

Indonesia's Decentralization Policy: *Initial Experiences and Emerging Problems*

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ABSTRACT

After over 30 years under a highly centralized national government, Indonesia decided to implement a policy of decentralization that became effective on January 1st, 2001. This paper examines the preparations that have been undertaken within the regions, some of the initial implementation measures, and some of the key problems that emerged during the process of decentralization as managed by regional governments. The paper is based on research conducted in thirteen districts across ten provinces over the past eighteen months. This presentation has two areas of focus: first, the internal processes undertaken by local governments to manage their new powers and responsibilities; second, whether 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 powers and responsibilities to local governments in all government administrative sectors except for security and defense, foreign policy, monetary and fiscal matters, justice, and religious affairs. This law is quite unusual since almost all powers and responsibilities are ceded to local governments without conditions and limitations. Consequently, local governments have 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 authority of the regional governments, in order to strengthen their capacity to operate effectively and efficiently. The absence of a detailed plan of the transition process and the lack of supporting regulations to clarify the procedures and processes that need to be undertaken have hampered this sweeping devolution of responsibilities. The change in government administration must also deal with a lack of initiative and support from government employees. These same government employees who are now carrying out the decentralization process are accustomed to being the implementers of highly centralized government policies.

The main objectives of decentralization include promoting the better delivery of government services and the raising of the level of local government accountability. Therefore, the focus of this discussion covers both the impact of decentralization on local governments, as well as the impact of this process 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. Such policies should be based on the spirit of transparency, good governance, and democracy. However, this is still difficult to achieve in the regions, because almost all local interest groups, including political parties, remain weak and poorly organized. They have been almost completely left out of the political decision-making process over the last three decades. The consequent of lacking a strong civil society is that true democracy for Indonesia is yet to be realized.

INTRODUCTION

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 power and responsibilities. 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. Presently, there is increased pressure on the central government to establish the framework of democratic political system, and to decentralize many of its functions.

Some of the necessary changes that need to be made for the transformation from a centralized autocracy to a decentralized democracy have been implemented quite quickly (for example by holding free elections and passing of laws, which 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). 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 and the capacity of regional governments to carry out their new functions.

The new policy of decentralization is outlined in Law No. 22, 1999 concerning "Local Government"¹ and Law No. 25, 1999 concerning "The Fiscal 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 the diversity within regions and 5) the need to

¹ This is Indonesia's ninth 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. Those laws were 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).

strengthen local legislatures. These five principles support Indonesia's push for *reformasi*, which aims to eradicate the practice of corruption, collusion, and nepotism (known as KKN), within the government bureaucracy.

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 an urban areas there are referred to as *kelurahan* (see Figure 1).

Law No. 22, 1999 transfers functions, personnel and assets from the central government to the provincial, as well as the district and the municipal governments. This means that additional powers and responsibilities are being devolved to district and municipal governments, establishing a far more decentralized system compared to the deconcentrated² and co-administrated³ systems of the past. The *bupati* (district head) and *walikota* (municipal head) as the head of the autonomous local government will be directly responsible to the local assembly (*Dewan Perwakilan Rakyat Daerah*, DPRD), while the deconcentrated agencies for devolved functions will be abolished and the civil servants of these agencies will be placed under the authority of the regional governments.

² 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.

³ 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 task or function.

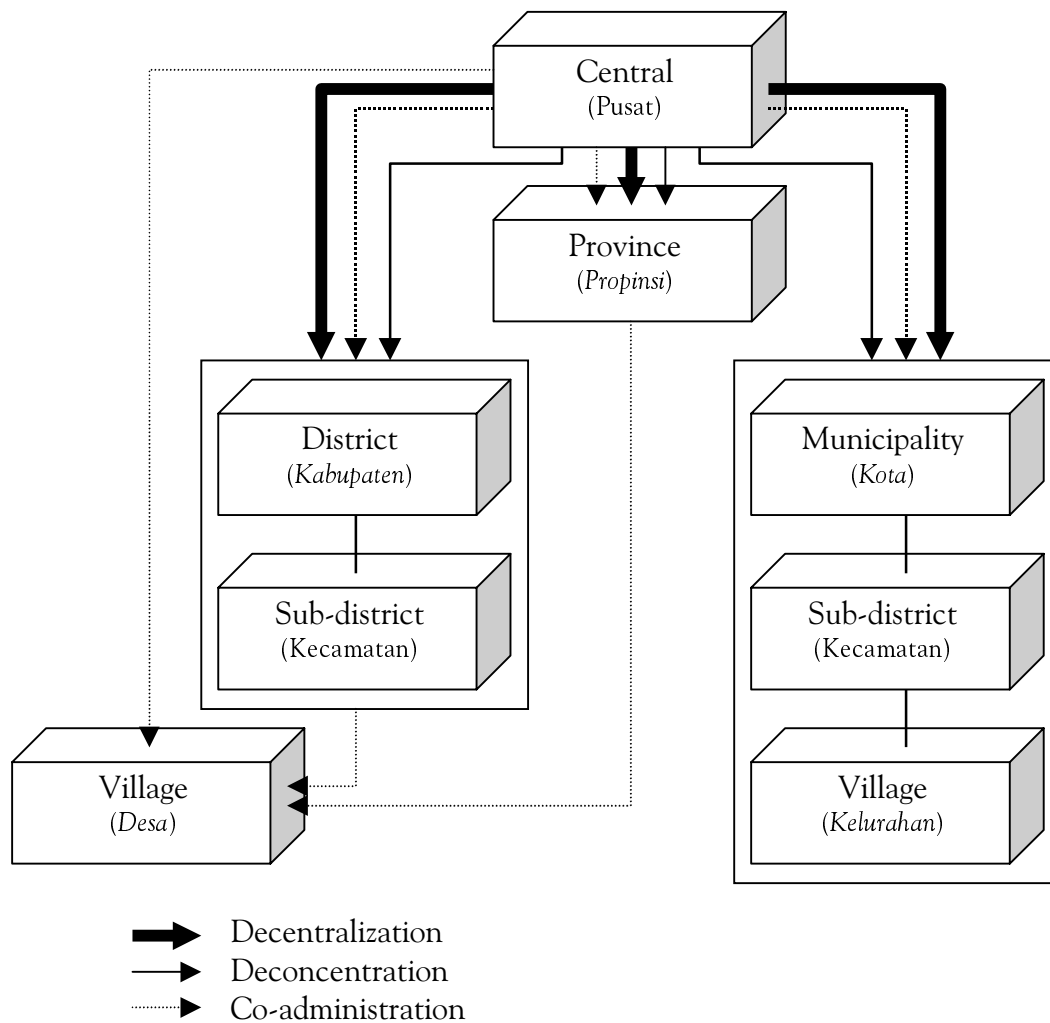


Figure 1. Framework of Government According to Law No. 22, 1999

In all government administrative sectors the law has devolved central government functions to regional governments, with the exception of security and defense, foreign policy, monetary and fiscal matters, justice, and religious affairs. Provinces have a dual status as autonomous regions themselves and also as representatives of the central government in regions. As autonomous regions, provinces have the authority to manage certain matters that cross inter-district and inter municipal 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 administration tasks delegated by the President to the Governors. The power of districts and municipalities cover all sectors of administrative authority other than those of 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.

One aim of the policy 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.

Decentralization is focussed at the district and municipality levels. This has always been the third tier of government below the central and the provincial levels. There are 341 such administrations in Indonesia and 26 provinces. (MoHARA, March 2001). Some observers have suggested that decentralization should have been implemented at the provincial level since, it is argued, provinces have greater capacity to handle all these expanded responsibilities than the districts and the municipalities. However, it is widely accepted 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 the forms for stronger regional disintegration, especially in areas like Aceh and West Irian where independence movements are already posing a challenge to the central government.

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 co-opted by 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 need to be developed. Likewise, the presence of 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 of government administration can only be achieved

through re-negotiating the balance of power between the state (executive government) and the people (represented through a variety of community organizations), based on genuine and extensive interactions (Antlöv, 1999).

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 key problems experienced by district and municipal governments during the process of implementing decentralization. This presentation focuses on two areas: firstly, the internal processes undertaken by local governments to cope with their new powers and responsibilities, and secondly, 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 thirteen districts and municipalities across ten provinces over the past eighteen months.⁴ The sample areas have been chosen to allow for a geographic spread across Indonesia. These 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 are working well as well as in those areas where difficulties and significant problem are emerging.

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 (including community organizations, NGOs, the press, professional bodies, informal local-level religious leaders, local-level traditional leaders, village heads and members of village level assemblies). The semi-structured nature of the research has allowed issues to be investigated as they arise from several angles with flexibility and consistency.

⁴ The original aim of this research was to assist and inform government about the implementation of the regional autonomy process, 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. District and municipality sample

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

Note: Areas in bold are municipalities.

DECENTRALIZATION: FROM CENTRAL TO LOCAL GOVERNMENT

In general the implementation of decentralization is regulated by Law No. 22, 1999 and Law No. 25, 1999. According to Law No. 22, 1999 decentralization over budgetary matters is mainly to apply to the expenditure side. It is not on the fiscal or revenue raising side so that 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.

Despite this lack of fiscal autonomy, there is much enthusiasm for decentralization in the regions and this enthusiasm appears to be increasing. Such enthusiasm on the part of local government has generally resulted in the creation of many more regulations concerning local taxes and levies, excluding 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. Often the local taxes and levies are being raised without any corresponding increase in the provision of services by local governments.

As of May 2001 many regions are 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 are preparing the structure of the organizations that will be placed under their authority. One factor slowing preparations for decentralization is the lack of clear supporting regulations and directives from the central government.⁵ Moreover some of the implementing regulations, which have been passed by the central government, contradict Law No. 22, 1999. 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 the central government policies on managing areas and functions such as transport, communications, statistics and family planning. Such a situation reinforces the mistrust between those people in the regions and the central government officials who are involved in implementing decentralization.

One important issue that needs to be clarified is what is meant by the term ‘authority’ in Government Regulation No. 25, 2000 on “The Government Authority and Provincial Authority as the Autonomous Government”. Presently this key government regulation reads more like a central government instruction about the duties and responsibilities of

⁵ 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 stated broad 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.

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 responsibilities 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.

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 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 about a year many district and municipal governments will surrender some of their responsibilities and functions to the province.

Despite this, both provincial governments 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 1st, 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.

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. Firstly, 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. Secondly, regional governments need to exercise patience and must be realistic during the implementation phase of these laws. Thirdly, 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 the process of 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 province 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 sub-ordinates of the central government, rather than the province. Some members of district and municipal elected 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 practice, government services in many regions are generally still being carried out by two kinds of government agencies: the “autonomous agencies” (*instansi otonom*) and “vertical agencies” (*instansi vertikal*). The term *instansi otonom* is applied to all those government offices that were previously under the administrative authority of regional government (province, district or municipality) and which were funded from the Regional Budget (*Anggaran Pendapatan dan Belanja Daerah*, APBD), such as implementation offices (*dinas*), boards, regional secretariats (*Sekretariat Daerah*, Setda), technical units (*Unit Pelaksana Teknis*, UPT). The term *instansi vertikal* is applied to those government offices that were previously under the administrative authority of the central government and which were funded from the central government’s State Budget (*Anggaran Pendapatan dan Belanja Negara*, APBN), which operated within a particular province, district or municipality. These included the provincial offices of the central government (*Kantor Wilayah - Kanwil*), district or municipal offices of the central government (*Kantor Departemen - Kandep*), and technical units of the central government.

In the past the “vertical agencies” were the instruments of the central government in the regions carrying out highly centralized government policies. Now many of their tasks and powers have been devolved to the 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. However, the surrender of infrastructure in the form of land, buildings, and equipment appears to require further discussion and is awaiting additional arrangements between the central government and regional governments.

Table 2. Structure of government work units in the regions under Law No. 5, 1974

Geographic Location	Responsible to		
	Central Government	Provincial Government	District and Municipal Government
Province	<i>Kanwil</i> Board (<i>Badan</i>) Office (<i>Kantor</i>) Technical Unit (UPT)	Local Secretariat Provincial Parliament Implementing Unit (<i>Dinas</i>) Board (<i>Badan</i>) Office (<i>Kantor</i>) Technical Unit (UPT)	-
District and Municipality	<i>Kandep</i> Board (<i>Badan</i>) Office (<i>Kantor</i>) Technical Unit (UPT)	Branch Office (<i>Cabang Dinas</i>)	Regional Secretariat District Parliament Implementing Unit (<i>Dinas</i>) Office of the <i>Bupati</i> Assistance Board (<i>Badan</i>) Office (<i>Kantor</i>) Technical Unit (UPT)
Sub-district (<i>Kecamatan</i>)	Education Supervisor	-	Branch Office (<i>Cabang Dinas</i>) Technical Unit (UPT)

Table 3. Structure of government work units in the regions under Law No. 22, 1999

Geographic Location	Responsible to		
	Central Government	Provincial Government	District and Municipal Government
Province	<i>Kanwil</i> Board (<i>Badan</i>) (for certain administrative sectors)	Local Secretariat Parliament Secretariat Implementing Unit (<i>Dinas</i>) Board (<i>Badan</i>) Office (<i>Kantor</i>) Technical Unit (UPT)	-
District and Municipality	-	-	Regional Secretariat Parliament Secretariat Implementing Unit (<i>Dinas</i>) Board (<i>Badan</i>) Office (<i>Kantor</i>) Technical Unit (UPT)
Sub-district (<i>Kecamatan</i>)	-	-	Branch Office (<i>Cabang Dinas</i>) Technical Unit (UPT)

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 (*kanwil*), 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 the provinces, districts, and municipalities (*GTZ Decentralization News*, March 2001). The amalgamation of some offices in the central government hierarchy has resulted in the formation of both technical offices and other autonomous agencies.

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

4).⁶ The provincial governments have also tended to remain large, even though their tasks and responsibilities have been substantially reduced.

Table 4. 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's field reports.

One outcome of the decentralization process is a massive excess of around 2.1 million central government employees who are being transferred to regional levels of government (*Koran Tempo*, July 14th, 2001), both at the provincial, as well as the district and municipal levels of administration. Around half of these government personnel are school teachers. There are also provincial level employees in many districts and municipalities who will be transferred to district and municipal governments. This transfer represents more a change in status than a physical transfer because most of these government officials are already based in the regions. For example, the number of public servants in Kudus district in Central Java after the implementation of decentralization increased from 1,184 to 8,875 (Table 5). However, all these personnel were previously based in Kudus, so decentralization has not resulted in them being physically transferred from, for example, Jakarta to Kudus.

⁶ 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. However, in practice 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 to implement decentralization because many regions fear that the current central government will replicate the bad experience of the district autonomy pilot program (DAPP). The DAPP is remembered as more of a burden than a privilege. (see also Footnote No. 5).

Table 5. The number and status of government employees before January 1st, 2001, Kudus District

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

Source: Civil Service Administration Section, Kudus District.

The transfer of personnel from the center to the regions has already been carried out. However, a number of problems are beginning to emerge. 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 6).

Table 6. 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
Total	3,379	4,448	1,069

Note: * = This includes both the provincial and district/municipal level offices representing the 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 the surplus 1,069 'phantom' personnel was a central government strategy to secure positions for civil servants who could not be accommodated by other regions.

Meanwhile, the provincial government in East Java has provided a different explanation for the data discrepancies released in civil service numbers by BKN and their own Regional Bureau. They suspect that many personnel from different regions have requested transfers to East Java directly to the Central Government. Thus, although the transfers were both organized and registered in Jakarta, the names of these same officials were not registered at the regional government offices where they intended to be transferred. In West Kalimantan the provincial government is of the opinion that the discrepancies in this province occurred because BKN were 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 because these 'phantom' employees clearly do not exist at the local level. The case of 'phantom' personnel is only one of many problems that need to be addressed by the central and local governments as they implement decentralization.

Despite efforts by local governments to streamline the structure of the government, there remains 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. Regional government officials admit that *putra*

daerah demands exist. 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. 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.”

District and municipal governments have tended to exclude regionally-based central government officials when drafting the structure of government bodies. This phenomenon is causing anxiety amongst the existing civil service staff in central government offices located in the regions. A lack of cooperation and inclusion of staff from central government offices by the district and municipal governments raises the possibility of poor levels of cooperation once offices have been merged.

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.

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, education and rank.

AUTONOMY: FROM THE STATE TO PEOPLE

Ultimately, regional autonomy is not simply a matter of regulating the relationships between the various levels of government. 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 previous representatives from the local community since the 1955 election. This is a reflection of the demand for reform, and also the increasing development of democracy in Indonesia. Furthermore, these developments 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 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 the local assemblies have started to use their position and authority to exercise a degree of control over the performance of local senior public servants, as well as 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 because the capacities of these local members are often limited. This problem is most clearly evident at the 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, cases of “money

politics” are still frequently reported in the local and national press and directly involve members of local parliaments.

This issue 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 who secured a sufficient number of electoral votes. As a result of the proportional representation system that 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 cadre remain seriously limited. Since election campaigns are still based on emotional issues 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 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 effectively the executive branch of government. 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, how the funds are dispersed, and what the money can be legitimately used for, will be outlined in a decree of 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 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 criticism 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 the 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. 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 country is still recovering from the effects of the 1997-1998 monetary crisis (see Table 7).

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, together with 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 from the local executive, civil society groups worry that the process of allocating resources will be a threat to the improvement of public policy. Many in the regions are concerned that too many corrupt local bureaucrats are still involved in the 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 sectors such as health and education. For example, in the draft 2001 regional budget in North Sulawesi and Gorontalo there is no funding 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 7. The salary increase of 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	
• Kudus District	+200
5. West Kalimantan Province	+270
• Sanggau District	Increase
6. South Kalimantan	
• Banjarmasin Municipality	No change
7. West Nusa Tenggara	
• West Lombok District	+330

Sources: SMERU field reports.

Many of those in leadership positions in the local assemblies are fully aware of the problems they are facing. Some practical steps are already underway in many 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, improving the technical capacity and general knowledge of the elected legislators is not the only guarantee for the smooth advancement of democracy

throughout the provinces and regions of Indonesia. It is also crucial that the wider community 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.

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 a 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 declared that: “there is no arrangement that enables NGOs to draft local government regulations”.

The adoption of a more modern organizational approach by political parties, 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.

Although there have been many legitimate concerns 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 turned back and the role of research institutions, academics and donors in Indonesia is 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 breakdown 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 and Box 2). 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. 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 3). In the District of Minahasa community organizations and interest groups will be permitted to operate schools at the sub-district or village levels.

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 originally 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.

Box 2

The Capability of the Local Community to Build Primary Schools

In order to implement what was called “ethical policy” of the Dutch colonial government, starting in 1907 the Dutch allowed communities to build their own primary schools, known as *volkschool*. Only a year later in Tanjung Agung sub-district located in a relatively remote southwestern region of South Sumatra, the first *volkschool* was established. Communities in this area had built six primary schools by 1945. During Indonesia’s war of independence (1945-49) the communities managed to build four more schools. School building continued in the 1950s, with nine more schools opening during this decade. During the 1960s seven schools were built. In 1972, before the inauguration of the central government primary school construction program, had been established 29 schools in the sub-district. Based on an estimate of the population in the 7-12 age group, the gross enrolment ratio was more than 75%.

Almost all schools constructed before 1973 were the result of community efforts using local crafts people and materials. In general, the government supplied and paid the teachers, but in some cases even this was handled by the parents. Land for these schools usually came from bequests, buildings were constructed through communal efforts, while equipment was provided by the parents. Not surprisingly, building quality varied considerably from school to school.

This community construction program continued until the beginning of the central government’s primary school construction program. However, that central government program effectively ended community participation in primary education. Communities now refused to repair damaged school buildings. Communities came to view themselves as recipients of the results of development, rather than participants in community development. Responsibility for development activities shifted from the community to the government.

Source: CPIS, 1995.

Box 3

School Autonomy Trial

SD Dewi Sartika Cipta Bina Mandiri is a primary school in West Java with 270 students. It is one of six 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 Municipal-level Central Government Departmental Office for Home Affairs, 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 who were 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 timetabling, selection of curriculum content and text books, student affairs, and school maintenance.

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 subjects 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. The public service output, for instance, should be a source of local satisfaction and pride. These elements are as important as material gain. This can be achieved in the years ahead only if government put people in the front line of public services. Government officials will in the future 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 under question. Basically, the less involvement government has in the provision of public services the better.

CONCLUSIONS AND POLICY DIRECTIONS

While the threat of social unrest should not be ignored, an even greater danger will exist if the present opportunity to promote regional autonomy is denied.

It is already apparent that decentralization has been an aspiration of local governments and many communities for decades. According to Law No. 22, 1999 and Law No. 25, 1999, a number of progressive and courageous measures are envisaged to delegate power and responsibility to regions, especially to districts and municipalities. Such an opportunity provides an enormous challenge for regional governments. Indonesia is at present only in the initial stages of this long implementation process but because of heightened expectations and the eagerness for autonomy in the regions, the process has appeared to reach a point of no return.

In order to employ all local civil servants and those central government civil servants who have been handed over to the regions, the regional governments have decided to maintain a large administrative structure. Such a policy is needed to avoid political and social unrest at the early stages of the process for implementing decentralization. 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 the 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 a restructuring to take place.

Implementation of regional autonomy must include the involvement of a wider circle of participants in the process 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 the responsibility for the successful implementation of regional autonomy. This implies that implementing regional autonomy will be a long-term process, which must be widely understood not only by local governments but also by civil society.

Despite strong support for decentralization, it is not surprising that many observers still regard the new system as a threat. It remains to be seen whether both local governments and the broader community are able to contain any potential social unrest to avoid detrimental effects on the entire nation. 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 its 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.

Regional autonomy will ultimately fail if local governments become entrenched as autocratic, centralized administrations in the regions. Consequently, 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

process of planning local budgets. This process must be responsive to local conditions, transparent, accessible to the public, and inclusive of all legitimate interests. Without such processes, decentralization runs the risk of re-establishing some of the worst features of centralized Indonesia's autocratic and corrupt style of government in the regions.

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 consisting of so many diverse religious, ethnics and socio-cultural elements. It is possible that implementing regional autonomy may create unrest in some part of the country in the short to medium term. However, in the long run these reforms have the potential to create economic, social, and political stability and to bring peace and security to the people of Indonesia.

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