliamentary coalition, one of the key elements of this period was the attempt at party politics. The unwieldy parliamentary system soon dropped in favour of his 'Guided Democracy' period, was the first manifestation of a local authoritarianism that ultimately lasted until 1999. As is usually suggested by any form of imposed democracy, the philosophy of *Guided Democracy* was heavy on the guidance and light on the democracy, with "Soekarno as 'the people's spokesman' [who] was assumed to directly represent the will of people (rakyat) without the medium of elections. It was certainly charismatic personal rule where there was no place for political institutions per se" (Sato, 2003, p. 7)

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Pancasila was the Indonesian state philosophy, formulated by the Indonesian nationalist leader Soekarno. The five principles were: the belief in one God; just and civilized humanity; Indonesian unity; democracy under the wise guidance of representative consultations; and social justice for all the peoples of Indonesia.

*Guided democracy's* relationship with the outlying provinces and territories of the country were a far cry from those of the more populated and increasingly dominant city centres. As early as the 1949 independence, feelings of neglect and disorganization were beginning to appear and these feelings only grew as Soekarno failed to have meaningful interactions with those outside his power base of Java (Van der Kroef, 1958).

This is especially important to note for this paper's later look at the decentralization of Indonesia, as it appears that the seeds for decentralization were planted at this very juncture. These feelings of discontent only continued to grow with the authoritarian switch from Soekarno to Suharto as the grip on the country was tightened even further. Suharto's policies of dealing with the provinces through his stated 'decentralization' were in fact virtually total centrally controlled. By the end of the Suharto regime's 30 year run, the centre-periphery experience was being described in quite unhealthy terms:

"The New Order's over-centralisation, in almost every aspect of national life, had been the main grievance in the regions. Not only were the social, political economic activities of the regions tightly regulated and controlled by Jakarta, most of regional wealth was also taken by Jakarta." (Anwar, 2005, p. 109; see also Ahmad & Mansoor, 2002).

This faux decentralization was accomplished by enacting laws that did in fact provide a framework for the devolution of power from centre to periphery while at the same time doing nothing to actually implement these laws or devolution. On the books, local authority was the rule, but in practice anything except centrally planned and executed

policies was all but unheard of. This effectively neutralized all of the 27 provincial and 333 district levels of control over their own areas of responsibility while at the same time appearing to be just the opposite (Ahmad & Mandoor, 2002, p. 4).

Anwar Shah makes the case that during this period Indonesia was more of a model of *deconcentration* than decentralization, as the central government had exercised significant control over both the appointments and funds of local officials (Shah, 1999).

It goes without saying that the forty or so years spent under both Soekarno and Suharto regimes was a very formative era for Indonesia. These two men and their governments were oppressive, dictatorial, greedy, corrupt and violent. This legacy set the stage for the troubles that the country faced when true democracy and decentralization had to be implemented. There is still a level of distrust and mismanagement that carries forward from these eras.

Two of the main legacy elements that have been identified throughout the field research for this paper are those of graft and corruption. These issues permeated the government and were a huge component to the previous eras, especially Suharto's. Corruption was pervasive and was simply the way of life under his rule; from the small scale of obtaining licenses and every day permits by local officials to the largest possible scale of granting nationwide monopolies to friends and relatives to rake in billions of dollars (Greenless, 2008).

How has this carried forward to how business is conducted in today's environment? Has decentralization been able to change the nature of or banish corruption completely?

These questions will be explored as this work progresses and are important indicators for how the decentralization process was managed.

Despite the corruption of the Suharto era, by many measures there had been 'progress' in Indonesia. The comparison of poverty levels at the beginning and the end of his tenure are a good example of this; 60% of the total population when he took over in 1968 compared to 13% at the start of the Asian financial crisis (Greenless, 2008). It must also be noted that many of the social indicators had risen dramatically including access to health and education and infant mortality rates (McGlynn & Sulisty, 2005). It is not then surprising that there is a certain fondness for the Suharto period among many Indonesians, especially evident in the sometimes unpredictable nature of democratic and decentralization initiatives (Bhakti, 2004, p. 195).

This was accomplished in part due to the centralized nature of the government during his tenure. While the wealth wasn't in any way distributed equitably, there was wealth generation alongside rising social indicators. With the 1997 hit of the Asian financial crisis, the untenable position for Suharto became clear, and after his fall the Habibie government did all it could to rapidly deviate from the previous centralized and managed philosophy.

This rapid change in perspective will be explored in depth in the following chapter, as there is a very real case to be made for this having been pushed through with little thought to the implementation process or the policy outcomes of such poor planning. While the processes of decentralization and democratization might have been started or

even accomplished, they appear to have been done with so little planning that the question of effectiveness remains a very real and powerful concern.

## **Indonesian decentralization model**

### **Introduction**

Indonesia came out of the Suharto era needing to modernize in a number of policy areas and sectors. There had not been any legitimate form of political opposition in almost half a century, the Gross Domestic Product (GDP) was stagnant and economic development was on the decline. The Asian financial crisis had been the final straw for Suharto and in 1998 he had no choice but to leave (Green, 2005).

The political winds of change were sweeping through the country and opposition was building to many of the strictly enforced policies of the past 30 years. Corruption and abuse was rife and the citizenry was starting to push back.

When conducting my in-country research, I was in Yogyakarta, the only Sultanate<sup>5</sup> in the country, where I happened to be in a taxi on my way to an interview. As I was talking to the driver about why I was there and asking him about the changes he has seen from the Suharto era to today, he replied with a joke:

During the Suharto era, a man in Jakarta had a terrible toothache and the pain was getting to be too much. He decided to go to Hong Kong to see a dentist. When he showed up for his appointment, the Hong Kong dentist asked him where he was from. "I'm from Indonesia" he replied. The doctor stated "it must

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Yogyakarta is the only in Indonesia city ruled by a hereditary Sultan. This is due to the support provided to the independence movement by a previous Sultan during the Indonesian National Revolution

be terrible to come down with such a painful toothache while traveling!” and the man replied, “Oh no doctor, I had this toothache in Jakarta and decided to come and see you” the doctor exclaimed “but I have many colleagues in Indonesia, some I even trained with and they are very good, why would you not have gone to see a dentist in your country?” The patient looked at the doctor very seriously and said “you are correct that we have some of the best dentists in the region; the problem is, in my country you are not allowed to open your mouth!”

This taxi driver had provided a humorous anecdote to a situation that I found many people expressing during my travels throughout the country. He went on to say that there were indeed problems with the current government, its policies and its direction, but that overall, he could tell the joke that he just said, and that counted as a positive in his book. This freedom of expression seems to have meant the most to this gentleman, as I’m sure it does to many Indonesians even while they work to fix the many problems that still remain, or have arisen since Suharto’s departure.

We must remember that changing a system of government, even if perceived to be for the better, does not make social, political or economic problems go away overnight.

This is the exact position that Indonesia is in today. While changing from an authoritarian rule of such length, the tides of change are invariably slow, and issues are going to be encountered.

The Indonesian model of decentralization is often referred to as an example of ‘Big Bang’ decentralization (Mishra, 2012) – that is to say, a very quick switch to decentralization from a centrally controlled model. As explored in previous chapters, this moment was building for a long period of time, and for a number of reasons. This section will focus on how that transition was managed – after the decision was made to decentralize - and explore the model that is in use, both theoretically and in practice, as

well as the benefits and drawbacks of this type of radical reversal of governmental structure.

### **Transition**

With the 1998 collapse of the Suharto – New Order regime, Indonesia entered a transitional phase away from authoritarian rule and towards a democratic system of government. This transition was precipitated by “a complex interplay between domestic and international dynamics” (Anwar, 2005, p. 201). This interplay rested on the cold war era practice of Western countries’ support – political, monetary and military - to strong anti-communist governments that would be in the business of containing communism and that would be committed to combat the specific threat of communist expansion. While support for these countries was overt and beneficial - even to many dictatorships – many anti-communist recipient countries were not sufficiently prepared for the change in mindset that accompanied the receding threat of communism.

With other factors now driving the Western powers – and their associated financial incentives and development dollars - past practices of overlooking egregious internal human rights and electoral abuses could no longer be tolerated. If the Western countries were to be true champions of democracy, and the communist threat had receded enough that this was no longer an excuse to overlook these policies of abuses, many authoritarian regimes had to face this new reality: The shift from black and white ideological conflict to a more diverse and broad range of issues such as “the promotion

of democracy, human rights, environmental protection and market liberalization”

(Anwar, 2005, p. 202)

Indonesia was no exception to this shift – nor to the resulting change in internal political mindset (Sukma, 2012). Suharto, however, was not sufficiently prepared for this attitudinal realignment, and he failed to read the support for these ideas from within his own country. In *The Fall of Suharto: Understanding the Politics of the Global*, Anwar explains that

“The ending of Suharto’s rule was partly caused by his failure to understand the fundamental changes in the international system after the end of the Cold War. Suharto seemed not to have realized that with the fall of communism, his worth as a staunch anti-communist de facto ally of the United States and the West as a whole had greatly diminished in value” (Anwar, 2005, p. 219)

The withdrawal of western financial support, coupled with the changing domestic political landscape resulted in his government being ousted by popular protest, and in very quick order – due in large part to the emergence of information and communications technologies - which helped circumvent the restrictions on such proceedings put in place by the regime (Bhakti, 2004).

As Anwar outlines in his highlighting of the international situation, “The evidence of International support, as well as the economic achievements of the Suharto government, which improved the welfare of the Indonesian people as a whole, helped to mute public discontent against the New Order’s authoritarianism” (Anwar, 2005, p. 205). This leads directly into the Asian financial crisis, which removed the economic leg

of the stool for the New Order regime, and quickened the ouster of Suharto (Green, 2005).

At the same time, the Asian financial crisis hit, which further weakened Suharto and his one remaining claim of success – a stable economy. Forced to leave office under such a cloud, the *reformasi* movement that replaced the Suharto regime had to operate in an environment where half measures of reform would not be tolerated and any practice entertained by the previous government had to be reversed – and quickly. Kuntoro Mangkusubroto, head of the President's Delivery Unit on Development Monitoring and Oversight (UKP4), has framed the transition as one where, “In Indonesia’s case, coupling democracy with decentralization has set the stage for a full swing of the pendulum for a drastic transition within our government” (Mangkusubroto, 2013).

The effect of having to proceed with reforms – which, in policy terms was nearly overnight – has produced mixed results. While the speed of reform was seen initially as a good thing – as this was called for by the populous - the entire concept wasn’t properly thought out and implemented. Indonesia shows us that major changes to government structure, coupled with little planning can have disastrous consequences.

### **The *Reformasi***

The *Reformasi*, or reform, period of transition in post-Suharto Indonesia is the era that replaced the New Order era. This new era was named for the eventual reforms that would be its center piece – namely: decentralization; the lifting of controls over the

press and individual freedoms; political reforms allowing direct and free elections, to name a few.

One of the major factors of concern in this period was President Habibie, who had been Suharto's Vice president and who was seen by many to be a holdover from the New Order generation. For the most part, Habibie did manage to push through the reforms that were needed to satisfy the majority, but he balked at going after Suharto for crimes committed during his Presidency (Cribb, 2010). The major reforms that were tackled and passed were packaged together in an attempt to reverse some of the most heavy-handed aspects of the Suharto years.

The imperative to decentralize was communicated to Habibie by many actors; both local and state governments, international donor agencies, and the citizenry at large. With a large amount of blame being directed towards the central government and its previous policies (both economic and otherwise), critics of the government were quick to call for decentralization in order to wrest some control away and allow for better economic management. Local officials at both the provincial and sub-provincial levels were looking to gain controls over local resources, while sub-national governments of all levels were eager to take power away from the central government – remembering how they were treated under previous regimes. Even the IMF and the World Bank advocated for decentralization as a part of their call for reforms (Green, 2005).

## **Law 22 and Law 25 – Decentralization reforms, 1999**

### **Reforms at large**

Laws 22 and 25, regional autonomy legislation, were drafted in 1999 for implementation in 2001 (Government of Indonesia, 1999). These laws were designed to combat the highly centralized form of government that had been in place during the previous authoritarian regimes. Vice President Habibie assumed the presidency and began to institute reforms; “These reforms included ending the small limit on the number of political parties, allowing East Timor to vote on independence (independence achieved in June 2002) and overseeing the passage of laws authorizing the decentralization of government” (Green, 2005, p. 4). As can be noticed from the list, reforms were sought in areas of governance and democratic reform that encompassed a number of political areas, as well as the decentralization file. These reforms were indeed a comprehensive package designed to bring change to a number of areas that had been called for by protestors, the populous and external actors alike.

### **Breaking down the Indonesian decentralization model**

With the ‘Big Bang’ decentralization push, Indonesia introduced Laws 22 and 25. In 1999 the national parliament approved these two laws on decentralization. Law 22 concerns administrative decentralization, while Law 25 concerns financial administration. The first set of implementing regulations for Law 22 was published early in May 2000 (International Institute for Democracy and Electoral Assistance, 2000, p. 71).

Law 22/1999 was intended to restructure the political and organizational arrangements of the sub-national government system and the relationship to central government. The key features include greater autonomy of local governments (city/districts) by dissolving the hierarchical relationship with the province. Local government heads would report to locally elected assemblies instead of to the provincial governor. Provincial governments would continue to report to the central government. In addition, deconcentrated units of the central ministries, except for specific (traditional) national responsibilities, would be transferred to the control of provinces or local governments, as appropriate. The national responsibilities are defense and security, foreign policy, monetary and fiscal policy, judiciary affairs, and religious affairs (Brodjonegoro, 2003, p. 2).

Law 25/1999 on Fiscal Balance between central government and the local governments focuses on the intergovernmental fiscal system. Four categories of local government revenues are defined: Own sources; the Balance Fund; Local Loans; and Others. The most significant changes are associated with the establishment of the Balance Fund. These changes arise from the introduction of the sharing of revenues from the exploitation of natural resources, and the reorganization of a transfer system. The Autonomous Regional Subsidy (Subsidi Daerah Otonom, SDO) and the block *Instruksi Presiden* (INPRES, development transfers), have been subsumed into a general allocation fund (DAU), the total of which is set at twenty five percent of central government domestic revenues (Brodjonegoro, 2003, p. 3).

The central government specifically chose the local levels of government, either district or city -depending on rural or urban setting – to devolve its power, effectively bypassing the provincial government level<sup>6</sup>. There were eleven mandatory functions of public services that fell under the local government’s purview under law 22/1999, and these included health, education, infrastructure, investment and environment.

Indonesia’s law 22/1999 was primarily a political decentralization exercise, with little to no fiscal devolution. Even law 25/1999, which was exclusively fiscal decentralization, for the most part only rearranged and combined various forms of fiscal authority into a couple of new streams – with little to no additional revenue, and local revenues still coming from the central government through the DAU transfers (Pepinsky & Wihardja, 2011). In subsequent updates to the laws 22 and 25, an expanded taxation capability was added, in recognition of the fact that a large swath of responsibilities was added to the local governments, with a lack of associated fiscal muscle. This is in conjunction with local governments being able to directly plan and control their local budgets, which set them up for autonomy within their geographical areas, in policy and priority fields not controlled by the central government (Pepinsky & Wihardja, 2011).

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Provinces are responsible for coordinating functions among the local governments and performing certain roles, often evaluation functions, that the sub-provincial governments are unable to perform. (Green, 2005)

## **Big Bang Decentralization**

The impetus for the speed of the decentralization model that Indonesia has followed has been explored, and we will now move into examining the effects that have been felt by the suddenness of this change.

Indonesia moved to decentralize with astounding speed. The decentralization laws empowered sub-provincial governments and “were crafted without a well-developed transition or implementation plan” (Green, 2005, p. 3). One of the main characteristics of this lack of planning was that district level public service responsibilities are inadequately matched to local revenues, and public accountability and strong legal institutions were not in place (Green, 2005).

## **Local Development**

Indonesia’s decentralization has been lauded for allowing local governments the ability to plan and deliver services that allow for more locally-oriented development, to spend funds received through the DAU on local needs and requirements, enhance and direct regulations within the local sphere of influence, and respond quickly to the needs of local citizens. There was heavy emphasis on the types of development that can now happen as a result of local decision making autonomy – however, the positive effects on Indonesia’s national economic performance have been elusive (Pepinsky & Wihardja, 2011, p. 2).

## Research – A Tale of Two Practitioners

This research takes a look at what being a development practitioner within Indonesia under the newly decentralized model can look like, from two separate viewpoints. Two practitioners that work in different aspects of the Indonesian development sphere, were asked the same set of questions; both reaffirm certain data points and differ on others.

Jeffrey Ong is a Senior Development Officer at the Embassy of Canada, and Erman Rahman is the Director of Local and Economic Governance Programs for the Asia Foundation in Indonesia.

The set of questions that each was asked focused broadly on their experiences:

- i. Dealing with the various government agencies responsible for overseeing development;
- ii. Interacting with donors and development agencies;
- iii. Working with the people/villages/groups who are receiving the development funds;
- iv. Going through the transition to a decentralized governance model;
- v. Working within the unique Indonesian decentralized development model;
- vi. How the decentralization transition was managed; and
- vii. What has had success and what remains to be remedied

Both practitioners were asked to set their commentary in a framework that took the decision to decentralize as a given. This research was primarily focused on the operational elements of working within the current model – as their separate experiences would have the most relevance in terms of this work.

These two actors present a critique to the theoretical aspects of the dominant World Bank and International Monetary Fund view on decentralization. Ong and Rahman are working within the newly constructed Indonesian decentralized model and are thus able to offer a viewpoint that stands in contrast from ‘how the system was supposed to be setup’, versus their experiences dealing with the system from a practitioner perspective. It must be acknowledged however, that they present their own set organizational agendas that see aid delivery as the primary focus.

The speed and direction of the decentralization that Indonesia undertook has been a constant narrative of both interview subjects, as well as nearly all other research that I was able to gather. Beginning from the broadest perspective of the national and moving to lessons extrapolated from the local level, this section will focus on exploring the primary research that was gathered in support of Indonesia’s decentralization.

Having refocused my research in Indonesia on the consequences of decentralization, I sought informed opinions and perspectives from a number of in-country observers. Background information, on a non-attributable basis, was provided by three people at

the Canadian International Development Agency (CIDA). As previously discussed, two local aid executives agreed to share their views on an attributable basis.

There were four broad themes that developed throughout the research process:

- 1- The manner in which the transition from centralized to decentralized was carried out;
- 2- The division of authority within the newly decentralized model;
- 3- Issues surrounding relationships – Donor to government as well as within and amongst the various levels of government;
- 4- Lessons extrapolated from the local level;

These four broad areas will be broken into sub-sections that were all identified by the research participants while in the field; this will be further enhanced with supporting research materials.

1- **The manner in which the transition from centralized to decentralized was carried out**

As mentioned in the preceding sections, the speed of the transformation from centralized to decentralized was staggering, so much so that it has been coined as the 'Big Bang'. The pressure on the central government to carry forward with a transformational agenda was intense, and the former Suharto regime's centralized

grasp on power was put squarely in the crosshairs as the first order of business (Rahman, 2012).

The process that took place started with the 1999 laws on decentralization, which stated that the focus of Indonesian decentralization would be to the district level, bypassing the provinces for the most part. This was a huge jump for the country, as devolving to the provinces would have been tough enough, but to skip over that level and transfer almost directly to the districts made it even tougher. As an additional complication, all areas of government were to be decentralized at the same time, without the planning or preparation time that would normally be associated with this type of transformation (Ong, 2012).

The speed of the transition was staggering – only two years from the passage of the law (which was in 2000), implementation was required for all districts and provinces in Indonesia. Perhaps most surprisingly, the man who pushed it all through was President Habibie, who was Suharto's Vice President at the time of the changeover, and had assumed the Presidency on an interim basis until 1999.

The overall process as described by Rahman can be traced directly to a lack of priorities "The Indonesian government's problem is a lack of priority...trying to do everything rather than some things well". Through the following sub-section, we will explore the context and rationale behind the transformational agenda.

**Context and rationale:**

The decision to go with a decentralized model versus a federal one was, according to Jeffrey Ong, a political one, and made for two main reasons:

Rather than actually face that risk of possible separation for the country and putting decentralization at the level of the provinces, which could have made Provinces very strong at that time and possibly even caused worse kinds of implications – separation.

Decentralization was actually focused at the district level – that was actually one of the pressures and was a political decision (Ong, 2012).

Bypassing the provincial level alleviated two concerns; the threat of nationalistic tendencies that would be inherent in a provincial or regional power base - the areas that were singled out for possible independence were: East Timor, Aceh and Papua – as well, not to create any direct competitors for national political power, or at the very least, not provide provincial pulpits from which to launch political power bases.

President Habibie also had another problem – having to be seen to be doing business in a new, accountable and open manner. Habibie was at that time attempting to secure a full term as President (a role that he was unable to obtain, primarily because he lacked internal Golkar party support (Harris, 1998)) yet he had to be seen to be the opposite of Suharto, and this was his best chance at succeeding in that endeavor (Ong, 2012).

One of the main transitional issues that has arisen throughout this process is the lack of a plan to govern the eventual transformation. This becomes especially apparent when a

regulatory approach is looked at. The inconsistency of standardized regulations that would apply country-wide is a huge problem for the districts – couple that with the various versions of the regulations that have been rolled out, sometimes in the six or seven range over a twelve year period and it becomes even more of an issue.

The national accounting system for local government has been updated six times, each time forcing a change in accounting practices. Erman Rahman points to this as the best example of non-continuity:

The inconsistency of regulations, so many regulations issued by the national government that applies directly to districts: makes them crazy. While some are good intentioned, they keep on changing. Once regulations are mastered, changes are made – some are on version six or seven – take the national accounting practices as the best example (Rahman, 2012).

The inconsistency of regulations is an issue that has been brought forward throughout the research, and has particular relevance later in this section: within the relationships between the central, provincial and district governments.

**Obfuscation:**

Both Ong and Ramman mentioned a potential rationale for the way in which the transition was carried out. Choosing to eliminate a robust provincial counterpart in decentralization has allowed the central government room to maneuver without a mechanism for strong oversight.

They point to two levels of oversight that are lacking – one is the strong provincial presence and the other is the international donor community. It does stand to reason that with over five hundred districts to deal directly with, there is little chance that

standards can be, or are applied evenly. Thus, donor organizations must then simply deal with individual districts and not question neighbouring ones that they are not working with.

Also noted is the interplay of the various central government Ministries and agencies that are charged with overseeing parts of the decentralized system. Jeffrey Ong points out that the Cabinet oversight system is a mess:

Most Ministries are working in silos. The structure of Cabinet is also an issue and doesn't facilitate them working closely together. For example, the key Ministries involved in decentralization are Finance, Internal Affairs and planning agencies. Ministry of Finance and planning agencies are under Minister for Economic Affairs, while Ministry of Internal Affairs are under Minister of Defence, so not really under one roof, which hurts coordination and is not happening in a structured manner. One of the challenges for donors is trying to bring all of the key players together. Further, many of the regulations and frameworks are issued by those three Ministries and they are not well harmonized, which leaves it up to the donors to try and work around. What's even worse is that the relevant Ministers have interpersonal relationships, not institutional ones – and the Secretariat that is supposed to bring them together, rarely meets and the council on regional autonomy doesn't function very well (Ong, 2012).

The idea of purposeful obfuscation is a tough one to quantify, but when looking at the mechanisms of coordination and oversight within the economic and development spheres of Indonesia, one can see why these experts have highlighted the issue as a possibility. This will be dealt with more fully in the next chapter, recommendations.

## **2 – The Division of Decentralized Authority**

As discussed in chapter one, there are three types of authorities that make up government structure – Fiscal, Political and Administrative. While there are a number of

levers that are able to be shifted to determine the exact decentralized relationship amongst the various levels of government, everything is derived from these three authorities. Since Indonesia was a unitary state, a devolved structure was implemented as power derived from three authorities had to flow down from its source, the constitution.

The type of decentralized environment can vary widely, and is directly correlated to the powers that are granted within the three types of authorities. For example, and within the early Indonesian decentralized context (laws 22/25 1999) there was political and administrative granting, but not fiscal. And even within this model, a large portion of the administrative oversight resided with the provinces (while also removing the provinces from previous, direct supervisory role over districts), thus further diluting any clear reporting structure.

When discussing this aspect of the decentralization with Jeffrey Ong, he framed it in this way: “people actually need to understand the context of an archipelagic nation: with more than 16,000 islands, 32 provinces [it] is very difficult to manage it from that [national] level” (Ong, 2012). He went on to further explain what the changes actually mean on for the average citizen, and what they are looking for out of this process “The idea of the district level is the closest level of government to the people, as such, also the expectation [is there] for the improvement of services” (Ong, 2012).

The importance of maintaining the unity of the country, while at the same time allowing certain authority at the local level for services to be improved, is a fine balance. There

was a general consensus for having the control over defence, finance, foreign affairs, religious affairs and the legal/judicial system remain with the central government (Alm, Aten, & Bahl, 2001).

The speed with which the Indonesian process was carried out had a negative impact on the planning and implementation processes, but surprisingly did not lead to the wholesale chaos that was predicted. According to Mr. Ong, it went relatively smoothly, with some areas (both districts and provinces) managing it better than others (Ong, 2012).

With political authority as a key component of the decentralization model to the district level - partly to bypass the provinces for political purposes and partly to get as close as possible to the people – created a democratic spirit that gave the people some hope, and helped carry them through the rough patches (Ong, 2012). Having the political reforms along with decentralization has managed to satisfy the population to a remarkable degree and as Jeffrey Ong opines “That’s why people think it’s a combination of opening up democracy within decentralization: it opened up feudal culture and helps make it easier” (Ong, 2012).

The official law states that decentralization is at the district level – although there are roles and expectations for provincial governments. A few provincial governments and the Sultanate of Yogyakarta have engaged the people and have managed the transition very well (this will be further referenced further in the section on lessons learned from

the local level), whereas most provinces have not fully embraced their new roles and are being bypassed (Ong, 2012).

On paper, the initial provincial expectations were to supervise and facilitate equal distribution amongst the districts, with some financial and administrative oversight of the various funds that support development. Initially the laws were not very robust, however the recent changes have strengthened the role of the provincial government to make it more of an agent of the national government. The current arrangement provides the provincial government with a mandate to represent the national government at the district level and help manage and supervise the districts (Ong, 2012).

The initial laws: 22/25 1999 provide for regional autonomy (law 22) and decentralization (law 25), were revised to become: laws 32/33 2004 and were changed to encompass the economy (law 32) and fiscal decentralization (law 33) (Ong, 2012). The 2004 laws granted more authority to the provinces in terms of budgetary and regulatory review (prior to implementation), however there remained limitations. According to Erman Rahman, “There was still not enough authority [granted] to provinces, especially within the education and health sectors, where they remained completely removed. This 2004 update did however grant them authority over the provincial roads, which was welcome and needed” (Rahman, 2012). Rahman argues that with standards being set by the central government, and carried out by the local government, “Provinces don’t have anything to do in the end other than to distribute [already allocated] money to the

district governments....In terms of the division of authority, that's the main weakness of the system" (Rahman, 2012).

Both Raman and Ong agree that in the end, having a strong provincial government is unlikely to happen, even though it is possible to pull the authority from the district to the provincial level. "For sure they [central government] do not want provincial governments to play roles against them, so that's the difficulty with pulling authority back from district to provincial" (Ong, 2012). "The idea was that power could be taken back but [that] has never happened. Why would it after used to having it for so long?" (Rahman, 2012).

Ong also points to the issue of uniform resource allocation, or re-allocation, which is supposed to be one of the main roles of the strengthened provincial government. He notes that there is a growing concern that those local governments that are rich in natural resources are maintaining their own wealth without the interests of sharing it with their neighbouring regions. He maintains that "This is an issue actually – even now those rich districts have not really shared their benefits outside their borders" (Ong, 2012). This is one obvious critique of a weak watchdog provincial level that has little or no power to enforce its mandate of oversight.

## **2.1 Taxation, Finances**

As mentioned at the beginning of this section, the various levers of authority (fiscal, administrative, political) are able to be pulled in different configurations, depending on what decentralized relationship is sought. The complex relationships at play between

these three authorities dictates the outcome of the equation. Within the Indonesian context, there was a very deliberate balancing of the fiscal ratio almost totally in favour of the national government. As Erman Rahman clearly states the case, “Tax collection, which is still maintained by the central government and distributed to [its subsidiary] levels was not devolved, which would have created real autonomy for the lower levels” (Rahman, 2012).

The current arrangement has the districts receiving three financial transfers within the fiscal decentralized framework (Silver, Azis, & Schroeder, 2001).

1 – General allocation (purpose) fund, this is block program funding used for routine expenditures such as salaries;

2 – Specific grants, used for initiatives that are considered as a priority by the national government which are to be implemented at the local level;

3 – Shared revenue, these are revenues gained by the local government for their natural resources such as mining and forestry.

There is an additional source of income: Permits are also a form of revenue but are regulated by all levels of government. A very complex and important issue, a full look at the permitting landscape can be found within the Master’s thesis of Lisa Courtney-Mercer. This excerpt on forestry permitting is particularly poignant for the purposes of this research surrounding revenues and overlapping authorities:

The classification of forests correlates with the permits required for particular operations within Indonesia's forests. These permits are ambiguous at best. Forest permits are designed to support the classification of forest as a means to manage forest operations. The difficulty with this permit system stems from overlapping areas of forest classification, disputes over classification areas, unrecognized land rights and customary lands of the Dayak people. Further complicating the issues of permits are poor and outdated regulatory maps of Indonesia's forests. The disconnect between agencies throughout Indonesia's decentralized government has led to multiple permits being granted in a single area. Corruption is extremely widespread within Indonesia's forestry sector where permits are required but can also be purchased from several different offices of authority at varying levels of government. It is not uncommon for one specific area to be permitted for contradictory operations. This is one of the major problems Indonesia faces in forest management, and a critical factor in the protection of Indonesia's forest. These problems are amplified by the discrepancy in mapping areas, disputed land ownership, classification designations and through the sale of permits for forest activities by multiple actors (Courtney-Mercer, 2013, p. 51)

This will be covered further in section 3 (relationships).

From 2001 to 2012, in terms of the allocation of funds, there were only the three funding sources mentioned above, which were considered by local governments to be

inadequate to meet their full funding needs. This led to a situation where districts were actually encouraged to form in order to obtain access to these revenues. The way that they distribute, according to the formula, creates incentives for local governments to split: “Districts have almost doubled in the last ten years, which is ridiculous....this can be for districts in the same local area that don’t really need to split but game the system” (Rahman, 2012).

Seemingly, one of the most frustrating issues for district level governments was the changing and duplication of the financial oversight of the central government revenues. For example, the autonomous general accounting principles were regulated by three departments in separate ways – a consequence of the silos of government departments, according to Jeffrey Ong. “Most ministries have accounting mandates for local government [for monies received from the national ministries], the Development Audit Agency, the Ministry of Finance and the Ministry of Internal Affairs all have separate ways to account [under the same principles], which was not supposed to be the way it worked, but they were not well coordinated” (Ong, 2012). Further, this was coupled with revisions of accounting and policy frameworks that are required by local governments. “Local governments learn the processes and the national government changes it on them” (Ong, 2012).

## **2.2 Corruption**

Along with the division of authority, both in terms of financial and administrative authorities, comes the division of corruption. The common consensus was that ‘more

people are taking less' and was mainly due to two factors: a lack of supervision, discussed above, that allows it to happen as well as a reliance on one main agency (Ministry of National Affairs) to monitor all local governments, without oversight from the provincial actors.

The issue of corruption and the effects that the local governments – specifically the leader and democratization of the local government - have on combatting it will be more fully described in section 3 (relationships), but it is also important to highlight the issue in this section as the decentralized nature of the current structure directly impacts this issue.

Mr. Rahman believes that decentralization has moved corruption to the various levels of authority. He maintains however that it is easier to monitor at the local level, which is why his, and other development NGO's prefer to do their work at the local level. He highlights the shifting nature of the corruption in a particularly poignant manner "If we were minimalists, we would say that a local corruption model is still better than villas in France, which is what it was with the national corruption model" (Rahman, 2012).

### **3 Relationships – Donor-to-Government and National/Provincial/Regional Interplay**

The donor-to-government relationship in Indonesia is a complex one. Officially, all donors must work through the central government to fund their projects, but there are workarounds in place for almost all established development agencies. There is a serious lack of multi-year planning, or of adhering to a plan if there is one in place.

Couple all of this with the changing nature of donor priorities and the relationship becomes unwieldy for both donor and recipient.

### **3.1 The Donor focus**

All of this must be put into an initial context however. Indonesia is a non-aid dependent country, with less than 1% of its GDP coming from development funds. Rather, it is seeking relationships through its bilateral and donor partners. These relationships are “well appreciated by the Indonesian government as they wish to learn more from their international partners” (Ong, 2012).

Donor countries are continually refining their own strategic goals when it comes to their aid dollars. Those bilateral relationships are also shifting in Indonesia, and are starting to move away from the previous focus on service delivery as Indonesia shifts to lower middle income status. I observed a general move towards two types of aid funding:

1 – Specific project funding; often with strict conditions attached to location, outcomes, ideology and implementation. This type of funding is becoming more prevalent as the home constituency of the donor program comes into play. For example, the Australian aid agency (AusAID) is the largest donor to Indonesia, and as a key geopolitical partner, it often dictates the types and locations of the projects to align with Australian domestic issues, whether those are security, economic or territorial in nature.

2 – Issue-based funding and civil service training partnerships. This type of funding, (e.g., for climate change and mentoring) is attractive to donor governments as they can

focus on the issue that matter to their home constituency and domestic market. The training component is particularly relevant with the addition of so many local governments now being responsible for service delivery.

The Ministry of National Affairs (MONA) has the authority to monitor local development. They have created a framework that is, according to Erman Rahman “both stupid and complicated, while at the same time they [insist on] creating their own indicators for the projects that are brought to them [with indicators built in]” (Rahman, 2012).

Rahman, whose organization, The Asia Foundation, has many contracts with donors to oversee projects and steer them through the various bureaucracies, does not mince words with his evaluation of the effectiveness of the system within which he works.

“There’s an example of a AusAID project on schools that was unsuccessful as all levels of government kept their own outcomes and numbers and there was no coordination, which they did intentionally in order not to be held to account” (Rahman, 2012)

Rahman maintains that NGO reliance on monitoring is extreme, and remains a barrier to effective aid delivery. Couple this with the donors getting out of the service delivery aspects and into mentoring of the civil service and help with policy, and Rahman sees a problem:

“to me that’s bullshit – from the Bank’s perspective, they have two ways to provide loans to the country, one is direct support and the second is a special investment loan

for project specific funding. The banking sector is so complicated that it makes specific investment difficult, and international donor organizations found it so tough to navigate – which was purposeful by Indonesia in order to have little oversight but still receive the money” (Rahman, 2012).

He posits that the results of this are that the projects are not implemented as outlined due to the system, which still brings in the foreign aid money to Indonesia. And this, along with the change to lower middle income status was used as a reason to provide more project funding rather than direct support (Rahman, 2012).

With the mandated entry of aid through the national level, along with the World Bank’s rules against direct funding, donors are forced to work through the government’s unwieldy system. Even bilaterals don’t have the experience managing the process so end up providing funding to organizations such as the Asia Foundation, without going through the national budget process. Donors have pushed back and are working around the budget process as this provides them with little or no oversight and capacity to monitor corruption: “it’s hard not to follow the government’s request to use the budget system, but corrupt system [is] still in place so donors use NGO’s to circumvent” (Rahman, 2012).

Jeffrey Ong takes a slightly different view, suggesting that donors are not concentrating on the policy and mentoring, so much as picking the ‘low hanging fruit’. “There’s a regional look at where those aid dollars can be focused to approach and support the easy successes. This would place the Canadian International Development Agency

(CIDA), whose financial resources are modest, on par with many organizations that are looking to maximize their aid dollars by working where success is most easily possible, in CIDA's case, the Province of Sulawesi, whose choice is also supported by Indonesia" (Ong, 2012).

Ong points to the Canadian government's own commitments using existing capacity rather than building new infrastructure and experiences and also references an "untying of [aid] resources and opening up our project bids to non-Canadian firms....some projects have gone that way – not fully. The principle is, best resources we can get, we get" (Ong, 2012).

On the changing nature of donor aid, specifically within the second category of issue based and civil service training partnerships, Ong comments that "Many donors have seen that there are huge needs for development support – particularly at the local level – with so many local governments to work with" (Ong, 2012). Thus, there is a direct cause and effect relationship of decentralization having moved service delivery functions to the local level.

One of the major themes arising from the research, and explored at length in earlier sections, is the lack of planning that went into the 'Big Bang' decentralization. Planning still seems to be a problem, even after the decentralization process, and has perhaps suffered due to the lack of forethought at the beginning of the process. Again, Indonesia's lack of planning, coupled with donor agencies changing their five and ten year plans, has caused further disorganization within the aid sphere.

“[It is] frustrating to deal with the Indonesian government, especially multi-year planning – the central government can talk about medium term but there is no follow through on the ground. [This is] partly due to democratic systems and [associated] election cycles” (Rahman, 2012).

### **3.2 Overall mood within the development sphere**

The overall mood within Indonesia’s development sphere seems to be one of scattershot progress. Donor priorities are ever changing, creating donor disconnect, no consistency and a haphazard approach. From one year to the next, chasing donor money with the moving goalposts of priorities can be difficult and time consuming. Not being helped by clarity on the donor end isn’t aiding the issue: “Donor policy statements are so general, they are tough to operationalize...all of this combined makes development very difficult” (Rahman, 2012).

In Rahman’s opinion, the government of Indonesia is “not strong with donors, and can’t think [coherently articulate] what it wants to do...Indonesian government of all layers have different priorities – even amongst the President and Minister of Finance – there’s no single voice of government, which really makes things more difficult” (Rahman, 2012).

With development partners moving away from a focus on governance and into their chosen areas such as climate change and the mentoring of civil servants, a worrying trend is developing, according to Rahman:

To me, the biggest problem with Indonesia's development is corruption – all aspects of corruption. The public service is corrupt; doctors billing for 8 hours when working 2; bribes for licenses; no MRT [Mass Rapid Transit, or subway] in Jakarta due to corruption; floods in Jakarta due to corruption and contracts – the focus too much on aid capacity building – trying to improve participatory planning process – which at the end of the day, doesn't mean anything...non-effective solutions for development (Rahman, 2012).

Rahman sees this trend as one of aid partners not wanting to see things through. Saying enough has been done in governance is a symptom of wanting to move towards the new world development paradigm instead of sticking with it and making an impact. He also worries that once the spotlight is off governance and corruption, the corruption will start to gain traction again (Rahman, 2012).

### **3.3 Development relationships amongst levels of government**

On paper, donor agencies cannot go straight to the local level, and must provide funding through Jakarta, who then provides it to the districts for the project. While it is possible to provide technical assistance to the district level, money cannot be given. What further complicates this process is the system to transfer donor money from central government to district level is not in place (Rahman, 2012).

Rahman points to an example of a project that he was working on while at the World Bank “We offered money to reform local institutions and they wanted to send money to

that pilot area, but [the Ministry of] Finance had no mechanism to accomplish this” (Rahman, 2012).

At the very least, the system does not appear to be well established for donors to channel funds to local governments, where the majority of donors wish to work, “as evaluations are easier and can be monitored effectively” (Rahman, 2012).

As mentioned in the preface to section three, there are some workarounds in place, one of which is to work with districts without giving them the funds, in the form of technical guidance, but even that is subject to central oversight and decision making oversight (Rahman, 2012). The other is to transfer money to NGOs who are already in place on projects, and can usually bypass some existing structural oversight (Ong, 2012).

#### **4 Lessons extrapolated from the local level**

One of the great experiences from the in-country research was going to Yogyakarta – a cultural marvel in central Java. We landed in Indonesia and went straight to Jogja (as it is called in Indonesia) over the New Year’s week and managed to visit the beautiful temple sites of Borobudur and Prambanan – both United Nations Educational, Scientific and Cultural Organization (UNESCO) world heritage sites.

While there, I became fascinated by the fact that Yogyakarta was a Sultanate, in fact the only one in the country, and declared as Yogyakarta Special Region – granted due to the help provided during the struggle for independence from the Dutch. What struck me about the lasting nature of this Sultanate, in the context of the decentralization that

was taking place, was that the local population seemed to be the Sultan's biggest supporters. Person after person would remark that he was a great leader and had done wonders for the area. So, I asked Ong and Rahman about this case, and they echoed many of the statements, and expanded on what this means within the development context.

One of the benefits of the decentralized model has been the adoption of innovative best practices at the local level. With the increased democratization that has gone hand in hand with decentralization, local governments have had to earn the support of the citizens for continued electoral prosperity. While this is not the case for the Sultan, as by definition, he is in the role without standing for election, he still has to contend with securing this position from scrutiny – and by all accounts, relishes the autonomy, and uses it to advantage for his citizens (Ong, 2012).

Local governments have been given the freedom to manage themselves, and some local governments have been more successful than others. As a result, those governments can provide better services to their citizens and better economic growth; “you can do bad things, or good things; depends on the leader” (Rahman, 2012).

Further, best practices are being shared and donors are targeting this area for help. Champions of local leadership, such as the Sultan and others, are creating the environment for peer pressure to work on their surrounding districts, thus emanating from successful districts outwards, as more and more citizens see what the possibilities are within this new model (Ong, 2012).

Some local governments are really doing well, says Rahman “you can see the difference – if you have a good leader, then you are in luck. Three examples are: the leaders of Yogyakarta, Surabaya and Soyo, [who] have done a lot of things that would not have been possible if still in an authoritarian state” (Rahman, 2012).

Under Suharto, it was difficult to monitor corruption and hold officials to account. Now, with the leaders relying on political support, “you can watch them and hold them accountable, under Suharto it was really difficult to keep track or to encourage people to monitor their representatives” (Rahman, 2012).

What is still lacking, according to both men, is a robust civil society. Part of this is attributed to the implications of essentially creating a culture of monitoring, and that as a whole, it has not had success in the past within the country and people find it hard to believe that it ever will. “With that mentality it is very hard to create accountability – there is a non-confrontational culture in general and people have been beaten down over the years to not expect good outcomes or change” (Rahman, 2012).

The positives are certainly there in some districts however, and the signs are improving. “If you are lucky to have a good leader at the district level, there is a possibility to make things better” (Rahman, 2012). This is mainly due to political accountability being at the local level; and by empowering the local governments, services are easier to access. Couple this with a sense of belonging to the political process, and there’s a definite improvement (Rahman, 2012).

## **Chapter 4 – Analysis and discussion**

The evidence to support the notion of a rushed and harassed decentralization process is fairly clear. I have explored the circumstances surrounding this decision and have outlined the effects that it had on a number of fronts of the Indonesian development, political and social spheres. I now provide some commentary on these aspects in order to draw them all together and complete the picture.

While decentralization was not a runaway success in many of the areas that I examined, neither was it an unmitigated disaster, falling in the middle ground of ‘good idea with poor planning’. Speed, follow through, oversight and attitudinal change are the chief culprits hobbling the full potential on what is a very important turning point for the people of Indonesia.

This chapter will mirror the research chapter in its layout and will be ordered within the same four broad themes; The manner in which the transition from centralized to decentralized was carried out; The division of authority within the newly decentralized model; Issues surrounding relationships – Donor to government as well as within and amongst the various levels of government; Lessons learned from the local level.

## **1 – The manner in which the transition from centralized to decentralized was carried out**

The transition process is the crux of the problem and has never really been corrected.

The two main elements that lead to as yet unresolved issues are: The speed at which it was conducted and the focus of the transition being to the district level.

We know that a major factor in pushing the decentralization agenda forward so quickly was the Structural Adjustment program that was put in place as a condition of the financial aid from the IMF. Once the decision to decentralize was made however, the process was owned by Indonesia, and was done so quickly as to omit the crucial 'planning' portion of the process.

Often in politics and government, it is hard to go after sacred programs or to attempt to change the public's perception of an issue. Time and again a government will avoid dealing with poor public policy in lieu of the status quo as it is often very costly to change entrenched attitudes on an issue.

This holds true in Indonesia. If everything that Suharto did was bad, hence everything opposite must be good. In other words, the pendulum swung wildly away from centralization and will remain there until leadership decides to correct it.

Going back towards a middle road between the two, while perhaps better public policy, is still closer to an imagined Suharto than a citizenry with long memories would like to be. The speed of the transition effectively swung the pendulum so far that it is still

anathema to have it swing back. Having solid research that shows where the balance should or could lay, is a start to overcoming the emotional aspects of the policy.

## **2 – The Division of Decentralized Authority**

One of the other aspects of the transition, this one intentional, was to not transfer fiscal authority to the devolved areas. There was and is a purposeful landscape created that is both confusing and damaging. Allowing regions the authority and responsibility of funding their mandates is something that must be considered. Having arms of different levels of government responsible for various functions is a recipe that has been shown to be a disaster, and with which Indonesia is currently living. If the district level is the closest level to the people, that level should have the power to see through its policies for service improvement.

Decentralization has benefited the districts, and to a lesser extent the provinces. The freedom to operate, even within the constraints of the system, have allowed these areas to grow and tailor their approach to the needs of the citizenry. This is especially necessary when looking at Indonesia's geography – as the varied regions and areas have different concerns and demands of their local governments.

Jakarta has not truly allowed a locally-owned revenue stream. Having the revenue to back up the policy and operational authority of the districts will be a key addition, if that is ever granted. This is currently a huge loss for the districts as this limiting factor does not allow them to put the full weight of district resources where they would like.

A better allocation of responsibilities for each level of government must be realized. Governments should focus on their areas of strength and have strict areas of responsibility. A further look at the constitution to enshrine these responsibilities into law is a good start.

One of the main complaints expressed by the local governments is the requirement to 'be all things to all people'. This is particularly evident in the auditing and oversight processes that have evolved into a mass of requirements that all must be fulfilled. This takes time and energy away from program delivery and makes programs confusing, often having to follow so many different rules that they aren't effective.

The issue of corruption is one that all governments must deal with, to one degree or another. Within the Indonesian context, there was some evidence of a lessening of the outrageous, billion dollar embezzlement, having been replaced by the 'more people taking less' syndrome. The commissions established to look into the matter have proven fairly ineffectual (Rahman, 2012). It is likely that only an increase in the civil society or media actors will truly have an impact on wide-spread corruption.

### **3 – Relationships, Donor to Government and National/Provincial/Regional**

In terms of development, the processes in place for donors and actors to work in Indonesia are not great. A convoluted system forces donors through rigid access points with little say in how and where funds are used. Rethinking of this relationship should be a priority.

If the stated aim is more for the relationships, and less for about the funding, then improving this system will necessarily also improve the relationships. Necessitating workarounds in order to make projects viable is a fact of life in many developing countries. Indonesia seems to know that it isn't a great system, yet doesn't alter it. Perhaps this would be the most frustrating aspect of development work within the country.

Another frustration that was apparent is the lack of planning over the medium and long terms. Donors and donor governments require a consistent approach to policy and development and need security in which to invest and plan.

Donors are not blameless here either. They have their own shifting focus that wreaks havoc with specific project funding, as it is easily as important for Indonesian entities to have the consistency and commitment of donors for their own purposes. The shifting nature of donors and the lack of planning have created a truly bizarre environment for development in the country. Often donors are able to insist on their priorities being dominant - as they are providing the funding - thus all types of domestic donor priorities are projected to the work done on the ground in Indonesia, creating a confusing overlay of various sets of loyalties and transposed values.

#### **4 – Lessons Learned from the Local Level**

This was perhaps the most aspirational aspect of the research for me. The interviewees as well as local folks that I met all conceded that in a lot of ways things were better than under Suharto. It is easy to lose the perspective when looking at development and decentralization through a critical lens, but people are better off when they aren't subject to an authoritarian regime – that's progress however you define it. The local level is where the action is and where development can really happen in this country.

One of the concepts that was addressed was the issue of peer pressure and the effects that a true reformer might have, not only on their district, but also on surrounding districts and even the province as a whole. This is exciting as folks are going around the formal channels and processes to access quality leadership and best practices.

The concept of peer pressure and good or poor governance is the real positive takeaway from almost everyone. The success or failure of districts is coming down to honest hard work and a focus on the community rather than the leaders. That is surely an indication of progress and is a good sign for the future.

## **Chapter 5 – Conclusion and Recommendations**

The concepts raised in this work have explored the central issues within the Indonesian development context. Following an overview of the country and its association with centralization, I continue with an exploration of the Indonesian decentralized model, using input from highly knowledgeable practitioners and researchers on the ground.

Again, readers are reminded that the conclusions that are drawn here are from a perspective to enhance aid delivery and are suggested by practitioners as opposed to theorists. There are some suggested recommendations that would put more aid acceptance within the purview of local actors. This makes perfect sense from a ground level perspective, however, while not the stated intent – they do clash with some theoretical aspects of development theory on state autonomy and sovereignty.

It was encouraging to be able to study a country that has made strides with both development and what some would term democratization. Too often in our field of study, we see examples of countries who don't have the resources or the immediate capability to implement a policy shift of this magnitude and be successful.

Better governance at all levels is critical for Indonesia to really move forward on the development file. While decentralization has been shown to be a net benefit for districts – as it allows a large increase in political and administrative autonomy over the local area – there still remains a governance overhaul that must fully take into account the interplay between the various levels – and even them out for maximum benefit.

While this may be difficult to do for political and historical reasons, it will be important

to alleviate the conflicting authorities, rules and regulations that surround the development sector.

All told, Indonesia appears to be successful and continues to demonstrate a perseverance towards the laudable goals of increased human rights, a better economic future for its citizens, and hopefully an easier and less intrusive development system (Green, 2005). The central coordinating bodies must reliably remain nationalized, but within defined windows of scope, Indonesia should allow other levels of government to exercise control over what they deem to be the needs of their citizens. In a development context, this could lead to better outcomes for both the citizenry and the governments at all levels. The recommendations below are geared towards making this goal achievable.

### **1 – The manner in which the transition from centralized to decentralized was carried out**

Both the pace and the marked departure from the previous developmental and governance models are at the heart of this transition. With little planning, almost totally devoid of any provincial and local participation, a comprehensive and strategic system to manage the transition was not set up.

Proper goals and outcome monitoring, along with more consultation is required for any meaningful and impactful changes. The recommendations below attempt to put some criteria around the next steps that need to be taken in order to progress on the decentralization path.

## **Recommendations:**

1.1 – Create a true partner for development at the provincial level. This will allow for a regional vision to be set in place, as well as for an equal level of oversight and service standards. A true provincial regulating partner with resources with the capacity to act both politically and monetarily will go a long way towards levelling the current unequal playing field. This will also create the conditions that would support purchasing through economies of scale, rather than through each district for one-off purchases.

1.2 - Develop medium and long term development plans with input from all levels of government and stakeholders. The lack of a proper implementation plan at the outset, along with shifting priorities, has left a fractured decentralized model. A gathering of the threads and teasing them into a consistent approach is required. This would allow government to maintain a stable course of action, to avoid such problems as the currently ever-changing national accounting and regulatory system.

1.3 – Appoint one main Cabinet Minister responsible for provincial and district affairs. This will lead to the elimination of a fractured oversight system, and will also decrease the silos that have are being created and maintained in all aspects of the governmental development process. This would also have the benefit of focusing donors’ attention and allowing them a proper portal through which to operate.

## **2 – The Division of Decentralized Authority**

Since the implementation of the decentralized model, some good work has been done to hone the scope of authority within the system. This needs to continue, with a more fully participatory approach from all actors involved to properly delineate the levels of authority, oversight and management.

System capacity at the various levels is perhaps the overarching narrative that should come out of a proposed review, critically looking at which levels should be assuming the roles of implementation, oversight and planning. Once determined, steps should be taken to minimize the jurisdictional overlap that currently exists within the system, and the recommendations below are an attempt to help clean up that area of the model.

### **Recommendations:**

2.1 – Devolve limited fiscal and taxation power to the level of political and administrative power. There simply must be a matching level of fiscal control to provide the ability to carry out the policies of the devolved areas. Reliance on higher levels of government for funding of local priorities is a tough nut to crack and has not been successful for Indonesian districts since the decentralization process began.

2.2 – Conduct a full and overarching review of the decentralized system. Determine the proper capacity that should exist at each level, fund it properly and revise laws 32 and 33 accordingly.

2.3 – Create a single permitting agency to oversee all aspects of the resource extraction permitting process, with representation from all levels of government as well traditional use advocates that would represent those living on the land. The current arrangement of all levels permitting for resource extraction and use is a real problem, both environmentally and in terms of acting at cross purposes. This needs to be solved and a balance struck.

2.4 – Close the loophole that allows districts to split and receive almost double the funding and allow provinces to regulate districts. More focus should be put towards improving service in the current configuration, and perhaps even rolling back the current amount after a proper reckoning of what constitutes a district. This will both save money and avoid duplication.

2.5 – Consolidate the audit requirements which currently reside within all funding and oversight agencies into a single process or agency.

2.6 – Emphasize merit based advancement within the civil service. This will go a long way to reducing the corruption issue, and increase having the best people in place to do the job.

2.7 – Create a Districts Association. There should be an advocacy group that is formed of and for the districts, similar to the Canadian model of the Federation of Canadian Municipalities (FCM). Creating one voice that could negotiate and advocate for the districts would be an advantage for its members.

### **3 – Relationships, Donor to Government and National/Provincial/Regional**

This section attempts to help clean up the barriers to entry and poor coordination of international actors trying to work within Indonesia. The current system has become a behemoth that is very difficult to manage and work within, which both slows and decreases the effectiveness of the projects.

Other components that emerged have been the need for Indonesian society to take a lead role in fostering a truly open media and civil society actors. Having strong voices at the table to expose excess and keep the citizenry at the forefront of the government's thinking can only benefit the country's decentralization efforts and help to focus those efforts towards compromise and outcomes that work for all Indonesians.

#### **Recommendations:**

3.1 – Donor refocus back onto the governance issue as a priority. This will help tackle corruption while supporting and training the civil service on how to be a more professional and effective entity. The civil service mentoring and coaching programs that are being conducted by FCM - helping to guide Indonesian municipalities and local governments - are a good example of the work that should be continuing, however with more emphasis on good governance. These two areas can be combined quite easily and should be worked on in tandem.

3.2 – A true opening up of media access to government and protection of the media’s powers of publishing without fear of government retaliation. Only a truly free media will be able to help expose wrongdoing: this can only benefit the citizens at large.

3.3 – Fostering of civil society in a meaningful way. More emphasis needs to be put on the creation of the middle class and civil society. This is still a very fledgling group within the country and its solidification will greatly enhance public oversight and start to draw down the inequality gap.

3.4 – Allow donor agencies to work more directly with projects and less through a centrally directed approach. This will negate the necessity for the workarounds and focus the energy on the projects and the development needs.

#### **4 – Lessons Learned from the Local Level**

As we have seen throughout this work, there has been friction between the various layers of government. With the powers necessarily being granted by the national authority to both the provinces and the regions, it becomes critical to allow those two entities to develop their own areas of expertise, and help them to standardize and implement solutions across the country.

The recommendations below focus on providing those closest to the people an opportunity to share and codify what they are experiencing into a proper support system. A top-down approach for change will not sufficiently address the needs of districts and provinces that need further encouragement in order to develop.

## **Recommendations:**

4.1 – Creation of a ‘best practices’ institute that will allow districts to share and implement their successes.

4.2 – Encouragement from the central government to mandate successful program implementation throughout the country or in large scale tests, perhaps working through the ‘best practices’ institute.

4.3 – Further strengthening of the laws on local electoral reform, studying what has worked in successful areas.

4.4 – More resources dedicated towards establishing a robust and renewed civil society. Part of this will require opening access to the internal workings of government and conducting business in the open so that the citizenry is able to view what is being done on their behalf.

## **5 – Comparing Data and Recommendations**

As Indonesia moves along its path of decentralization, it would be useful to conduct some more research after the conclusion of its next five year development plan, to gauge whether these recommendations - if implemented - have had any measured effect. The creation of the next five year plan is a nice medium term look, and will likely have some data to suggest how effective any of these steps have been.

This research has demonstrated, I hope, that there is a complete necessity of having sufficient political will for the implementation of ambitious and structural change. That

demonstration of continuing along the development path, in tandem with decentralization, should be visible and accounted for through a further study in the next five years.

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## Annex A – Research Ethics Board Certification