

Daerah (regional budget); P: President; PEMDA : Pemerintah Daerah (autonomous regional government); DPRD: Dewan Perwakilan Rakyat Daerah (regional parliament); TAP: decree of the MPR; SK Gub.: Surat Keputusan Gubernur (Gubernatorial decision); PERDA: Peraturan Daerah (regional regulation); INPRES: Instruksi Presiden (Presidential Instruction); SK Menteri: Surat Keputusan Menteri (ministerial decision); SKB: Surat Keputusan Bersama (Joint ministerial decision); UU: Undang-undang (law).

14. One example of such a programme is the government programme to assist the poorest villages in Indonesia (INPRES Desa Tertinggal - IDT), which provided a revolving loan fund of 20 million Rupiah for each of these villages.
15. See Bhattacharya/Pangestu 1993:39.
16. See SANRI II:71ff. Coordination between central government policies and regional policies is ensured by the supervisory function of the Ministry of Home Affairs in regard to the regional governments (see Chapter 3.4).
17. See Bhattacharya/Pangestu 1993:36 for details on economic policy-making.
18. However up to now the wording of the PP No.20 (1994) has not been modified.
19. See Bintoro 1991: 224ff.
20. The process described in INPRES No.15 (1970) applies also to Government Regulations (PP) (except that these are not approved by the DPR), but not to KEPPRES, INPRES and ministerial decisions.
21. The BPHN is a technical agency under the jurisdiction of the Ministry of Justice with the task to coordinate the development of the national laws, especially the review and modification of laws originating from colonial times, and to prepare the National Legislative Programme which covers the five-year period of the respective Repelita and outlines planned new laws (Act of Parliaments or *Undang-Undang*) and Government Regulations (*Peraturan Pemerintah*).
22. In practice, however, the involvement of the BPHN is not always guaranteed (see Bintoro 1991:212).
23. See Bintoro 1991:179f.
24. So far there have been five *Repelita*'s: Repelita I (April 1969 - March 1974), Repelita II (April 1974 - March 1979), Repelita III (April 1979 - March 1984), Repelita IV (April 1984 - March 1989), Repelita V (April 1989 - March 1994). The new plan (Repelita VI) commenced on 1 April 1994.
25. For this paragraph, see AIDAB:28ff.

3

Public administration at the sub-national level

3.1 Terms, principles and legal framework of public administration at regional and local level

One of the main issues of public administration in Indonesia at the present time is the relationship between the central and the local governments and the respective functions of each administrative level. Following a period of regionalisation in the 1950s and early 1960s, and a strong tendency for centralisation after the coming into power of the "New Order"-government in the mid-1960s, the 1980s experienced a revival of the discussion on decentralisation and on strengthening the role and the functions of the sub-national levels of government and administration (Bintoro 1991:86).

The legal basis for the Indonesian administration at the sub-national level is the Law No. 5 (1974) concerning Basic Principles of Administration in the Region.⁽¹⁾ In that law, three main principles of regional administration are outlined:

- The principle of decentralisation (*asas desentralisasi*), meaning the transfer of administrative services and functions to lower levels of government. Matters transferred under the decentralisation principle become the full responsibility of the regional governments including authority for policy formulation, planning, implementation as well as funding (SANRI I:81). Under the decentralisation principle, Law No.5 (1974) established two levels of autonomous regions.
- The principle of deconcentration (*asas dekonsentrasi*) meaning that some of the matters which remain the permanent responsibility of the central government will be carried out and discharged by administrative units of the central government departments in the regions, the *instansi vertikal*. However, policy-making in these matters remains at the central level.
- The principle of co-administration (*asas tugas pembantuan*)⁽²⁾, meaning that certain functions which are under the jurisdiction of the central government are carried out by administrative units of the autonomous *daerah* government on behalf of the central government. The central government retains its jurisdiction for planning and funding of these matters.

Another principle of the regional administration which is not mentioned in the Law No.5 (1974) but can be found in practice is the principle of *vrijbestuur*, meaning that the heads of the autonomous regional governments can take policy and programme initiatives in those areas which are not covered otherwise. According to Davey (1989), local government can be viewed from two aspects:

- a political aspect, which looks at local government as an “expression of the will and identity of local communities: the purpose of local government is essentially politically, providing the people of a locality with the means to represent their views and to manage their local affairs according to their own wishes and priorities” (ibid:169)
- a functional aspect, which regards local government as a service delivery agency: “The purpose of local government are administrative and economic. Administratively it may be more convenient or effective to use a local government network for discharging tasks which are widely diffused and where local knowledge is critical to detailed implementation” (ibid:170).

As can be seen later, the Indonesian approach towards regional government is a functional one, in which the regional governments are expected to assume an important role in the implementation of governmental tasks, but where policy making remains at the level of the central government. Although sub-national government has become an effective tool to promote local development, “these achievements are performed at the expense of local choice, local discretion, local needs and demands. In other words: the local development is achieved at the expense of democratic values of local government. At this point, it looks as if there is a trade-off between efficiency and democracy” (Kuncoro 1993:355f).

The Law No.5 (1974) divided the territory of Indonesia into administrative areas (or territories) (*wilayah*) and autonomous regions (*daerah otonom*). Administrative areas are geographical sub-divisions of the general government administration, and as such an integral element of the administrative line of command that runs down from the President as chief executive of the state to the heads of villages and urban sub-districts: the *wilayah* constitute “branches of the central government authority...consolidated into a single, vertically integrated, hierarchical structure with the President at the pinnacle and the village heads at the basis” (Galbraith 1989:2). The law defines administrative areas as the provinces, *kabupaten/kotamadya*, *kecamatan* and *desa/kelurahan* (see Fig.6). A special form is the *kota administratif* (administrative municipality), which remains part of a *kabupaten* but can perform more tasks and functions independently than a *kecamatan*.

Daerah otonom exist only at the level of the provinces (the so-called “first level autonomous region” or *daerah tingkat I* - Dati I) and at the level of the *kabupaten/*

kotamadya (“second level autonomous region” or *daerah tingkat II* - Dati II). Under the overall guidance of the central government, represented by the Ministry of Home Affairs, the *daerah otonom* have their own jurisdiction in those areas that have been transferred to them under the decentralisation principle. As autonomous regions the provinces and *kabupaten/kotamadya* have also their own regional representative bodies (*Dewan Perwakilan Rakyat Daerah Tingkat I* [DPRD I] or “First Level Regional House of Representatives”, and *Dewan Perwakilan Rakyat Daerah Tingkat II* [DPRD II] or “Second Level Regional House of Representatives”). The *daerah* have also their own regional budgets and have to a limited extent the right for taxation, whereas the activities of the *wilayah* are entirely covered by the central government budget. The territorial boundaries of the *wilayah* and the *daerah otonom* at the provincial and *kabupaten/kotamadya* level are identical.

The term “autonomy” has been defined in Law No.5 (1974) as “the right, the authority and the obligation to manage the region according to the existing statutes” (Art.1c).⁽³⁾ “Autonomy” however has a rather restricted meaning in the Indonesian context: whereas in 1966 the then Provisional People’s Consultative Congress called for an “extensive autonomy” of the regions, the 1973 GBHN which preceded the preparation of Law No. 5 (1974) called for a “real and responsible autonomy” of the regions which should assure a harmonious relationship between the levels of government and guarantee the unity of the state (GOI 1990:34). Law No.5 (1974) also uses the term “real and responsible autonomy”, and the explanations of the law state that “essentially the autonomy of the region is more an obligation than a right, i.e. an obligation of the region to participate and speed up the development as a means to achieve the prosperity of the people which shall be accepted and realised with full responsibility” (ibid). The rather restricted meaning of the term “autonomy” as used in Law No.5 (1974) must be seen in the context of the political instability of the 1960s with the perceived threat for national unity and territorial integrity. The limitation of regional autonomy and the subordination of the regional level to the central government is in line with the policy objective of the New Order government to first of all ensure the unity of the state.

According to the Law No. 5 (1974), development and progress of regional autonomy have to take into account considerations of political and economic development, existing socio-cultural conditions and the prevalent defense and national security situation. “Autonomy” is furthermore linked to the level of administrative capability of a region, i.e. a region with high administrative performance can enjoy a higher degree of autonomy than a region whose administrative capacity is still insufficient.

Salamoen (1993:4f) distinguishes four principles of regional autonomy: “real”, i.e. the autonomy of a region must be in line with the capabilities of the region in terms

of financial means, administrative and political procedures and the human resources of the region's administration; "dynamic", i.e. the area of autonomous jurisdiction of a region can be enlarged or reduced in accordance with the region's capabilities; "harmonious", i.e. "it must create a harmonious life of the people", and "responsible", i.e. it must be responsive to the needs of the people.

Art. 11 of the Law No.5 (1974) stipulates that the focus of regional autonomy should be on the *daerah tingkat II*, i.e. on *kabupaten* and *kotamadya* level. The official reason for focusing on the *Dati II* level is that this level would have a better understanding of the needs and aspirations of the respective regions, and that greater autonomy at that level will encourage public participation: "The policy for placing the emphasis of regional autonomy to (the) Second Level Regions is based on the consideration that (the) Second Level Regions are the Autonomous Regions that are more directly in touch with the people, so that it can be expected that they can better understand and meet the aspirations of the people in the regions" (GOI 1992:20).⁽⁴⁾ Without doubt political considerations also played a role, viz. the fear that giving too much authority to the provinces would foster secessionist tendencies.

With the Law No. 5 (1974), the government tried to establish clearly defined areas of authority for the various levels of government and administration, and to clarify the relationship between the central and the regional/local level, "to give the provinces a reasonable amount of local decision making and government, and an administration at local level which carries out functions of autonomy while retaining the central government's overall control" (MacAndrews 1986a:13). Whether the law has been successful in mapping out a clear-cut distinction of tasks, and in strengthening the autonomy of the regions, remains questionable for several reasons:

- The delay in formulating and enacting important supplementing regulations to make the law operationally effective stifled attempts to give more responsibility and authority to the lower levels of government. By the end of the 1980s, i.e. 15 years after Law No. 5 (1974) was enacted, only 60% of these regulations had been issued (GOI 1989b:2-1). Two of the most important regulations, those on the activities of the *instansi vertikal* and on the implementation of regional autonomy on the *kabupaten/kotamadya* level were not issued before 1988 and 1992, resp. In January 1994, the then Director-General for Regional Administration and Regional Autonomy (PUOD) of the Ministry of Home Affairs, Wasito Rasman, acknowledged the insufficient application of the law, saying that "some of the articles...having to do with regional taxation and financial regulation, have never been enacted."⁽⁵⁾ It was not before April 1995, i.e. 20 years later, that the government took a decisive step to implement decentralisation on a broader basis.

Figure 13: Concepts in sub-national administration.

Principle			
	Deconcentration	Decentralisation	Co-administration
Geographical area	Provinces, <i>kabupaten/kotamadya</i> , (<i>kota administratif</i>), <i>kecamatan</i> , <i>desa/ kelurahan</i>	Provinces, <i>kabupaten/kotamadya</i>	Provinces, <i>kabupaten/kotamadya</i>
Terminology	<i>Wilayah</i>	<i>Daerah Tingkat I and Tingkat II</i>	—
Role of Chief Executive	Representative of central government/ Coordinator of regional offices of central government ministries	Highest representative of the Region/ Head of regional administration	—
Authority of policy making, planning, decision making	Central government	Regional government	Central government
Funding	Central government budget	Regional government budget	Central government budget
Executing administrative units	Regional offices of central government ministries (<i>instansi vertikal</i>)	Administrative and technical agencies of regional government (<i>dinas</i>)	Administrative and technical agencies of regional government (<i>dinas</i>), cooperation of <i>instansi vertikal</i> and <i>dinas</i>
Status of personnel	Central Government personnel (<i>pegawai negeri sipil pusat</i>)	Regional government personnel (<i>pegawai negeri sipil daerah</i>) and central government personnel posted with regional government	Regional government personnel (<i>pegawai negeri sipil daerah</i>) and central government personnel posted with regional government

- The stipulations of the law and the supplementing regulations did not succeed fully in streamlining the division of responsibilities and functions between the two parallel administrative structures at provincial and *kabupaten/kotamadya* level, i.e. administrative units of the autonomous *daerah*-government and administrative units of the *wilayah*-administration.
- One of the major problems of the local governments is their dependence on funds from the central government due to their low revenue generating

capacity. Financial dependence automatically means that substantial policy decisions are made at the central, and not at the local level.

- Lack of qualified manpower of the *daerah*-governments constitute a serious constraint on their ability to shoulder new and more complex tasks. So far, the regulations of the civil service (especially concerning career development) have not been conducive to attract qualified personnel to the services of the local governments.
- The system of public administration gives greater weight and authority to national agencies, while the scope for local government initiatives and judgement is restricted. Although there has been a general policy decision to allow local government agencies to make more substantive judgements about development projects, as opposed to merely carrying out orders from Jakarta, in practice this effort has been cautious, piecemeal and limited (Morfit 1986b:58). "The familiar pattern of . . . one level accountable to the authority of the next higher level is always present, and the final authority of cause lies with the central government" (Phan Siew Nooi 1987:55). The presence of many retired military personnel among important local government officials has also been mentioned as an indication of the strong influence of the central government (Ranis/Stewart 1994).

3.2 The institutional structure of sub-national administration

The structure of the sub-national administration is characterised by three main features: the co-existence of administrative units of the *daerah*-government and of the *wilayah*-administration, the double functions of the governors (at provincial level) and the *bupati/walikota* (at the *kabupaten/kotamadya* level) as head of the autonomous *daerah*-government and simultaneously as head of the *wilayah* administration, and the integration of the *wilayah*-administration in the line of command that runs from the President as chief executive of the state down to the level of *desa/kelurahan*.

The structure of the sub-national administration distinguishes two categories of institutions (GOI 1991c:464):

- units that perform line functions or technical tasks like offices, bureaux and directorates of the *daerah*-government and the *wilayah* administration
- staff units that support the functions of the above mentioned line units, such staff units are e.g. the secretariat of the *wilayah* (*sekretariat wilayah daerah - Setwil*), the regional planning boards (*Bappeda*), the regional inspectorate, and the Regional Investment Coordination Board (BKPM) at the Dati I level.

Fig. 14 shows the typical institutional structure of the public administration at the Dati I level. The two elements of the *daerah*-government are the governor as *Kepala Daerah* and the regional House of Representatives (DPRD). The main elements of the *daerah*-administration are its secretariat, the *Badan Pertimbangan Daerah (BPD)* (Regional Advisory Board), the regional secretariat (*Setwil*), the regional development planning board (*Bappeda*) and the regional office of the BP7 agency, the technical agencies of the *daerah*-government (*dinas*), regional enterprises (*Badan usaha milik daerah - BUMD*) and other regional implementation units (*unit pelaksana daerah - UPD*, *unit pelaksana teknis daerah - UPTD*). The *wilayah*-administration consists of the governor as the *Kepala Wilayah*, the secretariat (*setwil*), the provincial inspectorate, the Regional Investment Coordination Board (*Badan Koordinasi Penanaman Modal Daerah - BKPM*), the regional offices (*Kanwil*) or *instansi vertikal* of the central government agencies, and technical implementation units of the *wilayah*-administration (*unit pelaksana wilayah - UPW*) (SANRI I:87).

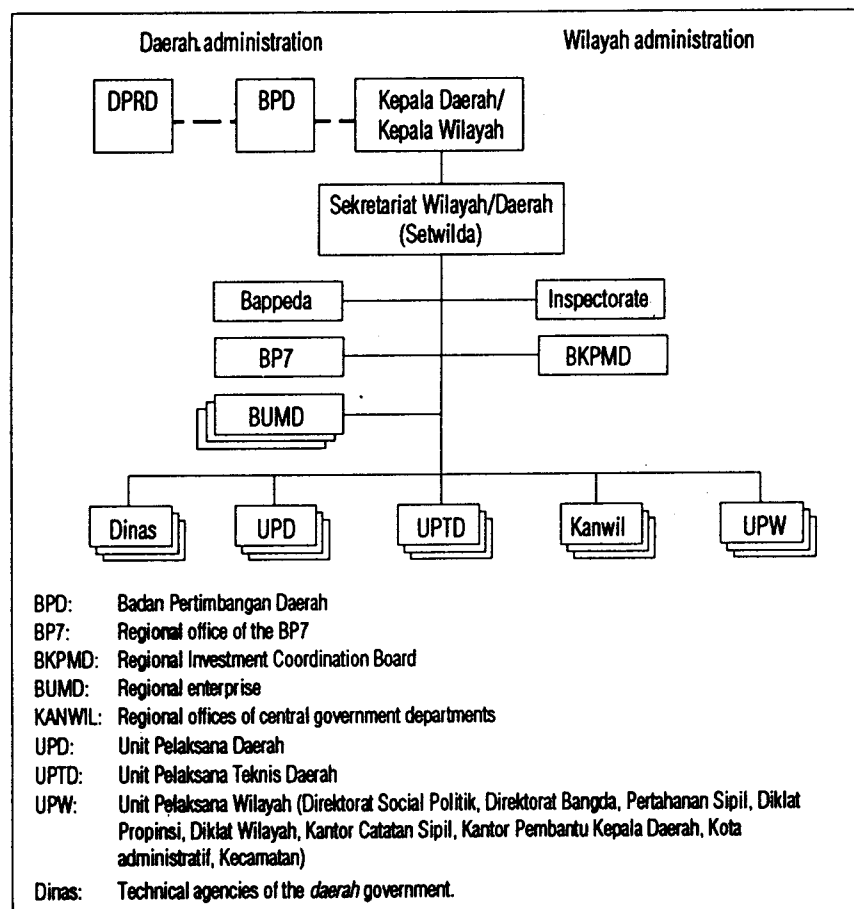
The governor at Dati I level and the *bupati/walikota* at Dati II level are at the apex of the *daerah*-government (*Kepala Daerah*). At the same time they are the heads of the *wilayah*-administration (*Kepala Wilayah*) and as such the direct representative of the President at their respective regional level. Their double function is meant to ensure harmonisation, synchronization, coordination, monitoring and integration of the activities of the two administrative structures, i.e. the *wilayah*-administration and the *daerah*-administration in their area. The *Kepala Daerah* is the highest representative of the regional government and as such responsible for the implementation of the tasks and policies of the regional government.

The appointment of the governors and *bupatis/walikotas* in the double function as *Kepala Daerah/Kepala Wilayah* is a combination of nomination by the regional DPRD, and proposal and appointment by the next higher levels of administration: the *bupati/walikota* is appointed by the Minister of Home Affairs based on the proposal of the governor which is selected from a nomination list of the DPRD II. Based on the nominations from the DPRD I, the Minister for Home Affairs proposes a candidate for the position of governor who is then appointed by the President. One of the weaknesses of the Law No. 5 (1974) which prevents the development of regional autonomy is the stipulation that the *Kepala Daerah* as the main representative of the respective region is not accountable to the regional DPRD but to the President through the Minister for Home Affairs.

The *Sekretariat Wilayah Daerah (setwil)* is the "lead administrative agency of regional government" (Galbraith 1989:8) and consist of several bureaux (e.g. for development, finance, planning, population and environment). The secretariat provides "administrative and technical services to all regional agencies and

personnel and to all *Kanwils* and branches of central government agencies present in the region" (ibid). Its responsibilities include the supervision of general administration, the collection of regional data, the formulation of programme guidelines, technical and administrative support to all agencies in the region, responsibility for development administration and finance, and the drafting of regulations concerning regional administration. The secretariat is headed by a Secretary (*Sekwilda*) who combines the double functions of secretary to the *daerah*-government (*Sekretaris Daerah*) and secretary of the *wilayah*-administration (*Sekretaris Wilayah*). The *Sekwilda* is not elected, but - being a civil service career position - appointed by the Minister of Home Affairs or by the Governor after consultations with the respective DPRD.

Figure 14: Structure of administration at the regional level



Institutionally the Regional Development Planning Board (*Bappeda*)⁽⁶⁾ and the regional office of the *Pancasila* agency BP7 are part of the *daerah*-administration. As such they are accountable not to the respective functional institutions at the central government level (BAPPENAS and national BP7), but to the *Kepala Daerah*.

The *dinas* are the technical agencies of the *daerah*-administration in the framework of the decentralisation principle, i.e. regarding the internal affairs (*urusan rumah tangganya*) of the *daerah*, and regarding those tasks that have been entrusted to the *daerah*-government in the framework of the co-administration principle. Their functions include the formulation of technical policies, the provision of guidance and development, the provision of licenses and permits, the technical implementation of tasks and the safety and technical control of this implementation (SANRI I:120). Activities of the *dinas* are funded by the regional budget (APBD).

The specific number, technical fields and organisational structure of the *dinas* depend on the tasks and functions that are carried out by the respective *daerah*-government, and are determined by regional regulations. Apart from the *dinas*, technical implementation units (like local health offices [*Pusat Kesehatan Masyarakat - Puskesmas*]) implement the technical tasks of the *daerah*-administration at both Dati I and Dati II level. Furthermore, the *daerah*-government can set up regional enterprises to implement its policies.

Despite of being one of the two elements of the *daerah*-government, the regional representative body, the DPRD, has a rather limited function as deliberative body with "no power to control nor to participate in local decision-making" (Kuncoro 1993:349). The DPRD only partially fulfills the role to ensure participation of the public in the activities of the local administration, because their members are not accountable to the electorate and owe more of their allegiance to the national party headquarter in Jakarta which can remove outspoken and rebellious councillors. Usually, the local legislators are unable to compete with an administration which has at its disposal the full range of funds, information and human resources.

As a consequence, despite the emphasis on participation of the public, "development programmes are decided mainly by the bureaucracy...with little articulation of popular demands, since neither DPRD nor LKMD are effective channels" (ibid). The weak position of the DPRD in the policy process of the region is documented by the fact that the *Kepala Daerah*, as the highest representative of the region, is accountable not to the DPRD but to the President.

The *wilayah* - administration consists of the *Kepala Wilayah*, the Secretariat (*setwilda*), the Inspectorate, the Regional Investment Coordination Board (*Badan Koordinasi Penanaman Modal Daerah - BKPMMD*), the regional offices (*Kanwil*/

kandep) or *instansi vertikal* of the central government agencies and technical implementation units of the *wilayah-administration* (*unit pelaksana wilayah - UPW*) (SANRI I:87).

The *Kepala Wilayah* is the regional representative of the central government, and as such one element of the line of command running down from the President to the *desa/kelurahan* level. The *Kepala Wilayah* coordinates central government policies at the regional level, and supervises the activities of the autonomous *daerah-government*. The "Regional Leadership Forum" (*Musyawarah Pimpinan Daerah - Muspida*), which includes the regional representatives of the security agencies (military, police, intelligence), the leadership of the DPRD and social organisations is one of the main coordination instruments at the disposal of the *Kepala Wilayah*, especially in issues of law and order and internal security.

The secretariat of the *wilayah* is identical with the secretariat of the *daerah-government* in order to ensure coordination between the two structures. The Regional Investment Coordination Board (*Badan Koordinasi Penanaman Modal Daerah - BKPM*) on the Dati I level has the tasks to arrange for the planning of investment, to coordinate the process of issuance of investment licenses and to monitor and evaluate investment in the respective province. Like in the case of *Bappeda* and BP7, the BKPM is accountable not to the respective functional institution at the central government level (the National Investment Coordination Board - BKPM), but to the *Kepala Wilayah*.

Tasks and functions of the technical implementation units of the *wilayah-administration* (*unit pelaksana wilayah - UPW*) are determined in individual regulations. UPW of the *wilayah-administration* are e.g. the *instansi vertikal* of the Ministry of Home Affairs (like the Directorate for Village Development [*Direktorat Pembangunan Desa - Bangdes*], and training institutions of the ministry at regional level), the regional or local non-military security forces (*Pertahanan Sipil di Daerah*) and the *instansi vertikal* of the technical departments.

There are two more UPW's that need to be mentioned: the *kota administratif* (administrative municipality) and the *kecamatan*. The *kota administratif* is a municipality that remains integral part of the territory of either the *kabupaten* or the province. It is a "deconcentrated form of government with only executing responsibility for tasks delegated by higher level governments" (GOI 1989b:2-6). The *kota administratif* is either accountable to the governor or to the *bupati* depending on its status. In case the *kota administratif* is part of the provincial territory and accountable to the governor, its administrative structure would resemble very much the administrative structure of a Dati II government and would include regional offices of BP7 and *Bappeda*, an inspectorate, *instansi vertikal* and the *kecamatan* units. The main difference to a *kotamadya* is the absence of a repre-

sentative body and of an individual budget. Usually the establishment of a *kota administratif* is an indication that the municipality will develop into a *kotamadya*.

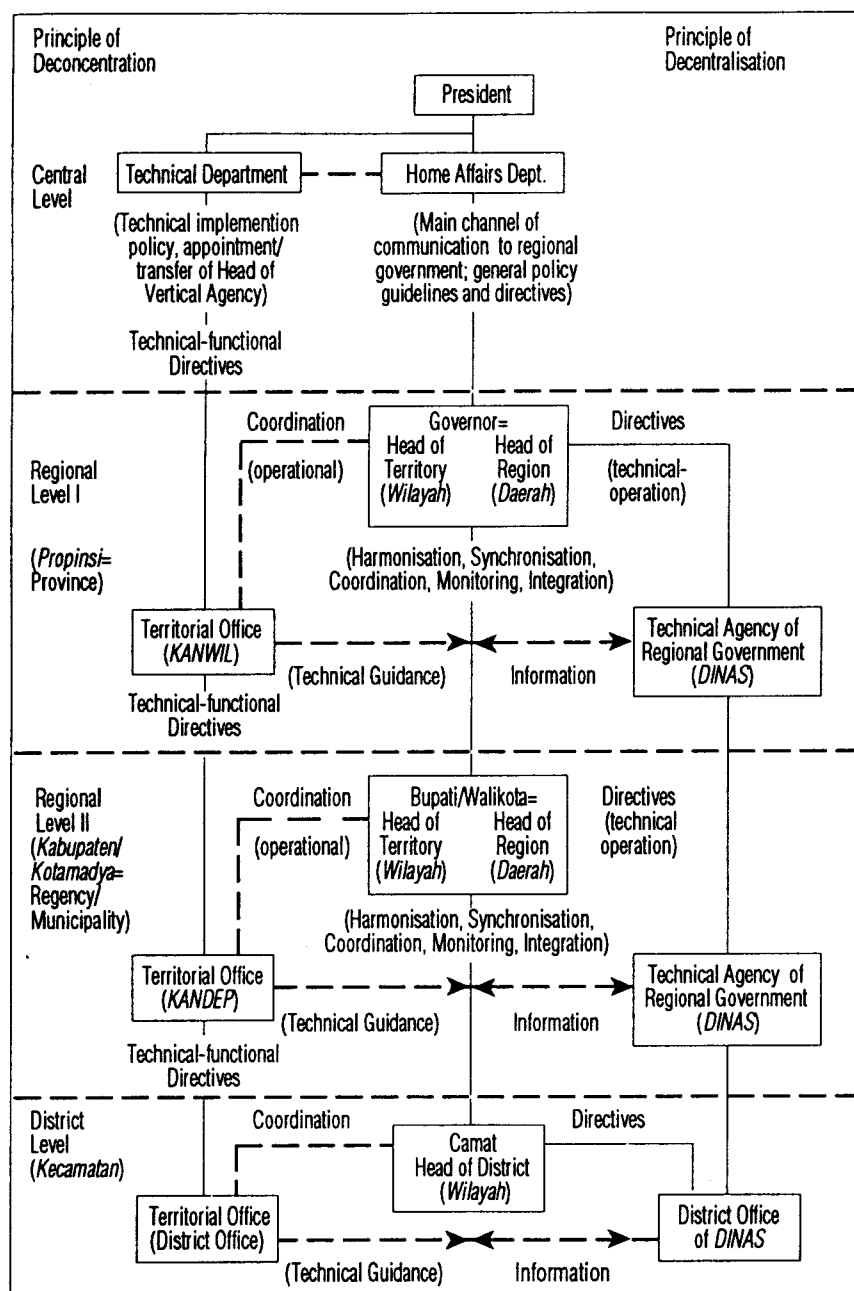
The *kecamatan* is the lowest territorial level of the *wilayah-administration*. Like *desa* and *kelurahan*, the *kecamatan* level is not regarded as autonomous but as an administrative sub-unit (GOI 1985:17) or as UPW. The division of a *kabupaten* into several *kecamatan* is based, among others, on the number of population, the level of development and administrative capacities, the availability of public facilities and the existing infrastructure. The *kecamatan* administration consists of the *camat* as *Kepala Wilayah* and representative of the central government, the secretariat, a unit *Polisi Pamong Praja* and *instansi vertikal* of the Ministry of Home Affairs. The *kecamatan* secretariat comprises several sections, e.g. for government administration, welfare, economic affair and administrative affairs.

The main problem of the parallel administrative structure at the regional level is that the division of tasks and responsibilities between the administration of the *daerah-government* and the *instansi vertikal* is not clear enough to avoid overlapping: "...confusion ..existed as the result of being so many branch offices of central government agencies in regions, making business coordination in some certain fields more difficult to be realized" (GOI 1991c:451). Existing conflicts between the *dinas* and the *instansi vertikal* are often solved in favour of the latter because of the "central agencies' superior access to the coordinating agencies..." (Rooseboom 1993:6).

The main instrument to ensure coordination between the two structures is the double function of the Governor and the *bupati/walikota*, resp., as *Kepala Daerah* and *Kepala Wilayah*. As *Kepala Daerah* they provide directives and technical-operational guidance to the administrative units of the *daerah*, especially to the technical agencies or *dinas*. As *Kepala Wilayah* they coordinate the operational activities of the *instansi vertikal* of the central government departments (see Fig. 15). In their coordination task the *Kepala Daerah/wilayah* are supported by staff units like the *Bappeda* and the BKPM. In principle, *instansi vertikal* and *dinas* agencies should coordinate and exchange information on their activities. Often the head of the *instansi vertikal* is also the head of the respective *dinas* in order to "ensure coordination of service provision" (Devas 1989:4).

Since the capabilities of the *instansi vertikal* are usually higher than the capabilities of the *dinas* (in terms of financial, technical and human resources), the former should provide technical guidance and advice to the latter; in practice - because of their better facilities and more favourable funding situation - the *instansi vertikal* tend to dominate at the regional level while the *dinas* play a secondary and supplementing role. Since the *instansi vertikal* are more vertically integrated into the information and decision-making process of their technical department (from

Figure 15: Structure of sub-national administration



which they receive technical and functional directives), and less horizontally integrated into the decision-making process at the respective *daerah* level (Morfit 1986b:60), regional and local needs and priorities tend to be neglected compared with the priorities as defined by the central government.⁽⁷⁾ That the head of the *instansi vertikal* sometimes simultaneously acts as the head of the *dinas* creates also difficulties in "defining which agency is actually responsible for a particular service, and in obscuring the boundaries of financial accountability" (Devas 1989:4).

The confusing picture is compounded by the fact that different central government departments have different approaches on how to organise their regional activities: the Department of Health, for instance, has *Kanwil* at the *Dati I* level (provinces) for the implementation of central government activities, while the *daerah* agencies (*Dinas Kesehatan*) carry out programmes of the *daerah*-government. The Department for Agriculture has *Kanwil* for coordination purposes only while the actual implementation of programmes (including central government programmes) is done by the *dinas*. The Departments of Education and of Public Works have a complete separation of offices and staff between *wilayah* and *daerah*-administration with different *kepala*'s (AIDAB 1991:10). The administrative boundaries for the local offices of the Public Work Department (*Departemen Pekerjaan Umum*) and the Forestry Department (*Departemen Perhutanan*) are not identical with the local government boundaries, making coordination with *daerah*-agencies extremely difficult (Morfit 1986b:61f).

The Government Regulation PP No.6 (1988) tried to integrate the *instansi vertikal* more in the regional policy-making and planning process by giving the *Kepala Daerah* greater influence vis-a-vis their activities. They are now required to report their activities regularly to the *Kepala Daerah*. Nevertheless, confusion and lack of coordination continue to hamper an integrated approach of administration at the regional level.

The dominance of the *instansi vertikal* at the regional level at the end of the 1980s was confirmed in a government report which stated that "at provincial level the ratio of deconcentrated organisations to provincial government organisations is 2 to 1, whereas at the local level the ratio of the number of deconcentrated organisations plus the branch offices of the provincial government organisation to the local government organisations is 3 to 1" (GOI 1989b:2-1f). Not least because of observation like this the government at the beginning of the 1990s took a new initiative to make regional autonomy a reality and to provide the preconditions for regional autonomy (see chapter 3.7).

3.3 Tasks and functions of the sub-national administration

3.3.1 Tasks and function of the *daerah*-government

According to Government Regulation (PP) No. 45 (1992) on the implementation of regional autonomy with emphasis on the *daerah tingkat II* level an autonomous region can have "principal affairs", i.e. affairs that have been assigned to the region's jurisdiction with the law establishing the region, and "supplementary affairs", i.e. affairs that have been transferred to the region at a later stage. Both types of affairs or matters become the "internal affairs" (*urusan rumah tangganya*) of the region in the sense that the autonomous region has the authority for policy-making, implementation and funding. The strategy of PP No. 45 (1992) is to develop the internal affairs of the provincial level (Dati I) in the sense of providing "guidance" to the Dati II level which would be responsible for the actual implementation.

There is no positive list of tasks and functions that are under the jurisdiction of the *daerah*-government since the transfer of matters to a *daerah*-government is subject to the capability, situation and needs of the respective region. Efficiency and effectiveness of public service delivery are officially the two main criteria to decide whether a public service is implemented by the *daerah*-government (decentralisation) or by one of the *wilayah*-institutions (deconcentration) (GOI 1990:35). That means that different *daerah*-governments of the same level might have a different scope of authority depending on their respective capabilities. Furthermore, the transfer of matters under the decentralisation principle is at the full discretion of the central government and can be revoked by the central government at any time if it deems it appropriate. The Indonesian *daerah*-government has no constitutionally or legally guaranteed areas of jurisdiction as it is the case in other countries. However, Law No.5 (1974) contains a negative list of matters that cannot be transferred from the central government to the *daerah*-governments. This list covers defense and security, judicial affairs, foreign affairs, monetary affairs as well as "part of general governmental administration that are the authority, task and responsibility of the Regional Head [*Kepala Wilayah*]; and other governmental affairs that nationally are more efficient and effective if they remain being handled by the Government" (GOI 1992, Art.4).

Areas that are usually the responsibility of *daerah*-governments are elementary education, public health, provincial and district roads, agriculture, animal husbandry, plantations, fisheries and forestry (AIDAB 1991:10). Law No.5 (1974) stipulates that the delegation of tasks to the *daerah*-government has to be accompanied by the transfer of funds for these tasks (Art.13).

In the framework of the decentralisation policy, the central government plans to transfer most of the administrative tasks to the Dati II level. As of now, however,

the assessment of Bintoro (1991:113) is still valid that a "sizeable part of government activities in the regions (is) still performed by the arms of the central government . . . (including) the implementation of sectoral development programmes financed by the national budget."

3.3.2 Tasks and functions of the *wilayah*-administration

The tasks and functions of the *wilayah*-administration are best described by the five main tasks and functions of the *Kepala Wilayah* as the representative of the central government (SANRI I:93ff): 1. the establishment of peace and order in the region in cooperation with the security agencies, 2. the development of the state ideology *Pancasila*, of domestic policies as defined by the central government and of national unity, 3. the coordination of the activities of the *instansi vertikal*, 4. guidance for and control of the *daerah* government, and 5. the ensuring that the administration works in accordance with the existing laws and regulations.

The various elements of the *wilayah*-administration carry out their tasks and functions as described above. Control (*pengawasan*) of the *daerah*-government includes both the general supervision of the activities of the *daerah*-government on behalf of the Ministry of Home Affairs to which the *Kepala Wilayah* is accountable, and the two specific forms of "preventive control" (*pengawasan preventif*) (e.g. the approval of regional regulations [*peraturan daerah*]) or "repressive control" (*pengawasan repressif*) (i.e. the abolishing, postponement or revocation of decisions of the *daerah*-government) (GOI 1990:46f).

3.4 The relationship between central and regional government

The relationship between the central government and the *daerah*-governments is characterised by a complex web of horizontal and vertical subordination and coordination at the core of which is the dominance of the central government level represented by the Ministry for Home Affairs (*Departemen Dalam Negeri - DDN*). The issue of local and central government relations surfaces in many areas, like the decision-making process of the *daerah*-government, the appointment of local staff, the setting of taxes and charges, the allocation of resources, the control and auditing of local authorities, and not least in the implementation of development programmes (Devas 1989:43). As of now, in all these areas the dominance of the central government as the ultimate decision and policy maker remains untouched. While Law No.5 (1974) attempted to clarify areas of jurisdiction between the levels of government, it did not constitute the *daerah*-governments as politically independent polities: regional autonomy remains subject to a number of preconditions, and the granting of autonomy including the definition of the regional government's jurisdiction remains a prerogative of the central government.

The cultural notion of the centralised nature of power, and the historical fear that devolution of power would threaten national unity are two reasons for the high degree of centralisation. "A third reason is a genuine concern that local governments lack the capacity to plan and implement development programmes effectively. A fourth reason is a proper concern to ensure that the government's money is being correctly used" (Devas 1989:42).

The dominance of the central government can be seen in a number of areas:

- Activities of the *daerah*-government remain under the general control of the central government, represented by the *wilayah*-administration. Decisions and activities of the *daerah*-authorities in most cases need the approval of the central government authorities. This includes also decisions of the representative body, the DPRD. The justification for this continuing subordination under the respective next-higher level of administration is usually the need for coordination: "Ratification by higher ranks of Government is exercised for the sake of ensuring coordination and the greatest possible harmony among all development activities...all development at all levels and in all sectors must fit together to make up one single nation-wide whole" (GOI 1985:23).
- The appointment of the *Kepala Daerah* as the chief executive of the *daerah*-government is based on considerations of the central government. Rarely are local representatives, who have only the support of the local power circles but lack the support of the central government bureaucracy successful in their bid for these posts.⁽⁸⁾
- In terms of financial and human resources, there is a clear imbalance between the technical agencies of the *daerah*-government, and the *instansi vertikal* of the central government department. The coordination of development programmes planned and implemented by the central departments with programmes of the regional government is less satisfactory.
- Because of the financial and personnel situation, the capabilities of the *daerah*-administration cannot match the capabilities of the *wilayah*-administration. Although in itself a result of the overall policies of the central government, this weakness of the *daerah*-administration serves comfortably as justification for the central government to maintain its grip on the *daerah*-government.
- The double function of the *Kepala Daerah* as *Kepala Wilayah* ensures the integration of this post in the line of command from the central government downwards which makes in independent, "autonomous" policy of the *Kepala Daerah* rather difficult.
- Despite the setting up of reporting and coordination procedures with the *daerah*-administration in order to ensure horizontal coordination at the re-

gional level, the heads of the *instansi vertikal* and their staff are ultimately accountable to their superiors in the central government department by whom they are appointed and by whom they can be dismissed. This subordination will ensure that the will and the policy of the central department will be more important for them than decisions at the respective regional level.

The central government institution which is predominant for determining central-local government relations is the Ministry for Home Affairs (DDN), which therefore has been described as a "national ministry with a local agenda" (Morfit 1986b). The jurisdiction of the DDN regarding the sub-national administration is among others regulated in the Law No. 5 (1974) which entrusts the DDN with a general supervisory, regulatory and controlling function vis-a-vis the *daerah*-government and *wilayah*-administration. According to the law:

- the DDN can regulate processes and procedures of the regional government (like the process of the nomination of the *Kepala Daerah* according to Art.15 and 16 of the law)
- the Minister of Home Affairs appoints the *bupati/walikota* based on proposals from the regional DPRD
- the Minister of Home Affairs proposes a candidate for appointment as governor to the President from a regionally established list
- the DDN can give directives to the regions as framework regulations concerning all matters that subsequently can be codified in regional regulations (*peraturan daerah*)
- the DDN has a regulatory function regarding the procedures of the DPRD
- the DDN appoints the *Sekwilda* and gives directives regarding the organisational and personnel set-up of the secretariat, it has furthermore to approve the structure of proposed technical offices (*dinas*) of the regional government
- the DDN has the right to confirm, suspend or nullify decisions and regulations of the *daerah*-government.

Art. 67 of the law is a general authorization clause stating that the DDN "conducts guidance in the execution of the Administration in the region to achieve the utmost efficiency and effectiveness of the autonomous as well as the Co-Administration tasks" (GOI 1990:23).⁽⁹⁾ Art.71 gives the DDN a general authorization to control activities of the lower level government:

- "1. The Minister of the Interior conducts general control on the operation of the Regional Administration.

2. The Minister of the Interior...conducts investigation and inspects all matters concerning the operation of the Regional Administration, concerning services of the Autonomous Administration as well as of Co-Administration." (ibid:25)

The DDN acts as channel of communication between the other central government departments and the sub-national administration. It communicates central government policies and instructions to the regional level and transmits guidance from the technical line ministries to regional governments. It has a strong coordinating role in the regional planning and budgeting process in which sectoral agencies are excluded (AIDAB 1991:19).

Because of its coordinating and supervising role vis-a-vis the regional governments, and because of its function as the central government's main channel of communication with the regions, the Ministry of Home Affairs tends to become a multi-sectoral department whose functional organisation duplicates the existing functional division of the government into technical departments. Not least because of the strong position of the DDN the technical departments are sometimes reluctant to have their functions delegated to the regions in the framework of the decentralisation policy since they fear that not the regions would gain political influence but the DDN.

Institutionally, three directorates-general of the DDN are most relevant for the sub-national administration:

- the Directorate-General for Regional Development (*Bangda - Direktorat Jenderal Pembangunan Daerah*) is in charge of the autonomous *daerah*-governments, implements the INPRES programmes for these levels and coordinates the use of foreign aid to the regions. *Bangda* has *instansi vertikal* at Dati I and Dati II level.
- the Directorate-General for Village Development (*Bangdes - Direktorat Jenderal Pembangunan Desa*) has similar functions for rural development and the village governments; it has regional offices at the provincial (Dati I) level (*Kantor Bangdes*), whose responsibilities include to provide guidelines and technical guidance to the regional government in village development, to implement village development programmes, to conduct educational programs promoting mutual cooperation and participation in village development, to evaluate and report to the regional and central government of village development efforts (Galbraith 1989:11)
- the Directorate-General for Public Administration and Regional Development (*PUOD - Direktorat Jenderal Pemerintahan Umum dan Otonomi Daerah*) covers the routine administration of the regional government (e.g. staffing) and

the central government subsidies (SDO) to the *daerah*-governments. PUOD does not have *instansi vertikal* at the regional level.

Within the organisational environment of the DDN, the Advisory Board for Regional Autonomy (*Dewan Pertimbangan Otonomi Daerah - DPOD*), which is chaired by the Minister for Home Affairs, has a bearing for regional autonomy since it has to approve the transfer of functions to the *daerah*-governments in the framework of the government's decentralisation policy (Bintoro 1992:113).

3.5 Village government and village administration

The level of administration below the *kecamatan*-level is called village administration (*pemerintahan desa dan kelurahan*) and comprises rural villages (*desa*) and urban sub-districts (*kelurahan*). There are important differences between the *desa* and the *kelurahan*: the *desa* has a deliberative body, its own (restricted) sphere of jurisdiction and it elects its main representative by popular vote, thus having elements of community self-government. The *kelurahan* are merely administrative sub-units below the *kecamatan* level which carry out certain administrative functions as directed by the higher levels of administration.

Any notion of autonomy of the *desa* administration, however, has to be taken carefully. Although the Law No.5 (1979) refers to "own affairs" of the villages (*urusan rumah tangganya*), using the same expression as in the Law No.5 (1974) on the autonomous *daerah*-government, according to Warren (1990) from the central government's perspective "village autonomy and popular participation are conceived in terms of economic self-support and local contribution to state programmes, not public inclusion in the decision-making. The notion of village 'autonomy' inferred in the expression "conduct its own affairs" in the 1979 law is explicated in the Ministry of Home Affairs' manual on village government only as 'the ability to cover the costs of routine and development activities as well as public services' " (Warren 1990:19). In line with the stipulations concerning the *daerah*-government, all decisions at *desa* and *kelurahan* level have to be confirmed by the next higher level of authority.

The structure and functions of the *desa* government have been defined by the Law No. 5 (1979) which "sets out to establish uniform local administrative structures across Indonesia with the stated objectives of increasing the level of public participation in development and the effectiveness of village administration, the weight of emphasis falling to the latter" (Warren 1990:2). However, local deviations of the structure of village administration from the structure as described in Law No. 5 (1979) continue to exist in various parts of Indonesia due to different local traditions and customs (AIDAB:7).

The main elements of the *desa* administration are the *kepala desa* (village head) and the *Lembaga Musyawarah Desa* (LMD) ("village consultative council") which constitute the official *desa* government (*pemerintahan desa*) (see Fig. 16):

- The *kepala desa* is the official representative of the *desa*, who is appointed by the respective *bupati* on the basis of the popular vote in the *desa*.⁽¹⁰⁾ This fact sets the *kepala desa* apart from the other main representatives of territorial areas who are either career civil servants (*pegawai negeri sipil*) (like the *lurah* and the *camat*), or state officials (*pejabat negara*) (like the *Kepala Daerah*). The position of the *kepala desa* is limited in time, whereas the *lurah* remains in this position until the transfer to another post.

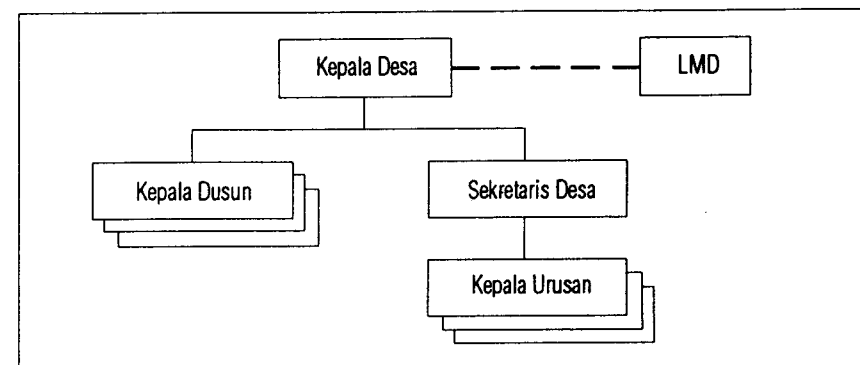
The *kepala desa* is responsible for the own affairs (*urusan rumah tangganya*) of the *desa*, for administrative and development affairs and for the maintenance of law and order in the village. He encourages the *gotong royong* (mutual cooperation) spirit of the population and carries out functions of higher level governments (Widjaja 1993:22).

- The LMD is the deliberative body (*lembaga permusyawaratan/permufakatan*) of the village which discusses village affairs, expresses the opinion and wishes of the village population and supports the work of the *kepala desa*. The LMD approves the village decisions (*keputusan desa*) and the village budget (APPKD). It consists of the *kepala dusun* and representatives of social organisations in the village who are appointed as members of the LMD by the *kepala desa* following deliberations with the village population. The *camat* as representative of the higher administrative level participates in all meetings of the LMD.
- The *kepala dusun* support the village head in the implementation of the village government, they represent the different hamlets and villages belonging to one *desa*.
- the *sekretaris* as head of the village secretariat, supported by the *kepala urusan* as heads of different sections of the secretariat is responsible for the administrative assistance to the *kepala desa* and the general administration.

Another institution at *desa* and *kelurahan* level, which however is not part of the village government as defined by the Law No.5 (1979) is the LKMD (*Lembaga Ketahanan Masyarakat Desa*), the "Village Stability Council", which is in charge of the development process at the village level. The LKMD discusses and decides on proposals of the village for the development plans and for the annual budget: "The LKMD was made a vehicle for public participation in the development of public initiatives and self-support to compile and implement rural planning and development" (GOI 1991c:616). The members of the LKMD are elected by popular vote, however their membership requires the confirmation of the *bupati*.

While the LMD exists in *desa* only, the LKMD exists in both *desa* and *kelurahan* "to promote development of the community and stimulate villager's participation" (GOI 1985:19).

Figure 16: Structure of the *desa* administration



Source: Widjaja 1993

The administration at *kelurahan* level consists of several sections, which usually do not include *instansi vertikal* of the central government, but which might include local offices of the *dinas* of the respective *daerah*-government. The *kelurahan* is an integral part of the *wilayah*-administration without representative elements of community participation except of the LKMD.

Warren (1990) has criticized the Law No.5 (1979) as an instrument to bring village administration under the overall control of the central government administration and to integrate it into the top-down approach of the bureaucracy, a process in which elements of genuine public participation and articulation were sacrificed in the interest of expanding the outreach of the central government: "The 1979 Village Government Law...institutionalises a hierarchical oriented administrative structure which, contrary to its proclaimed objective of increasing participation will exacerbate the lack of communication between central government and the Indonesian population" (Warren 1990:21). The transfer of responsibility for village administration from the Department of Social Affairs to the Ministry of Home Affairs in 1971 was seen as central turning point in the central government's approach towards village administration.

Below the level of *desa* and *kelurahan* are so-called neighbourhoods, like RT (*rukun tetangga*), RK (*Rukun Kampung*) and RW (*Rukun Warga*) as the lowest level of community organisation. However, these neighbourhoods are not regarded any more as integral parts of the state administration. Their tasks is mainly to deal with population registration: "...this 'network' or hierarchy of sub-Tingkat II govern-

ment is only intended to deal with simple administrative procedures for population registration. In reality it is impossible to give more substantial tasks concerning community relations for infrastructure development to these officials..." (GOI 1989b:7-22).

3.6 Regional and local government finance - financial viability versus financial dependence

One of the central issues in the ongoing discussion on decentralisation and the transfer of administrative functions to sub-national levels of government is the issue on how to strengthen the revenue generating capacity of the *daerah*-governments, and how to increase their institutional capability to efficiently and effectively manage financial resources, be they self-generated or coming from the central government: "The provision of adequate local government finance has become the central gauge of decentralization. By many it is considered the 'condition precedent' to the realisation/establishment of the so-called 'otonomi daerah'" (Katter 1992:1). The issue of the financial position of the local governments is not only an issue of management capability and efficiency, but an imminent political one, since the financial relation between the central and regional level of government "determine to a considerable extent how much weight is exercised by local government in the total system of government" (Davey 1989:169). In other words: without providing the local governments with a substantial amount of locally generated revenue and an enlarged leeway to decide on the utilisation of transfer funds from the central government, regional autonomy remains meaningless, and regional governments powerless against the central government.

Several important issues dominate the debate about the financial relation between central government and regional governments: financial dependence, the "regionalisation" of the planning process, the revenue generating capacity of local governments, and their institutional capacity for financial management and financial accountability.

1. At the present time, the sub-national governments depend heavily on funds from the central government for both their routine expenditure and their development expenditure. Whereas in other countries local governments finance approximately two-third of their spending from own sources and revenues (World Bank 1994a:155), the figure for the regional governments in Indonesia is much smaller. Several studies have shown the regional governments' financial dependence from central government funds:

- Locally generated revenue plus the shared revenue from the land and property tax PBB represent only 20 percent of the total local government income (GOI 1989b:5-2f);

- Only 10 to 25 percent of the activities performed at the regional level can be financed from the internal revenue of the region. "Regions are thus all but completely dependent on the centre; consequently as far as development activities are concerned the regions remain part of the centre" (Rooseboom 1993:4);
- The provincial level (Dati I) relies on the central government for more than 70 percent of the total revenue (Booth 1986:91);
- In the early 1980s, Devas examined the financial resources of local governments as presented in Table 3. According to this analysis, grants from the central government constituted the biggest share of revenue for both the Dati I and Dati II governments in 1983/84. Local revenues of a considerable size could only be identified in the case of local routine revenue of the Dati I governments and in the case of local development revenues at the *desa/kelurahan* level.

Table 3: Local Government Revenues in Indonesia (1983/84) (in percent)

	Daerah Tingkat I	Daerah Tingkat II	Desa/ Kelurahan (1)
Routine grants from Central Government	61.7	24.0 (2)	5 (4)
Local own routine revenue	20.7	9.2	29 (5)
Development grants from Central Government	13.7	55.8 (3)	33 (6)
Local own development revenues	0.6	0.7	33
Others	3.2	10.3	- -
(1) figures for 1982/83 (2) SDO only (3) Inpres grant only (4) Transfers from above (5) profits from village enterprises, receipts from village lands, production shares from village land, fees and others (6) Central Government and Dati I/Dati II			

Source: Devas (ed.) 1989, Tab.1.4, 1.6, 1.7

- In 1991, local governments raised only 7 percent of the total government revenue. 67 percent of the local government expenditure was financed by central government transfers, 3 percent by borrowing, 8 percent by own non-tax revenues, 13 percent by own tax-revenues, and 9 percent by assigned shares in central government revenue (World Bank 1994a:155).

- Government figures for the development budgets of the Dati I-governments (provinces) show that in 1993/94 five provinces provided less than 30 percent of their development expenditure from their own resources, seven provinces provided between 30 and 50 percent, and 13 provinces were able to fund between 50 to 70 percent. Only two provinces funded more than 70 percent of their development expenditure from own resources (Table 7).
- The share of own taxes and shared revenues of local government funds decreased from 43 percent in 1975/76 to 26.5 percent in 1983/84, and reached 33.2 percent in 1988/89, while central government grants (both INPRES and SDO) fluctuated between 58.2 percent in 1975/76, 72.5 percent in 1983/84 and 66.7 percent in 1988/89 (Ranis/Stewart 1994:49) (see Table 4).

Table 4: Sources of Local Government Funds, 1975/76 - 1988/89
(All local governments, percentage of total funds)

	1975/76	1983/84	1988/89
Own funds:			
1. Own taxes and shared revenues	43.0	26.5	33.2
2. Loans	1.0	0.9	0.7
3. Total	44.0	27.4	33.9
Central government grants:			
4. General Inpres	14.5	12.2	10.9
5. Specific Inpres	8.3	18.4	6.4
6. Current transfers	35.4	41.9	48.9

Source: Ranis/Stewart 1994, p. 49 (Table 2)

2. Continuous dependence on central government funds has made local development planning largely dependent on policy decisions of the central government: "Central government funding means central government control, even when projects nominally are the responsibility of local government agencies. In turn, central government control means that critical planning decisions are made by sectoral agencies and project implementation occurs along sectoral lines running from national headquarters in Jakarta to regional offices at the provincial or kabupaten level" (Morfit 1986b:64). Up to now, the development planning at the regional level suffers from the predominance of the vertical coordination of the *instansi vertikal* with their central government departments, and the insufficient horizontal coordination at the regional level.

3. The distribution of taxes between the national and sub-national level of governments discriminates the sub-national level since the higher yielding taxes are allocated to the central government, and the local governments are left with a number of minor taxes with low yields but high administrative costs. Regional governments lack the decision-making authority on tax rates and on new taxes. "Hence significant fiscal autonomy does not exist at any lower level of government" (Ranis/Stewart 1994:45).
4. The autonomous regional governments lack institutional capacity for financial management and financial administration. Dependence of the regional governments on central government funds have resulted in a weak accountability structure at the regional level: the availability of unconditional central financing and insufficient monitoring of financial performance have resulted in a lack of financial responsibility (World Bank 1992). The continuing financing of routine expenditure through the SDO does not encourage cost-consciousness of the financial management for personnel costs (Davey 1989:181).

In the implementation of the decentralisation policy, these issues of financial dependence, lack of managerial and institutional capacity, and lack of accountability and cost-consciousness have to be addressed.

Law No.5 (1974) on the regional administration envisages in its Art. 55 three main sources of regional revenue:

- original revenue from the regions (*Pendapatan Asli Daerah - PAD*) consisting of revenue from regional taxes, revenue from regional retribution, revenue from regional enterprises and miscellaneous revenues
- revenue originating from subsidies of the central government, and
- other legal revenue (GOI 1990:20).

a) Own resources (PAD)

Own revenues derive from local taxes, levies, service charges and other sources (like revenues of the *dinas* and profits from regional enterprises) that are directly collected and retained by the regional governments. However, the revenue from these sources is small. The regional governments have collected only 8.4 percent of the total tax revenue in 1988/89 (compared with 5.9 percent in 1983/83 and 14.7 percent in 1974/75) (Ranis/Stewart 1994:48). Beside administrative problems, the tax revenue generating capacity of regional governments is hampered by the present allocation of taxes to the various government levels, which allocates only the lower yielding taxes to the regional governments. Studies showed that only 5-6 local taxes out of around 50 existing

local taxes actually have a positive yield while the remaining have negative yields, i.e. the cost of tax administration is higher than the actual revenue for the local government (GOI 1989b:5-3). Significant local taxes for the provincial (Dati I) governments are the motor vehicle registration and transfer tax which amount to about 90 percent of the provincial tax revenue. Around 85 percent of Dati II government tax revenue comes from just six local taxes (hotels and restaurants tax, street light tax, entertainment tax, advertisement tax, business registration tax, and slaughterhouse tax) (World Bank 1994a: 156). Weaknesses in the system of local taxation have been identified as the failure to identify potential taxpayers, the under-assessment of the tax amount payable, insufficient recording of tax payments, infrequent review of taxes and high costs of an unsuitable system of tax administration (GOI 1989b:5-3).

Part of the PAD are furthermore assigned revenues, i.e. taxes and royalties which are levied by the central government but are assigned wholly or partially to the local governments. These include the land and property tax PBB,⁽¹¹⁾ revenue from licenses and royalties in timber extraction,⁽¹²⁾ and taxes levied on selected agricultural export crops (AIDAB 1991:38).

As can be seen in Table 4, in 1988/89 around 33 percent of the local government funds came from the PAD.

Interestingly the villages were the financially most self-sufficient level of government in Indonesia in the late 1970s: two-third of the village development projects were financed by locally generated resources at that time (Booth 1986:93).

b) Central government grants

Central government grants are provided for both the routine budget and for the development budget. They are the most important source of revenue for the regional governments with 66.2 percent of the total revenues of regional governments in 1988/89.

Central government grants to the routine budgets are block grants in the form of the *Subsidi Daerah Otonom (SDO)*. They are meant to cover the costs of personnel and of operational routine expenditures. The total amount of SDO funds transferred from the central government to the regional governments increased continually from 25.5. billion Rupiah in 1968 to 6796,1 billion Rupiah in 1993/94 (see Table 5). In the 1994/95 budget 7.09 trillion Rupiah or 16.7 percent of the total routine expenditure were allocated as SDO, the 1995/96 budget envisaged an SDO of 8.4 trillion Rupiah (17.8 percent of total routine expenditure).

Table 5: Central Government Subsidies to Regional Governments (SDO)
(in billion Rupiah)

	1968	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94
Subsidies for personnel salaries	4.6	2778.6	3338.1	3961.4	4519.8	4906.3	6418.5
Subsidies for non-salaries expenditure	20.9	259.1	228.3	275.2	314.4	376.9	377.6
Total	25.5	3037.7	3566.4	4236.6	4834.2	5283.2	6796.1

Source: GOI 1994, p.211 (Table IV-4)

The biggest share of the SDO (86 percent) funds the personnel costs of the regional government, while 4 percent are a block grant for routine expenditure, and 10 percent for other allocations like operating costs of schools, staff training etc. (Davey 1989:173).

Grants for the regional development expenditure are either subsidies in the form of the INPRES programmes, or sectoral allocations through central government departments which are channelled through the *instansi vertikal* of these departments. Both types of funding of the regional development budget have their own implications for regional autonomy and the extent to which the autonomous regions can determine their own development priorities: whereas the sectoral grants are administered and spent by the departmental units in the regions according to centrally made decisions, the autonomous regional governments have more influence on the use of the various types of INPRES funds (Booth 1986:84f). As can be seen in Table 6, the development expenditure through the central government departments has consistently been higher than the development expenditure through the regional governments.

Up to 1991, the central government provided also loan facilities to the local governments for the construction of shops and markets (INPRES Pasar), and continues to provide equity capital for regional enterprises (BUMD) or loans for BUMD (AIDAB 1991:41).

The INPRES programmes are "the single largest source of development funds for the daerah-governments" (Galbraith 1989:16). There are basically two types of INPRES programmes: sectoral allocations (e.g. for primary schools, health system, road infrastructure) whose purpose is pre-determined, and block grants to the Dati I, Dati II and the *desa* level⁽¹³⁾ whose utilisation can to a certain degree be decided by the local government. INPRES programmes were introduced with the

intention to ensure a more even distribution of development efforts based on the increasing government revenue from oil and gas in the 1970s. As an "imaginative device for resolving the tension between control and autonomy" (Davey 1989:179), the INPRES programmes serve a threefold purpose: to execute national policies (for example in education, poverty alleviation), to mobilize local knowledge and execution capabilities in the implementation of development projects, and to acknowledge variations in the ability of the central government to prescribe target and standards (ibid).

Table 6: Central-Regional Distribution of Development Expenditure
(in billion Rp)

	1983/84	1989/90	1990/91	1991/92	1992/93	1993/94*
1. Development expenditure through central government departments	3220	2509	4854	5971	7858	9265
2. Transfers of development funds to regional governments:						
- General INPRES programme	539	706	1058	1407	1853	2203
- Sectoral INPRES programmes	771	536	1282	1838	2296	1624
- PBB (local share of land and building tax)	132	478	657	709	892	1069
- Irian Jaya and East Timor	5	0	0	0	0	0
Total of 2	1448	1720	2998	3953	5040	5896
* Figures for 1993/94 budget allocation						

Source: World Bank 1994a, p. 191 (Table. 5.4)

While without doubt the INPRES programmes had a positive impact on regional development, they have at the same time perpetuated financial dependence of the regional governments on central funds and did not provide incentives for increasing the local revenue generation (Booth 1986). Efforts to strengthen the revenue generating capacity of the regional governments have shown positive, albeit small effects: for example, the share of the INPRES Dati I as percentage of the provincial governments' development budget decreased from around 35 percent at the beginning of the Repelita V (1989/90) to around 31 percent at the end this period (1993/94) (GOI 1994: 753). Whereas in 1989/90 in 16 provinces the INPRES grant accounted to more than 50 percent of the development budget, this number decreased to 15 provinces in 1993/94, while the number of provinces that depend to less than 30 percent of their development budget on INPRES grants remained at the same level (Table 7).

As of now, there are eight different INPRES programmes:

- INPRES Desa, a block grant for each village for development projects
- INPRES Kabupaten (INPRES Dati II), a block grant for Dati II development projects in various sectors
- INPRES Propinsi (INPRES Dati I), a block grant to the provinces for development projects which consists of two elements with varying discretion of the provincial government concerning the utilisation of the grant
- INPRES Sekolah Dasar for the building and rehabilitation of primary schools
- INPRES Kesehatan for public health purposes
- INPRES Jalan Propinsi and INPRES Jalan Kabupaten for the building, maintenance and rehabilitation of roads and bridges
- INPRES Penghijauan and Reboisasi for reforestation and soil conservation
- INPRES Desa Tertinggal (IDT), a capital grant to the least developed villages which should enable the implementation of small-scale investment projects on a revolving loan basis.

Table 7: Relative dependence of provincial development budgets on INPRES Dati I funds

Percentage of INPRES Dati I grant in provincial development budget	Number of Provinces				
	1989/90	1990/91	1991/92	1992/93	1993/94
- less than 30 percent	5	5	5	5	5
- 30-50 percent	6	9	10	8	7
- 50-70 percent	11	11	9	12	13
- more than 70 percent	5	2	3	2	2
Total	27	27	27	27	27

Source: GOI 1994, p. 755 (Table XII-2)

c) Other revenues

Other revenues for the autonomous regional governments are for example loans from the domestic capital market or - in the framework of development cooperation - from foreign donors. As can be seen from Table 4, loans provide around 1 percent of the regional government revenue, either through loans from the central government (like in the case of the INPRES Pasar), or through equity capital for regional enterprises.

The improvement of the revenue generating capacities of regional governments, both concerning tax and non-tax revenues, is of paramount importance for the meaningful implementation of the decentralisation policy. In this connection, restructuring of the tax allocation arrangement, optimization of the property tax as a main revenue source of the provincial governments and the establishment of viable credit mechanisms for regional governments as well as steps to increase the regional governments' capabilities in finance and tax administration have been suggested (World Bank 1992).

3.7 Decentralisation

3.7.1 The background of decentralisation

Decentralisation can be understood as the transfer of legal and political authority for planning, decision-making and administrative management from the central government to sub-national (local/regional) units of public administration or to functional public or private/non-governmental organisations. More specifically, four different categories of decentralisation can be distinguished (Rondinelli 1981):

- deconcentration, i.e. the transfer of tasks and functions **within** the central government administration to local units of this administration
- delegation, i.e. the transfer of tasks and functions to sub-national or functional organisations **outside** the central government bureaucracy
- devolution, i.e. the transfer of tasks and functions to sub-national levels of government which have a certain degree of autonomy in carrying out these tasks and functions, in other words they have the authority for decision-making in these fields; devolution has furthermore the connotation that the locus of power is of an elective nature as opposed to a bureaucratic nature (Warren 1990:17)
- transfer to non-governmental organisations, i.e. the privatisation of public functions.

Within this theoretical context, the decentralisation principle (*asas desentralisasi*) as defined in the Law No. 5 (1974) on the regional administration can be understood as "delegation", not as "devolution": the implementation of governmental matters is transferred from the central government bureaucracy to the administrative and technical units of the regional governments, whose autonomy in policy-making and decision-making, however, is clearly limited by the general supervision and guidance from both the Ministry of Home Affairs and the technical departments: "The national government has retained considerable powers, and choices at the local level have continued to be substantially constrained" (Ranis/Stewart 1994:53). Furthermore, this transfer of governmental tasks is not absolute

but at the discretion of the central government, and can be revoked at any time. The perception of autonomy as defined by the Law No. 5 (1974), with its emphasis on the handing over of administrative implementation to the regions while political decision-making and control of funds remains at the central level, has been characterised by the image that "Jakarta remains the one who enjoys the lunch while the regions still serve as its cooks and dishwashers."⁽¹⁴⁾

Decentralisation as being implemented now does not include the strengthening of the political role of the regional legislative bodies but concentrates on the executive branch of the state, another reason that it can not be called "devolution".

In a country like Indonesia, the political-administrative system has to find a delicate balance between the centralisation of power in order to ensure national unity and implementation of the policy objectives of the political-administrative elite on a national scale, and decentralisation of power which would result in the adjustment and modification of policies according to regional and local differences by local institutions which have a sufficient degree of material and political resources at their disposal.

The extent of centralisation and decentralisation depends on a variety of political and economic factors: political stability, economic conditions like the level of development in the regions, the ability of the administrative system in the regions for problem-identification and problem-solving, service delivery capacities in the regions, the prevailing political concepts and ideas in the society and within the political-administrative elite are some of these factors.

The centralised system of administration of the Indonesian state during the first decades of the "New Order"-government was characterised by a monopolization of the output-functions of the political system (like rule-making, rule application and rule adjudication) by the bureaucracy of the central government. Under the present conditions, this approach faces substantial difficulties: the sheer geographical size of the country with its huge regional differences in resource endowment and culture requires a locally adapted approach to problem-solving by the political-administrative system, which cannot depend entirely on inputs and directives from the central level. Effective implementation of central government policies depends on the use of local knowledge and of local non-financial resources. Decentralisation of governmental affairs is expected to improve resource utilisation, to tap new resources for development at the local level, to improve efficiency and effectiveness of public service delivery.

Decentralisation can also be seen as an instrument for better human resources development because "local governments tend to give higher priority to both social goals and economic infrastructure than does the central government... a switch in

resources towards local governments would therefore...achieve an improvement in resources devoted to human development" (Ranis/Stewart 1994:69f). Positive effects of decentralisation could be the increase of resources devoted to social and economic infrastructure in favour of basic social services and small infrastructure projects, the increase of economic participation by shifting the focus of expenditure towards small scale infrastructure projects, greater efficiency in resource use and increased equity of expenditure distribution within localities (ibid: 52ff).

Furthermore, under conditions of fast economic development and social change a centralised system of administration is subject to communication problems and the overloading of decision-making facilities. Decentralisation of political and administrative tasks can help to increase the capacity of the political-administrative system for problem-identification and problem-solving, and speed up the respective processes. This becomes increasingly important in the Indonesian context as the private sector, which assumes a much stronger role in economic development than before, needs administrative structures that are able to provide the necessary public goods (like services, licensing, control) in a quick and efficient way without having to refer each time to the central government in Jakarta for authorization.

Locating the Indonesian decentralisation policy on a continuum between political devolution and functional delegation would bring ambivalent results:

On the one hand the Indonesian approach to decentralisation does have a political character, although on a very subdued note. This political element of decentralisation concerns the policy objective to increase the participation of the society in policy-making. In order to deepen and to sustain the process of development, and in order to balance the societal changes that come along with economic development, participation of the various segments of the society must increasingly be made possible in order not to jeopardize the political fabric of the state: this calls for a re-distribution of policy-making authority that ensures that the views and aspirations of the population in the regions are taken into account in the policy decisions of the political-administrative system as a whole.

The 1993 GBHN includes the policy objective of increased participation of the society as an instrument to foster the process of development, with the strengthening of the regional administration as one of the option: "Initiatives and active participation of the community, together with the regional planning boards, in regional development need to be more encouraged, development control and coordination more intensified, and the functions of the regional legislative bodies more improved as the manifestation of increased participation of the community in the development drive. Managerial ability of the regional administration apparatus should be improved towards more efficient utilisation of regional

potentials, and to realize regional administrative autonomy in a tangible, dynamic, harmonious and responsible way" (GOI 1993:78).

On the other hand, remarks like that of the Director-General of Regional Administration and Autonomy of the Ministry of Home Affairs, Sumitro Maskun, that the basic and strategic policy will remain in the hands of the central government,⁽¹⁵⁾ show the difficulties of the central government bureaucracy to embrace an approach that would result in a genuine shift in the power structure of the Indonesian political-administrative system.

3.7.2 Implementation of decentralisation in Indonesia

The implementation of decentralisation up to the 1990s was a rather incremental and slow process. As of August 1994, 19 government tasks had officially been transferred by a Government Regulation to regional governments on either the Dati I or Dati II level, i.e. the implementation of these matters was entrusted to the administrative and technical agencies of the *daerah*-governments (*dinas*). Tasks that have been transferred include general administration, public works, public health, agricultural affairs, tourism, mining, social and labour affairs, education and culture, forestry, housing and road traffic (see Table 8). The emphasis was on transfer to the Dati I level.

Table 8: Governmental tasks delegated to the regional governments

Small-scale Agriculture	Housing
Animal Husbandry	Social Affairs
Inland Fisheries	Labourers' Welfare
Sea Fisheries	Road Traffic
Education and Culture	General Administration
Public Health	Enterprise and State Project
Public Works	Mining
Small-scale Industries	(Large-scale) Plantations
Forestry	Tourism
(Small-scale) Rubber Production	

(Source: GOI 1994:806)

The approach to delegation has been very different between various central government departments and even within a department (GOI 1989b: 2-4), and although decentralisation and regional autonomy as understood by the Law No. 5 (1974) should focus on the level of the *kabupaten/kotamadya* level, the majority of matters has been transferred to the provincial level (ibid: 2-3). The administrative system remained highly centralised with the central government in firm control over the activities of the regional governments. Several reasons can be identified for the slow realisation of decentralisation:

- Despite the stipulations of the Law No. 5 (1974), there continued to exist uncertainty over the proper roles of the technical units of the autonomous regional government (*dinas*) and the *instansi vertikal* of the technical departments, in this uneasy relationship the *instansi vertikal* tend to dominate because of their material and political resources
- Sectoral agencies in the regions were not interested to reduce their autonomy from regional decisions and to loosen their vertical linkages to Jakarta: "Apart from the Ministry of Home Affairs, there is no other government department that has any bureaucratic incentive to weaken vertical linkages and to strengthen the role of the local government agencies" (Kuncoro 1993:347)
- The role of *Bappeda* as coordinating body at the regional level for development planning is still weak compared with the powers of the *instansi vertikal* which control the major share of development funds
- Since the Ministry of Home Affairs functions as central channel of communication between the central government and the regional governments, decentralisation in principle strengthens the role of the DDN vis-a-vis other departments; this again makes the latter reluctant to give up their functions.
- Beside political and administrative obstacles to decentralisation in the sense of devolution, there might also be a cultural obstacle: "the Javanese conception of power prevents devolution of political powers to local governments. It legitimizes the authoritarian style of rule and reinforces the vertical orientation of officials instead of being responsible to the local population" (Asmerom et.al. 1994:22).
- There is also no doubt that many of the Dati II governments do not have sufficient institutional capabilities to handle substantial policy matters. The World Bank has identified three main weaknesses of the *kabupaten/kotamadya* administration which hinder further decentralisation of tasks: weak institutional capacities in terms of project planning and design, and the lack of skilled human resources in these fields; weak financial capabilities characterised by low local revenue generation and dependence on central government funds; and weak accountability (or cost consciousness) because of the unconditional financing by the central government and insufficient monitoring of financial performances (World Bank 1992:108). The improvement of the human resources situation is furthermore hampered by the fact that the civil service of the regional governments is less attractive than the central government civil service. Strict regulation and control of the regional civil service by the central government reduces the flexibility of the regional governments in deciding the structure and composition of their human resources: Under the regulations

governing the establishment of civil service positions the Ministry of Administrative Reform has to approve the organisational structure of all government institutions including the numbers and levels of position. The National Civil Service Administration Agency (BAKN) has to approve personnel transfers and new appointments, while the Ministry of Home Affairs decides on the distribution of new personnel positions to the provinces. In short: "The structure and regulations governing the civil service place severe handicaps on the development of a local civil service adequate to the needs of decentralisation" (King 1988: 258).

Regarding the legal framework, decentralisation did not proceed because the necessary regulations as called for in the Law No. 5 (1974) were not promulgated. It was not before 1992 that the necessary government regulation (*Peraturan Pemerintah* No. 45/1992) was issued. At the same time the Ministry for Administrative Reform (MENPAN) included decentralisation in its eight priority programmes for administrative reform, thus giving a strong political signal towards decentralisation of the administrative system.

The PP No. 45 (1992) stipulates the "gradually and continuously delegating (of) the major portion of governmental affairs" by the central and provincial governments to the Dati II level (Art. 2). In principle all governmental affairs can be delegated with the exception of defense and security, judicial affairs, foreign affairs, monetary affairs, "part of general governmental affairs that are the authority, tasks and responsibility of the regional head (*Kepala Wilayah*)", and "other governmental affairs that nationally are more efficient and effective if they remain being handled by the Government" (Art. 4) (GOI 1992:2f). If governmental affairs are delegated to the provincial governments, they have to be delegated further to the Dati II governments either fully or partially after two years unless there are specific reasons that prevent further delegation. Delegation of governmental affairs has to be accompanied by the provision of the required means and instruments, especially by providing the sources of funding to carry out these matters.

The delegation of affairs can be revoked if the regional government to which it has been delegated proves to be incapable of handling it, or if national policies or changes in the character of the governmental affairs require this (Art.9). In carrying out delegated governmental affairs, the Dati II governments receive "general guidance" from the Ministry of Home Affairs, "technical guidance" from the respective technical department, and "operational guidance" from the governors as *Kepala Wilayah* (Art. 20). The government regulation furthermore stipulates that the Dati II regions should be categorised based on criteria like financial capability, personnel, organisation, and administration, participation of the population, demographic, economic, social and cultural development, geographic and political factors, and defense and security conditions (ibid:40).

Although the PP No.45 (1992) provided the necessary legal framework for decentralisation, it took the government another three years to finally implement a major initiative towards decentralisation. In April 1995, based on Government Regulation (PP) No. 8 (1995), additional government tasks were transferred from the provinces to 26 selected Dati II governments for a two-year pilot phase. Tasks transferred to the Dati II level include health, fisheries, education, public works, animal husbandry, home industries, public housing, land transport and tourism. Based on the general guidelines from the provincial governments and the Ministry of Home Affairs, these Dati II governments which were selected and categorised on the basis of their specific capabilities will in future be responsible for handling these affairs, and will be responsible for the planning of personnel, equipment and budget for each of these tasks. Each of the selected Dati II governments will receive an additional grant of 60 million Rupiah to cover the costs of the delegation of tasks.

The central government agencies which before have been handling these tasks will be under the command of the *Kepala Daerah*. Strengthening of the local economy, improving the public services in the regions and strengthening the democratisation process in the regions were mentioned as objectives of the delegation⁽¹⁶⁾ which was strongly opposed by the Departments of Education and Culture, Religious Affairs and Information.⁽¹⁷⁾ The results of this transfer of authority on the quality and efficiency of service delivery, and on the institutional ability of the Dati II governments to carry out the new responsibilities, remain to be seen.

The April 1995 move to delegate additional tasks to selected Dati II governments for a trial pilot project has been commented on in a rather cautious way because of the functional perception of autonomy, the unclear boundaries between regional and central competencies, and the existing - paternalistic and top-down oriented - bureaucratic culture: "If the strengthening of regional autonomy is primarily a technical exercise involving the re-assignment of some administrative matters, and does not involve any political changes in the strengthening of local authority, such as through improving the position and authority of the regional legislation, then this experiment is really only a cosmetic one, much like giving an old car a new coat of paint . . . This pilot project may have added an extra level to the structure of our regional administration, but it has not provided any assistance in strengthening its foundations."⁽¹⁸⁾ While the comment that "the time for Jakarta to force its demands on the regions in terms of determining the regional leadership positions is progressively passing"⁽¹⁹⁾ might certainly look premature, further transfer of governmental tasks will definitely encourage calls for a review of the role of the DPRD in determining the regional leadership, and in its ability to hold the regional leadership accountable. In this context, decentralisation might become more political as well.

Notes

1. Functions and structure of Village Government are determined in Law No. 9 (1979) on Village Development. See chapter 3.5.
2. Sometimes this principle is also called *medebewind*.
3. A similar definition is given as follows: "Regional autonomy is the right, the authority and the obligation to arrange and to take care of its own matters in accordance with existing regulation" (Otonomi Daerah adalah hak, wewenang dan kewajiban daerah untuk mengatur dan mengurus rumah tangganya sendiri sesuai dengan peraturan perundangan yang berlaku) (SANRI I:83).
4. This pattern of thinking is also reflected in the 1993 GBHN which states that the "implementation of regional autonomy should stimulate increased public participation in development and underpin equitable distribution of development.." (GOI 1993:17).
5. *Jakarta Post*, 17 January 1994.
6. See chapter 2.4.3 for details.
7. This was one of the reasons that the government embarked on a series of integrated provincial development programmes as an attempt to strengthen horizontal linkages of the various government agencies operating in such areas (Morfit 1986b:71).
8. In December 1993, for example, the election of a new governor for Central Kalimantan showed a growing dissent between central and local administrative and political structures when the majority of the local GOLKAR faction of the DPRD failed to support a non-indigenous candidate who had the backing of the central government and of the GOLKAR executive at the national level. Although receiving a close majority in the voting process of the DPRD, the successful candidate and the strongest locally-backed candidate had subsequently to withdraw their candidacy in an attempt to find a compromise. Only half a year later the central government succeeded to have a new candidate (the former Director-General of PUOD/ Ministry of Home Affairs and also a non-indigenous) elected. Similar conflicts between local nominations and central government nominations could also be observed in the elections of new *bupatis* in Deli Serdang and North Tapanuli (both North Sumatra).
9. The term "guidance" (*bimbingan*) implies a hierarchical relationship between a senior and a junior partner in which the senior partner advises on how to do things. In the Indonesian administration, the term is used in a context where the

guidance is really more like a directive. In the context of sub-national administration, we can find the general guidance carried out by the DDN, technical guidance carried out by the technical departments and the operational guidance of the *Kepala Daerah* vis-a-vis the *instansi vertikal*.

10. However, the autonomy of the village to chose its head is limited by the mandatory screening of candidates by the higher levels of administration (Warren 1990:2).
11. The PBB (*Pajak Bumi dan Bangunan* - Land and Building Tax) is shared between the central government (10 percent), the provincial government (9 percent) and the Dati II government (81 percent) (Supriatna 1993:179).
12. 70 percent of the license fees and 60 percent of the royalties are assigned to the provincial governments, 20 percent of these royalties are given to the Dati II governments (Davey 1989:172).
13. Under the general INPRES scheme, the provincial governments receive a minimum grant of 12 billion Rp. plus -since 1990/91- additional assistance according to their territorial size (GOI 1994: 753). The allocations to the Dati II governments are based on a per capita allocation of Rp. 5000 per inhabitant, but with a guaranteed minimum allocation of Rp. 1 billion for each Dati II (ibid:761). Villages receive a grant allocation of Rp 5.5 million (ibid:769).
14. Kastorius Sinaga, Doubts mar regional autonomy project, *Jakarta Post* 6 April 1995.
15. *Jakarta Post* 9 March 1995.
16. *Jakarta Post* 28 February 1995.
17. See *Jakarta Post* 11 April 1995: "Autonomy program to go ahead".
18. Kastorius Sinaga, Doubts mar regional autonomy project. *Jakarta Post* 6 April 1995.
19. So the political scientist Amir Santoso, *Jakarta Post*, 4 January 1994.

4

The Indonesian civil service

The Indonesian citizen as well as the visitor from abroad (be it a long-term "expatriate" or a short-term tourist going to Bali) experiences the system of public administration in Indonesia through encounters and contacts with the people working in this system: the civil servants (*pegawai negeri sipil* - PNS).⁽¹⁾ Be it the customs officer at the airport who is checking the luggage of incoming visitors, the policeman directing the traffic in Jakarta's "Three-in-one"-zone, the local government official issuing the national identity card (*kartu tanda penduduk* - KTP) or the tax officer receiving the annual tax statement - the image and perception of a public administration, of its quality and its efficiency, its character and its esteem is determined by these personal contacts with an otherwise abstract and anonymous system. In the previous chapters we looked at the legal background and at the formal structure of the public administration at central and regional level, and at its procedures, programmes and working mechanisms. In this chapter, we will look at the human component of the public administration, the people working in the system. We will describe the size, structure and composition of the civil service, the distribution of civil servants between central and regional governments, the existing working culture, the institutional arrangements for the administration of the civil service, at recruitment, training and career patterns, and at efforts to reform and modernise the civil service in order to increase productivity, efficiency and responsiveness.

4.1 Structure and size of the Indonesian civil service

At the end of the Dutch colonial rule, around 50,000 persons were employed in the civil service, with only a small portion of Indonesians occupying senior positions (Bintoro 1991:75). The number of civil servants increased drastically after Indonesia gained her independence: in 1950 the civil service employed around 303,500 persons, in 1960 around 393,000. The number of civil servants per 1,000 inhabitants increased from an estimated 1.1 in 1940 to 3.7 in 1950 and 4.1 in 1960. The second large increase in the number of civil servants came in the 1970s, when increased revenue from oil allowed the government to expand its scope of activities. From around 525,000 in 1970 the number of civil servants increased to more than 2 million in 1980, calculated per 1,000 inhabitants the number increased