

# Before the “Big Bang”

Decentralization debates and  
policies in Indonesia since  
independence

# Federalism: the path not followed

- Supomo versus Yamin in the pre-1945 debates
- Supomo (Japanese influence?) wanted a powerful state and a submissive society
- Few Indonesians in the legal profession or in the wider community understood the American system
- Dutch policies after 1945 discredited the concept of federalism
- In Java three provinces were created in the colonial era but they had few powers.

# What did the government do post-1949?

- Provisional unitary constitution adopted in 1950
- Sumatra carved up into three provinces, Kalimantan, Sulawesi, the Moluccas and the Lesser Sundas (Bali, West Nusatenggara) each became one province
- Much resentment, and feelings that promises had not been kept (Aceh), but only RMS tried to gain independence
- Gradually more provinces were created; in 1961 there were 22 provinces including Irian Barat

# Feith on regional grievances

- Over the whole period which followed the formation of the unitary state there was a crescendo of demands from the provinces and regions. Provincial spokesmen denounced "Jakarta" for not giving them enough autonomy. They castigated it for its cumbersome administrative procedures, for the fact that governmental leaders in the regions had often to fly to Jakarta for approval of quite minor decisions of policy.

# Export imbalances

- They criticised the central government for the supervision which it exercised over their affairs through its *pamong pradja* representatives, governors, residents, regents and so on. Above all they reproached the center for not giving them enough money (Feith 1962: 487-8).
- Power lay in Java but the outer islands produced the exports; in the 1950s the share of Java in total exports fell to under 15 per cent.

# What was to be done?

- Whole issue of regional finance was subject to a detailed investigation by M. Nasroen, a senior official in the Interior Department
- The proposals were complex; Paauw argued that they neither simplified the tax structure nor attacked the complex bureaucracy.
- Law 32 of 1956 made some concessions to the regions over the division of income and foreign trade taxes.
- But implementation slow

# The Return to the 1945 Constitution

- After 1959 the powers of both the central and regional parliaments were drastically curtailed
- But lower levels of government had been active in raising revenues in both money and kind, and in building schools clinics etc
- Complex central taxes were demanding in terms of administrative time, and were really only collected in the larger cities.
- Mounting inflation and the overvalued exchange rate also affected central revenue collections.

# Regional rebellions and after

- The rebels in Sumatra and Sulawesi did not, for the most part, want the break-up of Indonesia but a less centralised system and more power to the regions.
- They failed and by the early 1960s a politics of manipulation and compromise replaced armed confrontation. Mackie used the term “de facto federalism”.
- But little money was available for the rehabilitation of infrastructure or new projects.



# The Suharto System

- Suharto had fought the rebels in Sulawesi and while he, and his key advisers, were committed to a strong central state they were not unsympathetic to the demands of the regions.
- INPRES system of central grants to provinces, kabupaten and villages began in 1969 and greatly expanded through the 1970s as oil revenues increased.
- INPRES grants were earmarked for infrastructure and after 1975 for schools, clinics and re-forestation.

# The oil boom and after

- The increase in the dollar value of oil and gas exports aggravated the marked imbalance in exports per capita between Java and the outer islands; most of the oil came from just two provinces.
- Resentment at continued tight control from Jakarta and the “dropping” of Javanese governors and bupati, often military, but little the locals could do.
- Not really any Java bias in the allocation of central grants; in fact the smaller, less densely settled provinces received more funds per capita.

# Population growth and the size of regional governments

- Between 1961 and 1995, the population of Indonesia roughly doubled from 97 to 195 million. But the numbers of provinces and kabupaten grew only slowly with the result that average size grew.
- By 1995 average size of a kabupaten in Java was over one million but much smaller elsewhere.
- The most dramatic change in the numbers of LGUs was at the village level, from around 44,500 in 1969 to 66,000 by 1983. Changes often paid little heed to local

# Issues in regional finance

- Attempts to increase regional revenue mobilisation at the local level were not very successful
- Some provincial taxes, especially those on motor vehicle registration were quite buoyant.
- Tax reforms of the 1980s did not really address regional issues
- Strong belief at the centre that the regions did not have the skills or capacity to assess and collect taxes (Devas)

# Frustrations at the end of the Suharto era

- Outside Java, the old grievances about exploitation from Java had not gone away.
- Regional GDP and poverty data showed up the problem of ‘poor little rich provinces’, especially Irian Jaya.
- Increasing comparisons with neighbours especially Malaysia.
- Not just a problem of Java v. the rest. Provinces in Java were by 1990 producing more exports but felt increasingly under the Jakarta yoke.

# 1999 Legislation

- The content of Laws 22 and 29 surprised many people (including me). Was the government really serious about reform? Habibie (still the only non-Javanese president) was serious but there was much opposition.
- The reforms did try to give the resource-rich provinces a greater share in profits.
- But the issue of devolving greater revenue-raising powers not really tackled; one of the key problems highlighted by Paauw, Legge and others in the 1950s was, and is, still unresolved.