

INTEGRATED OR FRAGMENTED GOVERNANCE: INDONESIA'S DECENTRALIZATION

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ABSTRACT

Indonesia has undergone remarkable change since decentralization has been implemented. The Constitution is the beginning of a dramatic change in this decentralization. It starts from the integrated governance in the way it works with include relationships involving informal, cooperative, coordinated, collaborative activities and partnerships.

Indonesia, home of more than two hundred million populations; sprawling archipelago of more than thirteen thousand island; is a big country. It is characterized by regional, ethnic, religious and linguistic diversity. It is perceived "big bang" decentralization because Indonesia's dramatic steps in changing decentralized authority. In fact, it eliminated the hierarchical management between the central, provincial and local government. Politically, the governor, major/district heads are elected directly by people as a result of political transfer of power, the branches of sectorral ministries are also transferred under the responsibility of local government. The good news is from political perspective, the country has brought the very reason of decentralization foundation . i.e to bring government closer to the people .

However, from policy and service delivery perception, the decentralization has sometimes been far from the ideal. Local government, with departmental – sectorral agencies are focusing on their own management. As a result, this kind of Decentralization is featured by a fragmentation in both policy making and service delivery. Although, it is not to suggesting that decentralization has failed in Indonesia.

Keywords : *Decentralization, Integrated governance, Fragmentation.*

INTRODUCTION

The issue of governance has become a provocative thought in many developing countries over the last decade. In Indonesia, the term "*tata kelola pemerintahan*", the direct translation of 'governance' and "*otonomi daerah*"¹ as for local autonomy or 'decentralized government' became popular in the end of 1990s. It was not coincidentally the issue of governance went along with the fall of authoritarian regime that for more than three decades governed the big country. However, in a broad perspective, two factors are attributable to Indonesia's governance: outside and inside.

¹ For further discussion, see E. Koeswara, *Otonomi Daerah untuk Demokrasi dan Kemandirian Rakyat* [Regional Autonomy for Democracy and People Autonomy], Yayasan Pariba, Jakarta, 2001.

First, the global actors; such as, the World Bank, the United Nation Development Programme (UNDP)², international NGOs like Ford Foundation, IDE JETRO³, the Asian Development Bank⁴; have major role in advocating governance implementation. Furthermore, the domestic demands at the same time also gave a strong pressure due to the fact that the nation could not be managed in a centralized management. The accumulation of these factors, the central and national representatives past the constitution (law: no. 22 and 25 in 1999⁵ and revised into law no. 32 and 33 in 2004 in the same matters respectively). Under these laws, it is intended to decentralize all sectors except religion affairs, foreign affairs, the state defense, and monetary. The constitution then became a beginning of dramatic change of Indonesian contemporary development⁶.

Approximately, ten years of Indonesia's decentralization journey, we might curiously want to know what does the country has achieved. In other words, does decentralization bring what it's prominent and advocates yearn for? Does decentralization really mean 'good governance'? These basic questions are fundamentally urgent in assessing 'the third world biggest' democracy.

First of all, the topic deals with integrated governance; accordingly, the definition is important. The Institute of Public Administration Australia (IPAA) defines integrated governance as:

"The structure of formal and informal relations to manage affairs through collaborative (join-up) approaches which may be between government agencies, or across levels of government (local, state, and commonwealth) and/or the non-government sector" (IPAA, 2002: 1).

Furthermore, rather than disparate, integrated governance is aimed to encompass the ways of working. It is a way of governing that involves informal relationship, cooperative, coordinated, collaborative and partnerships. The key word in this kind of governance is 'partnership', i.e. all stakeholders take part in planning,

² In the report "Overcoming Human Poverty" 2000, the UNDP maintained that 'governance is the missing link' in tackling the worlds poverty. The report is available on <http://www.undp.org/povertyreport/> ; the 2005 Report, "UNDP Country Programme for Indonesia 2006-2010", available at <http://www.undp.or.id/pubs/doc/CDP%202006-2006-210.pdf> ; and the 2007 Annual Report; the UNDP provided a special attention focusing on "Democratic Governance Group", available at <http://www.undp.org/publications/annualreport/2007> .

³ Kazuhisa Matsui, "Decentralization and Nation State Building of Indonesia", IDE Research Paper no. 2, available at <http://www.ide.go.jp/English/Publications/Download/Papers/02.pdf>

⁴ Peter McCawley, "Governance in Indonesia: Some Comments", Asian Development Institute, Tokyo, available at <http://www.adbi.org/research-policy-brief/2006/04/11/177.governance.indonesia.comments/>

⁵ Law no. 22 was the arrangement of governmental issues, i.e. the relation between the Home Ministry and regional/provincial and district levels. Law no. 25 is for fiscal, between the Ministry of Finance and Regional/Provincial and Districts Treasury.

⁶ Among the significant development is the increase number of provinces from 27 (exclude the East Timor) to 33 currently; while the number of new districts increased sharply by 50% to 440. For more discussion of the dynamic of the so-called "pemekaran", literally: 'flowering', see Henk S. Nordholt & Gerry van Klinken (eds.), *Renegotiating Boundaries, Local Politics in post-Soeharto Indonesia*, KITLV Press, Leiden, 2007, especially on the Introduction chapter, pp.1-35. See also Fitri Fitriani *et al*, 'Unity in Diversity? The Creation of New Local Governments in a Decentralizing Indonesia', *Bulletin of Indonesian Economic Studies*, vol. 41, no. 1, 2005, p. 69. And for up-to-date number of districts and municipalities see official Home Ministry website at: <http://www.depdagri.go.id> .

implementing and evaluating. Therefore, 'silo mentality' is removed to incorporate mutuality (IPAA, 2002:105). At this point, we ask: is Indonesia's decentralization integrated or fragmented?

INDONESIA'S "BIG BANG" DECENTRALISATION

Generally, decentralization is defined as "the transfer of authority and responsibility from higher to lower levels of government".⁷ Quoting Freire and Maurer (2002), Nordholt and van Klinken illustrates Indonesia's decentralization into three ways: 1. as the delegation of specific tasks while the center retains its overall responsibility; 2. deconcentration, which refers to a relocation of decision-making within a centralized state; 3. devolution, which concerns the actual transfer of power to lower levels of government.⁸

Indonesia, home of more than two hundred million populations; sprawling archipelago of more than thirteen thousand islands; is a big country. It is characterized by regional, ethnic, religious, and linguistic diversity.⁹ It is perceived "big bang" decentralization because Indonesia's dramatic steps in changing decentralized into decentralized authority. In fact, it eliminated the hierarchical management between the central, provincial and local governments. Politically, the governor, major/district heads are elected directly by people. Second, as a result of political transfer of power, the branches of sectoral ministries are also transferred under the responsibility of local governments.¹⁰

According to Pierre and Peters, there are several reasons why many countries have implemented decentralization extensively. First, fiscal pressures on the state triggered by a combination of an emerging public sector and public services, on the one hand; and economic structural problems on the other. Second, the central government tries to addressing to support human resources of local government. Third, decentralization becomes a response to stagnation of public frustration to public bureaucratic services. Fourth, support the objective of domestic institutional reform by looking at other states to solve similar problems by applying similar solutions within their own jurisdiction (Pierre and Peters, 2000:122-3).

In Indonesia, most of what Pierre and Peters mentioned above also faced by the national government. In fact, there had been a missing in term of fiscal balance between national and regional budgetary due to centralized economic development. That might be happened because centralized departmental agencies were monopolized by Jakarta. As a consequence, top-down approach featured in the service delivering. The top-down model, hence, ignored the development of human local resources that

⁷ Stein Kristiansen and Pratikno, "Decentralizing Education in Indonesia", *International Journal of Educational Development*, 26, 2006, p. 519.

⁸ Nordholt and van Klinken, *Renegotiating boundaries...* 2007, p. 12.

⁹ Bert Hofman and Kai Kaiser, 'Decentralization, Democratic Transition, and Local Governance in Indonesia', in Pranab Bardhan and Dilip Mookherjee (eds.) *Decentralization and Local Governance in Developing Countries: A Comparative Perspective*, The MIT Press, Massachusetts, 2006, p. 82.

¹⁰ Sebastian Eckardt, "Political Accountability, Fiscal Conditions and Local Government Performance-Cross-Sectoral Evidence from Indonesia", *Public Administration and Development*, December, 28, 2008, p. 5.

were in the front-line services. And in the reason of doing something similar with neighboring countries, Indonesia also looked the Philippines' older decentralization.

In addition, Roland White and Paul Smoke stated that two factors have become driving forces of decentralization in East Asian nations: structural and political¹¹. Structurally, remarkable and continuous economic growth and urbanization has preceded this trend. Due to a growing pressure for national government to provide services for overwhelming and larger population is unavoidable. To empower sub-national government to meet people needs remains critical. Politically, the dynamics of political development also influences the nature of decentralization. In fact, Indonesia's central government pushed authority to down to municipality and district levels to minimize conflicts with provincial level. The step is important reduce the potential of regional separatism in the fragile of post- authoritarian regime.

The study Richard Seymour and Sarah Turner¹² highlights that there are at least six challenges of Indonesia's decentralization attributed to a lack of integration. First, Indonesia's decentralization is in the wrong level. Skeptical view believes that autonomy should be given to provincial not district/municipality level. The reason is that "the central government retains too much power and control over decision making" and there would be a redundancy on decision making at district level if the model of development is not within "the unitary state and the objective of Pancasila"¹³. Second, the arrangement of fiscal autonomy has not improved. Quoting Suharyo (2000:9), Seymour and Turner agrees that the share of income tax (80 percent), revenue from oil (85 percent) and gas (70 percent, and Value Added Tax (100 percent), remains a substantial dissatisfaction of local governments.

Third, lack of finance also becomes a challenge in the decentralization. The major concern related to finance is inability of the central government to sufficiently to make up the shortfall budget due to debt heavy burden. Consequently, the development of major infrastructures within regional and district levels do not develop because lack of fund. Fourth, resource rich regions are favored. In this case, regions which have huge natural resources will be treated very well by the central compared with poor ones. Because under the decentralization, local have to generate revenue; that each region has different resources. Accordingly, sooner or later, there would horizontal imbalance among district and provincial revenue.

Fifth, 'grey areas'. The other obstacle is dealing with the sectors that are not clear of its arrangement. For example, under the law 22, education is under control of local governments; yet, the central still manages the planning, development and management of human resources. It is not uncommon to see the debate between the National Education Ministry and the Regional Education Office. Another example of the messiness is the understanding and managing over the investment authority. Thus, international investors might concern of complicated bureaucracy.

Finally, not less important challenge is the human resources capability which considered not yet ready to take the responsibilities. Capability here meant the ability

¹¹ Roland White and Paul Smoke, "East Asia Decentralizes", in *East Asia Decentralizes: Making Local Government Work*, The World Bank, Washington DC, 2005, p. 4.

¹² Seymour and Turner, "*Otomomi Daerah: Indonesia's Decentralization Experiment*", *New Zealand Journal of Asian Studies*, vol. 4, no. 2, 2002, pp. 40-44.

¹³ Pancasila (five principles) is the foundation of state.

of local human resources; including, education, training, experience, managerial skills, and know-how of local officers who are in front-line service delivery. In fact, many district local high ranking officers, such as district head, have not gained tertiary education. This challenge leads to inefficiency and ineffectiveness, according to Peters, caused by “the size and complexity of government organizations”.¹⁴

To promote good governance, decentralization is supported to enabling public participation in decision making. Nevertheless, citizen participation in decision making and service delivery by decentralizing authority does not automatically come. In Indonesia’s experience of decentralization, in my point of view, efficient and effective service delivery needs more dialog among stakeholders; local governments (both executives and legislatives), communities, NGOs, and others. It seems, as Seymour and Turner illustrated above, that actors are fragmented in perceiving decentralization. They are busy with their own agenda. What is missing here, I believe that the rule of the game-engagement between local governments and citizens is not clear.

In the very recent investigation, Sebastian Eckardt, remark that deeply rooted in the political and social environment, the performance local governments are poor. Local governments, he states, are often fail to deliver basic services because “political and bureaucratic agents misallocate public resources”.¹⁵ In fact, the pressure of organized and politically active communities is not followed by responsive and well managed local governments in their service delivery.

CONCLUDING REMARK

To conclude this paper, we see that Indonesia has undergone remarkable change since decentralization has been implemented. The good news is that, from political perspective, the country has brought the very reason of decentralization foundation, i.e. to bring government closer to the people. One example noteworthy example is transferring the centralized authority to the lower government levels, province and district which closely to monitor. At the very least, people nowadays know who are in charge, their local leaders, in their own local areas.

However, from policy and service delivery perception, the decentralization has sometimes been far from the ideal. Local governments, with departmental-sectoral agencies are focusing on their own management. As a result, this kind of decentralization is featured by a fragmentation in both policy making and service delivery. Although, it is not to suggesting that decentralization has failed in Indonesia. Lastly, it is recommended, to tackle this problem all stake holders need a-guideline-like to create a common perspective. The guideline should be dialogued and profoundly formulated by all parties; so, vertical and horizontal conflict among the national, local governments and the people would be avoided.

¹⁴ Peters, *The Future of Governing*, 2000, p. 33.

¹⁵ Eckardt, “Political Accountability...”, 2008, p. 15.

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