



UNIVERSITAS GADJAH MADA

Decentralization and Local Governance Reform: Indonesian Experience

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Issues and Areas for Reform

1. Why should decentralize?
2. Local governance: transitional periods and beyond.
3. The recalcitrant issues: political corruption, local government capacity, ineffective budgeting, public accountability.
4. Building merit-based bureaucracy.



Why Indonesia Should Decentralize?

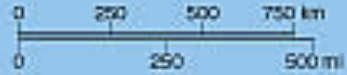
- Sheer size: 4.8 million km²; archipelagic: only 1.9 million km² constitute lands.
- Islands: 13.667
- Distance: 5,110 km from West to East; 1,880 km from North to South
- Large population: 252 million (2015)
- Unbalanced population distribution: 61.7% are resided in Java, which constitutes only 7% of the Indonesian area.
- More than 300 ethnics and local dialects, diversity in customary traditions and religions.

INDONESIA



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- National capital
- ⊙ Provincial capital
- Town, village
- International boundary
- Provincial boundary
- Main road
- Secondary road
- Railroad
- ✈ Major airport



AUSTRALIA

Principles Used to Decentralize



1. Decentralization and/or Devolution;

Central government devolves its power and authorities to the sub-national (provincial & district) governments.

2. De-concentration (co-administration);

Central govt delegates functions to sub-national governments.

3. Medebewind (*Tugas Pembantuan*);

In order to build local capacities, central government involves provincial and/or district governments to work on certain projects.

4. Privatization;

The government (national and sub-national levels) work together with the private sector, i.e. through the schemes of PPP (Public-Private partnerships) or PFI (Private Finance Initiatives).

End of Transition in Indonesia?

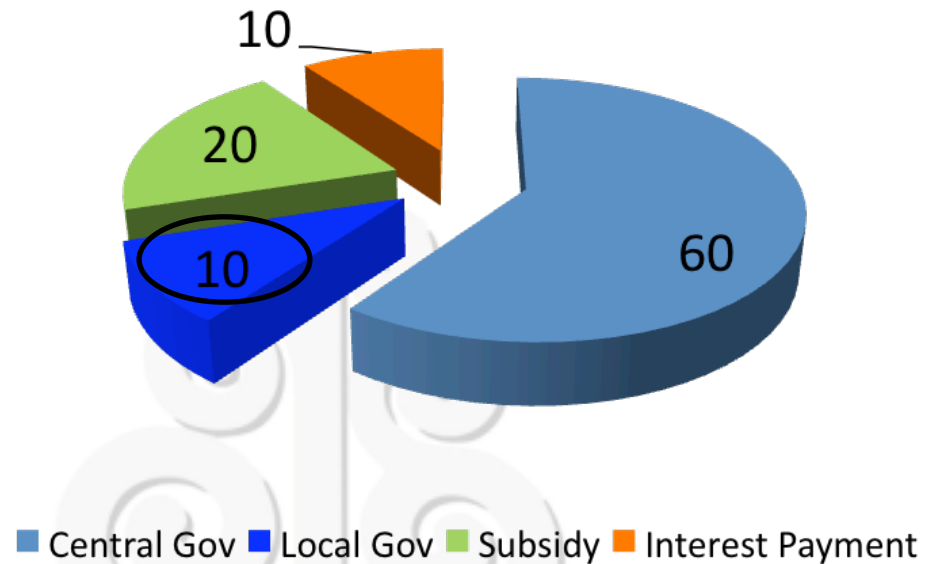


- 1998: the end of Suharto's New Order authoritarian rule. Six years of political turmoil and economic crisis with *reformasi*.
- 2004: the 1st direct presidential elections; 2005: nation wide *Pilkada* (direct election for heads of regions).
- All basic characteristics for democracy is met (free & fair elections, freedom of expression & associational autonomy, rights to vote, alternative sources of information, eligibility for public office, institutions for making govt policies depend on votes; Dahl, 1971).
- Why the fruits of democracy (participatory development, betterment for all) have not yielded? What is the challenge for public policy?
- Hypotheses: "formal democracy" vs. "substantive democracy".

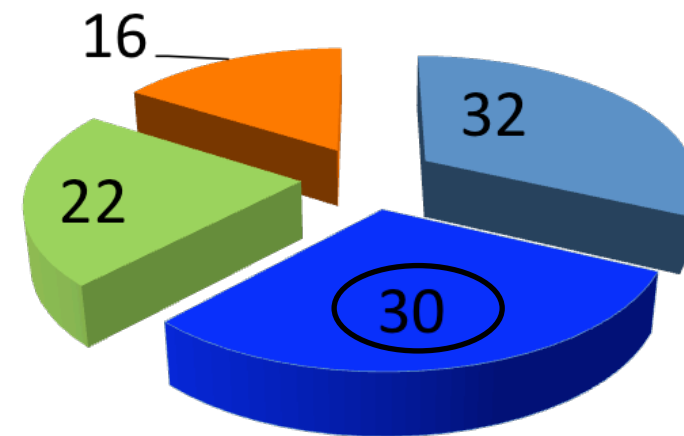


Fiscal Decentralization: National vs. Local Budgets

Significant portion transfer increased to Local Government in the state Budget



2010



Local Governance after the *Pilkada*



1. The end of *aliran* (streams) politics? → pragmatic coalitions instead of ideological coalitions.
2. Rampant “money politics” (candidates’ cash donation to political parties, gifts to constituents, businessmen “invest” on parties).
3. Decentralization is “politically” successful, but “economically” unsuccessful.
4. Local leaders serve the political parties rather than constituents. “People are betrayed” (Collins, 2007).

8 Acceleration Program for Administrative Reform (Menpan-RB)



Management and Organizations

High Quality Public Services

Professionalism in Service Delivery

E-Government

Deregulation and Debureaucratization

Asset Management

Remuneration System

Governance Efficiency



Ageing Public Personnel

| Age Cohort | Male | | Female | | Total | |
|----------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | N | % | N | % | N | % |
| 18 - 20 | 1,727 | 0.07 | 693 | 0.03 | 2,420 | 0.05 |
| 21 - 25 | 42,060 | 1.80 | 60,795 | 2.85 | 102,855 | 2.30 |
| 26 - 30 | 197,550 | 8.47 | 266,046 | 12.46 | 463,596 | 10.38 |
| 31 - 35 | 270,653 | 11.60 | 311,712 | 14.60 | 582,365 | 13.03 |
| 36 - 40 | 290,660 | 12.46 | 284,723 | 13.33 | 575,383 | 12.88 |
| 41 - 45 | 410,262 | 17.59 | 378,808 | 17.74 | 789,070 | 17.66 |
| 46 - 50 | 527,047 | 22.60 | 425,590 | 19.93 | 952,637 | 21.32 |
| 51 - 55 | 464,625 | 19.92 | 303,636 | 14.22 | 768,261 | 17.19 |
| 56 - 60 | 118,829 | 5.09 | 97,907 | 4.58 | 216,736 | 4.85 |
| 61 - 65 | 8,663 | 0.37 | 5,382 | 0.25 | 14,045 | 0.31 |
| 65 + | 473 | 0.02 | 141 | 0.01 | 614 | 0.01 |
| Total | 2,332,549 | 100.00 | 2,135,433 | 100.00 | 4,467,982 | 100.00 |

Source: BKN, 2013

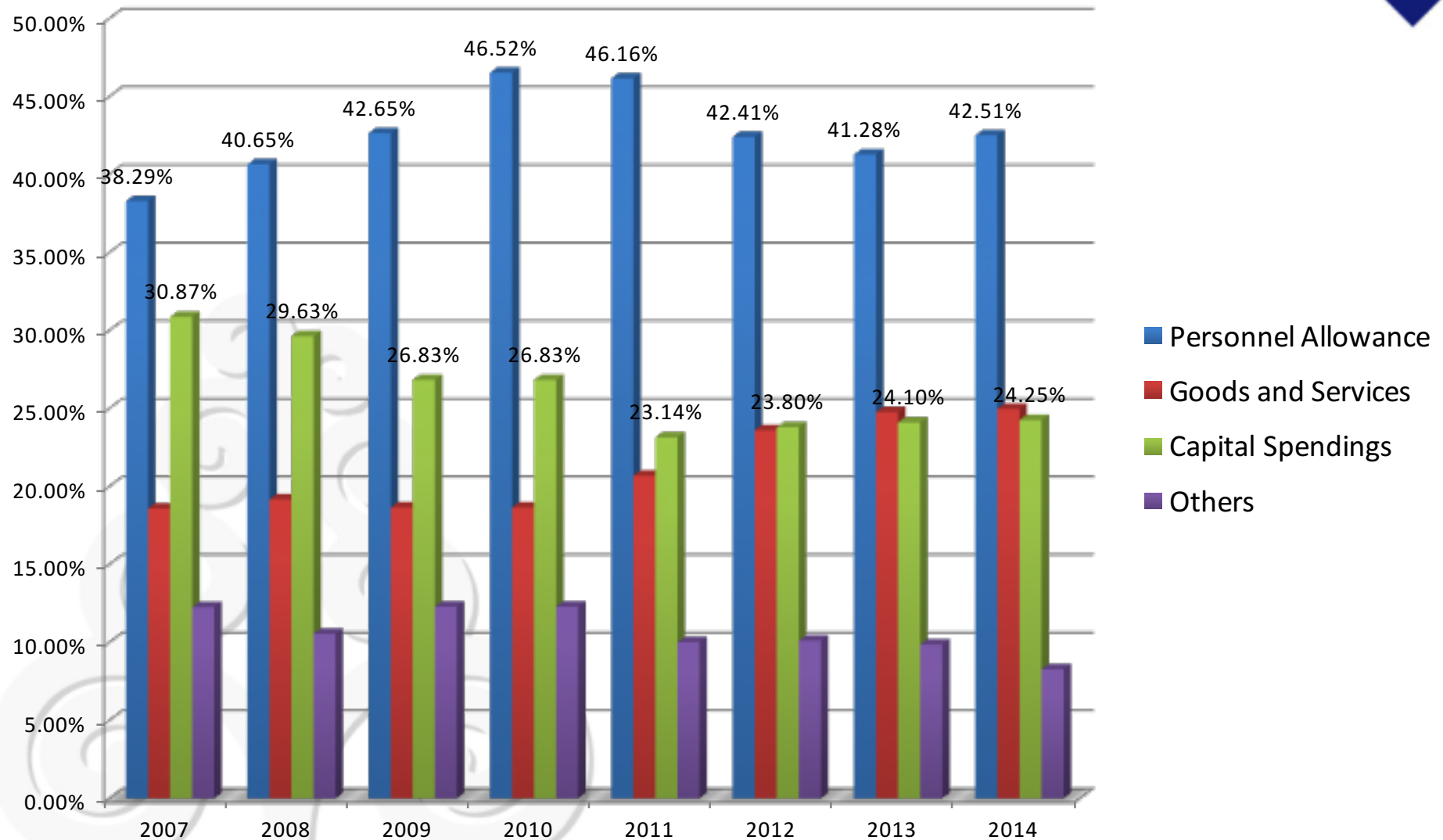


Estimated Bribery in Promotion Process

| Position | Number | Percentage of transaction | Amount of bribe (Rp mil.) | Total bribe (Rp mil.) |
|--|---------|---------------------------|---------------------------|-----------------------|
| 1. JPT (High Rank Position) | 30,585 | | | |
| a. JPT Senior (Utama) & Middle (Madya) | 1,841 | 10 | 500 | 92,050 |
| b. JPT Junior (Pratama) | 28,744 | 70 | 250 | 5,030,200 |
| 2. Administrator / Supervisor | 412,696 | 70 | 100 | 28,888,720 |
| Total | 443,281 | | | 34,010,970 |

Source: KASN, 2017

Consolidated Local Govt Budgets



Facts on Public Sector Personnel



Surabaya City

Area: 326.4 km²
Population: 2,765,908
Personnel: 19,896
Budget: Rp 5.7 trillion

Kutai Kartanegara District

Area: 27,263.1 km²
Population: 626,286
Personnel: 25,078
Budget: Rp 7.7 trillion

Bantul District

Area: 508.85 km²
Population: 910,572
Personnel: 11,132
Budget: Rp 1.9 trillion

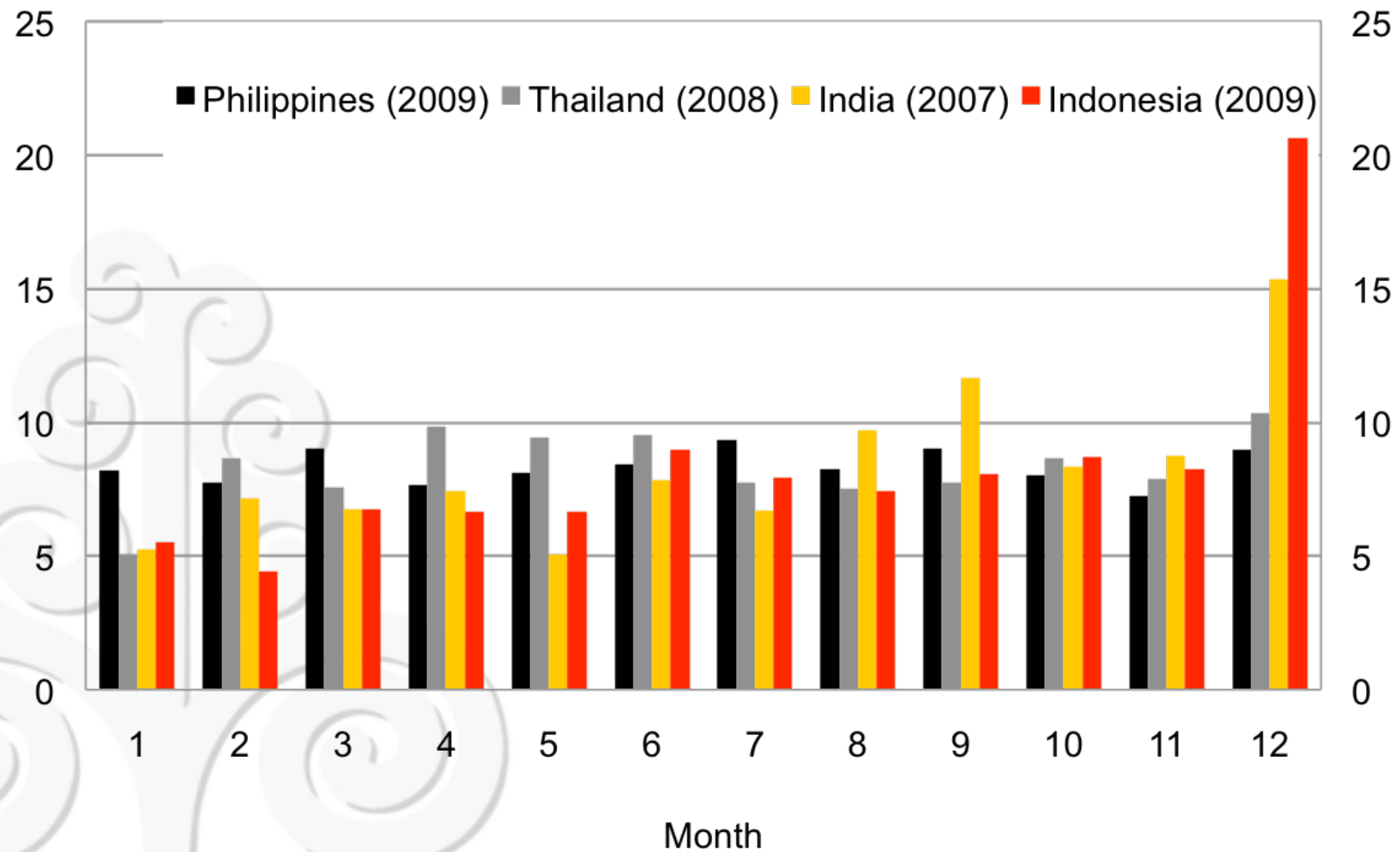
Ngada District

Area: 3,037.9 km²
Population: 142,393
Personnel: 4,456
Budget: Rp 489.8 billion

Numbers of personnel are determined by the budget volume, and less by population, area and other variables.



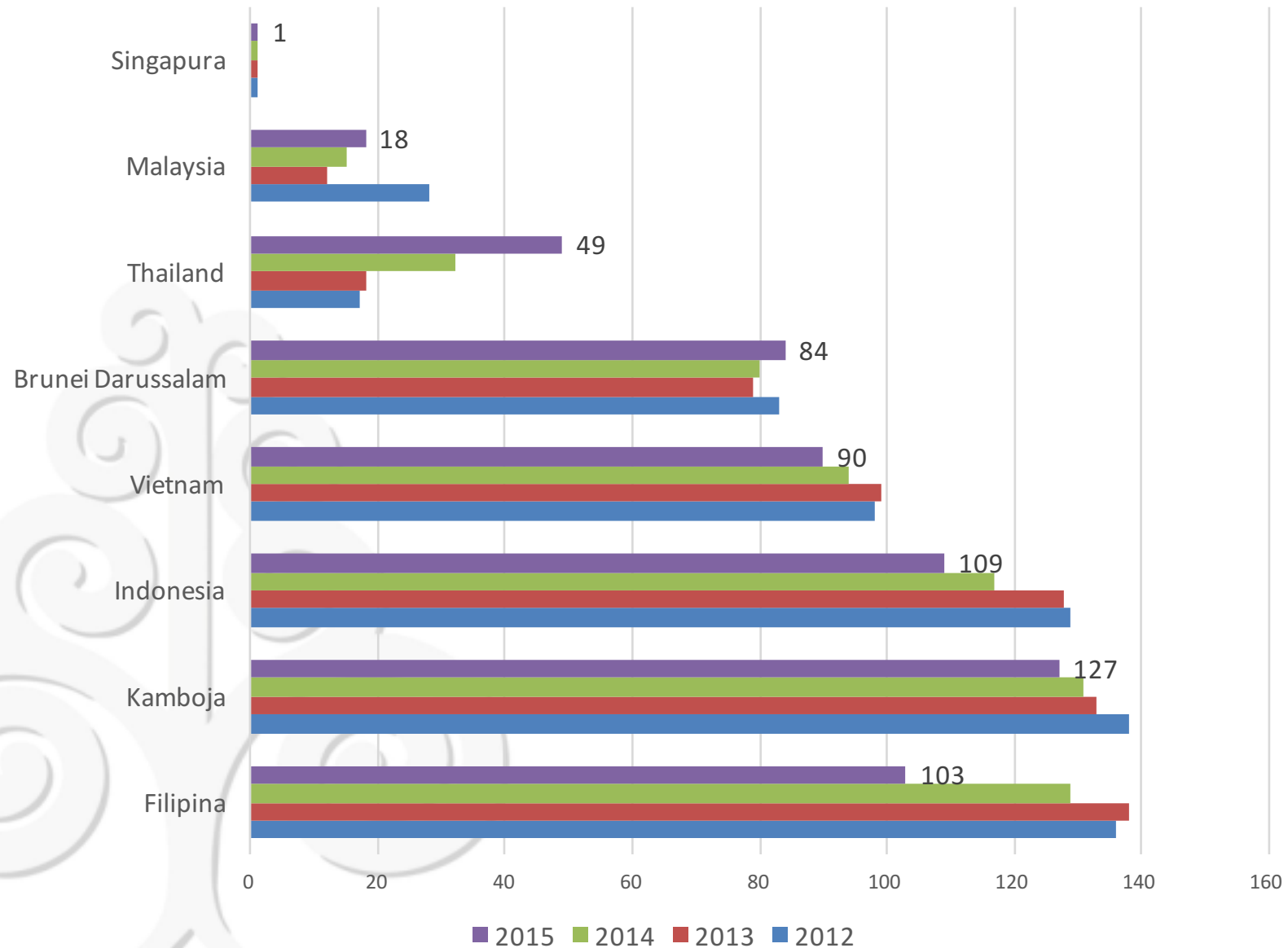
Loopsided Budget Disbursement



Source: CEIC, World Bank



Business Climate Ranking



Current Efforts for Creating Merit-Based Civil Services



1. The establishment of National Civil Service Commission (Komisi Aparatur Sipil Negara).
2. A better categorization of public officials (the state officials vs. temporary staffs / pegawai honorer), with more objective personnel evaluation system.
3. Clearer path career for public officials: Senior (JPT, functional, administrative staffs. Positions must be openly selected. Competence and performance-based. PNS adalah profesi. Semestinya tidak ada lagi intervensi politik dalam rekrutmen dan promosi PNS (?)
4. Open selection system has been conducted in most provincial governments and districts. Current issues: political resistances.



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THANK YOU

