

# Indonesia

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## Introduction

Indonesia is currently one of the most rapidly consolidating democracies in the world. It is also the largest Muslim majority country that is going through democratic transition. Four factors underlie the possibility for optimism regarding Indonesian local democracy. First, the country has had four continuous free and fair elections under civilian rule. Second, civilian oversight of the military has been institutionalised and the traditional role of the military in Indonesian politics and society has been transformed. This is reflected at the local level as well. Third, civil society has emerged as a strong third pillar of local democratic governance, even though the State is still dominant. Finally, and most importantly, the ‘big bang’ decentralisation has transformed the powers and resources of local and district governments with elected mayors and district heads and local councils.

Other reasons why local democracy may flourish are that new leaders at the local level are emerging with the ability to reach out to communities and they may encourage community engagement. There is also a change in the local government paradigm from inputs to output orientation; and there is a greater ease among citizens to communicate their voice. Indonesia, however, is a large and diverse country. Thus, local democracy practices vary from one region to another.

## About ICLD

The Swedish International Centre for Local Democracy (ICLD) is part of the Swedish development cooperation. The mandate of the organization is to contribute to poverty alleviation by strengthening local governments.

This report is part of a publication series that investigates local democracy in the 19 countries where the ICLD municipal partnership programme operates.

*This report covers events up to 31 May 2019. Events occurring after this period are not considered.*

Some key challenges are impeding the quality of local democracy. Multi-party and competitive politics have brought to the surface underlying fault lines in society such as religious and ethnic intolerance and violent extremism. Another challenge is the violation of civil and political rights and the lack of capacity within the state to fully enforce these rights. Furthermore, corruption continues to be a big barrier both at national and local levels to improving the quality of democracy. Other challenges and barriers are vested interests of individuals and groups in the community, a weak level of community engagement by marginalised groups and the urban poor, a lack of trust between the community and local government and the high budgetary cost of local government employees which limits investments to promote access to services.

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## General country analysis

Indonesia is a unitary form of government. Thus, the powers and resources of provincial and local governments are not guaranteed in the constitution, as is the case in a federal system. In practice, the Indonesian political system has over the past decade been transformed from centralised decision-making and control over resources to devolved political powers and resources. Policies and regulations that led to this transformation since the fall of the Suharto regime in 1998 included Law 22 of 1999 on Regional Government and Law 25 of 1999 on Revenue Sharing between the Central Government and the Regional Governments.

One of the implementing regulations of the law, Government Regulation No. 38 of 2007 on Division of Affairs between Governments, sets a clear division of responsibility between central and local governments. For example, for education, central government is responsible for setting national policy, guidelines, standards and criteria for running education at all levels and is also responsible for the management of higher education. Meanwhile, local government is responsible for setting the operational plan, policy and the management of pre-schools, schools and non-formal education. Some mechanisms to increase the transparency and accountability of programmes were introduced by the Ministry of Home Affairs, including clear and transparent funding mechanisms, a localised and bottom-up approach to the problem, and the use of independent parties in monitoring.

## Fiscal decentralisation

The objective of fiscal decentralisation was to improve public service delivery; to increase community participation; to have accountable local governments; and to improve public welfare. Law 32 of 2004 on Regional Administration, that replaced Law 22 of 1999,

altered the objective of decentralisation to be that local governments would strive to increase public welfare and services, as well as competitiveness. The law was amended through Law 23 of 2014 on Regional Government with an emphasis on synergy between regional and national governments. Decentralisation led to a downsizing of central government and a strengthening of local government. For example, during the first three years of implementation, 2.2 million central government employees were reassigned to regional and local governments. Before decentralisation, the budget for development controlled by central government was about 36 percent of the state budget but by 2002, the central ministries controlled only about 14 percent and the rest was under the control of provincial and local governments.

With increasing powers and resources emanating from the national decentralisation policy, local governments are obligated to provide accessible, affordable and quality basic services for the poor. Decentralisation also offers ample space for the public to participate in the decision-making process. Local governments, however, face several problems in effectively performing their tasks, such as weak coordination of central government's policies and programmes, inadequate local capacity and a tendency among elected local leaders to focus on infrastructural development programmes or so-called 'prestige projects' such as sports complexes.

## Political decentralisation

Regular elections at the local level have been institutionalised. This has led to the emergence of innovative local leaders, mayors and local councils. Several mechanisms have been adopted to ensure the accountability of elected local governments: local elections, active civil society, the Government Institution Performance Accountability System Champion Program, a service for public complaint handling, websites

of agencies and the Public Service Information Management Center.

The elections held in April 2014 and 2019 show both the strengths and weaknesses of the electoral process in the country. In 2014, Joko Widodo won but his opponent, Prabowo, organised mass demonstrations and challenged the results in the constitutional court. He lost in the court. In the 2019 elections for president as well as provincial, city and district assemblies, which Joko won by a wide margin, Prabowo was expected to stage protests and challenge the results in the constitutional court. This shows that despite free and fair elections, the norms and values of local democracy have not been institutionalised, as in the case for many democracies in transition.

Voting patterns fall along ethnic and religious lines. Politically, Indonesian society is polarised. For example, in both 2014 and 2019 presidential elections, Prabowo did well in areas with more conservative Muslim electorates, such as Aceh and West Sumatra. Joko got the most votes in areas with large non-Muslim populations such as Papua and Bali and parts of Java where moderate Islam is practised. It has been argued that Prabowo appeals to more hardline Islamists.

## **Conclusion: possibilities and barriers for municipal partnerships**

The barriers that might constrain municipal partnership activities are: low planning and management capacity of Indonesian cities; the fact that values and norms of local democracy in Indonesia are not consolidated, sometimes leading to dominance of local power structures, corruption and bureaucratic rigidities; and cultural differences in city-to-city cooperation between Indonesia and external development partners such as Sweden.

There is a lot of potential and many possibilities to initiate municipal partnership activities. Indonesia has an elected local governance system; decentralisation policy has transferred considerable powers and resources to local levels; new elected local leaders are proactive in promoting innovations; and the system provides a framework for citizen engagement, and accountability and transparency mechanisms. Indonesian municipal governments are very active in municipal partnerships at the national, regional and global levels. Cities within the country are well organised about exchanging experience and good practices. Indonesian cities have numerous of city-to-city cooperation programmes with other cities in Asia organised under the auspices of such regional networks as CityNet Asia, United Cities and Local Government–Asia-Pacific (UCLG-ASPAC), and bilateral cooperation with other donors, which means that there are many opportunities for municipal partnerships with Swedish municipalities. Indonesian counterparts are normally interested in learning from the Swedish experience due to its neutrality, its leadership in promoting global norms and values of inclusive development, its unique experience in local governance and its positive image around the world.

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