

# **Bringing the Power Back in: Insight into the Puzzle of Indonesian Decentralisation Reform**

**By: Syarif Hidayat<sup>1</sup>**

## **Abstract**

*This paper attempts to review the features of power relationship between central and local governments in Indonesia since the early independence up to the post Suharto regime. Its central aims are to cast light on the issue of why Indonesia thought that decentralisation is necessary; and how the controversy between the so-called ideological vs technical orientation has emerged since the very beginning (early independent). Overall, I would like to argue that even though the answer to the question of whether the Indonesian decentralisation and regional autonomy policies have actually managed to save the nation-state is still contested, the introduction of both concept and policy reforms in the post Suharto's period have, to some extent, reduced the region dissatisfaction upon the centre, and have opened up the political space for citizen participation in policy making process, and in governing their own communities. What the Indonesian should do in the near future is to put decentralisation on the right track and to prevent that of on-going democratic decentralisation process from the central government desire "to bring the centralised power back in".*

## **I. Introduction**

From a political perspective, the word decentralisation has

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<sup>1</sup> Author is a senior researcher at the Indonesian Institute of Sciences (LIPI), completed his Master Leading to PhD at the Department of Asian Studies, Flinders University, Adelaide, Australia (1999).

been used to express the mechanism by which central government devolve its power to local governments. This kind of mechanism is called *political decentralisation*. Parsons (1961), for example, defines decentralisation as sharing part of the governmental power by a central ruling group with other groups, each having authority within a specific area of the state. Elsewhere, Mawhood (1987) strongly argues that decentralisation is “devolution” of power from central to local government. The same tone of definition has also been pursued by Smith (1985) who says that decentralisation is the delegation of power, from top level to lower level, in a territorial hierarchy, which could be one of government within a state, or offices within a large organisation.

Exploring the concept and practice of central-local governmental power relationship remains important for a number of reasons. Amongst other things, it has theoretically been believed that the power sharing between central and local governments is to become the main element of the decentralisation concept. In other words, the extent to which power has been dispersed by central government to local governments would eventually determine the features of decentralisation and regional autonomy exercised by a country.

In Indonesia, on 1 January 2001, perhaps the most radical decentralisations policies anywhere during the last fifty years were set in motion. The authority over all government services, but religious affairs and the “federal four” (finances, foreign affairs, defence and justice), were transferred to cities and districts, providing far reaching regional autonomy. It was done just two years after the first democratic president for forty years was elected, after more than three decades of highly centralised and authoritarian rule. It was a period of deep economic crisis (IDR had devaluated by 400 percent), political uncertainties (the first president Abdurrahman Wahid was forced to resign after less than two years, replaced by president Megawati Sukarno Putri), widespread corruption (according to recent studies, Indonesia is the most corrupt country in Asia), and ethnic and religious violence (East Timor, Maluku, Papua, Aceh, to name but the most well-known). It is a huge on-going experiment like few others.

In this paper, I will try to put the decentralisation process in its political and legal context, and discuss some of the problems of implementing such massive politicising. In doing so, the discussion will begin with reviewing the nature of decentralisation during Indonesia's Old Order, and then proceed to an outline of the same issue during Suharto's New Order government. The latest debates concerning the concept and the practice of decentralisation and regional autonomy in contemporary Indonesia will be delineated in the last section of this paper.

## II. During the Old Order Period

J.D. Legge (1963) is known as one of the foremost observers who had explored the nature of central-local government relationship in Indonesia after its independence. In his book, *Central Authority and Regional Autonomy in Indonesia: A Study in Local Administration 1950-60*, Legge transparently envisages how Indonesia faced complicated problems in regard to the formation of adequate local governments. Specifically, according to Legge (1963:3), the core problems of regionalism in Indonesia is that there is a contradiction between the need to satisfy the region and the need to establish a stable and strong government. In practice, there was a tendency that the need to satisfy the region was countered by the need for strong and stable government from the centre.<sup>2</sup>

The first problem which arose during the provision of local government in Indonesia, Legge (1963) insists, was regarding the issue of a unitary state. According to the Dutch proposal, only a federal constitution would secure justice for the people of an independent Indonesia. This argument, of course, was based on the fact that Indonesia can hardly be regarded as possessing a natural unity, whether in the form of ethnic, social, or economic terms.

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2 In the light of this transformation, Legge contends, that it was a pity that Indonesia's plan for extensive local autonomy within the framework of a unitary state should have been presented simply as the republic's answer to the Dutch federal proposal. .... to regard the idea of decentralization within a framework of a unitary state as an alternative to a federal division of powers was to blur distinct elements of the problem (1963:9-11).

At first, Legge asserts, this proposal appeared to be accepted by Indonesia, and was followed by the establishment of the United State of Indonesia (*RIS—Republik Indonesia Serikat*). However, in the early part of the 1950s, the federal state was transformed into a unitary state.<sup>3</sup>

The most crucial problem arose during the provision of local government in Indonesia was in line with the essence of regional autonomy itself. According to Legge (1963: 13), the essence of regional autonomy in Indonesia is likely to be the amalgam of central government's need to satisfy the regional feelings and the need to provide general government. As a result, it was common that the notion of regional autonomy in Indonesia went alongside the emerging issues of supervision of local government, the extent of powers to be enjoyed by local government, and the issue concerning the character of the lower level of local government (1963:19).

Overall, there are at least three significant points that can be noted from Legge's analysis. Firstly, Legge demonstrated obviously that, to some degree, the problem of establishing an adequate local government in Indonesia has a close relationship with the form of the state itself (unitary state). In this sense, it is asserted that it was unlikely for Indonesia to achieve an extensive regional autonomy system within the framework of a unitary state, because there is a great diversity among the regions in Indonesia, either in the form of ethnicity, religions, culture, or economic resources. This circumstance appears to be a more serious matter when it is related to the historical background of local government in Indonesia during the Dutch occupation, in which there was also diversity in the form of local government, especially between Western and Eastern Indonesia

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3 Among these three crucial issues, Legge writes, the existence of 'supervising' local governments seems to be the core point. This is because when the central government planned to surrender its power to local government; at the same time it would undoubtedly go along with the central demand for a solid supervisory role over the local authority. Elsewhere, differentiation in characters of local governments themselves also suggests the need for a strong supervision from the centre. Within this condition, undoubtedly the ideal instrument of supervision in the eyes of central government was the '*pamong praja*' (1963:17).

(Legge, 1963:17).

Secondly, the controversy over the need to transfer power to local governments and the need to extend a strong control has apparently emerged since the provision period. There were several methods which had been implemented by the central government to restrict the authority of local government, such as by placing its officers in local areas (*pamong praja*), appointing the head of local government, 'spaying' the role of Local Representatives (DPRD), and through direct control over some particular policy implementation (Legge, 1963:20-61).

The third significant point from Legge's study is that even though the intervention of central government over the regions (during the provision period) remains dominant, to some extent, the pressure from local government had been taken into consideration by the central administration. This phenomenon can be illustrated, for instance, when the Djunda's government (April, 1957) had to give a response to the local demand for 70% of the foreign exchange which they earned. Another instance is in the case of a local complaint concerning access to foreign exchange. To respond to this complaint, central government established a foreign exchange bureau (*BDP—Biro Devisa Perdagangan*) in certain areas which enabled the local government to acquire import licenses without going to Jakarta (Legge, 1963:236-245).

Another scholar who had explored further the nature of decentralisation in Indonesia during the period of 1950s is Gerald S. Maryanov (1959). One of the significant points that can be underlined from his work is the reason for why Indonesia thought that decentralisation was necessary to be implemented. According to Maryanov, the main reason for the demand for decentralisation in Indonesia is attached to the idea of democracy. Specifically, Maryanov (1959:197) contends that,

The notion of democratic political system has led to the expectation that democracy must be the characteristic of regional government, and that regional government is part of the democratising process. Organisation must be extended to the regions, but it must be democratic, accommodating the

principles of popular participation and popular representation.

In exploring further the nature of decentralisation within the framework of a unitary state of Indonesia, Maryanov offers a distinctive approach. He sees the essence of decentralisation by linking this issue to the characteristics of the society's political life. In this sense, Maryanov determines the characteristic of political life as the ways in which communication about political matters is formulated (1959:340). Based on this determination, Maryanov suggests there are three characteristics of national political life in Indonesia, namely Expectation vs Reality, Ideological vs Technical Orientation and finally the Monopoly of Leadership by the Government (1959:341-349).

All of these characteristics of national political life, according to Maryanov, wrapped up the implementation of decentralization policy in Indonesia. In the course of *Expectation vs Reality*, for instance, it was expressed by the high expectation to embody an image of a unitary state with stable and functioning units of local government exercising their own autonomy. However, these expectations were never satisfactorily achieved. Part of the failure has been due to unsuitable conditions at the local level (1959:343).

The *Ideological vs Technical Orientation* have likewise had a significant impact upon the implementation of decentralisation. In this aspect, Maryanov argues, the ideological orientation involves values which are stated theoretically and use abstract ideas, such as 'democracy'. On the other hand, technical orientation is more concerned with the implementation of policies rather than with the abstract goals. This orientation is usually related to the idea of 'efficiency' (1959:344-346). In respect to the issue of decentralisation, 'ideological orientation vs technical orientation' was expressed by the controversy between central and local government over the notion of extending regional autonomy. Ideological orientation was represented by the regional spokesmen who demanded more autonomy because that is what the people wanted. The technical orientation responses (most often from the central government) stressed the shortage of local governments' capacity and offered control (1959:349).

Concerning the third characteristic of national political life—*Government and the Monopoly of Political leadership*, it is asserted by Maryanov that the most popular characteristic of government in Indonesia is marked by the dominant role of the central government in determining the development of its society. All societal interests are the interests of the government, and the government holds the ultimate responsibility for stimulating change—where changes are desired for controlling development, such is for occurring, and for determining what the society is to become (1959:399). This characteristic had also coloured the nature of decentralisation. It was demonstrated by the central government's response to the demands for more autonomy. In this sense, the central government claims itself as the actor for determining the problem and formulating the solution. It is for the central government to decide which regions should be granted autonomy, and the degree of authority which must be surrendered (Maryanov, 1959:352).

Considering Maryanov's study, even though the topic was decentralisation in Indonesia during the provision period, he offers a worthwhile approach to understanding the nature of central-local government relations within the framework of a unitary state. He was able to formulate three characteristics of national political life within the unitary state of Indonesia. Moreover, he was also successful in exploring the impact of those three characteristics in relation to the implementation of decentralisation. Nevertheless, it may be argued that Maryanov's study has relied heavily on the macro perspective. He investigated the existence of decentralisation in Indonesia based more on the issue of how national government had initiated and executed decentralisation, rather than how the local governments themselves—or more precisely the local state actors—have seen decentralisation.

### **III. During the New Order Period:**

First of all, it appears to be necessary to outline briefly the “development ideology” of New Order before exploring further how decentralisation has been delivered in the country. It is due to the notion of decentralisation policy at that time cannot be separated

from the 'development ideology' of the New Order regime. In the other words, likely, it is not an exaggeration to argue that the existence of decentralisation policy in Indonesia during the New Order period, to some extent, has been functioned as the 'vehicle' of development ideology to control the regions (See, Michael Morfit, 1986; Colin MacAndrew and Ichlasul Amal, 1993).

One explanation is the well-known fact that, since the inception of the New Order regime, the issue of economic development has become the core of its commitment. Because of it, some scholars, then, tend to determine the New Order as the *Development Order*. Thereby, it is not surprising if the term 'development order' has flourished in Indonesian literatures, especially when discussing the nature of economic development in Indonesia. In this sense, of course, the New Order itself decelerated the 'development order' as its symbol is not merely based on its willingness to accelerate development process within the entire society in order to embody the social welfare, but also based on consideration that arising this issue was to be the best way to do in order to elicit a great political support from society.

To carry out its commitment, the New Order has emphasised its development programme on economic sector. In doing so, there have been several efforts conducted by this regime. In overcoming financial problems, for instance, the New Order has opened its door for foreign investment since the early of 1969s, and has applied to some developed countries to offer their aid through IGGI (then subsequently the CGI). Likewise, in the course of development planning, the National Development Plan has been created; then, it also has been implemented through the Five-Year Development Plan (REPELITA) which stand on three basic principles of development (*Trilogi Pembangunan*), namely; Political Stability (*Stabilitas Politik*), Economic Growth (*Pertumbuhan Ekonomi*), and Equity (*Pemerataan*).

The REPELITA has been executed since the early of 1969s. In funding this programme, it was much supported by government revenue from oil exports (in particularly during the oil boom decade),



and foreign assistance. Through these sources of finance, the central government has been able to allocate a great national development budget to provinces. Due to this remarkable changing, some observers, then, argue that this phenomenon was, for the first time, ever happening during the Indonesian history (Colin MacAndrew, 1993: 17).

Decentralisation policy as one part of political development undoubtedly has to be compatible to that development ideology. Specifically, it can be argued that the concept of decentralisation in Indonesia at that time has to be suitable for Political Stability, Economic Growth, and Equity (even if it is just hypocritically speaking). However, among those three basic values of the *'Trilogi Pembangunan'*, the nature of Political Stability seems to be the core issue. The term political stability has been related to almost all of the development activities in order to legitimate the government action, even in the form of coercions that are taken by the state power. What is actually the determination of 'political stability' here? Indeed, at that time, there was no a specific operational definition of the term 'political stability' in the context of the *'Trilogi Pembangunan'*. The New Order seems to be more comfortable with a vagueness of definition. However, Michael Morfit (1986) has tried to formulate the definition of the word stability as 'political order', and this is, in turn, the establishment of a strong national government capable of exercising effective authority throughout the archipelago with its widely divergent social, cultural and environmental characteristics.

How has the Development Ideology of the New Order effected the implementation of decentralisation policy? According to the Basic Law Number 5 of 1974 (*Undang-Undang tentang Pokok-Pokok Pemerintahan Di Daerah, Nomor 5 Tahun 1974*), it states clearly that decentralisation means the transfer of authorities from central government to the first level of local government (Daerah Tingkat I), or from Daerah Tingkat I to the second level of local government (Daerah Tingkat II). This means to imply that local government in Indonesia is 'Daerah Tingkat I' and 'Daerah Tingkat II', and therefore they possess the authority to deliver their own regulations, especially in the case of government affairs which have already been

134 decentralised by central government.

However, this worthwhile concept becomes obscure when it is tracked further in the Clarification of Basic Law Number No. 5 of 1974 (*Penjelasan Undang-Undang Nomor 5 Tahun 1974*). Some articles of Basic Law No. 5, 1974 clarification have demonstrated how the development ideology of the New Order has undermined the concept of decentralisation in Indonesia. In point 1.d, for instance, it states clearly that the decentralisation of authorities to local government is based on basic principles—to *accelerate the implementation of development in local areas, and to establish political stability and national Unity*. Therefore, central-local relationships must be conducted on a basis of a sense for unitary state. Decentralised authorities to local government, however, must stand on the consideration that local government evidently possesses a great ‘responsibility’ to govern its household (in Indonesian the term is called *Otonomi yang nyata dan bertanggung jawab*).

What are the specific characteristics of ‘responsibility’ here? There is not an appropriate formulation which has been created for assessing the degree of local government ‘responsibility’. Due to this condition, the New Order appears to be more flexible to preserve its development ideology over the implementation of decentralisation policy. The words ‘responsibility’, to some extent, can be utilised to legitimate whether decentralisation policy will be extended or withdrawn.

Furthermore, with a view to carry out the implementation of decentralisation at the local level, it was also accompanied by a significant reform in local government institutions. In 1974, for instance, the Local Development Board (BAPPEDA) was established. The major function of this institution is to formulate local development plans (REPELITA-Daerah) and to coordinate all of the projects implementation at the local level. However, Michael Morfit (1986) pointed out that in fact, the ‘REPELITA-Daerah’ is formulated after the National Development Plan (*REPELITA-Nasional*) was completed by the National Development Board (BAPPENAS). It means, what the BAPPEDA does, not more than

just translating the 'REPELITA-Nasional' into 'REPELITA-Daerah', rather than to articulate and formulate the proper development plans for its region. Likewise, in the case of the BAPPEDA's second function. Through this function, the BAPPEDA is supposed to be able to coordinate the implementation of all projects in local areas. But the BAPPEDA has no authority to control the national project in its territory. Most of the project execution is handled by central government agencies in the regions.

Other factor which has led to undermine the existence of decentralisation policy in Indonesia according to Morfit (1986) is financial and resources problems. Morfit demonstrated that there is a great imbalance between the local development budget and its financial capability. Thereby, it appears to be necessary for central government to sustain the allocation of national budget to local areas. During the 1978/1979s, the average percentage of national subsidy to local government stood at nearly 80% per annum. By this condition, it can be implied that increasing central government funding means increasing its control over the implementation of programmes.

To have more elaborative perspective on the nature of decentralisation during the New Order period, it is worthy to unfold the work of Dorodjatun Kuntjara Jakti (1981). He is one of the scholars who explored the implementation of decentralisation during the New Order period based on political economy perspective. The root of his argument is that the implementation of decentralisation in Indonesia, particularly during the New Order period, deteriorated because of the problem of regional imbalance. The New Order, according to Kuntjara Jakti, had introduced a combination of overwhelming control over the military and bureaucracy, as well as the growing resource base. Through this strategy, the New Order has been able to overcome the problem of regional imbalance and to eliminate the politically sensitive issue of regional autonomy (1981:133).

In the locus of his analysis, Kuntjara Jakti seems to agree with the idea that the implementation of decentralisation during the New

Order had also been influenced by the problem of a controversy between the Ideological and Technical Orientation (citing Maryanov's term). Ideologically, the notion of decentralisation is needed with a view to channel the development program to the local level and to elicit political support, either from people or from international communities. However, technically, the idea of decentralisation appears to be undesirable, because it seems to increase the tension of political instability.

Like Legge (1963) and Maryanov (1959), Kuntjara Jakti also suggests that the decentralisation policy during the New Order period had swung from one extreme of a more or less decentralised and democratic system to another of a highly centralised and autocratic one. According to Kuntjara Jakti, there are at least two crucial reasons for why the New Order regime inclined to centralise the political power in its hands. Politically, it had a close relationship with the issue of 'national resilience' (*ketahanan nasional*). Economically, it has attached to the neo-Keynesian model which is used by technocrats to map out the economic development. This technocratic model, thus, eventually led to the requirement of a centralised system (Kuntjara Jakti, 1981:143-144).

There were several methods implemented by the New Order to exercise its centralisation of power. In terms of controlling local governments, for instance, Kuntjara Jakti (1981:145) outlines,

In many cases the New Order was able to achieve this power (a centralized power) vis-à-vis the regions essentially by continuing the policies of Guided Democracy. With respect to regional leadership, for instance, the regime maintained the 'Panca Tunggal' system (five leaderships at the regional level which consists of the regional head, military commander, police chief, prosecutor, and regional council chairman) which it now renamed MUSPIDA (*Musyawarah Pimpinan Daerah* or Council of Regional Leadership). For Regional Council (DPRD), it maintained the system of appointment and screening and selected candidates from non-government parties.

The ability of the military to create the long-dreamed-of command system, embracing all branches of the armed force as well as regional levels down to the lowest village units, and

to penetrate all branches and levels of government under the umbrella of a 'dual function' (*Dwi Fungsi*) doctrine, and so on; all of this gave the central regime power unequalled in Indonesia's political history (1981:145).

A growing allocation of resources base, Kuntjara Jakti states, is also another method that had been employed by the New Order to maintain its centralisation system. This method had been performed by introducing a central budget allocation to regional areas. The strategy began with introducing the ADO scheme in 1967 (ADO means *Alokasi Devisa Otomatis*, or automatic foreign exchange allocation). Later on, in the early part of 1969, ADO was replaced by SPP-ADO (*Sumbangan Pemerintah Pengganti ADO*). Finally, since the middle of 1974, the New Order has introduced a 'subsidy' policy as the new form of national budget allocation to the local level. Paralleling this subsidy policy, the New Order also created another form of centralised regional redistribution scheme which is called *Inpres Programme* (*Instruksi Presiden* or the President Instruction Programme).

Overall, Kuntjara Jakti argues that this circumstance has resulted in strengthening the local dependency on central government. The *Inpres Programme*, to some extent, had functioned as a means of bypassing the legislature's decision-making process and as a means of undercutting the powers remaining to regional government over the lower units (1981:152). The New Order's attempt to centralise the economic policy has become more obvious since it was translated into a new formal structure in the early of 1974. This phenomenon can be viewed, for instance, through the establishment of the IRJENBANG (*Inspectorate General for Development*), BKPMD (*Badan Koordinasi Penanaman Modal Daerah*, Coordinating Body for Regional Investment) and the Bappeda (*Badan Perencanaan Pembangunan Daerah*, Regional Development Planning Board).

Kuntjara Jakti's study has contributed a great deal to decentralisation studies in Indonesia, because he is one of the scholars and perhaps the first author who has seen the implementation of decentralisation in Indonesia from a political economic perspective.

With respect to the core of his analysis, perhaps no one could deny that the issue of 'regional imbalance' has encouraged the central government to strengthen its control over local governments. It can be argued, however, that the regional imbalance issue may also lead central government to having some difficulties in monopolising the political power, which eventually allows decentralisation to be more flexible in practice.

#### **IV. Post Suharto's New Order Regime?**

The authoritarian New Order government lasted for 32 years when Suharto was forced to resign in May 1998, after 12 months of political and economic turbulence, with intense regional conflicts and demands for a revised balance of power between centre and regions. There were four inter-linked processes that created the new framework for more democratic local institutions. *First*, a process towards a genuine devolution of public services and power to local governments was set in motion with the design of the laws to be described below. Authority over government services and functions has been devolved to the district and city level, and the new legislation mandates elected and empowered municipal, district and village councils. *Second*, the new government is searching for innovations in providing services to the public. People and politicians alike have increasingly understood that the present centralised system is awkward, prone to corruption, and not sustainable in the long term, and that wide-ranging reforms are necessary. *Third*, popular demands for fundamental governance reforms have rapidly moved outside Jakarta. Village heads and sub-district and district chairs have been forced to resign, replaced by leaders who are more responsive. *Fourth*, social activists have developed new approaches to direct engagement with local bureaucracies which are now being used to encourage more transparent and accountable local government, for instance in monitoring development projects and local budgets.

The wave of "political reform" following the step-down of Suharto on 21 May 1998 appears to have pulled Indonesian political history towards a more democratic political system. Moreover, central government's effort to reform Local Government Law (*Undang-*

*Undang No. 5 Tahun 1974*) to become *Undang-Undang No. 22 Tahun 1999* seems to have likewise offered a number of promises to local governments for having a better future. However, it is also possible to conceive a number of telling factors which could, directly or indirectly, threaten the attainment of those expectations. One line of argument is related to the practice of so called KKN (Corruption, Collusion, and Nepotism) at the local level.

There are several reasons why Indonesia eventually decided to reform its decentralisation and regional autonomy policies. The first is for democratisation, recognising that national democratisation cannot be sustained any longer without taking into account the similar need at the local level. The second is to make service delivery more efficient by de-bureaucratizing and giving direct authority to the agencies providers. The third, decentralisation is expected to build trust upon the government, and establish the more direct, immediate and productive government by encouraging people to become involved in the political priorities, and stimulating greater accountability and demands for more efficient public service.

On the other hand, the fact that central government's financial capacity has decreased dramatically following the economic crisis since the late 1997 seemed to have been undeniable. This is, indeed, another telling factor for the central government reformed the decentralisation and regional autonomy policies. During the Suharto's New Order, central government's budget allocation for the local governments became one of the tactics to calm-down the regional disillusion upon central government, and even to "lock-off" the re-emergence of regional movements that took place in the late 1950s. The form of national budget allocation was quite various, arranged from Routine and Development budgets up to the so called *Inpres (Instruksi Presiden, Presidential Instructions)*.

The disaster of economic crisis which took place by the end of the Suharto's New Order has undeniably dismantled the central government's financial capacity. Those who have governed Indonesia during the post Suharto regime seemed to have fully understood this situation. In other words, the post Suharto government recognises that

the central government could no longer employ the “national budget allocation” as a political tool to silence regional dissatisfactions. It is, perhaps, in this context, the wave for decentralisation policy reform introduced by the Post-Suharto government has also brought with it the central government’s own hidden agenda, which is to transfer its financial burdens to the regions.

Law No. 22 and 25 of 1999 were introduced to replace the previous New Order’s local government law No. 5 of 1974. Conceptually, one could point to those new established laws as a “big-bang” political reform taken by Indonesia to rearrange the nature of central-local government’s relationship. Law No. 22 of 1999 has endeavoured to break through the long tradition of centralised power in the centre towards more decentralised power to the regions. Meanwhile, Law No. 25 of 1999 has brought a new formula for a balance fund between central and local governments. This new formula is called *Dana Perimbangan Pusat-Daerah* (Central-Local Government Balance Fund).

Just to point out a view examples, Law No. 22 of 1999’s desire to swing the pendulum of centralisation towards more decentralisation is clearly indicated by, for instance, the definition of decentralisation itself which says: *decentralisation is the transfer of central government authorities to the autonomous local governments [regions] within the framework of a unitary state of Indonesia* (see Article 1.e). When it is compared to the previous Law (Law No. 5 of 1974), it was stated that decentralization is *the transfer of such governmental affairs [technical matters] from central to local governments within the framework of a unitary state of Indonesia*.

The definition stated in article 1.e, Law No. 22 of 1999 becomes more transparent when article 7 deals with outlining the concept of central-local government’s power relationship. Briefly, it is stated that: *local governments’ authorities cover all of governmental authorities, unless that of the authorities in: foreign politic, defend and security, judiciary, fiscal and monetary, religious affairs, and other authorities* (see article 7.1.). The point which should be emphasised here is the fact that, at the conceptual level, Law No. 22 of 1999 has endeavoured



to limit central government's power only to that of five authorities (foreign politics, defence and security, judiciary, fiscal and monetary, religious affairs). Although, central government still assumed "other authorities" as stated at the end of article 7.1, and this has engendered a controversial opinion among scholars, I would like to argue that central government does need that of "other authorities". The debate here is not questioning the existence of the central government's other authorities; it is more on questioning the ways in which the authorities must be determined. Ideally, that central government's other authorities should be decided on the basis of bargaining and negotiation between central and local governments. In other words, it must not be unilaterally decided by central government.

Another distinctive feature of Law No. 22 of 1999 is that it attempts to create more balance of power between *Pemerintah Daerah* (Local Executive Body) and *Dewan Perwakilan Rakyat Daerah* (Local Representative Body, *DPRD*). While in the previous Law (law No. 5 of 1974), *DPRD* was given the status as part of the *pemerintah daerah*, it is now by Law No. 22 of 1999 the *DPRD* has been separated from the *pemerintah daerah*, and has legal-formally been assigned the status as local legislative body. The evidence for this is clearly indicated by, for instance, article 14 of Law No. 22 of 1999 which says: *in each local government there is a DPRD as the "Badan Legislatif Daerah" (Local Legislative Body), and a Pemerintah Daerah as the "Badan Eksekutif Daerah" (Local Executive Body)*. To clarify the function of the *DPRD*, article 18, then, goes further outlining a number of tasks and authorities assigned to this institution. Amongst other things are: to elect the local government heads (Governor and Vice Governor; District Head and Vice District Head; Mayor and Vice Mayor); to initiate the draft for local regulations; to approve all local regulations; to assess and to approve the local annual budget proposed by the local executive body, and to undertake supervision over the local executive body in exercising day-to-day government.

Last, but not the least important feature of Law No. 22 of 1999, is that it attempts to shift the dominance role of provincial government over the district and municipality governments by defining the territorial status for both district and municipality

governments as a fully autonomous region. One could, perhaps, point to this arrangement as a fundamental changing that has taken place in the process of local governments' reform in Indonesia. It is mainly because the notion of giving fully autonomous local government status to both district and municipality governments seemed to have never appeared in the print, especially since the introduction of the Sukarno's Guided-Democracy in the early 1960s following by the Suharto's New Order. Although, for instance, in Law No. 5 of 1974, it was stated that the exercise of an autonomous local government was emphasised at district and municipality levels, but these local governments were still awarded a dual-status, namely: *daerah otonom dan daerah administratif* (autonomous and administrative territories). The autonomous territory here means the geographical setting for which decentralisation policies are performed. Meanwhile, the administrative territory means the geographical frame for the deconcentration policies. Law No. 22 of 1999, then, has endeavoured to end that of an "ambivalence concept" by giving a single status to district and municipality governments, namely, autonomous local government. To strengthen the position of district and municipality governments vis-à-vis provincial government, it is asserted in the article 4 (2) of Law No. 22 of 1999 that: provincial government [on the one hand], and district and municipality governments [on the other hand] are self-government which is not having a hierarchical relation to each other.

Meanwhile, Law No. 22 of 1999 has dealt more in outlining the concept of central-local government's power relationship, Law No. 25 of 1999 has devoted more sketching the concept of central-local government's financial relationship. As mentioned by Hidayat (2000), the gist of Law No. 25 of 1999 when compared to the previous laws, is that it brings a new formula for local government revenue, the so-called *Dana Perimbangan Pusat-Daerah* (Central-Local Government Balance Fund). Indeed, the notion of the *Dana Perimbangan Pusat-Daerah* itself is not something new for Indonesia, because it had ever been discussed in the 1950s, and was even put in print through Law No. 32 of 1956. However, this law was not taken into practice yet due to a number of reasons. Amongst other

things, its enactment coincided with circumstances through which the tension of conflict between central and local government was still at its peak, and which in subsequent years resulted in open regional movements (Legge, 1963:60). Law No. 25 of 1999, then, has endeavoured to bring that of a “suspended concept” into reality.

Specifically, it is stated in article 3 of Law No. 25 of 1999 that: *the sources of local government revenue are: Pendapatan Asli Daerah, PAD* (Local Government Own Income), *Dana Perimbangan* (Central-Local Government Balance Fund), *Pinjaman Daerah* (Local Loan), and *Lain-Lain Penerimaan yang Syah* (Other legal revenues). The local own income (PAD) consists of local taxes, user chargers, revenue from local government’s own companies (*Badan Usaha Milik Daerah, BUMD*), and other legal local revenues (see Article 4). While central-local balance fund consists of revenues from land and constructional taxes, revenue sharing from natural resources, general allocation fund (*Dana Alokasi Umum, DAU*), and specific allocation fund (*Dana Alokasi Khusus, DAK*)(see Article 6).

Furthermore, Article 7 of Law No. 25 of 1999 states that the general allocation fund (DAU) is determined at least to be about 25 per cent of local revenue based on the national budget. This general allocation fund is divided into two, namely, general allocation fund for province and general allocation fund for district level. The proportion of general allocation fund for province is about 10 per cent, whereas for district level is about 90 percent of the total general allocation fund.

Unlike the general allocation fund, a specific allocation fund (DAK) is allocated from national budget to the region to assist specific needs based on the availability of the funds in the national budget. The specific needs are defined as needs that cannot be estimated from the formula in the general allocation funds (DAU); and/or the needs that were committed to national priorities. It includes funds generated from reforestation fund.

Local borrowings can only be undertaken from domestic sources but not from overseas. However, if a local government intends to borrow money from overseas, they consequently have to do that

through the central government. Long term borrowings can also be undertaken by the local government from domestic financial sources. These borrowings can only be used for funding infrastructure development in the regions. The development of the infrastructure is expected to result capital benefit to repay back the loan and it is also expected to benefit the public in the regions. Similarly, the short term borrowings can also be undertaken by local governments. However, these borrowings should be used for maintaining current cash flows for local financing. All of these borrowings have to be approved by the Regional Representative Body (DPRD). Note that the local governments are not allowed to borrow any loans larger than the amount of loan decided by the central government. In addition, a local government is not allowed to make bail agreement that may impose regional financial sources.

One of the dangers with the practice of Law No. 22 of 1999 is that local governments seem to have excessively exercised their decentralised authorities. In Indonesian terms, this tendency has been called as *otonomi kebablasan* (excessive autonomy). For those who subscribe to this perspective usually point to the fact that regional autonomy has, in many cases, been translated by local governments as a freedom to conduct whatever they wish to do. Among the evidence mentioned to prove this phenomenon are the overwhelming manner of the DPRD in performing its supervision authority; and the mushrooming of local regulations (*Peraturan Daerah/Perda*) for revenue raising.

The DPRD has been assigned a number of authorities; one of them is the authority to supervise the *pemerintah daerah* in conducting a day-to-day government. This is, indeed, a newly authority given to the DPRD, as it was never apparent in the previous laws, especially in Law No. 5 of 1974. By equipping the DPRD with that of supervision authority, it is expected that there will be a check and balances of power between the local executive and legislative bodies. However, in practical term, the DPRD seems to have over-reacted in exercising its supervision authority. This institution has, somehow, not only limited itself in supervising the ways in which such policy was performed by the local executive body, but also has gone further

to investigate such technical matters, for example, questioning the type of wood using for a building, the price for Air Conditioning, and so forth.

On top of that, Hidayat's study (2002) in Riau province indicates that the DPRD has, in fact, employed its supervision authority as a 'weapon' for pushing through its annual budget vis-à-vis the local executive body. Amongst the raising argument asserted to justify this phenomenon is due to an unclear "rules of the game". Law No. 22 of 1999 brings the notion to empower the DPRD by giving this institution three major functions, so called, the *fungsi legislasi* (legislature function), the *fungsi anggaran* (budgetary function), and the *fungsi pengawasan* (supervising function). However, the assignment of these functions has not been supported by a clear-cut guidance which determines specifically both the forms and the scope of each function. This situation is to become worst by the fact, as we delineated in the preceding discussion, that many members of the DPRD are newcomers who do not have much governance skills.

Elsewhere, from the local executive the camp, amongst the evidence quoted to show the practice of so called *otonomi kebablasan* is the mushrooming of local regulations (*Peraturan Daerah*) introduced by the *pemerintah daerah* for revenue raising, either in the form of local taxes (*Pejak Daerah*), or in the form of user chargers (*Retribusi Daerah*). Those who are sceptical to this tendency often use the terms "autonomy is auto-money" to label the behaviour of the *pemerintah daerah* in implementing regional autonomy policy. Hari Susanto's study (2002), for instance, seems to have strongly proved the above proposition. It is asserted that the majority of local officials interviewed in the research site (East Kalimantan) have a feeling that regional autonomy means the freedom assumed by local governments in both making and implementing decisions, including the freedom to decide and to enact such *peraturan daerah* for revenue raising. As a result, it is not surprising that one of the district governments in East Kalimantan province had introduced numerous local government regulations, and most of these newly created regulations are directed to generate local revenue. Amongst other things are: *retribusi penggunaan jalan* (users charge for using a

road), *pajak produksi ikan* (fish production tax), *pajak produksi kayu* (timber production tax), *pajak kendaraan* (vehicle tax), and so forth.

Indeed, one should not be surprised by the practice of that so-called *Otonomi Kebablasan* since as asserted by Hidayat (1999), the feature of Indonesian decentralisation policy on its day-to-day basis is far more complex than the scholarly literature on the subject suggests; it involves more bargaining and coalition-building among both state and society actors at the local level. Indeed, the tightening grip of the central government's control over the region has not necessarily limited the opportunity for local state elites to enjoy more autonomy in determining their own interests.

The key to understanding this phenomenon, Hidayat (1999) argues, lies in the 'relative capacity' of local state elites to make autonomous choices. The telling factors which explain the capacity of local state elites to exercise that autonomous choices is their access to accumulated political resources. Amongst other things are their skill in re-interpreting central government policies; knowledge of the local problems; alliances with particular societal groups; and individual connection with central state elites. If this argument makes sense, it is now clear enough that the conflicting nature of central government policies and the dominance of Indonesian bureaucratic patrimonilism have partly contributed to the shaping of local state elites' capacity to exercise that of autonomous choices.

Hidayat's study (2001) in three of Indonesia's provinces (West Java, South Sulawesi, and East Kalimantan) seems to support his previous findings as delineated above. To outline briefly, the study indicates that the practice of local state elites' autonomous choices in both making and implementing local policies remains exist, and even becomes worse. In other words, the enactment of Law No. 22 and 25 of 1999 has, somehow, widened the room for local state elites to pursue both public and their own individual goals. Within this condition, the implementation of decentralisation, has much more been characterised by bargaining and coalition-building among local state elites. And it is undeniable that the decision making processes also tend to be concentrated in the hand of a few people, especially

those who assume the power in *pemerintah daerah* and the DPRD.

The arguments stated by local state elites to justify their attitude are quite intriguing. Hidayat's study (2001) suggests that the unclear features of Laws, the delay in issuance the central government regulations (*Peraturan Pemerintah*), and bringing the local community demands, have become the main arguments asserted by local state elites to rationalise such discretion they made in exercising local government decentralised authorities. The point which should be underlined here is the fact that the conflicting features of Laws, the delaying of central government regulations, and the opening channel for society participation have, somehow, been manipulated by local state elites to justify their attitude in keep practicing of that the so called autonomous choices to make and implement local government.

Since mid-2002 (approximately one year after the implementation of Law no. 22 of 1999), discussion concerning decentralisation and regional autonomy policies in Indonesia begin to focus on contesting the reality of so called "excessive autonomy" (*otonomi kebablasan*) and "half-hearted autonomy" (*otonomi setengah hati*). The polemics then start to conical in early 2003, due to a common ground of understanding between the parties involved about the need to revise the Law No. 22 of 1999 as soon as possible. In other words, the revision Law No. 22 of 1999 has been articulated as the most efficacious therapy to end the practice of that so called "excessive and "half-hearted autonomy".

Ironically, and it was impressed, as most of scholars tend to agree, and seemed to lose their academic sensitivity in scrutinising the implied meaning and the implicit goals behind that of "excessive" and "half-hearted" autonomy terminologies. While the more fundamental issues, such as: whether the decentralisation policy in Indonesia (including policies set out in the Law No. 22 of 1999) has been appropriate and in line with the basic concepts of decentralisation itself, relatively received no attention.

In entering the 2004, debate on the revision of Law No. 22 of 1999, in particular, tend to subside, or even nearly disappeared from

public discourse, because it was occupied by a frenzy of national more grand agenda, namely the presidential direct election (*Pemilihan Presiden Secara Langsung*). However, along with the election of SBY-Kalla as president and vice president, and no longer end of Mega-Hamzah leadership, in October 2004 central government along with the House of Representatives (DPR) approved the new local government laws (No. 32 and 33 of 2004) which subsequently replace the law No. 22 and 25 of 1999.

The presence of this new law had attracted a lot of criticism from observers. Among others mentioned that, from time dimension point of view (timing), the approval of Law. 32 and 33 of 2004 seemed to have been part of political effort to maximise the rest of Mega-Hamzah leadership. Actually, the practice of that “stealing time” is not an unique matter in a day-to-day politic, because it has been well known that the essence of political practice are how *to get, to use, and to sustain the power*. On the basis of this understanding, the next discussion will no longer be focused on questioning the political rationality for the endorsement of Law No. 32 and 33 of 2004, but rather the question of substance of the law, and examine the consequences resulted from its implementation.

Substantially, one of the most important changes that have been made through the Law No. 32 of 2004 is the introduction of a direct election for local government heads (*Pemilihan Kepala Daerah Secara Langsung/Pilkada Langsung*). In order to bring into place that of constitutional mandate, central government has decided to immediately implement direct elections starting mid-2005. It is very understandable then this decision had also encouraged the appearance of controversial response.

On the one hand, there are many people who have positively valued that of central government decision, especially in order to accelerate the process of democratisation at the local level, and to create an independent local government. But on the other hand, it is also not a few people who tend to be sceptical in appraising that of central government’s decision, particularly when associated with institutional readiness and preparedness of local communities



themselves to exercise direct elections.

Regardless of the pros and cons in dealing with the above government's policy to push through *Pilkada Langsung*, it is also important to examine one of the main elements of decentralisation concept itself, namely, setting central-local governments power relation. The question here is that whether the arrangement of power relations between central and local governments in the Law No. 32 of 2004 has somehow attempted to push further the centralise power pendulum towards more decentralisation, as has been initiated by the Law No. 22 of 1999? Or vice versa, it leads to power "re-centralisation"?

To get a specific answer to the above question, of course, requires a comprehensive evaluation over the substance of central-local government's power relation written in the law No. 32 of 2004. However, when we look at what has been stated in article 10 to 14, although it seems partial, one may easily notice that the spirit of power re-centralisation seems to have dominated the arrangement of central-local government's power relationship. For example, in Article 10 (1) stated that local governments are assigned to exercise such government affairs that have become their authority, except for governmental affairs that by law belong to central government. Furthermore, in Article 10 (3), affirmed that the authorities owned by central government include: Foreign Policy, Defence, Security, Justice, Monetary and Fiscal Policy, and Religion affair. At first glance, one may recognize the arrangement stated in that article 10 of Law No. 32 of 2004 as an impressive improvement over the Article 7 (1) of Law No. 22 of 1999, and would likely promise a better decentralised authority to local governments.

However, the spirit of power relation reform above seemed to have been bland, or even more impressive shades of re-centralisation when the Article 11 to 14 start putting some "political snares" to control local governments. In Article 11 (1), for example, noted that the execution of government authorities are divided based on the criteria of externality, accountability, by taking into account the harmonious relationship among the level of government hierarchies.

What is actually the criteria of externality, accountability, and efficiency, they just been defined in general terms, and these would certainly bring with a potential for starring as “disguise hand” of the central government to limit and to control the local authorities.

The “political trap” to limit the authority of local governments are increasingly affirmed in article 11, paragraph 4, which states: local government’s compulsory authorities are assigned in the basis of gradual process, and determined by central government. Meanwhile, the “optional authorities” (*urusan pilihan*) are assigned to local governments (provincial and district/city) in the basis of which the authorities are significantly needed to increase social welfare, and by taking into consideration the characteristic and potency owned by each local government.

The question then, whether decentralisation policy reform in the post Suharto period, outlined above, can be regarded as part of the characteristic of a political system in the transition period towards democracy? It is realised that to be able to construct an appropriate theoretical answer to the above question, the discussion should include a wider context. I am also aware about the limitations of materials presented in this paper to be employed as the basis for putting forward a theoretical speculation. Without intending to conduct an academic simplification, however, I have believed that the data and information outline above is representative enough to cast light on the features of contemporary Indonesia’s decentralisation policy reform. Therefore, I would argue that although at a minimum level the material presented in this paper may be employed as the basis for developing such theoretical speculation regarding the characteristics of Indonesian decentralisation in a period the so called “transition towards democracy”.

Theoretically, it is argued that the remaining dominant role of state actors, and more chances for societal participation in the process of policy making and policy implementation are amongst the main features of a political system in transition from an authoritarian political system towards a more democratic political system. Based on this theoretical understanding, I have proposed

three main characteristics of decentralisation in the transition towards democratic political system (Hidayat, 2003: 56-59).

*The first* is the dominant role of the central government in determining decentralisation policy tends to decrease. While during the authoritarian regime, the central government played a dominant role in determining the process of policy making, in the transition towards democracy, this dominant role tends to decrease because the demands coming from local governments and their community must be taken into consideration in the process of policy making (Hidayat, 2003: 56). It is important to note that the decreasing role of the central government here is likely to be evident in quantitative dimensions. It implies that qualitatively speaking, the central government remains able to push through its interests, although it was done on the basis of democratic mechanism; and it has more been channelled through the informal political process rather than a formal mechanism.

Field of conflict, in addition, is usually taking place in the context of power division between the central and local governments. On the one hand, the demand for political reform has called for dispersing as much as possible the power and authority to local governments. On the other hand, the central government remains reluctant to lose its power over local governments. In contemporary Indonesia, this conflict of interest has been reflected by the emergence of the so-called *Otonomi Daerah Setengah Hati* (half-hearted regional autonomy) phenomenon. To win the competition, and to cool down the region dissatisfaction, amongst the instruments which is often employed by the central government is the *resource base allocation*, such as, by gushing central government's fund, and others subsidies to the local governments.

*The second* characteristic of decentralisation and regional autonomy practices in the transition towards democracy is the shifting nature of the approach to policy implementation (Hidayat, 2003: 58). The "old approach" which was developed on the basis of a *monolithic* perspective and dominated by the *top-down* spirit, is gradually shifting towards, a "new approach" which is constructed

on the basis of a *holistic* perspective, and characterised by the spirit of *bottom-up*. Theoretically, this shift in approach to policy implementation might lead to two conflicting consequences. On the one hand, it will allow local governments to assume more autonomy in both making and implementing their decisions, as long as this autonomy does not go beyond the scope of their decentralised authorities, and does not contradict the national interests. On the other hand, when the shift in approach to policy implementation is not followed by the changing orientation and attitude among local state elites, it will lead to an *ambivalent orientation* towards the policy itself.

In Indonesia today, the emergence of the so called *Otonomi Daerah Kebablasan* (excessive regional autonomy) may be seen as one logical consequence of that ambivalent orientation towards the implementation of decentralisation policy. At the practical level, this local state elites' ambivalent orientation has been reflected by the attitude of local government officials which tend to position the central government as the major source of both political and economic *energies* needed. On the other hand, they also seem to have resisted, or even refused, central government's interventions on authorities that have been defined as to belong to each individual local government. It is, amongst other thing, the theoretical explanation for understanding the so called *Perda Bermasalah* (miss-introduced Local Government Regulations) which is taking place in Indonesia today.

The third characteristic of decentralisation and regional autonomy practices in transition towards democracy is that society is not fully excluded from the implementation of decentralisation anymore (Hidayat, 2003: 59). They have hitherto been allowed to participate in both policy-making and implementation at the local government level. However, the involvement of society, in addition, is much more represented by a few of societal elites who usually act on behalf of civil society, and claim themselves as representing societal interests. In more specific terms, it may be argued that the inclusion of society, in this sense, does not take the form of "popular participation" yet, but is more likely in the form of societal elites'

participation. It means that, in essence, the pattern of state-society relationship in the implementation of decentralisation and regional autonomy policies is more characterised by an interaction between local state elites and societal elites. Therefore, it is undeniable that collusion and bargaining of interest among elites would become the prevailing features of the policy making process as well as policy implementation at local government level.

## V. Ideological vs Technical Orientation

This section attempts to pull together the main elements of the story presented above with a view to provide a comprehensive understanding on the subject of what does the paper tell us about the features of decentralised power to local governments in Indonesia.

In brief, it may be argued that the concept of decentralisation implemented in Indonesia since early independence has never completely referred to the political decentralization perspective, but is referred more to the administrative decentralization perspective. Thus, decentralisation policy which according to the central government is aimed at speeding up the democratisation process at the local level remains a statement rather than reality. In fact, the autonomy that was given to local governments is very limited and tightly controlled by central government. Maryanov (1965) labelled this phenomenon as *ideological versus technical orientation*. This is, indeed, the core issue in understanding the puzzle of Indonesia's decentralisation reform since its early independence up to now day.

The introduction of Law No. 22 of 1999 in the post Suharto regime had been valued by many scholars as a "big-bang" political reform taken by Indonesia to rearrange the structure of central-local governments' power relationship. This is mainly because it has endeavoured to break through the long tradition of centralised power in the centre towards more decentralized power to the regions. Another distinctive feature of Law No. 22 of 1999 is that it attempts to create more balance of power between *Pemerintah Daerah* (Local Executive Body) and *Dewan Perwakilan Rakyat Daerah* (Local Representative Body, *DPRD*). One of the dangers with the practice

of Law No. 22 of 1999 is that local governments seem to have excessively exercised their decentralised authorities. In Indonesian terms, this tendency has been called as *otonomi kebablasan* (excessive autonomy), meaning to imply a “misconduct behaviour”.

The existence of that local government misconduct behaviour is not a unique feature in the implementation of decentralisation and regional autonomy policies in Indonesia. My previous study (Hidayat, 1999: 303), for instance, pointed out that Indonesia’s decentralisation on a day-to-day basis is much more characterised by bargaining and coalition building between both state and society actors at the local level. The practice of regional autonomy policy with this kind of characteristic is much more in the form of “hidden” autonomy rather than formal (apparent) autonomy. The telling factor explains the capacity of local state elites to exercise that of “hidden” autonomy is their access to accumulate political resources. Amongst other things is their skill in re-interpreting central government policies; knowledge of local problems; alliances with particular societal groups; and individual connections with central state elites (Hidayat, 1999: 312).

The revision of Local Government Law No. 22 of 1999 to become Law No. 32 of 2004, amongst other thing, is part of a political quick response to that of so called *otonomi kebablasan*. As a consequence, it is not surprising when we look at the substance of Law no. 32 of 2004; one may easily notice that the spirit of power re-centralisation seems to have dominated the arrangement of central-local governments’ power relationship.

## VI. Closing Remarks:

Local government has the potential to democratise because the decentralisation process allows for more responsiveness, representativeness and thus accountability. Decentralisation must simultaneously strengthen local capacity *and* build responsive governance systems (not only empower local governments, but also ensure that they are held accountable and deliver social services). However, the democratic potential of decentralisations is usually

greatest when it is linked with the institutionalisation of local level popular participation and community participation. Otherwise, in the absence of this linkage, decentralised authority may be hijacked by local elites as they are in power to steer benefits to themselves and their clients. Patterns of local strongmen, even warlords, can emerge.

Antlöv (2002) puts his view in some more details that popular participation involves the systematic participation in decision formulation and taking by groups of citizens, of linking those who have developed participatory methods for consultation, planning and monitoring to the new governance agenda. Citizen participation can be driven by innovative and committed citizens demanding their voices to be heard. It can also be provided by state agencies as ways to overcome the distrust in government and to empower local communities.

Overall, it may be argued that decentralisation is thus a necessary for meaningful local democracy but it must be linked with the institutionalisation of local level popular participation and community participation. Otherwise, decentralised authority will be hijacked by local elites to steer benefits to themselves and their clients. As we have learnt from the case of Indonesia, decentralisation policies in themselves do not promote good governance yet, as the stories above about mismanagement and power abuse attest to. It means to imply that Indonesian efforts to put into place an effective and more democratic state management still requires much improvement in the context of the day-to-day governance practices at the local level that encourage more citizen participation.

Finally, I would like to cast light on a proposition which says: although the answer to the question of whether the Indonesian decentralisation and local autonomy policies have actually managed to save the nation-state is still contested, the introduction of both concept and policy reforms in the post Suharto's period have, to some extent, reduced the region dissatisfaction upon the centre, and have opened up the political space for citizen participation in policy making process, and in governing their own communities. What Indonesian should do in the near future is to put decentralisation

156 on the right track and to prevent that of on-going democratic decentralisation process from the central government desire “to bring the power back in”.



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