Bringing the (Central) State Back In: Governing Pemekaran in Indonesia

By Deasy Simandjuntak*

EXECUTIVE SUMMARY

• The proliferation of new administrative units (pemekaran) has generally been considered an inevitable consequence of decentralization. This process has increased the number of regions from 314 in 1999 to 542 in 2014.

• Pemekaran campaigns were instigated by local elites, who have linkages with central elites (mostly at the national parliament), and who mobilized ethno-religious sentiments. This has created a growing conflation between ethnicity, religion and territoriality in Indonesia.

• Financially, pemekaran has been a burden to the central government because the new regions are dependent on funds supplied by the centre. The intergovernmental transfer grew substantially from IDR 81.1 trillion in 2001 to IDR 596.5 trillion in 2014, which constituted more than 30% of the overall central government’s expenditure. A recent survey recorded that 70% of the new regions had failed to increase local welfare.
• There have been efforts to control pemekaran, for example, by the enactment of Law 23/2014 which regulates, among other things, a “probation period” for newly established regions. The government has henceforth postponed all pemekaran until a new government regulation, which is needed for the law to be implemented, is drafted.

• In addition, as early as during last year’s presidential debate, President Jokowi had declared his intention to govern pemekaran by implementing “budget politics”, which would redefine priorities in intergovernmental transfer based on regional socio-economic performance. While this has not yet been applied, the above recentralizing moves will hopefully stimulate regional expenditure responsibility and increase regional performance.

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INTRODUCTION

Indonesia’s national parliament’s (DPR) second commission recently affirmed their plan to ratify bills that will create the 25 new regions that have been included in the national legislation programme in 2015.\(^1\) Ratification will officially end the moratorium on the creation of new regions (dubbed pemekaran or “blossoming”) announced by the government in 2009, in the aftermath of a violent demonstration by pro-pemekaran supporters at the provincial parliament (DPRD) of North Sumatra.\(^2\) Despite this moratorium, in 2013, pressured by the many demands from the regions, the DPR began processing 87 new pemekaran proposals. The pemekaran itself is still pending as it is subject to budget arrangements at the Ministry of Finance and to the Grand Design for Regional Arrangement (Desartada) currently being drafted by the Home Ministry, outlining the eligibility of new autonomous regions. In addition, with the enactment of the new Law on Regional Governments, aspiring regions will have to go through a “probation period” before being granted autonomous status. Such tightening of the regulation on pemekaran shows a trend of “recentralization”.

Across the archipelago, the proliferation of administrative units have increased the number of regions, from 314 in 1999, to 542 regions in 2014. Pemekaran demands have so far portrayed a dichotomy between the rhetoric of bringing welfare to the local people and the reality which prioritises the interests of elites who mobilize followers using ethno-religious sentiments. Not only is it used by elites to regain control in the regions they may have lost in elections\(^3\), contrary to its rhetoric, pemekaran perpetuates patronage networks in the regions, even as improvement on infrastructure and expertise in governance are still lacking.\(^4\) The current situation is best described by the findings of a survey done in 2013 which indicated that 60-70% of these regions had failed to improve local welfare.\(^5\) In addition, new regions are increasingly dependent on the central government’s fund transfer to finance their administrations.

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\(^2\) Demanding the creation of a new Tapanuli province and angered by a prolonged delay by the DPRD in drafting a written endorsement, supporters ran amok, and the parliament speaker Abdul Aziz Angkat was killed in the chaos.


\(^4\) Aspinall, 2013.

President Joko Widodo has acknowledged his intention to control such a proliferation of administrative units, and meticulously assesses all pemekaran demands. As early as during the presidential debates in 2014, he affirmed his plan to use “budget politics” to reduce corrupt practices in regional governments. This article shows how the central state has handled pemekaran until the end of 2014 and argues for the need to govern this proliferation.

**PMEKARAN: RHETORIC AND ELITE INTERESTS**

Pemekaran (“blossoming”) has been treated as an inevitable consequence of decentralization, regulated in the Government Regulation 129/2000, and amended by Government Regulation 78/2007 as well as the new Regional Government Law 23/2014. The rules allow for the creation of new regions to ensure, among other things, effective local governance and the acceleration of social welfare. Echoing the optimism surrounding decentralization, pemekaran was deemed necessary to generate administrative efficiency which would improve redistributive services and promote good governance. However, newly established autonomous regions have shown different results. While 70% of new regions failed to improve local welfare, a survey done in 2009 showed that 34 newly established regions were among the poorest in Indonesia.

The procedure for a provincial pemekaran in Indonesia, according to Government Regulation 78/2007, begins with the aspiration of the local people, which is concurred in writing by the district leaders and the governor, and sent to the regional parliament. Upon an endorsement by the latter, the proposal is conveyed to the President through the Home Affairs Minister. After an evaluation and recommendation by the Ministry’s Regional Autonomy Advisory Council (DPOD), should the President decide to endorse the said proposal, the Minister then draft a bill for the new province which will be ratified by the national parliament. In reality however, despite its ratifying role, the national parliament has also been initiating the procedure of pemekaran. Pratikno records that parliament began the procedure for 13 bills in October 2007 and 16 bills in December, and initiated the examination of 21 proposals for new regions in February 2008. The tendency of parliament to endorse multiple proposals is

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8 Indonesia’s decentralization project which began in 1999 is implemented in three policies: regional autonomy, direct-elections and pemekaran.
10 http://nasional.kontan.co.id/news/depdagri-34-daerah-hasil-pemekaran-malah-miskin-1
due to the linkage between central and local elites, and the increasing convergence of their interests as a consequence of decentralization.\textsuperscript{12}

Such a linkage has been a crucial factor in pemekaran. Among those who had campaigned for a Central Sumba district, for example, was a famous academician/politician in Jakarta who claimed that he would not reject the offer to become a new district-head, or even a governor if the new district should ever blossom into a province.\textsuperscript{13} In the Tapanuli province case, the main figure in the campaign was a nationally well-known North Sumatran media mogul, who had also been a prominent politician in the national parliament during the authoritarian era. The proposal was also supported financially by Jakarta-based Toba-Batak elites, including military figures, politicians and lawyers. Thus in many cases, those behind the demand for pemekaran are old players trying to maintain their control over local politics and/or new political entrepreneurs grabbing opportunities created by decentralization.

The decentralization project, including pemekaran, has also stimulated a growing conflation of ethno-religious identities and territoriality in Indonesia. For example, religious homogeneity played a role in the making of the predominantly Muslim Gorontalo province carved out of the Christian dominated North Sulawesi province\textsuperscript{14}, and supported by former President Habibie who was considered a local Gorontalo. In other cases, however, ethno-religious divides could have been the reason for the failure in creating new units. Whereas the Barthian argument\textsuperscript{15} on ethnic boundaries is relevant in the carving out of regions, the failure to draw boundaries owes much to the internal disputes over which areas are to be included in the new territory. One example was the unsuccessful campaign for Luwu province which was to be carved out of South Sulawesi province. Some non-Christian elites advocated a “Luwu Land” concept which would not include the Christian-dominated Tana Toraja district. Others supported a “Great Luwu” concept which would include the Christian district. One of the reasons for the elite to support “Luwu Land” was the fear that the more educated Toraja people would seize key positions in the new province.\textsuperscript{16}

\begin{footnotes}
\item[16] Fredrik Barth argued that the study on ethnicity should focus on the negotiation of social “boundaries” between different groups, and not the “culture” they entail. See Fredrik Barth, 1998. \textit{Ethnic groups and boundaries: The social organization of culture difference}. Waveland Press.
\item[Dik Roth, 2007. "Many governors, no province. The struggle for a province in the Luwu-Tana Toraja area in South Sulawesi." In Henk Schulte Nordholt and Gerry van Klinken (eds), \textit{Renegotiating boundaries. Local politics in Post-Soeharto Indonesia}. KITLV Press, 121-147.]
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PEMEKARAN’S PARADOX: DEPENDENCE ON THE CENTRAL STATE

In many countries, the proliferation of administrative units have paradoxically brought about recentralization of power.\textsuperscript{17} This centrifugal force took place in, for example, Uganda\textsuperscript{18}, Argentina and Brazil.\textsuperscript{19} In Uganda, new units portrayed greater dependence on the resources of the central state to survive. In Argentina and Brazil, the presidents resorted to recentralization when decentralization backlashed due to the increase in revenue transfers in the absence of subnational expenditures responsibilities. In these two countries, the growing vertical fiscal imbalances called for a recentralization concentrating on fiscal components, for example, revenue, expenditure and borrowing autonomy.\textsuperscript{20}

The degree of recentralization can be verified using Falleti’s\textsuperscript{21} three dimensions of intergovernmental power: (1) fiscal dependence: the extent to which local governments depend on funds from the central government (2) administrative autonomy: the degree of autonomy of local officials to design and implement policies, and (3) political dependence: the mode of local leadership succession, whether by election or appointment.

In a decentralized Indonesia, local governments are entitled to intergovernmental transfers consisting of the General Purpose Grant (\textit{Dana Alokasi Umum-DAU}), Specific Purpose Grant (\textit{Dana Alokasi Khusus-DAK}) and Revenue Sharing (\textit{Dana Bagi Hasil-DBH}). Within 14 years, the total intergovernmental transfer has increased from IDR 81.1 trillion in 2001 to IDR 596.5 trillion in 2014.\textsuperscript{22} Firman\textsuperscript{23} recorded that most of these transfers have been used by local government for routine expenditures such as salary and wages, as well as goods purchases. In 2012, the proportion of DAU that was used for salary and wages of local civil servants reached 82.49\%.\textsuperscript{24} Meanwhile capital expenditures, which indicates infrastructure improvement, only amounted to a much smaller proportion. In 2012, local governments spent 42\% their budget on salary and wages, 20\% on goods and services, and only 22\% on capital expenditures. In the same year, only 131 out of 491 regions spent a minimum of 28\% of their budget on capital expenditures. Due to this small allocation, a major survey in 2011 listed various problems in the maintenance of regional infrastructures such as roads, electricity,


\textsuperscript{18} Grossman and Lewis 2014.


\textsuperscript{22} \textit{Nota Keuangan APBN 2015} (National Budget Statement), Indonesian Ministry of Finance.

\textsuperscript{23} Firman, 2013.

\textsuperscript{24} \url{http://nasional.kontan.co.id/news/alokasi-dau-habis-buatan-belanja-pegawai} (accessed 20/03/2015).
communication facility and clean water.\textsuperscript{25} In addition, the inadequacy of these facilities, for example poor roads, have increased transportation expenses while dampening foreign as well as domestic investment.

Taking the Tapanuli province (which is among the \textit{pemekaran} proposals that are being processed) as an example, and looking at the expenditures of individual districts of the aspiring province, it is evident that a large proportion of regional budgets including intergovernmental transfers have been used to pay salary and wages. In 2012, the Indonesian Forum for Transparency (FITRA), which observed the expenditure trends of autonomous regions, listed ten districts in North Sumatra with the highest proportion of indirect expenditures (which include salary and wages) in their regional budgets in comparison with direct expenditures (which include capital). Two of which were the proposed districts of Tapanuli province: Toba-Samosir (indirect 63%, direct 37\%) and Central Tapanuli (indirect 61\%, direct 39\%).\textsuperscript{26} Two other districts of the proposed province had the lowest Local Own-Source (PAD) listed in their budgets: North Tapanuli’s and Humbang Hasundutan’s PAD constituted only 2.1\% of their respective budgets.\textsuperscript{27} Considering that four of the five proposed districts of Tapanuli province have been highly dependent on fund transfers from the central state, it is very likely that the new province will also be dependent on central resources when it is established.

This growing dependence of new regions on intergovernmental transfer has been a burden for the central government. The moratorium in 2009 therefore was part of the centre’s effort to curb this problem. A drive toward recentralization was displayed by former Minister of Internal Affairs Gamawan Fauzi who postponed the endorsement of the 87 proposals for new regions.\textsuperscript{28} Significantly, the government enacted Regional Government Law 23/2014 imposing tougher conditions for the establishment of regions. The law regulates a three to five year probation period for an aspiring region during which the central government will thoroughly investigate its economic potentials and performance. During this period, the said region would not yet be receiving any regional fund that is allocated for autonomous regions. After evaluation, should the region be deemed not ready, the government will return it to the

\textsuperscript{25} http://asiafoundation.org/resources/pdfs/IndonesiaEGI2011Indonesian.pdf (accessed 20/03/2015).
\textsuperscript{26} http://www.aktual.co/politik/155955ini-daerah-di-sumut-yang-terbaik-membelanjakan-anggaran-daerahnya (accessed 20/03/2015)
\textsuperscript{27} http://beritasumut.com/view/Politik%AD%AD%ADPemerintahan/9880/Fitra%AD%ADSejumlah% ADPemkab%ADPemko%ADdi%ADSumut%ADTerancam%ADBangkrut.html#.VQ-I_NKUcZx (accessed 20/03/2015)
\textsuperscript{28} http://otda.kemendagri.go.id/index.php/berita-210/1874-pembahasan-dob-bergantung- pemerintahan-mendatang (accessed 25/03/2015). He was also generally considered as going against direct-elections due to his statements on the many corruption cases which took places during these events.

principal region from which it was carved out. This central control can naturally be seen as a challenge to administrative autonomy.

However, despite the growing fiscal dependence and the curb on pemekaran, with the help of the central state, the regions succeeded in retaining their political dependence by keeping direct-elections as means of succession, which has so far been the mainstay of Indonesia’s decentralization.  

TOWARDS RECENTRALIZATION?

The regional dependence on central government resources and the enactment of the new Law indicate a recentralization trend. The new government under President Jokowi is likely to be cautious in its handling of pemekaran demands. During a presidential debate in June 2014, he had announced his intention to use “budget politics” to control pemekaran. This is a reward and punishment system prioritising transfers according to the regions’ potentials and expenditures, which implies tighter central state control on regional spending. He also promised to review the proposals in order to avoid endorsing regions that are incapable of independently financing their administrations, claiming he would revoke the autonomous status of a region if it becomes a burden for the central state. He was also concern with elite influence in pemekaran.

Home Affairs Minister Tjahjo Kumolo has announced that 60% of pemekaran regions have failed to increase their Own-Source Income (PAD), posing a challenge to development and the aim of improving local welfare. He also highlighted the rampancy of local corruption in the extraction of levies, regional budget allocation, official travel allowance, and central fund transfers. The Director General of Regional Autonomy Djohermansyah Djohan said therefore that the evaluation of the new proposals would only commence after the Presidential Regulation 78/2007 is amended to accord with the new Regional Government Law 23/2014.

Learning from this experience, governing pemekaran will have to take into account the following dimensions:

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29 In September 2014, parliament passed a law abolishing direct elections. However, after a massive outcry, President Yudhoyono issued a Presidential Regulation in lieu of law (Perppu) reinstating direct elections, which was eventually ratified into the new law on Regional Elections.


First, *pemekaran* is reversible. This reversibility is regulated under every law on regional government, although so far no district/province, even those with poor performance, is ever “returned” to the mother region. The enactment of Law 23/2014 will significantly facilitate this reversible process, due to its three-five year probation clause in which regions are monitored and evaluated by the central state. If a region is deemed unfit for autonomy, it will be reunified with the mother region. The government will need to draft a government regulation in order to implement the Law. President Jokowi’s intention to use budget-politics (increasing or decreasing the amount of transfers to regions based on their performance) will further facilitate the government’s monitoring of regional expenditures, which will reduce the burden on the central government. The government needs to outline a standardization of such reward and punishment system to avoid later complications.

Second, in Indonesian local democracy, elite competition and coalition are widespread both during district-elections and *pemekaran* campaigns and in getting approval for a new unit. Although not every district-election loser ends up demanding a new region, elites have been the motor of *pemekaran*. Thus the success of a newly established region would entail, at least to a certain degree, an accommodation of elite interests. This has so far been done through the transfer of funds to the region. However, the lack of central government control on policies made by local elites upsets the intricate balance of satisfying elite interest and ensuring people’s welfare, and results in administrations being poorly run. It is thus crucial that the central government regain monitoring capacity on fiscal expenditures in the regions.

Third, the (re)configuration of administrative borders based on ethnic boundaries could pose problems for interethnic/religious relations. Decentralization does allow for a ‘peaceful’ expression of local identities and this might have reduced the potential for centre-periphery conflict. Yet the peril caused by allowing regions to be formed in accordance to presumed ethnic boundaries is not about secessionism. Liddle rightly argued that Indonesians have had loyalties to both the state and ethnicity at the same time, and therefore, one does not agonize over the integrity of the state. The concern lies instead in the handling of identities: the intensifying of ethnocentrism due to mobilization by the elites, and the growing conflation of ethno/religious identities with territoriality may beget problems. Already rampant during regional elections is the notion of “sons of the soil”, allowing people who can display (sub)ethnic, ancestral or acquired connections with a territory to gain prominence in their race to leadership. Upon gaining power, these elites fill the local bureaucracy with supporters – mostly members of campaign teams – sharing the same (sub)ethnic or clan background. With *pemekaran*, allowing a region to be established solely on the (elite)

argument of a marginalization of “our people” opens the door for favouritism in the public sector, in turn perpetuating patronage. Indeed, in regions where the public bureaucracy is the main source of jobs and elected officials enjoy the privilege of distributing state’s resources, patronage democracy may occur. It is thus important that during the evaluation of pemekaran proposals, in addition to examining administrative requirements, the government and parliament handle the socio-political claims cautiously.

Although some consider recentralization as a step back, the fact that the central government preserves direct elections should indicate that the future of recentralization will not harm democratization. As last year’s failed attempt by the national parliament to scrap direct elections has largely been regarded as part of a “much broader agenda to roll back democracy” or a “reassertion of the state”, one runs the risk of also regarding the move of the central state to introduce new and tougher regulations on pemekaran as a defiance to decentralization. On the contrary, the re-evaluation of pemekaran would fulfil its purpose of decentralization reforms. The past proliferation has brought about economically weak regions. This calls for a greater capacity of the central government to govern pemekaran.

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