

# Dilemma of Decentralization and Local Autonomy in Indonesia

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## ABSTRACT

*Decentralization is the devolution of authority from central to local government to manage the domestic affairs based on the needs and aspirations of its people. Decentralization process also translates into providing autonomy to the local government. However, the degree of autonomy granted to local governments raises a dilemma due to political pressure and political demands. Too much autonomy can sometimes lead to a disproportionately distribution of power in the hands of the elites. This paper, therefore, attempts to critically analyze the practice of decentralized autonomy in local governments in Indonesia. Specifically, it argues that the current practice of decentralization and local autonomy inhibits the ability of the local government to effectively empower greater participation from citizens. Instead, poor local citizens continue to be sidelined in the fight for political control.*

**Keywords:** *Decentralization, Local Autonomy, Good Governance, Local Governance and Indonesia*

## INTRODUCTION

Over the last few decades almost all countries in the world are keen to decentralize their governments in various dimensions and shapes based on the demands of the political and administrative needs of individual countries, especially countries in the third world. Many countries even have changed the organizational structure of government in the direction of decentralization. The amount of interest in decentralization is also in line with the growing interest from various international development agencies (Conyers, 1983: 97). Now decentralization has appeared universal and accommodated in a variety of different views.

According to the decentralization theory, there are two models of decentralization currently being practiced throughout the world, the structural efficiency models and models of democracy. Structural efficiency model is rooted in the theory of management, while the model of democracy is rooted in the political theory. In the developed countries, the use of both models

is not experiencing significant problems because both models meet the prerequisites for the implementation of decentralization and local autonomy is strong ideology, but in developing countries such as Indonesia, the use of one of these models in the extreme will have an impact significantly on the regional administration.

In Indonesia, the implementation of decentralization and regional autonomy causes a dilemma due to political interferences. It also should be understood that decentralization is not a “panacea” for all the problems faced by developing countries. Any model chosen still requires a process of internalizing the values of decentralization and regional autonomy into the community, state and nation.

As a system, the decentralization and local autonomy have two sides that cannot be separated. On the one side, decentralization is preferable due to its advantages, but on the other hand, decentralization creates problems especially in regards to conflicting demands between politics and administration. Therefore, an understanding of the dimensions, the degree, the advantages and disadvantages of decentralization and regional autonomy will help the country choose the model of decentralization and regional autonomy that is best suited to Indonesia.

## **DIMENSION OF DECENTRALIZATION AND LOCAL AUTONOMY**

Harold F. Alderfer (1964) reveals that there are two general principles to distinguish how the central government allocates power. First, de-concentration which prepares the administrative unit or field stations, either singularly or in the hierarchy, either separately or combined, with instructions on what they should be doing or how to do it. No policy is made at the local level and there is no fundamental decisions are taken. Central agencies have all the power, while local authorities are completely beholden to the former. Second, devolution, where the local governments are prescribed certain powers over certain tasks.

Meanwhile, Conyers (1986) divides decentralization based on the type of functional activity, the type of authority or power transferred to each functional activity, level or area of authority transferred, authority over the individual, organization, or entity which is transferred at each level, and the authority that is transferred by way of legal or administrative. This conception of decentralization is similar to Alderfer’s description of devolution. Rondinelli et.al. further elaborate the concept of decentralization (in Meenakshisundaram, 1999) to include de-concentration (submission of a number of authorities or administrative responsibility to lower levels within the ministry or government agency), delegation (displacement responsibility for certain functions to organizations outside the regular bureaucratic structure

and only indirectly controlled by the central government), devolution (establishment and strengthening units of sub-national governments with activities that are substantially outside the control of the central government), and privatization (giving all responsibility for functions to non-governmental organizations or private companies that are independent of the government). Similarly, Rondinelli, McCullough, & Johnson (1989) also distinguish five different forms of decentralization: privatization, deregulation of private service provision, devolution to local government, delegation to public enterprises or publicly regulated private enterprises, and de-concentration of central government bureaucracy.

Cohen and Peterson (1999) further clarify the distinction of decentralization based on the origin of history, hierarchy and functions, problems addressed, the pattern of the structure and administrative functions, experiences of certain countries, and a variety of purposes that include political, spatial, private interests, and administrative interests. Hoessein (2001b) reveals that the devolution in the UK is synonym for political decentralization in the United States and *staatskundige* library *decentralisatie* in the Dutch government. According to Sinjal (2001) devolution, political decentralization, and deconcentration are also known as *medebewind* and *vrij bestuur*. Liang Gie, (1965) further defines *medebewind* as the right to run the regulations of the central government or the local level based on the orders of the top echelon in the government. Rohdewohld (1995) expresses a similar meaning of *medebewind* but with a different language as a particular function under the jurisdiction of the central government run by the autonomous regional government administration unit on the orders of the central government. The central government retains jurisdiction in planning and funding. *Vrij bestuur* may imply that there is doubt about who is in charge of a problem. The rationale for this is the emergence of *vrij bestuur* because the authority can be detailed one by one, but none of the legislation which is able to predict the societal problems that develop very dynamically so that when there is a vacuum of authority handling a particular problem with the principle *vrij bestuur*.

In regard to Indonesian government perspective, devolution is the equivalent of decentralization and delegation is the functional equivalent of decentralization. The historical development of local government in Indonesia, ranging from the time of the Dutch East Indies to modern Indonesia has been experiencing various forms of decentralization.

## **DEGREES OF DECENTRALIZATION AND LOCAL AUTONOMY**

Theoretical debates about the concept of decentralization center on the degree of decentralization. But it seems that the degree of decentralization can be structured based on certain factors, although still contentious and a big disparity within the meaning and interpretation. Factors to be considered

in setting the degree of decentralization proposed by Muluk (2009, 24-25) include *first*, the degree of decentralization can be seen from the function or business that is run by the local government. The more the functions are decentralized, the higher the degree of decentralization. *Second*, the types of delegation: open-ended arrangement and ultra-vires doctrine. If a local government has open-ended arrangement, it can be considered a greater degree of decentralization and if a government has the type of delegation which is based on ultra-vires doctrine it is considered a lower degree of decentralization. *Third*, the type of control the central government has over the local governments which include repressive control and preventive control. *Fourth*, it is related to the financial aspect involving the extent to which the decentralization of decision making affects the management of revenue and expenditure.

*Fifth*, the formation of local government which means that the degree of decentralization would be higher if the source comes from the local authority rather than delegating legislative provisions of the executive. *Sixth*, the higher amount of financial assistance to the local government (PAD), the greater the financial dependency of the local government towards the center. Seventh, if politics at the local level is still dominated by national-level political organization, the degree of decentralization is deemed to be lower when compared to the local level if politics is dominated by local political organizations and more independent of national political organization.

Another aspect that may be considered in determining the degree of decentralization is the degree of power. There are three levels of decentralization. First, at the level of regions (decentralized unitary) or state (decentralized federal country) with a population of one million or more. Second, at the district level or equivalent with a population of 50,000 - 200,000. Thirdly, at the level of the village or community. This is where the essence of the decentralization because at this level, community leaders often meet the local administrators who will provide services required by them.

Decentralization policy is clearly stated in the Indonesian Constitution under Law No. 22 of 1999 on Regional Government. This legal provision of Law No. 22 of 1999 on Regional Government also regulates the distribution functions of the village government level. But in practice the distribution function at the village administration is run under the subordination on district / city. Then the same thing still applies in Law 32 of 2004 on local government. The Law No. 23 of 2014 on Regional Government in lieu of Law No. 32 of 2004 underlines the subordination of the village administration at Regency/City Government but more specifically regulated in Law No. 6 of 2014.

One of the reasons why the Law 23 of 2014 is enacted is to improve service, empowerment and community participation within the framework of the Unitary Republic of Indonesia. However, the goal of the regional administration to improve service and enhance empowerment and community

participation will not be successful, if the government is not focusing on ethics.

The implementation of Law No. 22 of 1999 as amended into Law No. 32 of 2004 on local government which is further broken down into Law No. 22/2014 on the election of Governor / Regent / Mayor, followed by the release of Government Regulation No. 1 of 2014, Law 23 of 2014 on Regional Governance and Law No. 6 of 2014 of the village. On one hand, it is intended to meet the administrative needs for the realization of effective public services. But, on the other hand, it is also intended to meet the interests and political demands for the development of local democracy. The dilemma occurs when one goal of this policy is intended to meet the needs of the administration, but at the same time the demands of local politics to bring local democracy is getting stronger.

### **ADVANTAGES OF DECENTRALIZATION AND LOCAL AUTONOMY**

In view of liberal democracy, local government brings two benefits: firstly, it provides a positive contribution to the development of national democracy because local government is able to be a vehicle for political education, and provide training for political leadership, as well as support the creation of political stability. Hoessein (2000) adds that the concept of autonomy contains freedom for initiative to take decisions on the basis of the aspirations of the people without direct control by the central government. Therefore it is very closely associated with democracy. Second, local government could provide benefits to the local community (locality). Hoessein (2001a) opines that local autonomy is important for the community. Affairs and interests of the locality are deemed important to them because their political base is to the local government, not to the nation.

The advantage for the local community is the existence of political equality, accountability, and responsiveness. Antoft & Novack (1998: 155-159) also reveal the advantages of local government in several ways, namely: accountability, accessibility, responsiveness, opportunity for experimentation, public choice, the spread of power, and democratic values. In economic perspective (see also Stoker, 1991: 238-242, the public choice theory), decentralization is an important medium to improve personal well-being. According to this perspective, individuals are assumed to choose his residence to compare various packages and tax services offered by a variety of different cities. Rational individual would choose a place to stay that will provide the best option packages.

Advantages that can be obtained from the local government in this perspective include: first, the public responsiveness to individual preferences. Goods and

public services offered by the local government, unlike the private sector, will be enjoyed by the entire relevant population, so that the consumption by the population will not reduce the share of the population to another. The local government will also guarantee the affordability of the cost of public goods and services, which, if offered by the private sector would be expensive. In addition, the local government also provides a way for residents to communicate through elections and other political means.

Second, the local government has the ability to meet the demand for public goods. But in politics, it is difficult to identify because the complicated relationships between the items, prices, taxes, elections and political preferences, participation, and leadership. Decentralization and local autonomy can reduce this problem by increasing the number of administrative units and degree of specialization function thus improving the government's ability to meet public demand.

### **DISADVANTAGES OF DECENTRALIZATION AND LOCAL AUTONOMY**

Marxist views the state as a whole and does not need to be segregated between geographical areas. There are several explanations underlying the impartiality of this view towards decentralization. First, the division of the region in the context of decentralization of regional autonomy will only create the conditions that lead to the accumulation of capitalists. Secondly, decentralization will also affect the collective consumption so that it will be politicized. Collective consumption tends to provide services on the basis of the interests of all classes. According to this view, decentralization will only produce new injustices in the collective consumption among regions.

Thirdly, although democracy will basically put the majority in local government, which means that the working class should dominate, but there are many ways that can be done by the capitalists by obstructing the emergence of the working class in the government. Representative institutions in local government remain a symbol of liberal democracy and are still controlled by the capitalists. Fourth, in regard to the relationship between the governments, the local government officials act as an extension of the central government to safeguard the interests of the central government. In terms of planning, decentralization would never benefit the local people against the capitalists. Decentralization of regional autonomy also prevents financial and tax redistribution from rich areas to poor areas. Decentralization will also eliminate the responsibility of the bourgeoisie against the depressed areas. Fifth, there are various obstacles on how local democracy will work in a decentralized government. These hurdles include ecological aspects, political, and economic causes of democracy at the local level. According to Marxist, this can only be overcome by centralization aimed at redistribution and fairness. Decentralization also leads to disintegration that can cause dysfunction of the state to provide services and public property.

The dilemma then lies in choosing between structural efficiency and democratic model. Structural efficiency model will indeed maximize the advantages of decentralization and regional autonomy, because governance is run as effectively as possible based on the principles of strict government management. This is done in the era of the enactment of Law No. 5 of 1974 on the main points of government in the local area. Actually Law 5 of 1974 principally was very good, but due consideration of the effectiveness of the national support authoritarian leadership, the degree of decentralization and regional autonomy would be reduced. As a result, local governments very very dependent on the central government. But things are different with the issuance of Law No. 32 of 2004 on local government which is further broken down into Law No. 22/2014 on the election of Governor / Regent / Mayor, followed by the release of Government Regulation No. 1/2014 and Law No. 23/2014 on Local Government which would give the rights, powers, and obligations of autonomous regions to set up and manage their own affairs and interests of local communities in accordance with the legislation.

Democratic model that relies on the participation of local communities in local governance will maximize the shortcomings of decentralization and regional autonomy. The current political reality shows that in local elections, the practice of money politics is rampant through various modes, such as the distribution of food, social assistance, to the giving of money directly. As a result, the likelihood that owners of capital to be elected as the head of the government is greater. It is a testament to Marx doubts about the model of local democracy in regard to decentralization and regional autonomy. Similarly, it will also affect the collective consumption such that decentralization and regional autonomy will only produce new injustices in the collective consumption among regions.

Marx acknowledges that although democracy will essentially put a majority in local government, which means that the working class should dominate, but there are many ways that can be done by the capitalists to obstruct the emergence of the working class in the government. The fact that elections for regional head (Regent / Mayor and the Governor) involve money politics reinforces Marx assumption that decentralization and local autonomy are not able to create local democracy essentially. There are many obstacles that can disrupt local democracy in a decentralized and autonomous regions. These hurdles include ecological aspects, political, and economic. In the end, decentralization and regional autonomy will cause dysfunction of the state to provide goods and services to the public

## **CONCLUSION**

The difficulty to balance the need for greater democracy through regional autonomy and the tendency by rich political actors to engage in corrupt practices to gain political control creates a dilemma in Indonesia. Hence,

choosing the right amount of autonomy that meets the needs of local citizens while at the same time adhering to the orders from the central government, remain important agenda for administrators especially in light of Indonesia's pursuit to grant more autonomy to the provincial governments.

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