Policy and Participatory Local Governance in Indonesia

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DECENTRALIZATION AND LOCAL GOVERNANCE
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Indonesia

17,508 islands
238 million people
90% muslim
300 ethnic groups
700 languages/dialects
Law 22/1999 on Regional Autonomy

Centralistic government. Local government should follow direction from and responsible to central government

1999-2004

Regional autonomy which made national development uncoordinated

Law 22/1999 on Regional Autonomy

Government functions are devolved to local government, except for 6 obsolete power that rest with central government. Local government is provided with authority to develop according to its preferences

Law 32/2004 on Regional Government

Revision of Law 32/2004?


Before 1999

Limited autonomy and opportunity for regions to define their development goals

After 2004

History

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Indonesia: Decentralization Laws

Current Construction

Basic Principles: Autonomy and co-administration

Provincial and District Governments

- Equal, no hierarchy; both are autonomous jurisdictions

Governor:

- Head of autonomous jurisdiction (province)
  - Equal, no hierarchy, to head of district (regent/mayor)

- Representative of national government
  - Hierarchy
    - “Territorial Commander”
      - Districts
      - Line ministries and vertical organizations
Number of Local Governments

- Unitary State: Republic of Indonesia
- Province: 34 provinces (autonomous regions)
- District/City: 491 units (autonomous regions)
  - 398 districts
  - 93 cities
- Sub-district: 6,694 Units (administrative regions)
- Village: 69,429 units
  - Rural Village (in charge with tradition and customary)
  - Urban Village (administrative, under sub-district)
Why Decentralization?

- **Pros:**
  - Efficiency: local knows better than central
  - Government Effectiveness: Public service delivery
  - Political:
    - Diversity
    - Democracy and participation
  - Geography: Too wide to cover centrally

- **Cons:**
  - Make macroeconomic stabilization policy difficult
    - Fiscal problem: think of local government borrowing
    - Regional inequality
  - Increase in malgovernance
    - More corruption?
Dimension

- Dimensions, forms, of transferred authority
  - Administrative
  - Fiscal
  - Political
Indonesia: Administrative Decentralization

- Three broad groups of function
  - Absolute functions
    - Solely by national government
    - Foreign affairs, defense, security, justice, national monetary and fiscal, religion
  - Mandatory functions
    - Both by provincial and district government
    - 16 functions
  - Elective functions
    - Both by provincial and district government
    - Depends on the characteristics and endowment of jurisdictions
Functional Assignment

Government Functions

Absolute Functions (6)
(Central Government)
Defense, Police, Monetary, Justice, Foreign Affairs, Religious Affairs

Concurrent Functions (31)
(Central, Provincial and District Government)

Elective Functions (Economic Sector)

Mandatory Functions (Basic Services)
Agriculture, Manufacture, Trade, Tourism, Fishery
Public Health, Food Security, Basic Education, Public Works, Transportation, etc

Minimum Service Standards (MSS)
Devolved Functions to Local Government

1. Social Affairs
2. Environment
3. Trade
4. Marine Affairs and Fishery
5. Forestry
6. Education
7. Health
8. Small and Medium Enterprise and Cooperative
9. Labor and Transmigration
10. Agriculture and Plantation
11. Mine
12. Transportation
13. Investment
14. Finance
15. Public Debt Management
16. Social Housing
17. Family Planning
18. Industry
19. Public Work
20. Spatial Planning
21. Youth and Sport
22. Telecommunication
23. Housing
24. Archive
25. Land Administration
26. Politics and National Unity
27. Statistics
28. General Affairs
29. Village Empowerment
Implementation of Government Functions

Central Government Functions
- Direct Implementation
  - Ministries
    - State Ministries
    - Non-Ministerial Agencies
  - (art. 10.4)
  - Deconcentration
  - (art. 37)
  - Governor (as the representative of Central Government in the regions)

Regional Functions
- Deconcentration
- Assistance tasks
  - Mandatory Functions
    - (art. 13)
    - (art. 14)
    - Province
    - (art. 11.3)
    - Elective Function
    - (art. 11.3)
    - District/Municipality
    - Village

Vertical Agencies
- (art. 228)

National
Indonesia: Fiscal Decentralization

- Equalization Fund
  - General Allocation Fund (DAU)
    - Unconditional block grant
  - Special Allocation Fund (DAK)
    - Conditional block grant
  - Revenue-Sharing Fund (DBH)
    - Natural resources
      - Forestry, general mining, fishery, oil, natural gas, geothermal
    - Non-natural resources (tax-based)
      - Land and building tax, property tax, income tax

- Deconcentration Fund
State and Regional Budget

Trillion IDR

- State Budget: Ministries
- State Budget: Non-Ministerial Agencies
- Transfer to Region: Equalization Fund
- Transfer to Region: Special Autonomy Fund
Indonesia: Political Decentralization

- Direct elections
- General elections
  - President and Vice President
  - Parliament
    - Upper House: Regional Representative Council
    - House: People’s Representative Council
  - Provincial & District Councils
- Local elections
  - Governor-Vice Governor
  - Regent-Vice Regent
  - Mayor-Vice Mayor
Participatory Development Planning

- **Musrenbang (Musyawarah Rencana Pembangunan)** or Multi Stakeholder Consultation Forum for Development Planning
  - Community level
  - Sub-district level
  - District level
  - Provincial level

- Results in program priorities for
  - District & province annual development plan
  - District & province local annual budget
  - Village allocation funds
The Process
Participatory Development Regulations

- Law 32/2004 on Regional Government
- Joint Ministerial Decree 2006 & 2007 on Musrenbang
  - Signed between the State Minister for National Development Planning & the Home Minister
  - Principles of public participation: inclusiveness, gender responsiveness, competency in participation skills, organization of working groups
- Government Regulation 72/2005 on Villages
  - Block grants to villages
  - Community & NGO participation in development planning
- The Home Ministry 2005 on Village Allocation Funds
Key Issues in Musrenbang

- Uneven commitment from regional leadership
- Little real influence of Musrenbang process on resource allocations
- Limited capacity of civil society organizations (CSOs) to understand the planning process and to push for greater transparency, change
- Magnitude and complexity of issues in local planning and budgeting
Perspectives for Improving the Quality of Musrenbang

- Stronger regulatory framework at national and local levels
  - Flow chart of the planning and budgeting process
  - Publication of local budget in the media, etc.
- Quality of Musrenbang
  - Quality of facilitator
  - Representation of women and marginalized stakeholders, etc.
- Greater awareness and capacity building of roles of CSOs and local councils in the process
Thank you