

## CHAPTER 1.4

### REGIONAL AUTONOMY

#### 1.4.1 The Meaning of Regional Autonomy

The question of regional autonomy and decentralisation is often raised in the Indonesian context. Many projects designed and implemented in recent years with foreign assistance have included components that have supported decentralisation. Others have been designed to further decentralisation. It is important therefore to be clear just what is meant by regional autonomy and decentralisation in Indonesia. Decentralisation is not the paramount issue, but forms a major part of the Indonesian concept of regional autonomy.

The Indonesian Constitution states:-

**"The division of the area of Indonesia into large and small regional territories together with the structure of their administration, shall be prescribed by Statute, with regard for and in observance of the principle of deliberation in the governmental system of the State, and the traditional rights in the regional territories which have a special character."**

It also states:-

**"The State of Indonesia shall be a unitary state which has the form of a Republic".**

This means that Indonesia is not a federal system. Whilst the specific needs of each region are taken into account, and wherever possible met, ultimate authority remains with the central Government. For example; while regional assemblies have the power to legislate on regional issues, all legislation passed by them must be approved by the national government. It must be in accordance with national legislation and must follow nationally established guidelines. Similarly, overall development policies are established nationally through the *Garis Garis Besar Haluan Negara* and the ensuing five year development plans. Regions have the power to establish their own development policies through *Pola Dasar* and ensuing *Repelita Daerah*, but these are required to be within the guidelines set by national policy.

This centrally guided, dualistic approach also leads to what is often called the "bottom-up, top-down" approach to development planning. In this system, meetings are organised from village to national level to collect, discuss and screen development project proposals. This is "bottom-up". In the Indonesian system, however, it needs to be balanced by the influence of "top-down" planning, whereby the broad guidelines of what is permissible and feasible comes clearly from the central authorities. Proposals

that do not comply with centrally determined guidelines will not pass through the screening process.

This approach also leads to the apparent duplication in the regions between the *kanwil* offices and the *dinas* offices, and to the dual function of the Governor (and *Bupati*) as head of the *Wilayah* and of the *Daerah*. It is unfortunate that both *wilayah* and *daerah* translate into English as "region"; in *Bahasa Indonesia*, they have clearly differentiated meanings, with *wilayah* being a nationally defined region and *daerah* a regionally defined region. The confusion is compounded, because in most cases the geographical area covered by the *wilayah* is identical to that covered by the *daerah* and coincides geographically with the terms *propinsi* and *kabupaten*. The terms *wilayah* and *daerah* make sense, however, if it is realised that they not only define geographical areas, but also define administrative "territory", that is, functions, duties, structures and roles.

This approach to national development is established under the Constitution. It is probably best described as a means of balancing regional aspirations and the need for regional development with the national need to provide equitable development amongst the regions whilst maintaining the unitary identity of the nation. There is a dynamic tension here, and the debate concerning the level of regional autonomy that should be encouraged has continued since Independence. It is particularly pertinent at the present time. In his 1992 budget speech, the President reiterated clearly that more effort must be placed on regional development. This is vital for national stability and for the government's own objectives of full and equitable economic development of Indonesia.

Regional autonomy in the Indonesian context involves granting certain powers to provinces and districts whilst maintaining central authority and identity in the establishment of policy and guidelines for development. It recognises that the main force for the implementation of development activities lies in the regions, not the centre, while providing central authorities with the authority to guide and supervise development from their own technical or sectoral perspective.

#### **1.4.2 The Role of the Department of Home Affairs in Regional Autonomy**

The role of central departments in regional implementation has always been an issue in the debate on regional autonomy. Whether they should be involved in guidance and supervision of that implementation is not at issue, however: it is accepted as a part of their role. This is the essence of the three modes of regional development discussed in section 1.4.3.

The Department of Health, for example, has a clear role in the guidance and supervision of health developments and initiatives in the regions. The Department of Public Works similarly has a clear role in the guidance and supervision of works projects in the regions. Both departments are also involved in the implementation of development projects in the regions. This situation applies to most central departments.

The Department of Home Affairs, however, plays a significantly different role as a national department. It is simply charged with the supervision of the regional governments. This role includes the development of regional administrations, the growth of regional administrative capacity to implement development projects, the development of village capacity to implement village level projects, and the development of the social and political systems of the regions. It also includes the monitoring of those regional developments, with the implication that they will be brought into line with national policy if required. It also includes the function of liaising between regional governments and national departments, which also translates as representing the regions in Jakarta. Furthermore, all regional public servants are considered to be members of the staff of the Department of Home Affairs. This is evidenced by the uniforms that most regional public servants now wear, which all carry the Dalam Negeri badge, regardless of the sectoral area in which the wearer is working. All fully regional employees carry an employee number assigned through the Department of Home Affairs (as opposed to national employees who carry an employee number assigned by national institutions). See Chapter 2.2 for more on the Department.

#### 1.4.3 The three modes of regional development

The extent to which central government departments are involved in the implementation of development projects is essential to understanding the three current modes of regional development employed in Indonesia. They are:-

**Deconcentration (*Dekonsentrasi*):**- in which national funding is channelled through national sectoral agencies and used to implement projects by the offices of the national agency at the regional level (*Kanwil*)

**Decentralisation (*Desentralisasi*):**- in which funding generated from local revenues and budgets is used by local offices (*Dinas*) to implement projects; and

**Co-Administration (*Medebewind*):**- in which national funds are channelled directly to the local authorities responsible for project implementation.

This distinction places the issue of decentralisation in its true Indonesian perspective - as one of three major mechanisms for regional development. Decentralisation does not mean the devolution of power to form policy, but rather the devolution of the capacity to raise funds locally to undertake locally implemented development projects. Projects may be planned locally, and implemented using local funds under locally established regional five year plans, but both projects and plans still require central approval and guidance.

One major constraint to any further development of the decentralisation effort is that many regional revenue bases are poor, particularly at the district level.

#### **1.4.4 The history of the development of regional autonomy**

The following is a brief chronology of major milestones in the development of regional autonomy in Indonesia. (Much of the information is obtained from the Directorate-General of Regional Development, Department of Home Affairs). Entries in bold indicate the most important milestones.

**1945 - Declaration of Independence clearly states that regional specific needs must be met within the overall framework of national policy and guidance**

1951 - A series of government regulations issued relating to the delegation of national powers to regions in agriculture and inland fisheries (Nos 29 to 49) and Education (No 65)

1952 - Issue of Government Regulation 45/1952 concerning the guidance and improvement of social conditions by regional governments in Java and Sumatra

**1957 - Issue of Public Law No. 1/1957 on the Basics of Regional Administration**

1957 - Government Regulation 64/1957 regarding the delegation of national powers to provinces in sea fisheries, rubber plantations and forestry

1958 - Issue of Government Regulation 5/1958 concerning the guidance and improvement of social conditions by level 1 governments

1958 - Issue of Government Regulation 14/1958 concerning regional responsibilities towards welfare of workers and the unemployed

**1959 - Issue of Public Law 6/1959 concerning the role of central government organisations in the general administration, provision of staff and funds for regional governments**

1962 - Issue of Government Regulation 23/1962 on the delegation of national powers to provinces in the field of small-scale industry

1963 - Issue of Government Regulation 50/1963 on the accelerated implementation of Public Law 6/1959

1964 - Issue of Government Regulation 7/1964 on the delegation of national powers regarding state-owned manufacturing operations and projects

1970 - Issue of Government Regulation 21/1970 providing provincial governments with the power to exact certain forestry levies

**1974 - Issue of Public Law 5/1974 on the basic principles of regional administration, which further strengthened regional autonomy within national guidelines**

1975 - Issue of Government Regulation 22/1975 on provincial responsibilities and rights regarding large scale plantations

**1976 - Issue of Minister of Home Affairs Decision 4/1976 on the transfer of functions from provincial to district level**

1977 - Issue of Minister of Home Affairs Decision 362/1977 on the organisational structures and functions of regional government

1977 - Issue of Minister of Home Affairs Decision 363/1977 on the organisational structures and functions of *Dinas* offices in the regions

**1978 - Issue of Minister of Home Affairs Guidelines on setting up Regional Development Plans (Outlines) and regional Level 1 and 2 five-year plans**

1979 - Issue of Government Regulation 24/1979 concerning the rights and duties of the provinces regarding tourism and resulting revenues

**1980 - Presidential Decision 27/1980 on the establishment of Regional Development Planning Boards at Provincial and District level**

1980 - Presidential Decision 57/1980 on the upgrading of the Directorate of Regional Development in Home Affairs to a full Directorate-General

**1982 - Minister of Home Affairs Regulation for the arrangement, planning and control of regional development (P5D) - this established the process of "bottom-up" planning**

1987 - Government Regulation 7/1987 concerning the transfer of particular national health responsibilities to the regions

1987 - Minister of Home Affairs Regulation 1987 on the transfer of responsibility for environmental facilities and utilities

**1988 - Government Regulation 6/1988 on the coordination of activities between *Kanwil* offices in the regions - defined the sectoral and operational responsibilities of *Kanwil* heads towards sectoral ministers and governors as well as coordination with *Dinas* offices**

Examination of this chronology reveals that, since Independence, considerable legislative and regulatory emphasis has been placed on consistently transferring powers to the regions, whilst retaining overall national control. This is by no means an exhaustive list of regulations concerning the regions. Many volumes of material are available on the subject, much of it in bookshops around the country. References to key volumes are provided in the bibliography.

#### **1.4.5 Multiple responsibility in the project environment**

The concept of multiple responsibility is not unfamiliar to Australians. The situation where workers may have to report on different activities in their professional portfolios to more than one superior is much more common for Indonesians, particularly those working in the regions. This arises through the division of regional activities between sectoral and regional authorities. Hence, financial reporting for one activity will be to the *kepala kanwil* for nationally funded activities (deconcentration) and to the *kepala dinas* for locally funded activities (decentralisation). Where activities are funded by both administrations, dual reporting is even more noticeable, with *dinas* staff involved in spending national money. Under the *Inpres* program, there is a responsibility to report to the Governor through the *kepala dinas* because the money being used has been transferred to the regional budget. There will also be a requirement to report to the Department of Home Affairs (Bangda) because it is required to monitor the *Inpres* programs that it has played a major part in formulating. There will also be a requirement for reporting to the sectoral department in the centre that participated in the formulation of the technical aspects of the project.

Most development budget money in Indonesia is channeled through projects. It cannot be used for routine or administrative purposes. Whilst this creates problems if, as is often the case, routine budget allocations are insufficient, it does mean that money can be easily accounted for. Deconcentration activities, in the form of projects, are common in the regions. There is no firmly fixed pattern for which organisational units undertake project activities. Project activities may be undertaken by individuals from either *kanwil* or *dinas* offices, or indeed both.

#### **1.4.6 The Project "Packet" System**

Projects conducted by the GOI can be defined as discrete activities or packages of activities for which development funding (as opposed to routine) is provided. Annual development budgets in GOI demonstrate that most development activities are presented

in the budget as projects, sub-projects or project "packets". For each division (project, sub-project or packet), one person is made responsible. This person is known as the Project Manager or Project Leader - in *Bahasa Indonesia*, *Pimpinan Proyek* or *Pimpro* for short. The *Pimpro* is responsible for the implementation of the project to the authority providing the budget for the project activities (usually represented by the *Kepala Dinas* or *Kanwil*, who is titled *Atasan Langsung* or Direct Superior in the project context). The *Pimpro* is joined by a Project Treasurer or *Bendaharawan*, whose role is to maintain control of project expenditure under the regulations provided by GOI for financial transactions in projects. Examples from the Department of Public Works illustrate how the system works. These are predominantly deconcentrated development activities undertaken with national level funding, and supervised predominantly by national staff in the provinces (the *kanwil*).

Public Works has a program entitled "Rehabilitation and Maintenance of Roads and Bridges", *Program Rehabilitasi dan Pemeliharaan Jalan dan Jembatan*. Funding for 1992 has been allocated to each province, with the exception of Jakarta, which is covered under a different program. Each provincial financial allocation therefore becomes a provincial roads and bridges rehabilitation and maintenance project, with a *pimpro* and *bendaharawan*. The actual physical work is carried out by local contractors, appointed through a formal application and tendering system. Any design work required will be similarly contracted out to consultant organisations. The *Pimpro* is responsible for supervision of the contracts issued and the *Bendaharawan* for ensuring that monies paid are used correctly in accordance with the contract. Each contract forms a "packet" or *paket*, which in the case of this type of project will be issued on the basis of providing contractual services for a particular sector of a road. In this case the *pimpro* is responsible to the Directorate-General of Roads (*Bina Marga*) in Jakarta, as this organisation is responsible for allocating funding for the activity.

Each contractor or consultant participating in a project packet is vetted to ensure that they are capable of handling the work required. If necessary the firm concerned will be required to pay for, and attend, training run by the *Pusat Pembinaan Latihan Ketrampilan Jasa Konstruksi* (Public Works contractors training organisation) to ensure correct pre-qualification. They are then entitled to bid for contracts, which are awarded under a fixed tender system. Direct appointment of pre-qualified contractors is also permitted under certain circumstances. More information on the pre-qualification and tendering system is provided in the accompanying volume "Introduction to Working with the Indonesian Department of Public Works".

This example illustrates the structure of provincial projects and "packets". Some projects are undertaken on a regional project basis, with sub-projects being undertaken by the provinces. An example of this (again from Public Works) is the Area Development Program for Planning and Supervision of Road Development, or *Program Perencanaan dan Pengawasan Peningkatan Jalan Wilayah*. It aims to improve the planning and supervision of national and provincial roads and bridges. It is

divided into eight projects, each with a *pimpro* and *bendaharawan*. The eight projects each cover activities in a number of provinces:-

- P5J Wilayah 1 - Medan - for North Sumatra
- P5J Wilayah 2 - Palembang - for South Sumatra
- P5J Wilayah 3 - Bandung - for West Java
- P5J Wilayah 4 - Semarang - for Central Java and Yogyakarta
- P5J Wilayah 5 - Surabaya - for East Java, Bali, NTB, NTT and TimTim
- P5J Wilayah 6 - Banjarmasin - for Kalimantan
- P5J Wilayah 7 - Ujung Pandang - for Sulawesi, Maluku and Irian Jaya
- P5J Wilayah 8 - Padang - for West Sumatra

Within each project there are a number of sub-projects organised by province. Consequently, each province will have a *pimbagpro* or *pimpinan bagian proyek* (sub-project manager) and a corresponding *bendaharawan*. The *pimbagpro* is responsible to the *pimpro* for the organisation and implementation of project packets in their province. Similar rules apply to hiring and contracting, with the *pimpro* having the final responsibility.

It should also be noted that although the Public Works examples are deconcentrated activities, they are not always supervised by *kanwil* staff. *Dinas* staff may also act as *pimpro* and *bendaharawan* for road projects. In fact, staff undertaking such activities receive allowances and salaries directly from the national Department of Public Works, regardless of their substantive positions within either *Dinas* or *Kanwil*. In effect they become national employees for the activities concerned. This is a good example of dual responsibility in action. The project, sub-project and packet system operates throughout the Indonesian Government, using the same rules for pre-qualification, tendering and supervision.

Projects are governed by regulations, issued by the central department that controls the budget. These are often in the form of *petunjuk pelaksana* or *juklak* (implementation document). The *juklak* usually defines who is supposed to do what in a project and provides an idea of project structures. Technical implementation details are included in a *petunjuk teknis* or *juknis* (technical guidelines). This lays out the technical aims and requirements of the project concerned. It is advisable to ask for the relevant *juklak* and *juknis* as early as possible.