

**Chapter 1**  
**Regional Autonomy in Indonesia:**  
**Field Experiences and Emerging Challenges**  
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**Abstract**

After more than three decades under a centralized national government, Indonesia decided to implement a new policy of regional autonomy that became effective on January 1<sup>st</sup>, 2001. This paper examines both the preparations for and the initial implementation of autonomy in the regions, as well as some of the challenges which have emerged during implementation. The paper is based on research conducted in fourteen districts across eleven provinces over the last two years. This presentation has two areas of focus: first, the internal processes used by local governments to manage their new powers and responsibilities; and second, the extent to which the process of creating public policies under regional autonomy for the regions reflects the spirit of transparency, good governance and democracy.

Law No. 22, 1999 on Local Government has devolved central government authorities to local governments in all government administrative sectors, except for security and defense, foreign policy, monetary and fiscal matters, justice, and religious affairs. Consequently, local governments have had to reform their internal structures to accommodate the huge increase in responsibility that has been passed on from the central government. A significant part of this process includes placing a large number of central government employees under the regional governments and increasing their financial capacity to implement regional autonomy. The absence of a detailed plan for the transition process and the lack of supporting regulations to clarify the procedures which

need to be undertaken, have hampered this sweeping devolution of authorities. The change in government administration must also deal with a lack of initiative and support from government employees for the policy. Many of the government employees who are now implementing regional autonomy are accustomed to being the implementers of centralized government policies. In addition, the previous government was characterized by its practices of corruption, collusion, and nepotism.

The main objectives of regional autonomy are to promote better delivery of government services and to raise the level of local government accountability. Therefore, the focus of this discussion covers both the impact of regional autonomy on local governments, as well as the impact of this policy on the performance of local governments in delivering services. Assuming that local governments are more familiar with the needs of their communities than the central government, we expect local governments to be able to create more suitable public policies.

Ultimately, regional autonomy is not simply a matter of regulating the relationships between the various level of government. Rather, it is about regulating the relationship between the government and the people. However, this is still difficult to achieve in the regions, because almost all local interest groups, including political parties, remain weak and poorly organized, because they have been almost completely left out of the political decision-making process over the last three decades. Without strong civil society institutions, it will be difficult to achieve practices of good governance.



## 1.1. Introduction

Throughout the 30-year term of President Suharto, Indonesia's system of government became increasingly centralized and autocratic. Indeed, these two features of government reinforced each other and tended to ignore the needs of regions and people. Since President Suharto stepped down in May 1998, Indonesia has experienced a dramatic push towards democracy. Characterized by a free election, freedom of the press, and nation-wide calls for *reformasi*, this democratization process has also given rise to regional demands for the central government to decentralize its authorities and functions.

Although decentralization also has the potential to create unrest in the short term, the demands from the regions for greater autonomy are now simply too strong to be ignored. In the long term decentralization has the potential to stabilize political, economic and social conditions in Indonesia. What is needed, however, is a realistic schedule for the implementation of decentralization that balances regional demands for autonomy with the capacity of regional governments to carry out their new functions.

The new policy of decentralization and regional autonomy is outlined in Law No. 22, 1999 concerning "Local Government"<sup>1</sup> and Law No. 25, 1999 concerning "The Fiscal

<sup>1</sup> This is Indonesia's seventh law on local government. Before independence the Dutch administration passed two regulations concerning decentralization. Since independence, there have been six main laws on local government, namely Law No. 1, 1945, Law No. 22, 1948, Law No. 1, 1957, President Edict No. 6, 1959, Law No. 18, 1965, and Law No. 5, 1974 (Pamudji, 1990; Suwandi, 2001).

### Balance Between the Central Government and the Regions."

Both these laws are based on five principles :

1) democracy, 2) community participation and empowerment, 3) equity and justice, 4) recognition of the potential and diversity within regions and 5) the need to strengthen local legislatures. These five principles support Indonesia's push for *reformasi*, which continues to aim to eradicate the practices of corruption, collusion, and nepotism (known as KKN), within the government bureaucracy.

One of the specific reasons behind the policy of decentralization and regional autonomy is that a centralized government system cannot possibly administer Indonesia's large population of over 203 million (BPS, 2001) and its diverse socio-cultural and religious background. Strong, competent regional governments and greater autonomy are fundamental requirement for a country as diverse as Indonesia. The main aim of decentralization and regional autonomy is to bring the governments closer to their constituents so that government services can be delivered more effectively and efficiently. This is based on the assumption that district and municipal governments have a better understanding of the needs and aspirations of their communities than the central government. Although there is considerable potential for district and municipal governments to be more responsive to community aspirations, before that can occur political parties and civil society groups in the regions need to be strengthened to ensure that the processes of good government can be properly established.

Politically, it can be said that the essence of regional autonomy is to return the 'dignity' of the regions, which until now has been overrun by the central government. From this perspective, it would appear that regional autonomy, which was formulated based on the paradigm of pluralism, can be described as part of an effort to redeem the country. The autonomy given to the regions will encourage and strengthen

national integration. A paradigm of this nature cannot be deduced only from one theory of national integration, but needs to be inducted from empirical evidence of countries which have undergone decentralization as a result of excessive control under a centralized government, as well as the experience of several countries which have remained integrated under an autonomous system or federation.

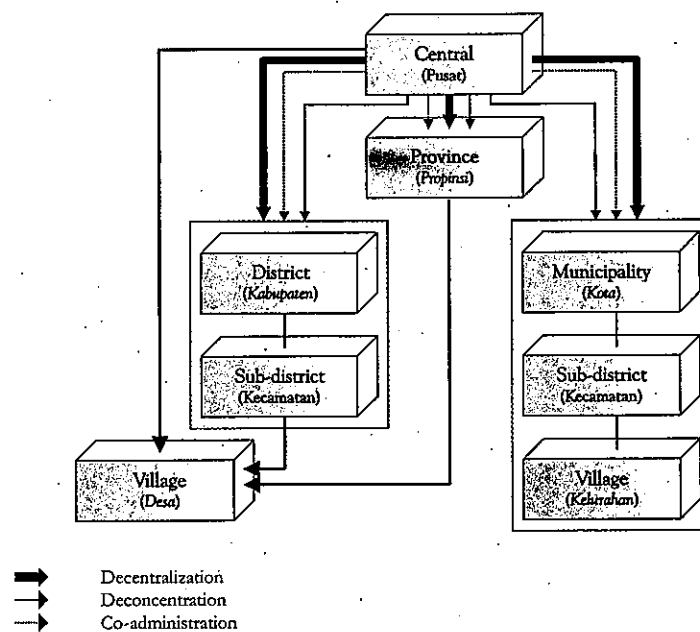
Despite the strong support for regional autonomy, it is not surprising that many still regard the new system as a threat. Hence, there has been increasing pressure on the central government to decentralize its operations. If the central government fails in its attempts to implement this new system, political elites in several regions want to support the implementation of a federal government system, while over others would prefer to pursue plans to be independent of Jakarta (for instance, Papua, Riau, Maluku and Aceh).

### 1.1.1. Government Framework and Authorities

The territory of Indonesia is divided into autonomous provinces, districts (*kabupaten*) and municipalities (*kota*). Districts and municipalities are technically the same level of government. This distinction is based on whether the government administration is located in a rural area (district) or an urban area (municipality). Within districts and municipalities there are sub-districts (*kecamatan*) which are smaller administrative government units. Each sub-district is further divided into villages. Villages in rural areas are called *desa*, while in urban areas they are referred to as *kelurahan* (Figure 1.1). Law No. 22, 1999 transfers functions, personnel and assets from the central government to provincial as well as to district and municipal governments. This means that additional authorities are being devolved to district and municipal governments, establishing a far more decentralized system compared to the

deconcentrated<sup>2</sup> and co-administered<sup>3</sup> systems of the past (see Figure 1). The bupati (district head) and walikota (municipal head) as the heads of the autonomous local governments are directly responsible to the local assembly (*Dewan Perwakilan Rakyat Daerah*, DPRD). The deconcentrated agencies for devolved functions have been abolished and the civil servants of these agencies have been placed under the authority of the regional governments.

**Figure 1.1.**  
Framework of Government According to Law. 22, 1999



<sup>2</sup> Deconcentration is the delegation of authority by the central government to the governor of a province and/or a central government official in the province.

<sup>3</sup> Co-administration is when higher levels of government direct lower levels to undertake tasks and functions and the higher level of government provides the costs, means, infrastructure and human resources to carry out the tasks. The lower level of government is obliged to report to the higher level of government regarding the execution of these tasks or functions

In all government administrative sectors with the exception of security and defense, foreign policy, monetary and fiscal matters, justice, and religious affairs, the law has devolved central government functions to regional governments. Provinces have a dual status as autonomous regions themselves and also as representatives of the central government in regions. As autonomous regions, the provinces have the authority to manage certain matters that cross both inter-district and inter-district and municipality administration and authorities that are not (or not yet) implemented by the districts and municipalities. As the representatives of the central government, the provinces carry out certain administrative tasks delegated by the President to Governors.

Decentralization is focused at the district and municipality levels. This has always been the third tier of government below the central and the provincial levels. There are 30 provinces and 341 such administrations in Indonesia. (MoHARA, March 2001). The power of districts and municipalities covers all sectors of administrative authority other than those retained by the central government and the provinces, including public works, health, education and culture, agriculture, transportation, industry and trade, investment, environment, land affairs, cooperatives and manpower.

There is a tradition of civil society groups in Indonesia, but they have been almost completely left out of the political decision-making process or else co-opted by the government over the last three decades. Therefore a wide range of community organizations representing political and religious interests, local customary law (*adat*), women, and youth needs to be developed. Likewise, a variety of professional bodies, including those for business people, lawyers, teachers, laborers, journalists and academics can also play an important role in

voicing the aspirations of the community to local governments. Sustainable reforms in government administration can only be achieved through a re-negotiation of the balance of power between the state and the people (represented through a variety of community organizations), based on genuine and extensive interactions (Antlöv, 1999).

### 1.1.2. Methods and Objectives

This paper examines the preparations for decentralization that have been undertaken by regional governments, some of the initial implementation measures, and some of the emerging challenges faced by district and municipal governments during the process of implementing decentralization. This presentation focuses on two areas: first, the internal processes undertaken by local governments to cope with their new powers and responsibilities, and second, whether the processes of creating public policies reflect the spirit of transparency, good governance and democracy. The paper is based on field research conducted by SMERU's research team in twelve districts and two municipalities across eleven provinces over the past eighteen months (see Table 1.1).<sup>4</sup> The sample areas have been chosen to allow for a geographic spread across Indonesia. They were intended to reflect some of Indonesia's regional variations and also to permit the researchers to view the implementation of the decentralization laws both in areas where these laws are working well and also in those areas where significant difficulties and problems are emerging.

<sup>4</sup> The original aim of this research was to assist and inform the government about the implementation of regional autonomy by contributing accurate real-time information through regular reports, memorandums and newsletters to policymakers, the donor community, political parties, community organizations, Indonesia's academic community, and other professional bodies.



**Table 1.1**  
District and municipality sample

District and municipality	Province	Location	Schedule of field work
1. Sumba Timur	East Nusa Tenggara	Eastern Indonesia	September 2001
2. Lombok Barat	West Nusa Tenggara	Eastern Indonesia	June 2000
3. Minahasa	North Sulawesi	Eastern Indonesia	May 2001
4. Bolaang Mangondow	North Sulawesi	Eastern Indonesia	May 2001
5. Gorontalo	Gorontalo	Eastern Indonesia	May 2001
6. Banjarmasin	South Kalimantan	Eastern Indonesia	August 2000
7. Sanggau	West Kalimantan	Eastern Indonesia	September 2000
8. Magetan	East Java	Java	October 2000
9. Kudus	Central Java	Java	November 2000
10. Sukabumi	West Java	Java	April 2000
11. Solok	West Sumatra	Western Indonesia	July 2000
12. Karo	North Sumatra	Western Indonesia	February 2001
13. Simalungun	North Sumatra	Western Indonesia	February 2001
14. Deli Serdang	North Sumatra	Western Indonesia	March 2001

*Note: Areas in bold are municipalities.*

The information was collected primarily through semi-structured interviews with officials at all levels of government, as well as with representatives of political parties and civil society institutions (including community organizations, NGOs, the press, professional bodies, informal religious leaders, local-level traditional leaders, village heads and members of village-level assemblies). The semi-structured nature of the research has allowed for flexibility and consistency the investigation of issues as they arise from several angles.



## 1.2. Decentralization of Authority

Some of the changes that need to be made for the transformation of Indonesia from a centralized autocracy to a decentralized democracy have been implemented quite quickly (for example, by holding free elections and passing laws that transfer central government functions to the regions). Other essential changes will take much longer (for example changing the centralized mind-set of public servants and building the capacity of regions to cope with their new functions). There is widespread concern about the role of some of the government officials who are currently responsible for implementing regional autonomy and their relationship with the previous highly centralized government. That government was characterized by widespread practices of corruption, collusion and nepotism. For more than three decades, the government and its administration, including the army and the police, were more concerned with serving the needs of the executive branch of government and maintaining their power, rather than serving the public. There is now a clear need to separate the bureaucracy, the army and the police from political positions so that they remain neutral.

One important issue that needs to be clarified is the meaning of the term 'authority' in Government Regulation No. 25, 2000 on "Government Authority and Provincial Authority as the Autonomous Government". Presently, this government regulation reads more like a central government instruction about the duties and responsibilities of the regions rather than a document that grants authority over new functions. According to this regulation, if districts and municipalities lack the capacity to carry out certain functions, their duties are to be surrendered to the provincial government. Although Government Regulation No. 25, 2000 was intended to clarify the process of surrendering functions to the provincial government, many uncertainties regarding this process still remain.

As of September 2001 many regions were still preparing to implement Law No. 22, 1999. Local governments were still studying the formulation of the powers and functions that they have been assigned and were preparing the structure of the organizations that will be placed under their authority. One factor slowing down preparations for decentralization is the lack of clear supporting regulations and directives from the central government.<sup>5</sup> Therefore, there is a widespread perception in every region that the central government is still not fully committed to the implementation of regional autonomy. This is demonstrated by at least three factors. First, the central government has been slow to issue the regulations that are required to clarify Law No. 22, 1999 and Law No. 25, 1999.

<sup>5</sup> The lack of supporting regulations is typical of the inefficiency of the central government. For instance, the trial of regional autonomy began 22 years after the law on "Regional Government" (Law No. 5, 1974) was passed. This law was never fully implemented. According to Suprayoga Hadi (2001) of Bappenas (the National Development and Planning Board), the District Autonomy Pilot Program (DAPP), which began in 1996 and was carried out in one kabupaten or municipality in each province, was successful in achieving the broad stated goals of decentralization. In reality this initiative was stifled because the central government failed to pass on the required financial resources to match the new responsibilities.

Second, the regions consider the central government to be inconsistent in the implementation of these laws since several authorities originally granted to the regions have been revoked.<sup>6</sup> Third, the central government has been seen as reactive in the way it has ratified several regulations. For example, Government Regulation No. 20, 2001, concerning "Supervision and Control of the Performance of Local Governments" was issued after there were cases of provincial governments being ignored by *kabupaten* and *kota* governments. These factors have created an environment of uncertainty for local governments as they prepare to implement regional autonomy.

### 1.2.1. Restructuring Government Organizations

Restructuring the institutional framework of local government (the organizational hierarchy of government departments) was one of the essential steps undertaken to prepare for the implementation of decentralization. In total, 239 provincial-level offices of the central government (*kannwil*), 3,933 district-level offices of the central government (*kandep*), and 16,180 technical units (*UPT*) of the central government have been handed over to provinces, districts, and municipalities (*GTZ Decentralization News*, March 2001). The amalgamation of certain offices in the central government hierarchy has resulted in the formation of both technical offices and other autonomous agencies.

<sup>6</sup> For example, Presidential Decree No. 10 concerning "the Implementation of Regional Autonomy in the Land Sector" contradicts Article 11 of Law No. 22, 1999, which cedes responsibility for land matters to district and municipal governments. This decree cancels the transfer of land administration to local governments, whereas in fact many district and municipal governments have already established a Local Land Administrative Office. Besides land matters, many regions are still not clear about central government policies on managing areas and functions such as transport, communications, statistics and family planning.

The regional governments have tried to downsize the government structure as efficiently as possible in accordance with the principle of "rich in function, poor in structure (*kaya fungsi, miskin struktur*)". In theory, this requires a significant reduction in the present number of public servants. Regional governments have always tended to avoid the difficulties caused by retrenching civil servants. As a result, many district and municipal governments have had to maintain unnecessarily large administrative structures (Table 1.2).<sup>7</sup> The provincial governments have also tended to remain large, even though their tasks and responsibilities have been substantially reduced.

**Table 1.2.**  
Number of government work units in selected districts and municipalities

District and municipality	Before the new law	After the new law	Change
1. Minahasa	20	34	+14
2. Bolaang Mangondow	16	25	+ 9
3. Gorontalo	13	25	+12
4. Banjarmasin	25	33	+ 8
5. Sanggau	18	25	+ 7
6. Magetan	22	26	+ 4
7. Kudus	16	16	0
8. Karo	15	19	+ 4
9. Simalungun	39	28	- 11

Source: SMERU field reports.

<sup>7</sup> The district of Simalungun, in the province of North Sumatra, was one of the trial areas for regional autonomy as authorized by Law No. 5, 1974. During this trial the Simalungun district formed 39 work units. In practice, however, the district faced serious problems because the transfer of authority was not matched by the transfer of adequate funding by the central government. This experience then forced Simalungun district to reduce the size of its administration. There is much suspicion about the central government's sincerity in implementing decentralization because many regions fear that the current central government will replicate the bad experiences of the district autonomy pilot program (DAPP). The DAPP is remembered as more of a burden than an advantage. (see also Footnote No. 5).

In the past it was commonplace for staff to be nominated before institutions were designed, leading to a less than perfect maximization of human resources. In the future, however, each regional government must design its own institutions based on the functions and tasks that are to be performed according to local needs. Therefore local governments should conduct self-assessment studies in order to determine priorities in restructuring the local civil service. In addition, there is a need for the government to consider undertaking a nationally designed policy regarding early retirement to enable such restructuring to take place. There is also a continuing debate over whether power should be concentrated at the provincial level or at the district and municipal level. Many provincial officials doubt the capacity of district and municipal governments to implement decentralization. They give the impression that they are still hoping that decentralization will be implemented at the provincial level and not directly at the district and municipal level. Of major concern is the fact that there will not be sufficient funds to finance the more than 700 tasks and functions for which district and municipal governments are now responsible. Therefore, many provincial-level officials expect that within a year or so many district and municipal governments will surrender some of their responsibilities and functions to the province. It is widely accepted, however, that the central government felt that it was politically undesirable to build strong, self-governing provinces. The reason behind this is that these may have become vehicles for stronger regional disintegration, especially in areas like Aceh, Maluku and Papua, where independence movements are already posing a challenge to the central government.

Despite this, provincial as well as district and municipal governments agree that regional autonomy should be implemented without delay. Although the regions enthusiastically supported starting decentralization on the January 1<sup>st</sup>, 2001,

there was also a common perception that not all the preparations for decentralization needed to be completed by that date. There appears to be a realistic acceptance by government officials at all levels that the process of implementing decentralization will be lengthy and that the regional governments will handle problems as they arise.

### 1.2.2. The Relationship between Government Levels

At the heart of the implementation of decentralization is the relationship between the central government and the governments in the regions. If decentralization is to proceed smoothly the following issues are of primary importance. First, the central government must continue to demonstrate its commitment to the process now underway and its willingness to implement Law No 22, 1999 and Law No. 25, 1999. Second, regional governments need to exercise patience and must be realistic during the implementation phase of these laws. Third, mechanisms must be found to assist government personnel to focus their work on public services, instead of merely catering to the needs of their superiors.

Since implementation of the new decentralization laws began, the position of the province in relation to the district and the municipality has become uncertain. The district and municipal governments now have a direct reciprocal relationship with the central government. According to Law No. 22, 1999, each autonomous region is independent and there is no longer any hierarchical relationship between the provincial and the district and municipal government. Therefore, in the course of carrying out the tasks of government, the district and municipality are tending to position themselves as subordinates of the central government, rather than the province. Some members of district and municipal representative assemblies (*Dewan Perwakilan Rakyat Daerah*, DPRD) even doubt the authority of the provincial assembly in their region.

In South Kalimantan and North Sulawesi local regulations on the same subject have been issued by both provincial and district assemblies. This suggests the need for a clear set of guidelines setting out the relationship between the various layers of government.

In the past the "vertical agencies" were the instruments of the central government carrying out highly centralized government policies in the regions. Many of their tasks and powers have been now devolved to regional governments. According to Article 8, section (1) of Law No. 22, 1999, the process of devolving these powers must be accompanied by the transfer of funding, infrastructure and human resources. The surrender of infrastructure in the form of land, buildings, and equipment, however, appears to require further discussion and is awaiting additional arrangements between the central government and regional governments.

### 1.2.3. Changing Status of Government Employees

One outcome of the decentralization process is a massive excess of around 2.1 million central government employees who are being transferred to the regional levels of government (*Koran Tempo*, July 14<sup>th</sup>, 2001), at both the provincial as well as the district and municipal levels of administration. Approximately half of these government personnel are school teachers. In many districts and municipalities there are also provincial-level employees who will be transferred to district and municipal governments. This transfer tends more to represent a change in status than a physical transfer because most of these officials are already based in the regions. For example, following the implementation of decentralization the number of public servants in the Kudus district in Central Java increased from 1,184 to 8,875 (Table.1.3): All these personnel, however, were already based in Kudus, so decentralization has not resulted in them being physically transferred from, for



example, Jakarta to Kudus.

**Table 1.3.**

The number and status of government employees before  
January 1<sup>st</sup>, 2001,

**Kudus District**

Status	District employees	Provincial employees	Central Government employees	Total
District government agencies	1,184	0	980	2,164
Province government agencies	0	301	18	319
Central government agencies	0	0	6,392	6,392
<b>Total</b>	<b>1,184</b>	<b>301</b>	<b>7,390</b>	<b>8,875</b>

*Source: Civil Service Administration Section, Kudus District.*

The transfer of personnel from the center to the regions has already been carried out. Discrepancies have been found between the number of employees counted by local governments in their staff inventories, and the figures released by the National Agency of Civil Service Administration (BKN). In several provinces BKN has reported a higher number of employees, compared with employee data produced by local governments. For example, in six departments that had previously undergone liquidation in West Sumatra there was a difference of 1,069 in the number of personnel according to regional data and the figures released by the central government (Table 1.4).

**Table 1.4.**  
Estimated number of government personnel, selected  
departments in West Sumatra

Deconcentrated Offices *	Regional Civil Service Administration Bureau	National Civil Service Administration Agency	Discrepancy
Dept. of Information	1,041	1,099	58
Dept. of Cooperatives & Small Scale Industry	534	1,087	553
Dept. of Public Works	848	1,281	433
Dept. of Tourism, Art and Culture	50	51	1
Dept. of Social Welfare	646	676	30
Dept. of Transmigration	260	254	-6
<b>Total</b>	<b>3,379</b>	<b>4,448</b>	<b>1,069</b>

Note: \* This includes both the provincial and district/municipal level offices representing central government departments.

Source: *Mimbar Minang*, July 12, 2000

The head of the Bureau of Civil Service Administration in West Sumatra suspects that the discrepancy in the data occurred because some of the former vertical agency personnel had already been transferred to different regions, although they were still listed with BKN as civil servants in West Sumatra. Other sources, from the Office of the Governor of West Sumatra, believe that the surplus 1,069 'phantom' personnel was a central government strategy to secure positions for civil servants who could not be accommodated in other regions.

Meanwhile, the provincial government in East Java has provided a different explanation for the data discrepancies released by BKN and their own Regional Bureau. They suspect that many personnel from different regions have requested transfers to East Java directly from the central government. Thus, although the transfers were both orga-

nized and registered in Jakarta, the names of these officials were not registered at the East Java regional government offices. In West Kalimantan the provincial government is of the opinion that the discrepancies in this province occurred because BKN was using outdated data from the respective government departments in Jakarta.

At present there are questions regarding the extent of such discrepancies, and whether the high numbers of extra officials can be explained as inadvertent mistakes. A more cynical explanation is that the recording of incorrect data was deliberate and aimed at claiming the salaries of these 'phantom' civil servants. Because the phantom civil servants have been recorded at the central government level, their salaries have been paid out based on central government data. It is unclear, however, where the money has gone to because these 'phantom' employees clearly do not exist at the local level.

Despite efforts by local governments to streamline the structure of the government, there remain more employees than there are public service positions. Besides this structural problem, there is a bias amongst regional government officials to fill important positions with *putra daerah*, meaning literally "sons of the region". This refers to the movement to promote the interests of those who come from a particular area or ethnic group over those who are considered to be outsiders or newcomers. Regional government officials admit that *putra daerah* demands exist as there is an expectation that more attention will now be paid to the interests of local people. This issue is a reflection of the decreasing level of confidence in the central government, which for over three decades treated the regions as an "instrument" to be utilized for its own interests for which the placement in the regions of public servants obedient to Jakarta was considered essential. As a result, many people in the regions believe that they have been constrained for too long by the central government; and consequently are now aspiring to become "the masters of their own region."

In some regions concern over the transfer of personnel has increased the interest of local government officials in education and training. This is a new phenomenon sparked by the perception that central government officials based in the regions represent a threat and local officials now need to improve their skills to hold on to their positions or to move into better ones.

While a move to raise the level of skills is encouraging, the potential for conflict remains unresolved. Clarification of transfer issues will help ease insecurities and avoid rivalries that emerge through former central government officials and local government officials being placed in competition with each other. In dealing with the *putra daerah* issue, regional governments must also establish an appointment process for local officials that is thoroughly transparent and based on the criteria of career experience and competency.

#### 1.2.4. Dealing with Local Government Budgets

According to Law No. 22, 1999, and Law No. 25, 1999, decentralization in budgetary matters is mainly applicable to the expenditure side. It does not on apply the fiscal or revenue-raising side so there is no increased capacity of local government to tax income or assets. Therefore, although the regions now have the authority to decide how to allocate their budget, they have been given no new revenue-raising powers. As a result, the regions are still largely dependent on transfers from the central government for their source of funds (Table 1.5). According to Law No. 25, 1999, the General Allocation of Funds from the central government (DAU, *Dana Alokasi Umum*) is to be used by the local government according to its own priorities. The total amount to be allocated to the regions under regional autonomy is at least 25% of national domestic revenue (after excluding the special share to be returned to resource-rich regions); 90% of this amount is to be allocated to

districts and municipalities and the remaining 10% is to go to the provinces. The total amount of the DAU for all regions for the FY 2001 is Rp60.5 trillion or US\$6.1 million.

Despite this lack of fiscal autonomy, there is much enthusiasm for decentralization in the regions and it appears to be increasing. Such enthusiasm on the part of local governments has generally resulted in the creation of many more regulations concerning local taxes and levies, but excluding those on income and assets (Saad, 2001). This tendency has been strengthened by the perception that autonomous local governments should have the authority to manage and generate revenue. Furthermore, many local government officials believe that the successful implementation of decentralization will ultimately depend to a large extent upon their capability to extract local revenues. The problem is that increases in local taxes and levies, excluding income and assets, have not been matched by the provision of better services.

**Table 1.5.**  
Various sources of local government budget funding before  
and after January 2001

Kabupaten/Kota	DAU 2001 (Block Grant)	Subsidy, Development Fund, Revenue Sharing (1999/00)	Local Sources of Revenues		New local regulations <sup>**)</sup>
			1999/00 (realization)	2001 (target)	
	(Billion Rupiah)				
<b>1. Banjarmasin</b>	127.9	72.3	12,866.0		
<b>2. Bolmong</b>	140.8	70.0	2,284.6	4,405.6	21
<b>3. Gorontalo</b>	148.6	91.8	2,399.4	5,115.1	37
<b>4. Karo</b>	92.0	68.3	7,089.5	4,007.8	2
<b>5. Kudus</b>	175.6	66.8	11,897.9	n.a.	
<b>6. Lombok Barat</b>	165.1	86.4	14,630.4	n.a.	
<b>7. Magetan</b>	208.9	91.7	5,609.6	n.a.	
<b>8. Minahasa</b>	260.4	13.8	7,40.7	15,877.2	35
<b>9. Sukabumi</b>	81.0	48.6	8,296.9	n.a.	
<b>10. Sanggau</b>	192.4	84.3	1,746.5	n.a.	
<b>11. Solok</b>	150.8	87.9	2,825.1	n.a.	
<b>12. Simalungun</b>	260.3	13.8	5,012.0	11,000.0	32
<b>13. Deli Serdang</b>	335.2	n.a.	10,894.1	24,000.0	28
<b>14. Lombok Timur</b>	122.9	34.5	1,475.6	2,332.5	

Notes : Areas in bold are municipalities.

\*\*) New local regulations on taxes and *retribusi*.

n.a. = not available.

Sources: SMERU Field reports.

The size of the DAU provided for the regions is relatively large. But after central government employees and more responsibilities for government services have been transferred down to the regions, most of the allocated budget has been sufficient only to fund routine local government expenditure. This situation has boosted the desire of local governments to increase their local revenue, even though in the long term (consciously or unconsciously) such endeavors will tend to create a negative impact on the local business climate.

Regional governments, especially at district and municipality level, are aware that they are still restricted in their capacity to implement regional autonomy. Since local governments will still continue to depend on the central government, especially for budgetary assistance, the regions have been trying to increase their income through their power to raise local revenue based on Law No. 18, 1997 (later revised as Law No. 34, 2000, "Local Taxes and Levies"). The increased enthusiasm of local governments to seek out new sources of revenue has resulted in community concern, especially in business circles and among NGOs. There is a fear that regional autonomy will create a new system of power relationships that will merely result in the transfer of the features of the New Order system, including corruption from the center to the regions.

### 1.3. People Autonomy

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Ultimately, regional autonomy is not just a matter of regulating the relationships between the various levels of government, rather it is also about regulating the relationship between the state and the people. Regional autonomy is essentially the responsibility of the local population, because it is ultimately the people's right to administer their own system of government in a manner that will accommodate their own laws, ethics and local traditions (Maskun, 1999). According to Law No. 22, 1999, this is to be ultimately achieved through their representatives in the local parliament by way of the multi-party system and free elections.

There is widespread agreement that those members elected to the 1999-2004 local assemblies are the most legitimate of any representatives from the local community since the 1955 election. This is a reflection of the demand for reform, and also of the increasing development of democracy in Indonesia, which have resulted in a period of significant change for these local assemblies. In the recent past the executive branch of government was powerful and dominant. Now the executive is required to work with the legislators as equals.



A new paradigm has started to emerge in the regions at the provincial, district and municipal levels. It is apparent that there has been a significant change in the attitudes of local assembly members. There are encouraging signs that these local assemblies are now operating in a more accountable and more democratic fashion than ever before. They have become more responsive to the aspirations of the local communities, and have begun to involve themselves directly in clarifying and following up individual grievances and demands by their local constituents. In addition, open public debates have begun to flourish. The members of local assemblies have started to use their position and authority to exercise a degree of control over the performance of local senior public servants, at the same time becoming more critical of local government policies. These changes are evidenced by the increasing level and frequency of debates over policy and legislation.

Unfortunately, these changing attitudes have not always been supported by adequate technical skills and professionalism. Hence, the voice of the people is not yet being channeled effectively through its representatives whose capacities are often limited. This problem is most clearly evident at district and municipal levels, where many members of the local assembly appear to be lacking in formal education and general political experience. Of course this is a direct consequence of the democratic process and it also reflects the educational levels and political sophistication of the wider community. Of more serious concern is the fact that cases of "money politics" are still frequently reported in the local and national press and directly involve members of local parliaments.

### **1.3.1. The Role of Political Parties**

The issue of political parties casts a shadow over the personal integrity of individual members and the moral authority of local assemblies. It is apparent that many of those

who were elected to these bodies do not owe their position to their knowledge of local affairs or their technical skills. Many were simply proposed as candidates by those parties that secured a sufficient number of electoral votes. Because the proportional representation system is used by Indonesia to elect members of both the national and regional constituent assemblies, the people do not directly elect their local members but simply vote for political parties.

One additional problem is that parties at the district and municipal level do not always have sufficient control over their representatives in the local assembly. This is entirely a consequence of the weaknesses of most political parties at the local level, where party organization, the development of a strong system of branch membership, and the training of local cadres remain seriously limited. Since election campaigns are still based on emotional rather than policy issues, political parties have not yet begun to produce clear policy platforms for their members to pursue in the assembly.

In addition, the limited time available to prepare for and implement the last election was not conducive to building sound democratic institutional support systems. If parties remain weak, particularly at the district and municipal levels, then the quality of the elected members in the 2004 legislature will continue to be poor. This may in turn generate a lack of confidence in the ability of local parliamentary members to formulate public policies and to monitor and control the executive branch of government effectively. In an attempt to overcome some of these problems, the central government has recently passed Government Regulation No. 51, 2001 on "Government Funding for Political Parties". The funds that have been made available are intended to help political parties to struggle for their aspirations in social, economic and political life. The details of the scheme, including how the funds are dispersed and what the money can be legitimately used for, will be outlined in a decree of the Minister of Home

Affairs. Many informal local leaders, however, have expressed concern that political party independence will be threatened if they receive funding from the government.

The adoption of a more modern organizational approach by political parties, including community organizations and interest groups will help to create a stronger democratic society. Many hope that district and municipal governments will not become "little kingdoms" of corruption scattered across Indonesia. Regional governments must in the future devolve some of the public service responsibilities to sub-district and village-level administrations and even to community organizations as well as interest groups.

While it has not yet become widespread throughout every region, local people are currently enjoying greater freedom than ever before in controlling both the legislators and the executive. Representatives of the local community now have the courage to express their views and to demand that local assemblies recognize and comply with their aspirations. Nevertheless, there are still formidable barriers preventing interest groups and community organizations from participating more completely in the public decision-making process. For instance, when the draft of a proposed regional regulation on natural resources and the environment was submitted by a non-government organization (NGO) in North Sulawesi, several senior local officials told the SMERU research team that "there is no arrangement that enables NGOs to draft local government regulations".

### 1.3.2. Public Policy and Government Services Analysis

The public service in the regions has operated for far too long without effective controls or proper accountability. Local assemblies need to exercise control over the activities of the executive branch of administration. Some members of these local assemblies are actively giving advice and making criti-

cisms of the local administration, although this is often interpreted as unwanted intervention or a breach of the local assembly's authority. It is also apparent that some members of local assemblies, in their eagerness to exercise control over the local executive, have sometimes acted in an intolerant and aggressive manner, or have attempted to interfere in technical matters beyond their competence. In addition, some legislators have been criticized for their lack of initiative, or for their failure to scrutinize the details of local legislation before it is ratified.

At the same time, regional assembly members have also been widely accused of ignoring the interests of their constituents in favor of their own personal ambitions or group interests. For instance, in many regions the salaries of local parliament members have been significantly increased, despite the fact that the country is still recovering from the effects of the 1997-1998 monetary crisis (see Table 1.6).

Some of the issues outlined above are highlighted in the regional draft budget that allocates funding. This process of allocating funds to various sectors now depends entirely on the head of the region, assisted by his or her own senior staff and the local assembly. Previously, the regions received fixed allocations for various sectors from the central government. In the absence of a strong, clear vision and mission on the part of the local executive, civil society groups worry that the process of allocating resources will pose a threat to the improvement of public policy. Many people in the regions are concerned that too many corrupt local bureaucrats are still involved in decisions about the allocation of sectoral funding. If, for example, the allocation for the routine budget, which covers all matters related to the running of the bureaucracy, is given greater priority, there will inevitably be a reduction in the budget for such sectors as health and education. For example, in the draft 2001 regional budget in North Sulawesi and Gorontalo, no funding is allocated for school operations. As a

result, school principals have been forced to collect funds directly from the parents of students. If such procedures become the norm under regional autonomy, especially in poor areas, then the supposed objectives of raising the standard of public services and improving access will not be achieved.

**Table 1.6.**

Salary increases of local assembly members in selected regions

	Region	Change based on the salary of the previous assembly (%)
1.	North Sumatra Province	+300
	• Simalungun District	+250
2.	West Sumatra Province	+460
	• Solok District	+250
3.	East Java Province	+117
	• Magetan District	No change
4.	Central Java	n. a.
	• Kudus District	+200
5.	West Kalimantan Province	+270
	• Sanggau District	Increase
6.	South Kalimantan	n. a.
	• Banjarmasin Municipality	No change
7.	West Nusa Tenggara	n. a.
	• West Lombok District	+330

Note: n.a. = not available.  
Sources: SMERU field reports.

Many of those in leadership positions in local assemblies are fully aware of the problems they are facing. Some practical steps are already underway in certain regions both to improve the skills of local assembly members and also to give them a more comprehensive understanding of their rights, duties, and responsibilities as representatives of the local community. The local assembly in the Municipality of Sukabumi, for example, has encouraged its members to attend particular training sessions and other forms of further education. They are also beginning to accept the need for special assistance

from experienced professionals. In the province of Central Java, there have been several productive dialogue sessions between the executive branch of government and local legislators so that each has an appreciation of their respective tasks. This has been undertaken in conjunction with efforts to improve the formal education of assembly members. Meanwhile, members of the Banjarmasin municipal assembly have attended short training courses in Yogyakarta on the practicalities of constructing regional budgets and drafting public policies.

Nevertheless, an improvement in the technical capacity and general knowledge of the elected legislators is not the only guarantee needed for the smooth advancement of democracy throughout the provinces and regions of Indonesia. It is also crucial for the wider community to become directly involved in exercising independent and transparent control over the entire system of local government. In this regard, the local press, mass media, political parties, interest groups and community organizations will all play an important role in the process of building democratic regional governments.

Although many legitimate concerns have been raised about the risks of regional autonomy and many problems will need to be overcome as implementation proceeds, such fears must be balanced against the potential advantages for the entire nation if this process succeeds. In reality, given the enthusiasm in the regions for greater autonomy, this process cannot be reversed. It is part of the role of research institutions, academics and donors in Indonesia to support the process. The entire process should be regarded as an opportunity as well as a challenge to improve public services. It is important to match the idealism surrounding what regional autonomy can achieve for Indonesia with the reality that some regional governments have limited capacity to manage their own affairs. Some regions will therefore experience a break-

down in the delivery of essential services, and consequently the benefits of autonomy may not be felt for some time.

In the long term, the authority to provide public services, which has in the past been controlled by the executive branch of the government, should gradually be handed over to the community (see Box 1). Therefore, each of the public service departments should allow for recipients to develop their own ideas and provide input into how services should be provided. Public service departments must become increasingly responsive to community demands.

#### Box 1

##### **Cooperation between an Islamic Boarding School, the Local Government and the Community to Develop Segenter Village. A Success Story.**

Nurul Hakim Boarding School (Pesantren) is one of 200 pesantren in West Nusa Tenggara. This school has around 2,400 students from the provinces of West and East Nusa Tenggara, Bali, South Sulawesi, South and West Sumatra and Riau. The school has been cooperating actively with the local government in supporting the Sasak people of Segenter village to develop their community. Villagers maintain their traditional Sasak houses and keep their village clean. Several years ago the students of Nurul Hakim Boarding School worked with Segenter villagers to build a 7 km long clean water pipeline. The local government then built a 10 km road to connect Segenter village to the main road.

Subsequently many tourists have come to Segenter to see the traditional houses. In 1997 a Dutch tourist visited Segenter and gave Rp 25 million to the villagers to build a school, now named the De Koning School. In 1998 a rich Arabian contributed funds to build a mosque.

The Nurul Hakim Boarding School designs programs to send a group of its students to several poor villages in West Nusa Tenggara in order to live and work with the villagers. The concept behind the program is that the presence of the students will allow villagers to increase their awareness of the benefits of community action.

*Source: SMERU, July 2000.*

In the Municipality of Banjarmasin several public service tasks, for example garbage collection and advertising space, will be handed over to private firms to manage. In Sukabumi the task of managing elementary schools will be transferred to school boards, which must be established by teachers and parents (see Box 2). In the District of Minahasa it has been proposed that community organizations and interest groups be permitted to operate schools throughout the whole of a sub-district or village.

### Box 2 School Autonomy Trial

SD Dewi Sartika Cipta Bina Mandiri is a primary school in West Java with 270 students. It is one of six state primary schools that merged in April 2000 in an effort to make teaching more effective and efficient. This merger was designed by a team made up of staff from the Sukabumi Municipal Education and Culture Office, the Central Government Departmental Office for Home Affairs at municipal-level, the Sukabumi Municipal Health Office and the Indonesian Teachers Association. All teachers in Sukabumi Municipal were eligible to apply for positions at the school and teachers were appointed on the basis of a competency test. Those who had been teaching at the six schools before the merger, if not selected, were relocated to other schools.

The autonomy is part of a program known as School Based Management (SBM). It includes granting schools authority over matters such as classes and timetable, selection of curriculum content and text books, student affairs, and school maintainance.

A School Committee, made up of teachers and parents of students, monitors how education is being delivered and helps to raise supplementary funds. In the future the appointment of teachers and the school principal will be planned and carried out by the School Committee. The Committee and the teaching staff are committed to the mission of the school, which is to encourage spiritual and intellectual development, healthy lifestyle practices, creativity and independence. In the near future the Municipality of Sukabumi plans to open a trial primary school such as this in every sub-district.

*Source: SMERU, June 2000*



Members of the community should be recognized as citizens who are entitled to a satisfactory level of public services. They must be given the chance to participate in key decisions and also to manage and fulfill the needs of the community. Public service output, for instance, should be a source of local satisfaction and pride. These elements are as important as material gain. They can be achieved in the future only if governments put people in the front line of public services. Government officials will, however, have to delegate some of their powers to the local community. The ideal approach to the problems posed by the need to improve public services is characterized by a relationship between government officials and the wider community whereby officials act as the catalysts and a portion of the decision-making process is decentralized. Such an approach will help to reduce the burden on government, especially at a time when budgets are limited and the capacity of government to fulfill the needs of the public are being questioned. Basically, the less involved government is in the provision of public services the better. As yet, there is no clear model of the direction that public policy formulation should take in the regions. Many believe that there have been few changes to the provision of public services due to the following factors. First, there has been a sudden redesign of government policy based on the transfer of a large number of central government powers to the kabupaten and kota governments. Consequently, the regions have not had sufficient opportunity to prepare the detailed guidelines needed to implement their new powers. Second, these policy changes are also based on a review of the relationship between the executive and the legislature, resulting from the reform movement. At present, the members of the DPRD believe they can execute more power, which is most evident in their intervention in the affairs and authority of the executive. Third, as yet there are no clear processes or mechanisms that can be used by the legislative and executive bodies to capture

community interests. While the legislature believes it always acts in the best interests of the community, in reality the general election is based on face value rather than the competencies of the candidates, resulting in party interests being prioritized over the interests of the voters. Fourth, the processes used by the executive to formulate public policy are not transparent, nor are they publicized for the community, because of the unclear mechanisms used to formulate policy and local officials' lack of preparation to accommodate the interests of the community.



#### 1.4. The Revision of Law No.22,1999

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Although it is not absolutely clear just which aspects of regional autonomy will be revised, several groups consider the step to be premature. These groups are also of the opinion that the reasons given for the revision of the law tend to be anecdotal. For example, a number of *Bupati* and *Walikota* have been 'accused' of being unprepared for their placement under the coordination of the Governor. According to media accounts, these accusations surfaced after several in a number of regions did not attend some of the coordination meetings put on by the Governor, but appointed a representative to attend on their behalf. For instance, *Bupati* or *Walikota* appointed the Regional Secretary, the Chairperson of the Regional Development Planning Agency or another one of their official staff to attend the meetings.

In explaining this matter, it is important to know exactly which aspects of the government administration will be coordinated by a Governor. Supposing that the Governor is to hold a coordination meeting about the construction of roads, it would seem that the head of the local office for Public Works would be more competent to attend. In fact, in such cases, the Governor should not need to hold the meeting at all as the Provincial Public Works Office would be quite capable of carrying out the task. In other words, decentralization does not always have to be interpreted as the delegation of authority between only the heads of all government levels; but it also needs to include the delegation of authority amongst certain technical offices.

Another reason given for the revision of Law No. 22, 1999 relates to the performance of local representative assemblies. An explanation of their performance has been briefly explained earlier in the paper. Basically, the local representative assemblies have often been considered to act outside of their given authority, taking measures which seem to focus on their supervisory roles rather than their legislative and budgetary roles. For example, a number of local assemblies have formulated local regulations which contravene to regulations set at a higher level, impede the community's economic opportunities and, in allocating local budgets, prioritize their own interests rather than the interests of the wider community. Therefore the question needing to be addressed is whether revisions to this law will overcome of these issues? Furthermore, it needs to be ascertained as to whether the House of Representatives Council and the central government, that will make the revisions, actually have the same objectives? If the central government in particular genuinely wishes to improve the current state of regional autonomy, they need to do more than just revise the laws.

Irrespective of the problems which have accompanied the implementation of regional autonomy and decentralization, several groups deem the central government's eagerness to revise Law No. 22, 1999 as also based on political assumptions. This is the case with the present government administration, prioritizing national unity as the key to the creation of a sound government, while interpreting regional autonomy as only a secondary issue. This line of argument implicitly suggests that the concept of regional autonomy has the potential to manifest national disintegration. If with this in mind, it would imply that the present government administration prefers a centralized system to a decentralized system of government.

In actual fact, this paradigm of pluralism which is being followed by the present government administration is the

antithesis of the paradigm which was characterized by uniformity, oneness and centrality that failed under past government administrations. How is it possible for the government to re-adopt a system of government, which has been proven to be unsuccessful in the past? It would be more practical for the central government to fulfil their responsibility to establish clear and comprehensive "foundations for the implementation of regional autonomy and decentralization", rather than focussing on preparations to revise Law No. 22, 1999.

In terms of unity, the revision of uniformity has been applied until now throughout all regions of Indonesia. Unity has been the main priority for the nation, in particular driven by those in power. In turn, this has caused groups with political influence to pursue an approach to government based on stability, in an effort to guarantee the unity and livelihood of the nation. Unity in Indonesia should no longer be based on the desires of those groups with political influence or the state, but the real desires of the Indonesian people.

It is almost impossible to create national unity by forcing existing differences to become similarities. The differences need to be given the opportunity to emerge, and then the community will feel the need for national unity. In this context, the state (government) must act as both an "umbrella" and a facilitator in order to accommodate these differences. This umbrella is already in place: namely, the decentralized Republic of Indonesia, with the support of the people autonomy.

Regional autonomy will ultimately fail if local governments become entrenched as autocratic, centralized administrations in the regions. To avoid this, local governments must democratize their operations, increase transparency and allow a greater level of control by the public. One important example of how this should occur concerns the planning of local budgets. This process must be responsive to local conditions, transparent, accessible to the public, and inclusive of all legitimate interests. Without such a process, decentral-

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ization runs the risk of re-establishing in the regions some of the worst features of centralized Indonesia's autocratic and corrupt style of government.



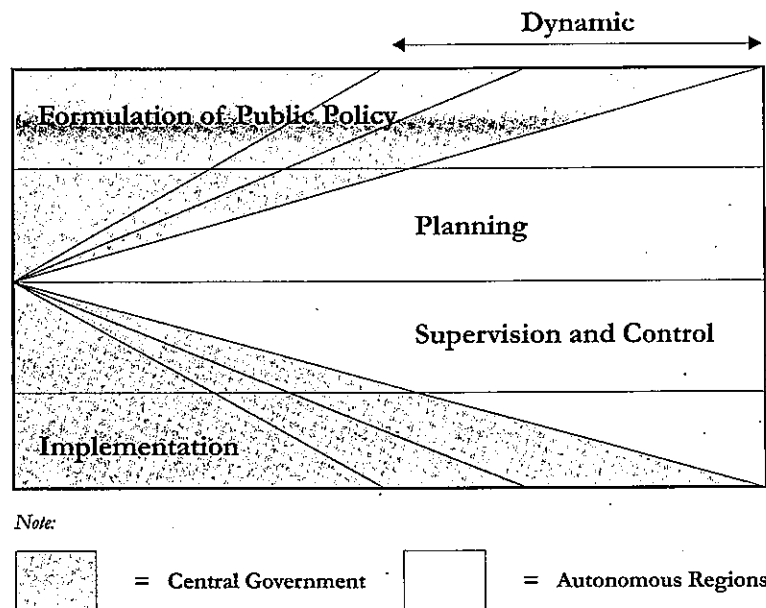
### 1.5. Final Remark: Some Ideas For Policy Direction

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1. While the threat of social unrest should not be ignored, an even greater danger will emerge if the present opportunity to promote regional autonomy is denied. It is apparent that decentralization has been the desire of local governments and many communities for decades. Indonesia is at present in the initial stages of a long implementation process but because of heightened expectations and the eagerness for autonomy in the regions, the process has reached the point of no return.
2. As yet, there are no clear procedures for decentralization of the eleven service sectors that are within the authority of district and municipality governments. It needs to be clearly understood that the regions have not been given "sovereignty" over the management of these eleven decentralized sectors. Rather, the regions have been given a mandate in the form of implementation authority, since the focus of regional autonomy policy, as outlined by Law No. 22, 1999, is the maintenance of the unitary state of the Republic of Indonesia. One way of clarifying the relationship between the various levels of government, in terms of their respective powers, is to combine the concept of the division of service tasks by sector and the division of basic management functions as outlined in Figure 2.

The managerial functions of government administration consist of the formulation of public policy, planning and implementation, as well as supervision and control. The decentralization of these functions to the regions must also be managed. In a dynamic sense there should be general

agreement that two of these functions --authority over the formulation of public policy and supervision and monitoring of the delivery of government services-- should largely be controlled by the central government. The central government can delegate some aspects of these two functions to the provincial governments as its representatives in the regions. At the same time, the most significant proportion of the planning and implementation functions should be under the authority of the autonomous regional governments. The provinces, as autonomous regions, need to be given more extensive authority over planning compared to than given kabupaten and kota governments.



**Figure 2.**

Division of Authority in Implementing Government Services Between Central and Regional Governments Based on Management Principle Functions



Nation-wide agreement about the division of these management functions has the potential to form the basis of national unity in that it can provide the greatest possible scope for the harmonious implementation of regional autonomy.

3. The SMERU research team found that the formulation of the fiscal balance between the central and regional governments has been widely criticized in the regions. A particular point of contention is the profit-sharing arrangements outlined in Law No. 25, 1999, which accommodates only a limited number of natural resources such as oil, natural gas and forests. In the plantations sector, as in the case of the plantation industries in the Province of North Sumatra, the areas that are now being used for plantations were originally forest land, and the related industries constitute a large source of national revenue. Yet these factors have not been taken into account by this law. In addition, those regions with established industries that make a significant contribution to state revenue, such as the tobacco industry in Kabupaten Kudus, do not receive a share of the profits despite the fact that the natural resources upon which the industries are based lie within their territory. As a result, these regions feel that they have been treated unfairly by regional autonomy laws. Consequently, a new formula to calculate fiscal equalization between the center and the regions should be considered. Those sectors contributing significantly to state revenue need to be explicitly included in the formula for allocation of funding to each region.
4. Regional autonomy policy regulates not only the relationship between the various levels of government but also the practical relationship between the government and the people. Ultimately, it is the right of the people to manage organization of their local government. According to the Indonesian constitution, this is carried out through local representative assemblies (DPRD), largely elected through

political party representation. Although the practice is not yet uniform throughout Indonesia, people are now beginning to exercise their freedom to monitor the performance of the government, including their elected representatives in the local legislature. Further development of political parties, community organizations (such as Nahdatul Ulama and Muhammadiyah), interest groups (such as the Chamber of Commerce and Industry, and the Indonesian Journalists' Association), and NGOs, will strengthen the foundations of regional autonomy as well as democracy in general. The government must endeavor to build cooperation with these organizations, at the same time avoiding the coercive and cooptive practices of the past. In this regard Government Regulation No. 51, 2001 ("Financial Assistance for Political Parties") is one of the positive steps that has been taken to improve the present condition of political parties in Indonesia. Strong, competent regional governments, based on a policy of decentralization and greater autonomy, are fundamental requirements for a country as diverse as Indonesia with a population of over 203 million that consists of so many diverse religious, ethnic and socio-cultural elements. It is possible that implementation of regional autonomy may create unrest in some parts of the country in the short to medium term. In the long run, however, these reforms have the potential to create economic, social, and political stability and to bring peace and security to the people of Indonesia.

5. Regional autonomy laws should not be treated as inflexible and immune to change. There are many weaknesses in the legislation that can be amended through Government Regulations. In terms of the process, central government institutions should not be regarded as having a monopoly over the power to change these laws. The hierarchical chain of command, commonly attributed to the centralized government system, must be abandoned and a democratic

approach that provides enough scope for regional government and community participation should be applied to the process of legislative change. In fact, central government institutions that have the responsibility to revise the legislation should actively take into account regional opinions and community demands.

6. Implementation of regional autonomy must include the involvement of a wider circle of participants outside the boundary of government and the bureaucracy. The responsibility of local communities in each autonomous region must also be taken into account, so that government and the community share responsibility for the successful implementation of regional autonomy. This implies that the implementation of regional autonomy will be a long-term process, which must be widely understood not only by local governments but also by civil society.



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