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**A Regional University Perspective
on Fiscal Decentralization in Indonesia**

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The aim of the Regional University Consortium program has been to assist local government in the era of regional autonomy to become a 'competitive local government,' that provides services to its people and attracts investment to the area. With the advent of autonomy and decentralization, there were initial anxieties regarding the transition process: not only was local government weak, but the paradigm adopted by most local governments in managing and developing their own regions was not yet a paradigm of *competitive local government*, because they had been conditioned to be reactive and passive during the past 30 years of centralized government.

When we began this program of IRIS's, the passage of Law 22 had resulted in the rise of a certain euphoria. In my view the euphoria cannot be relied on to last or be sustained. But this euphoria is still with us, because at the moment the struggle of the regions to obtain more autonomy, which has been going on for a long time, is now succeeding. In fact, these demands have been not only for autonomy but also for some degree of federalism.

During the 1990s, many felt that the aspirations of the regions to obtain more autonomy were further and further away from being realized because of widespread regional instability and national economic and political crises. The disappointment of the regions was exacerbated because regional sentiments were not adequately accommodated by the central decision-making process. These two factors, lingering instability and frustrated regional sentiments, were intensified by the winds of change in the form of democratization at the end of the 1990s. Then the winds of change started to effect decentralization, which emerged in 2000 in the form of support for reformation (reformasi) programs, which led fairly rapidly to President Habibie and the DPR-RI successfully passing and approving Laws 22 & 25. However, a major problem at that point was that the regions were not adequately prepared for the process of decentralization and receiving regional autonomy.

We in the regions really admire the vision of USAID and IRIS, shown in the way they have come in and supported regional autonomy -- because at that time (the time of the revival of discussions of decentralization in late 1998 and 1999) the questions that arose were quite similar to the questions that arose when we Indonesians were considering independence. Everyone wanted freedom; President Sukarno said *we don't have to wait until everything is ready* before declaring Independence. Similarly with regional autonomy, in terms of the preparation of human resources and the establishment of regulations, the most significant criticism leveled at Indonesia's decentralization process has been that we've implemented a process of decentralization without the production of an in-depth strategy, of the sort produced in other nations; critics question whether it is prudent to carry out a process of decentralization without a white paper outlining an agreed-upon strategy. A few years ago, however, IRIS entered the picture, and we really admire the power of this program, the way in which it has changed the structure and way of thinking of Indonesians who previously had been working within the context of centralized structure. In the space of just a few years – late 1998, 1999, 2000 – nearly everyone

was talking about decentralization, and all of this was achieved with a very small amount of funding.

This is what I call an effective grant strategy, in changing Indonesia without “the power of the hand,” without the military, without a lot of turmoil or expense. This is the outstanding characteristic of IRIS’ approach: the way in which it came in through a partnership with LPEM and entered into university networks, starting with its ‘Roadshows’ which aroused public awareness of decentralization and other key economic topics. I myself attended the Roadshows in Palembang and Manado. The effect of raising public awareness of the importance of decentralization was already very noticeable. Then there began a process of going into universities to “socialize” these ideas among the stakeholders, in the process of moving from a centralized system to decentralization – activities that are continuing today.

Now we’ll look at the conceptual basis for what is happening. A process aimed at achieving an ideal system of full regional autonomy cannot be achieved quickly. It requires a long time span. So it will take some time to reach the desired goal of effective regional autonomy. But perhaps also, it is not only that the journey is long, but – for a number of regions and even countries that have implemented programs of decentralization – *eventual success is not guaranteed*. In comparative studies of Russia, Bangladesh, and others, in reality we find that we can’t draw on the example of one particular program of development and decentralization for direct adoption by Indonesia. The reality is that we are unique unto ourselves, and thus our course to decentralization will also be unique. Therefore, when I see the work of this University Consortium within the process of transition to decentralization, I feel that we are doing very important work: we are making a critical contribution to our country’s evolution toward the creation of a sustainable, functional democracy in the fourth largest nation in the world. It may be that we are in an experiment, because we cannot adopt one particular pattern experienced by other countries, and must create our own solutions. So what we have to do is keep searching, keep making innovations, and keep testing options through experiments which in time will show what kind of decentralization system and process is appropriate and effective for our country. From this perspective, we see that actually the work of this Consortium is now not only a matter of sharing the definitions and terminology related to decentralization -- political, administrative, or fiscal. Rather, we have to view this in the bigger picture, in which *each regional university is eventually expected to be capable of offering ideas* regarding a system and process for decentralization, which respective regional governments should be able to refer to and implement.

One problem of the last 2-3 years appears to be that *the decentralization process has given rise to conflicts*, during the period of transition. This includes a vertical conflict between the Center and the regions, both over fiscal matters and over distribution of authority within the regions: specifically, what authority belongs to the Center, what belongs to provincial level governments, and what belongs to the kabupaten/kota (local) level governments. It also includes inter-sector or horizontal conflict between provinces and between kabupaten/kota. And these conflicts need to be addressed as issues, and need to be tackled through the next step of this program so that the process of decentralization is conducted at the least cost, is conducted efficiently, and is achieved without giving rise to further violence and instability which worry us all.

The question also arises, what is the gain of decentralization when security problems in places like Poso, Ambon and Ternate cannot be resolved. My observation is that the emphasis of the framework and approach of this Consortium has been on fiscal decentralization and has not yet been closely focused on matters of conflict

prevention which are however increasingly important. More than ever since September 11, I don't think it is appropriate to talk about fiscal decentralization or political decentralization by disengaging that from the political reality that the most important thing that we want to achieve is peace – because peace is, for me, the most critical and necessary condition for development. If we can maintain peace and make progress in economic and institutional reform, then the market will do the rest in terms of achieving regional and national development.

From my perspective as a resident and observer in the regions, I believe that assistance to universities shouldn't get trapped in old patterns. It is certainly important that, as a part of the IRIS program, we have sent our MA's and PhD's abroad for training, offered our research, and provided advisory assistance to local government, DPRDs, and NGOs. But we still need to ask the question, *how can a university be effective in transforming its surrounding region if the university itself fails in applying and promoting good governance?* And what I've seen is that the financial accountability of many universities is not only embarrassing but sends the message that one is not fully practicing what one preaches. Therefore in our program to strengthen the Consortium of Regional Universities, I feel we also need to increase the standard of good governance and accountability within the universities, within the network, and in our relationship with LPEM.

On behalf of the universities and those of us in the regions, I'd like to say "thank you" for the role played by IRIS and LPEM. I think you've done a great job in strengthening our networking and please continue – but please also realize that we are not expecting you to build our physical infrastructure. What we need is to have "beautiful minds" able to address the increasing needs of the regions, as we in Indonesia continue experimenting with and improving our version of decentralized democracy.