



## Partnership for Democratic Local Governance in South-East Asia (DELGOSEA, [www.delgosea.eu](http://www.delgosea.eu))

Capacity Development for Coaches

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Decentralization in Indonesia

"The European Union is made up of 27 Member States who have decided to gradually link together their know-how, resources and destinies. Together, during a period of enlargement of 50 years, they have built a zone of stability, democracy and sustainable development whilst maintaining cultural diversity, tolerance and individual freedoms. The European Union is committed to sharing its achievements and its values with countries and peoples beyond its borders".

*The European Commission is the EU's executive body.*



This project is co-funded by the  
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## Profile

- A unitary independent nation in 1945
- Archipelago country with > 17,000 islands, 5 biggest ones: Sumatra, Kalimantan, Java, Sulawesi and Papua, most of which lying near or within the intersection of shifting tectonic plates thus making the country of highly prone to earthquake and volcanic eruptions
- Has > 222 million inhabitants (the 4<sup>th</sup> biggest)
- Ethnically very diverse, it has > 300 local languages

# Indonesian Map



## Historical Background

- Dated back in 1974
- Adopted NKRI
- Deconcentration principles
- New Order era: Top-down approach
- Lasted for 32 years, ended with Soeharto resignation in May 1998





## 3-tier of structure

- NKRI (national level)
- 34 provinces (first tier)
- 98 municipalities & 399 districts/regencies (second tier) -> point of decentralization
  - *Villages/kampong (lowest level)*



## Legal Framework – part 1

- *Driven by goal to keep the nation in unity (NKRI)*
- Law 22/1999 (Regional Autonomy Law) and 25/1999 (fiscal balancing Act)
- Actual decentralization commenced in 2001
- Full autonomy to the district/municipality level
- All areas are decentralized except 6 macro issues: defense, foreign affairs, religion affairs, justice, monetary, fiscal and macro-economics
- Administrative decentralization type whereby LGs receive block grants (DAU) and special grants (DAK) from national level



- *NKRI is a non-negotiable principle*
- Revision of decentralization Acts to: Act no. 32/2004 (Regional Autonomy Law) and 33/2004 (Fiscal Autonomy Law)
- Controversial issues:
  - (pro) Direct election system to the Head of LGs and Parliamentary members
  - (con) Provincial's role is strengthen  
*District/municipality must request for provincial level approval for their proposed budget*





## Implementation

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*Q: What's been achieved out of the 9 years?*

*Positive progresses:*

- i. Innovation opportunities
- ii. The emergence of strong local leaders**
- iii. Better basic service delivery to general public
- iv. Greater access to information
- v. More room for peoples' participation



## Implementation – part 2

### *A continuous learning process:*

- i. A euphoria state
  - LGs grew 30% at province level and 50% at local level
  - Many un-synchronized local regulations
  - High transaction costs
- ii. Performance of civil servants (**HR capacity**)
- iii. Direct election supported by **civic education**
- iv. Exercise accountability/transparency
- v. Budgeting performance (**efficiency**)



## Current status

- Process of further revising regional autonomy laws (to be finalized by 2011?)
- **Moratorium state: 80% of the newly developed autonomy region failed?**

### Perspectives:

- despite many of the setbacks, Indonesia has achieved relatively good progresses
- A process to find a fitting formula that can meet NKRI goal, at the same time delegate necessary autonomy to the LGs to play their roles as well



*In relation to the Project Context*

- Local leadership is the key