

The Reform of Local Governance in Indonesia

J. Endi Rukmo
Chief of Party
Cooperative Agreement Program
International Cities/Counties
Management Association (ICMA)
Jakarta, Indonesia

The Reform of Local Governance in Indonesia

Introduction

From a structural viewpoint, the Indonesian government can be divided into three levels of governance. The top tier is the Central or National Government; the Provincial Government belongs to the second level; and the third level comprises both the *Kabupaten*/Regency (rural area government) which is similar to a County in the United States and the chartered cities (urban area government). This aggregation was based on Law No. 5/1974, otherwise known as the Principles of Governance in the Region. However, Law No. 22/1999 supplanted the aforementioned law by splitting the country's government structure into just two: the National Government and the Local Government with the latter encompassing the provincial, regency and city government units that are, by themselves, independent and no hierarchical relations.

With the founding of the State of the Republic of Indonesia on August 17, 1945, the first law that was promulgated was Law No. 1 or the Law on Local Government. This move echoed the due emphasis given by the central government in the establishment of regions and their management. The central government was fully aware that a country consisting of thousands of islands with extremely heterogeneous people ought to have local authorities in the management of their respective peculiar characteristics, culture, custom and language. It was also realized that in order for the national government to carry out its policies, it would harness the local governments units being the institution closest to the people.

Right from the start until recently, the effort from the center in effecting decentralization is moving very slowly despite some attempts for reform. There are three identified primary stumbling blocks to meaningful decentralization. First, the state has to confront the great heterogeneity of the people such as ethnicity, religion, race, culture or potency of the region; second, the central government is reluctant to cede more authority to the local governments for fear that the latter are not yet ready; and finally, the local governments believe that the central government has certain objectives and holds some interests in its reluctance to confer more authority to them. The local governments believe that they are ready to implement decentralization.

This article will attempt to chronicle the development of the decentralization policy in Indonesia from the colonial era to the issuance of Law No. 22/1999 and the subsequent governmental regulations in carrying out this law, notably Government Regulation No. 25/2000 or Authority Devolved to the Local Government as well as the outcome of the Annual Session of the People's Consultative Assembly (MPR) in 2000 relating to decentralization.

Geography and Territorial Divisions of Indonesia

Indonesia is located in the South East Asian region, stretching between the two continents of Asia and Australia. Being an archipelago, the country is made up of about 17, 500 islands and islets. There are five big islands: Sumatra, Java, Kalimantan, Sulawesi and Irian or Papua (the western part belongs to Indonesia and the eastern part to Papua New Guinea).

In the first half of 1999, Indonesia has 28 provinces, 400 regencies (*kabupaten*), and 110 cities. There are 68,000 rural villages and *kelurahan* (urban villages) comprising the 28 provinces. According to the 2000 census, the population of the country has reached 220 million, 35 percent of whom live in the urban areas. Jakarta City's Special Region has a provincial status and is headed by a governor who is directly responsible to the president of the republic under Law No. 34/1999 on Capital City Special Region. After East Timor gained its independence in 1999, the number of provinces decreased to 26 (excluding Jakarta). Recently, however, the Province of North Maluku and the Province of Banten have since been added to the list bringing the total to 28. In this era of reform, moreover, several areas want to establish their own provincial jurisdiction such as Bangka Belitung from South Sumatra and Riau Islands from Riau Province.

The country's population distribution is greatly disproportionate. More than 60 percent of the people live in Java, an area relatively smaller than the other four major islands. Thus, the Javanese ethnic population is the largest in Indonesia. In addition, the country's economic development is concentrated in the island, especially in the urban industrial areas.

Since the Dutch colonial period, the government has been carrying out a transmigration policy to develop the other islands. Until recently, this policy has raised issues of "Javanization" of other islands as referred to by the other ethnic groups. Indeed, the Javanese migrants reportedly feel uneasy living in places such as Aceh and Irian Jaya (West Papua) in today's reform era.

Territorial Division During the Dutch Colonial Period and the Japanese Occupation

Indonesia was a colony of the Dutch for 350 years. On July 23, 1903, the Dutch issued a Law on the Division of Indonesian Territory, also referred to as the Law of Decentralization (*Decentralisatie Wet* in Dutch). The law stipulated that the territory of East Indies (as Indonesia came to be known) was to be divided into three levels of governance. They were: the central government under a governor general; the provincial territory under a governor, and the residency led by a resident.

The law was subsequently amended and revised in tune with the times. In 1922, the Dutch Government issued the Administration Reform Law (*Bestuurhervormingswet*). The Dutch issued several more Ordinances (*Ordonnantie*), specifically in the establishment of provincial governments. The province of East Java came into

being in 1926, followed by the province of West Java and the province of Central Java in 1927. Later, the Dutch Government issued an ordinance creating the Special Region of Jogjakarta (Jakarta).

During World War II, in 1942, the Japanese Occupational Government divided Indonesia into three parts. They were: The West Indonesia Territory under the 13th Military Command; the Central Indonesian Territory under the 16th Military Command; and the Islands of Eastern Indonesia under the Naval Command.

Decentralization Policy Under Soekarno's Era

After gaining independence on August 17, 1945, the new Indonesian government under President Soekarno and Vice President Mohammad Hatta issued Law No. 1 on Local Government. This served as the working guideline for the Indonesian National Committee on Regions and specifically for implementing Article 18 of the Indonesian Constitution, to wit: *the Indonesian territory is to be divided into large and small regions*. The law provides for the subdivision of Indonesia into three levels following the earlier scheme established by the Dutch, namely: the central/national government, provincial government and the city/regency government. At that time, Indonesia only had three provinces, 30 cities and 76 regencies.

In 1948, a new law was issued (Law No. 22/1948) which further divided the state into 4 aggregations: the central, provincial, city/regency and the village (*nagari* or *suku*). In this scheme, the national government recognized the existence of a traditional government structure with its own special characteristics. It further acknowledged local/regional autonomy as embodied through the diversity of customs (*adat*) and culture and, therefore, believed to be difficult to administer. However, this arrangement did not last very long.

In the early period of its statehood, there were changes in the country's government system. In 1945, the country adopted a Unitary State - style system and then changed into a federal system (Republic of the United States of Indonesia) in 1948. In 1950, the country reverted back to the unitary system. In 1959, President Soekarno issued a presidential decree which declared himself president for life and practically gave him authoritarian powers.

During this time, there were some laws issued by the government pertaining to local governance and decentralization but were not implemented due to the over concentration of power in the center. The growing dissent fanned popular uprisings in several regions such as Sumatra, West Java and Sulawesi which clamored for their independence. The central government tried all effort to prevent this opposition so almost all policies during this period were directed to prevent the country's disintegration. In a valiant effort to stem the tide, President Soekarno launched the idea of NASAKOM (Nationalism, Religion and Communism), which is meant to unite the pluralistic nation under one fold (to include even the communists). This idea, however, further sharpened the domestic conflict, especially between opposing groups (religious groups, the military and the communists).

In 1965, a group that called itself the "Thirty September Movement" attempted

a coup by trying to assassinate seven key military officers. The Army, led by Army Strategic Command (KSTRAD) Major General Soeharto, crushed the coup attempt a few days later with all the coup's actors either killed or caught. As this developed, General Soeharto managed to "elect" himself President of Indonesia with the issuance of the Letter of Eleven March (SUPERSEMAR), succeeding President Soekarno who at that time was ill and was unable to govern. The whereabouts of the letter has, until now, remained a mystery.

Decentralization Policy of Soeharto's Era

In the early days of his administration, President Soeharto prioritized the stability of the country's security. A stable national security requisite to economic development is one of the conditions requested by the countries of the Inter Governmental Group for Indonesia (IGGI) to help Indonesia back on its feet. To realize this objective, the country held a General Session of the Provisional People's Consultative Assembly, which subsequently issued several important decisions. Among others, these are: 1) Appointing General Soeharto being the bearer of SUPERSEMAR as acting president of the republic; and 2) dissolving the Indonesian Communist Party and prohibiting the communist ideology and other things related to regional governance from being studied. It was thought that the development of regional governance was closely related to the reorganization of political parties. Calling itself "New Order Government", Soeharto's administration based its economic platform on "Trilogy of Development" covering 1) stability, 2) growth and 3) equal distribution.

The Trilogy is contained in the Five Year Development Plans (known as Repelita). From Repelita I through Repelita VI which commenced in 1998, this Trilogy was changed every time to adapt to the Development Plan's priorities. For example, Repelita I gave emphasis to stability while Repelita II focused on growth. Starting with Repelita V, the attention is on equitable distribution. The present Repelita (VI) was only a month old in May 1998 when the New Order Government was toppled by reformists "people power" and President Soeharto stepped down as President of the Republic on March 21, 1998.

In 1974, the Law on Regional Autonomy (No. 5 or Principles of Governance in the Region) was issued and has emphasized the second level of government (province). The principal objective of this law is to devolve authority to the provinces. Accordingly, the province is given a decentralized authority (or political decentralization) to run its own affairs (autonomy). In the meantime, the province is also given the authority to discharge every Central Government decision in the context of deconcentration authority or administrative decentralization, and at the same time, obtain a co-administrative task or field administration (Brian Smith, 1967). (Decentralization is the "legal conferring of powers to discharge specified or residual functions upon formally constituted local authorities" while deconcentration is the "delegation of authority adequate for the discharge of specified functions to staff of a central department who are situated outside the headquarters". Henry Maddick, 1963).

However, Law No. 5/1974, appeared to have followed the “structural efficiency” model of government co-developed by John Halligan and Chris Aulich (1998) with its avowed aim for government efficiency and national unity. This model emphasizes the importance of efficient distribution of services to local communities (*ibid.*) and is deeply rooted on management theory (Danny Burns, et. al., 1994). Ironically, one of the consequences of this model is the reluctance of the central government to devolve greater authority to the localities. The reluctance of the national government is seen from the time it took them to issue the executory provisions for Law No. 5, namely Government Regulation No. 25 issued in 1992. This made the local governments unable to carry out the authority devolved by the central government since the relevant government regulation did not promptly come into force. There was also a degree of complacency exhibited by many local governments in carrying out deconcentration, since they did not have to work harder in generating their own resources.

Decentralization in the Reform Era

After the abdication of President Soeharto, he was succeeded by Dr. BJ Habibie, the Vice President of the Republic and former State Minister for Sciences and Technology and Chair of the *Badan Pengkajian dan Penerapan Tehnologi/BPPT* (Technological Study and Application Board).

The administration of President Habibie has come to be known as the reform era and the central government issued Law No. 22/1999 or Law on Local Government replacing Law No. 5/1974. To support the implementation of this law, Law No. 25 (1999) on the Central-Regional Financial Proportion was likewise issued. Likened to a turnaround, it appears that the new law was to give more emphasis to democracy rather than efficiency.

There are five basic thoughts and principles in the formulation of Law No. 22/1999. First: provision of greater opportunities to the regions or localities (local government units such as the province, city and kabupaten) to become independent and autonomous; second: application of democratic principles such as citizens’ participation, equal distribution and justice, as well as recognition of regional diversity and potency; third: enhanced role and function of the Regional Legislative Council (DPRD), both as a legislative institution and as an instrument for developing democracy; fourth: a more proactive role in the era of globalization; and fifth: the reposition of the rural village as the lowest political unit in the unitary state system.

According to this law, the head of a region or locality (local government) is seen as a “regional instrument”, not concurrently as “central instrument”. The head of a region is directly elected by the DPRD, without any interference by the central government, and subsequently approved by the president of the republic. Thus, the head of a region is responsible to the DPRD. This is the consequence of the separation of the function of the DPRD being a legislative institution and the regional head as a regional executive institution. The DPRD is also tasked with the role of providing a channel of local citizens’ aspirations in the development of local democracy.

The law also states that the position of the province (as a regional unit) is two-fold: as an autonomous region and as an "administrative territory" (deconcentration). Accordingly, the province is treated as an instrument of the central government. Thus, the provincial head has a double position — as head of a region and a representative of the national government. However, the relationship between a province and a city or *kabupaten* is no longer hierarchical, i.e., one is beneath the other. Each became independent or autonomous and their relation is only a partnership. The election and appointment of the three local governments are also similar. The similarity ends only where, in the process of candidacy, a provincial candidate nominated by the provincial DPRD will get a prior consultation with the president of the republic before the conduct of the election. This is because of the added position as a representative of the central government.

The provincial governor's role as the center's representative is crucial in three counts. First: in maintaining a harmonious relationship between the regions and the center; second: in discharging regional autonomous authority that has yet to be carried out by the city and *kabupaten* regions; and third: in implementing certain devolved government tasks in the context of deconcentration.

Law No. 22/1999 also stipulated the abolition of the position of administrative city district (*kecamatan*) and *kelurahan* (urban village) from being purely administrative units. The *kecamatan* was since integrated into the *kabupaten* and the city as a government instrument in accordance with decentralization objectives. The law also revived the positions of assistant governor and assistant regent (municipality) in an effort to streamline the bureaucracy in the regions. Other change includes the abolition of urban villages. In effect, in certain *kabupatens*, there is a possibility of a *kelurahan* (previously an urban village) and a *desa* (rural village). You can now find *kelurahans* only in the cities.

Conclusion

Local government reform in Indonesia as embodied in Law No. 22/1999 is expected to be implemented on January 1, 2001. The governmental regulations to implement the law have not been issued, at the time of this writing. Moreover, in the recent annual Session of the People's Consultative Assembly (MPR), Decision No. IV /2000 was issued containing suggestions to improve Law No. 22/1999 as well as other amendatory provisions to Article 18 of the Constitution related to the implementation of local autonomy. It is hoped that the recent developments will not result in a delay that can further dampen the spirit of local governance.