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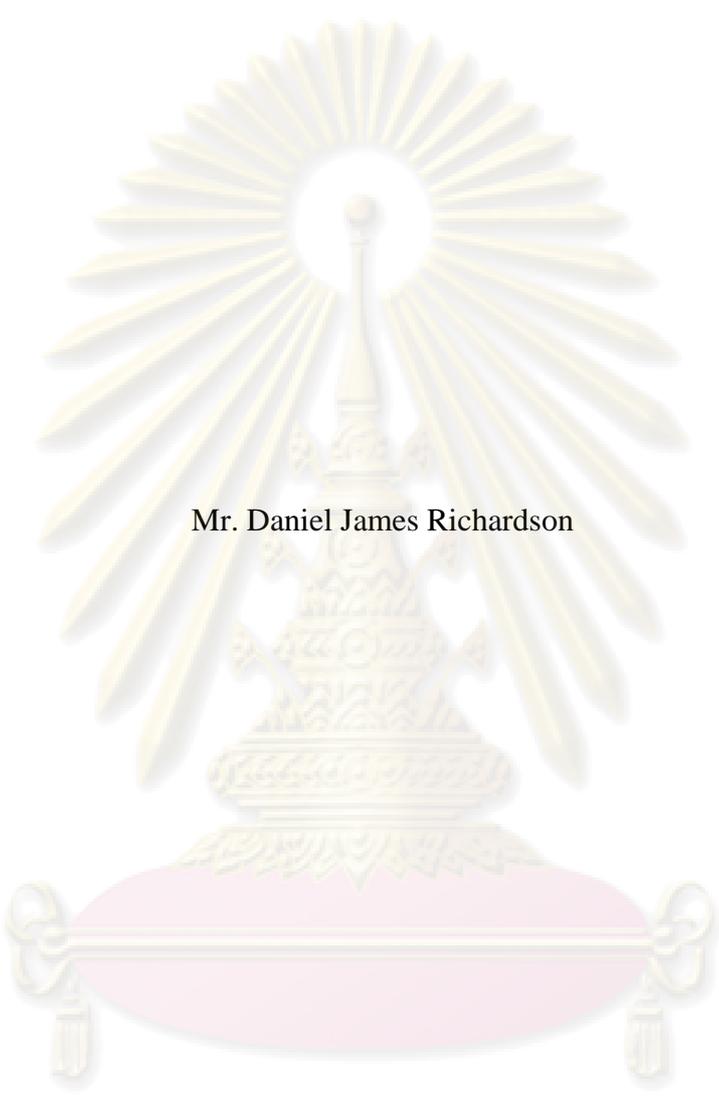
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DECENTRALIZING INDONESIA: THE PROBLEM OF  
CREATING NEW LOCAL GOVERNMENT UNITS



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for the Degree of Master of Arts Program in Southeast Asian Studies  
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การกระจายอำนาจในอินโดนีเซีย: ปัญหาของการสร้างหน่วยงานรัฐบาลท้องถิ่นแบบใหม่  
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วิทยานิพนธ์เล่มนี้ศึกษาแง่มุมหนึ่งของการกระจายอำนาจในอินโดนีเซีย คือการก่อตั้งหน่วยใหม่ทางการปกครองขึ้นในระดับล่าง (มักชอบใช้คำ “การบานสะพรั่ง”) และพยายามที่จะระบุว่าเป็นการทำให้กระบวนการการกระจายอำนาจนั้นเข้มแข็งขึ้นหรืออ่อนแอลงกันแน่ ตั้งแต่เริ่มกระจายอำนาจในปี 1999 ได้มีการก่อตั้งอำเภอใหม่ๆขึ้นกว่า 150 แห่ง และอำเภอเหล่านี้ได้รับการเพ่งเล็งมากขึ้นว่ามีความล้มเหลวที่จะสร้างความก้าวหน้าอันสำคัญใดๆ ไม่ว่าจะเป็นการปกครองหรือการให้บริการ ข้อพิพาททวิภาคีกลุ่มเหล่านี้ยังถูกลามมายังศูนย์ใหม่ซึ่งนำมาใช้อ้างที่จะดึงอำนาจบางประการไว้ซึ่งเท่ากับเป็นการบ่อนทำลายกระบวนการการกระจายอำนาจนั่นเอง งานเขียนชิ้นนี้ยังระบุถึงสิ่งที่อยู่เบื้องหลังการตั้งหน่วยงานการปกครองขึ้นใหม่ในจังหวัดสุมาตราเหนือ ปาปัวและอิเรียนจาตะวันตกและวิเคราะห์ความสามารถของอำเภอใหม่ที่ว่านี้ว่าสามารถให้บริการในกิจกรรมสำคัญสองด้านคือ ด้านสุขภาพและการศึกษาได้อย่างมีประสิทธิภาพพอสมควร งานวิจัยชิ้นนี้อาศัยข้อมูลทฤษฎีอันได้แก่ หนังสือและการค้นคว้าทางอินเทอร์เน็ต ผลที่ได้คือแสดงให้เห็นว่าอำเภอใหม่ๆที่ว่ามีได้ประสบปัญหาในการใช้จ่ายและการจัดบริการในด้านต่างๆ เมื่อเปรียบเทียบกับบรรดาอำเภอที่มีอยู่แต่เดิมและ ในความเป็นจริงแล้วยังช่วยเสริมบริการด้านสุขภาพและการศึกษาด้วยซ้ำไป แต่การปรับปรุงการให้บริการใดๆก็ตามต้องนำไปเทียบกับการใช้จ่ายในด้านต่างๆของอำเภอใหม่ด้วย เพราะจะไปทำให้ความไร้ประสิทธิภาพคล่องกับระบบสุขภาพและการศึกษาที่มีอยู่ให้หนักหน่วงขึ้นไปอีก ทั้งยังเป็นภาระที่สำคัญทั้งทางด้านการเงินและการบริหารจัดการของอำนาจส่วนกลางอีกด้วย ดังนั้นจึงกล่าวได้ว่าอำเภอใหม่ๆมีผลกระทบทั้งด้านบวกและลบและสิ่งเกื้อกูลโดยรวมในการกระจายอำนาจจะเด่นชัดขึ้นเมื่อกระบวนการกระจายอำนาจพัฒนาไปเรื่อยๆในอินโดนีเซีย.

ศูนย์วิทยุทรัพยากร

สาขาวิชา เอเชียตะวันออกเฉียงใต้ศึกษา

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KEYWORDS: DECENTRALIZATION / INDONESIA / PEMEKARAN (ENG.  
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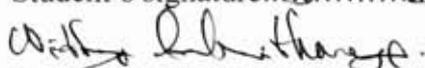
DANIEL RICHARDSON: DECENTRALIZING INDONESIA: THE PROBLEM OF CREATING NEW LOCAL GOVERNMENT UNITS. THESIS PRINCIPAL ADVISOR: ASSOC. PROF. WITHAYA SUCHARITHANARUGSE, Ph.D., THESIS CO-ADVISOR: COLIN MACANDREWS, Ph.D., 176 pp.

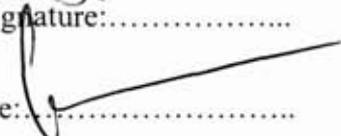
This thesis studies one particular aspect of Indonesian decentralization, the creation of new units of sub-national government (known as '*pemekaran*') and attempts to identify whether it strengthens or weakens the decentralization process. Since decentralization began in 1999, over 150 new districts have been created and these have come under increasing scrutiny for their alleged failure to contribute any significant improvement either governance or service delivery. These criticisms have also been used as to argue for a recentralization of certain powers, thus undermining the decentralization process. This paper identifies the underlying motivations behind the creation of new units in North Sumatra, Papua and West Irian Jaya provinces and analyzes the ability of new districts in the above provinces to efficiently deliver two key services, health and education. The research is based upon secondary sources, primarily book and internet research. The findings suggest that the new districts do not appear to suffer from a lack of spending or service availability in comparison with the old districts and can actually enhance health and education services. Any service improvements though must be weighed against the costs of the new districts as they exacerbate existing inefficiencies in both the health and education systems and represent a significant financial and administrative burden upon the central government. The new districts can therefore be said to have both positive and negative impacts, and their overall contribution to the process will become more evident as the process of decentralization continues to develop in Indonesia.

Field of Studies: Southeast Asian Studies

Student's signature: 

Academic Year: 2008

Principal Advisor's signature: 

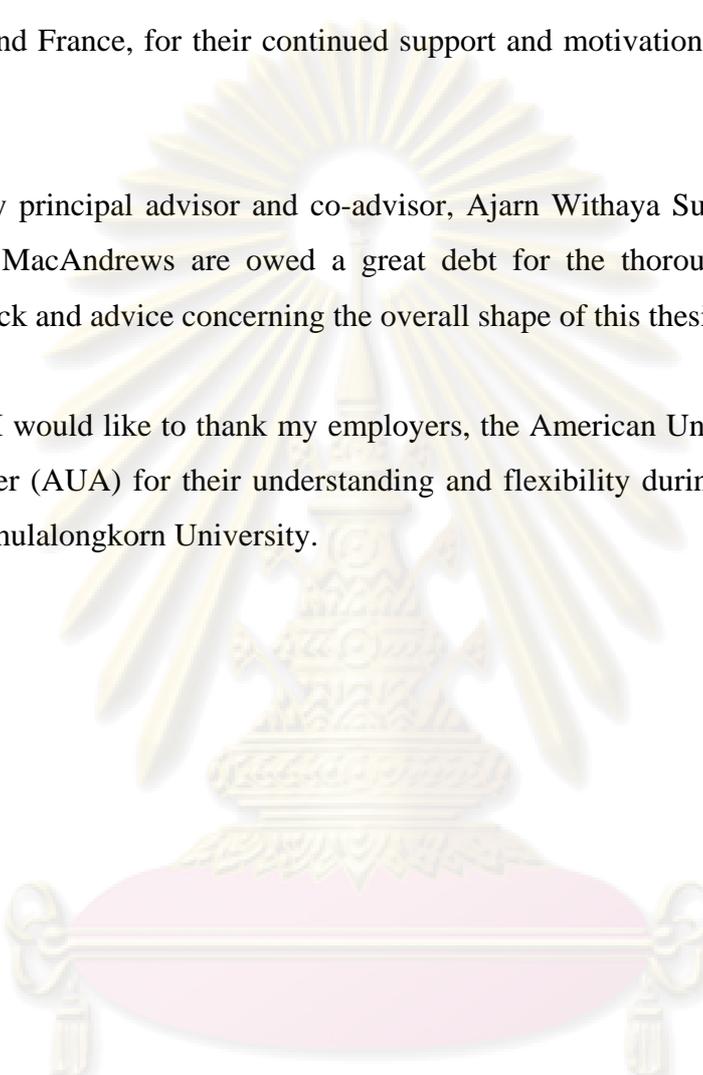
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## ABBREVIATIONS

ABRI	Armed Forces of the Republic of Indonesia
ADB	Asian Development Bank
AGO	Attorney Generals Office
APKASI	Association of Heads of Districts
BPK	State Audit Agency
BPS	Central Bureau of Statistics
DAK	Special Allocation Fund
DAPP	District Autonomy Pilot Program
DAU	General Allocation Fund
DO	Special Autonomy Fund
DPD	District House of Representatives
DPOD	Regional Autonomy Advisory Board
DPR	House of Representatives
DPRP	Papuan House of Representatives
GDP	Gross Domestic Product
GOLKAR	Functional Grouping
GTZ	German Technical Cooperation Agency
ICG	International Crisis Group
IMF	International Monetary Fund
KKN	Corruption, Collusion and Nepotism
LGC	Local Government Code
MOF	Ministry of Finance
MOHA	Ministry of Home Affairs
MPR	Consultative Assembly
MRP	Papua People's Assembly
MSS	Minimum Service Standard
NGO	Non-Governmental Organization
OPM	Free Papua Movement
PDI	Indonesian Democratic Party
PDI-P	Indonesian Democratic Party - Struggle
PKI	Communist Party of Indonesia

PPP	United Development Party
RIS	United Republic of Indonesia
SPM	Minimum Service Standard
TNI	Indonesian National Forces
USAID	United States Agency for International Development



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## GLOSSARY

<i>Angkatan Bersenjata Republik Indonesia</i>	Armed Forces of the Republic of Indonesia
<i>Dana Alokasi Khusus</i>	Special Allocation Fund
<i>Dana Alokasi Umum</i>	General Allocation Fund
<i>Dana Otsus</i>	Special Autonomy Fund
<i>Dinas</i>	Regional Technical Agency
<i>Dualat</i>	Mob action
<i>Dwi-fungsi</i>	Dual Function
<i>Golongan Karya</i>	Functional Group
<i>Kabupaten</i>	Regency
<i>Karesidenan</i>	Administrative unit above <i>kabupaten</i>
<i>Kecamatan</i>	Sub-district
<i>Korupsi, Kolusi, Nepotisme</i>	Corruption, Collusion and Nepotism
<i>Kotamadya</i>	City/Municipality
<i>Pemekaran</i>	Expansion, development, blossoming
<i>Pemuda</i>	Reckless behavior, aimed against outsiders
<i>Perdasus</i>	Local Regulation
<i>Propinsi</i>	Province
<i>Putrah daerah</i>	Son of the Earth
<i>Republik Indonesia Serikat</i>	United Republic of Indonesia
<i>Satgas</i>	Security Unit/Task Force
<i>Tentara Nasional Indonesia</i>	Indonesian National Forces

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# CHAPTER I

## CONCEPTUAL FRAMEWORK

### 1. Introduction

Decentralization, being both a global and regional phenomenon, has emerged as one of the most important topics in development policy over the past two decades. Indonesian decentralization policy stands out as perhaps the most radical example anywhere in the world and has been described as ‘a huge ongoing experiment’<sup>1</sup>. This thesis intends to analyze one specific aspect of Indonesian decentralization, the division of local government units to create new, smaller administrative territories (the process is known as ‘*pemekaran*’ in Bahasa Indonesian, literally translating to ‘expansion, development’<sup>\*</sup>). This has been perhaps the most visible way in which enthusiasm for regional autonomy has been expressed in Indonesia as ethno-communal rights have been re-asserted after 30 years of centralist rule under the New Order regime. The process has set Indonesian decentralization apart from the experiences of many other countries that have undergone a decentralization process, both globally and within the Southeast Asian region<sup>2</sup>

Since the decentralization laws were passed in 1999, the total number of districts<sup>\*\*</sup> in Indonesia expanded from 292, to 483 by early 2007<sup>3</sup>. Over half the districts

---

<sup>1</sup> Syarif Hidayat and Hans Antlov, *Decentralization and Regional Autonomy in Indonesia* in Philip Oxhorn, Joseph S. Tulchin and Andrew D. Selee (eds.), *Decentralization, Democratic Governance, and Civil Society in Comparative Perspective: Africa, Asia, and Latin America*, (Washington, D.C.: Woodrow Wilson Center Press, 2004), p.267.

<sup>\*</sup> The translation to ‘expansion, development’ comes from Tuttle’s ‘Concise Indonesian dictionary’, a more colorful translation to ‘blossoming’ is used by the International Crisis Group in various publications.

<sup>2</sup> The trend in other decentralizing countries (e.g. Japan, Yugoslavia, the Philippines and in the Scandinavian countries) has universally been towards the expansion in size of existing units of local government via annexation and or merger, M.A. Muttalib and Mohd Akbar Ali Khan, *Theory of Local Government*, (New Delhi: Sterling Publishers, 1982), p.109.

<sup>\*\*</sup> ‘Regions’ in the Indonesian context can refer to any of the sub-national levels of government, the province (*propinsi*), regency (*kabupaten*) and municipality (*kotamadya*) or finally the sub-district (*kecamatan*), for the purpose of this report I use ‘districts’ to solely refer to regencies and municipalities.

<sup>3</sup> International Crisis Group (ICG) Update Briefing, Asia Briefing No.64, *Indonesia: Decentralisation and Local Power struggles in Maluku*, [http://www.crisisgroup.org/library/documents/asia/south\\_east\\_asia/b64\\_indonesia\\_decentralisation\\_and\\_local\\_power\\_struggles\\_in\\_maluku.pdf](http://www.crisisgroup.org/library/documents/asia/south_east_asia/b64_indonesia_decentralisation_and_local_power_struggles_in_maluku.pdf), 2007, p.1.

in the country experienced at least one boundary change between 1998 and 2004 and many underwent multiple changes<sup>4</sup>. The creation of new districts has also not happened evenly over time since the laws were passed as shown in table 1 below. The creation of these new units amounts to a radical re-drawing of Indonesia's political map and is even more significant when we consider that under the New Order regime, which ruled Indonesia from 1966 to 1998 the number of sub-national government units had remained static. The fall of the New Order and the passing of the decentralization laws must therefore be seen as a watershed in the history of Indonesian political geography and one which has a significant impact upon the decentralization process.

**Table 1: Annual Number of New Districts Created in Indonesia:**

Year	Type of new district		
	Regency	Municipality	Total
1999	28	9	37
2000	0	0	0
2001	1	12	13
2002	33	4	37
2003	48	2	50
2004	1	0	1
2005	0	0	0
2006	0	0	0
2007	12	2	14
<b>Total</b>	<b>123</b>	<b>29</b>	<b>152</b>

Source: Author's own table using data from: <http://www.bps.go.id/>

## 2. Objectives

- 1) Examine the legal structure of the Indonesian decentralization laws to identify economic and administrative factors that promote the creation of new districts.

<sup>4</sup> Fitria Fitriani, Bert Hofman and Kai Kaiser, *Unity in Diversity: The Creation of New Local Governments in a Decentralizing Indonesia* in *Bulletin of Indonesian Economic Studies*, Vol. 41, No. 1, 2005, pp.57-79, p.63.

- 2) Analyze the financial and administrative impacts of the creation of new districts upon the Indonesian central government.
- 3) Identify the underlying motivations behind the creation of new units in North Sumatra and Papua/West Irian provinces.
- 4) Analyze the ability of new units in the above provinces to efficiently deliver two of their 'obligatory' public services, health and education.
- 5) Determine how the creation of new units fits into the overall Indonesian decentralization policy and its impact upon the success or failure of the policy

### **3. Major Arguments**

The creation of new administrative units under the 1999 decentralization laws may serve to enhance political power and the access to financial rewards for elite groups rather than improve the local conditions of Indonesian people by enhancing service delivery. The following arguments will be put forward to validate this claim:

- 1) The Indonesian decentralization laws were intentionally designed to assist decentralization by creating new administrative units, specifically at the district level.
- 2) The creation of new districts places a significant financial and administrative burden on the Indonesian Government
- 3) There is a discordance between the motivation behind the creation of new units and their ability to provide services. Many new units have been created with the aim of consolidating political power and gaining access to financial resources, rather than improving service delivery.

- 4) There is also a relationship between the size of a unit and its ability to efficiently provide services. Small units lack the manpower, skills and financial base to fulfill their obligatory service provisions.
- 5) Thus, units with low resource levels, either natural mineral resources or a significant taxable human resource base, lack the ability to carry out their service provision obligations.
- 6) The inadequacies of the new units undermine Indonesia's decentralization policy and could lead to a re-centralization of administrative powers.

#### **4. Research Methodology**

This study will be qualitative research and will be based upon secondary sources. The individual hypotheses will be addressed as follows:

1. The intentions of the Indonesian decentralization legislation will be shown through an analysis of legal documents, mainly law 22/1999, law 25/1999 and law 32/2004.
2. Impacts upon the Indonesian government will be identified through press releases, internet and book research.
3. The motivations behind the creation of new units in three provinces, North Sumatra and Papua/West Irian Jaya, will be analyzed from: the individual laws which created the new units, press releases, internet and book research.
- 4-5. Impacts upon the ability to provide services will be identified through a comparative analysis of demographic data, information regarding trade and commerce and income and expenditure accounts for new units in North Sumatra and Papua/West Irian provinces. The analysis will compare data at a district and provincial level for time periods before and after new districts were created. This

data is largely available on the internet through local government and Central Bureau of Statistics (BPS) websites and information services.

6. The potential for re-centralization will be evaluated through an analysis of governmental statements, reports in the printed media and commentary by academics.

## **5. Limitations**

There are a number of limitations to this thesis, firstly the reliance on publicly available data for my case studies. Given the weaknesses in Indonesia's reporting framework which will be expanded upon later, there is often a lack of available data. The second limitation is the lack of on-site field work. This means that primary research has not been carried out which could have been especially useful in determining the motivations behind the creation of new units North Sumatra and Papua/West Irian. The final limitation is that certain websites and documents are only available in Bahasa Indonesian which has meant that help has had to be sought from friends and online resources in certain cases.

## **6. Literature Review**

Whilst literature on Indonesian decentralization is voluminous, relatively few authors have directly addressed the issue of the creation of new administrative units in any detail. The subject is briefly mentioned as a consequence of decentralization in a number of studies on Indonesia, but rarely has it been addressed in detail as an issue in its own right. This literature review will proceed firstly with a review of the sources either solely dedicated to the topic or which explore it in some depth, secondly, a brief look at some of the relevant literature on decentralization theory regarding the size of administrative units. As they are not directly relevant to the creation of new units, the remainder of my literature review has been included in Appendix 1. This appendix includes sources with useful background information regarding the fall of Suharto and Indonesian decentralization in general. Other sources which have not been the subject of a literature review can be found in the references section of this thesis.

### 1) Literature regarding the creation of new units

**Charras, Muriel, *The Reshaping of the Indonesian Archipelago After 50 Years of Regional Imbalance* in Erb, Maribeth, Sulistiyanto, Priyambudi and Faucher, Carole (eds.), *Regionalism in Post-Suharto Indonesia*, London: RoutledgeCurzon, 2005.**

Muriel Charras's chapter in the above book details the historical development of Indonesia's spatial administration system from the colonial era to the present day. She considers that the splitting of the districts into smaller, more manageable, units is a long overdue development which should have been undertaken centrally as part of the 1974 decentralization legislation (when Indonesia enjoyed a stronger economy) but was never enacted for political reasons. Charras identifies the creation of new districts as one of the most important development to have occurred to the spatial administration of Indonesia since independence and introduces a number of themes regarding the new units which will be re-current throughout this report. She highlights the fact that since 1999 the creation of new units can be split into two distinct periods, that units have been created or at least proposed by a number of different interest groups (from central government through to private individuals) and that the motivations behind their creation are multiple and complex. In her opinion the creation of new units in Indonesia is both a necessity and an inevitable outcome of decentralization due to the size of the former districts, the geographical nature and cultural diversity of the country.

**Fitriani, Fitriana, Hofman, Bert and Kaiser, Kai, *Unity in Diversity: The Creation of New Local Governments in a Decentralizing Indonesia*' in *Bulletin of Indonesian Economic Studies*, Vol. 41, No. 1, 2005, pp.57-79.**

This article, written by a team from the World Bank and published in 2005, remains the only source which is solely dedicated to the issue of the creation of new administrative units in Indonesia. After describing the extent of the phenomenon and reviewing some of the relevant points of Indonesian decentralization, the article provides a framework for analyzing the motivations behind the creation of new units. The four motivations they describe are as follows: i) Administrative Dispersion, ii) Preference for Homogeneity, iii) Access to Fiscal Spoils and iv) Rent Seeking Behavior and Bureaucracy. One of the key findings of the report is that, as referred to above in Muriel Charras's work, the new districts can be split into two distinct periods (that is created between 1999 and 2001, or created after 2001 when the decentralization laws

had actually become law) and that the two groups appear to have differing motivations behind their creation. The article also gives us information on the types of districts which are more likely to split and the legal process which has to be undertaken to create a new unit.

**International Crisis Group Update Briefing, Asia Report No.60, *Indonesia: Managing Decentralization and Conflict in South Sulawesi*, 2003, [www.crisisgroup.org](http://www.crisisgroup.org) (accessed 11th September 2007).**

The International Crisis Group (ICG) is a non-profit, multinational, non-governmental organization (NGO) which works to prevent and resolve deadly conflicts around the world. Its interest in Indonesia and specifically the creation of new administrative units is that in many cases, communal violence has been cited as both a reason for and an outcome of new districts being created. The ICG concentrate their reporting on individual cases of '*pemekaran*' in which violence has been a factor but they do provide useful information with regards to the process and the legal background behind it. This particular report details the legal basis for the creation of new units as stated in Articles 5 and 6 of Law 22/1999 and goes on to highlight the official objectives behind the argument for their creation. In addition to this, information is provided on the methods of creation of new units and the real motivations which have underpinned many of the proposals for new units. This report concerns the specific case of Luwu regency in South Sulawesi which was split into three separate regencies and one municipality between 1999 and 2003 and states that a number of local factors led to any opposition towards the division of Luwu regency was short lived and did not lead to violence. '*Pemekaran*' in itself is rejected as being a cause of communal violence, rather it can be used an excuse for creating conflict where existing communal tensions are in place.

**International Crisis Group Update Briefing, Asia Briefing No.64, *Indonesia: Decentralisation and Local Power struggles in Maluku*, 2007, [www.crisisgroup.org](http://www.crisisgroup.org) (accessed 11th September 2007).**

This report focuses on the division of South East Maluku, a district in Maluku province in Eastern Indonesia. Whilst the creation of a new district in this province is not directly relevant to this piece of work, certain relevant information regarding the creation of new units is provided in the introduction to the report. The introductory

sections provide us with information regarding the extent to which new units had been created by 2007 (483 districts existed at the time of publication, compared to just 292 which existed in 1998 immediately prior to the passing of the decentralization laws) the official (and unofficial) justifications behind the creation of new units, the methods of creating new units and some of the impacts which the creation of new units has, particularly in the local communities. Before detailing the specifics of the division of South East Maluku, the report also tells us of the prevailing attitude towards the creation of further units from central government, referring to speeches made by President Susilo Bambang Yudhoyono in 2006 and the Minister of Home Affairs in 2007 which called for a complete halt to the process of creation and a moratorium on any further creations until after the 2009 general elections respectively.

**‘The Jakarta Post’, <http://old.thejakartapost.com/> and <http://www.thejakartapost.com/>**

One last source specifically regarding the creation of new administrative units is the Jakarta Post Archive resource at the above web address. This online resource holds articles dating back to 1998 and is particularly useful for gauging the opinion towards the creation of new units from central government, the most recent example of which is the article entitled ‘We don't need new regions for now: President’ published on 26<sup>th</sup> January 2008. The website is also useful for gauging the level of the dilemma currently facing the Indonesian government over this issue. While the President makes statements like the one listed above, just five days later the paper reported how the House of Representatives (DPR) had proposed the creation of eight new provinces and 13 new regencies (from ‘New regions reduce regional allocation funds’, 31<sup>st</sup> January 2008). It appears that the government is under pressure from two directions, to halt the process from the President, and to continue with the creation of more districts, from the regions themselves

## **2) Literature regarding decentralization**

Without delving too far into the theoretical background behind local government and decentralization, included below are some issues from selected works on the topic that are relevant to this study.

**Muttalib, M.A. and Akbar Ali Khan, Mohd., *Theory of Local Government*, New Delhi: Sterling Publishers, 1982.**

This book draws much of its content from historical examples of central and local government interaction with special reference to India and makes a number of points which are directly relevant to the Indonesian decentralization experience. Perhaps the most fundamental of these is that 'when government power is not divided sufficiently areally, society tends either to revolt so as to redistribute power or react in such a way that governmental power gradually loses its substance' (p.96). This is exactly what has happened in the case of Indonesia where the heavily centralized state crumbled largely due to pressure from the regions who lobbied with increasing fervor during the 1990's for a more equal share of power. The authors then go on to state that an almost universal phenomenon has been for local government units to expand in size via annexation and merger which is the complete opposite to what we have seen happening in Indonesia since 1999. The benefits of annexation and merger are said to be increased efficiency in terms of civil service salaries (this is essentially the same argument that is used in the World Bank report above to argue that districts in Indonesia should be merging rather than fragmenting) and the equalization of inequalities between districts which is one of the key issues in Indonesian decentralization. As such the creation of new units in Indonesia appears to be taking the decentralization process down a markedly different path than has been experienced elsewhere, the results of which remain to be seen. The authors also touch upon the issue of corruption (commonly known by its Indonesian acronym KKN 'corruption, collusion and Nepotism' - '*Korupsi, Kolusi, Nepotisme*.) and the capture of political power by elite groups stating that government units with small areas tend to lead to greater instances of collusion, and that 'in a less politicized developing country....the local authority is, by and large controlled by the economically dominant class' (p.4). Again these are themes that will be analyzed in greater depth during the course of this report as they are directly linked to the creation of new units and have a significant bearing on the decentralization process.

**Prud'home, Remy, *On the Dangers of Decentralization*, Policy Research Department, World Bank, 1995, <http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1994/02/01/0000092653961005225011/Rendere d/PD/multipage.pdf>.**

This World Bank paper carries certain warnings regarding decentralization which again have relevance to the Indonesian experience. Whilst the author clearly states that the paper should in no way be construed as an attack on decentralization, he also makes it clear that the process can in fact be detrimental towards governmental efficiency, the equalization of regional (and interpersonal) inequalities and that it can lead to a reduction in the overall stability of the state. Again these are all issues which relate directly to the Indonesian objectives behind decentralization and raise questions concerning how effective we can expect the decentralization process to be in Indonesia, especially regarding the circumstances under which it was implemented. As mentioned before this should not be seen as a criticism of decentralization, but a realistic appraisal of some of the negative outcomes that can occur as a result of the process if not correctly managed.

**Smith, B.C, *Decentralization: the Territorial Dimension of the State*, London: George Allen & Unwin, 1985.**

The last source which I would like to mention regarding decentralization theory relates to division of the state into local governmental units of the appropriate size to be able to function efficiently. Again this is directly relevant to the issue of the creation of new units in Indonesia as one of the main criticisms that has been made against them is that they are too small (in terms of population size, area and population density) to be able to function in their own right, thus increasing their dependence on central government and actual work directly against the main premise of decentralized governance. When it comes to determining the appropriate size of local government units, the book is non-committal in terms of economic efficiency and political participation. With regards to economic efficiency the authors quote that 'under certain not well understood circumstances, it may, or may not, be more, or less, economical to have larger, or smaller local authorities' (pp.69-70) and also state that 'large units have no worse track record than small ones in some aspects of political participation' (p.71). Smith adds weight to the claim made by M.A. Muttalib, and Mohd. Akbar Ali Khan that the trend has been for countries to expand rather than reduce the size of their sub-national units with examples taken from Europe in the post World War II period. Again it would appear that by creating new administrative units, Indonesia is going against trends that have been experienced elsewhere, but the main caveat that Smith presents us with is that there is really no formula for determining appropriate administrative unit

size that can be universally applied and as such each case/country must be evaluated on its own merits. Thus whilst Indonesia appears to be going against international trends, the creation of new units may be both appropriate and necessary in this specific case

## 7. The Importance of New Regions

The importance of the issue lies in whether new districts actually impede the process of decentralization or strengthen it and what the consequences in the longer term may be for Indonesian decentralization as a result of their creation.

To determine whether the new districts impede or strengthen decentralization one must first have an idea as to what decentralization is and what it hopes to achieve. Decentralization can be defined as:

‘the transfer of responsibility for planning, management and resource raising and allocation from the central government and its agencies to: a) field units of central government or ministries; (b) subordinate units of or levels of government; (c) semi autonomous public authorities or corporations; (d) area wide regional or functional authorities; or (e) non-governmental, private or voluntary organization’<sup>5</sup>.

The process has been followed in East Asia largely due to increased civil consciousness as a result of globalization, economic and social pressures stemming from market liberalization and privatization and finally a tendency by aid donors to link effective governance with local participation and autonomy<sup>6</sup>. The potential benefits or goals of decentralization have been summarized as follows by the World Bank<sup>7</sup>:

- 1) Better opportunities for participation by residents in decision making.
- 2) Greater political representation for diverse/minority groups.
- 3) Allows central government officials to concentrate on policy.
- 4) Alleviation of bottlenecks in decision making and reduction of complex bureaucratic procedures.

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<sup>5</sup> Arellano A. Colongon, Jr., *What is Happening on the Ground: The Progress of Decentralisation* in E. Aspinall and G. Fealy (eds.), *Local Power and Politics in Indonesia: Decentralisation and Democratisation*, (Singapore: Institute of Southeast Asian Studies, 2003), p.88.

<sup>6</sup> Ibid., pp.89-90.

<sup>7</sup> World Bank *What is Decentralization?*,  
[http://www.ciesin.columbia.edu/decentralization/English/General/Different\\_forms.html](http://www.ciesin.columbia.edu/decentralization/English/General/Different_forms.html).

- 5) Increased sensitivity of government to local conditions and needs.
- 6) Enables services to reach a greater number of areas.
- 7) Leads to creativity in service provision design and implementation.
- 8) Increased political stability and national unity.

As such the goals of decentralized governance come in the form of more efficient and democratic governance and improved service delivery and should work to the advantage of the entire nation by reducing inequalities and other causes for regional/communal tensions, thus enhancing national stability.

Decentralization in Indonesia was originally determined by two laws, Law 22/1999 and 25/1999, governing administrative and financial decentralization respectively. Contained within Law 22/1999 are two articles (numbers 5 and 6 – an extract from Law 22/1999 showing these articles is given in Appendix 2) which allow for the creation of new governmental units via merger or division. Regulation 129/2000, which supports these two articles, states that new units can be created to: i) enhance the delivery of services; ii) speed up democratization; iii) facilitate the realization of the region's potential; iv) enhance law and order; and v) improve communications between the center and the regions<sup>8</sup>. The rationale for division as laid out in Regulation 129/2000 appears to be entirely consistent with the goals listed above. Additionally, if we take into account the geographical and cultural nature of Indonesia, it would appear that increasing the number, and reducing the size of local government units would again be consistent with promoting effective and democratic governance. Given its 13,667 islands, over 300 ethnic groups and a population of over 200 million spread unevenly over an area of 1.9 million square miles, Indonesia has been described as one of the most pluralistic societies in the world<sup>9</sup>, an 'imagined' nation<sup>10</sup> and even 'one of the most arbitrary states in existence'<sup>11</sup> (see Appendix 3 for a map of the Indonesian archipelago). Whilst this geographical and cultural context has in the past been used as

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<sup>8</sup> International Crisis Group (ICG) Update Briefing, Asia Report No.60, *Indonesia: Managing Decentralization and Conflict in South Sulawesi*, [http://www.crisisgroup.org/library/documents/report\\_archive/A401055\\_18072003.pdf](http://www.crisisgroup.org/library/documents/report_archive/A401055_18072003.pdf), 2003, p.4.

<sup>9</sup> Sanerya Hendrawan 'Pluralism and Governance in Indonesia' in Frank Delmartino, Amara Pongsapich and Rudolf Hrbek (eds.), *Regional Pluralism and Good Governance: Problems and Solutions in Asean and EU-Countries*, (Baden-Baden: Nomos Verlagsgesellschaft, 1999), p.67.

<sup>12</sup> Mark Turner and Owen Podger, *Decentralisation in Indonesia: Redesigning the State*, (Canberra: Asia Pacific Press, 2003), p.9.

<sup>11</sup> Damien Kingsbury, *Unity in Diversity* in Damien Kingsbury and Harry Aveling (eds.), *Autonomy and Disintegration in Indonesia*, (London: RoutledgeCurzon, 2003), p.102.

justification for a strong centralist approach for governance, it also justifies governance at the micro level, in order to provide services to minority groups in the remote areas and to provide opportunities for participation and representation amongst the diverse ethnic groups. It has been stated that due to size of former districts and the geographic and cultural setting, the creation of smaller districts is indeed a ‘necessity’ and one that is long overdue<sup>12</sup>.

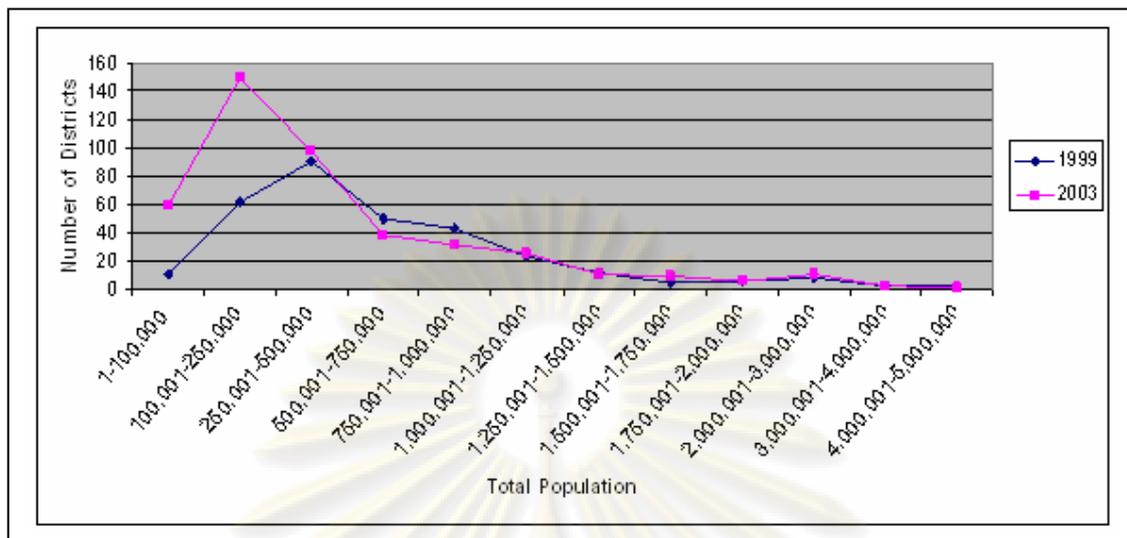
We are then left with the question, how could the creation of new districts potentially impede these decentralization goals? A growing body of literature has focused on the negative aspects of the new districts, criticizing them for amongst other things; being too small to be economically viable (in terms of both revenue and expenditure), lacking the human resource capacity to provide effective governance and service delivery, being a catalyst for increasing ethno-religious communal tensions and as being a tool through which local elite groups have re-captured power and authority under the decentralized form of governance. These criticisms have come from supra-national institutions such as the World Bank, NGO’s, international and domestic academics and increasingly from the executive branch of central government itself.

In terms of the economic viability and efficiency, the detractors of the new districts have argued that they suffer from diseconomies of scale, one example of which is given below. As early as 2003 the World Bank reported that districts with a population of under 500,000 have sharply declining efficiency in terms of their per capita civil service wage bill, and that districts with a population of <100,000 in fact have double the per capita civil service wage bill than districts with a population of 500,000<sup>13</sup>. As shown in Figure 1, the creation of new districts has led to an increase of districts with a population of <100,000, from 11 in 1999, to 59 in 2003 (these figures represent 4% and 13% of the total number of districts in Indonesia respectively) and that some 70% of all districts in Indonesia had a population of under 500,000.

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<sup>12</sup> Muriel Charras, *The Reshaping of the Indonesian Archipelago After 50 Years of Regional Imbalance* in Maribeth Erb , Priyambudi Sulistiyanto and Carole Faucher (eds.), *Regionalism in Post-Suharto Indonesia*, (London: RoutledgeCurzon, 2005), p.98.

<sup>13</sup> World Bank, *Decentralizing Indonesia*, (World Bank: East Asia Poverty Management and Economic Management Unit, 2003), p.18.

**Figure 1: Increase in the number of small districts in Indonesia 1999-2003**

Source: Chart – authors own, data taken from <http://www.statoids.com/uid.html>

Using this economic indicators alone therefore, on this evidence it could be argued that Indonesia should have experienced a consolidation of districts into larger rather than smaller units to improve their efficiency. The ICG also reported in 2007 that some 76% of the newly created districts were economically worse off than they had been before they had undergone the division process<sup>14</sup>.

One of the key goals of decentralization as stated above is to enhance service delivery and the World Bank again suggests that amid initial fears that the quality of service provision would deteriorate under decentralized governance, some 40% of Indonesians actually believe that their services have improved since 2001<sup>15</sup>. This figure though is based on national level data and one theme that will be recurrent throughout this thesis is that national level data in Indonesia tends to mask severe and ever increasing regional disparities. These disparities can be identified at the provincial level but ever more so at the region level within individual provinces. This point, that there is a widely varying ability amongst the districts to provide services, is made explicitly in

<sup>14</sup> International Crisis Group (ICG) Update Briefing, Asia Briefing No.64, *Indonesia: Decentralisation and Local Power Struggles in Maluku*, [http://www.crisisgroup.org/library/documents/asia/south\\_east\\_asia/b64\\_indonesia\\_decentralisation\\_and\\_local\\_power\\_struggles\\_in\\_maluku.pdf](http://www.crisisgroup.org/library/documents/asia/south_east_asia/b64_indonesia_decentralisation_and_local_power_struggles_in_maluku.pdf), 2007, p.3.

<sup>15</sup> World Bank, *Decentralizing Indonesia*, op. cit., p.i.

certain World Bank reports<sup>16</sup>, but without identifying the newly created districts as being particularly culpable. If we cross reference this with other sources though, it becomes fairly clear that the new districts are potentially failing in their service delivery obligations. The World Bank stated in 2003 that the creation of new districts was one of three elements which could undermine the efficient delivery of services in Indonesia<sup>17</sup> and it has been stated that service delivery can deteriorate due to the weakness of the fact that regional governments never previously had any discretionary powers or direct responsibilities and thus suffer from low levels of human capacity and capability<sup>18</sup>. Nowhere are these problems more acute than in the newly created regions.

The final point to mention in regards to the criticisms of the new districts is that they have been identified as potentially reducing the level of democratization and participation in local governance. This is a reflection of the fact that the process of creation of new units has often been driven by local elite groups seeking to capture authority and access to financing and resources that control over a district can bring, rather than to improve governance or services<sup>19</sup>. To garner support for proposals for new districts, elite groups have been accused of manipulating existing ethno-religious communal tensions or indeed generating tensions where they did not previously exist. Communal violence has thus often accompanied the creation of new districts. Once created, these new districts have been used to further the personal, business and political interests of the elite groups at the expense of the community as a whole.

As suggested by these three main lines of criticism, it may be the case that the new districts do not provide the enhancements in governance and service delivery that are supposed to come with decentralization. In fact, if the above criticisms are correct then the new districts could indeed work in the entirely opposite direction, increasing regional and interpersonal disparities and fuelling tension between ethno-religious groups who are becoming ever more compartmentalized into their own administrative

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<sup>16</sup> World Bank, *Making Services Work for the Poor in Indonesia*, [http://siteresources.worldbank.org/INTINDONESIA/Resources/Publication/280016-1152870963030/2753486-1165385030085/MSW\\_Penglish\\_fullcover.pdf](http://siteresources.worldbank.org/INTINDONESIA/Resources/Publication/280016-1152870963030/2753486-1165385030085/MSW_Penglish_fullcover.pdf), 2006, p.23.

<sup>17</sup> World Bank, *Decentralizing Indonesia*, op. cit., p.iii. The other two factors that they refer to are the limited role of the province and the lack of clarity surrounding civil service management.

<sup>18</sup> Nazmul Chaudhury and Shantayan Devarajan, *Human Development and Service Delivery in Asia*, (London: Department for International Development, 2006), p.15.

<sup>19</sup> International Crisis Group (ICG), *Indonesia: Decentralisation and Local Power Struggles in Maluku*, op. cit., p.1.

territories. This increasing socio-economic polarization and territorial fragmentation could work to upset national stability and be used as justification for a re-centralization of powers, thus undermining the entire de-centralization process in Indonesia.

Re-centralization has been a topical theme in Indonesia even before the decentralization laws were implemented. One of the main criticisms raised by regional heads in a series of consultations concerning the decentralization laws in 1999 was that the decision to decentralize the bulk of authority to the district (as opposed to the province) level of government was taken precisely because a lack of governmental capacity at this level could lead to increasing disparities and that it could intensify communal tensions leading to greater fragmentation<sup>20</sup>. These downsides would then be used as an excuse to re-centralize authority, making the whole decentralization process just a politically motivated sham from the outset. These fears appear to have materialized to some extent and have been exacerbated by the creation of new districts. Re-centralization has already occurred to some degree as Laws 32/2004 and 33/2004, which replaced the original decentralization laws, centralized certain authorities to the provincial level and gave the central government greater monitoring powers over the districts. Even after 2004, re-centralization has remained a key topic. As the Jakarta Post reported on 9<sup>th</sup> September 2006 that political parties and the bureaucracy were both 'striving' for a recentralization of powers (ostensibly to counter the rising ethnocentrism and tribalism in Indonesian society, the creation of new districts along ethnic lines can be seen as a function of these two trends)<sup>21</sup>. There has even been some nostalgia for Suharto style leadership and governance, i.e. centralized governance, due to the poor performance of civil leaders since 1998<sup>22</sup>.

Before the problems of decentralization are blamed upon the creation of new units, two important caveats should be taken into account. Firstly, passing

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<sup>20</sup> See Widjajanti I Suharyo, *Voices From the Regions: A Participatory Assessment of the New Decentralization Laws in Indonesia*, (Jakarta: United Nations Support For Indonesian Recovery, 2000), p.18 and Muriel Charras, *The Reshaping of the Indonesian Archipelago*, op. cit., p.94.

<sup>21</sup> M. Taufiqurrahman, *Bureaucracy, Parties Striving for Recentralization*, The Jakarta Post online edition, 9<sup>th</sup> September 2006, <http://www.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20060909.A04>

<sup>22</sup> Sidney Jones, *Political Update 2003: Terrorism, Nationalism and Disillusionment with Reform* in M. Chatib Basri and Pierre van der Eng (eds.), *Business in Indonesia: New Challenges, Old Problems*, (Singapore: Institute of Southeast Asian Studies, 2004), p.23. The author refers specifically to President Megawati Soekarnoputri as the focus for this criticism but there is no reason why it cannot be extrapolated to cover civil leaders at all levels of government.

decentralization legislation does not automatically bring the benefits which were listed above. Prud'home (1995) provides evidence that if it is misapplied, decentralization can in fact increase interpersonal and inter-jurisdictional inequalities, undermine efficiency and jeopardize national stability, the exact opposites to the benefits it is supposed to deliver. Even if it does not have negative impacts, international evidence appears to be mixed concerning whether decentralization has any positive impacts upon poverty, equity<sup>23</sup>, service delivery<sup>24</sup> or good governance<sup>25</sup>. We can add to this list that decentralizing authority to lower levels of government may, or indeed may not increase the risk of elite capture of political power. Certain authors state that smaller units of government pose less corruption risks<sup>26</sup>, whereas others claim that smaller units can increase the risk of collusion, that:

‘In a less politicized developing country, like the national polity, the local authority is, by and large, controlled by the economically dominant class’<sup>27</sup>, and

‘the lower the level of government, the greater is the extent of capture by vested interests’<sup>28</sup>.

Indonesia in the post 1998 era is a prime example of a ‘de-politicized developing country’ and according to the above argument, viewpoint above it could therefore be expected that power in the smaller districts would be captured by local elite groups and true democracy would be retarded at the local level<sup>29</sup>. Coming between these two conflicting views is the middle ground which states that the size of units have an

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<sup>23</sup> International Labour Organization, *Decentralization and Decent Work: Making the Connection to the MDG's*, (Jakarta: International Labour Organization, 2004), p.6.

<sup>24</sup> Nazmul Chaudhury and Shantayan Devarajan, *Human Development and Service Delivery in Asia*, (London: Department for International Development, 2006), p.15.

<sup>25</sup> Gambhir Bhatta, *Decentralised Governance: Empowerment without Capacity Enhancement is Meaningless* in Gambhir Bhatta and Joaquin L.Gonzalez III, *Governance Innovations in the Asia-Pacific Region: Trends, Cases and Issues*, (Aldershot: Ashgate, 1998), p.235.

<sup>26</sup> For example see Omar Azfar, et al, *Decentralization, Governance and Public Services: The Impact of Institutional Arrangements*, (Maryland: IRIS Center, University of Maryland, 1999), p.8

<sup>27</sup> M.A. Muttalib, and Mohd. Akbar Ali Khan, , *Theory of Local Government*, (New Delhi: Sterling Publishers, 1982), p.4.

<sup>28</sup> Michael S. Malley, *New rules, Old Structures and the Limits of Democratic Decentralization* in Edward Aspinall and Greg Fealy (eds.), *Local Power and Politics in Indonesia: Decentralisation and Democratisation*, (Singapore: Institute of Southeast Asian Studies, 2003), p. 102.

<sup>29</sup> On the subject of de-politicization, it was one of the goals of the 30 year New Order regime to de-politicize the Indonesian public to the extent that they became a malleable ‘floating mass’ of voters to be mobilized once every 5 years to re-elect the one genuine political party, Suharto’s GOLKAR, Asian Forum for Human Rights and Development, *Stability and Unity: on a Culture of Fear*, (Bangkok, Asian Forum for Human Rights and Development (Forum-Asia), 1995), p.75.

impact upon political participation, but that the large units have no better or worse record in terms of political participation than smaller units<sup>30</sup>. The relevance of this is that we should bear in mind that the decentralization itself, either through misapplication or through its inability to actually deliver upon its goals, could be to blame for the failure to deliver any material benefits and any subsequent re-centralization of power, rather than the issue of the creation of new districts being specifically to blame.

The second caveat that I would like to make before blaming the new districts for undermining Indonesian decentralization is that the actual process and application of decentralization in Indonesia could be more at fault than the new districts themselves. The ICG states that the actual concept of '*pemekaran*' itself is not a problem, rather the faults lie within poorly written and poorly enforced laws, the culture of corruption and a lack of oversight over the process<sup>31</sup>. If we look at some of the preconditions that have been set down for effective decentralization to take place, it appears that the Indonesian example falls foul of the majority of them. Four reasons have been suggested as to why decentralization programs may falter; i) a lack of capacity to plan, mobilize and utilize financial and other resources; ii) a lack of political commitment from the center; iii) a lack of popular involvement at the local level in development activities; and iv) where decentralization is imposed from the top down and is oblivious to the socio-economic characteristics of individual communities<sup>32</sup>. As will be seen in the following chapters, all of these potential reasons for failure are present in Indonesia, thus it may be the entire way the process has been undertaken, rather than one specific aspect of Indonesian decentralization that should be held responsible for any re-centralization of power.

The importance of the new districts may not lie therefore in them being responsible for undermining decentralization in Indonesia and any ensuing re-centralization of powers, but that they exacerbate some of the inherent dangers of

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<sup>30</sup> B.C. Smith, *Decentralization: the Territorial Dimension of the State*, (London: George Allen & Unwin, 1985), p.71.

<sup>31</sup> International Crisis Group (ICG), *Indonesia: Decentralisation and Local Power Struggles in Maluku*, op. cit., p.10.

<sup>32</sup> Gambhir Bhatta, *Decentralised Governance: Empowerment without Capacity Enhancement is Meaningless* in Gambhir Bhatta and Joaquin L. Gonzalez III, *Governance Innovations in the Asia-Pacific Region: Trends, Cases and Issues*, Aldershot: Ashgate, 1998

decentralization and are a manifestation of the weaknesses in the way decentralization has been introduced and carried out in Indonesia. A key question that remains is: what were the specific underlying goals of Indonesian decentralization and do the new districts have any positive or negative bearing on these? These questions will be addressed in the following chapter.

## 8. Why Are the New Regions of Interest?

Within the scope of Indonesian decentralization, the topic of new districts is an interesting one to study for a number of reasons. It seems to be a relatively understudied aspect of Indonesian decentralization and it is an exceedingly topical political issue in the country. The topic brings together a multitude of themes which run to the very core of issues concerning the very existence of a unitary Indonesian state (ethnicity, religion, mainland vs. island tensions, inner vs. outer island tensions, history) and the trend for the creation of new units seems to go directly against the trend set by Indonesia's most comparable Southeast Asian neighbor (in terms of geographical and cultural complexity), the Philippines.

Firstly, the subject of new districts is of interest because it appears to have been the focus of relatively little detailed research to date. Whilst Indonesian decentralization in general has attracted the attention of many authors and institutions (and quite rightly so given the radical nature of the process which was undertaken) and the issue of new districts is mentioned in a large number of works, it has only been the explicit focus of one article which I have found published to date. Fitriani, Hofman and Kaiser's 2005 article 'Unity in Diversity: The Creation of New Local Governments in a Decentralizing Indonesia' documents the extent of the process up to 2004 and describes some of the characteristics of the new districts<sup>33</sup>. In their conclusion the authors state that the test of the new districts will be their ability to enhance governance and public service delivery and stave off demands for secession, but as at the time of publication it was too early to draw any conclusions on their ability to achieve any of these goals<sup>34</sup>.

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<sup>33</sup> Fitriani Fitriani, Bert Hofman and Kai Kaiser, *Unity in Diversity*, op. cit., p.66.

<sup>34</sup> Ibid, p.77.

The second point is that the new districts have been becoming an increasingly relevant issue in Indonesian politics and are the subject of regular comment by the President and various other government commentators. A review of Jakarta Post articles<sup>35</sup>, from 1998 to the present shows an increasing lack of patience from President Susilo Bambang Yudhoyono with the creation of new districts. Articles with headlines such as 'We don't need new regions for now: President' and 'SBY slams self-interested new regions'<sup>36</sup> are a testament to the official condemnation which the new districts are attracting from the very highest level. In the earlier of these two articles the Presidents clearly articulates his feelings concerning the creation of new units and some of the reasons behind his feelings:

'It's about time I used clear language on this....we must be strict and brave to turn down demands for new autonomous regions that have no urgency or clear benefits....What peeves me too is the mentality of local administrations that, despite their autonomy, remain dependent on the central government.....It's ironic there's a staggering amount of funds sitting idly amid needs for capital in infrastructure or the real sectors.....These things have negative impacts on the local economy and make it harder to overcome poverty and unemployment"

This official condemnation of the practice of creating new units makes this a serious topical issue for present day Indonesia and that the President sees it necessary to make public announcements on the issue shows the extent to which the new units are perceived to be causing problems.

This factor also presents us with one of the key dilemmas in current Indonesian politics, that while the President, as head of the executive branch of the government issues statements calling for the creation of new units to cease, the legislative branch, the House of Representatives (DPR) continues to approve proposals for new districts to be created. Each of the above mentioned articles which laid down the President's viewpoint was followed by an article a few days, or months, later stating that new

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<sup>35</sup> Accessed online from the Archives section of the <http://old.thejakartapost.com> website

<sup>36</sup> Desy Nurhayati, *We Don't Need New Regions for Now: President*, The Jakarta Post online edition, 26<sup>th</sup> January, 2008, <http://old.th ejaka rtapost.com/Archives/ArchivesDet2.asp?FileID=20080126.H01> and Tony Hotland, *SBY Slams Self-Interested New Regions*, The Jakarta Post online edition, 24<sup>th</sup> August, 2007, <http://www.thejakartapost.com/Archives /Archives Det2.asp?FileID=20070824.@01>.

regions had been proposed or approved by the DPR (for example articles dated 31<sup>st</sup> January 2008, and 7<sup>th</sup> December 2007<sup>37</sup>). This highlights a problem that was suggested as early as 2003 that ‘it is rather difficult for central government to stop the creation of new local governments’<sup>38</sup>. In fact, given the fact that they are still being created despite such opposition from the President, the situation is now more than just ‘rather difficult’. Indeed the creation of new units, whether an unexpected result of the decentralization legislation or not, appears to have grown into a phenomena that the government, despite reducing some of the incentives to create new units by revising the decentralization laws in 2004, is relatively powerless to stop<sup>39</sup>.

The third point of particular interest to make is that the issue of creation of new districts cuts to the very core of issues of ethnicity, religion and history that surround the very existence of the unitary state of Indonesia. As stated previously, Indonesia is one of the most plural societies in the world and given this diversity and its geographic setting, the existence of the unitary state of Indonesia is something that should not be taken for granted. It has been argued that the idea of a unitary state for Indonesia won out over a federalist structure as it provided a much needed sense of unity and common identity in the struggle for independence against the Dutch colonialists in the early 20<sup>th</sup> century<sup>40</sup>. We could question whether this structure is still relevant in modern times and whether it may be better to accept the ‘inevitable breakup, that Indonesia is just too big and diverse to handle’<sup>41</sup>. This theme gained much currency amid the widespread communal conflicts that surrounded the removal of Suharto and centralized governance in 1998. The move towards decentralization has allowed long suppressed ethnic tensions to surface and these have been manifested to some degree in the creation of new districts and the favoritism within individual districts shown towards the indigenous ethnic groups, known as the ‘*putrah daerah*’ (‘sons of the earth’ – i.e. those

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<sup>37</sup> *New Regions Reduce Regional Allocation Funds*, 31<sup>st</sup> January 2008, The Jakarta Post online edition, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20080131.M06> and Ridwan Max Sijabat, *House Creates Eight New Regions*, The Jakarta Post online edition, 7<sup>th</sup> December 2007, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20071207.H08>.

<sup>38</sup> Bambang Brodjonegoro, *Fiscal Decentralization in Indonesia* in Hadi Soesastro, Anthony L. Smith, and Han Mui Ling, *Governance in Indonesia*, (Singapore: Institute of Southeast Asian Studies, 2003), p.297.

<sup>39</sup> Elizabeth Morrell, *Re-drawing Sulawesi's Map*, [http://www.insideindonesia.org/edit82/edit82\\_p18-19.html](http://www.insideindonesia.org/edit82/edit82_p18-19.html), 2005.

<sup>40</sup> Widjajanti I. Suharyo, *Voices From the Regions*, op. cit., p.5.

<sup>41</sup> Ann Kumar, *The State and Status of the Nation* in Damien Kingsbury and Harry Aveling (eds.), *Autonomy and Disintegration in Indonesia*, (London: RoutledgeCurzon, 2003), p.61.

born locally). Religion has been increasingly tied into these ethnic divisions largely due to the role of mobile fundamentalist groups and networks who have attached themselves to particular ethno-religious groups in conflict areas and manipulated them for their own ends<sup>42</sup>.

The creation of new districts is relevant to more than just localized expressions of ethno-religious diversity; it has also reflected tensions based on the geographic nature of Indonesia, such as the struggle for power and recognition between inner and outer island groups and mainland and island groups. Recent Indonesian history has been overwhelmingly 'Java-centric' due to the economic, political and even cultural dominance of Java over the entire archipelago. Many in the outer islands see Java as little more than a 'parasitic'<sup>43</sup> element and as a colonizing force<sup>44</sup> from whom they would dearly love to gain any form of political or economic independence. The decentralization laws have provided this independence to some extent, and to a large degree in certain areas with the implementation on Special Autonomy in Aceh and Papua in 2001, and the creation of new districts can again be seen as part of this struggle for autonomy from government control.

The final point that to make in relation to why this topic is of interest, is that the Indonesian experience appears to be almost the exact opposite of that in the Philippines which embarked on a similarly comprehensive program of decentralization in the early 1990's<sup>45</sup>. Within Southeast Asia the Philippines is probably the most similar country to Indonesia in terms of its geographic and cultural setting. Both nations are archipelago's, have dominant religious and ethnic groups but with significant minority groups in the remote areas and have been threatened by calls for secession by their outer island.

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<sup>42</sup> The case of communal violence in Ambon in Maluku province is a prime example of this, where the activities pro-independence group attracted the attention of the now defunct militant Islamic group Laskar Jihad in April 2000, whose presence in the region sparked the creation of the largely Christian FKM (Front for Moluccan Sovereignty) in December of that year. Increasing tensions between these groups led to a resurgence in violence in April 2004 after two years of relative calm in the region, International Crisis Group (ICG) Update Briefing, Asia Briefing No.17, 2004, *Indonesia: Violence Erupts Again in Ambon*, pp.1-3.

<sup>43</sup> Ruth McVey *Nation Versus State in Indonesia* in Damien Kingsbury and Harry Aveling (eds.), *Autonomy and Disintegration in Indonesia*, (London: RoutledgeCurzon, 2003) p.22.

<sup>44</sup> Muriel Charras, *The Reshaping of the Indonesian Archipelago*, op. cit., p.88.

<sup>45</sup> The Local Government Code was introduced in the Philippines in 1991 which laid down the foundations of decentralized governance. The Code I comprised of three books relating specifically to 'General Provisions' (Book 1), 'Taxation and Financial Matters' (Book 2), 'Local Government Units' (Book 3) and 'Miscellaneous Provisions' (Book 4), <http://www.dilg.gov.ph/LocalGovernmentCode.aspx>

Concerning spatial administration, the Philippine experience since decentralization has been for the conversion and consolidation of administrative units into larger more populous entities, the exact opposite of what has taken place in Indonesia.. The reasons for the different trends lie in specific provisions of the decentralization legislation regarding the relative powers and financing of the different levels of government which directly motivate either the consolidation or fragmentation of administrative units. Chapter 3 of this thesis will address in greater detail how the Indonesian laws were intentionally designed to promote the creation of new districts and will use the Philippines as a comparative example to highlight this assertion.

## 9. Current trends

The current trends with regards to the issue of the creation of new districts in Indonesia can be broadly summarized as follows.

Firstly, the appetite for the creation of new districts appears to continue unabated. The Jakarta Post reported on 28<sup>th</sup> August 2007<sup>46</sup> that the DPR had proposals before it for the creation of 21 new provinces and 114 new regencies and municipalities and it was further reported on 26<sup>th</sup> January 2008 that the DPR had on its own initiative proposed the creation of 8 new provinces and 13 new regencies. The approval of these proposals would bring the total number of provinces to 41 and districts to 500<sup>47</sup>.

Secondly, the government appears to be trying to halt the process, but with little success. As discussed previously, the view from the President is that no new units should be created, at least until the 2009 general elections have passed. Despite these protestations, the DPR continues to propose and approve new districts and appears to be embroiled in the 'seemingly endless drive' to establish new administrative units which appears to have 'overwhelmed' central government<sup>48</sup>.

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<sup>46</sup> Iwan Gunawan, *The Limit of Creating New Regions in Indonesia*, The Jakarta Post online edition, 28<sup>th</sup> August 2007, <http://www.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20070828.E03>.

<sup>47</sup> Desy Nurhayati, *We Don't Need New Regions for Now: President*, op. cit.

<sup>48</sup> Hyginus Harddoyo, *Clamor for New Regions Threatens Storm of Chaos*, The Jakarta Post online edition, 21<sup>st</sup> February 2007, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20070221.E02>.

Thirdly, the creation of new districts has not been uniform over time since the decentralization laws were passed. As shown in table 1 (p.2) there have now been three main periods of creation; i) between the passing of the laws in 1999 and their implementation in 2001, ii) immediately post implementation in 2002 and 2003 and, iii) in 2007 when after three years of relatively little activity, the process appears to have started again with the creation of 14 new districts.. The reasons for this could be attributed to the initial enthusiasm for the laws when they were first unveiled in 1999 and immediately post implementation and also the impact of general elections. One additional motivating factor for political parties/agents to support the creation of new units has been suggested to be to increase their representation in the DPR<sup>49</sup> at election time. This could partially explain why there was a lull in the creation of new units in the 2004 general election year and its immediate aftermath, 2005-2006, and why we have seen an increase in the number of units being created in 2007 in the run up to the 2009 elections. This along with other ideas surrounding the motivations to create units will be expanded upon later.

The thesis will proceed with the following structure: firstly an analysis of the events leading up to the passing of the decentralization laws and the actual drafting and passage of the laws. Secondly, a review of the decentralization laws to determine in what way they promote the creation of new districts, thirdly, an analysis of the impacts of the creation of the new districts upon central government and finally case studies of new districts in Papua/West Irian and North Sumatra provinces. These case studies will focus on the motivations to create the new districts and their performance in providing health and education services. Finally, the conclusion will summarize the key findings of this thesis.

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<sup>49</sup> This allegation has been specifically leveled against the PDI-P in the events surrounding the creation of new provinces in Papua in 2003 in the run up to the 2004 general election, Sidney Jones, *Political Update 2003*, op. cit., pp.29-31.

## CHAPTER II

# THE POLITICAL CONTEXT OF INDONESIAN DECENTRALIZATION

### 1. Introduction

The creation of new regions in Indonesia has to be understood within the wider context of Indonesian decentralization. This chapter aims to provide the background information that will help our understanding of why decentralization took place and why the creation of new regions has become one of the key features of that decentralization. In order to do this, the chapter firstly briefly addresses pre-decentralization governance. The remainder of the chapter is dedicated to an analysis of the reasons why the shift to decentralized governance took place and the final section of the chapter will look at the actual creation of the decentralization laws and their objectives. Within this context a number of factors will be identified that promote the creation of new regions.

### 2. Pre 1999 Governance

This section will introduce selected themes in pre-1999 governance which can be said to impact the creation of new regions in Indonesia. These will be as follows, the argument surrounding the unitary versus federal state in post-independence Indonesia, the impact of the Pancasila ideology and its interpretation by Suharto, the role of the military, centralization versus decentralization under the New Order government and finally the twin dynamics of 'Javanization' and disenfranchisement of minority groups.

Firstly, there has been argument since before independence was achieved in 1945 concerning whether Indonesia should be governed by a unitary state, a federal system, or simply allowed to disintegrate into the *mélange* of independent kingdoms which existed prior to Dutch colonization of the archipelago. The unitary state has been the obvious winner in this battle since independence but calls for both the other two

options have refused to die down in the past sixty three years, a fact that can partially be blamed on the failure of the Suharto regime to create a truly uniting national culture<sup>1</sup>. The unitary state was initially attractive to elite Javanese groups as the fight against the Dutch was seen to more effective if centrally managed and controlled<sup>2</sup>. This required unity amongst the various island groups and ethnicities and the unitary state was thus a far more effective tool for the organization of a rebellion than a federal one. Federalism became considered to be not only a less appropriate form of state, but also one subversive to the independence of the nation as a whole and the one attempt at a federal state that did exist, the RIS (*Republik Indonesia Serikat*), was viewed as a Dutch strategy to divide and re-conquer Indonesia<sup>3</sup>.

Another perspective to the success of the unitary nation state in Indonesia by stating that the motivation behind the unitary state, as promoted by the elite groups who dominated the independence movement, was the modernity, wealth and power that nation states in the West enjoyed<sup>4</sup>. The unitary state was seen as the appropriate form of state to deliver these benefits and perhaps most importantly, to deliver these benefits to the center (i.e. the elite interest groups in Java). This is a more cynical view but one that is central to arguments surrounding the creation of new regions, that the centralized unitary state was a tool through which the wealth of the entire archipelago could be concentrated in the hands of the few in the center (Java). Much of the opposition to the unitary state initially came from the elite groups in the outer islands who through their collaboration with the Dutch had prospered under the protection their colonial masters. They saw the unitary state as being a mechanism through which their resources (natural and human) would be appropriated by Java. In the wake of decentralization the creation of new regions has been an attempt to regain control over these resources and the wealth that they confer by elite groups who had been effectively disenfranchised by the

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<sup>1</sup> Ann Kumar, *The State and Status of the Nation* in Damien Kingsbury and Harry Aveling (eds.), *Autonomy and Disintegration in Indonesia*, (London: RoutledgeCurzon, 2003), p.59.

<sup>2</sup> The violent conflict surrounding Indonesia's independence began at the end of World War II in 1945 with Indonesia's declaration of independence and finished with the actual recognition of this independence by the Dutch 4 years later in 1949. Various issues such as the sovereignty of Papua continued to be the subject of conflict between the Dutch and Indonesian states until the 1960's, see [http://en.wikipedia.org/wiki/Indonesian\\_National\\_Revolution](http://en.wikipedia.org/wiki/Indonesian_National_Revolution).

<sup>3</sup> Widjajanti I. Suharyo, *Voices From the Regions: A Participatory Assessment of the New Decentralization Laws in Indonesia*, (Jakarta: United Nations Support For Indonesian Recovery, 2000), p.5.

<sup>4</sup> Ruth McVey, *Nation Versus State in Indonesia*, in Damien Kingsbury and Harry Aveling (eds.), *Autonomy and Disintegration in Indonesia*, (London: RoutledgeCurzon, 2003), p.14.

centralized state. These groups may have prospered to some extent under the patronage networks that were developed under the New Order regime, but these rewards were relatively few compared to the wealth that was accumulated in the center. As we will see a key reason why the decentralization laws were passed was to assuage local grievances that in part stem back to the formation of the Indonesian state.

Secondly, the Pancasila ideology and its interpretation has been the guiding force in Indonesian governance and society since independence. Pancasila itself was developed as the basis for discussions surrounding state ideology in the drafting of the first constitution. The ideology of Pancasila was set out in the ‘Jakarta Charter’ statement issued in 1945, an amended version of which became the preamble to the 1945 Constitution<sup>5</sup>. The five principles of Pancasila are: i) Belief in One Almighty God; ii) Just and Civilized humanity; iii) Unity of Indonesia, iv) Peoplehood guided by the spirit of wisdom in deliberation and representation; and v) Social justice<sup>6</sup>. As can be seen unity of the nation state is explicitly stressed in Pancasila and this was used as justification for increasingly centralized, authoritarian rule, especially after the events leading up to Suharto’s seizure of power in 1967<sup>7</sup>. Suharto’s interpretation of Pancasila stressed that he and his regime were the very embodiment of Pancasila, and he stated on different occasions that ‘The New Order is an order of Pancasila democracy which puts the people’s interests first and not group or private interests’ and the New Order ‘pursues institutionalization and rejects individualization’<sup>8</sup>. This meant that any criticism of the regime or indeed Suharto himself was a direct criticism of Pancasila and therefore an attack on the unity of the nation. Any such activity would be countered with *appropriate*\* force and under the New Order regime this force was directed towards political and social groups as well as individuals. Under this interpretation of

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<sup>5</sup> The amendment concerned the concession made by Islamic groups to drop the phrase ‘with the obligation to carry out the Islamic *syariat* for its adherent’ from the first of the five principles listed above, Leo Suryadinata, *Elections and Politics in Indonesia*, (Singapore: Institute of Southeast Asian Studies 2002), pp.10-11.

<sup>6</sup> Ibid, p.10.

<sup>7</sup> The events I allude to here are essentially the regional rebellions and near disintegration of the country prior to 1959 and the rise of the Communist Party of Indonesia (PKI) culminating in the Gestapo coup attempt of 1965, see Ammar Siamwalla, *The Evolving Roles of the State, Private, and Local Actors in Rural Asia*, (Oxford: Oxford University Press, 2001), p.87.

<sup>8</sup> R.E.Elsom, *In Fear of the People: Suharto and the justification of state-sponsored violence under the New Order* in Freek Colombijn and J. Thomas Lindblad (eds.), *Roots of Violence in Indonesia: Contemporary Violence in Historical Perspective*, (Singapore: Institute of Southeast Asian Studies, 2002), p.181.

\* I put *appropriate* in italics here for effect. The measures used to enforce the Pancasila ideology will be expanded on in the following section.

Pancasila the aim of the New Order was to de-politicize Indonesian society and to replace diversity with a strict obedience to the New Order regime<sup>9</sup>. Tools such as ‘P4’ courses<sup>10</sup> were introduced for individuals from 1978 onwards to enforce the ‘socialization of Pancasila and Pancasila-ization of society’ and legislation was introduced in the 1980’s which forced all social groups to adopt Pancasila as their sole ideology<sup>11</sup>.

One view of the Pancasila ideology is that it was created as a reaction by the elite groups who were responsible for the drafting of the constitution against Western democracy and the freedom of thought and action which it encourages. This was seen as a threat to the traditionally hierarchical Indonesian society based on patron-client relationships and the ‘respect and harmony principle’<sup>12</sup>. Pancasila, from this viewpoint was therefore designed with the intent of quashing individuality and freedom of expression. Others argue that Suharto’s interpretation of Pancasila was simply incorrect, that it was intended to be a uniting ideology but Suharto turned it into a tool to divide society by turning it against any group he saw as a potential threat to his regime<sup>13</sup>. Whatever the truth maybe surrounding the initial purpose of the ideology, the fact remains that the Pancasila ideology was used to stifle politicization and individuality based on religion, ethnicity or location. By the early 1980’s, this had effectively reduced the public into a ‘sullen and cynical mood of political acquiescence and passivity’<sup>14</sup>. As with the argument surrounding the unitary state versus federalism or independence, the effect of this interpretation of Pancasila was to ingrain a deep sense of injustice at the lack of personal freedoms and again the creation of new regions has been one manifestation of the reaction against this enforced uniformity of deed and thought.

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<sup>9</sup> The most commonly cited phrase to describe the New Order’s political goal was that of turning the Indonesian populace into a ‘floating mass’, free from the encumbrances of politics who could just be mobilized once every 5 years to re-elect Suharto, R.E.Elsom, *In Fear of the People*, op. cit., p.184.

<sup>10</sup> ‘P4’ is a contraction of ‘Upgrading Course on the Directives for Realization and Implementation of Pancasila’. While these courses were obligatory for civil servants and students wishing to study abroad, other groups outside this framework developed their own Pancasila courses and the government viewed rolling out the P4 program to an number of diverse groups, Michael Morfit *Pancasila Orthodoxy* in Colin MacAndrews (ed), *Central Government and Local Development in Indonesia*, (Singapore: Oxford University Press, 1986), p.43.

<sup>11</sup> R.E.Elsom, *In Fear of the People*, op. cit, p.184

<sup>12</sup> Umar Jouro, *Indonesia* in Wolfgang Sachsenroder and Ulrike E. Frings, *Political party systems and democratic development in East and Southeast Asia*, (Aldershot, Hants: Ashgate, 1998), p.210.

<sup>13</sup> Ann Kumar, *The State and Status of the Nation*, op. cit., p.60.

<sup>14</sup> R.E.Elsom, *In Fear of the People*, op. cit., p.188.

The *appropriate* force which is referred to above was meted out by the Indonesian military, the TNI (*Tentara Nasional Indonesia*, formerly known as ABRI, the *Angkatan Bersenjata Republik Indonesia*). As an ex-military official Suharto originally drew his power base from the armed forces and just as he aligned both himself and his regime with the Pancasila ideology, he also claimed that:

‘the one and only ideology of ABRI is Pancasila...ABRI will not permit Pancasila to be changed in any way at all, because changing Pancasila means treason against the purity of the struggle of ABRI itself’<sup>15</sup>

The military therefore were charged with protecting Pancasila, in effect they became the tool through which any supposed opponents or threats to the regime were to be suppressed through ‘repressive and brutal measures’<sup>16</sup>. These threats to stability took the form of student and workers movements, political parties, religious groups, ethnic minorities and the media, literally anyone who could potentially unsettle the stability of the regime. The military was thus turned against Indonesians citizens and encouraged to view them as ‘objects of hate’ who forfeited ‘their civic rights because of their beliefs’<sup>17</sup>.

The military had a traditional security role but was also an all pervasive force in civic life in which it carried out political, economic and social functions. This duality, known as ‘*dwi-fungsi*’ (dual function), was institutionalized and protected by the defense law passed in 1982 which ‘specifically defined the Indonesian armed forces (ABRI) as a military and a social force’<sup>18</sup>. The social role was facilitated through the placement of military officers into political and civil roles and by the army’s territorial structure which mirrored that of the civil administration (see table 2 below). The reach of the military, through this structure, allowed them to entrench themselves into the civil administration and business/economic spheres throughout Indonesia, thus enabling the

<sup>15</sup> R.E.Elsom, *In Fear of the People* op. cit., p.182.

<sup>16</sup> Leo Suryadinata, *Elections and Politics in Indonesia*, op. cit., p.5.

<sup>17</sup> Ann Kumar, *The State and Status of the Nation* op. cit., p.60.

<sup>18</sup> Asian Forum for Human Rights and Development, *Stability and Unity: on a Culture of Fear*, (Bangkok: Asian Forum for Human Rights and Development (Forum-Asia), 1995) p.82

development of their commercial activities (both legal and illegal) which supplement some 75% of the military budget<sup>19</sup>.

**Table 2: The Civil Administration and TNI Territorial Structures:**

Civil Administration	TNI
Province	Territorial Military command (Kodam/Korem)
District	District military command (Kodim)
Sub-district	Sub-district Military Command (Koramil)
Village	Village NCO (Babinsa)

Source: Liem Soei Lion (2002: 208)

The armed forces therefore were an overbearing presence in Indonesian society throughout the New Order regime. Through their use primarily as an agent of domestic security enforcement, violence became institutionalized as a legitimate means of conflict resolution, far more so than the rule of law. Regarding my use of italics to describe the *appropriateness* of the force used by the armed forces in their defense of the regime and Pancasila, It is not possible to quantify the number of extra-judicial killings carried out by the military during the New Order period, but some 710,000 people are estimated to have been killed in just five specific incidents or campaigns that took place under this regime<sup>20</sup>. In addition to these killings, the military is responsible for untold cases of disappearances, torture, arbitrary arrest and detention and carrying out repressive measures against former detainees. It has been stated that the ethnic violence which flared in the late 1990's and continued into the post-Suharto era and is to an extent a result of this institutionalization of violence and the level of its brutality during the New Order period<sup>21</sup>.

<sup>19</sup> Liem Soei Lion, *It's the Military, Stupid!* in Freek Colombijn and J. Thomas Lindblad (eds.), *Roots of Violence in Indonesia: Contemporary Violence in Historical Perspective*, (Singapore: Institute of Southeast Asian Studies, 2002), p.211.

<sup>20</sup> The 5 incidents referred to are: i) Repression of the PKI following the 1965 coup attempt, 500,000 killings; ii) Campaigns in East Timor, 200,000; iii) the 'Petrus' crackdown against domestic crime in the mid 1980's, 3,000-5,000 (I have used the lower of these two figures in the figure of 710,000 quoted above for the sake of conservatism); iv) anti-independence campaigns in Papua and Aceh respectively, 5,000 and 2,000, see Asian Forum for Human Rights and Development, *Stability and Unity: on a Culture of Fear*, op. cit., pp.95-96.

<sup>21</sup> Jacques Bertrand, *Nationalism and Ethnic Conflict in Indonesia*, (Cambridge: Cambridge University Press, 2004), p.3.

The penultimate issue to raise in this discussion of pre-1999 governance and its relevance to the creation of new regions is the paradox between centralization and decentralization that has characterized Indonesian governance since colonial times. The beginning of decentralization can be traced back to a 1903 law passed by the Dutch colonial government which formed autonomous regional parliaments at the ‘*karesidenan*’ (‘group of districts’) level<sup>22</sup>. Provinces were created in 1924 with their own regional parliaments and authority was shifted from the ‘*karesidenan*’ to the provincial level, only to be centralized by the Japanese during World War II. Despite the 1903 law, the actual style of Dutch colonial rule was ‘authoritarian, highly centralized and paternalistic’<sup>23</sup> and it has been stated that that one of the features of post independence governance in Indonesia has been ‘a determined effort to preserve and enhance’ this colonial style of governance by Jakartan elites<sup>24</sup>. As such, power was centralized under the Sukarno regime to a ‘phenomenal degree’<sup>25</sup> and compounded under Suharto’s New Order regime within which power didn’t even reside at the level of central government and its institutions, but with the president himself<sup>26</sup>.

Under the New Order regime, the centralization of power took place through two instruments, GOLKAR (‘*Golongan Karya*’ – ‘Functional Grouping’) and the civil administration, each will be briefly outlined below. Beginning as a military sponsored ‘functional grouping’ of pro-military organizations that encompassed civil servants, workers, students and women’s groups, GOLKAR was re-organized after 1966 to be the civilian arm of the New Order<sup>27</sup>. Just as social groups became required by law to adopt Pancasila as their ideology, membership of GOLKAR was made compulsory for all civil servants (around 4 million of whom existed at the various levels of government in the late 1980’s) and umbrella organizations were set up under the stewardship of GOLKAR to forcibly amalgamate any civil society groups or mass organizations. This process has been termed the ‘Golkarization’ of society<sup>28</sup>, opposition to which was met

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<sup>22</sup> Widjajanti I. Suharyo, *Voices From the Regions*, op. cit., p.5.

<sup>23</sup> Ruth McVey, *Nation Versus State in Indonesia*, op. cit., p.17.

<sup>24</sup> Michael S. Malley, *New rules, Old Structures and the Limits of Democratic Decentralization* in Edward Aspinall and Greg Fealy (eds.), *Local Power and Politics in Indonesia: Decentralisation and Democratisation*, Singapore: Institute of Southeast Asian Studies, 2003, p.106.

<sup>25</sup> Mark Turner and Owen Podger, *Decentralisation in Indonesia: Redesigning the State*, (Canberra: Asia Pacific Press, 2003), p.1.

<sup>26</sup> Umar Jouro, *Indonesia* op. cit., p.195.

<sup>27</sup> Asian Forum for Human Rights and Development, *Stability and Unity: on a Culture of Fear*, op. cit., pp.75-76.

<sup>28</sup> Umar Jouro, *Indonesia* op. cit., p.198.

with a reaction from the armed forces. This process also took into account the political sphere as all sub-national level political parties were banned in 1971 and although 10 parties competed in the general election that year (in which GOLKAR won 236 out of the 360 seats in parliament)<sup>29</sup>; this number was reduced to just three parties in 1974. The various Muslim parties were amalgamated into the United Development Party (PPP) and the Christian and nationalist parties into the Indonesian Democratic Party (PDI). Elections, under the watchful eye of GOLKAR became little more than a ‘useful fiction’<sup>30</sup> as the entire mechanism served only to legitimize and re-elect Suharto. GOLKAR can be seen as the physical manifestation of the Pancasila ideology, the agent through which civilian life was centralized around the goal of supporting the New Order regime.

The second element of centralization under the New Order was the system of civil administration which managed to contain elements of decentralization, but was dominated by the center. A centralized structure was implemented in 1959 by Sukarno as a reaction against the provincial rebellions of 1957 and this remained in place until 1974 when center region relations were redefined by Law 5/1974<sup>31</sup>. The law defined three levels of government: Level I, the province; Level II, the cities and municipalities (referred to throughout this thesis as ‘districts’; and Level III, the sub-district. All three levels were set up as ‘deconcentrated’ units of central government; that is they were concerned only with the execution of centrally mandated instructions and had no real autonomy of their own<sup>32</sup>. The heads of both the provinces and regions had dual job titles to reflect the fact that they were first and foremost central government officials and secondarily heads of their particular territory<sup>33</sup>. Provincial governors and region heads were not only GOLKAR members by necessity but they were also directly appointed by

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<sup>29</sup> Hermawan Sulistoyo, *Electoral Politics in Indonesia: A Hard Way to Democracy* in Friedrich Ebert Stiftung, *Electoral politics in Southeast & East Asia*, (Singapore: Friedrich Ebert Stiftung, 2002,)pp.76-77.

<sup>30</sup> Ibid, p.77.

<sup>31</sup> Colin MacAndrews, *Central Government and Local Development in Indonesia: An Overview* in Colin MacAndrews (ed), *Central Government and Local Development in Indonesia*, (Singapore: Oxford University Press, 1986), p.13.

<sup>32</sup> H. H. Siagian, *Trends in Decentralization in Indonesia* in Raul P. Guzman, and Mila A. Reforma (eds.), *Decentralization Towards Democratization and Development*, (Manila: EROPA Secretariat, 1993), p.71.

<sup>33</sup> This duality of roles was provided for as early as 1945 with Local Government Act 1 which included the provision that the chief executive of the local government is a central government officer as well as the leader of the local government, UNESCAP, *Country Reports On Local Government Systems: Indonesia*, <http://www.unescap.org/huset/lgstudy/new-countrypaper/Indonesia/Indonesia.pdf>.

the President in the case of the governors and centrally approved in the case of the region heads (who often from the ranks of the military). The structure of regional government under Law 5/1974 is shown in Appendix 4.

Law 5/1974 did, in the spirit of the constitution which states that autonomy is one of the principles of governance in Indonesia, suggest that the districts may become autonomous in the future. This autonomy though was to be granted on the basis of capacity rather than being an implicit right as suggested in the constitution. Without regulations though to actually dictate how autonomy was to be delivered, this autonomy was simply non-existent and the fact that the first regulation to support Law 5/1974 was not draw up until 1992 highlights the lack of political commitment towards decentralization from the government. The important part of autonomy under Law 5/1974 was that whilst it never actually materialized, it was directed at the district rather than the province level, a trend that would be reflected in the decentralization that did actually took place in 1999 and will be discussed later in this section.

Law 5/1974 only served to create a centralized but functioning territorial structure of local government and there were no further moves to adjust the relationship between central and local government until the District Autonomy Pilot Program (DAPP) was initiated in 1995/6 This program, carried out nationwide in 26 districts, was the result of the sole regulation passed to support Law 5/1974 and has been described as a 'traumatic experience' for the participating districts<sup>34</sup>. The program failed for a number of conceptual, political and technical reasons but its lack of success was really driven by a lack of political will from the center for decentralization to take place. As such the regions were enticed into cooperation with the central government by hollow promises of autonomy during the New Order period. Both Law 5/1974 and the DAPP stimulated growing desires for autonomy on the regions but delivered nothing of value in this respect and can be seen as actually furthering the cause of centralization to a far greater extent than they did autonomy.

The very final issue to mention with regards to pre-1999 governance is the cultural element, the 'Javanization' of Indonesia. With all its ethnic diversity, Indonesia

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<sup>34</sup> Widjajanti I Suharyo, *Voices From the Regions*, op. cit., p.17.

is dominated by the majority Javanese who comprise some 50% of the country's population, while Java itself occupies just 7% of Indonesia's land mass<sup>35</sup>. All Indonesian presidents other than Habibie, who was not an elected president, have hailed from Java and it has been suggested that Suharto administered Indonesia in the style of a Javanese king<sup>36</sup> and his regime embarked upon a process of Javanization of the outer islands largely through Law 5/1979 (the 'Village Law') and the transmigration program.

The Village Law determined that the standardized Javanese village structure was to be imposed upon villages across Indonesia with regards to their name, number of families, area and governance irregardless of local conditions or traditions and has been described as instigating the 'cultural obliteration' of Indonesia<sup>37</sup>. Similarly the transmigration program was intended to populate the outer islands, with Javanese, to aid development in these 'backward' areas. The view from the receiving areas, was that along with the cultural obligations that were forced upon them via the Village Law, they were also being physically colonized by Javanese migrants who were usually the poorest and least well educated elements of Javanese society (i.e. those that the powers in Jakarta thought they could well do without). The effects of transmigration have been felt nowhere more than in Papua which will be discussed later.

To protest against either of these programs was seen as proof of the 'backwardness' of the outer islands. In the Javanese view any displays of ill manners, passion or excitement are expected only of 'children, wild animals, peasants, the handicapped and foreigners'<sup>38</sup>. The view that any protest or dissent aimed at the New Order regime was the product of lower classes of people makes the violence meted out by ABRI easier to understand. In the Javanese view this was not violence against their own people so much, but repression dealt out to sub-Javanese peoples (or in the most extreme cases sub-humans) for their own benefit, to try to Javanize them. The result of these policies was a growing polarization between Java and the rest of Indonesia which

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<sup>35</sup> Lee Khoon Choy, *A Fragile Nation: the Indonesian Crisis*, (Singapore: World Scientific, 1999), p.41.

<sup>36</sup> Ibid, p.24

<sup>37</sup> Muriel Charras *The Reshaping of the Indonesian Archipelago After 50 Years of Regional Imbalance* in Maribeth Erb , Priyambudi Sulistiyanto and Carole Faucher (eds.), *Regionalism in Post-Suharto Indonesia*, (London: RoutledgeCurzon), p.88-89.

<sup>38</sup> Lee Khoon Choy, *A Fragile Nation*, op. cit., p.50.

became increasingly culturally, politically and economically peripheralized during the New Order regime. Again this style of governance created deeply felt ethnic and communal grievances and a deep mistrust of central government. These grievances were given a chance to express themselves in the wake of Suharto's resignation in May 1998

### 3. The Fall of Suharto and the Shift to Decentralization

Different authors point to a variety of reasons why the Suharto regime finally came to an end in 1998 after thirty years of virtually uncontested power. His demise can of course not be put down to any one single factor; it was the result of a combination of a number of different dynamics working in conjunction\*. The resignation of Suharto in May 1998 was swiftly followed by the passing of the two laws on decentralization, Law 22/1999 and 25/1999. This section intends to explore the reasons why this dramatic transition took place and why it was done so rapidly. There are explicit reasons that were stated by the central government at the time and hidden agendas behind the move to decentralized governance and as before, no single factor can be identified as the main reason why it took place, rather a variety of elements acting in unison meant that what was left of the New Order had little choice but to pass these laws.

It has been suggested that one of the most important reasons for the shift to decentralization taking place was that it was seen as a vital measure to placate the grievances of the regions. Calls for decentralization of power came from almost all regions but came loudest from the resource rich areas (e.g. Aceh, Papua, Riau and East Kalimantan), which had seen the benefits of their natural resources reaped by Jakarta over the preceding 30 years<sup>39</sup>. The grievances of the regions should not be seen in

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\* Among the various reasons that have been suggested for the fall of Suharto are; the end of the Cold War, globalization, the rise in popularity of Megawati Soekarnoputri and Suharto's bungled attempts to remove her from the political theater in the run up to the 1997 elections. Additionally the effects of the 1997 Asian economic crisis and Suharto's victory in the 1997 general election brought the situation to a climax in early 1998. Combined with these factors are Suharto's age, he was 77 years old when he resigned office, and the general weariness of the population with the same administration.

<sup>39</sup> The extent of the stripping of resources from these areas is highlighted by the fact that in 1996 and estimated \$600 million in revenues were extracted from Papua by the central government who in return gave the province a development budget of just \$34 million. Even this budget was largely allocated towards administration (67%) and perhaps even more gallingly for native Papuans was that 8% was allocated for transmigrants, see Jacques Bertrand, *Nationalism and Ethnic Conflict in Indonesia*, op. cit., p.15.

purely economic terms though. Not all regions had been stripped of their resources simply because the vast majority of them have no valuable natural resources to speak of<sup>40</sup>. This did not stop them calling for decentralization though as the perceived injustices of the New Order regime especially in terms of the lack of ethnic and cultural freedoms and the increasing developmental disparities between Java and the outer islands, led most regions to believe that they could do a better job of governing themselves than the central government. Pressure for decentralization from the regions did not just come in the form of popular protest; by November 1998 the regions had become sufficiently politically to strong influence the Papua People's Assembly (MRP) to issue a decree requiring the government to implement regional authority<sup>41</sup>. A belief existed amongst the technocrats who designed the decentralization program that economic development underpinned the grievances of the regions and if this was boosted, the source of communal conflicts in the regions and region versus center conflict would be removed<sup>42</sup>. Decentralization, from this viewpoint, was therefore introduced to address regional grievances through improving the economic performance of the regions, and allowing them to control a greater proportion of their revenues.

Whilst most regions called for greater autonomy for the sake of control of their resources and improving governance, at the extreme end of the spectrum provinces such as Papua, Aceh and Maluku focused primarily on secession from the unitary state of Indonesia as their main goal. Decentralization was also introduced to preserve Indonesian territorial integrity by granting autonomy, and 'Special Autonomy' where necessary, as an incentive for these regions to remain within the Republic. These independence movements were as old as the unitary state itself (or at least their delayed inclusion into the unitary state in the case of Papua) and were given a boost by Habibie's decision to allow East Timor a referendum in August 1999, on whether to remain part of the unitary state and accept some form of autonomy or to secede. East Timor's choice to become independent obviously came as a surprise to many in the central government and again the hurried implementation of decentralization can be

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<sup>40</sup> Whilst Indonesia is a resource rich country, the resources themselves are highly localized and in 2006 only 62 out of the total 440 districts actually produced oil and gas and these were mostly concentrated in just 5 out of the 33 provinces, see World Bank, *Spending for Development*, (Washington, D.C., World Bank, 2008), p.122.

<sup>41</sup> Mark Turner and Owen Podger, *Decentralisation in Indonesia*, *op. cit.*, p.13.

<sup>42</sup> Rizal Sukma, *Conflict Management in Post-Authoritarian Indonesia* in Damien Kingsbury, and Harry Aveling (eds.), *Autonomy and Disintegration in Indonesia*, (London: RoutledgeCurzon, 2003), pp.68-69.

seen as a reaction to East Timor's decision. By implementing local autonomy as quickly as possible the central government was hoping to remove the question of any more referendums on this issue by simply making the regions minds up for them. As such decentralization was not just intended to remove local grievances it was designed to preserve the integrity of the unitary state.

There is an important distinction to be made between these two points, the regional grievances expressed through communal violence which occurred in Indonesia during the 1990's were considered far more of a threat to national stability than the secessionist movements in a few isolated provinces<sup>43</sup>. The central government had been keenly aware of these grievances for some time and it has been sated that the idea that decentralization was introduced to avoid the disintegration of the nation 'seems to be a myth'<sup>44</sup>. He points to the campaign trail led by the Home Affairs Minister, Rudini, ten years before the decentralization laws were introduced, in which he traveled the country 'listening to the grass roots' and realized that government policy rarely matched local needs or aspirations. The minister's proposals were to eliminate provincial autonomy altogether in favor of district level autonomy as it was the grievances at this level which were considered to be a threat to the power of the center although these ideas came to nothing during the Suharto regime. Decentralization in this context can be seen more as the 'breakthrough of an old agenda'<sup>45</sup> (in fact one that had been around in one form or another since the 1945 constitution was drafted) to placate the grievances of the many districts, rather than a response to calls for independence from a small minority of provinces.

Another motivating factor behind decentralization which should not be discounted is the role of supra-national institutions such as the IMF, World Bank and ADB. The World Bank and ADB postponed loans of \$1.2 billion and \$2.5 billion respectively in the months before Suharto stepped down<sup>46</sup>, on the grounds of lack of democratic reform in the country. They maintained their pressure for reform after Suharto had left office and decentralization was included as a condition in letters of

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<sup>43</sup> Jacques Bertrand, *Nationalism and Ethnic Conflict in Indonesia*, op. cit., p.2.

<sup>44</sup> Owen Podger, *Regions know what to do to develop themselves – 2*, 30<sup>th</sup> March 2001, reproduced from the Jakarta Post on [http://www.workpad.com/index\\_blog.aspx?ObjectID=1452](http://www.workpad.com/index_blog.aspx?ObjectID=1452).

<sup>45</sup> Ibid.

<sup>46</sup> Richard Mann, *Plots & Schemes that Brought Down Soeharto*, (Toronto: Gateway Books, 1998), p.240.

intent between the government and the IMF when recovery plans from the 1997 economic crisis were being discussed<sup>47</sup>. As mentioned previously, one of the outcomes of globalization is the shift of power from the nation state to supra-national institutions and decentralization can be taken a clear example of the leverage which these institutions had over Indonesia, embroiled as it was, in the late 1990's, in both political and economic crises.

Two rather more cynical views of the motivation to decentralize are given below. Firstly the aspirations of Suharto's immediate successor, Jusuf Habibie. The long term Minister of Technology and Research was appointed as Vice President in the March 1998 presidential election and as such assumed power when Suharto stood down two months later. Habibie was a deeply unpopular president largely due to his close association with the now hugely discredited Suharto but still harbored designs on becoming an elected president rather than just a transitional one. The function of the MPR under Suharto's rule had been little more than to re-elect him every five years, but Habibie could not rely on their support nor having never been a military man, the support of the armed forces to win an election. He therefore turned to the regions for support and in one view, the decentralization legislation was pushed forwards as quickly as possible by Habibie to gain their backing<sup>48</sup>. Decentralization would not only grant the regions some of the freedoms which they had been craving for, but the democratization inherent in passing the legislation would give the elite interests that had thrived under Suharto's patronage system the opportunity to gain direct power for themselves<sup>49</sup>. Thus the decentralization laws can be seen as one man's tactic for political survival rather than any high minded ideas of enhancing services and governance for the benefit of the people.

<sup>47</sup> Syarif Hidayat and Hans Antlov, *Decentralization and Regional Autonomy in Indonesia* in Philip Oxhorn, Joseph S. Tulchin and Andrew D. Selee (eds.), *Decentralization, Democratic Governance, and Civil Society in Comparative Perspective: Africa, Asia, and Latin America*, (Washington, D.C.: Woodrow Wilson Center Press, 2004), p.272.

<sup>48</sup> Ross H. Mcleod, *The Struggle to Regain Effective Government Under Democracy in Indonesia* in *Bulletin of Indonesian Economic Studies*, Vol. 41, No. 3, 2005, pp.367-386.

<sup>49</sup> Vedi Hadiz, *Reorganizing Political Power in Indonesia: A Reconsideration of So-Called 'Democratic Transitions'* in Maribeth Erb, Priyambudi Sulistiyanto and Carole Faucher (eds.), *Regionalism in Post-Suharto Indonesia*, (London: RoutledgeCurzon, 2005), p.39.

Secondly, it has also been claimed that decentralization was implemented in order to pass the economic burden from the center back to the regions<sup>50</sup>. Whilst often tense, the relationship between the center and regions under the New Order worked due to the impressive economic performance of the country during the majority of the regime's duration<sup>51</sup>. This had allowed the center to use its economic resources as a political tool to dampen regional discontent<sup>52</sup>; essentially the continual growth of the economy kept the regions satisfied if not entirely happy. The economic collapse of 1997 had such an impact on central government finances that it was no longer able to use funding as a tool with which to quell regional disappointments and grievances. In this light, decentralization can be seen as the center attempting to absolve itself of responsibility for the financial management of the nation.

In summary, it would be fair to say that all of the above factors played a role in the decision to decentralize, although probably the most commonly cited one was the preservation of Indonesia's territorial integrity. The independence of East Timor shocked the nationalist elites into action and the lack of political commitment that had surrounded earlier decentralization efforts in 1974 and 1995 was washed away by the stark reality that they were faced with.

The objectives of the decentralization laws are a direct product of the causes behind the actual shift to decentralization. The preface to Law 22/1999 states that the promotion of democracy through the empowerment of local parliaments, to increase the efficiency of service delivery and to build more trust in government via participation and accountability are all relevant factors in the passing of the decentralization laws<sup>53</sup> but behind these rather bland objectives lie hidden political and economic agendas. The actual creation of the laws and their objectives will be discussed in the following section.

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<sup>50</sup> Syarif Hidayat and Hans Antlov, *Decentralization and Regional Autonomy in Indonesia*, op. cit., p.271.

<sup>51</sup> This strong economic performance can be seen from the increase in Indonesia's per capita Gross National Product which rose from US\$70 in 1967 to US\$600 in 1992, see Jim Elmslie, *Irian Jaya Under the Gun: Indonesian Economic Development Versus West Papuan Nationalism*, (Honolulu: University of Hawaii Press, 2002), p.223.

<sup>52</sup> Syarif Hidayat and Hans Antlov, *Decentralization and Regional Autonomy in Indonesia*, op. cit., p.271.

<sup>53</sup> *Ibid.*, p.271.

#### 4. The Passage of the Decentralization Laws

Even prior to the fall of Suharto, foundations for the drafting of the laws had begun as after a decree was issued by the Minister of Home Affairs a team was assembled under the stewardship of Professor Ryaas Rasyid of the Institute for the Science of Government with the goal of preparing three political laws to oversee certain elements of the impending democratization. Ultimately though the two decentralization laws 22/1999 and 25/1999 were drafted almost entirely separately by teams within the Ministry of Home Affairs (MOHA) and the Ministry of Finance (MOF) respectively with input from national (e.g. German Technical Cooperation Agency (GTZ) and United States Agency for International Development (USAID)) and supra-national organizations such as the IMF<sup>54</sup>. One of the main early criticisms to be leveled against the decentralization laws was the lack of co-ordination between the two drafting ministries and their lack of consultation with the sub-national governments<sup>55</sup>. Only one meeting with representatives of local government was held<sup>56</sup> and this can be attributed to one of or maybe a combination of two factors, that the time scale for implementation simply did not allow detailed consultation or that there was a lack of will from the center to allow the regions to have too much say in the shaping of the laws.

Decision making and design of decentralization laws is not simply a free choice of the right policies but a competition between competing interests and that the faults of the decentralization laws lie not so much in the incompetence of the drafters, but as a result of the power struggle between democratic and centralist forces that took place during their drafting<sup>57</sup>. Centralist groups which had prospered under Suharto's patronage system and the central line ministries were unwilling to cede too much real power or authority to the regions and it was thus in their interest to have as little participation and consultation with the regions as possible. Whether even these interests were able to influence the shaping of the decentralization laws given the time frame

<sup>54</sup> Mark Turner and Owen Podger, *Decentralisation in Indonesia*, op. cit., p.15.

<sup>55</sup> Widjajanti I Suharyo, *Voices From the Regions*, op. cit., p.2.

<sup>56</sup> This meeting was attended by 40 district heads (out of some 290 existing districts at that time) so cannot even be described as being particularly representative of popular opinion, see Ammar Siamwalla, *The Evolving Roles of the State, Private, and Local Actors in Rural Asia*, op.cit., p.98.

<sup>57</sup> Vedi R. Hadiz, *Decentralisation and democracy in Indonesia: A Critique of Neo-Institutionalist Perspectives*, (Southeast Asia Research Center Working Paper Series No. 47, City University of Hong Kong, www.cityu.edu.hk/searc, 2003), p.15.

within which they were drafted is debatable, but the fact that they were solely the product of central agencies may lend some credence to this perspective.

There were essentially three key decisions to be made in the drafting of the laws, what level to decentralize to, what to decentralize and how to finance the decentralized regions. The last two of these decisions and the impacts thereof on the creation of new regions will be discussed in detail in the following chapter. What concerns us here is the first decision what level of government to decentralize to, the Level I provinces or the Level II districts (cities and municipalities). The decision to decentralize the vast majority of powers to the district level can be viewed from three perspectives; firstly it is in keeping with decentralization theory; secondly, that this was simply following a historical precedent in Indonesian decentralization; and thirdly that it satisfied the nationalist agenda to stifle the power of the provinces.

The first of these perspectives states that the lower the level of government, the more efficient decentralization is in terms of political participation and service delivery. At lower levels of government, public expenditure decisions are more reflective of local demands and people are more willing to pay for services which are perceived to be responding to their priorities, especially if there has been some community involvement in decision making<sup>58</sup>. Similarly in terms of political participation, a lower level of government allows constituents greater access to their political representatives and allows the representatives themselves to better know their constituents. As such, a lower level of government should, in theory, provide better governance through increased public participation and increased sensitivity to the local area and its population. We must though consider the caveats that were raised in chapter one, that decentralization, if misapplied, may not actually provide any of these benefits and that there is a risk that lower level governments suffer from greater susceptibility to elite capture.

The second perspective mentioned above that decentralizing to the region level was in keeping with past practice in Indonesia. Law 5/1974 and the subsequent District Autonomy Pilot Program (DAPP), whilst unsuccessful, both took the district to be the focus of decentralization. Without expanding on the reasons why the district was

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<sup>58</sup> World Bank, *Rationale for Decentralization*, [http://www.ciesin.columbia.edu/decentralization/English/General/Ratio nal.html](http://www.ciesin.columbia.edu/decentralization/English/General/Ratio%20nal.html)

determined to be the most appropriate level for decentralization, Article 11 (1) of Law 5/1974 states that ‘The stress of autonomy in the region shall be put on the region of the second level’<sup>59</sup>. The elucidation section of this law goes on to state that the principle of regional autonomy was to be ‘true and responsible’, aimed at speeding up development (via stepping up the efficiency and effectiveness of administration in the region), building up the political stability and unity of the nation and of the harmony between central and regional government<sup>60</sup> and it is clear that the district level was deemed the most appropriate level to achieve these goals. The goals of decentralization that took place in 1999 have been discussed earlier and two of the key points, economic development and territorial integrity, are consistent with these objectives that were set out in the 1974 law and thus again it was the district rather than the province which was deemed the most appropriate level of government.

The level of government to which power should be devolved to was not the only lesson learnt from Law 5/1974 and the DAPP project. While the focus remained the same, the decentralization laws of 1999 were almost exactly opposite to many of the key features of these earlier projects. Law 5/1974 states that autonomy was to be granted based on the capacity of the individual regions. Hence all regions wishing to claim autonomy would have to undergo substantial capability assessments based on ‘factors, calculations and measures or decisions of policy which shall truly guarantee that the Region concerned is able to take care of their services’<sup>61</sup>. When the DAPP program was eventually introduced in just 26 districts, the measurement of capabilities proved very problematic and has been cited as one of the main reasons for the projects failure<sup>62</sup>. The decentralization laws of 1999 therefore eschewed this piecemeal, means tested approach and granted equal autonomy (equal that is until the two Special Autonomy laws that followed in 2001 for Aceh and Papua) to all regions, irrespective of their size, economic status or capacity.

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<sup>59</sup> Republic of Indonesia Law 5/1974, *Law Concerning Basic Principles on Administration in the Regions*, [http://ww.w.indonesia-ottawa.org/current\\_issues/autonomy/docs/Law5\\_1974.pdf](http://ww.w.indonesia-ottawa.org/current_issues/autonomy/docs/Law5_1974.pdf), p.6.

<sup>60</sup> *Ibid.*, p.34. It is interesting to note that the elucidation also makes the point that this autonomy was designed to be ‘true and responsible’ rather than ‘true and extensive’, wording that had been used in previous documentation. This highlights the possible lack of political will to divest full blown authority and control to the regions.

<sup>61</sup> *Ibid.*, p.35.

<sup>62</sup> Widjajanti I Suharyo, *Voices From the Regions*, op. cit., p.7.

Another lesson learnt from the 1974 process was that without regulations to guide its implementation, the law was effectively useless. As mentioned previously, only one regulation was produced to support this law and that came some 18 years later in 1992. The opposite approach was taken for the 1999 laws in an attempt to have them implemented as quickly as possible. The deadline for implementation (and therefore the creation of regulations) was January 2001 and this schedule was followed despite not all regulations having been completed by this date. This hastiness has been blamed for a lack of quality and clarity in the regulations, uncertainty over responsibilities in the cases where no regulations existed and a lack of capability in the regions to adopt the responsibilities which they had been assigned. What it did though was to simply get the job of decentralization done, something which was a political necessity at the time. The regions themselves realized that the time frame for implementation was too short to build up their capacity levels but were still keen for the schedule to be followed due to their lack of confidence and trust in the ability of central government or their commitment to the project. This has been referred to as the ‘paradox of regional discontent’<sup>63</sup>.

Whether the 1974 law can be considered to have been a learning experience, from which the government took certain principles and discarded others is a moot point. The conditions surrounding the drafting of the 1999 laws were so completely different that they were influenced by a new set of dynamics and it could be argued that it was these rather than any memory of the failings of the 1974 law which guided the 1999 process. The consistency between the two laws though should not be discounted and if nothing else, the 1974 law raised expectation at the region level that it was to them that autonomy would one day be granted. Whilst it is conjecture only, it can be imagined that that given the level of volatility and public discontent in 1999, that if these expectations had been disappointed, there may have been significant consequences.

The final point regarding the decision to decentralize to the districts concerns the preservation of the territorial integrity of the nation. One of the more common phrases that has been used to describe the ascendance of the region over the province is that it

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<sup>63</sup> Widjajanti I Suharyo, *Voices From the Regions*, op. cit., p.34.

was a 'divide and rule' strategy by central government<sup>64</sup>. The fear in the center was that provinces had the potential to become develop sufficient financial and popular support to launch serious independence claims which a weakened central government would be unable to resist. These were not just idle fears or neurosis on the part of central planners as the provinces had been the source of unrest in the 1950's that had originally led to the centralization of power. The late 1990's were also the highpoint of secessionist movements in Aceh and Papua provinces, especially after the successful referendum in East Timor. Decentralizing power to districts was therefore a 'hidden agenda' on behalf of the planners as these units were seen as being too small to have either the political clout or allegiances that could allow them to turn into viable 'mini-states'<sup>65</sup>. According to the World Bank, the provinces only even retained their autonomy by chance, as the both the president and military wanted to keep them as outposts of central government with no real autonomy, to ensure that there could be no repeat of the uprisings of the 1950's<sup>66</sup>. Objection to the districts being the focus of autonomy came mostly from the soon to be disenfranchised provinces, which surprisingly enough saw themselves as being the rightful heirs of autonomy<sup>67</sup>. A combination of the above factors though swayed opinion against them and the anti-independence factor has probably been the most widely cited reason for the decision to decentralize to this level.

## 5. Conclusion

It can be concluded that the move to decentralization was motivated by a number of factors, some dating back to the very creation of the unitary state in 1945. The specific character of decentralization was the product of 30 years of marginalization

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<sup>64</sup> See Syarif Hidayat and Hans Antlov, op. cit., p270 and Fitria Fitriani, Bert Hofman and Kai Kaiser *Unity in Diversity: The Creation of New Local Governments in a Decentralizing Indonesia* in *Bulletin of Indonesian Economic Studies*, Vol. 41, No. 1, 2005, pp.57-79, p.61.

<sup>65</sup> International Labour Organization, *Decentralization and Decent Work: Making the Connection to the MDGs*, (Jakarta: International Labour Organization, 2004), p.3.

<sup>66</sup> The first draft of the decentralization laws actually did this, but by this time new election laws had been passed which contained articles stating how provincial parliaments were to be elected. It was impossible to have a provincial parliament without a provincial government so more through chance timing than political will, the provinces retained their own governments and autonomy, see World Bank, *Decentralizing Indonesia*, (World Bank: East Asia Poverty Management and Economic Management Unit, 2003), pp.3-4.

<sup>67</sup> Critics of the plan to decentralize to the regions stated that it could; i) lead to intensification of communal rivalry; ii) worsen intra-provincial inequalities; iii) be inappropriate for different types of service; iv) cause a decline in service and governance standards due to lack of capacity; and v) lead to a focus on short term goals rather than long term development, Widjajanti I. Suharyo, *Voices From the Regions*, op. cit., p.17.

and peripheralization of the outer islands and their people by the Suharto regime. This lent decentralization its regionalist bent as ethnic, religious and political groups all sought to re-establish their identities in the wake of his removal. The ability to create autonomous regions, as provided for in the laws, is an important method through which this expression has taken, and still is, taking place. The laws themselves will be analyzed in greater detail in the following section with specific reference to identify how they promote the creation of these new autonomous districts.



ศูนย์วิทยทรัพยากร  
จุฬาลงกรณ์มหาวิทยาลัย

## CHAPTER III

# HOW THE DECENTRALIZATION LAWS PROMOTE THE CREATION OF NEW DISTRICTS

### 1. Introduction

This chapter concentrates on one particular aspect of the new districts, that the decentralization laws themselves promote their creation by making them relatively straightforward and financially attractive to establish, especially for those in a position to assume control of the new region. The laws have made mayoral and *bupati* positions at the region level far more prized than they were during the Suharto era<sup>1</sup> and a great deal of effort is expended by political parties and individuals to secure control of these positions and the local legislature<sup>2</sup>. The creation of a new district is one way in which this control can be obtained. The first section will look at law 22/199 regarding the administrative advantages of creating a new district while the second section will look at the financial incentives that Law 25/1999 offers to the districts. Laws 32/2004 (administration) and 33/2004 (finance) can be seen as an attempt to reduce some of the administrative and financial benefits of controlling a region and the impact of these amendments will also be discussed in the relevant sections. The final section will discuss the Special Autonomy Law (Law 21/2001), the additional legislation passed for Papua province one of the three case studies which will be explored in chapter 5.

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<sup>1</sup> Vedi R. Hadiz, *Reorganizing Political Power in Indonesia: A Reconsideration of So-Called 'Democratic Transitions'* in Maribeth Erb, Priyambudi Sulistiyanto and Carole Faucher (eds.), *Regionalism in Post-Suharto Indonesia*, (London: RoutledgeCurzon 2005.), p.40.

<sup>2</sup> Richard Robison and Vedi R. Hadiz, *Reorganising Power in Indonesia: The Politics of Oligarchy in an Age of Markets*, (London: RoutledgeCurzon, 2004), p.247.

## 2. Laws 22/1999 and 32/2004 – The Administrative Motivation to Create New Regions

The administrative element of regional autonomy in Indonesia is laid out in Law 22/1999 the ‘Law Regarding Regional Governance’<sup>3</sup>. The individual elements of this law will not be discussed; solely the factors which could be said to intentionally promote the creation of new regions. These are; i) the mechanism for creating new regions, ii) the concentration of powers at the district level, iii) the lack of standards which districts must meet and, iv) the lack of accountability of the districts<sup>4</sup>. The final part of this section will look at the main aspects of Law 32/2004 which have served to tighten or reduce some of these incentives. The structure of regional government under these laws is shown in Appendix 5.

The first point concerning Law 22/1999 is that the criteria for creation seem to be both detailed and weak at the same time\*. They are detailed in that there are a lot of factors to assess (7 criteria, 19 indicators and 43 sub-indicators - see Appendix 6) before a region can be created, but weak from the point of view that there appear to be no actual rigid upper or lower levels which must be met for any of these indicators or sub-indicators. The only physical requirement that Law 22/1999 put on the creation of new districts was that they had to be comprised of a minimum of three sub-districts. The Regional Autonomy Advisory Council (DPOD)<sup>5</sup> is charged with assessing these

<sup>3</sup> Republic of Indonesia Law 22/1999, *Law Regarding Regional Governance*, [http://www.gtzsfdm.or.id/documents/laws\\_n\\_regs/laws/1999/Law22\\_99\\_n\\_eluc.pdf](http://www.gtzsfdm.or.id/documents/laws_n_regs/laws/1999/Law22_99_n_eluc.pdf).

<sup>4</sup> In addition to these three factors it is interesting to note that the wording of Law 22/1999 can be interpreted to be a direct promotion of the creation of new districts. Article 5 (1) of Law 22 states that ‘Regions shall be formed on the basis.....’ (see Appendix 2). To use ‘shall’ in this sentence is both positive and permissive and conveys the sense of inevitability that new regions will be created. It is in effect, a green light for the process of creation to begin. Article 5 only mentions that regions can be ‘formed’, as any references to districts being ‘merged’ or ‘eliminated’ are relegated to Article 6 (1). The formation of regions is therefore given priority over merger and elimination and accordingly there have been no examples of either merger or elimination of districts in Indonesia since decentralization was implemented, see Fitria Fitriani, Bert Hofman and Kai Kaiser, *Unity in Diversity: The Creation of New Local Governments in a Decentralizing Indonesia* in *Bulletin of Indonesian Economic Studies*, Vol. 41, No. 1, 2005, pp.57-79, p.62.

\* The requirements for formation are contained in Regulation 129/2000 as stipulated by Article 5 (4) of Law 22, see Appendix 6 for a breakdown of the criteria.

<sup>5</sup> The DPOD is a department of the Ministry of Home Affairs, set up by Presidential decree in 2000 to oversee the process of decentralization and to advise the President on any issues regarding this topic. The assessment of proposals for new regions and the drafting of bills for the approval of parliament is just one task that falls under the scope of its duties, see International Crisis Group (ICG) Asia Report No.60, 2003, *Indonesia: Managing Decentralization and Conflict in South Sulawesi*, [http://www.crisisgroup.org/library/documents/report\\_archive/A401055\\_18072003.pdf](http://www.crisisgroup.org/library/documents/report_archive/A401055_18072003.pdf), p.4, and World Bank, *Decentralizing Indonesia*, (World Bank: East Asia Poverty Management and Economic Management Unit, 2003), p.9.

indicators (see Law 22/999 Article 115 (1)) but their assessment appears to be somewhat subjective as there are no defined limits for the sub-indicators and no overall minimum score which a proposed district must achieve in order to pass the assessment<sup>6</sup>. As such, it has been suggested that the efficiency of this screening process is at best unclear<sup>7</sup> and it has been suggested that the lack of ‘clear cut criteria’ is one of the main reason why the government has become ‘overwhelmed’ with requests for new districts<sup>8</sup>.

It would seem therefore that proposals for new districts have no stringent demands placed upon them and there is even a mechanism through which the entire DPOD review process can be avoided, and districts can be created instead by parliamentary initiative. This requires the successful lobbying of the House of Representatives (DPR) and not only escapes the DPOD review but also negates the need for the new district to be approved by the district from which it hopes to split, an important factor for resource rich areas which hope to split away from districts not blessed with similar natural resources<sup>9</sup>. The popularity of this route is suggested by the ICG who suggest that in January 2003, 17 out of the 25 districts that were created were done so by parliamentary initiative rather than DPOD assessment<sup>10</sup>. The administrative requirements to create new districts are therefore not only open to a great deal of subjectivity, but can also be avoided completely if those who are proposing the district have sufficient access and ability to influence powers within the central government who can lobby on their behalf. The weakness of the Indonesian law in this regard can be contrasted with the example of the Philippines which underwent a comprehensive decentralization in 1991. Appendix 7 highlights the legislation surrounding the creation of new regions in the Philippines as a contrast to the Indonesian examples.

The second point to raise is the distribution of powers. As has been discussed previously, the district level was given the vast majority of responsibilities and duties.

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<sup>6</sup> Each Indicator is scored on a scale of 1-6, with a potential total score of 100 (indicators receive different weightings depending on their importance). If a region scores 1 on more than 10 indicators it may be vetoed, but other than this there appears no specified minimum score which has to be achieved, Fitria Fitriani, Bert Hofman and Kai Kaiser, *Unity in Diversity*, op. cit., p.62.

<sup>7</sup> Ibid., p.62.

<sup>8</sup> Hyginus Hardoyo, *Clamor For New Regions Threatens Storm of Chaos*, The Jakarta Post online edition, February 21<sup>st</sup> 2007, [http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=200702\\_21.E02](http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=200702_21.E02).

<sup>9</sup> Fitria Fitriani, Bert Hofman and Kai Kaiser, *Unity in Diversity*, op. cit., p.62.

<sup>10</sup> International Crisis Group (ICG), *Indonesia: Managing Decentralization and Conflict in South Sulawesi*, op. cit., p.4.

The province was effectively bypassed and the central government only retained responsibilities in seven areas deemed to be of national importance; foreign policy, defense and security, the judiciary, monetary and fiscal policy, and religion and 'other fields'<sup>11</sup>. As per Article 11 (1) of Law 22/1999, the powers of districts cover all governance authorities except those specifically attributed to central government and the province<sup>12</sup>. If one wishes to wield power at a sub-national level therefore, the district was the level of government to control and if one was unable to gain control of an existing district, the mechanism existed to create a new one. This goes a long way towards explaining why by early 2007, whereas some 152 new districts had been created, just 6 new provinces had been established. The reasons for the concentration of powers at the district level have been discussed previously and whilst it is not suggested that the concentration of powers in this manner was done specifically to encourage the creation of new districts, this has definitely been of the outcomes.

This concentration of almost all responsibility for service provision at the district level raises the question of three of the issues or 'norms' of decentralization 'subsidiarity', 'uniformity' and 'residual powers'. The 'subsidiarity' norm states that responsibility for service provision should be allocated on the basis of the 'lowest appropriate level consistent with efficient and cost-effective delivery of services'<sup>13</sup>. There is a possibility that some services could be better provided at the province or sub-district level but there is no obligation or provision within the laws to either devolve powers to the sub-district or recentralize to the province on the basis of efficiency or cost effectiveness<sup>14</sup>. Once a district has been created therefore, there is little chance that it will lose its powers and responsibilities, or as a result of this, its funding from central government.

<sup>11</sup> These 'other fields' are national planning and macro developmental, financial, administrative technology, human resource and environmental policy as well as national standardization, Republic of Indonesia Law 22/1999, *Law Regarding Regional Governance*, op. cit., Article 7 (1) and (2).

<sup>12</sup> Within this framework districts have a specific obligation to provide the following services: public works, health, education and culture, agriculture, communication, trade and industry, capital investment, environment, land, co-operative and manpower affairs, *ibid.*, Article 11 (2).

<sup>13</sup> Tommy A. Legowo, *Local Governance in Indonesia's Decentralization Era: Prospects and Challenges* in Yasutami Shimomura (ed), *The Role of Governance in Asia*, (Singapore: Institute of Southeast Asian Studies, 2003) p.69.

<sup>14</sup> *Ibid.*, p.71.

In terms of 'uniformity', it has been stated that with regards to local government legislation, 'no uniform law can be contemplated'<sup>15</sup> due to geographic, demographic and socio-economic disparities between the different units, yet Laws 22/1999 and 25/1999 are both applied uniformly across all districts in Indonesia. Given the scale of disparities in size between districts (in 2003 the largest regency, Bandung (West Java) had a population of over 4 million, whereas the smallest, Supiori (Papua) had a population of just over 13,000<sup>16</sup>) this is an issue of particular importance in Indonesia. The legislature and head of a small, newly created district will therefore have exactly the same authorities in terms of service provision and political power as those the largest districts in the country, a situation that appears to go against best practice of decentralization and local governance. That fact that no division of service responsibilities or political authority between districts took place could be attributed to a number of possible factors, for example: the time frame did not allow it, the experiences of the Law 5/1974 and the District Autonomy Pilot Program (DAPP) precluded any piecemeal or intricate application of decentralization or finally that it was perhaps aimed at causing certain districts to be unable to fulfill their service obligations, something that could potentially be used at a later date as justification for a re-centralization of powers.

Finally, 'residual powers' refers to any powers which are not specifically assigned to any level of government by law. It is usual practice for these residual powers to be assigned 'en masse' to one level of government and in the case of Indonesia, they are assigned to the district level<sup>17</sup>. This in itself is not regarded as being particularly noteworthy<sup>18</sup> except for the fact that these residual powers seem to cover absolutely everything other than the seven responsibilities attributed to the central government and those powers attributed to the province (which the Law 22/1999 had effectively reduced to a coordinating body with no specific powers of its own). In this context, the decision to grant residual powers to the districts has been described as

<sup>15</sup> M.A. Muttalib and Mohd. Akbar Ali Khan, *Theory of Local Government*, (New Delhi: Sterling Publishers, 1982), p.7.

<sup>16</sup> These disparities are just as striking for area (largest district 53,975 sq. km., smallest 11 sq. km.) and population density (highest 31,492 per sq. km., lowest 1 per sq. km.), figures based on 2003 data, <http://www.statoids.com/yid.html>

<sup>17</sup> Gary F. Bell, *The New Indonesian Laws Relating to Regional Autonomy: Good Intentions, Confusing Laws* in *Asian-Pacific Law & Policy Journal*; Vol. 2, Issue 1, 2001, pp 1-45, [http://www.hawaii.edu/apl\\_pj/pdfs/v2-01-Bell.pdf](http://www.hawaii.edu/apl_pj/pdfs/v2-01-Bell.pdf), pp.14-15.

<sup>18</sup> *Ibid.*, p.15.

‘quite incredible’<sup>19</sup>. The powers of district governments are far wider ranging than the 11 service functions outlined in note 13, in effect the district has jurisdiction over all matters except from those seven items from which it is specifically barred. This point significantly increases the power and authority of the district and makes them more attractive for capture and control

The next element to consider in terms of incentives to create new districts comes from the lack of standards that a district has to meet once it has been created. Again there are two elements to this, the first being the Code of Conduct for the local government and secondly minimum standards for service provision (SPM’s). Regarding the first point, governance in each region is to be regulated by a Code of Conduct (as stipulated in Law 22/1999, Article 18 (2)) which appears both sensible and normal. One major issue with this though is that the Code of Conduct is not a centrally mandated set of guidelines but it is the responsibility of the local government, the Regional People’s Representative Assembly (DPD), to stipulate what the Code of Conduct will be and how to enforce it. Other than stating that and the Head of Region and his government must uphold the prevailing laws and regulations, improve the people’s prosperity levels and preserve and maintain order among the community (Law 22/1999, Article 42) there appear to be no specific central controls on the behavior of local governments. The DPD and regional government should in theory act as a system of checks and balances upon one another but there is some evidence of collusion and money politics taking place between the two<sup>20</sup>. As such there are few limitations on the behavior of local governments that they do not set from within and this level of freedom is again a factor that can motivate people to establish new regions.

This point goes hand in hand with the lack of Minimum Service Standards (SPM’s). Whilst district governments have a large array of responsibilities, Law 22/1999 failed to even mention SPM’s<sup>21</sup>. Thus, those seeking to establish new districts

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<sup>19</sup> Gary F. Bell, *The New Indonesian Laws Relating to Regional Autonomy*, op. cit., p.16.

<sup>20</sup> Evidence is presented by Vedi R. Hadiz, *Decentralisation and Democracy in Indonesia: A Critique of Neo-Institutionalist Perspectives*, (Southeast Asia Research Center Working Paper Series No. 47, City University of Hong Kong, www.cityu.edu.hk/searc, 2003), p.19 and Michael S. Malley, *New rules, Old Structures and the Limits of Democratic Decentralization* in Edward Aspinall and Greg Fealy (eds.), *Local Power and Politics in Indonesia: Decentralisation and Democratisation*, (Singapore: Institute of Southeast Asian Studies, 2003), p.110, amongst others.

<sup>21</sup> Paul Smoke, *Expenditure Assignment Under Indonesia’s Emerging Decentralization: A Review of Progress and Issues for the Future*, <http://isp-aysps.gsu.edu/fprc/ino/smoke.pdf>, 2002, p.13.

could do so with relative impunity as no mechanism existed through which to measure its performance and determine whether it was in fact capable of providing services or not. Again this lack of restrictions over the behavior and activities of regional governments can be said to be an extra incentive to create new units. Efforts have been made since 1999 to establish SPM's but these have been fraught with difficulties such as: i) deciding who would be responsible for their creation, line ministries or MOHA, ii) how they should be evaluated or prioritized and, iii) how to finance the improvements required for regions which fell short of SPM targets. In 2002, as no SPM's had yet been formalized, MOHA issued instructions to the regions that they 'may use the detailed MSS (Minimum Service Standards) issued by *some* line agencies in the absence of further detailed instructions'<sup>22</sup>. Therefore there was no obligation to follow these standards and there were not even standards for all areas of service provision.

As such, the lack of obligations placed on the districts as a result of the lack of SPM's means that one of the key checks on their performance and viability is missing. They can apparently be created with relative impunity as the Code of Conduct that regulates the behavior of district government is set locally and there are no minimum levels of service provision which they are obliged to meet. Minimum standards are a particularly interesting issue as the discussion surrounding them includes a number of dynamics. Some districts would be more than happy for no standards to exist as this situation places fewer obligations upon them. Other district heads though have been clamoring for standards to be issued and enforced as they see this as an avenue through which to argue for extra financing from central government<sup>23</sup>. It has also been argued that minimum standards could be the tool of choice for central line ministries to argue for a recentralization of powers<sup>24</sup>. If the standards set by the central ministries are too high for the districts to meet, and the central government either cannot or is unwilling to increase central transfers to the level required to meet these standards, a possible recentralization could ensue.

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<sup>22</sup> Asian Development Bank, *Technical Assistance to the Republic of Indonesia for the Local Government Provision of Minimum Basic Services for the Poor*, [http://www.adb.org/Documents/TARs/INO/tar\\_ino36201.pdf](http://www.adb.org/Documents/TARs/INO/tar_ino36201.pdf), 2002, p.2.

<sup>23</sup> World Bank, *Decentralizing Indonesia*, op. cit., p.12

<sup>24</sup> Ibid.

The final point to make regarding the impetus to create new districts from Law 22/1999 is that, in the absence of hierarchical control from central or provincial government, the districts should now be accountable to their populace. The electoral system established by Law 22/1999 though did not provide for direct participation of citizens in elections of their regional heads and as such appears flawed. Until the implementation of Law 32/2004, citizens of a district did not even directly vote for members of the DPD, the members of which elected the Head and Deputy Head of the District<sup>25</sup>. Neither the regional parliament (DPD) or government was therefore elected by popular vote, nor were they accountable to the public, there was no direct relationship between the local assembly and local society. The Head of District is responsible and accountable to the DPD, which itself does not even have to consult the public concerning key policy issues, indeed public participation was limited to voting for political parties in the DPD elections, held once every 5 years<sup>26</sup>.

As such the apparatus of local government is protected from both the higher levels of government and from the public in its own district and thus a strong incentive is provided to create new districts. By creating a district and gaining control of the institutions of local government, elite groups can effectively insulate themselves from pressures from the local populace and central government and have a free reign in local governance. Gaining control of regional government structures appears to be strongly influenced by ‘money politics’, vote buying, influence peddling and even the use of criminal networks<sup>27</sup>. The value of the district mayoral position is estimated to be anywhere between 1 billion and 2 billion Rupiah in bribes<sup>28</sup>, and there appears to be little motivation within the judiciary to punish such ‘money politics’ even when it is

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<sup>25</sup> Under the system established by Law 22/1999, the public votes for political parties who can then appoint a number of members to the DPD in proportion to the number of votes which the party receives. The (unelected – or at least not directly elected) DPD members then vote for a ‘team’ (i.e. Head and Deputy Head) of candidates as nominated from within the DPD. This voting for the Head and Deputy Head of the region is done in a secret ballot, Mark Turner and Owen Podger, *Decentralisation in Indonesia: Redesigning the State*, (Canberra: Asia Pacific Press, 2003), pp.63-65.

<sup>26</sup> Tommy A. Legowo, *Local Governance in Indonesia's Decentralization Era*, op. cit., p.72.

<sup>27</sup> Edward Aspinall and Greg Fealy, *Introduction: Decentralization, Democratization and the Rise of the Local* in Edward Aspinall and Greg Fealy (eds.) *Local power and politics in Indonesia: Decentralisation and democratisation*, (Singapore: Institute of Southeast Asian Studies, 2003), p.5.

<sup>28</sup> These figures are quoted by Michael S. Malley, *New rules, old structures and the limits of democratic decentralization*, op. cit., p.110 and Vedi R. Hadiz, *Decentralisation and democracy in Indonesia: A Critique of Neo-Institutionalist Perspectives*, op. cit, p.19 respectively.

proven<sup>29</sup>. Whatever the amount, the investment is considered worthwhile due to the access to power and central funding it brings for the successful candidates.

Law 32/2004 was a response by the Megawati administration to some of the above issues stemming from Law 22/1999. The revisions were decidedly centralist in nature and directly impacted some of the factors outlined above. As such Law 32/2004 has made both the process of creating new districts more difficult and the administrative advantages less significant.

Firstly, in terms of the mechanism for creation, some strict guidelines were laid down. Article 4 (4) of Law 32/2004 introduced a minimum age limit which a region (district or province) had to reach before it could be further subdivided<sup>30</sup>. The elucidation to Article 4 (4) states that a province had to be at least 10 years old, a district 7 years old and a sub-district 5 years old, before they could be subdivided thus raising a barrier to the indiscriminate creation of new units<sup>31</sup>. This is compounded by Article 5 (5) which states that each new district would have to be comprised of at least 5 sub-districts in the case of a regency, or 4 sub districts for a municipality<sup>32</sup>. This is an increase from the previous criteria laid down by the regulation for Law 22/1999 which only specified a minimum of 3 sub-districts per district. These two articles make the administrative requirements for new districts more demanding and can be seen as a direct attempt to halt or at least slow the creation of new districts. The remaining items to be mentioned are less direct but still have an influence on the attractiveness of creating new districts.

The second point to mention relates to the lack of real democratic participation in the election of district heads that was provided for in Law 22/1999. Law 32/2004

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<sup>29</sup> Mark Turner and Owen Podger cite the example of the successful candidate in the 2001 regional election in North Maluku. This candidate admitted 'dispensing' money but claimed it was not a bribe and both the regional council and central government determined there had been bribery. The Supreme Court though ruled that the result of the election was legitimate, see Mark Turner and Owen Podger, *Decentralisation in Indonesia*, op. cit., p.71,

<sup>30</sup> Fitria Fitriani, Bert Hofman and Kai Kaiser, *Unity in Diversity*, op. cit., p.64, show that of a total of 434 districts existing in 2004 (excluding those in DKI Jakarta), 204 had not undergone any division, 208 had been divided once, twenty one had been divided twice and one district had been divided three times.

<sup>31</sup> Republic of Indonesia Law 32, 2004, *Law Regarding Regional Administration*, Article 4 (4), [http://www.gtzsfdm.or.id/documents/laws\\_n\\_regs/laws/2004/Law\\_32\\_2004\\_RegionalGovernance\\_EnglishVersion.pdf](http://www.gtzsfdm.or.id/documents/laws_n_regs/laws/2004/Law_32_2004_RegionalGovernance_EnglishVersion.pdf).

<sup>32</sup> *Ibid.*, Article 5 (5).

opens up the electoral process in the districts to more participation and democratization by introducing the direct election of district heads<sup>33</sup>. What impact this has remains to be seen as one criticism of democratizing local level politics is that especially at the district level, there is simply no tradition or culture of democracy amongst either the public or officials<sup>34</sup> and that both are still only learning to function in a democratic environment<sup>35</sup>. One of the consequences of this lack of democratic tradition or culture is a lack of regard for democratic procedures which is manifested in practices such as vote buying, the proliferation of which has been mentioned earlier. It appears that opening the electoral process directly to the public has not stopped these practices but will simply broaden their application over a wider section of the community. This theme, of decentralization and democratization not combating corrupt practices, but instead spreading them to lower levels of government and across a broader cross section of the public will be discussed in greater detail in the following chapter.

Finally, Law 32/2004 increases the monitoring power of both the province and center over the districts. These powers largely relate to budgeting and financial matters and will be discussed in the following section. Law 32/2004 has tried to slow the process of creation of new districts by introducing administrative constraints. The problem with this lays in the fact that the main parts of the laws which promote the creation of new regions are not administrative, they are financial and are the focus the next section. Until these are removed, administrative barriers will just be seen as minor inconveniences to be overcome in the creation of new districts.

### **3. Laws 25/1999 and 33/2004 – The Financial Motivation to Create New Districts**

Included in Law 22/1999 is the provision that ‘authorities delegated to Regions in the context of decentralization must be accompanied with the delivery and transfer of financial support’ (Article 8 (2)). The central government has the duty therefore to provide a mechanism for the regions to have sufficient financial resources to be able to

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<sup>33</sup> World Bank, *Spending for Development: Making the Most of Indonesia's New Opportunities: Indonesia Public Expenditure Review*, (Washington, D.C.: World Bank, 2008), p.115.

<sup>34</sup> Gary F. Bell, *The New Indonesian Laws Relating to Regional Autonomy*, op. cit., p.40

<sup>35</sup> Paul Smoke, *The Rules of the Intergovernmental Game in East Asia* in World Bank, *East Asia Decentralizes*, (Washington, D.C.: World Bank, 2005), p.26.

fulfill their new obligations. This is not a straightforward task for a number of reasons. Firstly, it is usually accepted that budgets should follow laws rather than precede them<sup>36</sup>. This raises an issue with Indonesia as Law 25/1999 was drafted both concurrently and independently from Law 22/1999<sup>37</sup> and one of the main criticisms of the law is its vagueness concerning with which level of government service obligations lay. As such, an efficient matching of financing to responsibilities was not only difficult but nigh on impossible, leading one commentator to state:

‘I sincerely have no clue how government economists planned for the fiscal year 2001’<sup>38</sup>.

Financing of the regions comes in four forms as laid out in Law 25/1999 Articles 4-16; i) original regional revenues, ii) balance funds, iii) regional loans and iv) other legal revenues<sup>39</sup>. The first element to be discussed is how the motivation to create new regions is stimulated by the balance fund which is made up of three elements: regional sharing, and the two transfers from the center to the regions, the public allocation fund (DAU - *Dana Alokasi Umum*) and special allocation fund (DAK - *Dana Alokasi Khusus*). Regional sharing provides the motivation for resource rich areas to separate from poorer areas whereas the DAU provides a similar impetus for all regions to separate, whether rich or poor in natural resources.

Regional sharing refers to the attribution of tax and natural resource revenues across the various levels of government. A small element of this revenue is allocated evenly across all districts within Indonesia, but the vast majority goes to the producing district and to a lesser extent the producing province. Appendices 9 and 10 detail how the taxation and resource revenues are allocated under Law 25/1999 and its successor, Law 33/2004. As can be seen from these Appendices, apart from Fisheries, the producing district receives the largest share (except for central government) of the majority of these revenue sources. As such, districts with significant natural resources,

<sup>36</sup> Gary F. Bell, *The New Indonesian Laws Relating to Regional Autonomy*, op. cit., p.41.

<sup>37</sup> The lack of collaboration between MOHA and the MOF has been a fundamental problem with Indonesian decentralization since it was commenced and one that has persisted ever since, Blaine D. Lewis, *Minimum Local Public Service Delivery Standards in Indonesia: Fiscal Implications and Affordability Concerns*, <http://www1.worldbank.org/publicsector/decentralization/Feb2004Course/Background%20materials/Lewis.pdf>, 2003, p.3.

<sup>38</sup> Gary F. Bell, *The New Indonesian Laws Relating to Regional Autonomy*, op. cit., p.41.

<sup>39</sup> Republic of Indonesia Law 25/1999, *The Fiscal Balance Between the Central Government and the Regions*, [http://www.gtzsfdm.or.id/documents/laws\\_n\\_regs/laws/1999/Law25\\_99\\_n\\_eluc.pdf](http://www.gtzsfdm.or.id/documents/laws_n_regs/laws/1999/Law25_99_n_eluc.pdf).

whether natural or human (i.e. a sizeable tax base), stand to receive far greater income than districts without these resources and regional disparities will naturally increase as a result. The motivation to create new districts arises therefore as control over natural resources is a guaranteed way to increase wealth and any areas that have few resources are seen as 'unproductive' in terms of wealth and should be 'discarded'\*.

An analysis of districts newly created between 1998 and 2004 found that districts that had split in the period between 1998 and the actual implementation of the decentralization laws in 2001 had a far higher share of their income coming from natural resource revenue than average (16.1% compared to the average of 6.4%)<sup>40</sup>. Districts that had split after 2001 on the other hand had only a marginally higher (6.9%) level of income coming from natural resources. The inference therefore is that initially at least, the motivation behind creating the new districts was to capture and isolate natural resources due to these enhanced revenue streams. That resource rich areas were afforded such a high level of their natural resource income does not in any way go against any theory of decentralization. It has been stated that the first of two principles regarding fiscal transfers from the center is that the richest regions should be self financing and receive no 'general' transfers<sup>41</sup>. By allowing them to keep a large share of their own revenues the Indonesian laws go a long way to fulfilling this principle, but another element that must be considered is that if the resource rich areas are allowed to separate themselves from the poorer areas, as has obviously been the case, inequalities will be exacerbated and the dependence of the poorer areas on central government increased.

The equalization elements of the Balance Fund also serve to motivate districts to divide into separate entities. The 'general' DAU grant is a block grant with few central government restrictions on how it is used. The importance of the DAU to the regions can be assessed by the fact that on average it makes up 74% of regional income<sup>42</sup> and as

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\* These stakes are raised even higher if we consider the revenue allocations under the Special Autonomy Laws. The Special Autonomy Law for Papua will be discussed in more detail later in this chapter.

<sup>40</sup> Fitria Fitriani, Bert Hofman and Kai Kaiser, *Unity in Diversity*, op. cit., p.72.

<sup>41</sup> Lyle D. Wray, *Developing and Negotiation Central to Local Relationships in Decentralization and Implications for the Training of Managers* in Raul P. Guzman, and Mila A. Reforma, *Decentralization Towards Democratization and Development*, (Manila: EROPA Secretariat, 1993), p.265..

<sup>42</sup> Paul Smoke, *The Rules of the Intergovernmental Game in East Asia*, op. cit, p.43.

much as 90% in resource poor areas<sup>43</sup>. To state that the local governments have full freedom over how their share of the DAU is spent as some authors have done<sup>44</sup> is not exactly the case as a large component of the DAU is earmarked for civil service salaries, classified as Personnel expenditure in government accounts<sup>45</sup>. At the district level, Personnel expenditure made up some 46% of total spending, a figure that has been fairly consistent throughout the decentralization era (see Appendix 8)<sup>46</sup>. As such, while districts do have autonomy over their DAU, this can in no way said to be a full autonomy. As a generalization though, the twin effects of the high level of dependence on this block grant and autonomy over its usage breeds carelessness in expenditure<sup>47</sup> and an increased willingness to spend<sup>48</sup> (not necessarily on service provision or anything that will benefit the populace at large).

In terms of how the DAU (public allocation fund) increases the motivation to create new districts, the answer lies in the method of calculation. The DAU itself is a pool of 25%<sup>49</sup> of the total central domestic revenues (attributed 10% to the provinces and 90% to the districts) and as discussed previously, due to the lack of understanding in the MOF of the actual responsibilities of the regional governments, the individual district level allocations cannot be calculated on the basis of their expenditure needs. The DAU is therefore comprised of two elements, a formula driven section and a 'basic allocation' section. The formula driven section, aimed at reducing inequalities between districts is based on the capability of regional income (from the revenue sharing sources as discussed earlier) to meet expenditure needs (based on population, area, relative poverty and construction indices)<sup>50</sup>. The 'fiscal gap' that results from this calculation is then used to calculate the DAU amount to be received in each district and accounts for

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<sup>43</sup> Arellano A. Colongon Jr., *What is Happening on the Ground? The Progress of Decentralization*, in Edward Aspinall and Greg Fealy (eds.), *Local Power and Politics in Indonesia: Decentralisation and Democratisation*, Singapore, Institute of Southeast Asian Studies, 2003), p.93.

<sup>44</sup> Bambang Brodjonegoro, *Fiscal Decentralization in Indonesia* in Hadi Soesastro, Anthony L. Smith, and Han Mui Ling, *Governance in Indonesia*, (Singapore: Institute of Southeast Asian Studies 2003), p.283.

<sup>45</sup> The DAU formula underwent a change in 2006 as after this date civil service salaries in the districts were covered 100% by the DAU, prior to this they had only received partial cover. This change has been criticized for reducing incentives to streamline the local civil service and for breeding inefficiencies at the local level, World Bank, *Spending for development*, op. cit., pp.120-121.

<sup>46</sup> *Ibid.*, p.155.

<sup>47</sup> M.A. Muttalib and Mohd. Akbar Ali Khan, *Theory of Local Government*, op. cit., p.194.

<sup>48</sup> B.C. Smith, *Decentralization: the Territorial Dimension of the State*, (London: George Allen & Unwin, 1985), p.117.

<sup>49</sup> Law 33/2004 increased this figure to be 26% by 2008, Smoke *The Rules of the Intergovernmental Game in East Asia*, op. cit., p.43.

<sup>50</sup> Bambang Brodjonegoro, *Fiscal Decentralization in Indonesia*, op. cit., p.302.

55% of the total DAU pool. The ‘basic allocation’ section includes a minimum ‘lump sum’ amount to be received by all districts in equal share (5% of the total DAU pool) and an estimation of civil servant salaries for each district of up to 45% of the total DAU pool<sup>51</sup>. Creating a new district therefore at the very minimum opens access to this ‘lump sum’ allocation which is not an inconsiderable amount. If we take the 2007 total DAU pool of Rp. 165 trillion<sup>52</sup>, the lump sum element alone would be some Rp. 15 billion (just under \$1.7 million US dollars at current rates) per district<sup>53</sup>.

If we also take into account that some 76% of newly created districts are economically worse off than they were before splitting<sup>54</sup>, this would suggest that many creations have been motivated, amongst other factors, to secure this effectively ‘free’ revenue source, for which the district has to do nothing other than exist. By building up the local civil service with staff, the district is granted an even larger slice of the DAU and as such administrative inefficiency is not only promoted but rewarded. For poor areas in particular, splitting into two or more districts effectively doubles the minimum allocation element of what is their overwhelmingly dominant source of income and thus if nothing else, makes good economic sense.

Regional loans, the third of the three revenue sources listed above can also be said to promote the creation of new districts as new credit lines are opened up to the districts. The law states that district governments may enter into both domestic and international (with central government approval) loan agreements of both a long and short term nature<sup>55</sup>. Other than these foreign loans and of course loans that come directly from central government itself, the only approval that is required for these loans comes from the local DPD (these loans can come from the private sector, other regional governments, banks and non-bank financial institutions). Certain restrictions

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<sup>51</sup> World Bank, *Papua Public Expenditure Analysis Overview Report: Regional Finance in Indonesia's Most Remote Region*, [http://www-wds.worldbank.org/external/default/W\\_SContentServer/WDSP/IB/2005/11/09/000160016\\_20051109174219/Rendered/PDF/34046a10IND0Public0exp\\_enditure01PUBLIC1.pdf](http://www-wds.worldbank.org/external/default/W_SContentServer/WDSP/IB/2005/11/09/000160016_20051109174219/Rendered/PDF/34046a10IND0Public0exp_enditure01PUBLIC1.pdf), 2007, p.21.

<sup>52</sup> World Bank, *Spending for development*, op. cit., p.157.

<sup>53</sup> This is based on the total of 483 districts that existed in early 2007, see International Crisis Group (ICG) Update Briefing, Asia Briefing No.64, 2007, *Indonesia: Decentralisation and Local Power struggles in Maluku*, [http://www.crisisgroup.org/library/documents/asia/south\\_east\\_asia/b64\\_indonesia\\_decentralisation\\_and\\_local\\_power\\_struggles\\_in\\_maluku.pdf](http://www.crisisgroup.org/library/documents/asia/south_east_asia/b64_indonesia_decentralisation_and_local_power_struggles_in_maluku.pdf), p.1.

<sup>54</sup> Ibid., p.3.

<sup>55</sup> Republic of Indonesia Law 25/1999, *The Fiscal Balance Between the Central Government and the Regions*, op. cit., Articles 11-15.

on the borrowing levels are set out in the laws and it has appeared that this source of income has been little utilized since decentralization took place and the levels of borrowing are currently insignificant<sup>56</sup>. This trend appears to be changing in Papua province at least where, whether due to an actual increase in borrowing, or a change in reporting requirements (which increased the transparency of loans in district budgets) the World Bank (2007: 2) states that borrowing is increasing. This borrowing is being used to finance existing loan obligations, development projects, current account deficits and capital projects. The budgeting changes that were introduced in 2003/4 have raised two areas of concern, firstly that regional loans appear to be increasing and secondly that certain of these loans may come from somewhat dubious sources, for example the creditor for a Rp. 26 billion loan in Mimika regency, Papua, was recorded in the budget as 'Bank X'<sup>57</sup>.

The access to loan income therefore does not appear to have been widely used by the districts and therefore should only be considered as a potential rather than a real motivating factor behind the creation of new districts. However, we should not discount the fact that this is a potentially lucrative source of revenue for the districts though and one that current trends suggest may be on the rise.

Just as control of district insulates the local bureaucracy from either public or central government regulation in administrative affairs, so it insulates them from financial scrutiny. Under Law 25/1999, other than for DAK grants<sup>58</sup>, the local government did not have to report its budgeting or financial accounts to central government, instead they had only to present quarterly reports to the local DPD, the same body that was responsible for their election. The DPD has both the right and the duty to monitor the budget process and then provides the final approval of the budget. During this monitoring process, councilors can add their own proposals to the budgets, sometimes representing political and business interests, so that the final budgets may not be representative of the realistic needs of the local government. If the final budgets exclude these revisions, the councilors can simply reject them at the DPD approval

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<sup>56</sup> World Bank, *Spending for Development*, op. cit., p.128.

<sup>57</sup> World Bank, *Papua Public Expenditure Analysis Overview Report*, op. cit., p.3.

<sup>58</sup> As a 'specific' grant, the DAK carries the burden of the central government monitoring and evaluation of its usage, this is not the case for any other revenue source for the regions, Bambang Brodjonegoro, *Fiscal Decentralization*, op. cit., p.294.

meeting and further to threaten the executive with a rejection of the end of year accountability report<sup>59</sup>.

As well as the approval of the quarterly financial statements, under Law 25/1999 the audit function lay with the local DPD and the state auditor had no authority to audit local government accounts. The districts therefore bore little responsibility to the central government for its financial affairs and none to their constituents. As with the case of its administrative behavior, the finances of regions were an almost entirely internal affair and this lack of scrutiny from outside sources can be seen as a further motivation to create new districts. Those who did so and assumed control of the district were then able to carry out the financial affairs of the district with relative impunity. The dangers of this accountability resting at the local level is that the DPD's approval of the annual accountability report can be subject to bribery and there is no reason why approval of the quarterly accounts and audit function should not be subject to the same process<sup>60</sup>.

Accountability for financial affairs is another area that again Law 32/2004 attempted to introduce more control over. One stipulation of the law was that all district budgets now have to be centrally approved (by the provincial governor acting as a representative of central government) prior to being enacted<sup>61</sup>. Whilst a commendable move, this recentralization of budget approval has a number of limitations. Firstly, the capacity of the provincial level audit office to audit an ever increasing number of district budgets is limited. Secondly, regional audit arrangements are weak. Whilst MOHA coordinates regional audit offices, there are no indications that the findings of these offices have any impact or consequences. Finally, a culture of late or non-reporting has developed in certain districts. Papua for example has a poor track record in terms of budget reporting; in 2002 only 8 out of 14 districts reported their budgets at all but they received no official censorship for their non-compliance, just warning

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<sup>59</sup> Winarno Zain, *Decentralization still has a long way to go*, The Jakarta Post online edition, May 1<sup>st</sup> 2006, <http://www.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20060501.E03>.

<sup>60</sup> The results of a study of corruption in East Java found that the cost of approval for the annual accountability report was Rp150-200 million to each DPD member, see Michael S. Malley, *New Rules, Old Structures and the Limits of Democratic Decentralization*, op. cit., p.110.

<sup>61</sup> World Bank, *Papua Public Expenditure Analysis Overview Report*, op. cit., p.14.

letters<sup>62</sup>. Whether the recentralization of budget approval has any impact on this slackness remains to be seen.

Another recentralization that occurred in the same year was provided for in Law 15/2004. This law states that an external auditor must audit local budgets before the annual accountability speech is given by the district head to the DPD. Again the idea in itself is a positive one, but is similarly one that places great stress on the capacity of the central audit office as these audits must be carried out within a 6 month window<sup>63</sup>. In 2002 for example less than one third of district budgets were centrally audited and there has been a significant increase in the number of districts since that time, thus making the comprehensive and thorough audit by the state auditors task far more difficult to achieve.

#### **4. Law 21/2001 – The Case of Special Autonomy in Papua**

The special autonomy law for Papua (one of the two case studies to be discussed in chapter 5), Law 21/2001, represents an interesting paradox in Indonesian decentralization. Whilst the main focus of Laws 22/1999 and 25/1999 was the district, Law 21/2001 places more importance at the provincial level of government. This is all the more strange when we consider that one of the main arguments to justify decentralization to the districts was to weaken the provinces as they could potentially rally for independence if they gained too much financial and political autonomy. Papua was one of the two main secessionist threats in the late 1990's and thus to strengthen this particular province appears to go totally against the grain of the 'divide and rule' argument for district level decentralization that was introduced in the previous chapter. This chapter will briefly outline the background to special autonomy and then highlight the factors within the law that promote the creation of new districts.

The inclusion of Papua in the unitary state of Indonesia has been an issue of great contention since independence was first gained. Papua did not join the rebellion against the Dutch colonists and did not become part of the unitary state when

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<sup>62</sup> World Bank, *Papua Public Expenditure Analysis Overview Report*, op. cit., p.16.

<sup>63</sup> Ibid., p.17.

independence was recognized by the Dutch in 1949<sup>64</sup>. From the Papuan perspective, Dutch colonization was in fact Indonesian or a dual colonization by both countries. Since the Dutch primarily used Indonesians to run their administration in Papua and it was towards the Indonesians rather than the Dutch that Papuans felt a sense of injustice and resentment for their subjugation and loss of freedom. These feelings were intensified by the Dutch who after World War II actively developed a Papuan elite with a strong sense of Papuan identity, resulting in the signing of a nationalist manifesto (and adoption of a flag and national anthem) in 1961<sup>\*</sup>. Papuan nationalism in itself is something of a paradox given that the population is made up of more than 250 ethno-linguistic groups the majority of whom have little contact with each other, have little shared history and were far more inclined to identify with their immediate tribal group than with any notion of Papua or 'Papua-ness'<sup>65</sup>. Just as there was no sense of Indonesia as a nation state without the unifying factor of rebellion against the Dutch, the same dynamic can be employed to describe the Papuan nation and the perceived Indonesian colonization<sup>66</sup>. What Indonesia has been successful in doing through decentralization and most importantly special autonomy is prey upon this inherent weakness in Papuan nationalism to divide public feeling in Papua between those who favor autonomy over independence and those who want nothing less than independence, largely by providing financial incentives to remain within the unitary state.

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<sup>64</sup> Jacques Bertrand, *Nationalism and Ethnic Conflict in Indonesia*, Cambridge, Cambridge University Press, 2004), p.144.

<sup>\*</sup> For the Dutch to retain control over Papua, or at least support its independence from the rest of Indonesia, appears odd given that they had already ceded the independence of the rest of the archipelago. Two explanations are offered below: i) Spite, the war of independence had been a bitterly fought struggle in which some 5,000 Dutch had lost their lives ([http://en.wikipedia.org/wiki/Indonesian\\_National\\_Revolution](http://en.wikipedia.org/wiki/Indonesian_National_Revolution)). To deprive the fledgling Indonesian nation the final piece of its territory and stop it from controlling the whole of the old Netherlands East Indies can to some extent be motivated by the Dutch sense of injustice over the loss of their empire; ii) Economic value, Papua has large natural reserves of minerals and forests, control over these provides a great financial incentive for control; iii) the rights of small nations and self determination were popular themes, if not the dominant ones, in international politics in the immediate post WWII era. Papua, with its striking ethnic difference from the rest of the Indonesian nation and diverse history was a relatively easy case to argue for independence.

<sup>65</sup> Richard Chauvel, *Papua and Indonesia: Where Contending Nationalisms Meet* in Damien Kingsbury and Harry Aveling (eds.), *Autonomy and Disintegration in Indonesia*, (London: RoutledgeCurzon, 2003), p.121.

<sup>66</sup> This fact is highlighted by the claim that Papuan identity and solidarity was given a new awareness by the publication of Bishop Muninghoff's 1995 report detailing human rights abuses against Papuans by the Indonesian military and state – this report reminded Papuans of their common history in terms of their experience within the Indonesian state and was a boost for the independence movement, Charles E. Farhadian, *Christianity, Islam, and Nationalism in Indonesia*, (Abingdon: Routledge, 2005), p.155.

The Papuan nationalist movement mutated into an independence movement after Papua was finally incorporated into the Indonesian state by the much maligned 'Act of Free Choice' in 1969<sup>67</sup>. The OPM (Free Papua Movement) began its armed struggle in the wake of this and quickly encountered its first brutal repression by Indonesian security forces. This pattern was followed over the next 30 years as resistance to the state continued and was countered by the security forces. Nowhere in the Indonesian archipelago were the 'cultural obliteration', marginalization, lack of economic development, stripping of resources and use of violence by the TNI/ABRI during the New Order regime as keenly felt as in Papua. The intensity of the grievances felt by Papuans over their treatment by the Indonesian state meant that Papuan nationalism and the independence movement refused to die down despite the repression from the military. By the late 1990's the movement was at a zenith in its strength, especially after East Timor had been granted its independence via referendum.

The decentralization laws of 1999 were not sufficient to stem ethno-religious conflict in certain areas and certainly not to dampen the calls for independence from Aceh and Papua. Special Autonomy was therefore introduced for both of these provinces in 2001 with the specific intention of ending the conflict and strengthening national integrity. The broad powers devolved to Papua for self governance and revenue control represent a 'substantial compromise'<sup>68</sup> on behalf of the central government and can be seen as providing Papuans with their 'basic right to development and security'<sup>69</sup> as long as they remain within the unitary state. It is this last point that has proved the success of special autonomy. It managed to split popular opinion between those who recognized and were willing to take the opportunities that the law conferred and those to whom nothing but complete independence was sufficient. As was the case for Indonesia in the struggle for independence from the Dutch, unity is key and this unity within Papua has been severely compromised by special autonomy. To an extent, Papuan nationalism has been replaced by communal

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<sup>67</sup> 'The Act of Free Choice' was a UN monitored referendum on independence in which 1,000 Papuans, hand picked by the Indonesian government, voted unanimously to become part of the Indonesian state amidst flagrant intimidation by the TNI. It has remained a source of bitter contention ever since, see International Crisis Group (ICG), *Conflict History: Indonesia* from [http://www.crisisgroup.org/home/index.cfm?action=conflict\\_search&l=1&t=1&c\\_country=49](http://www.crisisgroup.org/home/index.cfm?action=conflict_search&l=1&t=1&c_country=49), 2005.

<sup>68</sup> Jacques Bertrand, *Nationalism and Ethnic Conflict in Indonesia*, op. cit., p.159

<sup>69</sup> Rodd McGibbon, *Between Rights and Repression: The Politics of Special Autonomy in Papua* in Edward Aspinall and Greg Fealy (eds.), *Local Power and Politics in Indonesia: Decentralisation and Democratisation*, (Singapore: Institute of Southeast Asian Studies, 2003), p.194.

conflicts and a scramble for control over territory and resources within Papua, manifested by the increasing calls for more districts and provinces to be created.

The financial incentives offered by the Special Autonomy law are two fold, an increase in revenue sharing and a new lump sum grant transfer from the central government, the *Dana Otsus* (DO). The impact of the additional revenue sharing can be seen in Appendix 11. Whilst not all categories of revenue increased under Law 21/2001, oil mining, natural gas mining and fisheries, increased substantially. As mentioned earlier, the special autonomy law re-centralizes considerable power back to the provincial level and we can see this happening with the distribution of these shared revenues between the different levels of government. Law 25/1999 stipulates in detail the percentages of shared revenue that will be attributed to the provincial and district levels, Law 21/2001 does not. All of the shared revenues under this law will be attributed solely to the provincial government and any further distribution is to be determined by the provincial government itself with ‘special attention to backward areas’<sup>70</sup>. The provincial government is required to issue a ‘*perdasus*’ (Special Regional Regulation) to determine the allocation of these revenues to the district level and the draft copy of this regulation states that:

‘(1) The division of balance funds for Papua Province, Kabupaten/City which originates from the Mining of Oil and Natural Gas is regulated by the Governor with the agreement of the MRP\*.

(2) The percentage of the division sharing the income from Oil and Natural Gas Mining to the Province, the Productive Region, regions surrounding the productive region, and other regions stipulated with a Governor’s Decree.’<sup>71</sup>

As such there is no mention of how the land or personal taxes, forestry, general mining or fisheries revenues are to be divided, so it may be the case that this ‘*perdasus*’ only

<sup>70</sup> Republic of Indonesia Law 21/2001, *Special Autonomy for the Papua Province*, [http://www.gtzsf dm.or.id/documents/laws\\_n\\_regs/laws/2001/Law21\\_2001.pdf](http://www.gtzsf dm.or.id/documents/laws_n_regs/laws/2001/Law21_2001.pdf), Article 34 (7).

\* The MRP or ‘Papua People’s Assembly’ is a body created by Law 21/2001 to be the cultural representative of Papuan natives with the power of approval over many decisions at both district and provincial level.

<sup>71</sup> DPRP and Governor of Papua Province, *Perdasus on the Division of Balance Funds Within the Framework of Otsus*, <http://www.papuaweb.org/dlib/lap/sullivan/perdasi-perdasus/27.rtf>, Chapter 3, Article 4.

refers to the additional revenues conferred by Law 21/2001 (see Appendix 13) although this would still ignore the 80% of fishery revenues that the province is now entitled to<sup>72</sup>. In essence though the authority to decide the division of the shared revenues now sits with the provincial governor, greatly increasing the leverage of the governor and his provincial government over the districts.

The same can be said to be true for the other financial element that Law 21/2001 introduces, the Special Autonomy Fund (*Dana Otsus* – hereafter referred to as DO). This is based on an annual calculation of 2% of the total DAU pool (distributed quarterly), and amounted to some Rp, 1.8 trillion in 2005<sup>73</sup>. It has no restrictions over its usage other than a broad guideline in Law 21/2001 which states that it is ‘mainly intended to finance education and health’<sup>74</sup>. In 2004 for example just 3.4% (33.5 Rp. Billion) of the total DO grant was directed towards specific ‘urgent programs’, the remaining 96.6% had no restrictions over its use<sup>75</sup>. The DO is valid for 20 years, after which time no further ‘Special Allocation’ will be paid to Papua. As above, the total DO amount is distributed solely to the province, with any further distribution to district governments at the discretion of the provincial Governor with the approval of the MRP. Prior to 2003 the province retained some 60% of the DO, with just 40% being transferred to the districts, this pattern was reversed by a joint MOHA/MOF decree in 2004 which stipulated that 60% must be allocated to the districts<sup>76</sup>.

The governor and provincial government therefore hold great power over the new financial resources that were granted to Papua by Law 21/2001. The magnitude of these resources is highlighted by Papuan governor Solossa’s estimation that provincial income would increase threefold to around Rp. 2.5 trillion in 2002, the first year that these two new revenue sources would be received (Rp. 700 billion of the increase would come from shared revenues, the remaining Rp. 400 billion in the form of the

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<sup>72</sup> The law goes on to state that ‘Matters which are not yet stipulated in this *Perdatus*, shall be stipulated with a Governor’s Decree’ so there may be further documentation available as well as a finalized copy of this regulation, DPRP and Governor of Papua Province, *Perdatus on the Division of Balance Funds Within the Framework of Otsus*, op.cit., Chapter 7, Article 8 (2).

<sup>73</sup> World Bank, *Papua Public Expenditure Analysis Overview Report*, op. cit., p.21.

<sup>74</sup> Republic of Indonesia Law 21/2001, *Special Autonomy for the Papua Province*, op. cit., Article 34 (3) e.

<sup>75</sup> World Bank, *Papua Public Expenditure Analysis Overview Report*, op. cit., p.23.

<sup>76</sup> A new formula for calculating the DO apportionment of this 60% to the individual districts was introduced in 2004 based on a lump sum allocation (58.9%), a formula driven allocation (37.7%) and a final allocation earmarked for ‘urgent programs’ (3.4%), *ibid*, p.23.

DO)<sup>77</sup>. Flooding the provincial government of Papua with such enormous amounts of revenue appears to go directly against the government's supposed intention of weakening the provinces. What has happened though, largely due to the lack of clarity in the laws surrounding the allocation of these funds, is an increase in competition and rivalry between districts and between districts and the provincial government to gain control over natural resources and to open channels of access to this funding.

Proposals for the creation of new districts and provinces have become increasingly frequent since special autonomy was introduced. The Jakarta Post reported in December 2007 that the creation of six new districts in Papua had been approved by the House of Representatives<sup>78</sup> and proposals have been made for the creation of four new provinces, Central Papua\*, South Papua, Southwest Papua and Southeast Papua<sup>79</sup>. The creation of these new provinces would also require the creation of new districts to fulfill the minimum requirement of 5 districts per province. These calls for new provinces and districts come from within Papua itself<sup>80</sup> and are a far cry from the popular mass protests that greeted the central government's failed attempt to divide Papua into three provinces in 1999. The key dynamic in Papua today therefore appears to be the increasing fragmentation of Papuan territory rather than unity and Papuan nationalism. This appears to be largely due to the financial rewards introduced by Special Autonomy and from this point of view, Law 21/2001 has achieved the goal of diverting popular attention towards internal fragmentation rather than fragmentation from the unitary state, can be said to be an unqualified success. This is the same dynamic as was intended by the original decentralization laws, but for independence

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<sup>77</sup> International Crisis Group (ICG) Update Briefing, Asia Report No.39, *Indonesia: Resources and Conflict in Papua*, [http://www.crisisgroup.org/home/index.cfm?action=conflict\\_search&l=1&t=1&c\\_country=49](http://www.crisisgroup.org/home/index.cfm?action=conflict_search&l=1&t=1&c_country=49), 2002, p.8.

<sup>78</sup> Ridwan Max Sijabat, *House Creates Eight New Regions*, The Jakarta Post online edition, 7<sup>th</sup> December 2007, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20071207.H08>.

\* The locally motivated creation of Central Papua would be a key moment in the territorial dynamics of Papua and Indonesia. This province has been proposed twice by central government, in 1999 and 2003 and both times rejected by popular protest by Papua natives. Its creation would bring the fruition of a long desired central goal and truly show the worth of Special Autonomy to central government.

<sup>79</sup> See Ridwan Max Sijabat, *Leaders want new province established in Papua*, The Jakarta Post online edition, September 6<sup>th</sup> 2007, <http://www.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20070906.H04>, and Hygiinus Hardoyo, *Clamor For New Regions Threatens Storm of Chaos*, op. cit.

<sup>80</sup> Law 21/2001 stipulates that the 'formation, expansion, abolishment and /or combination of the Regency/City shall be stipulated by a Law at the proposal of Papua Province', Article 3 (4) and that the 'expansion of Papua Province into provinces shall be carried out with the approval of the (Papuan) MRP and (Papuan) DPD', Republic of Indonesia Law 21/2001, *Special Autonomy for the Papua Province*, op. cit., Article 76.

minded provinces such as Papua and Aceh, a different and more expensive methodology, special autonomy, was required

## 5. Conclusion

This chapter has shown that the 1999 decentralization laws offer few barriers to and some appealing financial incentives for the creation of new districts. These can be summarized as follows:

- i) The wording of Articles 5 and 6 of Law 22/1999 actively promotes creation of new regions
- ii) Weak criteria for establishment of new regions in Regulation 129/2000.
- iii) A mechanism exists to circumvent the DPOD assessment process for new regions
- iv) The concentration of almost all power and responsibility at the district level, the inclusion of 'residual powers' in this remit and the lack of obligation to devolve any powers to lower levels of government.
- v) The lack of service standards that a region must reach once created.
- vi) The lack of accountability of the districts to either central government or their public.

The financial incentives are noted below:

- i) Resource rich areas get to keep a larger proportion of their revenues.
- ii) All districts, irrespective of size, receive a 'lump sum' payment, the use of which is not unregulated by central or provincial government.
- iii) Civil service salaries are covered by central transfer.
- iv) Districts are allowed to enter into loan agreements with a variety of creditors, with central approval only being required for foreign and central government loans.
- v) Financial accountability and monitoring is largely an internal affair, within the local government and legislature, shielded from the center and the public.

Despite the efforts of Law 32/1999 to make the process of creation more difficult, it should be no surprise that, given these incentives, there have been so many new districts created over the past 9 years. Until the financial benefits of controlling a region are taken away, the trend can be expected to continue as innovative ways to maneuver around stricter administrative criteria can always be found. Given this evidence it can be argued that the creation of new regions, and districts in particular was specifically intended by the decentralization laws. The question of why the laws were designed to promote the creation of new districts can be alluded to with reference to certain themes introduced in chapter 2:

- i) An increase in districts further weakens the power and influence of the provinces.
- ii) The opportunity to create new units rewards elite groups in the regions for their political support and allegiance to the unitary state, thus facilitating the ‘capture’ of the decentralization process by these old elite groups<sup>81</sup>.
- iii) The existing districts were simply too big to govern efficiently<sup>82</sup>.
- iv) The creation of new districts encourages greater democracy by facilitating greater public participation, particularly by ethnic minority or previously marginalized groups.
- v) Smaller districts bring people closer to the government and makes government more responsive to local needs.

To state definitively whether any of the above motivations carries more weight than any other is a difficult task and, given its limitations, not one that this thesis is qualified to do. What is important to note though is that even though the first two themes appear to be more centralist and anti-democratic, they still have the same end result as the last

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<sup>81</sup> For examples of reference to the ‘capture’ of decentralization see amongst others: Hans Antlov, *Filling the Democratic Deficit: Deliberative Forums and Political Organizing in Indonesia* in Francis Kok Wah Loh and Joakim Ojendal, (eds.), *Southeast Asian responses to globalization: Restructuring governance and deepening democracy*, (Singapore: Institute of Southeast Asian Studies, 2005)p.239; Michael S. Malley, *New rules, old structures and the limits of democratic decentralization*, op. cit., pp.102-115; and Vedi R. Hadiz, *Decentralisation and democracy in Indonesia: A Critique of Neo-Institutionalist Perspectives*, op. cit.

<sup>82</sup> It has been stated that many of the new units created after decentralization had actually been planned for the sake of administrative ease long before the laws were actually drafted, see Muriel Charras, *The Reshaping of the Indonesian Archipelago After 50 Years of Regional Imbalance* in Maribeth Erb, Priyambudi Sulistiyanto and Carole Faucher (eds.), *Regionalism in Post-Suharto Indonesia*, (London: RoutledgeCurzon , 2005), p.96.

three themes. The creation of new districts seems to satisfy both centralist and democratic political ideologies given the situation that Indonesia found itself in 1998/9 and therefore can in a sense be seen as an inevitable outcome of decentralization.



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## CHAPTER IV

# THE IMPACTS OF NEW DISTRICTS ON CENTRAL GOVERNMENT

### 1. Introduction

The creation of new districts impacts the central government in a number of ways and the general consensus of opinion seems to be that these impacts are negative. This chapter will look at four particular areas where the new regions have an effect: i) financial impacts; ii) administrative impacts; iii) impacts on trade and business, and; iv) the impact of the new units on interpersonal security and stability in Indonesia. A significant point to bear in mind is one that was made in the very first chapter, that the importance of the new districts lies predominantly in the fact that they often exacerbate problems that would have confronted the central authorities anyway, given the nature of the decentralization that was undertaken. In this context some of the points that will be made will be rather generic to Indonesian decentralization as a whole, but will be focused on the role the new districts play in increasing the significance of the problems.

### 2. Financial Impacts

The first point to mention regarding the financial impacts of the new districts is that they reduce the portion of the General Allocation Fund (DAU) that can be allocated across all districts within the country<sup>1</sup>. The creation of a new region means that the 'lump sum' element within the overall DAU increases and therefore within the total DAU, there are fewer funds available for disbursement under the formula driven segment\*. More regions also mean more civil servants and government apparatus. One of the major concerns when decentralization was undertaken was that the civil service

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<sup>1</sup> *New Regions Reduce Regional Allocation Funds*, The Jakarta Post online edition, 31<sup>st</sup> January 2008, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20080131.M06>.

\* The DAU can be seen as a pool made up of two elements, the formula driven element and the basic allocation element (lump sum and civil service salaries). If the basic allocation is increased, the formula driven element has to decrease to compensate.

would become 'bloated' and that local governments would create bureaucracy way beyond their actual needs, both because they has the power to do so and the laws state that the civil service will be financed to a large extent by the central government<sup>2</sup>. This in turn means that the other part of the DAU's 'basic allocation', the civil service salaries, also increases, again causing the formula driven part of the DAU to be reduced. The DAU is intended to be an 'equalizing' financial tool, which irons out economic disparities within Indonesia but the only part of the DAU though that can actually be considered to have an 'equalizing' effect is the formula driven part and the creation of new districts reduces this element. The new districts therefore reduce the total amount available for allocation and they reduce the equalizing effect of the DAU. These two shortfalls in spending put pressure on the central government to continue and even increase spending by the central line ministries in the districts. This is in direct contradiction to the aims of decentralization and might also be unlawful depending on one's interpretation of Law 22/1999.

The second of the financial impacts to mention is related to unspent DAU and DAK allocations. The amount of funding that is provided to the districts through the DAU and DAK grants appears to be adequate, but the allocation of these funds across the districts does not match their individual expenditure requirements. While certain districts are left with inadequate funding, in many cases districts appear to have too much money for their perceived responsibilities<sup>3</sup> (an issue which takes us back to the vagueness of responsibility assignment in Law 22/1999) and are unable to spend all of their funding, leading to the accumulation of reserves. The unspent balances are held as reserves by the districts and while it is considered that holding reserves of between 5-10% of their annual expenditures is both legitimate and useful (in order to cover short term financing issues), but the fear is that these reserves are growing and have reached

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<sup>2</sup> MOHA issued a decree (50/2000) to try to reduce the risk of this 'bloating' by regulating the number, size and rank of civil servants in the various sectoral offices in local government (*Dinas*) and of the number of offices themselves. Civil service salaries, qualification standards and hiring procedures are also still determined by centrally, again reducing the risk to some extent of the local governments become overly 'bloated'. In reality, many local governments have tried to downsize their bureaucratic apparatus post decentralization, see World Bank, *Decentralizing Indonesia*, (World Bank: East Asia Poverty Management and Economic Management Unit, 2003), p.14-15.

<sup>3</sup> Blaine D. Lewis, *Minimum Local Public Service Delivery Standards in Indonesia: Fiscal Implications and Affordability Concerns*, [http://www1.worldbank.org/publicsector/decentralization/Feb2004Course/B ackground%20materials/Lewis.pdf](http://www1.worldbank.org/publicsector/decentralization/Feb2004Course/B%20ackground%20materials/Lewis.pdf), 2003, p.11.

record proportions<sup>4</sup>. As reported in the Jakarta Post in August 2007 there were some Rp. 96 trillion (over US\$10 billion) of district funds still deposited in the bank at the start of the second quarter of the year and Rp. 50 trillion in Bank Indonesia certificates by mid-August<sup>5</sup>. The unspent balances are essentially diverting funds from alternative uses and therefore hampering service provision and development in Indonesia. As President Susilo Bambang Yudhoyono has stated:

‘it’s ironic there’s a staggering amount of funds sitting idly amid needs for capital in infrastructure or the real sectors’<sup>6</sup>.

As with the previous point regarding the reduction of overall financing for the districts, this again puts pressure on the central government to continue its direct spending in the regions.

Appendix 12 shows how sub-national expenditure has been increasingly falling behind sub-national revenues at both provincial and district levels since decentralization began, leading to the accumulation of surpluses. Some of the reasons for the accumulation of these reserves by the sub-national governments are as follows: i) delays in central approval of budgets which subsequently leads to delays in the use of the financial resources; ii) delays in receiving disbursements from the center; iii) local spending is crowded out by continued central spending in the districts, and; iv) lack of capacity and technical knowledge in sub-national governments to facilitate spending<sup>7</sup>. The lack of capacity of local government is an issue particularly associated with new districts, and it could therefore be expected that the accumulation of reserves may be a problem particularly associated with the new districts. Conversely, it has also been stated the new districts often embark on significant construction projects for new

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<sup>4</sup> World Bank, *Spending for Development: Making the Most of Indonesia's New Opportunities: Indonesia Public Expenditure Review*, (Washington, D.C.: World Bank, 2008), p.127.

<sup>5</sup> Tony Hotland, *SBY Slams Self-Interested New Regions*, The Jakarta Post online edition, 24<sup>th</sup> August 2007, <http://www.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20070824.@01>. Similarly it was reported a year before that by the end of March 2006 some Rp. 200 trillion (US\$22 billion) of regional government funds remained unspent, see Winarno Zain, *Decentralization still has a long way to go*, The Jakarta Post online edition, 1<sup>st</sup> May 2006, <http://www.thejakartapost.com/Archives/Archive Det2.asp?FileID=20060501.E03>

<sup>6</sup> Tony Hotland, *ibid.*

<sup>7</sup> World Bank, *Spending for Development*, op. cit., p.128.

government buildings and associated ‘set-up’ costs which may offset the lack of spending and actually lead the new districts to over, rather than under-spend<sup>8</sup>.

An exception to the above trend is shown in the annual income and expenditure accounts (2001-2004) for districts in the provinces that will be the subject of case studies in the following chapter, North Sumatra and Papua/West Irian Jaya. These provinces show little evidence that the new districts have larger unspent balances than the old districts. As can be seen from table 3, the new districts in North Sumatra generally have a higher percentage of their expenditure remaining as a surplus balance, but this pattern does not apply to Papua or West Irian provinces where the districts often have negative balances suggesting that they were overspending rather than under-spending. It also appears that when these districts are grouped together at the provincial level, that their unspent balances are within or close to the limits suggested by the World Bank as being legitimate and useful.

**Table 3: Unspent Balances as a Percentage of Total Expenditure\***

Province	North Sumatra		Papua		West Irian	
	New	Old	New	Old	New	Old
2004	8%	5%	1%	0%	-4%	-7%
2003	7%	-2%	-2%	12%	n/a	4%
2002	2%	2%	14%	0%	-2%	-3%
2001	n/a	5%	0%	4%	4%	5%

Source: Authors own table using data from <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/INDONESIAEXTN/0,,contentMDK:21439617%7EpagePK:141137%7EpiPK:141127%7EtheSitePK:226309,00.html>

Therefore while the trend for the hoarding of financial reserves appears to be rising, it cannot be stated from the evidence available that this is a problem particularly attributable to the new districts.

<sup>8</sup> Iwan Gunawan, *The Limit of Creating New Regions in Indonesia*, The Jakarta Post online edition, August 28<sup>th</sup> 2007, <http://www.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20070828.E0>.

\* It should be noted that this table is not compiled from a complete list of the districts in each province. As was noted in the previous chapter not all districts submitted accounts to the central authorities and as such these figures only take into account the districts which did fulfill their submission requirements.

These two issues, unspent balances and less overall funding available for the districts, both come to the same conclusions; i) that the new districts are making the financing arrangements of decentralization less effective, and; ii) they necessitate greater central spending in the regions, a form of re-centralization. Sectors such as health and education are obligatory responsibilities of the district level governments, but the central government still spends significant amounts in these sectors, predominantly on development, as shown in Appendices 13 and 14. This central spending has been justified on a number of grounds, that: i) the responsibilities for spending as defined by Law 22/1999 are vague and thus the central ministries are not precluded from continued spending in the regions; ii) that central spending is more efficient than local spending due to a lack of capacity and expertise at the local level; iii) the central agencies do not want to experience budget cuts and thus need to be seen to be fully utilizing their existing budgets; iv) central government planners are unwilling to cut line ministry budgets<sup>9</sup>.

That central spending is required as a result of local government inefficiency is a somewhat self fulfilling prophecy given the way in which the DAU is calculated. Being that such a large proportion is earmarked for civil services salaries, it is inevitable that a large proportion of district level spending goes on routine personnel expenditure and development spending is therefore marginalized at the local level (see Appendix 15). APKASI, the Association of Heads of Districts, has stated that districts which spend >65% of their total expenditure on personnel expenses are to be considered problematic and over dependent on central spending to cover their responsibilities in other areas<sup>10</sup>. Some 20% of all districts within Indonesia fall into this category and this will be analyzed with regards to North Sumatra and Papua/West Irian Jaya provinces in Chapter 5.

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<sup>9</sup> Blaine D. Lewis and Jasmin Chakeri, *Central Development Spending in the Regions Post-Decentralization* in *Bulletin of Indonesian Economic Studies*, Vol. 40, No. 3, 2004, pp.379-394, pp.385-386. We should add to this that the central line ministries are amongst the biggest 'losers' from decentralization as their authority and responsibilities were severely curtailed by shifting the focus of service provision to the district level. It has been argued that they continue to spend in the regions to justify their continued existence and to argue for a re-centralization of spending responsibilities.

<sup>10</sup> World Bank, *Decentralizing Indonesia*, op. cit., p.42.

Sources tend to disagree on the actual impact of this central spending, in terms of whether it actually provides the equalization that the DAU fails to do. Certain authors state that it does have an equalizing effect, though more through chance than design<sup>11</sup>, whereas others state that this central spending tends to be channeled to districts which already have high total revenues and therefore only serves to exacerbate the existing inequalities<sup>12</sup>. Whether it has an equalizing effect or not, the central spending is considered to be a necessity by central government and especially so in the case of new regions, some 76% of which, as quoted previously, are economically worse off than they were prior to splitting<sup>13</sup>. Whilst the figures presented above do not conclusively show that the new districts are any more at fault than the old ones in terms of justifying the need for central spending, they are still considered to have ‘produced a drain on the central government budget’<sup>14</sup> which is manifested through the continued central spending.

### 3. Administrative Impacts

Whilst decentralization passes the direct responsibility for many functions of government to the district level, the central government still bears ultimate responsibility for governance within the unitary state and as such has the duty to guide and supervise the process of decentralization (as stated in Chapter XII of Law 22/1999<sup>15</sup>) The Regional Autonomy Advisory Board (DPOD) bears a large part of the burden of supervision and monitoring of the districts as it is responsible for reporting to the president on the following:

- ‘a. the formation, eradication, amalgamation and extension of regions
- b. financial balance of the central and Regional government; and

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<sup>11</sup> Blaine D. Lewis and Jasmin Chakeri, *Central Development Spending in the Regions Post-Decentralization*, op. cit., p.387.

<sup>12</sup> World Bank, *Spending for Development*, op. cit., p.118.

<sup>13</sup> International Crisis Group Update Briefing (ICG) Asia Briefing No.64, *Indonesia: Decentralisation and Local Power Struggles in Maluku*, [http://www.crisisgroup.org/library/documents/asia/south\\_east\\_asia/b64\\_indonesia\\_decentralisation\\_and\\_local\\_power\\_struggles\\_in\\_maluku.pdf](http://www.crisisgroup.org/library/documents/asia/south_east_asia/b64_indonesia_decentralisation_and_local_power_struggles_in_maluku.pdf), 2007, p.3.

<sup>14</sup> International Crisis Group Update Briefing (ICG) Asia Briefing No.64, *Indonesia: Decentralisation and Local Power Struggles in Maluku*, op. cit., p.3.

<sup>15</sup> Republic of Indonesia Law 22/1999, *Law Regarding Regional Governance*, Chapter XII, Articles 112-114, [http://www.gtzsfdm.or.id/documents/laws\\_n\\_regs/laws/1999/Law22\\_99\\_n\\_eluc.pdf](http://www.gtzsfdm.or.id/documents/laws_n_regs/laws/1999/Law22_99_n_eluc.pdf).

c. capacity of a Regency Region and Municipal Region to perform certain authorities as intended in Article 11.<sup>16</sup>

The DPOD is chaired by the Minister of Home Affairs and vice-chaired by the Minister of Finance. As such there isn't a government ministry with specific responsibility for overseeing decentralization, and therefore the process of guidance and supervision appears to be as disjointed as the initial process of the drafting of the laws. Similarly there is no coordinated national strategy for managing the establishment of new regions, a situation which has led to the 'reckless'<sup>17</sup> creation of unviable units and a lack of central control over the process. The lack of control of the center over the creation of new regions is highlighted by the apparent 'tug-of-war' that is taking place between the executive branch of the government, which argues against the creation of new regions, and the legislative branch which continues to approve the creation of new districts..

Other than this lack of central control over the process of creation, the new units put an enormous amount of pressure on the central governments ability to effectively monitor what is happening in the districts. The monitoring and evaluation of decentralization has been described as a 'momentous task'<sup>18</sup> and one that is made all the more difficult by the expansion in the number of districts which require monitoring. It is obviously easier to monitor 292 districts than it is to monitor the activities of 483 and outlined below are selected examples of the problems the increase in number of units has caused with regards to this issue.

Firstly, as stipulated in Law 22/1999 Article 18 (1) d, district governments have the right to pass their own local regulations which are enforceable by law after central government review<sup>19</sup>. The central government bears the responsibility for checking that these regulations are neither detrimental to the public interest nor contradict any higher or existing laws and regulations. It is clear that the creation of more districts will

<sup>16</sup> Republic of Indonesia Law 22/1999, *Law Regarding Regional Governance*, op.cit., Chapter XIII, Article 115 (1).

<sup>17</sup> Robert Endi Jaweng, *Pre-2004, House Recklessly Establishes New Regions*, The Jakarta Post online edition, 6<sup>th</sup> May 2003, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20030506.F02>

<sup>18</sup> Bambang Brodjonegoro, *Fiscal Decentralization in Indonesia* in Hadi Soesastro, Anthony L. Smith, and Han Mui Ling, *Governance in Indonesia*, (Singapore: Institute of Southeast Asian Studies, 2003), p.297

<sup>19</sup> Republic of Indonesia Law 22/1999, *Law Regarding Regional Governance*, op. cit.

inevitably lead to the creation of more regulations which will require approval by central ministries. This causes two issues, firstly there will be delays in central approval for perfectly good regulations which act in the public interest and secondly the approval process may become compromised due to the volume of regulations it has to deal with and regulations which are less beneficial to the public interest or conflict with existing laws may be wrongfully approved<sup>20</sup>. In the first few months of 2001 alone MOHA received some 3,000 local regulations for approval, 100 of which were ultimately deemed to be problematic although it appears that no action was taken to actually withdraw these regulations<sup>21</sup>.

This problem is compounded by the fact that Law 32/2004 introduced legislation<sup>22</sup> stating that while the central government has 60 days within which to annul any new regulations which are submitted, the regulations actually become legally effective after just 15 days as long as no objections have been raised by this time<sup>23</sup>. The Jakarta Post reported in 2006 that MOHA had some 1,000 regulations before it for approval<sup>24</sup> so it appears that the appetite for the creation of new regulations is not subsiding to any great degree. More worrying still is the likelihood that this figure may also be just a fraction of the total number of regulations. Between 2001 and 2003, just 40% of local government regulations were even submitted to central government for review<sup>25</sup>. The remaining 60% one assumes were simply passed into the local statute books and implemented with no central review or approval. The continual creation of new districts ensures that this trend for the creation of new regulations will persist and MOHA will remain under severe pressure to fulfill its approval obligations.

The second point regarding the administrative pressures on central government relates to certain issues raised in the previous chapter. As has been mentioned Law

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<sup>20</sup> An estimated 1,000 'problematic' regulations were said to have been approved by 2006, Edy Priyono, *Handling Problematic Regional Regulations*, The Jakarta Post online edition, 8<sup>th</sup> June 2006, <http://www.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20060608.E02>.

<sup>21</sup> David Ray and Gary Goodpaster, *Decentralization in Indonesia: Local Autonomy, Trade Barriers and Discrimination* in Damien Kingsbury and Harry Aveling (eds.), *Autonomy and Disintegration in Indonesia*, (London: RoutledgeCurzon, 2003), p. 83.

<sup>22</sup> Republic of Indonesia Law 32/2004, *Law Regarding Regional Administration*, Article 145 (3), [http://www.gtzsfdm.or.id/documents/laws\\_n\\_regs/laws/2004/Law\\_32\\_2004\\_RegionalGovernance\\_EnglishVersion.pdf](http://www.gtzsfdm.or.id/documents/laws_n_regs/laws/2004/Law_32_2004_RegionalGovernance_EnglishVersion.pdf).

<sup>23</sup> David Ray and Gary Goodpaster, *Decentralization in Indonesia*, op. cit., p.83.

<sup>24</sup> Winarno Zain, *Decentralization Still Has a Long Way to Go*, op.cit.

<sup>25</sup> Edy Priyono, *Handling Problematic Regional Regulations*, op. cit.

32/2004 also introduced legislation requiring district budgets to be approved by the provincial governor and for the State Audit Agency (BPK) to audit district level accounts prior to the delivery of the district head's annual accountability speech to the local House of Parliament (DPD). The creation of new districts naturally increases the workload of the provincial and central offices that are responsible for these tasks and thus create problems in terms of the thoroughness and timeliness in carrying out these tasks. Despite the efforts of Law 32/2004, it appears that just 60% of districts are regularly audited by the BPK<sup>26</sup>.

The last point to make in regards to the central governments ability to effectively monitor the districts relates to corruption, collusion and nepotism (KKN). As mentioned in the previous chapter. One theme of decentralization has been the capture of local power by elite interests at the local level and this has also meant a transfer of KKN practices from central government to politicians and parliament at the local level<sup>27</sup>. That corrupt practices would flourish at the local level was predicted from the outset of discussions concerning decentralization, and in the case of North Sumatra, even the anticipation of the power and authority that decentralization would confer was enough to increase KKN. It was reported in 2004 that 'corruption became a serious problem in local state institutions soon after local autonomy became imminent'<sup>28</sup> in North Sumatra's local government institutions. As KKN has become decentralized, so the Attorney General's Office (AGO) has also had to decentralize its operations to a greater extent as a counter measure. The AGO now has some 365 district prosecutors' offices and 33 provincial prosecutor's offices, but these offices appear to be as prone to corruption as the local governments themselves. The Jakarta Post reported in May 2008 that some 40 of the district chief prosecutors were being replaced due to poor performance, failing to investigate and charge suspects in the minimum of three cases per month and in certain cases being implicated themselves in corruption cases<sup>29</sup>. The new districts present an increasing challenge in this area, they are as vulnerable if not

<sup>26</sup> World Bank, *Spending for Development*, op. cit., p.127.

<sup>27</sup> Vedi R. Hadiz, *Decentralisation and Democracy in Indonesia: A Critique of Neo-Institutionalist Perspectives*, (Southeast Asia Research Center Working Paper Series No. 47, City University of Hong Kong, www.cityu.edu.hk/searc, 2003), p.17.

<sup>28</sup> Richard Robison, and Vedi R. Hadiz, *Reorganising Power in Indonesia: The Politics of Oligarchy in an Age of Markets*, (London: RoutledgeCurzon, 2004), p.246.

<sup>29</sup> Abdul Khalik, *AGO Selects New Graft Fighters in Regions*, The Jakarta Post online edition, 14<sup>th</sup> May 2008, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20080514.H01>

more so to KKN than the old districts and thus stretch the resources of the AGO even further

The administrative impacts of the new districts can be seen in the lack of effective control that the central government seems to have over their creation and their activities once they have been created. As mentioned before, even with 292 districts monitoring and supervising the districts would have been a serious task, a 60% increase in this number has made the task many times more difficult and reduces the effectiveness of attempts to tighten the regulatory and supervisory framework that were introduced by Law 32/2004.

#### 4. Business and Trade

As stated in Chapter 2 one of the key aims of decentralization was to increase economic development in the regions which in turn would dampen the grievances which they felt towards the center. In 2002, just one year after the implementation of decentralization, Indonesia was the only Asian country to have been affected by the 1997 crisis where the real Gross Domestic Product (GDP) in 2002 was still below the pre-crisis levels and per capita GDP was similarly still below pre-crisis levels in 2003<sup>30</sup>. This pattern does not seem to have improved greatly under decentralization as McLeod (2005: 368) states that two key indicators of economic performance are the absolute and relative levels of investment neither of which, by 2005, had recovered to their pre-crisis levels. Absolute investment languished at some 80% of its pre-1997 level and relative investment was at just 18% of GDP compared to 30% pre-crisis. This lack of confidence from the investment community in post decentralization Indonesia can be attributed to a number of factors and these are compounded by the creation of new districts.

The first issue is that of to whom exactly investors should go to get their investments certified<sup>31</sup>. The lack of supporting regulations meant that there was little

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<sup>30</sup> Sidney Jones, *Political Update 2003: Terrorism, Nationalism and Disillusionment with Reform* in M. Chatib Basri and Pierre van der Eng (eds.), *Business in Indonesia: New Challenges, Old Problems*, (Singapore: Institute of Southeast Asian Studies, 2004), pp.40-41.

<sup>31</sup> Damien Kingsbury, *Unity in Diversity* in Damien Kingsbury and Harry Aveling, (eds.), *Autonomy and Disintegration in Indonesia*, (London: RoutledgeCurzon, 2003), p.100.

clarity concerning responsibility over which level of government had responsibility for this issue and the creation of new districts means that there is an ever changing regulatory and administrative framework that investors must be aware of. This is of special concern to foreign investors whose flight from the Asian markets was largely responsible for the 1997 economic crisis in the first place.

Secondly, investment decisions are dictated to some degree by the local taxation conditions and now that districts have the ability to raise their own local regulations there are a wide variety of local regulations that potential investors must deal with. The Indonesian constitution does not guarantee internal free trade and neither internal or foreign trade are reserved as the responsibilities of central government by Law 22/1999. Districts are thus free to impose tariffs and other protectionist measures that restrict free trade across the country. There has been a proliferation of these measures as influential local business interests have been able to directly or indirectly influence district legislatures to pass regulations to protect their interests against outside investors<sup>32</sup>. It has been reported that some 6,000 new tax and charge laws were created between 2000 and 2005 by the districts, many of which are harmful to the investment environment and as will be discussed in the next section, help to breed corruption at the district level<sup>33</sup>. These regulations have also increasingly been based upon ethnicity and have been as blatant as barring non local investment in certain sectors<sup>34</sup>. One jurisdiction, Batam Island, even went as far as attempting to ban ‘immigrants’ from other districts entering its territory<sup>35</sup>. One of the themes associated with the creation of new districts has been division based increasingly on ethnicity and religion and increasing favoritism in terms of employments, granting of licenses and concessions to ‘*putra daerah*’ – sons of the region/locality – those who draw their cultural heritage from that particular district. As such, the new districts help to create an increasingly challenging business environment where there are not only a myriad of differing local regulations to keep abreast of, but there are also regulations which restrict cross border activities and the ability to locate or conduct business in certain areas. These regulations have a harmful impact on the business environment in Indonesia and can be

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<sup>32</sup> David Ray and Gary Goodpaster, *Decentralization in Indonesia*, op. cit., pp.77-78.

<sup>33</sup> World Bank, *Spending for Development*, op. cit., p.126.

<sup>34</sup> David Ray and Gary Goodpaster, *Decentralization in Indonesia*, op. cit., p.77.

<sup>35</sup> World Bank, *Spending for Development*, op. cit., p.21.

said to be one contributing factor for the failure of the country to reach its pre crisis levels of investment.

A third issue related to the new districts and their effect on the business environment is the spread of KKN to the districts which occurred alongside decentralization. Corruption and bribery in modern day Indonesia has been described as the result of:

‘the education of the New Order, which was characterized by KKN, dishonesty and hypocrisy’ has impaired the Indonesian mentality and psyche’<sup>36</sup>  
and

‘a response to incentives created by a particular set of institutions, not permanent features of Indonesian government and society’<sup>37</sup>.

These two descriptions are somewhat opposed, the first, using a quote from Amien Rias, leader of the 28 million strong Muhammadiyah party from 1995-2000, lays the blame for corruption in Indonesian society at the door of the New Order government. Their institutionalization of corruption during 30 years of rule colored the Indonesian mentality to such an extent has caused some form of long term psychological conditioning in Indonesian which makes it an accepted if not integral part of the functioning of Indonesian governance and society.

The second definition, written some five years later eschews this argument in favor of KKN being a response to the current political situation and opportunities, rather than an inevitable hangover from the New Order era. This explanation of KKN fits well with the pattern that is being seen in the districts as the increase in the number of local taxes and regulations grants more opportunity for corruption at the local level. We can see the districts themselves as the ‘institutions’ and the taxes and regulations they create as the ‘incentives’ for officials to offer, and for companies to pay, bribes. The greater the number of districts, the greater will be the number of local regulations and thus the greater the opportunities for bribes to be extracted. This is of particular

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<sup>36</sup> Kees Van Dijk, *The Good the Bad and the Ugly: Explaining the Unexplainable: Amuk Massa in Indonesia* in Freek Colombijn and J. Thomas Lindblad (eds.), *Roots of Violence in Indonesia: Contemporary Violence in Historical Perspective*, (Singapore: Institute of Southeast Asian Studies, 2002) p.284.

<sup>37</sup> Richard Robison and Vedi R. Hadiz, *Reorganising Power in Indonesia*, op. cit., p.210.

relevance to new districts where regulations and tariffs can be created at natural boundaries between districts, affecting cross border trade. It is clear that the more districts that exist, the more boundaries there are and therefore the more charges that can be levied.

Each new tax or restriction on trade that is raised by a district government also provides the opportunity for officials in that district to extract bribes in return for non-payment or partial exemption from the charge<sup>38</sup>. Some 74% (1,333 out of 1,808) companies surveyed by Kuncoro in 2001 stated that they had paid bribes, averaging some 10.8% of production costs<sup>39</sup>. The actual total value of bribe payments are not reported to have increased since decentralization took place, rather that the bribes are paid in smaller amounts to a larger number of people now, and in essence corruption has become more participatory and democratized as a result of decentralization<sup>40</sup>. Despite the fact that the bribe values are not considered to have increased, the decentralization of KKN means that companies have to deal with more officials and a greater number of regulations in the course of paying these bribes, thus making the process more complex and more risky, especially in the eyes of foreign investors who may have an anti-bribery culture.

The three factors detailed in this section are not solely the result of the creation of new units. The new districts though exacerbate the problems in each case and should therefore be considered to be an important contributing factor towards the slow rate of economic recovery in Indonesia. While decentralization has brought some benefits to the country, in some ways, it can be said to have deprived the country of 'effective' government. This is based on a strictly economic definition of 'effective' government as follows

<sup>38</sup> Ari Kuncoro, *Bribery in Indonesia: Some Evidence From Micro-Level Data* in Bulletin of Indonesian Economic Studies, Vol. 40, No. 3, 2004, pp.329-354, p.334

<sup>39</sup> Ari Kuncoro, *Bribery in Indonesia*, op. cit., p.331.

<sup>40</sup> The extent of corruption is highlighted by the fact that in 2003 Transparency International Corruption Perception Index placed Indonesia at number 122 out of 133 countries surveyed and the country is considered to be one of the most corrupt in the world, see Hans Antlov, *Filling the Democratic Deficit: Deliberative Forums and Political Organizing in Indonesia* in Francis Kok Wah Loh and Joakim Ojendal (eds.), *Southeast Asian Responses to Globalization: Restructuring Governance and Deepening Democracy*, (Singapore: Institute of Southeast Asian Studies, 2005), p.237.

‘doing what is needed to achieve rapid growth – with the expectation that the benefits of growth will be widely spread amongst the population’<sup>41</sup>.

The price of democracy and decentralization appears to have been the replacement of a corrupt and authoritarian regime which was nevertheless able to provide the stability required to promote economic growth, with a corrupt and decentralized form of governance which has not yet been able to convince investors that it is sufficiently stable to be an attractive investment opportunity. The loss of state effectiveness is highlighted by a number of indicators in table 4 below, which also illustrates the gains Indonesia has made in political and civil liberties as a result of decentralization. In the table, reference should be made to the ‘Change’ column, where a ‘+’ represents improvement and ‘-’ represents decline. We can see that while rights and liberties have increased under decentralized governance, there has been significant decline in political stability, government effectiveness, regulatory quality, rule of law and control of corruption. These costs of decentralization must be weighed up against the advances in human rights and the impact they have on the nation as a whole.

The new districts are not solely responsible for the worsening indicators but as discussed earlier they do play an important role in making certain functions of central government more difficult. This certainly does not make the task of monitoring, evaluation and control of the districts any easier for the central authorities and the last section will look at the impacts of this loss of state effectiveness at the individual and community levels.

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<sup>41</sup> Ross H. Mcleod, *The Struggle to Regain Effective Government Under Democracy in Indonesia* in *Bulletin of Indonesian Economic Studies*, Vol. 41, No. 3, 2005, pp.367-386, p.368.

**Table 4: Indicators of State Effectiveness and Civil and Political Rights in Indonesia\* :**

Indicators	Year	Most Recent Value	Change	1996
Voice and Accountability (1)	2004	-0.44	+	-1.15
Political Stability (1)	2004	-1.38	--	-0.45
Government effectiveness (1)	2004	-0.36	--	0.18
Regulatory Quality (1)	2004	-0.42	--	0.27
Rule of Law (1)	2004	-0.91	--	-0.36
Control of Corruption (1)	2004	-0.90	--	-0.47
Corruption Perception Index (2)	2005	2.20	-	2.65
Physical Integrity Rights (3)	2005	1	-	3
Empowerment Rights (3)	2005	2	+	1
Civil Liberties (4)	2005	4	++	6
Political Rights (4)	2005	3	++	7

Source: Hossain Zillur Rahman, *Governance and state effectiveness in Asia*, (London: Department for International Development, 2006), p.23-25.

## 5. Interpersonal Security and Stability

It has been stated that ethnic violence has been a characteristic of political instability in Indonesia at each of the three points, or 'renegotiations', of the Indonesian national model<sup>42</sup>. These three occasions have been; i) the formalization of the unitary state, from independence to 1950; ii) the transition from Sukarno's 'Guided Democracy' to the New Order government from 1957-1968, and; iii) the 1998 fall of Suharto<sup>43</sup>. The creation of new regions is a factor in this most recent 'renegotiation' which has the effect of continually re-shaping Indonesia's territorial administration and can be seen to be helping to develop an environment where ethno-religious and

\* The indicators in this table can be read as follows: (1) World Bank data ranging from -2.5 to +2.5, a higher positive score indicates better performance, lower negatives scores worse performance; (2) Corruption Perception Index gives higher values for lower levels of corruption, lower values for higher levels of corruption; (3) Physical Integrity and Empowerment Rights are graded from 0 (no rights) to 8 (total rights); (4) Civil Liberties and Political Rights are graded from 1 to 7, higher values indicating lower levels of rights, lower values indicating higher levels.

<sup>42</sup> Jacques Bertrand, *Nationalism and Ethnic Conflict in Indonesia*, (Cambridge: Cambridge University Press, 2004), p.5.

<sup>43</sup> The widespread ethnic violence in the 1990's (some 10,000 people were killed in ethnic violence across Indonesia between 1997 and 2000) was considered to be a far more important threat to national stability than the isolated independence movements in Aceh and Papua, *ibid.*, pp.1-2.

communal tensions continue and in certain cases intensify. This has a significant impact on national stability and personal security within Indonesia

Violence has not been an uncommon characteristic of the creation of new regions. The International Crisis Group (ICG) states that the local power struggles that are a part of the creation of new regions (for example in North Maluku<sup>44</sup> and West and Central Sulawesi<sup>45</sup>) often intensify existing ethno-religious tensions which can be exploited by both outside forces and by local elite groups for their own ends. Even where violence has not occurred, new districts and provinces have often been created on the basis of ethno-religious 'we vs. them' scenarios which in many ways highlight the frailty of the nation itself. The division of the country into smaller units creates a foundation for conflict between the districts not only on ethno-religious grounds but also in terms of control over resources. Inter-district conflicts have broken out over a wide range of resources and responsibilities from garbage collection to access to water resources, fishing rights, sea-sand pits and salt deposits to even car safety testing<sup>46</sup>. Essentially any revenue generating activities that are tied to specific locations can, and in many cases have been used as tools to extract payments from neighboring districts. As the creation of new districts leads to these jurisdictions becoming ethnically and religiously differentiated from one another, there is perhaps more chance that these conflicts will occur as there is less cultural solidarity or understanding between the districts which could foster harmonious relations.

There are many explanations for ethnic violence in Indonesia, for example it is: i) the result of local grievances against state policies; ii) the product of local elite mobilization in their competition for resources and power, or; iii) the result of nationally based elites (the state, military and political opposition) acting as provocateurs to create instability to satisfy their own purposes<sup>47</sup>. The first of these explanations helps to create greater solidarity amongst groups which feel they have been unfairly treated at the expense of others and further divides society into mutually antagonistic groups. The second and third points are really subsidiary to this first issue,

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<sup>44</sup> Jacques Bertrand, *Nationalism and Ethnic Conflict in Indonesia*, op.cit., p.203.

<sup>45</sup> International Crisis Group Update Briefing (ICG) Asia Briefing No.64, *Indonesia: Decentralisation and Local Power Struggles in Maluku*, op. cit., p.1.

<sup>46</sup> World Bank, *Decentralizing Indonesia*, op. cit., p.21.

<sup>47</sup> Jacques Bertrand, *Nationalism and Ethnic Conflict in Indonesia*, op. cit., pp.6-7.

as these grievances can be used and manipulated by political actors at both national and local levels to harness popular support for their political goals.

The underlying causes of ethnic grievances though can be attributed to more fundamental elements than grievances against the state policies of the New Order government. A '*pemuda*' culture ('reckless behavior and intimidation of outsiders, of people who do not belong to the group') has existed in Indonesia since colonial times and has manifested itself with violent mob action being aimed at elite groups, known as '*dualat*' actions<sup>48</sup>. '*Pemuda*' culture has developed since its first expression in the 1940's into not only mob violence against elite groups, but against all outsiders and those who 'do not belong' based on ethnicity and religion. The violence in the 1990's and the current decade can be described as simply the continuation of this long tradition of mob violence. It has been stated that even in the face of international terrorism, for example the Bali bombings of 2002, the far greater concern for many Indonesians was local vigilantism<sup>49</sup>, as evidenced by the increasing number of public, mob led lynchings between 1998 and 2000<sup>50</sup>. Partially as a result of '*pemuda*' and '*dualat*', the use of private security forces became increasingly popular under the New Order government, by political parties, other organizations and private individuals. These forces, known as '*satgas*' play an important if not integral political role, not only providing protection for politicians and political property, but for mobilization to either encourage or repress popular protest depending on the specific circumstance<sup>51</sup>.

The key issue behind this culture of violence in Indonesia is exclusion and inclusion. Jacques Bertrand states that the Indonesia's national model excludes and marginalizes various groups based on ethnicity<sup>52</sup>. This was a cause of violence during the last of his three 'renegotiations', the 1998 fall of Suharto, which I would suggest is continuing today as Indonesian territory is being continually renegotiated via the creation of new districts and provinces. This exclusion vs. inclusion theory can be applied to communal violence in Indonesia since independence. The violence that

<sup>48</sup> Kees Van Dijk, *The Good the Bad and the Ugly*, op. cit., p.291.

<sup>49</sup> Sidney Jones, *Political Update 2003*, p.23.

<sup>50</sup> Freek Colombijn, *Maling Maling! The Lynching of Petty Criminals* in Freek Colombijn and J. Thomas Lindblad (eds.), *Roots of Violence in Indonesia: Contemporary Violence in Historical Perspective*, (Singapore: Institute of Southeast Asian Studies, 2002), p.302.

<sup>51</sup> Kees Van Dijk, *The Good the Bad and the Ugly*, op. cit., p.296.

<sup>52</sup> Jacques Bertrand, *Nationalism and Ethnic Conflict in Indonesia*, op. cit., pp.45.

characterized the first of Bertrand's 'renegotiations' was aimed against traditional leaders who had colluded with the Dutch, the rich, merchants and employers<sup>53</sup>. Essentially, anyone who had been 'included' in the colonial system and profited from it became the targets of the 'excluded' majority. In modern times we can see examples of ethnic violence being carried out against the economically dominant Chinese and against migrants who benefited from the government sponsored transmigration programs at the expense of local peoples. The New Order regime fostered a deepened sense of inclusion and exclusion along cultural, social and economical lines via its Java-centric, authoritarian rule which has been described in Chapter 2. The frustrations resulting from this marginalization resulted in the outbreak of communal violence in the 1990's which decentralization was to a certain extent aimed at stopping.

The ability to create new districts though gives these grievances more room for expression as marginalized groups, or at least groups that perceive themselves to be marginalized, are able to stake out their own territories in which they can become economically and culturally 'included' and share the economic and political spoils that 'inclusion' brings. These spoils were the privilege of the few in the pre-decentralization era and would suggest that what decentralization and the new regions have done is open up these spoils to a broader section of the Indonesian populace. Existing sentiments of inclusion and exclusion, whether based on ethnicity, religion, socio-economic status or political representation have been used as tools for the mobilization of the public support required to gain these spoils

## 6. Conclusion

Other than the first of the financial impacts, that the creation of new districts reduces the overall DAU pool that can be distributed to all regions, all of the factors that have been discussed in this chapter have to be seen within the wider context of decentralization. Even without the creation of new districts, there would still be an issue regarding unspent balances and the central line ministries would still be supplementing district expenditure in the regions. Similarly, the administrative problems of monitoring and supervising the districts and the excessive restrictions on

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<sup>53</sup> Kees Van Dijk, *The Good the Bad and the Ugly*, op. cit., p.290.

trade and investment are not simply a result of the creation of the new districts. What the new districts do though is exacerbate and complicate each of these factors and contribute to the loss of effective governance that is alleged by Mcleod and suggested by Table 4 above.



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## CHAPTER V

### CASE STUDIES: NORTH SUMATRA AND PAPUA/WEST IRIAN JAYA PROVINCES

#### 1. Introduction

This final chapter will attempt to address two key issues surrounding the creation of new districts, the motivations behind their creation and their ability to provide two key services, education and health. Three case studies will be presented to highlight some of the themes which have been discussed during the earlier chapters of this report. The three provinces chosen for case studies are North Sumatra and Papua and West Irian Jaya\*. These provinces have been selected due to the contrasts which they offer in terms of their geographic and social-economic characteristics and their historical relations with the Republic of Indonesia (see Appendix 16 for a comparison of the provinces). The differences between these provinces means that their new districts exhibit a wide range of the pros and cons which have been discussed earlier in this report and provide good examples of the arguments in favor of and against the creation of new units. As a brief introduction, North Sumatra province saw 6 new districts created in the period between 1999 and 2005, while Papua/West Irian saw 19 new districts created and in addition, the province of West Irian Jaya was split from Papua province in 2003.

Education and health services have been chosen from the eleven obligatory services for which the districts bear responsibility as these have the most obvious and immediate impacts upon the public. These services are key for development and have certain measurable characteristics that allow performance in service provision to be assessed.

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\* The creation of new districts in Papua/West Irian Jaya provinces took place before Papua was divided into the two separate provinces and they shall be discussed together in this report, rather than as individual provinces.

Education policy in Indonesia has focused on increasing the breadth of coverage of education services and has achieved considerable success, increasing enrolment rates as follows:

**Table 5: Gross Enrolment Rates in Indonesia**

Level of Education	1970	2005
Primary	80%	107.1%
Junior Secondary	16%	81.7%
Senior Secondary	16%	52.9%

Source: World Bank, *Spending for development: making the most of Indonesia's new opportunities: Indonesia public expenditure review*, (Washington, D.C., World Bank 2008), p.29

The country has a target of 100% enrolment at the primary level and 96% at the secondary levels by 2009<sup>1</sup>. Within this system though, the quality of education is low and education infrastructure is deteriorating<sup>2</sup>. These points are highlighted by the fact that only 55% of primary and 73% of secondary school teachers have the minimum qualifications as set by the government and only 44% of classrooms satisfy the minimum standards<sup>3</sup>. Indonesia has a very low student to teacher ratio, 20:1 and 14:1 at primary and secondary levels respectively. These ratios are way below both the national policy guidelines, of 40:1 and 28:1, and the averages for other countries in the region (31:1 and 25:1)<sup>4</sup>. They suggest inefficiencies within the system and can be considered to be both a cause and effect of the high rates of teacher absenteeism from which the system suffers<sup>5</sup>. Absenteeism is a product of a number of factors, such as the physically poor conditions of schools (especially in remote areas) and low salaries within the profession which has meant that many teachers have traditionally had a second job with which to supplement their income. Absenteeism has meant that many more teachers have to be employed to cover the gaps left the absentees, many of whom are part time

<sup>1</sup> World Bank, *Spending for Development: Making the Most of Indonesia's New Opportunities: Indonesia Public Expenditure Review*, (Washington, D.C., World Bank, 2008), p.29.

<sup>2</sup> World Bank, *Investing in Indonesia's Education: Allocation, Equity and Efficiency of Public Expenditures*, <http://siteresources.worldbank.org/INTINDONESIA/Resources/Publication/280016-1152870963030/InvestEducationIndo.pdf>, 2007, p.3.

<sup>3</sup> Ibid., p.4.

<sup>4</sup> World Bank, *Spending for Development*, op. cit., p.42.

<sup>5</sup> At the primary level, absenteeism runs at around 19%, meaning that one out of five teachers is absent at any given time, *ibid.*, p.20

and under-qualified for their positions. It is ironic that whilst there appears to be a surplus of teaching staff that there is a ‘chronic’<sup>6</sup> undersupply of teachers in remote areas. Urban areas are oversupplied by 68%, rural schools by 52% whereas 66% of schools in remote areas are undersupplied<sup>7</sup>. The focus of education policy appears to be shifting towards quality improvement, largely through financial incentives for teachers to improve their qualifications and to re-locate to the neediest areas.

Health services in Indonesia suffer from similar problems to the education system in that the overall quality of the system is low, the infrastructure is inadequate and there is an insufficient supply and distribution of qualified health personnel<sup>8</sup>. While the education sector attracts the highest proportion of government spending, the health sector accounts for less than 5% of total government spending and is financed primarily through private spending<sup>9</sup>. The public perception of the quality of the system can be gauged by the fact that utilization of state health facilities between 2001 and 2005 fell from 53% to 34%<sup>10</sup>. In terms of personnel and facilities, the national ratios for number of doctors, nurses and midwives per capita in Indonesia are low in relation to comparable statistics from neighboring countries and are shown below.

**Table 6: Number of Doctors, Nurses and Midwives in Indonesia**

	Number of Doctors	Doctors per 100,000	Number of nurses	Nurses per 100,000	Number of Midwives	Midwives 100,000
2003	29,499	13	135,705	62	44,254	20

Source: World Bank, *Spending for development*, op. cit., p.45.

Within this context the biggest problem facing the health sector is not considered to be the lack of funding or even the distribution of funding between the districts, but rather the efficient use of funds at the district level, and in many cases the use of them at all<sup>11</sup>.

<sup>6</sup> Ibid., p.43.

<sup>7</sup> World Bank, *Investing in Indonesia's Education*, op.cit., p.18. The national averages are that 55% of all schools are oversupplied with teachers, 34% are undersupplied.

<sup>8</sup> World Bank, *Spending for Development*, op. cit., p.69.

<sup>9</sup> 65% of the health system's funding comes from private spending (household expenses, insurance, private enterprise, NGO's), 2% from foreign aid, with the remaining 33% being made up of government spending, see World Bank, *Investing in Indonesia's Health: Challenges and Opportunities for Future Public Spending*, [http://siteresources.worldbank.org/INTINDONESIA/Resources/Publication/280016-1200376036925/HPER\\_ENG2008.pdf](http://siteresources.worldbank.org/INTINDONESIA/Resources/Publication/280016-1200376036925/HPER_ENG2008.pdf), 2008, p.45.

<sup>10</sup> World Bank, *Spending for Development*, op. cit., p.61.

<sup>11</sup> World Bank, *Investing in Indonesia's Health*, op. cit., p.46.

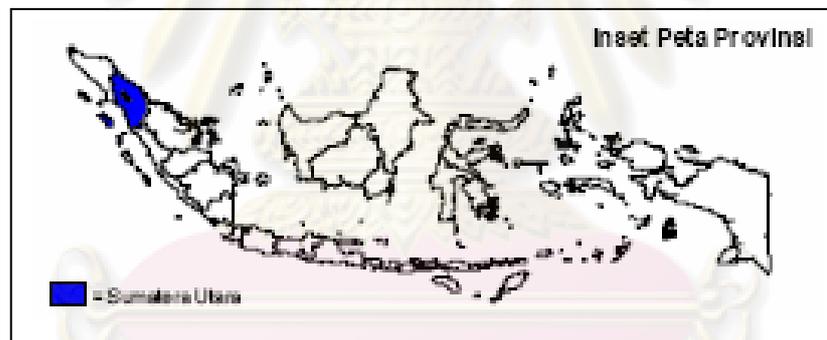
This chapter will proceed with an analysis of the motivation to create new districts and the provision of services in these districts in each of the three provinces, North Sumatra, Papua and West Irian Jaya individually.

## 2. North Sumatra

### a) Introduction

North Sumatra has been chosen as a case study as in contrast to Papua and West Irian Jaya, its new districts were created through local rather than central government initiative. North Sumatra province is located in the far North West of the Indonesian archipelago, bordered to the north by Aceh and West Sumatra and Riau provinces to the south. The province's location within the Indonesian archipelago is highlighted in Figure 2 below, and a detailed district level map is given in Appendix 17.

**Figure 2: Location of North Sumatra Province**



Source: <http://www.seasite.niu.edu/>

North Sumatra is the most populous of the 'outer island' provinces with a population of some 12.6 million (2006) which is mainly comprised of the Batak ethnic group who are indigenous to the province (41.95%) followed by Javanese (32.62%)<sup>12</sup>. The Bataks themselves are further subdivided into a number of ethnic sub-groups and have traditionally been characterized as aggressive, direct and flamboyant by nature<sup>13</sup>,

<sup>12</sup> Leo Suryadinata, Evi Nurvidya Arifin and Aris Ananta, *Indonesia's Population: Ethnicity and Religion in a Changing Political Landscape*, (Singapore: Institute of Southeast Asian Studies, 2003), p.14.

<sup>13</sup> They are 'aggressive' to the extent that the Bataks were known as the original 'head-hunters' of Sumatra, a characteristic that was noted as early as the 5<sup>th</sup> Century BC by the Greek historian Herodotus. Their cannibalism died out as the result of widespread conversion to Christianity in the 19<sup>th</sup>

almost the exact opposite of the stereotypical Javanese character (as outlined in Chapter 2). While their bravery and warrior tradition has led many Bataks to achieve high ranking military positions, their apparent lack of cultural sophistication has led them to be considered as characterized as ‘workers not thinkers’<sup>14</sup>.

Economically the province has been one of the agricultural powerhouses of Indonesia, with both tobacco and coffee plantations historically being the main sources of employment and prosperity in the province. The plantations also account for the high level of Javanese in the province as many were either recruited or voluntarily migrated to the province in to provide labor.

Prior to decentralization the province was comprised of nineteen districts; thirteen regencies and six cities. Since 1999, the province has undergone division on three separate occasions in which six new districts (1 city and 5 regencies) have been created, see table 7 below.

**Table 7: Creation of New Districts in North Sumatra**

Year/ Law	Before Split	After Split	Pop'n	Area (km. <sup>2</sup> )	Pop'n Density
2001/ UU4	South Tapanuli	South Tapanuli	629,212	12,164	52
		<b>Padang Sidempuan (a)</b>	<b>181,865</b>	<b>115</b>	<b>1,586</b>
2003/ UU9	Nias	Nias	442,019	3,495	126
		<b>South Nias</b>	<b>271,026</b>	<b>1,626</b>	<b>167</b>
	Dairi	Dairi	267,629	1,928	139
		<b>Pakpak Barat</b>	<b>34,822</b>	<b>1,218</b>	<b>29</b>
	North Tapanali	North Tapanali	256,444	3,765	68
		<b>Humbang Hasundutan</b>	<b>152,757</b>	<b>2,297</b>	<b>66</b>
2003/ UU36	Toba Samosir	Toba Samosir	169,116	2,352	72
		<b>Samosir</b>	<b>130,662</b>	<b>2,434</b>	<b>54</b>
	Deli Serdang	Deli Serdang	1,634,115	2,486	657
		<b>Serdang Bedagai</b>	<b>605,630</b>	<b>1,913</b>	<b>317</b>

Note: The six new districts are highlighted in bold font and shading

Source: BPS website at <http://sumut.bps.go.id> and laws 4/2001, 9/2003 and 36/2004

Century, although reports of the practice continuing do apparently surface from time to time, see Lee Khoon Choy, *A Fragile Nation: The Indonesian Crisis*, (Singapore: World Scientific, 1999) pp.268-269.

<sup>14</sup> Lee Khoon Choy, *A Fragile Nation*, op. cit., pp.267-268.

### b) The Motivation to Create New Districts

If population and physical characteristics are taken into account it appears clear that population density rather than large population or large area is the key determinant of whether a district has been divided or not (see Appendix 18). The effect of division has generally been to increase the population density of the original district (achieved by creating the new district out of the physically larger but least densely populated parts of the existing district) and the changes in population density are shown in table 8 below. This means that the local government in the original district has a smaller and more concentrated population to cater its services for and thus service provision should be made easier.

**Table 8: Impact of Division on the Population Density of Districts in North Sumatra**

District	Population Density		Pop Density Change
	Before division	After division	
Deli Serdang	509.1	657.3	+148.2
Nias	139.2	126.5	-12.8
Dairi	96.1	138.8	+42.7
North Tapanuli	67.5	68.1	+0.6
South Tapanuli	66.1	51.7	-14.3
Toba Samosir	62.6	71.9	+9.3

Source: BPS website at <http://sumut.bps.go.id>

This should similarly improve the actual quality of services, as the reduction in overall population should increase per capita spending on services. As a consequence of the increase in population density in the old district, the new one will naturally have a lower population density but will also have a new district capital, in effect a new service center. This should again increase the per capita spending on services and the ability of the services to reach a higher proportion of the district's residents. This may be compromised to some extent by the low population density but the fact that creating a new district automatically means the creation of a new capital/service center should be a step towards facilitating better access to services for more people. We could therefore suggest that the creation of new districts in North Sumatra has taken place in order to enhance service provision in the areas where the population is thinly scattered

There also appears to be a strong ethnic bias behind whether districts split or not. As shown in Appendix 19, districts with a low proportion of ethnic Javanese inhabitants are more likely to divide into new districts. It is consistent with this that the districts which have been divided in North Sumatra also have low proportions of Muslims<sup>15</sup> and migrants and are have low levels of urbanization. As new districts have been created in areas with low numbers of Javanese, it could be suggested that they have been done so in order to increase representation for indigenous ethnic groups, or to consolidate control over agricultural resources by indigenous ethnic groups. While the province has no significant mineral resources<sup>16</sup>, the plantations have assumed their role in the scramble for control over economic resources in decentralized North Sumatra as sub-provincial politicians have been ‘particularly concerned to ensure local control over revenue from the plantations sector as well as independence in introducing new levies’<sup>17</sup>.

An analysis of revenues in the new districts show that resource revenues are indeed insignificant (as they are across the whole province) and that the new districts have higher than average proportions of their income coming from the general allocation grant (DAU), amounting to between 85% to 74% of their total revenue, compared to a district wide average of just 65% (see Appendix 23). This may suggest that they have been created with the sole purpose of obtaining this source of funding, rather than securing control over economically strong agricultural resources but the provincial average is distorted to a large extent by the inclusion of Medan in the figures. This provincial capital’s DAU grant only accounts for 38% of its revenues<sup>18</sup> and if this

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<sup>15</sup> As a large proportion of the Batak population are Protestant Christian, it is no surprise that a low proportion of Javanese in these districts has meant that they have low proportions of Muslims. In 2000, North Sumatra’s population was 31.4% Christian, and 65.45% Muslim. This percentage of Muslims was lower than both the national average (88.22%) and outer island average (76,23%), see Leo Suryadinata, Aris Ananta and Evi Nurvidya Arifin, *Indonesian Electoral Behaviour: A Statistical Perspective*, (Singapore: Institute of Southeast Asian Studies, 2004), p.13.

<sup>16</sup> As mentioned in chapter 2 Indonesia’s resources are highly localized and in 2006 only 62 out of the total 440 districts actually produced oil and gas and these were mostly concentrated in just 5 out of the 33 provinces, see World Bank, *Spending for Development*, op. cit., p.122.

<sup>17</sup> Vedi Hadiz, *Reorganizing Political Power in Indonesia: A Reconsideration of So-Called ‘Democratic Transitions’* in Maribeth Erb, Priyambudi Sulistiyanto and Carole Faucher (eds.), *Regionalism in Post-Suharto Indonesia*, (London: RoutledgeCurzon, 2005), p.45.

<sup>18</sup> Medan City district has a population of over 2 million and thus has a large human resource base from which to raise taxes. 41% of Medan’s 2004 revenue came from its own taxes and shared taxes. As Medan is also the provincial capital it receives funding from the Provincial Government which amounted to 16% of its 2004 revenue. For the DAU to be low in Medan shows that the formula driven aspect of the DAU calculation is working as it should do, balancing inequalities between resource rich

city is excluded, the % of DAU as a component of total revenue increases to 73% and the level dependence of the new districts on the DAU does not appear to be significantly higher than the old districts. Given this fact it appears that the new districts have not been created with the sole intention of receiving central government grants

A number of interesting points come out of an analysis of expenditure patterns for the new districts. Firstly, it was mentioned in Chapter 4 that spending on personnel expenses of over 65% of the total expenditures is considered to be 'problematic' by AKPASI and this was a characteristic of some 20% of all districts. Appendix 20 shows that none of the new districts breach this 'problematic' level and generally speaking are in line with the ratio at provincial level. As such, the civil services of the new districts do not appear to suffer from 'bloating' in terms of the amount of expenditure they attract relative to other districts. An interesting point though is raised by the comparison of spending on personnel expenses per capita (i.e. the total district population) between the new districts and the provincial average, The pattern here appears to be that the per capita spending on personnel is higher in the new districts and again this could have two possible hypotheses. Firstly that their civil services may in fact be larger than actually necessary and there is an element of bureaucratic rent seeking involved, or secondly that the higher per capita spending levels reflect a genuine desire by the district to increase the number of official personnel dedicated to service provision (it is just as well to remember that personnel expenses cover all civil servants in the fields of education, health and other public services, not just administrative and managerial positions) as a means to enhancing the effectiveness of these services. It is not possible to conclude on the basis of the evidence available here which of these may be correct.

Secondly, while there is no data for the size of the local civil service as a whole, the size of the local House of Representatives (DPD), for the new districts can be measured against the provincial average. The new districts have smaller DPD's in terms of total number of members, but when this DPD is compared to the district population, it appears that the new districts have a far higher number of DPD members than the provincial average. This suggests that the new districts are less economical to operate as

they inevitably lead to districts having lower populations (both the new district and the one from which it split) but still require the core structure of local government.

A final point is that new districts have been suggested to spend a disproportionately high amount on Government administration and it would appear from the evidence in Appendix 21 that may be true to some extent in North Sumatra. This is especially clear when looking at the per capita expenditure on government administration. There are inevitably some 'set up' costs associated with creating a new district, for example for the construction of new government offices and staff recruitment and the suggestion has been that service provision suffers as funds are diverted to these types of expenditure. The relative levels of spending on health and education in the new districts will be addressed in the following section

### **c) North Sumatra - Education**

In terms of expenditure, the average district spending on education in North Sumatra is at 52% of Routine expenditures and 8% of Development expenditures, being slightly higher and lower than the national averages in each case. Total and per student spending patterns showed marked variations between the new districts. This is perhaps indicative of the trend highlighted by the World Bank that regional disparities are to be expected in a country as diverse as Indonesia and these disparities are actually more pronounced at the district level within provinces than they are at the provincial level<sup>19</sup>. There is no discernible correlation between the spending levels of the new districts compared with the provincial average and thus it is not possible to draw any conclusion as to whether the new districts are spending more or less than the old districts, spending patterns appear to be specific to the individual districts.

Appendix 22 highlights that the new districts have higher average enrolment rates than the old districts and the provincial averages for all levels of compulsory education. (The very high enrolment ratio at Primary level appears to be due to data issues which are explained in Appendix 22). It appears therefore from these figures that the new districts may actually be benefiting the provision of education services by increasing the accessibility of enrolment rates.

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<sup>19</sup> World Bank, *Investing in Indonesia's Education*, op.cit., p.3.

Student teacher ratios highlight the trend that has been mentioned above for there to be an oversupply of teaching staff. The consolidated ratio of teaching staff for the new districts at all levels of education (primary and secondary) is 17.7 and appears to be in line with the ratio for the old districts and for the province as a whole (these figures are also in line with the national averages shown earlier). It would seem that the new districts suffer from oversupply and also from high levels of absenteeism which can be inferred by comparing the teacher/student ratio with the students/class ration which is far higher in each case. This problem though cannot be said to be specific to the new districts as they are in line with the provincial average, rather that the new districts are symptomatic of a nationwide trend.

Thus, while by having higher enrolment ratios than the old districts the new districts may be increasing the reach of education services, they appear to be doing so at some cost, as they appear to exacerbate the problems of teacher oversupply and absenteeism.

#### **d) North Sumatra – Health**

In terms of spending on healthcare facilities, Appendix 23 shows that the levels of spending on health are low in the new districts but not significantly lower than the provincial average across all districts. This can be said to be true for both the proportion of expenditure that is allocated to healthcare and for healthcare spending per capita.

Appendix 23 also shows the number of health facilities and healthcare personnel per 100,000 people in the new districts, old districts and an average across all districts in the province. The results are somewhat mixed but we can see that while the new districts have a lower proportion of private hospitals, BPU clinics pharmacies, they actually have higher per capita proportions of most categories of healthcare facilities. Therefore it appears that there is not really a shortfall in the overall number of health facilities in the new districts, but there may be an issue regarding the quality of these facilities. As stated previously, by 2005, 66% of Indonesians were using private health services as opposed to public ones largely due to the lack of government spending and lack of quality in the government hospitals. For the new districts to have such a low proportion of private hospitals compared to the old districts would therefore suggest that

the residents of these districts have fewer options available in terms of their healthcare providers and may have to settle for poor quality services as these are all that are available to them.

The personnel data mirrors the pattern for health facilities as the new districts have a greater proportion of government hospitals and clinics and accordingly have a higher proportion of doctors and clinic assistants than the old districts. They do though have lower proportions of specialist doctors, dentists and pharmacists which may again suggest a lack of quality in terms of the specialist skills available within these districts.

### 3. Papua/West Irian Jaya

#### a) Introduction

Papua and West Irian Jaya provinces have been chosen as they represent a clear example of what has emerged as maybe the key issue in Indonesian development and decentralization, that while the provision of financial resources is important, it is the actual way in which these resources are used that has the greatest impact on development. Papua was the second richest province in Indonesia prior to decentralization and saw its revenues double in 2001, the first year that decentralized funding was implemented<sup>20</sup>. This revenue boost was further compounded by special autonomy which was said to again triple provincial income in 2002<sup>21</sup>. In contrast to this revenue stream, Papua still has the highest rates of poverty (around 40%) in Indonesia and low levels of service provision and utilization. Some 33% of children do not attend school and nine out of 10 villages have no access to even basic health facilities<sup>22</sup>. To highlight these problems and additional section will be added to this discussion of Papua/West Irian Jaya, a brief case study of Mimika district in Papua province.

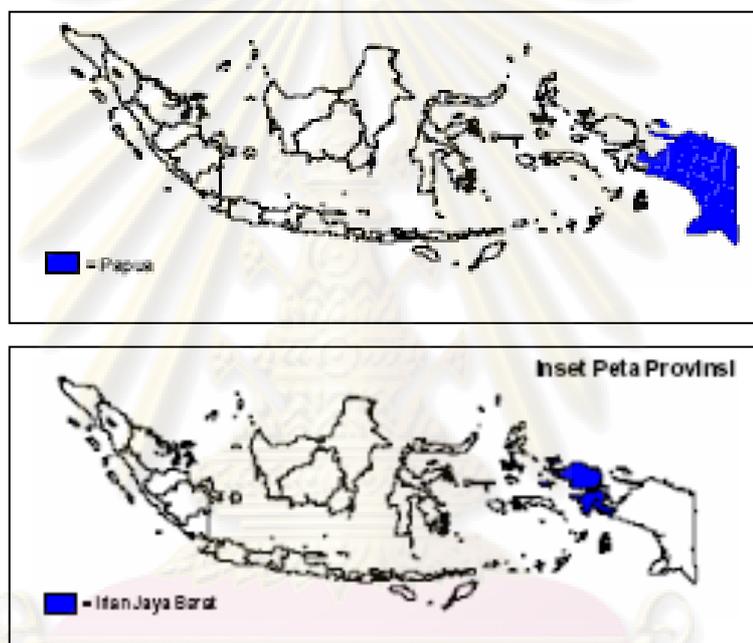
<sup>20</sup> World Bank, *Papua Public Expenditure Analysis Overview Report: Regional Finance in Indonesia's Most Remote Region*, [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2005/11/09/000160016\\_20051109174219/Rendered/PDF/34046a10IND0Public0e\\_xpenditure01PUBLIC1.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2005/11/09/000160016_20051109174219/Rendered/PDF/34046a10IND0Public0e_xpenditure01PUBLIC1.pdf), 2007, p.1.

<sup>21</sup> International Crisis Group (ICG) Update Briefing, Asia Report No.39, *Indonesia: Resources and Conflict in Papua*, [http://www.crisisgroup.org/library/documents/report\\_archive/A400774\\_13092002.pdf](http://www.crisisgroup.org/library/documents/report_archive/A400774_13092002.pdf), 2002, p.8.

<sup>24</sup> World Bank, *Papua Public Expenditure Analysis Overview Report*, op. cit. p.1.

The two provinces are located at the easternmost point of the Indonesian archipelago as per Figure 3 below (see Appendix 24 for a district level map of the province). The provinces suffer great problems in terms of their ability to provide effective services due to the local topography and the exceptionally low population densities which averaged around 10 persons per sq. km, prior to decentralization. The two provinces comprise around 22% of the total area of the country yet account for just 1% of its population.

**Figure 3: Location of Papua and West Irian Jaya Provinces**



Source: <http://www.seasite.niu.edu/>

The vast and mountainous interior means that many communities are cut off not only from each other, but also from the reach of local government and its ability to provide services. Around 312 distinct ethnic groups with 250 mutually unintelligible languages are said to exist, with many further sub-divisions at the tribal level and as such it is considered to be one of the most diverse areas in the world<sup>23</sup>. Largely due to their isolation and the tribes of Papua have a long history of conflict and warlike behavior which still surfaces today, especially in areas where different tribal groups have been

<sup>23</sup> World Bank, *Papua Public Expenditure Analysis Overview Report*, op. cit., p.5.

brought into closer contact with each other such as the urban areas and the centers of mining activity.

Economically the provinces are renowned for their mineral resources, but on average resource sharing revenues make up just 2-5% of district revenues in Papua as the resources are located in just a few districts, most of which in what has become West Irian Jaya province<sup>24</sup>. The concentration of resources can be seen with reference to Figure 4 which shows the distribution of mineral resources in the two provinces. Even the presence of resources in a district is no guarantee that there will be any benefit to the local population as the example of Mimika district, home to the PT Freeport mine will show later on.

**Figure 4: Location of Mineral Resources in Papua and West Irian Jaya**



Source: [http://www.reliefweb.int/rw/fullMaps\\_Sa.nsf/luFullMap/3E7B032D0567EEB385256DBA007B3A0C/\\$File/rw\\_idnPapua091003.pdf?OpenElement](http://www.reliefweb.int/rw/fullMaps_Sa.nsf/luFullMap/3E7B032D0567EEB385256DBA007B3A0C/$File/rw_idnPapua091003.pdf?OpenElement)

<sup>24</sup> Ibid., p.26.

Originally just one province, Papua was split into Papua and West Irian provinces in 2003. The creation of new districts has taken place on three occasions, in 1999, 2002 and 2003 (as shown in table 9 below) and this has increased the total number of districts from ten to a current level of twenty.

**Table 9: Creation of New Districts in Papua/West Irian Jaya**

Year/ Law	Before Split	After Split	Pop'n	Area (km. <sup>2</sup> )	Pop'n Density
1999/ UU45	Sorong	Sorong (WIJ)	194,171	54,066	4
		<b>Kota. Sorong (a) (WIJ)</b>	<b>162,703</b>	<b>1,105</b>	<b>147</b>
	Paniai	Nabire (P)	161,519	16,312	10
		<b>Paniai (P)</b>	<b>112,881</b>	<b>14,215</b>	<b>8</b>
		<b>Mimika (P)</b>	<b>126,430</b>	<b>20,040</b>	<b>6</b>
	<b>Puncak Jaya (P)</b>	<b>111,711</b>	<b>10,852</b>	<b>10</b>	
2002/ UU26	Sorong	Sorong(WIJ)	95,061	18,170	5
		<b>South Sorong (WIJ)</b>	<b>59,240</b>	<b>29,811</b>	<b>2</b>
		<b>Raja Ampat (WIJ)</b>	<b>39,870</b>	<b>6,085</b>	<b>7</b>
	Fak-Fak	Fak-Fak (WIJ)	64,380	14,320	4
		<b>Kaimana (WIJ)</b>	<b>40,550</b>	<b>18,500</b>	<b>2</b>
	Manokwari	Manokwari (WIJ)	166,322	14,449	12
		<b>Teluk Bintuni (WIJ)</b>	<b>51,783</b>	<b>18,658</b>	<b>3</b>
		<b>Teluk Wondana (WIJ)</b>	<b>22,293</b>	<b>4,996</b>	<b>4</b>
	Jayapura	Jayapura (P)	91,990	15,309	6
		<b>Sarmi (P)</b>	<b>31,593</b>	<b>25,902</b>	<b>1</b>
		<b>Keerom (P)</b>	<b>37,927</b>	<b>9,365</b>	<b>4</b>
	Jayawijaya	Jayawijaya (P)	210,654	12,680	17
		<b>Pegunungan Bintang (P)</b>	<b>88,529</b>	<b>16,908</b>	<b>5</b>
		<b>Yahumiko (P)</b>	<b>137,260</b>	<b>15,771</b>	<b>9</b>
		<b>Tolikara (P)</b>	<b>44,180</b>	<b>8,816</b>	<b>5</b>
	Yapen Waropen	Yapen Waropen (P)	70,744	3,131	23
		<b>Waropen (P)</b>	<b>21,647</b>	<b>24,628</b>	<b>1</b>
	Merauke	Merauke	155,783	43,979	4
		<b>Boven Digeol (P)</b>	<b>31,443</b>	<b>28,471</b>	<b>1</b>
		<b>Mappi (P)</b>	<b>66,228</b>	<b>27,632</b>	<b>2</b>
<b>Asmat (P)</b>		<b>62,002</b>	<b>18,976</b>	<b>3</b>	
2003/ UU35	Biak Numfor	Biak Numfor (P)	99,798	2,360	42
		<b>Supiori (P)</b>	<b>12,709</b>	<b>775</b>	<b>16</b>

Note: The six new districts are highlighted in bold font and shading

Source: <http://www.papua.go.id/bps/> and <http://irjabar.bps.go.id/>.

### b) The Motivation to Create New Districts

The creation of new districts in these provinces is particularly interesting because of the way in which the process has been conducted. In addition to the factors mentioned previously for North Sumatra, long term planning from the central

government must be taken into account. The division of Papua into six provinces was recommended as early as 1984 in a report from a commission sent to Papua to assess development needs by President Suharto<sup>25</sup>. Provinces require a minimum number of districts (three under Law 22/1999 and five under Law 32/2004) and thus if these new provinces are to be created, new districts must also be created to fulfill the administrative requirements. If we look at the timing of the creation of new districts in Papua, a pattern emerges to support this argument.

The first four of the new districts to be created Sorong City, Mimika, Paniai and Puncak Jaya, were done so as part of Law 45/1999, the same law which provided for the creation of West Irian Jaya and Central Papua provinces (to date, Central Papua still has not been created and these districts remain in Papua province - see Appendix 25 for more details surrounding the division of Papua). The creation of these districts increased the total number of districts in Papua to fourteen and would have been split as follows:

**Table 10: Proposed Division of Papua into Three Provinces**

West Irian Jaya province	Central Papua province	Papua province
Sorong City (new)	Paniai	Puncak Jaya (new)
Fak-Fak	Mimika(new)	Jayapura
Sorong	Yapen Waropen	Jayapura
Manokwari	Biak Numfor	Merauke
	Nabire (new)	Jayawijaya

Source: <http://www.papuaweb.org/goi/pp/peta-hr.pdf>

The majority of the new districts in Papua and West Irian Jaya were created by Law 26/2002. This law appears to have been ‘part of a plan to divide the province into three provincial administrations’<sup>26</sup>. As the Minister of Home Affairs, Hari Sabarno, stated at the time:

‘The new regencies and the mayoralty are formed to accommodate the people's political aspirations and to implement the policy on decentralization,’<sup>27</sup>

<sup>25</sup> The recommendation was based on the goal of quickening the pace of development in Papua, see International Crisis Group (ICG) Update Briefing, Asia Briefing No.9, *Dividing Papua: How Not To Do It*, [http://www.crisisgroup.org/library/documents/report\\_archive/A400941\\_09042003.pdf](http://www.crisisgroup.org/library/documents/report_archive/A400941_09042003.pdf), 2003, p.2.

<sup>26</sup> Kurniawan Hari, *House Endorses New Regencies in Papua*, The Jakarta Post online edition, November 13<sup>th</sup>, 2002, <http://www.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20021113.D08>

<sup>27</sup> Ibid.

The timing of this division is also notable. While these fourteen new districts were not necessarily required to fulfill the administrative requirements to create West Irian Jaya and Central Papua (this had already been achieved by the four districts created in 1999), it came just two months before president Megawatti re-instated Law 45/1999 and a year after the Special Autonomy Law had been passed. The Special Autonomy Law enhanced the role of the province both financially and administratively and in 2002 Megawatti received a delegation of 300 Papuans calling for a re-drawing of provincial boundaries. This would suggest that the division of Papuan districts in 2002 was not done simply to facilitate the division into three provinces, but the further division into a total of six provinces, which was the original government recommendation. Currently four new provinces have been proposed for Papua and the creation of these districts in 2002 can be seen as laying the administrative foundations for these new provinces to be created.

Thus, the motivation behind the creation of new districts in Papua may differ to a certain extent from North Sumatra as it appears there were more fundamental long term goals behind their creation. The division of Papua can also be seen as having been done primarily to create manageable sized districts in which the district authorities can actually access their population and vice versa. Prior to division they could be characterized as 'huge areas, impossible to manage properly'<sup>28</sup> and to an extent, this description is probably still true even after the new districts had been created\*. As with North Sumatra the trend has been for division to increase population density with the aim of improving the ability of government services to reach the public\*\*. This is highlighted in table 10 on the following page. The creation of new districts in Papua would appear to be less effective in terms of allowing greater access to services than in North Sumatra though, a consequence of the geography of the province and its low overall population.

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<sup>28</sup> Muriel Charras, *The Reshaping of the Indonesian Archipelago After 50 Years of Regional Imbalance* in Maribeth Erb, Priyambudi Sulistiyanto and Carole Faucher (eds.), *Regionalism in Post-Suharto Indonesia*, (London: RoutledgeCurzon, 2005), p.94.

\* The districts in Papua and West Irian Jaya are still enormous, having an average area of over 17,000 sq. km. and average population density of just 12 persons per sq. km.

\*\* Just one exception exists to this trend in West Irian Jaya, Sorong. The decrease in population density in Sorong can be explained by the fact that the first division which was undertaken in this district was to create Sorong City, an urbanized area with a high population and small area.

**Table 11: Papua/West Irian Jaya - Impact of Division on the Population Density of Districts**

District	Population Density		Pop Density Change
	Before division	After division	
Manokwari	6.3	11.5	+5.2
Sorong	6.5	5.2	-1.3
Fak Fak	3.2	4.5	+1.3
Biak Numfor	35.9	42.3	+6.4
Jayawijaya	8.9	16.6	+7.7
Nabire	8.3	9.9	+1.6
Merauke	2.6	3.5	+0.9
Jayapura	3.2	6.0	+2.8
Yapen Waropen	3.3	22.6	+19.3

Source: <http://www.papua.go.id/bps/> and <http://irjabar.bps.go.id/>.

In terms of homogeneity, given its incredible diversity, to divide Papua along lines of ethnicity is a near impossible task but what has been a theme since the start of decentralization and may become even more apparent in the future are divisions between the predominantly Christian, indigenous Melanesian Papuans and Indonesian migrants who are mainly Javanese and Muslim<sup>29</sup>. It has been suggested by human rights and religious groups that the real intention behind the division of Papua into three provinces (as per the original plan in Law 45/1999) was to create a Muslim homeland in West Papua and to spatially marginalize the native Papuans as they would only be the dominant population in Papua, one of the three proposed provinces. This province would co-incidentally, or not as the case may be, have been the one with least natural wealth and resources. One of the key elements of the government sponsored transmigration program (1975-1985) was that only Muslims were allowed to migrate to the region that would later become West Irian Jaya and the communities in which they were settled had the right to become separate sub-districts after a certain time period. As a district needs to be comprised of a minimum of five sub-districts, this ability to create new sub-districts can be seen as a means by which predominantly migrant, Muslim districts could be formed, further marginalizing the indigenous population. As reported by the International Crisis Group (ICG) in June 2008 there have recently been

<sup>29</sup> There is a stark contrast between the ethnic background of the Islamic and Christian groups as indigenous Papuans make up 81% of the Christian population while migrants comprise 91% of the Muslim population of Papua, International Crisis Group Update Briefing (ICG) Asia Report No.154, , *Indonesia: Communal Tensions in Papua*, <http://www.crisisgroup.org/home/getfile.cfm?id=3466&tid=5485&type=pdf&l=1>, 2008, p.11.

increasing tensions and outbreaks of violence between the Christian and Muslim population, especially in West Irian Jaya<sup>30</sup>.

An analysis of expenditures (Appendix 26) shows that the levels of Personnel expenditure within the routine expenses of these two provinces appear to be low. When compared to total expenditure, Personnel expenditure in the new districts falls significantly below the 65% 'problem' limit suggested by AKPASI and in contrast to the pattern that is exhibited in North Sumatra's new districts, spending on personnel is less than 50% of the DAU grant in each of these districts. This does not apply solely to the new districts though as the provincial averages for these two indicators are both lower than the 65% and 50% respectively and as such it would be incorrect to state that this is a characteristic of new districts in these provinces, but rather a characteristic of the provinces themselves. Such low levels of expenditure would maybe suggest that the civil services of these districts are understaffed (it would not necessarily be a problem that the civil servants are underpaid as their salaries are still centrally determined) as mentioned in the previous section

One factor that compensates for the low levels of spending on personnel, are the size of the 'Other' and 'Miscellaneous' expense categories in Papua and West Irian Jaya. Whilst these were negligible in the new North Sumatran districts, they are generally at a high level in Papua province, the highest proportion being 38% of all routine expenses being spent on them in Papua's Puncak Jaya district in 2004. This reflects a trend highlighted by the World Bank that has been increasing since decentralization began and has been gaining momentum since the first Special Autonomy grants were received in 2002<sup>31</sup>. These 'Other' expenditures can include any unforeseen expenditures and petty cash balances of local offices and departments of local government (*Dinas*). Expenditure that is classified to 'Other' is prone to corruption and misuse and is difficult for audit authorities to track. Thus if funds which should in theory be channeled towards Personnel expenditure are actually finding their way into these 'Other' categories, there may be problems regarding financial management and accountability within the districts.

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<sup>30</sup> International Crisis Group (ICG) Update Briefing, Asia Report No.154, *Indonesia: Communal Tensions in Papua*, op. cit.

<sup>31</sup> World Bank, *Papua Public Expenditure Analysis Overview Report*, op. cit., p.36, and World Bank, *Spending for Development*, op. cit, p.117.

Within Development expenditures, the levels of spending on Government administration are lower than the provincial average in Papua province, but appear to be fairly evenly distributed around the average for West Irian Jaya province (three districts come above the provincial average while the other three are below it). Per capita expenditure on Government Administration is generally much higher in these two provinces than it is in North Sumatra. This is explained to a large extent by the small populations in these provinces but there appear to be no discernable patterns regarding per capita expenditure on Government Administration when comparing the new districts against their provincial averages. Sorong district for example, one of the old districts, spent some 74% of its Special Autonomy allocation (DO) on Government apparatus in 2003<sup>32</sup>, although this spending carried no detailed breakdown of exactly what is was used for.

The low levels of personnel expenditure in Papua and West Irian Jaya would suggest that the new districts in these provinces do not have ‘bloated’ civil services. This is backed up by the ratio of civil servants per capita, which highlights that the new units have ratios far lower than the provincial average\*. Whether this suggests that the civil services are understaffed in these districts is not clear. The World Bank states that Papua overall has a civil service to population ratio 50% higher than the Indonesian average, and thus the new districts are more in line with the national average than the Papuan average<sup>33</sup>. What appears to be clear though is that the civil services in these districts do not suffer from bloating and thus we can suggest that the districts have not been created for the purpose of this type of rent seeking behavior.

### c) Papua and West Irian Jaya\*\* – Education

The ratios of education spending within development expenditure and routine expenditure are far closer together in West Irian Jaya than in North Sumatra (see Appendix 27). This is indicative of the extra DAK and DO funding which is received in this province, some of which is earmarked specifically for education projects. Actual

<sup>32</sup> World Bank, *Papua Public Expenditure Analysis Overview Report*, op. cit., p.42.

\* The Civil Service figures are shown for Papua only, no data was available for West Irian Jaya province.

<sup>33</sup> World Bank, *Papua Public Expenditure Analysis Overview Report*, op. cit., p.60.

\*\* Data for Papua province was not available from the local government statistics office website and therefore this section concentrates solely on West Irian Jaya

spending per student is generally higher than in North Sumatra, being over a million Rupiah in all but one of the new districts and this is again in line with the provincial average for per student spending in this province.

Enrolment rates in the new districts are again above the averages for the old districts and the whole province for Primary and Senior Secondary levels of education while the Junior Secondary ratio in the new districts falls slightly below these benchmark levels. It would therefore appear then that the new districts are again helping to increase overall enrolment ratios in West Irian Jaya province.

Teacher student ratios are again high as we would expect on the basis of earlier findings, yet there is no data available for student/class ratio for this district and thus we are not able to infer from the data that this is happening in West Irian as well. The literature though would suggest that absenteeism is as much of a problem in West Irian Jaya as it is elsewhere in Indonesia, if not more so, as Papua/West Irian Jaya have among the highest proportion of 'remote' schools in the country where absenteeism and undersupply issues are particularly acute.

#### **d) Papua and West Irian Jaya – Health**

Health expenditures appear higher in Papua and West Irian Jaya than in North Sumatra although again they are very low as a percentage of total spending (see Appendix 28). Due to large variations in spending between districts, it is not really possible to identify a pattern of spending in the new districts as opposed to the provincial average. This suggests that the point made before, that inequalities and differences between districts is increasing, may be true in these cases. Again the higher proportions of development expenditure suggest that DAK and DO grants are having a beneficial effect on health services in what is the least developed part of the country.

There was no data available for the number of health facilities in either Papua or West Irian Jaya and as such no information has been included here. Evidence suggests though that there are significant shortfalls in health services in the remote regions as might be expected in this province. It was reported that in 2005 for example that 55 people in the newly created Yahumiko district in Papua died of starvation while another

112 fell ill from malnutrition<sup>34</sup>. This tragedy is the joint effect of a lack of local health facilities and personnel and a lack of communication/transport infrastructure in this district.

#### e) Papua and West Irian Jaya – Mimika District

The challenges facing new districts in Papua/West Irian Jaya can be illustrated with the example of one particular district in Papua province, Mimika. Created in 1999, the fortunes of this district can be assessed by the rather frequent reports that are published in the Jakarta Post, the gist of which can be summarized by the title of one article from May 2007, 'Mimika community untouched by education, healthcare'<sup>35</sup>. Out of the districts in Papua for which information is available, Mimika has the highest per capita revenue and is home to the PT Freeport gold mine. Despite this some 28,000 of the 45,000 families in the district are regarded as being below the poverty line with limited access to healthcare, education or even proper clothing or food<sup>36</sup>. Its problems reflect the both the administrative issues and service provision problems that have led to such criticism of the new districts. The problems in this district are summarized below:

#### i) Security

There are reports of tribal violence in Mimika district in 2004, 2006, 2007 and of impending violence in the run up to elections in 2008. This violence between tribal groups at the village level has been blamed on provocateurs from both inside and outside the district who exploit tensions between groups for their own political ends. These political ends operate at the local level in relation to the election of the head of

<sup>34</sup> Yahukimo '*Needs Roads, Airstrips*', The Jakarta Post online edition, 15<sup>th</sup> February 2006, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20060215.C02>

<sup>35</sup> Markus Makur, *Mimika Community Untouched by Education, Healthcare*, The Jakarta Post online edition, 6<sup>th</sup> May 2007, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20070516.G03>. Between 2002 and 2007 the Jakarta Post newspaper printed over 20 articles dedicated solely to Mimika district and its issues with administration, communal violence and service provision.

<sup>36</sup> Markus Makur, *More Than Half Mimika Population Lives in Poverty*, The Jakarta Post online edition, 26<sup>th</sup> September 2007, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20070926.C13>

district (*bupati*)<sup>37</sup>, or have more sinister undercurrents at the national level as provocateurs from outside the region fuel violence for their own ends<sup>38</sup>.

## ii) Administration

Mimika appears to have functioned without a local Legislative Council between 2004 and 2007. The administration of the districts refused to provide funds or facilities to the Legislative Council, preferring to:

‘govern freely without any control from the people’s representatives....It is not controlled by the legislative council’<sup>39</sup>

The problems apparently stem from disputes between representatives of political parties and the private interests of high ranking officials within the government administration<sup>40</sup>. The Papuan Governor, Barnabas Suebu, expressed concerns that:

‘both local leaders and representatives of the political elite in Mimika regency.....were mostly bent on pursuing their own interests.....Manipulation of the people's votes in the interests of political parties and private interests constitutes the main source of conflict at the local council’<sup>41</sup>

This has serious implications for the accountability of local government and wider implications for the effective functioning of government processes and service provision. Even local elections themselves require a Legislative Council to endorse election results and as such even if residents of the district wanted to vote out their apparently corrupt administration, the local government managed to effectively block their action.

<sup>37</sup> Nethy Dharma Somba, *Police in Mimika Warn of Conflict Over Election*, The Jakarta Post online edition, 17<sup>th</sup> May 2008, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20080517.G01>

<sup>38</sup> Nethy Dharma Somba, *One Dies in tribal Conflict in Papua's Mimika Regency*, The Jakarta Post online edition, 16<sup>th</sup> July 2004, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20040716.D02>.

<sup>39</sup> Comments by Thomas Wamang, a Mimika community figure quoted in Markus Makur, *No End in Sight to Row Between Mimika Council, Regency*, The Jakarta Post online edition, 21<sup>st</sup> October 2006, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20061021.G01>.

<sup>40</sup> Markus Makur, *Mimika Elections Hindered by Legislative Row*, The Jakarta Post online edition, 18<sup>th</sup> December 2006, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20061218.G06>.

<sup>41</sup> Ibid.

### iii) Education and Health services

Given the overall wealth of the district the state of education and welfare services are considered to be an ‘irony’<sup>42</sup> with facilities outside of Mimika town being described as ‘deplorable’ and the general perception amongst parents that sending their children to school is a waste of time’<sup>43</sup>. Teachers state that the local administration both cuts wages and delays payment of salaries without reason which is one reason why it was reported in early 2007 that the district urgently needed more teachers in both remote and urban areas<sup>44</sup>. The problems in remote areas were further exacerbated by the unwillingness of teachers posted to these areas to actually stay there, many leaving their schools ‘without a proper excuse’<sup>45</sup>. This is evidence that the absenteeism amongst teachers that was suggested earlier is occurring in this district and causing service provision problems and increasing the financial burden of teacher’s salaries. A certain amount of sympathy can be extended to teachers posted to these remote areas due to the physical conditions of the schools and the fact that accommodation can sometimes not even be provided for them, meaning they have to stay in resident’s houses<sup>46</sup>.

Much the same criticisms can be leveled against health services within the district and the condition of both services can be apportioned to a number of factors, the remoteness of many communities, poverty, a lack of awareness from parents and children concerning the benefits of education and a lack of commitment from previous administrations. It would appear though that the failings of previous administrations persist, one district council member stating that the administration neither works at full strength and that:

‘the administration’s management is so poor. The administration has no clear development concept’<sup>47</sup>.

This would suggest that local government lacks the capability and the will to improve services and that local government positions are seen as a route to personal gain, rather

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<sup>42</sup> Markus Mardius, *Mimika Struggles for Better Education*, The Jakarta Post online edition, 2<sup>nd</sup> May 2002, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20020502.R05>

<sup>43</sup> Ibid.

<sup>44</sup> *Mimika Needs More Teachers*, The Jakarta Post online edition, 13<sup>th</sup> January 2007, <http://old.thejaka rtapost.com/Archives/ArchivesDet2.asp?FileID=20070113.G07>.

<sup>45</sup> Ibid.

<sup>46</sup> Markus Makur, *Mimika Regency Strives to Improve Education Sector*, The Jakarta Post online edition, 17<sup>th</sup> September 2007, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20070917.G04>.

<sup>47</sup> Mimika council member Ivodius Yeuyanan quoted in Markus Makur, *Mimika Community Untouched by Education, Healthcare*, op. cit.

than service to the community. The lack of commitment by officials in Mimika district may be attested to by the fact that neither the Head of the Education Office nor Head of the Health and Family Planning Office had visited the remote areas of the district where the problems for which they are responsible for addressing are most acute<sup>48</sup>.

Mimika district and indeed Papua itself may be an extreme example, but it does highlight that many of the criticisms leveled against new districts in terms of their capacity, technical knowledge and commitment to either good governance or service provision may be limited.

#### 4. Conclusion

These three provinces are of particular interest as they highlight the apparently different motivations to create new districts, bringing in elements of ethno-religious division, control over economic resources and central government intervention. It would appear in general that the new districts are more expensive to run than the old districts by virtue of their higher per capita spending levels, particularly on personnel expenses. While certain benefits may accrue in terms of enhanced service provision, these must be weighed against the additional cost of financing these districts.

The new districts appear to be aiding education services by virtue of their higher enrolment rates than the older districts in North Sumatra and West Irian Jaya\*. The new districts are not significantly worse off than the older districts in terms of the number of schools per capita or teachers per student and therefore it cannot, on this evidence be stated that the new districts are failing in their responsibility to provide education services. If there is a negative side to education provision in the new districts, it is that they suffer from the same issues of over supply of teaching staff and potentially teacher absenteeism that can be seen in the old districts. The newly created districts should not be unduly blamed for this as they operate within an education system in which these issues are endemic and the existing method of financing civil service salaries does not encourage the rationalization or cutting back of teaching staff. The new districts therefore can be seen to be benefiting the provision of services to the public, yet at the

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<sup>48</sup> Markus Makur, *Mimika Community Untouched by Education, Healthcare*, op. cit.

\* Papua is not included here as data was not available to assess education service in this province.

same time they exacerbate the inefficiencies of the system as a whole in terms of teacher oversupply and absenteeism and increase its financial burden upon the government.

Health services in North Sumatra appear to be adequately provided in the new districts in terms of the number of government hospitals, clinics and doctors that are located in these areas. An area that they appear to be significantly under-supplied though is private hospitals, which are suggested to be of a better quality than their state run counterparts. The lack of private hospitals in the new districts may be a function of their rural nature and low population density, as there are simply not enough users in these vicinities to make locating there a worthwhile business decision for the private sector suppliers. Thus while health services appear adequately supplied in total number, there are potential issues regarding the quality and specialism of health services in these districts. There is a lack of specific data relating to health provision in Papua/West Irian Jaya but it is possible to conclude that spending levels on both health and education are significantly higher than in North Sumatra which suggests that progress should be being made in improving the level of services in these provinces.

Within the broader context of Indonesian decentralization the new districts can be seen to be both strengthening and weakening the process. They do appear to be providing certain benefits in terms of service provision, but at an additional cost. The success of the new regions in the longer term could possibly be measured by their ability to continue improving services while at the same time reducing their unit costs of doing so as their institutions mature and their officials gain more knowledge and experience.

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## CHAPTER VI

### CONCLUSION

In 1999, Indonesia undertook a radical and comprehensive change in governance style, switching from a highly centralized, authoritarian leadership which had dominated the country for over 40 years\*, to a decentralized structure within which districts have a high level of autonomy over their financial and administrative affairs. An unexpected outcome of this shift to decentralized governance has been the creation of a multitude of new districts as Indonesia's territory has been carved up into smaller and smaller units of civil administration. The total number of districts in the country increased some 60% between 1999 and 2007 and whilst these districts should theoretically benefit Indonesian decentralization by virtue of more democratized and participatory governance, it has been stated that:

'Indonesia's new regions will have to be judged by their ability to generate better governance and service delivery and to stave off demands for secession'<sup>1</sup>.

While this thesis does not aim to go so far as to judge the new districts, it has sought to identify their impact upon the decentralization process, illustrated with examples of their performance in governance, service delivery and their impact upon the secessionist movement in Papua province.

The first chapter of the thesis set out five objectives, which have been addressed during the course of this study. Within this context, the thesis firstly outlines the current trends in the creation of new districts and the criticisms that have been leveled against them, secondly, provides a historical analysis of why decentralization and the creation of new districts has taken place and thirdly identifies how the decentralization laws themselves have promoted the creation of new districts. The next two sections of the thesis switch focus to an analysis of how the new districts affect the central government

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\* The figure of 40 years is given here as centralized rule began with Sukarno's 'Guided Democracy' which was introduced in 1957.

<sup>1</sup> Fitria Fitriani, Bert Hofman and Kai Kaiser, *Unity in Diversity: The Creation of New Local Governments in a Decentralizing Indonesia* in *Bulletin of Indonesian Economic Studies*, Vol. 41, No. 1, 2005, pp.57-79, p.77.

and finally an illustration of some of the characteristics and criticisms of the new districts in three selected provinces North Sumatra, Papua and West Irian Jaya.

The first of the objectives introduced in Chapter one was to examine the decentralization laws to identify factors that promote the creation of new districts after decentralization. The key factors highlighted in Chapter three to support this argument are that the laws provide significant financial motivation to create new districts and at the same time fail to impose any significant administrative barriers to their creation. Whether this is by design or accident is a matter of opinion but the evidence suggests that the creation of new districts can achieve some of the key goals of decentralization, such as improving service provision and political participation, as well as satisfying some of the central government's political aims. The new districts are suggested to be politically useful for the central government in terms of enhancing the 'divide and rule' strategy which was a key tactic of the entire decentralization process and are a mechanism through which elite groups from the new order period could assume power by creating their own constituencies. As such, it is proposed here that the new districts are useful to the central government as they satisfy goals at a number of levels and as such they were intentionally promoted by the decentralization laws. The problem appears to be that the extent and manner in which the creation of new districts has taken place has come as a surprise to the central government and is something which the central powers are now belatedly and with limited success, attempting to control.

The burdens placed upon the central government, the second argument put forward in the introduction, are addressed in Chapter four. It is the assertion here that the new districts create financial and administrative burdens and harm both the business environment and national stability in Indonesia. The financial and administrative burdens are considered to be problems which, given the radical nature of the decentralization that was employed, the central government would have had to cope with under any circumstances, but the new districts exacerbate these issues to the extent that they have led to a certain amount of recentralization. Central spending in the districts for example appears to be increasing and the central government appears to be increasing its role in the monitoring and control of the districts. These two methods of recentralization are justified on the grounds of inefficient spending at the district level

and a lack of technical capability, two factors which are particularly, although not exclusively, associated with the new districts.

If the business environment is also considered, the main issue appears to be that districts are able to implement their own legislation concerning taxes and charges to levy against trade and cross district trade, creating a rather confused and patchwork regulatory framework. The more districts that exist, the more regulations need to be written and the more difficult the job of central government becomes in assessing and approving these regulations. In terms of stability at both the communal and national level, it appears that tensions between Indonesia's vast array of ethno-religious groups have been used as justification for the creation of new regions. The division of the country into smaller administrative units along these lines has caused the provincial level independence movements to become less influential but a new pattern of micro, district level, conflict has evolved in their place. These conflicts appear to have been largely based on economic or political goals but have been couched in emotive ethno-religious terms as a method of mobilizing popular support for their cause. Whilst preserving the territorial integrity of the nation as a whole (which some would state was never seriously threatened anyway), decentralization, and the creation of new districts in particular, has made communal conflict and competition both within and between districts commonplace.

The third objective was to analyze the motivation behind the creation of new districts in three provinces, North Sumatra, Papua and West Irian Jaya and this is addressed in chapter five. The North Sumatran districts appear to have been created in rural areas with the purpose of increasing population density in the original districts. This can be said to benefit service provision in both old and new districts. There is also a suggestion that these new districts have been created to consolidate local control over agricultural resources and there is evidence that this may be the case as the new districts have been created in rural areas with low proportions of Javanese and other migrants. Further analysis and fieldwork would be required before reaching any definite conclusions regarding this point though. A number of arguments could be suggested for the motivation to create new districts in Papua/West Irian Jaya; that they were created to increase population density and thus improve service provision or, that their creation was politically motivated, as a means to weaken the secessionist movement in the

region by increasing more localized competition. The recommendation to divide Papua into six provinces had first been made in 1984, but this should not be taken as proof that either of the above reasons for division are more important than the other as both underdevelopment and the independence movement were as much key issues with regards to Papua in 1984 as they were in 1999.

The fourth objective, to analyze the efficiency of education and health services in the three case study provinces is also addressed in Chapter five. The evidence here shows that in all three provinces, school enrolment rates are higher than in the older districts and as such they may actually benefit the provision of education services. In North Sumatra, the provision of health facilities was not significantly lower than the provincial average although an issue surrounding the possible low quality of services in North Sumatra was suggested. Spending levels on services are variable in the new districts, some being above, some below the provincial average and as such it is not possible to draw any firm conclusions regarding the new districts and their spending habits in terms of service provision. As such the provision of health and education services does not appear to be significantly lower in the new districts, but the cost of these services must also be considered and it appears that the new districts may represent an additional and potentially significant financial burden on the central governments resources due to inefficiencies. The teacher student ratios in the new districts in all three provinces mirror the national pattern of teacher oversupply but the new districts can be seen to exacerbate the problems of teacher quality, absenteeism and financial burden that are endemic of the entire system\*.

The final objective is the main focus of this thesis, that the inadequacies of the new districts undermine the decentralization process and could lead to a recentralization of power. The evidence suggested by the case studies would not support this argument as the new districts do not appear to be significantly worse than the older ones in the three case study provinces in terms of their spending patterns and ability to provide services. One quality that they do seem to share though is that service provision tends to

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\* Another area that should be noted in terms of efficiency is the high level of 'Other' and 'Miscellaneous' costs in Papua province, hidden within these expense categories may lie hidden education and health costs which are distorting the figures for the new districts. It should also be noted that the per capita and per student spending ratios are inconclusive as the new districts vary significantly above and below their provincial averages.

suffer from the same inefficiencies as in the older districts and in many cases comes at a higher per capita cost. This puts economic pressure on the central government which is still largely responsible for their both the revenues and civil service salary payments in these new districts. Decentralization is only undermined on this evidence in that it is made more expensive for the central government to finance as a result of the creation of new districts and judging by reports<sup>2</sup>, it is primarily these financial criticisms that are leveled against the new districts. That an improvement in services comes at an increased cost should be no surprise but the arguments for recentralization are still an important topic of discussion in Indonesia. The case studies have served to illustrate some of the characteristics and criticisms of the new districts, but these are generally only displayed at the individual district level, rather than by all new districts. This returns us to a key theme, that decentralization increases disparities at the district level and thus identifying common characteristics of the new districts, other than their relatively high operating costs, is difficult.

In conclusion, it appears that the main criticism of the new districts that are guilty of at an overall level, is that they exacerbate existing problems within the framework of Indonesian decentralization. The financial and administrative issues as well as the continued ethno-religious violence that can be witnessed in the new districts are indicative of trends that occur in all districts and are both a result of weaknesses within the decentralization laws and a widespread and continued expression of personal freedoms after the fall of the Suharto regime. That recentralization is to some extent already taking place can also not be attributed solely to the new districts, although their inadequacies in specific cases and their overall expense do provide additional justification for recentralization. They can therefore be said to be harmful to the decentralization process in that while they do confer certain benefits, their negative impacts can be used by interest groups with their own agendas to argue for recentralization.

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<sup>2</sup> These reports come mainly from the Jakarta Post the main English language newspaper published in Jakarta, for example *New Regions Reduce Regional Allocation Funds*, The Jakarta Post online edition, 31<sup>st</sup> January 2008, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20080131.M06>

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**APPENDICES**

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## APPENDIX 1

### ADDITIONAL LITERATURE REVIEW

This appendix includes literature related to the fall of Suharto, section 1, and Indonesian decentralization in general, section 2.

#### 1) Literature regarding pre-1999 governance and the fall of Suharto

**‘Stability and Unity: on a Culture of Fear’**, Asian Forum for Human Rights and Development, 1995, Bangkok, Asian Forum for Human Rights and Development (Forum-Asia).

**‘In Fear of the People: Suharto and the justification of state-sponsored violence under the New Order’**, R.E.Elsom, and **‘It’s the military, stupid!’** Liem Soei Lion, in **‘Roots of Violence in Indonesia: Contemporary Violence in Historical Perspective’**, Freek Colombijn, and Thomas J. Lindblad, (eds.), 2002, Singapore, Institute of Southeast Asian Studies.

**‘Nationalism and ethnic conflict in Indonesia’**, Jacques Bertrand, 2004, Cambridge, Cambridge University Press.

The three books listed above have been included together in this literature review as they provide fundamental background information regarding what will be a key theme of this report, namely the role of communal violence and ethnic conflict in the fall of Suharto, the pressure for decentralization and the motivation behind the creation of new units. The two earlier books, those by the Asian Forum For Human Rights and Development (AFHRD) and Colombijn and Lindblad respectively concentrate on how violence became an institutionalized and accepted form of conflict resolution during the New Order period. Bertrand brings this theme of institutionalized violence up to date with a review of the ethnic conflicts that raged across Indonesia in the late 1990’s and how both religious and ethnic identities and tensions have been manipulated and politicized by local actors to achieve their own ends in the post Suharto era. In many cases these ends have been to carve up Indonesia’s territory into ever smaller administrative units for the benefit of the local elites, but justified behind claims of ethnic identity and expression.

**‘Southeast Asian responses to globalization: Restructuring governance and deepening democracy’**, Francis Kok Wah Loh and Joakim Ojendal (eds.), 2005, Singapore, Institute of Southeast Asian Studies.

Rather than the 1997 Economic Crisis being the main trigger for Suharto’s removal from office, Loh and Ojendal take a more long term, international perspective and blame Suharto’s lack of appreciation of the changes in the global political and economic systems following the end of the Cold War in the 1980’s. In the view of these authors, it was shifts in the political and economic global systems that were ultimately responsible for Suharto’s downfall.

**‘Plots & Schemes that Brought Down Soeharto’** Richard Mann, 1998, Toronto, Gateway Books.

Richard Mann adopts a different approach to explaining the down fall of Suharto by stating that the real trigger for his demise were the domestic actions taken against his main political rival, Megawati Soekarnoputri, in July 1996. These actions had the effect of crystallizing the support of all of anti-Suharto groups in Indonesian society behind one figurehead with whom they could identify due to a common sense of injustice and betrayal by the Suharto regime and its cronies. In Mann’s analysis it was Suharto’s victory in the 1997 election, coupled with his treatment of political rivals which had effectively emasculated the voting public ensured that the various anti-Suharto groups would finally act to force his removal from power.

## **2) Literature regarding Indonesian Decentralization post-1999**

**‘Local power and politics in Indonesia: Decentralisation and democratisation’** Edward Aspinall and Greg Fealy (eds.), 2003, Singapore, Institute of Southeast Asian Studies.

Aspinall and Fealy present a comprehensive review of Indonesian decentralization from its inception in 1999 to 2003. In terms of this report the most interesting elements of the book are the criticisms that are raised against Indonesian decentralization. Chief amongst these is potential for the spread of corruption to the districts and the emergence of ‘little Soeharto’s’ (p.5) as heads of each district. While

the authors do not explicitly mention the creation of new districts, the hypothesis presented here is that localized corruption can lead to and is a motivating factor behind the creation of some new districts. The specific circumstances surrounding electoral politics at the district level which facilitate corruption and the process of capturing power over local government are described in Michael S. Malley's chapter (pp.102-116).

**'The New Indonesian Laws Relating to Regional Autonomy: Good Intentions, Confusing Laws'** Gary F. Bell, 2001, in *Asian-Pacific Law & Policy Journal*; Vol. 2, Issue 1, pp 1-45, <http://www.hawaii.edu/aplpj/pdfs/v2-01-Bell.pdf> (accessed 20th July 2007).

This paper was published in 2001, in the immediate aftermath of the implementation of the decentralization laws (Law 22/1999 and 25/1999) and highlights a number of the key problems with the laws. Whilst it does not refer specifically to the creation of new regions (as detailed in Articles 5 and 6 of Law 22/999) as one of the problems with the law, many of the criticisms which are made are related to the issues that surround the creation of new districts. Bell highlights a number of weaknesses in the laws which can be construed to be incentives to create new districts. The author also mentions that one of the key factors making the risk of corruption greater as a result of the new law is the difficulty in monitoring the sheer volume of district governments, an important factor when considering the impact of new districts..

**'Political Update 2003: Terrorism, Nationalism and Disillusionment with Reform'** Sidney Jones in M. Chatib Basri and Pierre van der Eng (eds.), 2004 **'Business in Indonesia: new challenges, old problems'**, Singapore, Institute of Southeast Asian Studies.

Jones's chapter mentions the increase in administrative units as being a 'by-product' (p.32) of decentralization and offers some explanations for their creation at the provincial and district level. He also raises the issues of communal tension and violence which has often surrounded the creation of new districts. Perhaps the key point that he makes within the context of this report is that as early as 2003 there were concerns in central government regarding their ability to monitor what the districts

were actually doing, a problem exacerbated by the increasing number of units, and that even at this time, plans existed to re-centralize certain powers.

**‘Reorganising power in Indonesia: the Politics of Oligarchy in an Age of Markets’** Richard Robison and Vedi R.Hadiz, 2004, RoutledgeCurzon.

**‘Decentralisation and Democracy in Indonesia: A Critique of Neo-Institutionalist Perspectives’** Vedi R. Hadiz, 2003, Southeast Asia Research Center Working Paper Series No. 47, City University of Hong Kong, [www.cityu.edu.hk/searc](http://www.cityu.edu.hk/searc) (accessed 12 July 2007)

In Hadiz’s analysis this re-centralization is politically motivated by interests in central and provincial government and represents one of the key facets of decentralization, that it is a struggle between various interest groups at different levels of government for power and authority rather than a free and rationale choosing of the right policies. Hadiz does not refer directly to the creation of new administrative units but the focus of both of these works regards the capture of the decentralization process by elite interests at the local level and one of the expressions of this capture has been the creation of new districts.

**‘Autonomy and Disintegration in Indonesia’** Damien Kingsbury and Harry Aveling (eds.), 2003, London, RoutledgeCurzon.

This book details many of the issues concerning the actual viability of Indonesia as a unitary nation state, particularly in the wake of the fall of Suharto and the implementation of decentralization. The book confronts a range of issues concerning governance in Indonesia, beginning by considering a number of the theoretical issues behind the nation state and how these can be applied to the specific case of the creation and maintenance of the Republic of Indonesia.

**‘Voices From the Regions: A Participatory Assessment of the New Decentralization Laws in Indonesia’** Widjajanti I. Suharyo, 2000, Jakarta, United Nations Support For Indonesian Recovery.

This paper, published in 2000 is important as it relates the opinions of provincial and district level interests concerning the decentralization process as it was being prepared for implementation. Having largely been excluded for the process of drafting the laws the author held consultations with representatives from both levels

of sub-national governments (I do not include the sub-district level here) in late 1999 to articulate their concerns over the budding process. Whilst the issue of the creation of new units is not raised, the paper still provides valuable information regarding how the sub-national governments viewed the decentralization laws and the opportunities they would present once implemented.

**‘Decentralisation in Indonesia: Redesigning the State’** Mark Turner and Owen Podger, 2003, Canberra, Asia Pacific Press.

This book provides an overview of the decentralization process in Indonesia, of particular interest for this report are the chapters concerning the political context under which decentralization took place, how policy was formulated, the planning process for implementing decentralization. The issue of the creation of four new provinces prior to the laws actually becoming effective is raised in chapter 2 of the book and the authors briefly discuss the motivations behind creating these provinces. The motivations behind the creation of these districts are briefly explored and are themes that will be considered when discussing the motivation behind the creation of new districts and how the laws promote their creation.

**‘Decentralizing Indonesia’** World Bank (2003), World Bank: East Asia Poverty Management and Economic Management Unit.

This report, published in 2003 is essentially a review of public spending in the decentralized era but does have some interesting information concerning the creation of new units in its introductory sections. The Executive Summary lists the creation of new units as one of three developments since 1999 which could undermine the efficient delivery of services in Indonesia (the other two factors being the limited role of the province and the lack of clarity surrounding civil service management).

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## APPENDIX 2

### INDONESIA LAW 22/1999 EXTRACT

#### Indonesia – Law 22/1999:

#### CHAPTER III THE FORMATION AND STRUCTURE OF REGIONS

##### Article 4

- (1) In the context of the implementation of the decentralization principle, Provincial Regions, Regency Regions and Municipal Regions shall be formed authorized to govern and administer the interests of the local people according to their own initiatives based on the people's aspirations.
- (2) Regions as intended in paragraph (1) shall respectively be independent and shall not have hierarchical relationship to each other.

##### Article 5

- (1) Regions shall be formed based on the considerations of the economic capacity, regional potentials, social-political, the size of population, the area of the region concerned and other considerations which enable the organisation of Regional Autonomy.
- (2) The formation, names, boundaries and capital cities of the regions as mentioned in paragraph (1) shall be stipulated with Law.
- (3) The amendment of boundaries which does not cause any elimination of a region, the change of a region's name, the change of names of and the relocation of regional capital cities shall be stipulated with Government Regulations.
- (4) Requirements for the formation of Regions as intended in paragraph (1) shall be stipulated with Government Regulation.

##### Article 6

- (1) Regions incapable to organise regional autonomy may be eliminated and/or merged with other regions.
- (2) Regions can be divided into more than one region.
- (3) Criteria for the elimination, merger and division of Region as intended in paragraph (1) and paragraph (2) shall be stipulated with Government Regulations.
- (4) Elimination, merger and division of regions as intended in paragraphs (1) and (2) shall be stipulated with Laws.

Source: Republic of Indonesia Law 22/1999, *Law Regarding Regional Governance*,  
<http://www.gtzsfdm.or.id/>.

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### APPENDIX 3

## THE INDONESIAN ARCHIPELAGO

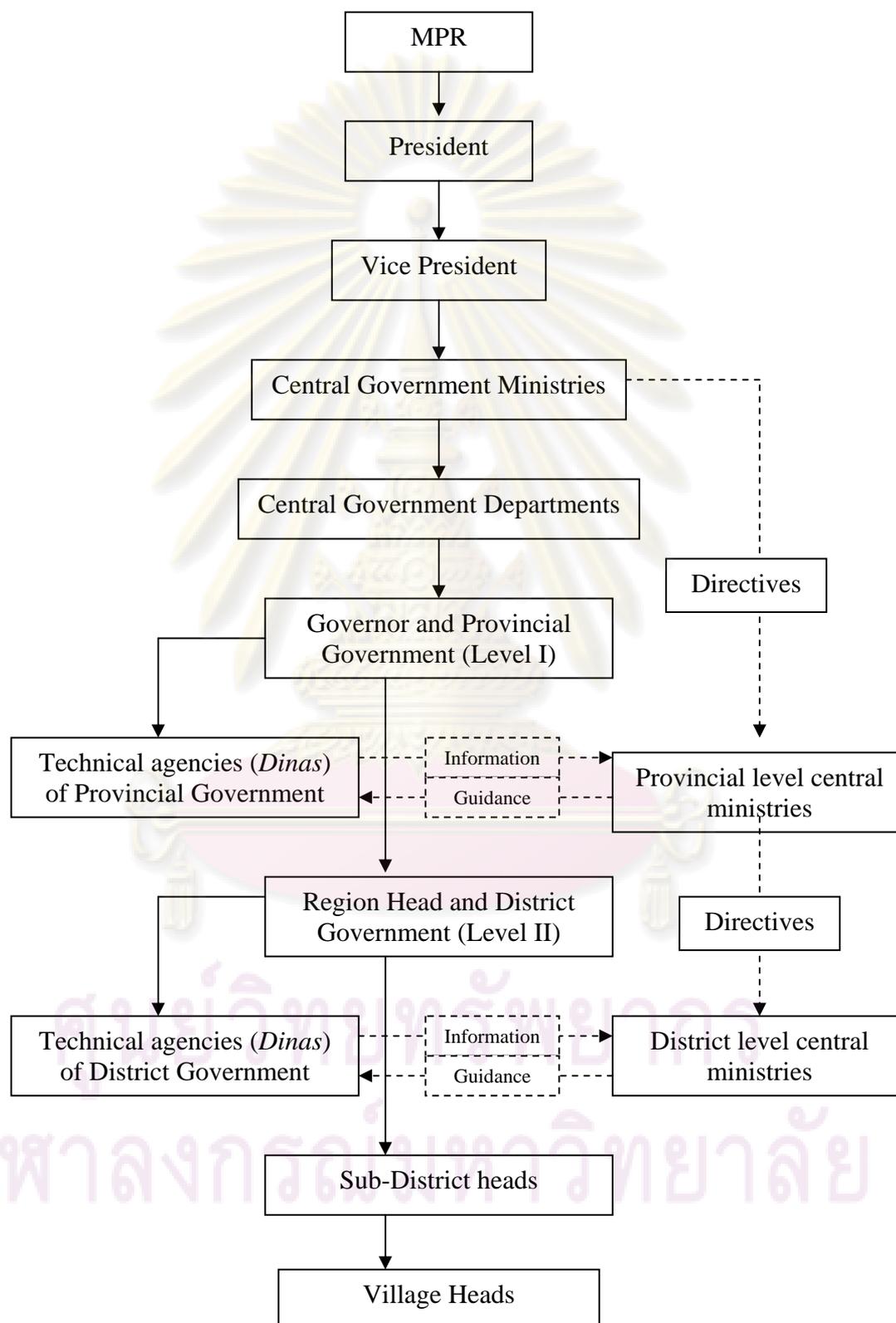
Figure 5: The Indonesian Archipelago



Source: <http://www.indonesiamatters.com/86/indonesian-provinces-map/>

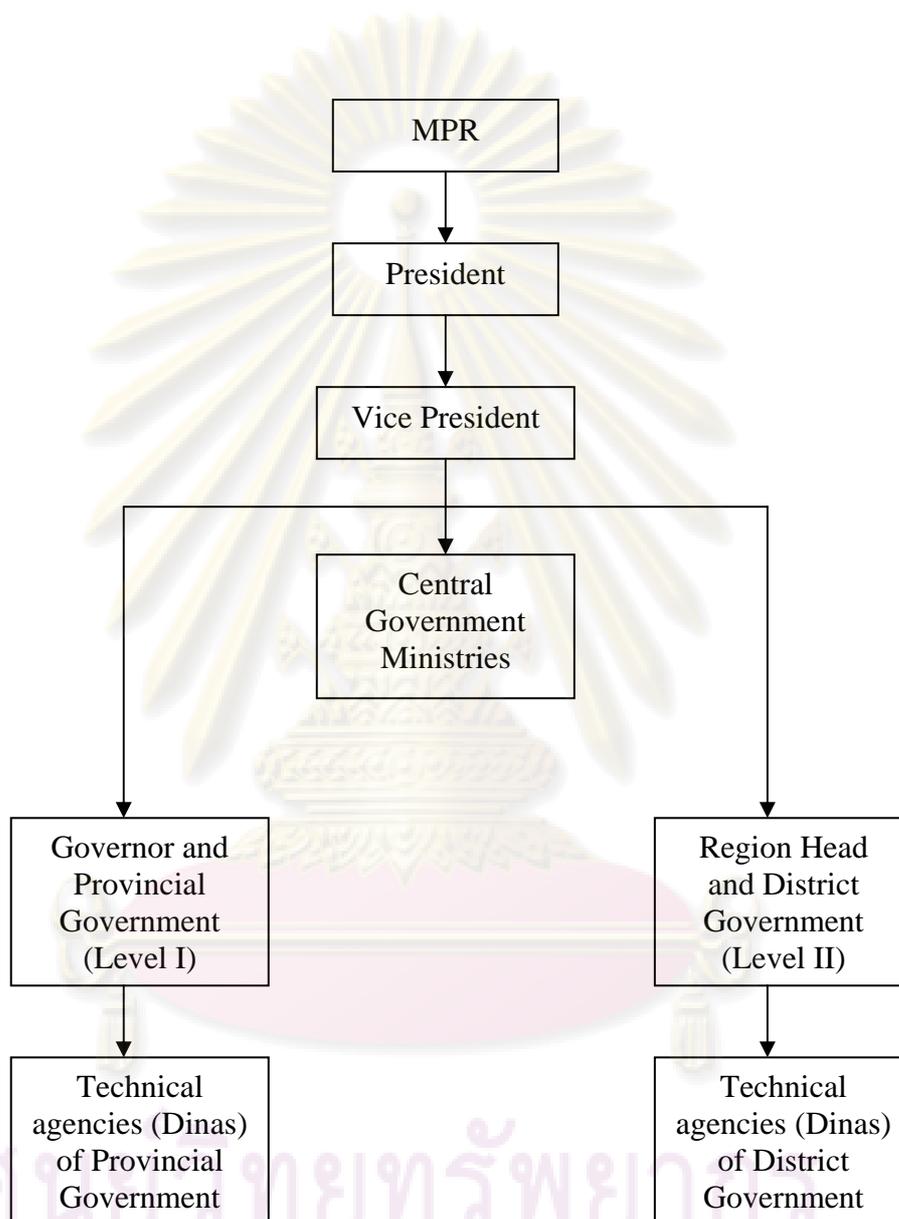
## APPENDIX 4

### STRUCTURE OF GOVERNMENT AFTER LAW 5/1974



Sources: World Bank, 2003, Bertrand, 2004 and MacAndrews, 1986.

## APPENDIX 5 – STRUCTURE OF GOVERNMENT AFTER LAW 22/1999



Source: World Bank, 2003.

## APPENDIX 6

### REGULATION 129 - THE CRITERIA FOR THE CREATION OF NEW REGIONS

**Table 12: Regulation 129 – The Criteria to Create New Districts in Indonesia:**

<b>Criteria</b>	<b>Indicator</b>	<b>Sub Indicator</b>
1. Economic Development	1. Regional GDP	1. GDP per capita 2. Economic development 3. % contribution of GDP to provincial GDP
	2. Receipts (tax ) of the Individual Region	4. Ratio of receipts (tax ) to the routine budget 5. Ratio of receipts (tax) to regional GDP
2. Regional Potential	3. Financial Institutions	6. Ratio of banks to 10,000 people 7. Ratio of other financial institutions to 10,000 people
	4. Economic Infrastructure	8. Ratio of groups of shops to 10,000 people 9. Ratio of markets to 10,000 people
	5. Educational Infrastructure	10. Ratio of SD schools (7-12 yrs) to total population 11. Ratio of SLTP schools (13-15 yrs) to SLTP age population 12. Ratio of SLTA schools (16-18 yrs) per SLTA age population
	6. School Infrastructure	13. Ratio of people over 19 who have been in higher education to total population 14. Ratio of health facilities to 10,000 people 15. Ratio of medical assistants to 10,000 people
	7. Transport & Communications Infrastructure	16. % car, motorcycle (grade 2/3), motorboat ownership 17. % motorcycle (grade 4) ownership 18. % of households with telephone. 19. % of households with electricity. 20. Ratio of post offices to 10,000 people 21. Ratio of serviceable roads to total roads
	8. Tourism Infrastructure	22. Number of hotels/accomodation 23. Number of restaurants/eating houses 24. Number of tourist attractions

	9. Work and Employment	25. % of working population over 18 years old who have STA level education 26. Age people start to work 27. % of working population to total population 28. % of civil servants to total population
3. Society/Culture	10. Social Institutions	29. Ratio of social institutions to 10,000 people
	11. Social Institutions	30. Ratio of arts institutions to 10,000 people 31. Ratio of social/communal buildings to 10,000 people
	12. Sporting Institutions	32. Ratio of sports facilities to 10,000 people
4. Society/Politics	13. Participation of Society in Politics	33. Ratio of voters to total population
	14. Community Organizations	34. Number of community organizations
5. Population	15. Number of people	35. Number of people
6. Area	16. Area	36. Ratio of urban to rural population 37. Whole area (old and new region) 38. Area of new region
7. Other	17. Security and Order	39. Ratio of criminals to 10,000 people
	18. Buildings and Infrastructure	40. Ratio of existing government buildings to required new government buildings 41. Ratio of new government land required to existing government land
	19. Extent of Control	42. Average distance of sub-districts to regional capital 43. Average time to travel from sub-district to regional capital

Please note that the above has been translated from the original Bahasa Indonesian document with the kind assistance of Dr. Colin MacAndrews.

Source: Republic of Indonesia Regulation 129/2000,

<http://www.gtzsfdm.or.id/documents/lawsnregs/regulations/2000/PP1292000.pdf>

## APPENDIX 7

### PHILIPPINES - CRITERIA FOR THE CREATION OF NEW REGIONS

A comparison can be drawn between Regulation 129 in Appendix 8 and the equivalent legislation in the Philippines. The Philippines underwent a comprehensive decentralization of powers in 1991 and included similar provisions in the laws regarding the creation of new districts, as shown in the extract from Local Government Code Book 1 below:

**SECTION 6.** Authority to Create Local Government Units. - A local government unit may be created, divided, merged, abolished, or its boundaries substantially altered either by law enacted by Congress in the case of a province, city, municipality, or any other political subdivision, or by ordinance passed by the Sangguniang Panlalawigan or Sangguniang Panlungsod concerned in the case of a Barangay located within its territorial jurisdiction, subject to such limitations and requirements prescribed in this Code.

Decentralization in the Philippines has seen a trend towards the merger and amalgamation of administrative units in complete contrast to the fragmentation and division that has occurred in Indonesia. There are numerous reasons why this is the case and many aspects of the Philippine laws can be directly contrasted with the Indonesian legal framework for creating new regions. One of the most striking differences between the approach taken by the two countries regards the mechanism for the creation of new units and the criteria which they must satisfy in order to be allowed to be created. Whilst the previous appendix details the numerous and vague criteria that exists in Indonesia's regulation 129/2000, the table below gives the criteria for the division and creation of units in the Philippines.

As can be seen only three variables are included, area, income and population and these have clear, defined limits. The creation of new units is therefore more strictly controlled and open to less subjectivity in the Philippines which can to an extent explain why there have been fewer instances of fragmentation. There are many other factors in the

Philippine laws which make the creation of smaller units both more difficult and less appealing but these will not be discussed here.

**Table 13: The Criteria to Create Local Government Units in the Philippines**

<u>Unit Type</u>	<u>Average annual income of the proposed unit</u> (Note 2)	<u>Population</u>	<u>Area</u>
Province	>20,000,000	<b>And</b> >250,000	<b>Or</b> >2000 sq km
Highly Urbanized City	>50,000,000	<b>And</b> >200,000	-
Component City	>20,000,000	<b>And</b> >150,000	<b>Or</b> >100 sq km
Municipality	>2,500,000	<b>And</b> >25,000	<b>And</b> > 50 sq km
Barangay	-	>2,000 (>5,000 Metro Manila)	-

Notes:

(1) Data taken from the Local Government Code of the Philippines Book III as follows:

Province	- Chapter 3, Section 461
Highly Urbanized City	- Chapter 3, Section 452
Component City	- Chapter 3, Section 450
Municipality	- Chapter 3, Section 442
Barangay	- Chapter 3, Section 386

(2) Municipalities and Component cities must meet the income requirements for two consecutive years based on 1991 constant prices. Provinces and Highly Urbanized Cities do not have to meet this two year limit.

Source: Local Government Code of the Philippines Book III, from:  
<http://www.dilg.gov.ph/LocalGovernmentCode.aspx#>

## APPENDIX 8

### COMPOSITION OF DISTRICT LEVEL ECONOMIC EXPENDITURES

**Table 14: Total District Level Expenditures (Rupiah trillions)**

	2001	2002	2003	2004	2005	2006	2007
<b>Total expenditure</b>	<b>71,625</b>	<b>89,888</b>	<b>115,279</b>	<b>118,959</b>	<b>136,862</b>	<b>201,911</b>	<b>230,885</b>
Routine:							
Personnel	36,091	39,986	49,585	57,095	61,339	92,536	105,815
Material	5,402	7,600	8,059	7,547	8,807	14,184	16,219
Other	7,678	11,151	14,485	14,472	16,730	24,457	27,967
Development	22,454	31,150	43,151	39,844	49,987	70,734	80,884

**Table 15: Total District Level Expenditures (% of total expenditures)**

	2001	2002	2003	2004	2005	2006	2007
<b>Total expenditure</b>	<b>100%</b>						
Routine:							
Personnel	50%	44%	43%	48%	45%	46%	46%
Material	8%	8%	7%	6%	6%	7%	7%
Other	11%	12%	13%	12%	12%	12%	12%
Development	31%	35%	37%	33%	37%	35%	35%

Source: World Bank, *Spending for development: making the most of Indonesia's new opportunities: Indonesia public expenditure review*, (Washington, D.C.: World Bank, 2008), p.155.

## APPENDIX 9 - REVENUE SHARING UNDER LAW 25/1999

**Table 16: Revenue Sharing Under Law 25/1999**

<u>Revenue Source</u>	<u>Central Government</u>	<u>Producing Province</u>	<u>Producing District</u>	<u>All Districts in Producing Province</u>	<u>All Districts In Indonesia</u>	<u>Cost of Collection</u>
Land And Building Tax		16.2%	64.8%		10%	9%
Land Rent		16%	64%		20%	
Personal Income Tax	80%	8%	12%			
Forest Land Rent	20%	16%	64%			
Forestry Resource Provision	20%	16%	32%	32%		
Gen Mining – Land Rent	20%	16%	64%			
Gen Mining – Royalty	20%	16%	32%	32%		
Fisheries	20%				80%	
Oil Mining	85%	3%	6%	6%		
Natural Gas Mining	70%	6%	12%	6%		

Source: Republic of Indonesia Law 25/1999, *The Fiscal Balance Between the Central Government and the Regions*, <http://www.gtzsfdm.or.id/> and Bambang Brodjonegoro, *Fiscal Decentralization in Indonesia* in Soesastro, Hadi, Smith, Anthony L. and Han Mui Ling, *Governance in Indonesia*, Singapore: Institute of Southeast Asian Studies, 2003.

## APPENDIX 10

### REVENUE SHARING UNDER LAW 33/2004

**Table 17: Revenue Sharing Under Law 32/2004**

<u>Revenue Source</u>	<u>Central Government</u>	<u>Producing Province (Education only)</u>	<u>Producing District (Education only)</u>	<u>All Districts in Producing Province (Education only)</u>	<u>All Districts In Indonesia</u>	<u>Cost of Collection</u>	<u>Special Incentives for Tax Collection</u>
Land And Building Tax (10% of C.Govt share)	10%	16.2%	64.8%		( 65%)	9%	(35%)
Land Rent (20% of C.Govt share)	20%	16%	64%		(100%)		
Personal Income Tax	80%	8%	12%				
Forest Exploitation	20%	16%	64%				
Forestry Resource Provision	20%	16%	32%	32%			
Reforestation Fund	60%		40%				
Gen Mining – Land Rent	20%	16%	64%				
Gen Mining – Royalty	20%	16%	32%	32%			
Fisheries	20%				80%		
Oil Mining	84.5%	3% (0.1%)	6% (0.2%)	6% (0.2%)			
Natural Gas Mining	69.5%	6% (0.1%)	12% (0.2%)	6% (0.2%)			
Geothermal Mining	20%	16%	32%	32%			

Source: Republic of Indonesia Law 33/2004 , *The Fiscal Balance Between the Central Government and the Regions*, <http://www.gtzsfgg.or.id/>.

## APPENDIX 11

### REVENUE SHARING UNDER SPECIAL AUTONOMY LAW 21/2001 AND THE ADDITIONAL REVENUES OVER LAW 25/1999

**Table 18: Revenue Sharing Under Special Autonomy Law 21/2001**

<u>Revenue Source</u>	<u>Law 25/1999</u> →				<u>Law 21/2001</u>	<u>Additional revenue from Law 21/2001</u>
	<u>Producing Province</u>	<u>Producing District</u>	<u>All Districts in Producing Province</u>	<u>Total remaining in the Producing Province</u>	<u>Total remaining in Papua Province</u>	
Land and Building Tax	16.2%	64.8%		81%	90%	9%
Personal Income Tax	8%	12%		20%	20%	0%
Forestry Land Rent	16%	64%		80%	80%	0%
Forestry resource Provision	16%	32%	32%	80%		
General Mining Land Rent	16%	64%		80%	80%	0%
General Mining Royalty	16%	32%	32%	80%		
Fisheries					80%	80%
Oil Mining	3%	6%	6%	15%	70% (a)	55%
Natural Gas Mining	6%	12%	6%	24%	70% (a)	46%

Note: (a) These %'s are valid for 25 years and will reduce to 50% and 40% for Oil and Gas respectively after this period

Source: Republic of Indonesia Law 25/1999, *The Fiscal Balance Between the Central Government and the Regions* <http://www.gtzsfdm.or.id/> , Republic of Indonesia Law 21/2001, *Special Autonomy for the Papua Province*, <http://www.gtzsfdm.or.id/> and Bambang Brodjonegoro, *Fiscal Decentralization in Indonesia* in Soesastro, Hadi, Smith, Anthony L. and Han Mui Ling, *Governance in Indonesia*, Singapore: Institute of Southeast Asian Studies, 2003.

## APPENDIX 12

### SUB NATIONAL INCOME AND EXPENDITURE ACCOUNTS (RP BILLION)

**Table 19: Provincial Income and Expenditures – All provinces**

	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>	<b>11,693</b>	<b>8,830</b>	<b>25,485</b>	<b>32,972</b>	<b>39,703</b>	<b>46,001</b>	<b>56,973</b>	<b>76,763</b>	<b>85,191</b>
Transfers from center	7,324	5,863	14,447	16,607	18,843	19,823	24,699	34,506	39,448
Own revenues	4,369	2,967	11,038	16,365	20,861	26,178	32,274	42,257	45,743
<b>Expenditures</b>	<b>(11,562)</b>	<b>(7,739)</b>	<b>(23,109)</b>	<b>(32,251)</b>	<b>(39,751)</b>	<b>(43,334)</b>	<b>(49,369)</b>	<b>(72,314)</b>	<b>(80,254)</b>
Transfers to lower levels	0	0	(2,458)	(3,029)	(5,854)	(10,930)	(13,825)	(18,240) <sup>b</sup>	(20,243) <sup>b</sup>
Own expenditures	(11,562)	(7,739)	(20,651)	(29,222)	(33,897)	(32,404)	(35,544) <sup>a</sup>	(54,074)	(60,011)
Routine expenditure	(6,739)	(3,748)	(12,208)	(14,530)	(13,160)	(12,873)	(28,261)	(21,482)	(23,841)
Development expenditure	(4,823)	(3,991)	(8,443)	(14,693)	(20,738)	(19,531)	(21,108)	(32,592)	(36,170)
<b>Balance</b>	<b>131</b>	<b>1,091</b>	<b>2,376</b>	<b>721</b>	<b>(48)</b>	<b>2,667</b>	<b>7,604</b>	<b>4,449</b>	<b>4,937</b>

Notes: a – the figure of 35,544 does not equal the sum of the routine and development expenditures.

b – these two figures are quoted as zero in the source data, but the total expenditure does not equal the sum of the Transfers and Own Expenditures. I have taken the liberty of including the balancing figure as the Transfers to lower levels.

**Table 20: District Income and Expenditures – All districts**

	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>	<b>27,153</b>	<b>27,102</b>	<b>78,698</b>	<b>93,381</b>	<b>115,236</b>	<b>122,121</b>	<b>142,806</b>	<b>207,278</b>	<b>237,023</b>
Transfers from center	24,082	24,118	70,609	81,217	97,153	101,935	117,080	177,440	202,855
Own revenues	3,071	2,984	8,089	12,164	18,083	20,186	25,726	29,838	34,168
<b>Expenditures</b>	<b>(27,203)</b>	<b>(29,581)</b>	<b>(71,624)</b>	<b>(89,888)</b>	<b>(115,279)</b>	<b>(118,959)</b>	<b>(136,862)</b>	<b>(201,911)</b>	<b>(230,885)</b>
Routine expenditure	(18,695)	(18,777)	(49,170)	(58,738)	(72,128)	(79,115)	(86,875)	(134,283)	(153,553)
Development expenditure	(8,508)	(10,804)	(22,454)	(31,150)	(43,151)	(39,844)	(49,987)	(67,628)	(77,332)
<b>Balance</b>	<b>(50)</b>	<b>(2,479)</b>	<b>7,074</b>	<b>3,493</b>	<b>(43)</b>	<b>3,162</b>	<b>5,944</b>	<b>5,367</b>	<b>6,138</b>
<b>% Routine Expenditure</b>	69%	63%	69%	65%	63%	67%	63%	67%	67%
<b>% Development Expenditure</b>	31%	37%	31%	35%	37%	33%	37%	33%	33%

Source: World Bank, *Spending for development*, (Washington, D.C.: World Bank, 2008).

## APPENDIX 13

### GOVERNMENT SPENDING ON EDUCATION

**Table 21: Spending on Education by Different Levels of Government (Rp.trillion)**

Level of Government	2001 Rp.	2001 %	2002 Rp.	2002 %	2003 Rp.	2003 %	2004 Rp.	2004 %	2005 Rp.	2005 %
Central - routine	3.8	19.0%	5.59	16.0%	6.89	16.9%	7.13	16.5%	11.25	23.0%
Province- routine	0.37	2.0%	1.35	3.9%	0.79	1.9%	0.8	1.9%	0.88	1.8%
District - routine	15.01	79.0%	27.97	80.1%	33.02	81.1%	35.21	81.6%	36.78	75.2%
<b>Total - routine</b>	<b>19</b>	<b>100.0%</b>	<b>34.92</b>	<b>100.0%</b>	<b>40.7</b>	<b>100.0%</b>	<b>43.13</b>	<b>100.0%</b>	<b>48.91</b>	<b>100.0%</b>
Central - development	8.51	66.0%	9.15	55.8%	15.62	64.9%	12.32	66.0%	17.09	68.2%
Province - development	1.36	10.6%	2.65	16.1%	3.14	13.0%	1.76	9.4%	2.92	11.7%
District - development	3.02	23.4%	4.6	28.1%	5.33	22.1%	4.6	24.6%	5.06	20.2%
<b>Total - development</b>	<b>12.89</b>	<b>100.0%</b>	<b>16.4</b>	<b>100.0%</b>	<b>24.09</b>	<b>100.0%</b>	<b>18.68</b>	<b>100.0%</b>	<b>25.07</b>	<b>100.0%</b>

Source: World Bank, *Spending for development*, (Washington, D.C.: World Bank, 2008), p.33.

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## APPENDIX 14

### GOVERNMENT SPENDING ON HEALTH

**Table 22: Spending on Health by Different Levels of Government (Rp.trillion)**

Level of Government	2001 Rp.	2001 %	2002 Rp.	2002 %	2003 Rp.	2003 %	2004 Rp.	2004 %
Central - routine	0.74	16%	0.38	8%	0.34	7%	0.43	9%
Province- routine	1.06	23%	1.13	24%	1.01	21%	0.86	18%
District - routine	2.81	61%	3.20	68%	3.46	72%	3.50	73%
<b>Total - routine</b>	<b>4.60</b>	<b>100%</b>	<b>4.70</b>	<b>100%</b>	<b>4.80</b>	<b>100%</b>	<b>4.80</b>	<b>100%</b>
Central - development	2.30	56%	2.45	50%	5.28	55%	4.95	50%
Province - development	0.57	14%	0.93	19%	1.44	15%	1.78	18%
District - development	1.23	30%	1.52	31%	2.88	30%	3.17	32%
<b>Total - development</b>	<b>4.1</b>	<b>100%</b>	<b>4.9</b>	<b>100%</b>	<b>9.6</b>	<b>100%</b>	<b>9.9</b>	<b>100%</b>

Source: World Bank *Spending for Development*, (Washington, D.C.: World Bank, 2008), p.59.

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## APPENDIX 15

### DISTRICT LEVEL SPENDING ON ‘PERSONNEL EXPENSES’

**Table 23: North Sumatra and Papua.West Irian Jaya – District Level Spending on Personnel and Government Administration**

	North Sumatra	Papua	West Irian
<b>Total Revenues</b>	4,642,501	1,674,013	1,171,904
<b>Development Expenditure</b>	1,214,322	815,113	510,810
<b>Routine Expenditure</b>	3,222,912	853,321	730,810
<b>Total Expenditure</b>	4,437,234	1,668,434	1,241,620
<b>Surplus/(Deficit)</b>	205,267	5,579	(69,716)
<b>% of Routine Expenditure to Total Expenditure</b>	<b>73%</b>	<b>51%</b>	<b>59%</b>
<b>Personnel Expenses</b>	2,518,218	416,644	380,766
<b>Personnel expenses as % of Total expenses</b>	<b>57%(a)</b>	<b>25%</b>	<b>31%</b>
<b>Personnel Expenses + Government Administration</b>	2,908,617	794,090	553,751
<b>Personnel expenses as % of Total expenses</b>	<b>66%(b)</b>	<b>48%</b>	<b>45%</b>

Notes:

- (a) Included within this provincial average there are three individual districts with a % higher than 65%, Dairi (84%), Deli Serdang (75%) and Simalungun (74%). None of these districts are ones that have been newly created since decentralization.
- (b) If the spending is expanded to cover Government Administration as well as Personnel Expenses, 9 out of the 15 districts for which I have data in North Sumatra have expenditure of over 65% of their total. This includes the two new districts Humbang Hasundutan (69%) and Pakpak Bharat (81%).

Source: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/INDONESIAEXTN/0,contentMDK:21439617%7EpagePK:141137%7EpiPK:141127%7EtheSitePK:226309,00.html>

## APPENDIX 16

### NORTH SUMATRA AND PAPUA/WEST IRIAN JAYA COMPARISON

**Table 24: North Sumatra and Papua/West Irian Jaya - Comparison**

<b>Indicator</b>	<b>North Sumatra</b>	<b>Papua/West Irian Jaya</b>	<b>Indonesia</b>
Area (sq.km.) (2000)	70,787	421,981	1,919,317
Percentage to total area of Indonesia (2000)	3.69%	21.99%	100.00%
Population (000's) (2000)	11,506.8	1,697.98	179,378.9
Population Density per sq. km. (2000)	163	4	93
Growth Rate of Population (1990-2000)	1.32	3.22	1.98
Infant Mortality Rate per 1000 Live Births (1996)	44	57	71
Male Life Expectancy at Birth (1996)	64.04	61.07	58.1
Female Life Expectancy at Birth (1996)	67.92	64.83	61.5
Labor Force Participation Rate (1997)	58.45	66.58	58.02
Open Unemployment Rate (1997)	6.10	3.20	4.68
Gross Regional Domestic Product at current market prices (million rupiahs) (1997)	32,414,604	9,403,483	n/a
Gross Regional Domestic Product per capita ('000)	2,817	5,538	n/a

Source: <http://www.bps.go.id/profile/irja.shtml> and <http://www.bps.go.id/profile/sumut.shtml>

Note: West Irian Jaya is not shown separately in this comparison as it had not been separated from Papua province by the time these statistics were published.

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## APPENDIX 17

### NORTH SUMATRA PROVINCE –DISTRICT LEVEL MAP

Figure 6: North Sumatra District Level Map



Source: [http://www.seasite.niu.edu/Indonesian/Indonesian\\_Elections/Districts2004/SumBar-DPRP.pdf](http://www.seasite.niu.edu/Indonesian/Indonesian_Elections/Districts2004/SumBar-DPRP.pdf)

## APPENDIX 18

### NORTH SUMATRA – POPULATION AND AREA OF DISTRICTS

**Table 25: Pre-division Population Density, Total Population and Area (sq. km.) of districts in North Sumatra** – Districts which have undergone a division are highlighted in bold font.

Name	Pop'n Density	Pop'n Density Rank	Pop'n	Pop'n Rank	Area	Area Rank
<b>Deli Serdang</b>	<b>509</b>	<b>1</b>	<b>2,239,745</b>	<b>1</b>	<b>4,399</b>	<b>9</b>
Asahan	227	2	1,038,554	2	4,581	8
Simalungun	193	3	841,198	5	4,369	10
Langkat	162	4	1,013,849	3	6,263	4
Karo	161	5	342,555	10	2,127	13
<b>Nias</b>	<b>139</b>	<b>6</b>	<b>713,045</b>	<b>7</b>	<b>5,121</b>	<b>6</b>
Tapanuli Tengah	138	7	297,843	13	2,158	12
Labuhan Batu	107	8	987,157	4	9,223	2
<b>Dairi</b>	<b>96</b>	<b>9</b>	<b>302,451</b>	<b>11</b>	<b>3,146</b>	<b>11</b>
<b>North Tapanuli</b>	<b>68</b>	<b>10</b>	<b>409,201</b>	<b>9</b>	<b>6,062</b>	<b>5</b>
<b>South Tapanuli</b>	<b>66</b>	<b>11</b>	<b>811,077</b>	<b>6</b>	<b>12,278</b>	<b>1</b>
<b>Toba Samosir</b>	<b>63</b>	<b>12</b>	<b>299,778</b>	<b>12</b>	<b>4,786</b>	<b>7</b>
Mandailing Natal	62	13	413,750	8	6,621	3

Source: <http://sumut.bps.go.id>

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## APPENDIX 19

### NORTH SUMATRA – HOMOGENEITY OF DISTRICTS

**Table 26: Pre-division Percentages of Javanese, Muslims, Migrants and Urban Population in Districts in North Sumatra**

Name	% Javanese	% Javanese Rank	% Muslim	% Muslim Rank	% Migrant	% Migrant Rank	% Urban	% Urban Rank
Langkat	56%	1	90%	3	3%	9	21%	4
<b>Deli Serdang</b>	<b>53%</b>	<b>2</b>	<b>80%</b>	<b>6</b>	<b>9%</b>	<b>1</b>	<b>53%</b>	<b>1</b>
Asahan	52%	3	88%	4	3%	10	27%	2
Simalungun	46%	4	58%	7	4%	5	23%	3
Labuhan Batu	45%	5	84%	5	6%	3	20%	5
Karo	8%	6	24%	9	4%	6	23%	7
Central Tapanuli	6%	8	42%	8	8%	2	13%	8
Mandailing Natal	6%	7	97%	1	4%	4	12%	12
<b>South Tapanuli</b>	<b>5%</b>	<b>9</b>	<b>91%</b>	<b>2</b>	<b>3%</b>	<b>8</b>	<b>15%</b>	<b>6</b>
<b>Dairi</b>	<b>1%</b>	<b>10</b>	<b>17%</b>	<b>10</b>	<b>3%</b>	<b>11</b>	<b>13%</b>	<b>10</b>
<b>Toba Samosir</b>	<b>1%</b>	<b>11</b>	<b>3%</b>	<b>13</b>	<b>4%</b>	<b>7</b>	<b>12%</b>	<b>11</b>
<b>North Tapanuli</b>	<b>0%</b>	<b>12</b>	<b>4%</b>	<b>11</b>	<b>3%</b>	<b>12</b>	<b>10%</b>	<b>9</b>
<b>Nias</b>	<b>0%</b>	<b>13</b>	<b>4%</b>	<b>12</b>	<b>2%</b>	<b>13</b>	<b>4%</b>	<b>13</b>
<b>Total</b>	<b>21%</b>		<b>52%</b>		<b>4%</b>		<b>19%</b>	

Source: Leo Suryadinata, Aris Ananta and Evi Nurvidya Arifin, *Indonesian electoral behaviour: a statistical perspective*, Singapore: Institute of Southeast Asian Studies, 2004.

## APPENDIX 20

### NORTH SUMATRA - REVENUES OF NEW DISTRICTS

**Table 27: Revenues of New Districts in North Sumatra (Rp. Millions)**

Revenue Classification	2002		2003		2004				2004	
	Kota. Padang Sidempuan	%	Kota. Padang Sidempuan	%	Kab. Humbang Hasundutan	%	Kab. Pakpak Bharat	%	Average across 15 old/new districts	%
<b>TOTAL REVENUE</b>	<b>83,008</b>	<b>100%</b>	<b>137,413</b>	<b>100%</b>	<b>95,986</b>	<b>100%</b>	<b>43,256</b>	<b>100%</b>	<b>309,500</b>	<b>100%</b>
Own Source Revenue	2,177	3%	3,484	3%	1,768	2%	283	1%	29,151	9%
Balancing Fund	80,010	96%	125,359	91%	87,676	91%	40,552	94%	244,199	79%
Other Revenues	821	1%	8,570	6%	6,543	7%	2,420	6%	36,150	12%
Local Taxes	1,081	1%	1,738	1%	547	1%	46	0%	15,729	5%
Local Levies	935	1%	1,211	1%	481	1%	155	0%	9,671	3%
Local Government Ent. Profit	0	0%	30	0%	0	0%	0	0%	615	0%
Other Own Source Rev.	161	0%	505	0%	740	1%	83	0%	3,136	1%
<b>Shared Taxes</b>	<b>7,436</b>	<b>9%</b>	<b>12,551</b>	<b>9%</b>	<b>12,127</b>	<b>13%</b>	<b>10,610</b>	<b>25%</b>	<b>34,970</b>	<b>11%</b>
Shared Natural Res. Rev.	1,318	2%	1,251	1%	180	0%	0	0%	1,221	0%
DAU	70,755	85%	107,485	78%	71,368	74%	25,942	60%	199,996	65%
DAK	500	1%	4,072	3%	4,000	4%	4,000	9%	8,011	3%
Other Rev From Cent. Govt.	0	0%	0	0%	4,195	4%	0	0%	8,578	3%
Other Rev From Prov. Govt.	821	1%	1,570	1%	2,347	2%	1,750	4%	19,886	6%
Emergency Fund	0	0%	7,000	5%	0	0%	0	0%	400	0%
Others	0	0%	0	0%	0	0%	670	2%	7,285	2%
<b>TOTAL EXPENDITURE</b>	<b>81,433</b>		<b>128,127</b>		<b>92,658</b>		<b>36,840</b>		<b>295,816</b>	
<b>BALANCE</b>	<b>1,575</b>		<b>9,286</b>		<b>3,329</b>		<b>6,416</b>		<b>13,684</b>	
<b>UNSPENT BALANCE AS % OF TOTAL EXPENDITURE</b>	<b>2%</b>		<b>7%</b>		<b>4%</b>		<b>17%</b>		<b>5%</b>	

Source: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPAC/ICFEXT/INDONESIAEXTN/0,contentMDK:2143>

9617%7EpagePK:141137%7EpiPK:141127%7 Et he SitePK:226309,00.html

**APPENDIX 21**  
**NORTH SUMATRA – SELECETED DISTRICT LEVEL**  
**EXPENDITURES**

**Table 28: North Sumatra – Selected District Level Expenditures**

Indicator	2002	2003	2004		2004 Average
	Kota. Padang Sidempuan	Kota. Padang Sidempuan	Kab. Humbang Hasundutan	Kab. Pakpak Bharat	
% of Development exp / Total Exp	17%	21%	26%	42%	27%
% of Routine exp / Total Exp	83%	79%	74%	58%	73%
Size of DPD (no. of persons)	25	25	25	20	34
Population / DPD ratio	6,741	6,897	6,101	1,713	16,805
% of Personnel / Total revenue	59%	48%	57%	33%	54%
% of Personnel / Routine exp	73%	65%	80%	67%	78%
% of Personnel / Total exp	60%	51%	59%	39%	57%
% of Personnel / DAU	70%	61%	77%	55%	84%
Per capita exp on Personnel - Rp.	292,022	382,526	358,690	419,121	293,826
% of Govt Admin / Total revenue	6%	6%	9%	36%	8%
% of Govt Admin / Devmnt exp	39%	32%	37%	100%	32%
% of Govt Admin / Total exp	7%	7%	9%	42%	9%
% of Govt Admin / DAU	8%	8%	12%	60%	13%
Per capita exp on Govt Admin - Rp.	31,674	50,069	57,588	450,744	45,552

Source: <http://web.worldbank.org/>

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## APPENDIX 22

### NORTH SUMATRA - EDUCATION SERVICE PROVISION

**Table 29: Economic Indicators of Education Service Provision for New Districts in North Sumatra**

Indicator	2002	2003	2004		2004 Average
	Kota. Padang Sidempuan	Kota. Padang Sidempuan	Kab. Humbang Hasundutan	Kab. Pakpak Bharat	
% of Dev educ. / Dev Total	13%	15%	2%	0%	8%
% of Rout educ / Routine Total	58%	50%	40%	0%	52%
% of Total Educ / Total Exp	51%	42%	30%	0%	40%
% of Total Educ / Total Revenues	50%	39%	29%	0%	38%
Dev education exp per student	34,980	77,942	9,649	0	47,485
Routine education exp per student	762,961	970,263	512,881	0	874,663
Total Education exp per student	797,941	1,048,205	522,530	0	922,148

Source: <http://web.worldbank.org/>

**Table 30: Facility/Personnel Indicators of Education Service Provision for New Districts in North Sumatra**

Education Indicators	New Districts Avg	Old Districts Avg	Total Districts avg
Schools per capita ('000)	1	1	1
Teachers capita ('000)	13	12	12
<b>Student Enrolment Ratio:</b>			
Primary students	167%	130%	134%
Junior Secondary	40%	37%	38%
Senior secondary	31%	30%	30%
Total students	78%	65%	66%
<b>Teacher Pupil Ratio's:</b>			
Teacher Pupil ratio	17.70	16.87	17.07
Teacher School Ratio	15.99	18.41	17.83
Pupil School Ratio	267.31	283.45	279.58
Pupil Class Ratio	34.77	31.72	32.46

Source: <http://web.worldbank.org/> and <http://sumut.bps.go.id/>

### Enrolment data issues:

There appears to be an issue with the Primary school level data on the North Sumatra statistics office website as shown by the following example. The tables below, downloaded from the North Sumatran Statistics Office website would suggest that in 1006 for example, Pakpak Bharat district had a population of 34,882 persons, of whom 27,904 (some 84%) attended primary school.

### **Total population of selected districts in North Sumatra:**

<b>Jumlah Penduduk Menurut Kabupaten/Kota 2002-2006</b>						
<b>Kode Area</b>	<b>Kabupaten/Kota (District)</b>	<b>2002<sup>e)</sup></b>	<b>2003<sup>e)</sup></b>	<b>2004<sup>e)</sup></b>	<b>2005<sup>e)</sup></b>	<b>2006<sup>e)</sup></b>
15	Humbang Hasundutan	x	152,377	152,519	152,997	152,757
16	Pakpak Bharat	x	33,822	34,260	34,542	34,822
77	Padang Sidempuan	x	168,536	172,419	177,499	181,865

Source: <http://sumut.bps.go.id/pop/2006/pop05.html>

### **Number of Primary schools, Teachers, Students and Classes in selected North Sumatran Districts:**

<b>Jumlah Sekolah, Guru dan Murid Sekolah Dasar menurut Kabupaten/ Kota Tahun 2006</b>					
<b>Kode Area</b>	<b>Kabupaten/Kota (District)</b>	<b>Sekolah (Schools)</b>	<b>Guru (Teachers)</b>	<b>Murid (Pupils)</b>	<b>Kelas (Classes)</b>
15	Humbang Hasundutan	220	1 239	31 773	1 413
16	Pakpak Bharat	55	1 267	27 904	815
77	Padang Sidempuan	88	1 292	27 686	842

Source: <http://sumut.bps.go.id/?kdbsek=186&pilih=vtasek>

This problem is enhanced by the fact that to reach a target primary school population, the total of 34,882 has been divided into age specific portions, based on the provincial age range distribution table given in the aforementioned website. This estimation is shown below and effectively reduces the estimate of Primary school students based on population data in Pakpak Bharat to just 3,737 students.

<b>Age Group</b>	<b>Total</b>	<b>Ratio</b>	<b>Estimate of School Level</b>	<b>Humbang Hasundutan</b>	<b>Pakpak Bharat</b>	<b>Padang Sidempuan</b>
<b>Total</b>	<b>12,643,494</b>			<b>152,757</b>	<b>34,822</b>	<b>181,865</b>
5-9	1,356,756	11%	Primary	16,392	3,737	19,516
10-14	1,433,284	11%	Junior Secondary	17,317	3,947	20,616
15 - 19	1,384,840	11%	Senior Secondary	16,731	3,814	19,920

Source: <http://sumut.bps.go.id/pop/2006/pop03.html> and <http://sumut.bps.go.id/pop/2006/pop05.html>

The combination of these factors lead to the excessively high enrolment rates at Primary level as shown in tables 30 and 36.

## APPENDIX 23

### NORTH SUMATRA - HEALTH SERVICE PROVISION

**Table 31: North Sumatra - Economic Provision Indicators of Health Service**

Indicator	2002	2003	2004		2004 Average
	Kota. Padang Sidempuan	Kota. Padang Sidempuan	Kab. Humbang Hasundutan	Kab. Pakpak Bharat	
% of Dev health / Dev Total	1%	8%	7%	0%	6%
% of Rout health / Routine Total	5%	8%	5%	0%	9%
% of Total health / Total Exp	5%	8%	6%	0%	8%
% of Total health / Total Revenues	6%	6%	9%	36%	8%
Dev health exp per capita (Rp.)	416	12,210	10,959	0	8,882
Routine health exp per capita (Rp.)	21,519	49,226	23,013	0	32,037
Total health exp per capita (Rp.)	21,935	61,435	33,972	0	40,918

Source: <http://web.worldbank.org/> and <http://sumut.bps.go.id/>

**Table 32: North Sumatra - Facility/Personnel Indicators of Health Service Provision**

Health Service Indicators – Facilities per 100,000 pop.	New Districts	Old Districts	Total Districts
<b>Facilities:</b>			
Government Hospitals	0.4	0.2	0.2
Private hospitals	0.1	0.9	0.9
Public Clinics	4.2	3.5	3.6
BPU clinics	2.3	7.6	7.0
Family Planning Clinics	10.3	8.5	8.7
Government offices with health facilities	114.4	102.4	103.7
Pharmacies	2.2	4.6	4.3
<b>Personnel:</b>			
Doctors	11.9	10.3	10.5
Specialist Doctors	2.5	3.4	3.3
Dentists	3.0	4.2	4.0
Pharmacists	2.3	4.2	4.0
Clinic assistants	22.8	14.4	15.3

Source: <http://web.worldbank.org/> and <http://sumut.bps.go.id/>

## APPENDIX 24

### PAPUA AND WEST IRIAN JAYA PROVINCES

**Figure 7: Papua and West Irian Jaya District Level Map**



Source: International Crisis Group Update Briefing, Asia Briefing No.66, *Indonesian Papua: A Local Perspective on the Conflict*,

[http://www.crisisgroup.org/library/documents/asia/indonesia/b66\\_indonesian\\_papua\\_a\\_local\\_perspective\\_on\\_the\\_conflict.pdf](http://www.crisisgroup.org/library/documents/asia/indonesia/b66_indonesian_papua_a_local_perspective_on_the_conflict.pdf), 2007

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## APPENDIX 25

### THE CREATION OF WEST IRIAN JAYA PROVINCE

The division of Papua into two separate provinces, Papua and West Irian Jaya, in 2003 was the most controversial piece of central government intervention in the province since the stage managed 'Act of Free Choice' in 1969. As this thesis is focused on the creation of new districts, the creation of West Irian Jaya province is not specifically relevant but has fundamental importance for any discussion of Papua and therefore warrants a mention. This Appendix will briefly look at the long and legally precarious route that the creation of West Irian Jaya took and some of the justifications that have been suggested for its creation.

#### **How West Irian Jaya was created**

The division of Papua province was first considered in 1984 under the New Order regime when a report was commissioned to consider division as a means of quickening the pace of development in Papua<sup>1</sup>. The report concluded that a division into three and ultimately six provinces, effectively re-creating the old '*Karesidenan*' or 'groups of districts' that had been used under Dutch rule, would be effective in achieving this goal. No further action was taken until after the fall of Suharto when the interim president, Habibie sent a fact finding team to Papua as a conciliatory measure aimed at finding a solution to the persistent calls for independence and general discontent within the province. This team concluded that autonomy rather than division or independence would be the most effective way of dealing with Papua.

In actual fact the complete opposite occurred. Against the findings of the investigative team, which had concluded that the majority of Papuans wished to remain within the unitary state, a team of 100 Papuan representatives were given an audience with Habibie in February 1999 during which they denounced Papua's integration into the unitary state and formally demanded independence<sup>2</sup>. Habibie's response can be

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<sup>1</sup> International Crisis Group (ICG) Update Briefing, Asia Briefing No.9, *Dividing Papua: How Not To Do It*, 2003, p.2

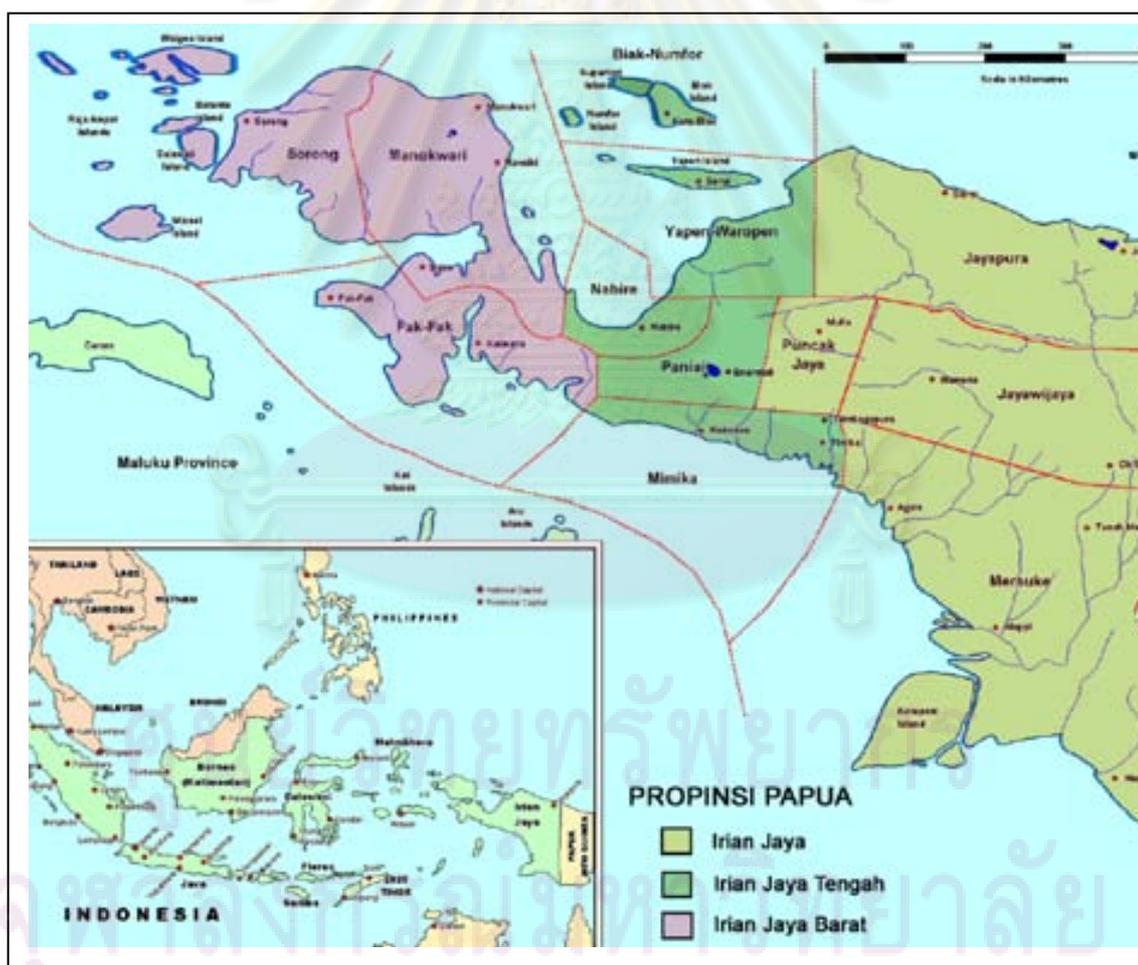
<sup>2</sup> Jacques Bertrand, *Nationalism and Ethnic Conflict in Indonesia*, (Cambridge: Cambridge University Press, 2004), pp.154-155.

taken as a stark warning to ‘Team 100’ of the consequences of their actions, as he replied:

‘I’m just human. I don’t have all the answers. I ask you to return to Irian Jaya and think through clearly what you are asking for....(Papuan) should ponder this issue well’<sup>3</sup>

Indeed as far as the Habibie administration was concerned, this open demand for independence was the end of any discussion of autonomy or independence and instead Law 45/1999 was issued, dividing Papua into three provinces, Papua, West Irian Jaya and Central Papua (as well as creating 4 new districts, Paniai, Mimika, Puncak Jaya and Sorong City). The planned division can be seen in the map below:

**Figure 8: Proposed Division of Papua - Map**



Source: <http://www.papuaweb.org/goi/pp/peta-hr.pdf>

<sup>3</sup> Charles E. Farhadian, *Christianity, Islam, and Nationalism in Indonesia*, (Abingdon: Routledge, 2005), p.173.

There are a number of justifications that have been proposed for the promulgation of this law: i) it was a reaction to the call for independence which had visibly 'shocked' Habibie<sup>4</sup>, as dividing the province would weaken the independence movement; ii) it was the enactment of a long held plan to speed up and enhance development in Papua; iii) it was designed to secure control over Papua's natural resources which are concentrated mainly in West Papua (with the PT Freeport gold mine also being located in what would have been Central Papua), see page 101, and; iv) it was intended to marginalize native Christian Papuans who would have only made up a clear majority of the population in the poorest and least populated of the three provinces, Papua<sup>5</sup>. Arguments can be made in favor of each of these hypotheses and as is usually the case, it would be more correct to state that each played a role in the decision to pass the law rather than anyone taking clear precedence over the other.

Law 45/1999 was almost universally unpopular in Papua and was met with widespread public protest and a recommendation by the Papuan provincial Parliament (DPRP) that the law be repealed<sup>6</sup>. In event the law was not repealed, but in the face of such strong local protest, its implementation was halted although as it had already been passed by the House of Representatives (DPR), the law remained on the statute books and legally enforceable\*. The creation of new provinces was thus left in a legal 'limbo' and the status of the law was made more complex by the passing of the special autonomy law in 2001 which stated that:

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<sup>4</sup> Jacques Bertrand, *Nationalism and Ethnic Conflict in Indonesia*, op. cit., p.155.

<sup>5</sup> The government sponsored transmigration program (1975-1985) and spontaneous migration have left Papua with a total population which is generally regarded as being just 60% Christian and 40% Muslim (while some observers state that the ratio is more like 50%-50%), see Elizabeth Kendal, *The Islamisation of Papua – the Betrayal of a Christian People*, <http://www.anglicantas.org.au/issues/papua.html>. This is reported as having been a conscious ploy on the part of the central government to marginalize and even 'kill' and 'eliminate' native Papuans as only Muslims were allowed to migrate to West Papua, any Christians wishing to do so had to falsify their ID cards, see Charles E. Farhadian, *Christianity, Islam, and Nationalism in Indonesia*, op. cit., pp.60-63.

<sup>6</sup> The main objections to the law was that it had been conducted with no community consultation, was not in accordance with the recommendations of the local government (DPD) and that it was done primarily to strengthen Indonesian territorial unity rather than for the benefit of Papuans, Simon P. Morin, 2006, *Democracy and conflict resolution: solutions to Papua's case*, speech given at EU-Indonesia day Conference, Brussels, 2006, <http://ec.europa.eu/>.

\* The change in president from Habibie to Wahid in October 1999 was also a significant factor in the fate of Law 45/1999. A popularly elected president rather than just a transitional one, Wahid would have wanted to distance himself from New Order policies and governance styles and Law 45/1999 was just the type of unpopular, centralist lawmaking which characterized the previous regime. To halt its process can therefore also be seen as Wahid attempting to buy back the support of Papua province, his failure to get the law fully repealed may suggest that his actions were less sincere than they may at first seem.

'Expansion of the Papua Province into provinces shall be carried out with the approval of the MRP and the DPRP giving close attention to the social-cultural unity, readiness of the human resources and the economic ability and development in the future.'<sup>7</sup>

Thus any division of Papua would have to be locally authorized by the provincial government (DPRP) and the newly commissioned Papua People's Assembly (MRP), essentially precluding any further central government intervention in Papua's spatial administration and rendering Law 45/1999 unenforceable.

Whilst Special Autonomy on one hand made the creation of new provinces more difficult, it also invoked the opposite dynamic by granting the Special Autonomy Fund (DO) the provincial level of government. This makes the province and the governorship of a province far more attractive and lucrative and thus it should come as little surprise that in 2002, the first year in which the DO was allocated to Papua, president Megawatti was met by a group of 300 native Papuans asking for a re-drawing of provincial boundaries. This was a far cry from the meeting with Habibie just three years earlier and shows how autonomy and especially funding can be used as a tool to achieve political aims.

Megawatti responded by re-instating Law 45/1999 by presidential decree (*Inpres*) in January 2003. The decision was again met with protest but this time somewhat muted as elite interests and government officials within Papua were aware of the benefits which the creation of the new provinces could bring them in terms of financial reward, jobs, contracts and political influence<sup>8</sup>. The popularity of the *Inpres* in certain quarters can be seen by the speed of action of those who stood to gain most from it. Bram Atururi, the appointed governor of West Irian Jaya province set up office and held an inauguration parade in February 2003, just one month after the *Inpres* had been signed. Officials in Central Papua were a little slower in their actions and have apparently paid a price for this. The province was declared open in August 2003 but the protests that accompanied this declaration (which led to five deaths) led the soon to be

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<sup>7</sup> Republic of Indonesia Law 21/2001, *Special Autonomy for the Papua Province*, [http://www.gtzsfdm.or.id/documents/laws\\_n\\_regs/laws/2001/Law21\\_2001.pdf](http://www.gtzsfdm.or.id/documents/laws_n_regs/laws/2001/Law21_2001.pdf), Article 76.

<sup>8</sup> Sidney Jones, *Political Update 2003: Terrorism, Nationalism and Disillusionment with Reform* in M. Chatib Basri and Pierre van der Eng (eds.), , 'Business in Indonesia: new challenges. old problems', (Singapore: Institute of Southeast Asian Studies, 2004), p.30

president, Susilo Bambang Yudhoyono<sup>9</sup>, to announce that the whole process be halted and reviewed. By this time though it appeared to late to stop the creation of the more advanced West Irian Jaya province which, in September 2003, was granted three seats in parliament for the upcoming ballots in preparation for the 2004 elections<sup>10</sup>.

The legality of the creation of either province is dubious at best. In November 2003 the existence of West Irian Jaya was challenged in the Supreme Court which ruled that due to the Special Autonomy Law, Law 45/1999 was invalid and as such the province had no legal basis for existence. The following part of their ruling though declared that as the province had already been created, allocated seats in parliament and its governor had been officially installed by the Ministry of Home Affairs, it was actually a valid province and could thus remain in existence. This appears characteristic of the ambiguity of decisions handed down by the Indonesian judiciary and is symptomatic of why the judiciary is one of the two institutions in Indonesia that the public have the least trust in (the other being the police)<sup>11</sup>. West Irian Jaya has therefore remained a valid province, Central Papua has to date not been created, nor apparently will it under Law 45/1999.

There have again been numerous justifications suggested for Megawatti's reinstatement of Law 45/1999. The four hypotheses stated above in regards to the original legislation are all still valid explanations, but we can add two additional factors to these. Firstly, that Megawatti was reacting to the demand for the new provinces to be created which came from within Papua itself, This would remove one of the main grievances against the original law although these calls appear to have come from a the minority of Papuans who would benefit from the new provinces and are thus hardly representative of the genuine public sentiment within Papua. Secondly there may have been a strictly political motive. Papua province was a GOLKAR stronghold and the division into three provinces would have made it easier for Megawatti's party, the PDI-P (who also accused GOLKAR of appropriating the Special Autonomy Fund and using it for their

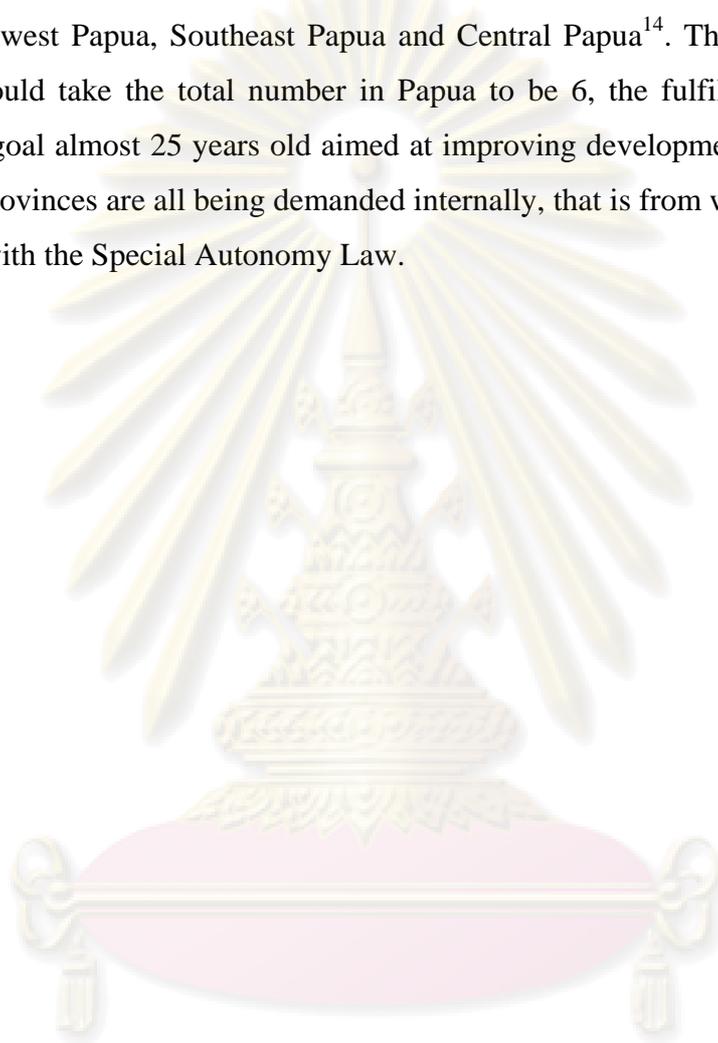
<sup>9</sup> Dr. Susilo Bambang Yudhoyono was elected to the presidency in October 2004, prior to that he served as Megawatti's Coordinating Minister of Politics and Security, see [http://en.wikipedia.org/wiki/Susilo\\_Bambang\\_Yudhoyono](http://en.wikipedia.org/wiki/Susilo_Bambang_Yudhoyono).

<sup>10</sup> Sidney Jones, *Political Update 2003*, op. cit., p.31.

<sup>11</sup> Hans Antlov, *Filling the Democratic Defecit: Deliberative Forums and Political Organizing in Indonesia* in Francis Kok Wah Loh and Joakim Ojendal (eds.), *Southeast Asian Responses to Globalization: Restructuring Governance and Deepening Democracy*, (Singapore: Institute of Southeast Asian Studies, 2005), p.237.

own political ends) to make political gains in this area<sup>12</sup>. The creation of West Irian Jaya province ‘virtually assured’ that the three seats the province was allocated in the House of Representatives (DPR) would be won by the PDI-P<sup>13</sup>.

Since 2003, there have been calls for four new provinces to be created, South Papua, Southwest Papua, Southeast Papua and Central Papua<sup>14</sup>. The creation of these provinces would take the total number in Papua to be 6, the fulfillment of a central government goal almost 25 years old aimed at improving development in the province. These new provinces are all being demanded internally, that is from within Papua and in accordance with the Special Autonomy Law.



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<sup>12</sup> International Crisis Group (ICG) Update Briefing, Asia Briefing No.9, 2003, *Dividing Papua*, op. cit., p.1.

<sup>13</sup> Sidney Jones, *Political Update 2003*, op. cit., p.31.

<sup>14</sup> See See Ridwan Max Sijabat, *Leaders want new province established in Papua*, The Jakarta Post online edition, September 6<sup>th</sup> 2007, [http://www.thejakartapost.com/Archives/Arc\\_hivesDet2.asp?FileID=20070906\\_H04](http://www.thejakartapost.com/Archives/Arc_hivesDet2.asp?FileID=20070906_H04), and Hyginus Hardoyo, *Clamor For New Regions Threatens Storm of Chaos*, The Jakarta Post online edition, February 21<sup>st</sup> 2007, <http://old.thejakartapost.com/Archives/ArchivesDet2.asp?FileID=20070221.E02>.

## APPENDIX 26

### PAPUA/WEST IRIAN JAYA - SELECETED DISTRICT LEVEL EXPENDITURES

**Table 33: Papua – Selected District Level Expenditures**

Indicator	2002	2003			2004		2004 Avg.
	Kab. Paniai	Kab. Mimika	Kab. Paniai	Kab. Puncak Jaya	Kab. Paniai	Kab. Puncak Jaya	Papua Total
% of Development exp / Total Exp	44%	42%	54%	32%	48%	33%	49%
% of Routine exp / Total Exp	56%	58%	46%	68%	52%	67%	51%
Number of Civil Servants	1,557	1,744	1,557	1,104	1,557	1,104	20,648
Civil Servants per capita ('000 people)	14	14	14	10	14	10	25
% of Personnel exp / Total Revenue	13%	12%	17%	11%	24%	11%	29%
% of Personnel exp / Routine exp	28%	20%	37%	15%	48%	17%	49%
% of Personnel exp / Total exp	15%	11%	17%	10%	25%	11%	25%
% of Personnel / DAU	18%	29%	24%	16%	33%	15%	36%
Per capita exp on Personnel - Rp.	275,993	336,034	410,399	254,208	621,542	262,172	326,293
% 'Other' and 'Miscellaneous' / Total Revenue	24%	29%	16%	37%	2%	38%	8%
% 'Other' and 'Miscellaneous' / Total expenses	27%	29%	16%	36%	2%	38%	7%
% of Govt Admin / Total Revenue	3%	12%	11%	8%	19%	9%	26%
% of Govt Admin / Devmnt exp	7%	29%	20%	24%	41%	26%	46%
% of Govt Admin / Total exp	3%	12%	11%	8%	20%	9%	23%
% of Govt Admin / DAU	4%	30%	15%	12%	27%	11%	32%
Per capita exp on Govt Admin - Rp.	53,536	351,099	263,576	195,047	495,015	198,733	295,596

Sources: <http://web.worldbank.org/> and <http://www.papua.go.id/bps/>

**Table 34: West Irian Jaya – Selected District Level Expenditures**

Indicator	2002	2004					2004 Avg.
	Kota. Sorong	Kab. Kaimana	Kab. Raja Ampat	Kab. Sorong Selatan	Kab. Teluk Wondama	Kota. Sorong	West Irian Jaya
% of Development exp / Total Exp	43%	62%	37%	62%	43%	30%	41%
% of Routine exp / Total Exp	57%	38%	63%	38%	57%	70%	59%
% of Personnel exp / Total Revenue	27%	18%	36%	25%	21%	38%	32%
% of Personnel exp / Routine exp	46%	60%	65%	65%	37%	43%	52%
% of Personnel exp / Total exp	27%	23%	41%	25%	21%	30%	31%
% of Personnel / DAU	44%	26%	71%	36%	32%	51%	52%
Per capita exp on Personnel - Rp.	532,046	575,867	663,496	591,182	407,091	847,759	780,713
% 'Other' and 'Miscellaneous' / Total Revenue	10%	0%	3%	2%	20%	17%	8%
% 'Other' and 'Miscellaneous' / Total expenses	10%	0%	3%	2%	20%	14%	7%
% of Govt Admin / Total Revenue	13%	15%	15%	34%	32%	9%	15%
% of Govt Admin / Devmnt exp	31%	29%	44%	54%	75%	25%	34%
% of Govt Admin / Total exp	13%	18%	17%	34%	32%	7%	14%
% of Govt Admin / DAU	22%	21%	29%	49%	49%	13%	24%
Per capita exp on Govt Admin - Rp.	266,034	462,298	270,123	803,975	623,747	207,957	354,685

Sources: <http://web.worldbank.org/> and <http://irjabar.bps.go.id/>

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## APPENDIX 27

### WEST IRIAN JAYA - EDUCATION SERVICE PROVISION

**Table 35: West Irian Jaya - Economic Indicators of Education Service Provision**

Indicator	2002	2004					2004 Avg.
	Kota. Sorong	Kab. Kaimana	Kab. Raja Ampat	Kab. Sorong Selatan	Kab. Teluk Wondam	Kota. Sorong	West Irian Jaya
% of Dev educ. / Dev Total	10%	16%	1%	9%	15%	16%	14%
% of Rout educ / Routine Total	34%	4%	28%	33%	1%	25%	23%
% of Total Educ / Total Expenditures	24%	11%	18%	18%	7%	23%	20%
% of Total Educ / Total Revenues	24%	9%	16%	19%	7%	29%	21%
Dev education exp per student	209,260	1,208,607	33,419	505,873	586,234	344,689	439,114
Routine education exp per student	1,009,159	167,329	1,124,337	1,080,667	54,089	1,294,667	1,041,719
Total Education exp per student	1,218,419	1,375,936	1,157,755	1,586,540	640,322	1,639,355	1,480,832

Source: <http://web.worldbank.org/> and <http://irjabar.bps.go.id/>

**Table 36: West Irian Jaya - Facility/Personnel Indicators of Education Service Provision**

Education Indicators	New Districts Avg	Old Districts Avg	Total Districts Avg
Schools per capita ('000)	2	1	2
Teachers capita ('000)	11	14	12
<b>Student Enrolment Ratio:</b>			
Primary students	155%	146%	151%
Junior Secondary	41%	43%	42%
Senior secondary	11%	6%	9%
Total students	68%	64%	66%
<b>Teacher Pupil Ratio's:</b>			
Teacher Pupil ratio	17.48	13.98	16.31
Teacher School Ratio	12.29	26.90	17.16
Pupil School Ratio	157.42	232.28	182.37

Source: <http://web.worldbank.org/> and <http://irjabar.bps.go.id/>

## APPENDIX 28

### PAPUA/WEST IRIAN JAYA HEALTH SERVICE PROVISION

**Table 37: Papua - Economic Indicators of Health Service Provision**

Indicator	2002	2003			2004		2004 Avg.
	Kab. Paniai	Kab. Mimika	Kab. Paniai	Kab. Puncak Jaya	Kab. Paniai	Kab. Puncak Jaya	Papua
% of Dev health / Dev Total	2%	11%	0%	18%	4%	7%	6%
% of Rout health / Routine Total	4%	4%	5%	2%	4%	3%	4%
% of Total health / Total Expenditure	3%	7%	2%	7%	4%	4%	5%
% of Total health / Total Revenues	2%	7%	2%	7%	4%	4%	6%
Dev health exp per capita	14,126	129,291	0	144,443	46,290	51,189	58,024
Routine health exp per capita	36,763	76,147	52,246	29,791	45,920	39,701	35,206
Total health exp per capita	50,889	205,438	52,246	174,234	92,210	90,890	93,230

Source: <http://web.worldbank.org/> and <http://www.papua.go.id/bps/>

**Table 38: West Irian Jaya - Economic Indicators of Health Service Provision**

Indicator	2002	2004					2004 Avg.
	Kota. Sorong	Kab. Kaimana	Kab. Raja Ampat	Kab. Sorong Selatan	Kab. Teluk Wondam	Kota. Sorong	West Irian Jaya
% of Dev health / Dev Total	7%	5%	0%	6%	1%	10%	7%
% of Rout health / Routine Total	4%	6%	7%	9%	1%	7%	7%
% of Total health / Total Expenditure	5%	5%	5%	7%	1%	8%	7%
% of Total health / Total Revenues	5%	4%	4%	7%	1%	10%	7%
Dev health exp per capita	33,008	73,020	728	84,400	8,456	50,133	61,665
Routine health exp per capita	25,243	60,117	75,273	81,958	9,275	75,169	95,350
Total health exp per capita	58,251	133,137	76,001	166,358	17,730	125,302	157,015

Source: <http://web.worldbank.org/> and <http://irjabar.bps.go.id/>

## BIOGRAPHY

Daniel Richardson was born in Bristol, England, in 1974. He graduated from Loughborough University, England, with a Bachelor of Arts in Geography in 1995. He qualified as a Chartered Accountant in 1999 and spent nine years in working in the financial sector in London, England. He has been living and working in Thailand since 2005 and enrolled in the Master Degree in Southeast Asian Studies at Chulalongkorn University, Bangkok, Thailand, in 2007.



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