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Introduction

Though starting as a federated state in 1949, since 1950 Indonesia has defiantly clung to its formal status as a unitary state and has demanded allegiance to it by its numerous, often disparate, geographically scattered and sometimes reluctant peoples. From the outset, Indonesia has faced a number of regional rebellions based on both the relatively arbitrary construction of the state and in particular its highly centralized control from the government in Jakarta. Into the 21st century, however, despite continuing grumblings from some members of its constituent regions the state appears to be increasingly settling into what might nominally be termed a hybrid organizational form. As with much else in Indonesian political life, the syncretization of otherwise incompatible agendas appears to be producing a solution which, if not entirely satisfactory to many on the country’s periphery, has largely achieved through rhetorical device that which could not be achieved constitutionally.

Indonesia’s official political culture is informed by the 1928 Sumpah Pemuda (Youth Congress) call for “one people, one nation, one language” (Hellwig and Tagliacozzo, 2009: 247). This was despite the youth congress reflecting some of the Dutch East Indies’ diversity of people, nations and languages. This declarative unity was supplemented by the state motto Bhinneka Tunggal Ika (Unity in Diversity, in hierarchical Old Javanese), somewhat contradicting the state’s adoption of the more egalitarian Malay-based Bahasa Indonesia), which is found in Article 36 A of the 1945 Constitution.

As the successor state to the Dutch East Indies, Indonesia comprises around 242 million people inhabiting 13,000 islands over a 5,000-kilometre expanse, speaking eight major and more than 600 minor languages. Indonesia is about 85% Muslim, although its adherents are divided between more nominal and more observant branches, with extremes of the latter tending towards jihadi Islamist violence, both through tolerated militias and through underground terrorist groups, the best known of which was Jemaah Islamiyah (Islamic Community). The rest of the population is divided between Christians (both Catholic and Protestant), Buddhists and Hindus, with many regional groups practising animism, which also influences more conventional religions. Indonesia’s economy grew relatively strongly, largely on the back of oil and other natural resource receipts, between the 1970s and 1990, but collapsed in 1997.
This chapter considers Indonesia’s decentralization programme within the context of its formal unitary structure. It looks at how and why decentralization was undertaken, noting that while it has relieved some of the pressure of regional dissatisfaction on the central government, it has also introduced its own set of problems. Importantly, the decentralization programme was undertaken in a way that ensured that while it devolved considerable authority to local elected officials, by allocating authority to the state’s third tier of administration, its 2,600 sub-provincial authorities, it did so in a way that ensured that local politics would never be sufficiently powerful to be able to mount a challenge to or separate from the state. The chapter also notes the two exceptions to Indonesia’s sub-provincial decentralization were in the restive provinces of Aceh and West Papua, each of which were granted ‘special autonomy’ but which had very different experiences.

The economy

Economic growth in recent years has been relatively robust and has managed to create sufficient employment to absorb growing entrants to the labour force. Formal unemployment has reduced from 11% to 7%, although informal employment remains high. More positively, population growth has continued to moderate, to around 1% in 2010 and showing a slight decline over the previous three years, while mean income has continued to increase, from €2,850 per capita in 2007 to over €3,100 in 2010. Following the economic collapse of the late 1990s, this meant that Indonesian citizens were on average again becoming richer rather than poorer. While exports were up, in part this economic growth reflected what appeared to be renewed confidence by investors, which had been markedly absent since the collapse of the Indonesian Rupiah in 1997. Interestingly, Indonesia’s economic collapse was not directly linked to its subsequent decentralization. Rather, the programme was in response to long pent-up frustrations with central authority that were more openly expressed following the collapse of the New Order regime in 1998, this in turn being one of the consequences of the economic collapse. This is contrasted against economically inspired regional rebellions in 1957–58 (noted below).

Indonesia’s vulnerability to global financial movements was highlighted by a sudden downturn in foreign investment, with $3.1 billion leaving the country in the fourth quarter of 2008. However, Indonesia quickly stabilized, with a $7.7 billion inflow in 2009 and strong $12.45 billion inflow in 2010 (Belford, 2011; JCRA, 2010), indicating a greater resilience to external shocks and reflecting the Japan Credit Ratings Agency upgrade of Indonesia’s sovereign rating to ‘investment’ grade, for the first time since 1997.

The growth rate of the Indonesian economy declined slightly between 2007 and 2010, coming down from just over 6% gross domestic product (GDP) growth to just under 6%, but improving on 2009 during which time it had dropped to 4.4%. While this result reflected the negative impact of the global financial crisis (GFC), Indonesia survived the GFC better than many countries, in part due to the post-1997 reorganization of its banking sector. In part this was also due to Indonesia’s greater focus on selling into its large domestic market rather than having the higher external trade exposure of many more affected countries. Inflation also continued to decline, to 4.8% following a jump to 9.9% in 2009, reflecting the impact of increased food prices, with earlier inflationary pressure having come from the reduction of fuel subsidies. By mid-2011, however, inflation had dropped to around 6%. Similarly, by mid-2011, the Rupiah was slightly firmer at around 8,750 to the US dollar, reflecting the central bank’s intention to reduce shocks to the economy and to steady currency flows. The country also continued to reduce its external debt to GDP ratio, bringing it to an increasingly manageable 26.4% of GDP, down from a dangerous 80% in 2000 and from just under 40% at the end of 2006.
The centralized character of Indonesia

As noted, Indonesia is complex, challenging and structurally difficult to manage. No other state in the world has such a fragmented physical or linguistic ‘national’ base. Indeed, while a sense of national identity has been consciously developed in Indonesia and is now broadly established, it is not founded, as is more commonly the case, on a linguistic, territorial or historic unity. Nor, to a considerable degree, has there been a successful transition to a civic state in which the state seeks to transcend primordial differences by appealing to a common civic good. Both the construction of a national identity and steps towards civic inclusion have improved in the early years of the 21st century but, it is widely agreed, that project is far from completed.

Indonesian political life, including its formal unitary structure, reflects a strong politico-cultural influence derived from Central and East Java, which informs Indonesia’s self-perception and understanding as well as the organization of its state institutions. Having experienced more than three decades of often brutal authoritarian rule, economic collapse, and now a semi-decentralized and sometimes semi-organized political economy (reflecting a relatively lower level of administrative competence), Indonesia is trying to find a workable solution to its disparate context while assuring those in Jakarta still worried about the state’s inherent fragility that it is now unlikely to unravel.

After three years of imperial Japanese occupation and eventually their support for Indonesian independence, Indonesian nationalists declared that independence ahead of the Japanese withdrawal in 1945. This event was marked by the proclamation of what is now called the ‘1945 Constitution’, which constructed Indonesia as a unitary state comprising all Dutch archipelagic territories. The subsequent four years of anti-colonial war were largely conducted in the western islands of Java and Sumatra and, along with increasing international pressure, pushed the colonial Netherlands to grant independence in 1949. The initial Republic of the United States of Indonesia, under the new ‘Federal Constitution of 1949’, consisted of a federation of the Republic of Indonesia comprising Java and Sumatra along with 15 separately administered states. This division to some degree reflected degrees of opposition or loyalty to the Dutch, but was also understood in Jakarta as a Dutch attempt to retain some control over at least parts of the archipelago. The ethnically highly distinctive West Papua was not included in the newly created state and was subsequently prepared by the Dutch for independence and eventual inclusion in a new state with neighbouring Papua-New Guinea. So, too, did the Portuguese colony of Portuguese (East) Timor remain outside the newly created state, leading to later challenges.

Reflecting deep mistrust of continuing Dutch ambitions, a desire to see the whole archipelago united according to the earlier nationalist vision and recognition that the fledgling state could not economically survive crippling new debts without drawing economic surpluses into Jakarta, President Sukarno scrapped the federation model and declared Indonesia to be a unitary state. The Federal Constitution was replaced in 1950 by the Provisional Constitution, formalizing Indonesia’s complete withdrawal from association with the Netherlands and reconstituting Indonesia as a unitary state. This declaration was immediately met by resistance in North Sulawesi and, soon after, Maluku, where a local independent state, the republic of the South Moluccas, was declared. Republican troops quickly crushed the rebellion. Meanwhile, another rebellion aimed at the character of the state had erupted. The Darul Islam (House of Islam) Rebellion focused on West Java, South Sulawesi and Aceh, intending to make Indonesia an Islamic rather than secular state. There was also a regionalist hue to the rebellion, notably with the South Sulawesi rebellion reflecting a wider range of concerns about centre-periphery relations and Aceh’s inclusion being understood more in separatist terms in response to the province’s incorporation within North Sumatra rather than existing as an autonomous province within a loose federation. Aceh’s challenge to the method of its incorporation into the Indonesian state was to recur, fundamentally challenging and eventually shifting the orientation of the state.
Despite a range of regional, economic and political pressures, Indonesia held relatively free and fair legislative elections in 1955. Due to poor central management and an overly centralized political orientation, in 1957 Indonesia was shaken by the PRRJ-Permea rebellion, located in Sumatra and Sulawesi. Although militarily suppressed, this event encouraged the Indonesian military to push Sukarno into scrapping the 1950 Provisional Constitution and reinstating the 1945 Constitution. At the same time political parties associated with the rebellion were banned, what was termed ‘guided democracy’ was introduced which, as has been observed, was much more ‘guided’ and much less ‘democracy’ (Lev, 2009: 195).

As the Indonesian economy continued to decline, Sukarno further limited opportunities for conventional political party activity. By the early 1960s, the country’s largest party had become the Indonesian Communist Party (PKI), increasingly tolerated by both the army and Indonesia’s large Islamic organizations. As political tensions built, Sukarno’s health began to decline. Afraid of an imminent coup against Sukarno, junior army officers kidnapped and then murdered six senior army generals. Although ostensibly to protect Sukarno, this event was viewed as an attempted coup by the rest of the army, which then launched an anti-communist pogrom. Estimates of the number killed by the army and their Islamic supporters run to around half a million, with many more imprisoned. Sukarno was implicated in the affair and pushed from office, being replaced by General Suharto.

Suharto’s rule was characterized by further centralization, increased official corruption, the effective closure of political space and a pervasive and often brutal military intelligence network. The government political vehicle was the bureaucracy’s Organization of Functional Groups (GoKart) with all other remaining parties joined under either the Indonesian Democratic Party (PDI) or the United Development Party (PPP). Elections were rigged, the military retained a set allocation of legislative seats and ran a parallel administration. The 1945 Constitution had not altered, but its interpretation, along with that of the state ideology of Pancasila (Five Principles), had been subverted to suit the interests of Suharto and his increasingly sycophantic ruling elite.

Although Suharto’s political style shifted only by degrees, by the late 1980s he had distanced himself from many earlier military allies, built up a strong network of business cronies and, by the early 1990s, had begun to cultivate an explicitly Islamic base to counter growing resistance to his rule by sections of the army. Between Suharto’s increasing age, his centralization of power and corruption and his marginalization of powerful groups, by the mid-1990s it appeared that Suharto’s tenure in office was drawing to a close. Then the 1997 Asian financial crisis hit, the Indonesian economy collapsed and, with Indonesia’s elites deserting him, in May 1998 Suharto resigned.

The immediate post-Suharto era was characterized by the liberalization of large parts of society, notably in forms of public expression and political organization. A deluge of new political parties and civil society organizations arose. The overwhelming majority of Suharto’s former colleagues and supporters shifted away from him and, rhetorically at least, towards these new political forces. These shifts reflected the officially stated desire for Indonesia to embrace reform – though, in another sense, they might be seen simply as mechanisms to release some of the pressure from the public groundswell demanding change. For at least some of the ‘reformers’, politics became the art of satisfying pressing demands while retaining the core of the status quo. Suharto’s successor, Habibie, oversaw this reformist shift and the first free and fair elections since 1955 initially put him in good favour with the voting public.

**Constitutional reform**

It was from the period immediately after Suharto’s resignation that Indonesia underwent a number of constitutional reforms, as a result of amendments to the 1945 Constitution as passed
by two-thirds of Indonesia’s People’s Consultative Assembly (MPR, or upper house). Initial reforms in 1999 included limiting presidential terms of office to two, allowing the DPR (lower house) to make and pass laws as well as being required to pass laws made by the president, limiting presidential powers in relation to judicial amnesties and pardons, the awarding of honours and the appointment of ambassadors (Indrayana, 2008: 129–34).

Habibie was never popular with Indonesia’s political elite and his decision to allow the people of East Timor a vote on what amounted to self-determination in 1999 put him directly at odds with a number of power brokers who had played midwife to what they saw as a necessary but controlled political transition. Not least of those power brokers was armed forces commander General Wiranto, allied with other factions of the armed forces that had developed in the final years of Suharto’s rule.

Habibie’s popular standing took a hammering, however, when he allowed East Timor to vote in a United Nations (UN)-supervised referendum on independence in August 1999. The army’s disenchantment with Habibie’s decision resulted in a concerted effort to undermine the East Timor ballot. The somewhat predictable result of the ballot was 78.5% of all East Timorese voting in favour of independence. The Indonesian military had believed they could swing the vote through violence, intimidation, bribes, and by trucking in non-East Timorese from West Timor to register and vote in the elections. Realizing that the vote was likely to go against remaining in Indonesia, army-backed militias attempted to create such havoc that the ballot would be cancelled. However, when the East Timor guerrillas refused to respond to provocations and East Timorese political leaders insisted the ballot proceed, the result was a foregone conclusion. The army’s response was to make an example of East Timor to the rest of the country, so that thoughts of separating from the state would be tempered by the cost of so doing. After 24 years in which around a quarter of the population was killed or died as a direct result of Indonesian occupation, the Indonesian military and their proxy militias embarked on a spree of murder and destruction, killing around 1,500 unarmed civilians and razing more than 70% of all built infrastructure, before ignominiously retreating to West Timor ahead of a UN-authorized, Australian-led multinational peace-keeping force.

The reaction to this ‘loss’ of East Timor (which had never been recognized under international law as a part of Indonesia) was for Indonesian nationalists to fly into a frenzy of asserting the unity of the state. It was from this time that the Indonesian military started using the term ‘NKRI’ (Negara Kesatuan Republik Indonesia – Unitary State of the Republic of Indonesia) (e.g. see Setiadi, 2011) when referring to the country, effectively pushing politicians also to use the term until it became synonymous with ‘Indonesia’, even though the term had no legal standing. Nationalism, which always had strong official support, went into overdrive. No political party has, since 1957, formally questioned whether Indonesia should be a unitary state although, briefly in 1998, Amien Rais, the leader of the pro-Islamic Partai Amanat Nasional (National Mandate Party) did momentarily endorse the idea of Indonesia as a federation (Miller, 2009: 46). However, he was quite alone in this endorsement which, moreover, was only made in passing and not subsequently repeated. Similarly, Indonesia’s political parties were required, by law, to be nationally based (reconfirmed by a new law on political parties, 31/2002). The 2005 Aceh peace agreement breached that law by allowing the formation of Acehnese-based parties to contest provincial elections, as well as providing scope for independent candidates to stand for office. This latter provision was upheld by the Constitutional Court in 2011, somewhat ironically against an appeal by the Free Aceh Movement (GAM)-based Partai Aceh (Aceh Party) in an attempt to dislodge former GAM member and subsequent governor, Irwandi Yusuf.

Decentralization

As a result of the near disbelief with which the ‘loss’ of East Timor was greeted, Habibie withdrew from the presidential election race in the face of impending defeat. The election of leading
cleric Abdurrahman Wahid surprised many, coming to power on a party vote of just 11%. Among Wahid’s achievements in office was a second round of reforms in 2000, including a bill of rights, ending the military’s formal role in politics and, importantly for state organization and, from 2001, the devolution of significant political and economic authority to kabupaten (sub-district) administration, with the exception of Aceh and West Papua which were to receive ‘special autonomy status’ (Indrayana, 2008: 161–60).

Indonesia’s decentralization programme was initiated through two laws 22/1999 on decentralizing administration and 25/1999 on decentralizing financial control. Given the rush in drafting and implementing the laws in the post-Suharto period, there was little coordination between the Ministry of Home Affairs, responsible for 22/1999, and the Ministry of Finance, responsible for 25/1999, which led to considerable confusion in implementation. Notably, the sub-provincial or district level of government was given a direct relationship with the central government, bypassing the provincial government. The central government remained responsible for foreign relations, defence and security, the judiciary, monetary and fiscal policy, religion and ‘other fields’. ‘Other fields’ included areas such as national planning, human resource development and high technology. Devolved authority covered education, agriculture, health, public works, cultural development and the environment.

Law 25/1999 allowed local governments to impose their own taxes and raise funds through loans and other means, as well as a redistribution of central government revenues, such as from resources, under general and special allocation funds. However, 80% of income tax and 100% of company tax remained under central government control.

While the decentralization programme relieved pressure building against the highly centralized state, one of the negative effects was to decentralize Indonesia’s well-known corruption, from the centre (formerly focused on the Suharto clan and cronies) to the administrative periphery.

In Indonesia, the state decentralized in response to regional tensions following the collapse of the Indonesian economy in 1997, and the fall of the highly centralized New Order administration in 1998. It was, at the time, regarded as the most radical decentralization programme to have been undertaken in the Asia-Pacific region (Turner and Podger, 2003: xii). No clear rationale was ever given for Indonesia’s decentralization process, although it was widely understood to be in response to an explosion of militant separatist claims on one hand, and a considerable sense of disenchantment with Jakarta’s excessively centralized economic and political failure on the other. The Indonesian model of decentralization, then, gave renewed life to the idea of decentralization, not least as a means of quelling regional tensions.

In Aceh, which had been waging a separatist war since 1976, ‘special autonomy’ was widely regarded as neither ‘special’ nor, with an administrative process controlled from Jakarta and a high level of military and police present in the province, reflecting genuine autonomy. After events in East Timor, separatists in Aceh received a boost in confidence, which in 2003 was met by the largest military operation in Indonesian history. It was not until the 2005 Helsinki peace agreement was signed, which ended the separatist rebellion, that Aceh was granted what was understood as more substantive autonomy, including free local elections along with local political parties and independent candidates being allowed to stand, and a major reduction in army and police numbers.

In West Papua, while there were eventually elections that returned ethnic Melanesian leaders, in 2003 the province was also divided into two, in contravention of the ‘special autonomy’ provisions, with a plan for a further third division. These divisions were nominally based on administrative convenience but in fact reflected a carving up of the province on the basis of resources and political control. The army and police also maintained a significant presence and there continued to be sporadic clashes between West Papuan separatists and ‘pro-peace’ protesters, along
with attacks by soldiers and police against gatherings of pro-independence groups, ceremonies in which the West Papuan independence Morning Star flag was raised, along with more generalized human rights abuses. The ‘pro-peace’ group within West Papua was essentially groups of pro-independence activists who had changed their tactics towards a pro-peace model, on the assumption that peace could only be guaranteed by the removal of the army and most police and allowing an eventual poll on independence. Attempts by pro-peace and other West Papuan groups to engage in a formal dialogue with the Indonesian government about genuine autonomy consistently failed, with the government defaulting to legislators who had been opposed to the Aceh peace settlement on the grounds that it potentially challenged the unity of the state.

The decentralization of political and economic authority from Jakarta to the kabupaten level was at once recognition by the Jakarta elites that regional dissatisfaction with Jakarta was threatening to tear the state apart. As well as East Timor, Aceh and West Papua, separatist tendencies were present in Sulawesi, Riau, Kalimantan, Maluku and Nusa Tenggara. It seemed that the New Order state had only been kept together through the use of repression, reflecting strong central rule. Once strong central rule was no longer a given, the periphery appeared to fragment in ways that had many wondering if the formation of the Indonesian state was but a brief post-colonial moment ahead of a different political organization.

While pressures for decentralization mounted, there remained very real concerns in Jakarta that granting relatively high levels of political and economic autonomy to provinces might actually increase the tendency towards breaking away from the unitary state. In that regard, granting a relatively high degree of autonomy to the sub-district level at once eased pressure over demands for more locally directed administration while ensuring that the administrative areas were kept too small to be viable as independent entities.

Despite its relative popularity, decentralization does, however, have potential and actual weaknesses. These weaknesses include greater opportunities for patronage and nepotism, what is often a lower level of local organizational capacity, the potential to weaken central planning, and reduced efficiencies of scale. In the short term, decentralization can also fragment national identity by reinforcing local ethnic identity over a state-oriented ‘national’ identity. In the longer term, however, decentralization can strengthen a civic national identity by appealing to and strengthening common democratic processes through greater opportunities for participation, more direct representation and greater accountability.

Through this shift towards greater representation and accountability, there is the potential for citizens to cohere around sets of values that reflect a reciprocal and equitable relationship with the state. From this there is the further potential for these citizens, initially understanding themselves as local and specific, to progress towards understanding themselves in common with others of like civic values, in turn creating stronger and more sustainable national bonds between citizens over diverse geographic and cultural spaces.

The move towards decentralization, then, was intended to reduce or resolve funding bottlenecks, to provide a wider and more equitable allocation of access to government services in rural areas, to increase the state’s overall absorptive capacity and to increase financial liquidity in areas that had little cash flow. It was also intended to soften some of the less appealing elements of the previous process of nation formation, in which alien concepts were introduced too quickly, jarringly or, indeed, forcefully, and which thus led to misunderstanding and sometimes to rejection.

One of the key aims of decentralization was also to promote transparency, through a more directly and locally accountable political process. However, there were some concerns that handling the allocation of funding projects to the district level would have more of an impact on increasing nepotism, corruption and waste. There was already a tendency for officials to allocate spending on local projects to family members, sometimes through the districts in which the
work was to be undertaken, such as road building or maintenance. Given the relatively small size of local communities and the limited opportunities for advancement, and particularly the small size and often interconnectedness of business and political elites, nepotism was not always overtly intentional, even if there was an awareness of the closeness of the contracting process. Similarly, notions of conflict of interest were not so much poorly understood as simply not understood at all. Corruption in its more formal sense was better understood, if in many respects an acculturated business practice. Many locals attributed the existence of corruption of local officials to the negative influences of the Indonesian occupation, during which corruption was indeed rife (and still is in much of Indonesia).

**Weaknesses of decentralization**

The process of decentralization is not especially new, as a means to better allocate resources, to devolve administrative responsibility away from a sometimes remote centre, and to place greater and more direct political control in the hands of local people. However, the experiences of decentralization have not always been successful, for a range of reasons. As Smoke, Gomez and Peterson have noted:

> During the 1990s it became clear that the normative expectations of decentralization had often exceeded its actual performance. Subnational deficits, debt, corruption and inefficient resource allocation emerged in many countries, in a few cases threatening national fiscal stability … In effect, normatively justified decentralization had met political and institutional reality …

*(Smoke et al., 2006: 3)*

In this, Smoke *et al.* were primarily concerned with economic managerial capacity. Turner and Podger expressed similar concerns:

> In theory, decentralized systems of government are better able to address poverty because of their familiarity with the local situation, the greater accessibility of the poor to decision makers, and the more rapid response rates of local government. These assumptions begin to unravel if bureaucratic forms of organization remain characteristic of regional government, if local elites monopolize the benefits of devolution, and if popular accountability is poorly articulated or implemented.

*(Turner and Podger, 2003: xiv)*

However, at least as great and possibly a greater concern has been that by taking away financial accountability from a coherent centre which is able to be scrutinized, decentralization can provide greater opportunities for patronage and nepotism. As noted by Turner and Podger, “Local democracy might tend to favour local elites, and the emergence of ‘money politics’”. In particular, the experience of decentralization in Indonesia often meant that a state that had experienced a high level of centralized corruption had, through the process of decentralization, in effect decentralized the already high levels of corruption and arguably increased overall levels of corruption.

One of the further issues experienced when Indonesia underwent decentralization was that in many cases there was a dearth of administrative capacity at the local level. As Rondinelli also noted, the lure of the metropolises, including national ministries, state corporations and other agencies, also tended to attract away the most talented and best-educated officials from the regions, leaving a chronic shortage of talent at the local level. Fanany also noted this phenomenon in Indonesia, in which ‘the highly centralized system of administration in Indonesia has tended to
draw capable administrators to the centre as they moved up through the administrative hierarchy, leaving what is perceived as a talent vacuum at the regional level (Fanany, 2003: 178). According to Cheema and Rondonelli (1983: 299), ‘Decentralization can only be effective when agencies and actors at the regional and local levels have developed the capacities to perform effectively the planning, decision-making and management functions that are formally granted to them’. In this, the effectiveness of decentralization depends on the capacity of local institutions to identify problems, solutions and opportunities to development issues, decision making and conflict resolution, organization of resources and management skills.

By way of comparison, in Indonesia the decentralization process was quickly conceived and implemented. It also showed that despite a systematic and participatory regulatory process, the process of establishing regulation for decentralization was ‘disorderly’. As Turner and Podger note, ‘[t]op level political support was lacking, central agencies were sometimes uncooperative, and regional stakeholders were rarely consulted’ (Turner and Podger, 2003: xiii).

One of the potential problems with decentralization, to some extent experienced in Indonesia, was that it had the potential to weaken national planning. This occurs through having different districts potentially embarking on distinct and uncoordinated development programmes, in particular infrastructure and cross-boundary resource programmes. This in part explained the limitations that were expected to be imposed upon districts both in their initial start-up periods of decentralization as well as in their accountabilities to the central government. In Indonesia, following decentralization, local economic disputes became commonplace and potentially destabilizing, in particular in relation to access to local resources. There was one case in particular, in West Sumatra, in which one district administration halted the flow of a river which, downstream, supplied the water needs of another administration. This dispute did not last long, but was indicative of the lack of planning that could go into such decision making, or the improper purposes to which it could be put. The disputes that did arise concerning transport and water-basin management in Indonesia were finally resolved through inter-regional cooperation; it was in the interests of all parties to cooperate to achieve shared outcomes otherwise not individually available.

Smaller planning units are also often not able to achieve the efficiencies of centralization, replicating a range of services that needed implementation only once to be effective and bought goods and services at small and less-competitive prices, which also militated against decentralization. Fiscal management can also be weakened by economic decentralization in cases where regions have responsibility for raising, allocating or forwarding taxes. Finally, in the short term and noting that decentralization is at least in part intended to preserve and enhance local cultural identity, decentralization can have the potential to fragment national identity by reinforcing rather than resolving distinct and sometimes competing ethnicities. In a country in which a sense of state-based national identity had not yet been fully formed, which is weak or under challenge, strengthening the local as opposed to the national may reinforce regional differences rather than commonalities.

**Advantages of decentralization**

One of the advantages of centralization of resources is the efficiencies of scale that are able to be achieved in planning and expenditure. A single planning source with greater purchasing power is more likely to be able to achieve efficiencies in time and expenditure, by saving on replication and being able to purchase goods and services in larger and hence cheaper quantities.

There are two key normative features of decentralization, which are inter-related. The first normative feature of decentralization is the allocation of resources closer to the source of receipt to help ensure its more precise delivery. The second normative feature of decentralization is
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bringing accountability for such allocation closer to the people for whom it is intended. As Aucoin and Heintzman (2000: 45) have identified, ‘Accountability is the cornerstone of public governance and management because it constitutes the principle that informs the processes whereby those who hold and exercise public authority are held to account’. As such, decentralization is intended to achieve its intended outcomes by strengthening the relationship between citizens and public authority, through the state’s local manifestations.

The councils themselves were intended, potentially, to be better able to understand and reflect the concerns of local citizens in their policy prescriptions, and be directly accountable for the successes and failures of implementing such policies. As noted by Avonius in relation to Indonesia’s process of decentralization, ‘the laws on regional autonomy were seen as an opportunity for establishing a new kind of local government which would be more democratic and transparent’ (Avonius, 2009: 232). It may well be that there were a number of organizational difficulties in the implementation of decentralization in Indonesia and there is little doubt that this particular process decentralized and thus dispersed previously highly centralized corruption along with political and economic capacities. However, decentralization did give ordinary Indonesians greater and more direct access to government services and was a key component in helping to lessen regional tensions at a time when opposition to the centre of the state, exemplified by the Jakarta bureaucracy, was at its highest point since the late 1950s.

More positively, while decentralization is explicitly intended to enhance local cultural identity, general agreement is that local identities can and should be supported if effect constitutes agreement on the principle of pluralism, or the acceptance of difference within a varied community. Further, while local communities might refocus their immediate attentions on local matters, increased engagement with and participation in political processes, including direct representation and greater accountability, enhances the process of embedding democratic principles across the state. Accountability, in particular, further implies notions of social fairness, justice and rule of law. Each of these qualities is a key marker of civic political development and general subscription to such values implies not a replacement of local identity, but the addition of a consensus around civic values.

As noted by Smoke, Gomez and Peterson (2006: 4): ‘Decentralization could be beneficial under appropriate political and institutional circumstances and if properly designed and applied …’

The success of decentralization also depended on whether it was linked to a genuine process of increased or enhanced democratization, in which citizens found a new and substantive outlet for their political voice. If this was not the case, as Sukma (2003: 72) noted, ‘There has been a general consensus that regional autonomy would not work if it is not carried out within the context of democratization’.

Conclusion: towards hybridity?

Despite its decentralization in 2001, Indonesia firmly and formally remains a unitary state. The decentralization programme of 2001 was relatively successful in devolving fiscal and local administrative responsibility to the sub-district level, but it did so in such a fragmented and effectively micro manner as to militate against any capacity for the periphery to compete with the centre; the periphery had increased responsibility for expenditure and administration, but no organizational capacity to challenge the centre. The creation of Aceh and West Papua as ‘special autonomous’ provinces was observed primarily in the breach, although Aceh eventually established something approximating genuine autonomy as a result of the 2005 peace agreement with the government in Jakarta. Not having received the same amount of international attention, not occurring at a time of crisis and not having even a 10th of the military capacity of the Free Aceh Movement,
West Papua has had imposed on it a much less equitable arrangement which, moreover, has seen the province carved into two, ahead of a third sectioning. The idea of Indonesia as a unitary state remains deeply embedded in the psyche of Indonesian politicians and even if there were thoughts of another organizational model for the state, no politician would be courageous enough to express it for fear of being cast out of office. The military-led ultra-nationalist 'NKRI' definition of the state as overtly unitary began to ease with the election of Susilo Bambang Yudhoyono to the Indonesian presidency in 2004, although there were concerted attempts to undermine his support for the Aceh peace process in the following year. While Yudhoyono was successful in getting most of the Aceh peace agreement passed into law and hence creating an effective alternative to the unitary state model, he did so at considerable political expense. His popularity with voters was reflected in his overwhelming election to a second term in office in 2009, but his legislative programme regularly foundered on the sharp rocks of political opposition, with even his own 'team' of disparate political parties fracturing over a number of legislative programmes. As a result, attempts to resolve outstanding problems in West Papua were minimal, even if in late 2011 and into 2012 there were discussions about minor changes to the relationship between Jakarta and the far-flung provinces.

Indonesia nationalists, always insecure about the stability and integrity of the physically and linguistically fragmented state, were thrown into deep shock and self-doubt with the departure of East Timor in 1999. If anything, the departure of East Timor only hardened Indonesia’s nationalists against further meaningful reforms, with the outcome in Aceh to some extent a product of international pressure. As Indonesia has recovered from its economic collapse of the late 1990s, so too its confidence has recovered and its feels less vulnerable to external pressure. In that regard, such pressure as there is relates only to resolving human rights issues in West Papua, with no one in the international community (with the possible exception of Vanuatu) questioning the status of West Papua within a unitary Indonesia.

Perhaps, even among states that identify themselves as either unitary or federal, there will always be organizational elements of one within the other. This is particularly to be expected of larger states and especially those which comprise numerous minorities or which are physically fragmented. Indonesia’s history has been marked by attempts to subsume difference and distance under the rubric of an absolute unity and, where that has demonstrably failed and bred resentment, to allow minimal concessions to take some of the pressure off regional frustrations. However, the ‘nationalist’ principle remains central to Indonesia’s understanding of itself as a state, the strength of which is in direct proportion to the challenges its physical and linguistic base might otherwise imply.

Indonesia engages with the wider world but remains a largely internally focused state, so that while changing world events do impact upon it, they do not alter its core philosophy. There was a brief moment, reeling under the challenges of regime change and economic crisis, when Indonesia appeared more vulnerable to restructuring and that moment saw East Timor escape the state’s oppressive clutches, but if the lesson needed to be learnt, that event cemented it even more firmly in place. Those unhappy with the internal organization of the Indonesian state, or who still yearn for independence from its post-colonial organization, will be waiting a very long time before they see any possibility of further constitutional change.

Notes

1 The term ‘bhineka tunggal iki’ was taken from a 14th-century Javanese poem, ‘Kakawin Sutasoma’, written by Mpu Tantular, referring to the then Javanese Majapahit empire. This Javanese imperial allusion itself speaks much to the values that underlay the idea of the Indonesian state and in particular its unitary character.
2 Indonesia has four tiers of administration: central provincial, sub-provincial (kabupaten or kota), and village (desa).
3 The Perjuangan Rakyat Indonesia (Struggle of the People of Indonesia) (PRI) Rebellion in 1958 involved the regions of Sumatra, central and eastern Indonesia. The PRI Rebellion was launched in Buleleng, Bali, in 1958, with the two forces soon joining a common cause against the central government. The rebellion reflected a series of grievances, in particular over the centralization of economic control, the export nature of regional economies and the political orientation of the central government. The rebellion was militarily defeated by mid-1958, ushering in a formal military role in Indonesia's government and increasing restrictions on the country's parliamentary democracy.
4 Belief in the one and only God, just and civilized humanity, the unity of Indonesia, democracy, and human rights are among the deliberations amongst representatives and social justice for the whole of the people of Indonesia. It should be noted that the precise wording of the Five Principles has changed since it was first introduced, altering the meaning slightly, e.g. 'internationalism' was replaced by 'humanism' and then 'just and civilized humanity'.
5 This observation is based on extensive discussions with both senior and junior GAM members and others in Aceh and outside Aceh in 2001–05.
6 The author was political adviser to GAM during the Helsinki peace talks, drafted much of its discussion notes and, on behalf of GAM, negotiated substantial portions of the final peace agreement.

References