Implementing Laws 22 and 25: The Challenge of Decentralization in Indonesia

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Introduction

THE PEOPLE’S CONSULTATIVE Assembly (MPR) unanimously re-elected President Soeharto as President of the Republic of Indonesia on 10 March 1998. Soeharto had already occupied the presidential office for 30 years and had established an authoritarian regime involving a system of central-local relations in which the center dominated throughout the vast archipelago. Apart from persevering with some minor decentralizing measures the theme of central control was expected to be maintained during this latest term of office. However, in little more than two months after his re-election Soeharto was ousted from the presidency due to the devastating impact of the Asian economic crisis, popular protest and rioting. His vice-president, B.J. Habibie moved in as interim president and was swept along in the current of political liberalization and democratization. Eagerly anticipated elections for the House of Representatives (DPR) were scheduled for June 1999 followed by the election of a new president. But before these expressions of democratization took place, the incumbent DPR approved two laws which are set to have the most profound effect on the governance of Indonesia. These are Law 22 on Regional Autonomy and Law 25 on the Financial Balance Between Central and Regional Government. The introduction and rapid passage of these laws through the DPR were surprising given their radical contents. They reverse three decades of centralism and authoritarianism in Indonesia and have the potential to transform governance in the country. However, the laws are short on detail, sometimes ambiguous and need to be implemented. This paper focuses on the issues which confront the implementation of the laws setting this task in the context of the legacy of the centralization of the last 30 years.

The Legacy of Centralization

In the early years of President Soeharto’s New Order a leading regime objective was to ensure central domination in a unitary state. Considerable effort was put into constructing and consolidating a system of subnational government which could be controlled by central agencies. By 1974 the government felt confident enough to introduce a policy of gradual decentralization. But the reality was the maintenance of central control. According to Law 5 of 1974, subnational government and administration were guided by three principles: devolution (azas desentralisasi), deconcentration (azas dekonsentrasi) and co-administration (azas tugas pembantuan). However, analysts are agreed that the decentralizing sentiments embodied in these principles remained at the level of rhetoric. For example, Rohdewohld (1995) regards the most radical of the decentralization principles, that of devolution, as being better translated as ‘delegation,’ a form of decentralization in which political power is not decentralized. Devas (1997: 364) noted that decentralization for the Indonesian government was not the same as it was in
conventional western concepts of decentralization, especially its political variety, ‘since it does not involve any transfer of power or authority.’ Similarly, the official meaning of ‘autonomy,’ as applied to ‘autonomous regions,’ was a restricted one in which the regional government was obliged to follow a national line. This is congruent with the observation of Gerritsen and Situmorang (1999: 51) that, under Soeharto, a prime objective of national government was ‘to maintain tight central control over political, economic and social development in Indonesia.’ They point especially to central dominance of the policy process, increased subnational dependence on the central government for revenue and weak organizational capacity in subnational government.

The implementation of decentralization before 1999 is generously summed up by Rohdewohld (1995: 87) as ‘a rather incremental and slow process.’ Devas (1997) applied the term ‘elusive’ to decentralization in Indonesia. In addition to being highly centralized the system of central-local relations was extremely complex. It is essential to understand this complexity as it is an important element of the context for the implementation of the new decentralization envisaged in Laws 22 and 25. It is also part of the challenge of decentralization.

The subnational territorial divisions of Indonesia were the province (propinsi), the district (kabupaten and kotamadya) and the subdistrict (kecamatan) (see Figure 1). At each level there were two types of administrative units: those that performed line functions in fields such as agriculture, health, and education, and those which supported the line functions. The line functions were themselves performed by two types of organization. The first category included the offices of the local or regional (daerah) governments known as dinas at both provincial and district levels. The second type was comprised of the offices of central government agencies operating in subnational territories (wilayah). These were referred to as kanwil at provincial level and kandep at district level.

The leading support organization was the Sekretariat Wilayah Daerah (Setwilda) which provided ‘administrative and technical services to all regional agencies and personnel and to all kanwils and branches of central government agencies present in the region’ (Galbraith 1989 as quoted in Rohdewohld, 1995: 61-62). This secretariat was headed by a sekwilda who was both secretary to the daerah government and to the wilayah government. The sekwilda was a career civil servant. Popularly elected representatives could be found in the Dewan Perwakilan Rakyat Daerah (DPRDs), the assemblies of the provinces and districts. However, DPRDs operated more as deliberative than decision-making bodies. Even then, their members were not accountable to the electorate.

At the apex of subnational government was the kepala daerah (head of region) who was simultaneously kepala wilayah, (head of the central government agencies). The kepala daerah/wilayah was assisted by the support units such as the setwilda, the planning body Bappeda and BKPMD, the regional coordination investment board. The kepala daerah/wilayah was responsible to the President and not to elected subnational assemblies. The DPRD could suggest candidates for kepala daerah/wilayah but the President appointed them. The central control was embedded in the Ministry of Home Affairs (Departemen Dalam Negri [DDN]), ‘a national ministry with a local agenda’ (Morfit, 1986). Appointments to leading positions were managed by the DDN, directives relating to
Figure 1. Structure of Subnational Administration

subnational administration were issued by the DDN and regulations of daerah governments were subject to DDN approval. While some have referred to the DDN’s ‘strong coordinating role’ (Rohdewohld, 1995: 72) it could be better described as an instrument of central control.

Certain dysfunctions were evident in this complex system of central-local relations. For example, the division of responsibilities between kanwils and dinas was not clear enough to avoid overlap. There was a lack of a proper legal framework covering central-local financial arrangements. Accountability was upward and obscured from public view. Decentralization as autonomy was perceived as a regional obligation to assist in the national development effort and not as an extension of democratic rights. Subnational government and administration in all its manifestations was characterized by dependency on the center and strict hierarchy in which one level supervised the one below. Separatist tendencies, the desire for greater local autonomy and regional dissatisfaction with resource allocation were kept in check by an authoritarian regime built on strong military presence in government.

Major Changes Under the New Laws

Although Law 22 on Regional Autonomy is brief, it contains major changes to Indonesia’s system of subnational governance. Firstly, the hierarchical relationship between the province and the districts has been abolished. The kabupaten and kota (formerly kotamadya) no longer report to the province. They are autonomous regions which have become the focus of subnational governance in Indonesia. They are responsible for a wide range of functions, they can communicate directly with central government, and they are in charge of administering the sub-districts (kecamatan). The second major change is the greatly expanded role of the local elected assemblies, the DPRDs. They now have significant legislative powers; they appoint the heads of regions who are then responsible to the DPRDs; and they are entrusted with the task of ‘implementing democracy.’ This points to a third change—a greater concern with democratic accountability. This is indicated in provisions for public disclosure and transparency in government, and in the encouragement of partnership with civil society. Not only is there a concern for more accountability but also for accountability to local citizens rather than to Jakarta.

The fourth major change is the transfer of responsibility for a long list of functions to the kabupaten and kota. These include public works, health, education and culture, agriculture, communication, industry and trade, capital investment, environment, land, cooperatives and ‘manpower’ affairs. This means that the parallel organizations of dinas and kandop will be amalgamated under the control of the autonomous regions while some former provincial functions will also be absorbed by the kabupaten and kota. Related to this is the final change introduced under Law 22—the creation of regional civil services. Large number of former central government employees will be transferred to autonomous regional government control. The kabupaten and kota have been awarded ‘the authority to conduct appointment, transfer, dismissal, stipulation of pension, salary, allowance and employee welfare as well as education and training’ (Law 22, Article 76). The autonomous regions can structure their organizations according to their own preferences.
The profound changes introduced in Law 22 naturally have strong implications for financial arrangements. These have been addressed in Law 25 of 1999 on the Financial Balance Between Central and Regional Government. Two leading transfers from central to subnational levels have been abolished: the *Subsidi Daerah Otonomi* (SDO) for paying local public servants and routine expenditures and the block *Inpres* grants intended to fund development projects. These are replaced by a General Allocation Fund which is to be at least 25 percent of domestic revenue. Ninety percent of this fund goes to *kabupaten* and *kota* and ten percent to provinces distributed to individual subnational territories according to a special formula.

The most significant and contentious fiscal change is the introduction of revenue sharing between central and regional governments involving land and building tax, land acquisition, forestry, fisheries, mining, and oil and gas. For example, the central government will take 85 percent of oil revenues after tax while the region from which the oil was extracted will receive the remaining 15 percent. Other initiatives include a Special Allocation Fund which may be used to finance special initiatives in the regions, and granting regions greater possibilities for securing loans but simultaneously increasing regional accountability for them. There is in general an increased concern with financial accountability not only upwards to central government but also to the DPRDs which have been awarded the authority to reject the regional head’s annual accountability report.

**Leading Issue in Implementing Decentralization**

While Laws 22 and 25 represent radical changes in central-local relations in Indonesia, their brevity and the context into which they have been introduced mean that a number of critical issues will be encountered in implementation.

**Economic Performance**

Economic performance is an environmental factor which can have considerable influence on the progress of decentralization. In East and Southeast Asia, economic performance has frequently been employed as a leading mode of political legitimation (Algappa, 1995; Turner, 1990). Indonesia is a leading example of such legitimation in practice (Robison, 1997). Good economic performance and improving socio-economic welfare are often used to justify centralized authoritarian political and administrative arrangements. Once economies encounter trouble, especially of a severe and/or prolonged variety, then rulers using this mode of legitimation encounter difficulties sustaining their tenure in office and the survival of the regimes they preside. People question the economic policies of government, tolerance of cronyism and corruption turns to strident criticism, while anxiety over present and future welfare can be transformed into protest.

In Indonesia, the economic crisis of 1997 acted as the catalyst for the democracy movement that bundled President Soeharto out of office and brought an end to his authoritarian regime. It was also used by agents provocateurs to whip up violent mob action against Chinese businesses and their owners. Such action accelerated the outflow of capital, put a brake on investment and deepened the economic crisis.
While the worst stage of the economic crisis now seems to have passed there is still much to worry about in the economy. On the bright side, the official economic growth target for 2000 of between two and four percent will very likely be achieved. Some observers were even predicting a GDP growth rate of 5.8 percent (Far Eastern Economic Review, 22 April 2000). However, this comes after only 0.9 percent growth in 1999 and a catastrophic -13 percent in 1998. Such figures raise the question of whether the government can afford to implement decentralization in an appropriate manner. Is there enough income to pay for central agencies and the new transfers to regional governments especially as revenue sharing is likely to reduce central government income?

Also, major economic problems are still evident. In March 2000, the International Monetary Fund (IMF) was unhappy with what it found and delayed payment of its promised US$400 million loan (Far Eastern Economic Review, 6 April 2000). Corporate debt still amounts to US$70 billion while in April 2000, ten banks reported a combined loss of over US$2.3 billion (Australian, 28 April). Bank restructuring has been proceeding slowly. Debt servicing swallows a massive 45 percent of government revenue (ICG, 2000). Poverty, unemployment and underemployment have all increased as a result of the crisis (van Dierman, 1998; Soeastro, 1998). The official unemployment rate was still running at 20 percent in the first half of 2000 (Indonesian Observer, 16 June 2000). Regional governments can also give capital cause for economic concern such as when one regional government threatened to close down a mine in Sulawesi (Far Eastern Economic Review, 3 February 2000). Illegal mining has proliferated but regional governments appear unable or unwilling to deal with it. One estimate is that the value of illegally mined exports currently runs at US$150 million—for illegal timber the figure is nearer to US$2 billion (Far Eastern Economic Review, 13 July 2000).

Analysts are agreed that the economy still demonstrates fragility. Another downturn in economic fortunes could have serious political repercussions which would have an adverse effect on the implementation of decentralization. An underfunded decentralization program implemented by a government beset with economic problems could result in a sub-standard system of regional government with local populations as the principal losers.

Political Fragmentation and Instability

One of the claimed benefits of decentralization is that it brings political unity and stability (Smith, 1985; Rondinelli, 1981; Maddick, 1963). People are able to express their communal and ethnic identities by participating in political activities. They influence decisions at the local level on matters which are important to them. However, this idea of decentralization promoting unity in diversity does not necessarily happen in practice. In Indonesia, the overthrow of authoritarian rule has facilitated the release of powerful centrifugal political forces which are challenging the state. At the extreme are movements for secession. East Timor has already succeeded but other struggles continue in the north Sumatran province of Aceh and in the province of West Papua (formerly Irian Jaya). The Aceh struggle is longstanding (May 1990) but has intensified in the post-Scenario era. Military repression has provided more recruits and greater determination to the Aceh Merdeka (Free Aceh) cause. In West Papua a rag-tag secessionist force, the Organisasi Papua Merdeka (Free Papua Movement) had long been a minor irritant for the central
Both of these provinces are resource rich. Central government could simply not afford to let them secede even if it had the political inclination. Other resource-rich provinces such as Riau have expressed dissatisfaction with revenue sharing formulae. Discontent has also been experienced at the district level. For example, local people have complained of the lack of benefits deriving from the giant Freeport copper mine in West Papua (The Indonesian Observer, 29 February 2000). In East Kalimantan one resource-rich kecamatan threatened to blockade communication arteries if its demands for kabupaten status were not met. In the north of this province several kabupaten expressed a desire to form a new province, a sentiment found in some other parts of Indonesia. Even where natural resources are not plentiful centrifugal forces can find expression. Several adjacent districts in West Java have called for the establishment of the ‘autonomous province of Banten’ and have encountered stiff opposition from other leaders in West Java (The Indonesian Observer, 16 February, 2000).

Instability of a different order has been evident in communal violence that has caused considerable destruction and loss of life in the province of Maluku and to a much lesser extent on the island of Lombok and in Sulawesi and Central Kalimantan (Jakarta Post, 9 July 2000). In Maluku, Muslim-Christian conflicts led to the displacement of 180,000 people by January 2000 with many more fleeing their homes since (Far Eastern Economic Review, 20 January 2000). An estimated 4,000 people have been killed in the Maluku violence (Australian, 1 August 2000). Some observers see the military deliberately stoking the fires of religious intolerance to pursue their own political agendas or to safeguard lucrative business concessions. A further danger is that the recent clashes between the Armed Forces of the Philippines (AFP) and the separatist Abu Sayyaf and Moro Islamic Liberation Front (MILF) in the southern Philippines spill over into Maluku and other adjacent parts of Indonesia. The car bombing of the Philippine ambassador in Jakarta suggests that the Philippine separatists may already be present and active (Australian, 2 and 3 August). Within Indonesia itself the government stepped in to disband a military-style training camp involving 3,000 members of the Laskar Jihad, an organization which declared its intention to send up to 10,000 Muslim volunteers to break ‘a Christian rebellion’ in the islands (Weekend Australian, 22-23 April 2000). However, members of this organization have travelled to Maluku to engage in violent activities.

The problem of political fragmentation and instability is that it can greatly inhibit the orderly implementation of decentralization. Autonomous actions by sub-national units, existing or desired, and inter-communal violence create an environment in which the systematic implementation of decentralization is made extremely difficult. Managing diversity across a vast archipelago is proving to be highly problematic in a newly democratic context.

*Capturing the Benefits*

Conventional justifications for decentralization frequently cite a collection of benefits relating to the theme of participation (Rondinelli, 1981; Smith, 1985). Law 22 does not
elaborate on the reasons for regional autonomy in Indonesia but simply states that regional autonomy is ‘deemed necessary to emphasize more on the principles of democracy, community participation, equitable distribution and justice.’ Despite its brevity the message is clear—that democratic participation is the major objective of regional autonomy. Ensuring that this happens will be a major challenge for implementation of Law 22. It is not difficult to find other countries where local elites have captured the benefits of decentralization (Crook and Manor, 1994; Hulme and Siddiquee, 1999) and/or where devolution from the center has been accompanied by centralization in subnational territories (May and Regan 1997).

Law 22 provides for the regional head to be elected by the DPRD and not the population at large. According to the World Bank (1999: 121) ‘mayors elected directly are more likely than appointees to challenge the status quo.’ Strong mayors with popular support have been the source of many reforms throughout the world. Direct election also entails more direct accountability to the public they are supposed to serve. Already in Indonesia there are accusations of ‘money politics’ involving payments to DPRD members to secure their support for head of region candidates. An additional danger is that securing party support for candidature may reward loyalty rather than ability. There is no room for independents in the Indonesian system thus limiting access to elected office.

It is essential that systems of local accountability are established quickly to ensure that elected representatives and administrators act in the public interest and are not bent on feathering their own nests. According to both Transparency International and Political and Economic Risk Consultancy, Indonesia has the unfortunate reputation as the most corrupt nation in East and Southeast Asia (Australian, 26 June 1999). Local systems of accountability can prevent this malaise from taking over regional government. Laws 22 and 25 carry some provisions for accountability to local populations with local elected assemblies assuming considerable importance in this field. Civil society organizations which have been springing up throughout the archipelago can greatly assist in ensuring that the accountability provisions in the laws are put in place and that additional instruments for accountability are added according to local conditions and preferences (Turner, 2000).

Reorienting Central Agencies

When implementing decentralization initiatives attention generally focuses on the subnational territories. All too often there is inadequate concern with central agencies. This is especially the case when change is from a centralized authoritarian system to a devolved democratic system as in Indonesia. Two major issues need to be addressed. Firstly, central agencies may be reluctant to surrender their authority. Secondly, central agencies need to restructure and reorient their cultures to address the new situation.

Central agencies in Indonesia have grown used to dictating policy to the regions. They have also issued the voluminous regulations which determine how government will operate at subnational level. Their staff have been present and often dominant in the regions. All of this should end as regional governments assume their new functions and budgetary responsibilities. The central agencies are however still important. They will
retain a monitoring and regulatory role although the details of it have yet to be worked out. In line with Tender’s (1997) recommendation it may be useful for central government to maintain a level of ‘distrust’ of local government. According to this model, central government acts to ensure that the interests of citizens are properly served by local governments. In Tender’s Brazilian case study it was central distrust of local government which led to setting and enforcing improved performance standards for local-level public servants and ensuring that accountability measures were working properly.

An alternative scenario for Indonesia is that central agencies could subvert the spirit of devolution by overregulation from the center. Law 22 requires governments at both the national and subnational levels to issue regulations for numerous activities. For national regulations to be effective they should be drawn up in consultation with subnational governments and do not put subnational governments into straitjackets controlled from the center. International experience suggests that ‘central governments in decentralizing countries tend to compensate for their loss of direct control by stepping up their regulation of subnational governments’ (World Bank 1999: 120). There has been a flurry of regulatory activity by central government as the January 2001 implementation date nears. While such regulations are needed and requested by regional governments there has been little consultation with them on the formulation of such regulations. But from mid-July, central government agencies under the leadership of the Ministry for Regional Autonomy began a program of rapid regional consultation in which central government officials present the new frameworks and regulations to local government officials (CBNA, 9 June 2000).

Of equal importance to central regulation in Indonesia is the need to give regional assemblies freedom to issue local regulations which are appropriate for the expressed needs of individual territories. At present, the approval process for such regulations is not clear although it is likely to involve central agencies. But how much central involvement and power of veto are needed and at what speed will the process operate? There are likely to be local regulations numbered in the thousands. The only approval process suggested so far would involve moving at a snail’s pace creating a massive backlog of regulations for central approval. A cooperative arrangement between central and regional governments is needed in which regulations that run counter to national regulations can be returned rapidly to the regions for modification. Excessive central control over the approval of local regulations would be counter to the spirit of devolution.

The most urgent central agency reorientation involves the Ministry of Home Affairs (Departamen Dalam Negri [DNN]). As we have already seen this was the leading administrative overseer of centralized authoritarian government. Many of its functions are now redundant while its culture of control and compliance over the regions is inappropriate for the new system of central-local relations. The DDN is currently engaged in thinking about what its new role should be and how the sprawling bureaucracy can be re-engineered to best pursue it.

One final area concerning central agencies relates to the staff and human resource management (HRM) issues. Central agency staff are often reluctant decentralizers. They fear job loss and changes in their terms and conditions of employment which are
disadvantageous. Even in apparently successful decentralization programs such as the Philippines there can be substantial staff opposition (Turner, 1999). In Indonesia there are several HRM issues which could pose difficulties. First, the merging of central and regional staff into one administrative organization at the subnational level has the potential to generate disputes, ill feelings and anxieties about who gets what positions. Secondly, former central agency staff may view working for a local public service as inhibiting promotional opportunities and personal development. They may also worry about security of employment, level of remuneration, pension rights and the maintenance of non-monetary entitlements under the new regional public services. Thirdly, central agencies will need to dispense with staff from their Jakarta headquarters as their functions devolve to regional government. Some commentators and officials have estimated that this could involve up to 500,000 persons. Regional governments may be averse to absorbing such staff especially if financial allocations fail to match their expectations.

Capacity in the Regions

A problem for decentralized governments among developing countries has been their inability to perform devolved functions in an efficient and effective manner. The claimed performance benefits often fail to materialize (May and Rega, 1997; Larmour, 1999; Hulme and Siddiquee, 1999). One of the reasons for this is a shortfall in administrative capacity. The question of capacity has been raised in connection with Indonesian decentralization. Official estimates suggest that only 10-20 per cent of districts and 11 per cent of provinces are equipped to undertake devolved responsibilities adequately. There is concern over whether the new regional governments are up to the task of managing vastly increased physical, financial and personnel resources. Are the structures and procedures ready to be put in place? The situation would seem to vary between regional governments. Even where they do claim readiness it seems possible that they will they adopt familiar bureaucratic models which are characterized by standardization, red-tape and other bureaucratic dysfunctions. There are few if any alternative organizational models evident across the Indonesian public sector. If a local version of this model is implemented in districts across the country it would contradict the arguments for devolution which stress responsiveness, flexibility and familiarity with local conditions as features of locally run government.

A further capacity issue concerns the quality of the personnel. Do they have the qualifications and experience necessary to perform the devolved functions? Once again the situation would seem to vary between regional governments. However, all regional governments require human resource development programs across a wide range of fields. These should involve cooperation with central agencies as districts will not have the resources or technical capacity to design and deliver all the training programs needed. Improving the quality of training programs also appears to be important as many officials and observers have remarked on the poor quality of such training and have questioned the relevance of some of the standardized training packages that have been the common fare of Indonesian public servants. Training for decentralization is an urgent priority.
Vertical and Horizontal Relations between Subnational Territories

One of the remarkable features of the new system of central-local relations is that the province has lost its subnational preeminence. The districts are no longer in hierarchical relationship to the provinces. This begs the question of what the provinces actually do. They have elected assemblies and heads of regions but according to Government Regulation No. 25 of 2000, the functions for which they are responsible have been considerably reduced. By contrast, the kabupaten and kota assumed a host of functions. These are not defined in the regulation but must be worked out by these regional governments from what functions are not allocated to the central and provincial governments. Regional governments will have differential capacity to establish precisely what they are responsible for while in some cases they may not have the capacity to perform the functions which have come under their control. Provinces may serve a useful purpose in assisting kabupaten and kota to determine their responsibilities, but more importantly the provinces may actually perform devolved functions for districts which lack the capacity to deal with them. Such a contracting out arrangement may well represent an efficient use of resources.

Law 22 sees provinces as adopting coordination roles across district boundaries, but like so much else in Law 22 this requires elaboration. Coordination of a different sort is needed between the districts. There was no national organization of districts until July 2000. Now there are two—a league of kabupaten and a league of kota. Both have held their first meetings and should provide forums in which members discuss common problems and share experiences. Leagues also provide the opportunity for members to advise and lobby central government. In the neighboring Philippines there are leagues for each subnational level of government (Padilla and Legaspi, 1992). These are active bodies which should provide relevant comparative experience for their Indonesian counterparts.

The district is the focal point for democratic decentralization. This is where the elected assembly, the DPRD, lies. Districts vary in size but frequently have populations of at least 500,000. In Java, districts may have populations above 1 million. Such large populations makes many Indonesian districts the size of or bigger than provinces in the neighboring Philippines and Papua New Guinea. The subdivisions of these provinces have elected assemblies and, especially in the Philippines, are responsible for a wide range of devolved functions (Turner, 1999).

In Indonesia the subdistrict (kecamatan) has no democratic structures. The head of sub-district (camat) is appointed from qualified civil servants by the head of district to whom the camat is accountable. The camat is not apparently directly accountable to the sub-district’s population. Furthermore, the camat suggests who should be the leaders of kelurahan (urban villages) to the head of region. These leaders (lurah) must be public servants and are responsible to the camat. Such a system raises questions about how far down does the democratic participation reach. In urban areas it would appear that administrative deconcentration may be winning over democratic participation. This occurs in a context of continuing urbanization; in 1997 the urban population numbered 74.8 million and constituted 37 percent of the country’s population (World Bank, 1999).
contrast, rural governance involves democratic structures at the grassroots. Law 22 provides for the election of a village head and a Rural Representative Board. These officials attend to a variety of functions such as the promulgation of village regulations, dispute resolution and community development. Accountability is both to the villagers and higher levels of government.

Conclusion

While decentralization is a popular policy in Indonesia, its favorable image could be adversely affected by poor implementation. As we have seen, a number of contextual and management issues will have a great bearing on the progress of devolution. There is no insurmountable problem although a few may lie outside government’s control. What does lie within government’s control is the ability to determine the pace of decentralization. Somewhat alarmingly the policy preference has been for a ‘big bang’ approach in which implementation was to proceed very rapidly. Such approaches have rarely if ever worked. They have normally resulted in misunderstandings, exacerbated capacity problems and declining support for devolved government. They produce minimal welfare gains for local populations. In some cases socio-economic indicators have gone backwards. The Indonesian government is still intent on pursuing an ambitious timetable for regional autonomy although this has been tempered by some incremental elements. However, delays in issuing regulations and the short interval between their dissemination to regional governments and their implementation inevitably involves considerable risk. But the political imperatives for decentralization outweigh technical considerations relating to managerial performance.

Government also appreciates that good coordination is essential if decentralization is to be a success. The process involves a number of central agencies and various bilateral and multilateral donors. Hundreds of regional governments also need to be involved. While there have been some initial problems and poor communications the situation appears to be improving. Both government and donors have taken actions to tighten coordination and share knowledge although given the enormity of the task there is still a distance to go.

Ensuring an acceptable distribution of resources across populations in many subnational territories will be a major challenge for central government in an era of decentralization. This involves a three way dynamic between central, local and civic (Tendler, 1997). The center monitors, facilitates and intervenes when necessary on behalf of citizens. The local government organizes itself to respond effectively and efficiently to the expressed needs of the population drawing on central and civic support where necessary. Civic society advises local government, assists in delivering services and maintains a strong advocacy role to ensure local government accountability. Such a three way dynamic can promote equitable development at the local level. However, if battles over funding formulas persist there is a danger that some regions will lose out or resource-rich regions will foster political instability in their bids to secure greater proportions of resource revenue.
There is obviously much to do in order to implement decentralization in a large archipelagic nation of over 200 million diverse people. A heritage of centralized authoritarianism is a handicap as is a bureaucratic culture which is built on standardization and local dependence on central government. Crises in politics and government are of concern and remain ‘chronic but not acute’ (ICG, 31 May 2000). However, popular enthusiasm and a realistic incremental approach to decentralization will do much to overcome the many obstacles and difficulties facing implementation. Sustained high level commitment is essential as is clarification through consultation of the details of decentralization. Laws 22 and 25 may be brief documents but they have the potential to generate a radical transformation of governance in Indonesia.

REFERENCES


