

## **Shadows and Lights: A Short Review of Democratization and Decentralization in Indonesia<sup>1</sup>**

Kazuhisa MATSUI<sup>2</sup>

*JETRO Expert in KADIN Indonesia, Jakarta*

### **1. Preface: Democratization and Decentralization**

Indonesia is now paid attention as one of the most emerging economies of the world with 6-7% annual economic growth and strong domestic market demand, with 230 million populations under stable political and social condition. However, about ten years ago, after monetary and economic crisis in 1997-1998 and the end of the Soeharto authoritarian regime in May 1998, Indonesia had just started its severe rehabilitation process to change itself with democratization and decentralization. As a result, Indonesia has become one of the most democratic countries in Southeast Asia. Central and local government had accepted decentralization process as usual, even if there were serious worries about disintegration of Indonesia before.

With rehabilitating people's basic human rights to express and speech, Indonesia's political system had been democratized from parliamentary system to presidential one through introduction of presidential and vice-presidential election by people's direct voting in 2004. And, a year later, the direct local-head election of governor, *bupati*, and mayor were also realized nationally, except the governor's election of Yogyakarta Special Area. In addition, almost all parliament members of central, provincial, *kabupaten*, and city level in Indonesia are now elected by proportional representation system based on political party (except Regional Representative Assembly (DPD) by four non-party members per province), Indonesia has no appointee politicians that were mainly dominated under the Soeharto era. The introduction of the direct local-head election in 2005 made the democratization process of Indonesia completed.

Along with the democratization process, Indonesia had tried to change the administration management from centralized to decentralized system since 2001. Because of bitter experience of introducing federalism in 1949 after Indonesia's independence, not small number of peoples had worried about decentralization to lead

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serious disintegration and break the unity of Indonesia. The first stage of decentralization created many confusion and lack of order in the central-local government relation, especially erase of hierarchy between provincial and *kabupaten/city* government under the Law No. 22/1999 on Local Government. The situation had been normalized by continuous monitoring and revising related law and government regulations including the revised Law No. 32/2004 on Local Government.

## 2. The Central-Local Government Relation

The change from centralization of the Soeharto era to decentralization may be regarded as the change of administrative effects from vertical to horizontal, even though it was not complete change but the change of those weights with priority in horizontal ones. Both vertical and horizontal effects are still mixed.

Democratization gives more opportunities to many actors. Under decentralization, the authority of central government must be delegated to local governments that know better their own regions and local affairs. In this sense, democratization and decentralization have the same direction. Decentralization gives chance for local government to realize development policies based on local initiatives.

However, at the first stage in the case of Indonesia and maybe also many other countries, because of lack of learning process to empower the capability of local government, it was very difficult for local government to utilize the opportunity without any guidance from central government. On the other hand, central government under post-power syndrome felt lost the authority and had paid little attention to give optimal guidance to each local government.

Local governments were often as like as at a loss to do something new and were forced to utilize the delegated authority for inappropriate budget spending such as construction of new local government office at first and buying many official cars for high-ranking officials. Also, in order to increase their own-revenues (*PAD*) other than allocation funds as *DAU* from central government, most of local government has tried to set freely a lot of new local ordinances (*Perda*) and user's fees (*Retribusi*) on everything. But this became big disturbance for attracting investment from outside to the local, with pushing up the business cost.

In the first stage under the Law No. 22/1999 on Local Government, the administrative hierarchy between province and *kabupaten/city* was erased and provincial government was focused only to coordination matters among *kabupatens/cities*. At a result, it became very difficult for central government to control

and coordinate *kabupaten/city* governments that had full local autonomy. Under the situation, for example, many local permissions of logging in forest were published by *kabupaten/city* governments without any effective monitoring and control by central and provincial government.

To correct the situation, the Law No. 32/2004 on Local Government (a newly revised law after the Law No. 22/1999) repositioned hierarchical status for provincial government as a representative of central government to control and coordinate *kabupaten/city* governments. After this repositioning, the role of provincial government has tended to concentrate as a representative of central government rather than its own autonomous government. Provincial government has generally favored this change because it became more powerful over *kabupaten/city* government. Currently, central government wants to revise the Law No. 32/2004 to change the election of provincial governor from direct election by people to by provincial parliament as old system before the Law No. 32/2004.

### **3. Direct Local-Head Election**

Introduction of the direct local-head election in 2005 is one of important targets of democratization in Indonesia. This direct election is not influenced by any administrative intervention or screening of candidates by central government as done in the Soeharto era. However, the selection of candidates is still intervened by political parties because the democratization in Indonesia is based on political party system.

Currently, almost all of political parties in Indonesia have centralistic control system. The party's central board has strong authority and gives order to the provincial and *kabupaten/city* subsidiaries. Even though the selection of candidates of local-head and local parliament members by the party's local subsidiaries is basically respected, the central board does the final decision. In fact a party politicians is not always selected as the local-head candidate. To win the election, the candidate must be popular and respected by local people. In this sense, local elites are targeted as the local-head candidate approached by political party. On the other hand, there is the local political elite who wants to be the local-head because role of the local-head under decentralization becomes far stronger than before. Their ambition can be realized if they cooperate with and utilize the political party. The local political elite may regard the local-head nomination as the first step to raise their political career until the central level in the future. For the political party, keeping of such local political elite is very important to increase its supporters and to win the next election. Both political party and

the local political elite are favored to utilize the opportunity of the direct local-head election.

The local political elite often takes advantage of the paternalistic and feudal environment that is still alive. They will use local symbols, traditions, custom laws, and cultural values for their own political ambition, sometimes without really paying attention to the meaning of these values. Decentralization often promotes culture, local wisdom or customs. This may give the impression that the political elite are protecting or preserving the local culture, but often times it is merely for certain political goals.

At the national level, the process of decentralization is delegated from the central government to the local government. However, the local-head and his/her local government tend to exploit the decentralization system to operate a local centralistic system, without any continued process of decentralization towards reaching the people. This phenomenon, often known as “Mini-Soeharto”, is underlined by the local-head election. Most of the elected local-heads presume that they have strong legitimacy from the people and they can become “king” of their region. The maximum term of duty of a local-head is 10 years (elected twice) and therefore the local-head will try to make the most of his tenure by gaining as much power within the limited time. The local “Mini-Soeharto” system is often may play a role to extend the corruptive way from the central to the region.

#### **4. Inter-local Competition Sentiment**

Last more than ten years since starting of democratization and decentralization in Indonesia has been full of trial-and-error and learning process for central government, provincial and *kabupaten*/city government, economic actors, and local people. Many negative phenomena were happened as mentioned, but Indonesia did not disintegrate and still existed as a united country with better economic performance. There were some institutional arrangements as revision of law and regulation on decentralization to make correction and decrease the negative impact that had happened in local level. Also, negative impact of the authority delegation from the central to the local government had been loosened by the political intervention on the selection of local-head candidates through centralized political parties under the political party-based democratization. Another important factor is the inter-local competition sentiment among the local-heads and their government, facilitated by central government.

The local-head election became the good opportunity for the local political elite and the local people to look back their own regions and its local resources. In other

words, they had started to think their localities and originalities. For the local-head candidates, in order to win the race, it was better to increase the attention and the respect for localities from people rather than to emphasize what is inferior to others to get attention from outside. They want their region be regarded as better one than others.

Now, there are many chances for local-heads to meet together in Seminar or meeting in the central government. In that occasion, they exchange their own experiences each other. They know several good or best practices on local government policy, management, or how to get extra budget from central government and donor's attention. After the occasion, they will conduct the study tour to the good or best practice region to directly learn it. The local-head appreciates the visit of other local governments as an honor and a sign of better local government than others.

Central government has also learned that it is more effective to facilitate such inter-local competition sentiment than to give uniformed instructions to all local governments. There are many ministries and donors to set many kinds of incentives and awards for good or best practices of the local government<sup>3</sup>. To get and raise their prestige, the local governments now positively want to utilize such chances.

Before under the Soeharto era, most of the local governments just looked at the central government bilaterally, without any concern to other local governments. It was effective for the central government to control them with "top-down" and "divide and rule" style, as same as the Dutch colonial administration. Now, they are very busy to look at others, not to be regarded as an inferior region than others. This is the new phenomenon in Indonesia and it may be effective for Indonesia to avoid disintegration and to realize its sustainable process of democratization and decentralization.

## **5. End Remark: Vertical and Horizontal Effects**

In the post-Soeharto Indonesia, the introduction of democratization and decentralization has changed the administration system from vertical-oriented to horizontal-centered one. This change has not happened in only one way, but in mixed way through trial-and-error process during the last more than ten years. The process was not tightly planned and set by central government in advance, but was realized by complicated interaction of many factors under the central-local relation.

The Law No. 22/1999 on Local Government was revised by the Law No. 32/2004

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<sup>3</sup> The central government has also disincentive or punishment on DAU to local governments. If the local government cannot regularly repay for the loan borrowed from the central government, the next month DAU allocation will be decreased with deduction of the repayment.

and the central-local government relation was repositioned with optimal hierarchy. The direct local-head election increased the power of the local-head but intervened by centralized political party system. The local head and his/her government wants to perform better than others, but also at the same time to learn from others, rather than to wait for attention from outside and to emphasize their inferiorities to get special budget from the central government<sup>4</sup>.

In general, compared with the Soeharto era, the horizontal effects becomes more major under democratization and decentralization than the vertical ones, but the vertical effects has still been utilized to implicitly regulate the process to avoid the threat of disintegration. This careful and appropriate manner, based on learning from practical experiences for more than ten years, has realized the relatively stable political and social situation in Indonesia, even if we cannot deny that there are still many problems and difficulties in the central and the local level.

One of the problems is the distance between the local government and the people. It relates to how to overcome the situation of “local centralization” and the attitude of local-heads as like as “king”. This should be improved through more effective facilitation by the central government to utilize inter-local competition sentiments for good policy especially on public service to the people. In other words, the central government should continue the effort to realize sustainable “good policy competition” among local governments, with keep the objectivity of judgments to give rewards and punishments to the local government.

Reference:

Matsui, Kazuhisa [ed.] (2007) *Regional Development Policy and Direct Local-Head Election in Democratizing East Indonesia*, ASED P No. 76, November 2007.

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<sup>4</sup> This is also seen in the poverty alleviation program. Before, local governments tended to emphasize their poor conditions to get special aid attention from central government. Now, the central government allocates the budget if they realize the reduction target of poverty rate, and they follow it.