

## DECENTRALIZATION AND COMMUNITY WELFARE: LESSON LEARNT FROM INDONESIA AND THE CASE OF SPECIAL AUTONOMY OF PAPUA <sup>1</sup>

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### Abstract

*Decentralization refers to a commonly accepted meanings of reversing the concentration of administration at a single center and conferring powers of local government. Therefore, it is regarded as a political phenomenon capturing delegation of power to lower level of government. The main objective of decentralization is to create the most efficient and accountable form of government possible. Three forms of decentralization are recognised, deconsentration, delegation and devolution. The claims of this article, first of all, is to advocate social accounts at explaining the level of community welfare across communities. Having discussed theoretical as well as empirical accounts on the relationship between decentralization policy and community welfare, it is concluded that such relationship is inconclusive and ambigüe. The case of Special Autonomy of Papua demonstrate an extreme case of paradoxical decentralization policy aimed to foster welfare for local people in particular the welfare of indigenoeous Papuans.*

*Despite the fact of inclusive results and ambiguity, it also reveals that many studies strongly indicated that dicentralization policy predict improvement of community welfare at least through four mechanism, such as fiscal capacity, administrative capacity, institutional design of policies and the role of local political leadership. Given that all, this article finally comes to five recommendations. Firstly, tohave a closer and serious attention on social accounts that works at mediating any technical organization including decentralization policy. Secondly, to take rigorous measures on local community welfare both objective as well as subjective measures. Thirdly, to articulate the need for rigorous measure on performance of local government using both an official local government performance measurement system such as EKPPD, EDOB and EKPOD as well as an internationally accepted measures such as ISO, CAF and the like. Fourthly, to continue applying community development strategy as well as enforcing greater roles of Civil Society Organizations (CSOs). Finally, to recommend the need for more systematic research agenda and rigorous assesment on both theoretical ground type of research as well as applied policy type of research that employs both quantitative and qualitative approach as well as comparative study and case study in order to make decentralization works for improving welfare across communities.*

**Keywords:** *decentralization, social accounts, community welfare, stuctural mediation, Papua.*

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## Introduction

Decentralization in this article refers to a commonly accepted meanings. It is reversing the concentration of administration at a single center and conferring powers of local government. Therefore, decentralization can be regarded as a political phenomenon capturing delegation of power to lower level of government<sup>3</sup>.

The main objective of decentralization is to create the most efficient and accountable form of government possible. Decentralization is often introduced to offset a problem that has caused dissatisfaction with a centralized system. After a national crisis, such as a conflict or natural disaster, decentralization is often recommended as a tool to build or rebuild an effective government and ensure the efficient allocation of resources. Decentralization is also viewed as an indispensable part of sustainable development efforts, particularly those focused on alleviating poverty. The operating assumption of decentralization efforts in these contexts is that local government, being closer to the people, has better information about local preferences and can be more targeted and equitable in its allocation of public goods and services.<sup>4</sup> Rationales for decentralization as Stacey White puts it goes this way: "... if a government can perform closer to the people it is meant to serve, the people will get more out of government and, in turn, will be more willing to accept that government's authority."<sup>5</sup>

There are three commonly known and yet related forms of decentralization, namely deconcentration, delegation and devolution. Deconcentration refers to a process whereby the central government disperses responsibilities for certain services to regional branch offices without any transfer of authority. In fact many scholars do not really consider deconcentration as truly decentralization, as the central government simply establishing field offices to run its official duties. Delegation on the next line refers to a situation in which the central government transfers responsibility for decision making and administration of public functions to local governments. In this case, local governments are not fully controlled by central governments but they are accountable to them. While devolution occurs when the central government transfers authority for decision making, finance, and administrative management to quasi-autonomous units of local government. It seems that the most recent literature considers devolution as to be the true and purest or at least the most extensive form of decentralization.<sup>6</sup>

It is currently indicated that the practice of decentralization is somewhat trendy and globalized. USAID (2000) indicates that the process of decentralization and the development of democratic local government is a phenomenon that continues to grow. It starts from Bolivia to Bulgaria, from West Africa to South Asia. These countries continue trying to give greater powers to local authorities and work harder to make them more responsive and effective. There are at least three reasons why many countries do apply decentralization approach as their way of governance. *Firstly*, some countries do so because they want to have a smaller unit of

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<sup>3</sup> Gary Goodmaster and David Ray. 2001. *Competition Policy and Decentralization*. A joint Project of USAID and the Government of Indonesia. p.1.

<sup>4</sup> Stacey White. 2011. *Government Decentralization in the 21st Century: a Literature Review*. Washington D.C.: Center for Strategic and International Studies. p 3.

<sup>5</sup> *Ibid*, p.1.

<sup>6</sup> *Ibid*, p.2.

government after the escape from the regime of dictators. *Secondly*, several other countries, do so in order to reduce the size of the central government to become a more efficient market participant. *Thirdly*, there are also some countries that do decentralization because they want to encourage public participation in local level decision making and increase its accountability.

Within this global context, on the first of January 2001 the Government of Indonesia officially announced two important legal products regarding decentralization policy, namely Law No. 22/1999 regarding Local Governance and Law No. 25/1999 (which was later refined into Law No.32/2004 and Law No. 33/2004 and currently they are reviewed to be improved). Law No.32/2004 explicitly mandates three goals of decentralization namely: increasing welfare of society, improving public services and strengthening local competitiveness and capacity. The law also defines clear pattern of delegation of authority from central to each regional government through Government Regulation (*Peraturan Pemerintah* known as PP) number 25/2000. Later on this regulation was corrected and replaced with the concept of division between the central and regional affairs as it is outlined in the Government Regulation Number 38 of 2007. Philosophically, there is a fundamental difference between the way of managing the countries based on division of authority with the way of managing based on the concept of functional assignment as they are mandated by two spoken Government regulations above.

This article aims to review the extent to which the implementation of decentralization in Indonesia has lifted up into expectation, particularly in promoting welfare of local community. The objective of this article, therefore, is to review in brief both theoretical grounds as well as empirical evidences regarding the extend to which the implementation of decentralization policy in Indonesia has something to do with the promotion of local community welfare. The implementation of special autonomy of Papua under Law No.21/2001 is taken into special account.

### **What Accounts for High Level of Community Welfare?**

What accounts for high or low level of welfare across communities? That is the key question. Among development scientist on one end, so much has been reviewed and discussed especially in the field of economic and sociology of development literature, there are two major theoretical perspectives, ranged between Adam Smith's *The Wealth of Nations* and Theda Schockpol's *Bringing the State Back In*. The former believes that efficient market mechanism is the most responsible factor for generating welfare of societies, while the later believes that state led economy which assume extensive roles of strong government is the most accounted factors for bringing about welfare across communities. Among development practitioners and donors, on the other end, there has been strong believes almost religiously, that technical organizations and programs, such as promoting small and medium enterprises as well as introducing decentralization processes, are effective tools at fostering welfare across societies. An intriguing question is, to what extend such claim is theoretically justified and yet empirically verified.

Instead of being trapped among economic, political and technical accounts, this article take liberty to fill what is missing by passionately advocating social accounts of welfare that become the core of the explanation. This argument was simply adopted from theoretical part of

my dissertation.<sup>7</sup> Its basic argument lies down deep in the most compelling and solid sociological argument relevant to the question. It was rooted in the seminal work of economic historian, Karl Polanyi's *The Great Transformation* that make the failure of post World War I economy makes a lot of sense. His work was concerned with the political and economic origin of the decline of nineteenth century civilization. Polanyi proposed that market processes that generate economic welfare in society, are embedded in social institutions. He identified four institutions which he considered were pillars of the nineteenth century civilization. These are the international balance of power, the gold standard, self regulating markets, and the liberal state. Of these four, the self regulating market was the most important, being not only the "fount" that gave birth to a particular civilization, but also the institution which Polanyi held most responsible for the decline of civilization in his own time, that is, after the World War I.

Polanyi believes that a market economy could not exist for a long period of time without devastating the society around it. This happened not only because economic relations were held to be primary, but also because "the ideal system" of the "new economics" required a "relentless abnegation" of the social status of the human being. The "satanic mills" of capitalism ignored all human needs, as they cruelly ground society into its atomic elements. MacIver underscored this message in his introduction to the 1957 version of this book, which read that:

*"Men failed to realize what the cohesion of society meant. The inner temple of human life was despoiled and violated. The tremendous problem of the social control of a revolutionary change was unappreciated; optimistic philosophies obscured it, shortsighted philanthropies conspired with power interest to conceal it, and the wisdom of time was still unborn."*

Furthermore, Polanyi argued that faced with such an atomistic force, society took measures to protect itself, but whatever measures it took destroyed the self-regulation of the market, disorganized industrial life, and finally endangered society itself by disrupting the existing social organization based upon it. The collapse of the international system, in its turn, happened because the balance of power could not ensure peace once the world economy on which it rested had failed. The industrial revolution, in his opinion, had miraculously improved the technology of economic production, but it was accompanied by dislocation of lives of the common people. It reduced man to labor, and nature to land. In short, he believed that the breakdown of human civilization which he witnessed during the Second World War, rested on the market economy. However, Polanyi traced the seeds of this economic failure to the social conditions of Western Europe which themselves gave birth to and became the foundations of the market economy.

Along with his institutional framework explaining the social construction of the free market as the core of Western European civilization and the collapse of civilization at that time, Polanyi also explained the economic behavior of individual persons. He argues that actual economic behavior inherent in the social relationships, which takes place in every day life. The outstanding discovery of recent historical and anthropological research, he claimed, is that man's economy, as a rule, is submerged in his social relationships. He does not act so as to safeguard

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<sup>7</sup> Kartasasmita.1995. *Industry, Social Structure and Community Welfare: A Comparative Study of Indonesian Districts*. Ithaca NY: Cornell University

his individual interest in the possession of material goods; he acts so as to safeguard his social standing, his social claims, his social assets.<sup>8</sup>

Reflections on Polanyi's work presents a unique perspective and an inclusive explanation on both individual economic behavior as well as economic institutions. Recent studies of economic sociology support the arguments proposed by Polanyi pointed out that economic action is essentially inseparable from social relations and power relations. Swedberg and Granoveter proposed three strong arguments to elaborate it. The *first* argument claims that the economic behavior (such as trade) is a social action. This argument is actually a classic topic and still occupies the main agenda in the study of sociology. Durkheim in one of his classic book *The Division of Labor in Society* emphasized, that the purely economic measures (i.e. profit maximization and rational action) may not be able to create a more permanent social bond, even when the community is fully rests on the division of labor is organized. He emphasized, that in fact the individuals involved in exchange processes, usually still in a relationship even though the exchange process has been completed. It was only possible because, as well forms of social action that other presence and orientation towards inspired by what he describes as collective representations.<sup>9</sup> Strong views about economic behavior as a form of social action is also expressed by two figures of classical sociology Karl Marx and Max Weber.

The *second* argument of the proponents of economic sociology reads, that economic action is always conditioned in a certain social situations (*socially situated*). Economic action is not may be explained simply by reference to the motives individual alone. Economic measures attached (*embedded*) in a network of personal relationships underway. Network is defined as a series of regular contact or similar social relationships between individuals or groups. Network approach not only be able to avoid the analysis of the individuals as atoms separate from others, but also gives an explanation adequately regarding the discovery, dissemination and use of technology in the production process, the composition of ownership, or an cultural explanation of certain economic events. He also proved, that people generally use the network to obtain job and career.<sup>10</sup>

The *third* argument is that economic institutions are formed socially (*socially constructed*). This argument is actually a sociological reaction against the New Institutional Economics began to pay attention to the process of institutionalization of economic. New institutional economics is an emerging science of consciousness about the need for economic analysis of social institutions at explaining the various economic problems, in which efficiency became the theme of expansion. They claimed that only efficient institutions that would survive and alive. In response to this, Mark Granovetter<sup>11</sup> proposed the concept of *social construction* which is rooted in the three principal concepts. *Firstly*, the concept of *social construction of*

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<sup>8</sup> Karl Polanyi, Karl [1944] 1957. *The Great Transformation; The Political and Economic Origin of Our Time*. Beacon Hill-Boston: Beacon Press.p.46.

<sup>9</sup> Emile Durkheim. 1933/1984. *The Division of Labor in Society*. N.Y: The Free Press.

<sup>10</sup> Mark Granovetter. 1974. *Getting A Job: A Study of Contact and Carreers*. Cambridge: Harvard University Press.

<sup>11</sup> Mark Granovetter. 1990. "The Old and the New Economic Sociology: a History and an Agenda." in A.F.Robertson dan R.Friedland, eds., *Beyond the Marketplace: Rethinking Economy and Society*. New York: Aldine.



reality of Peter L. Berger and Thomas Luckmann.<sup>12</sup> Secondly, the concept of *path-dependent development* of Paul David.<sup>13</sup> Thirdly, the concept of 'social networking' of Brian Arthur.<sup>14</sup> Broadly speaking Granovetter argues, that social institutions, including economic institutions, is not an objective and external reality as it appears on the surface. Rather it is the result of a social process, i.e. the slow process of social creation. Way of doing things, including the way trade, 'hardened' and sometimes 'smoothed' through processes and social until finally 'created' as a certain way of trade. Network is considered very necessary in the formation process of the institutions, but an institution that has been established (*locked in*) the urgency is reduced. In the context of institutionalization that is so, then the concept of efficiency is not the main explanatory about why a business organization to survive and growing. Efficiency is a product and resulted from the social construction process.<sup>15</sup>

Based on above sociological claim, Frank Wilbur Young of Cornell University, constructs a structural mediation model at explaining welfare across community. He argued that any technical organization, such as both small and large industries, or any governmental policy includes decentralization policy, can contribute to the welfare of community if only it is mediated and reinforced by strong social structure of local community. Young breaks the concept of social structure down into three sub-concepts namely, *differentiation* represented by various social categories including division of labor in the respective community, *pluralism* represented mainly by democratic decision making process, and *solidarity* represented by cohesive actions of community members in order to achieve their economic standing.<sup>16</sup>

In line with Young's structural mediation arguments, using data from 276 districts and municipalities in Indonesia along with 3,642 sub-districts, Kartasasmita (1995) examined Young's hypothesis on the test questioning whether differentiation, pluralism, and solidarity mediate the level of community welfare indicated by its level of poverty as well as community health conditions. The results of this analysis have been meager and the chief results must be considered experiential, but the findings favor the structural mediation hypothesis. It reveals that, *firstly*, 11 (eleven) out of 14 (fourteen) regression models consistently show that percent of non-moslem population in the district as representation of pluralism, positively predicts the number of very poor sub-district (*kecamatan*) as an indicator of welfare. This is particularly true for the outer islands, but in Java as more urbanized region the fact is in the contrary. The presence of either small or big industries in the districts does not make any difference. *Secondly*, 11 (eleven) out of 14 (fourteen) regression models also consistently show that percent of non-moslem population in the district positively predict the percent of sickness, in both districts in which small and big industries are present. This is also the particularly true case of the outer island, but not in Java island. *Thirdly*, 3 (three) out of 6 (six) regression model indicates that percent of

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<sup>12</sup> Peter L. Berger dan Thomas Luckmann. 1966. *The Social Construction of Reality: A Treatise in the Sociology of Knowledge*. New York: Anchor Books.

<sup>13</sup> Paul A. David. 1986. "Understanding the Economics of QWERTY: the Necessity of History" in William N. Parker ed., *Economic History and Modern Economist*. Oxford: Basil Blackwell.

<sup>14</sup> Brian Arthur. 1989. "Competing Technologies, Increasing Returns, and Lock-in by Historical Events." *Economic Journal* 99. No.349 (Maret): 116-131.

<sup>15</sup> Kartasasmita. 2006. *Bringing the Public Back In: Revitalisasi Konsep Publik dalam Pemikiran dan Praktek Administrasi Publik di Indonesia*. Yogyakarta: Graha Ilmu. pp. 47-49.

<sup>16</sup> Kartasasmita. 1995. Op.Cit. Chapter 2.

non-golkar voter as representation of pluralism, predicts positively the percent of very poor sub-districts in the outer islands.<sup>17</sup>

It is concluded, therefore, the claims of this article to passionately advocate social accounts at explaining the level of community welfare is theoretically plausible as well as empirically justified. Yet it needs more systematic research agenda and rigorous assessment.

### **Does Decentralization Matter in Promoting Welfare Across Community?**

In responding such core question in which the whole discussion is bound, this article first of all discusses literatur review provided by Stacey White.<sup>18</sup> White reviewed 33 (thirty-three) scholarly papers, articles and books on decentralization since 1956 to date (2011) which is finally acknowledge that 26 out of 33 works were published in 2000 and beyond. They also includes research condeucte by U.S. Government and the World Bank. White concludes that studies on decentralization are numerous, but it shows ambigues and inconclusive results interms of both positive and negative impacts in various ways. The positive impact is commonly related to a wide range of economic, political and social advantages. Economically, decentralization is connected to the improvement of locally provided services and public goods provided. Politically, it is related to strengthening accountability, political skill and national integration as well as bringing decision-making process closer to the people. Socially, it is associated with strengthening local institutions and identities.

Along the way, White found and categorized types of decentralization into political, administrative or fiscal decentralization. *Political decentralization* is generally defined as the extent to which political institutions track and collect citizen interests and turn them into policy decisions. *Administrative decentralization* concerns with the ways in which political institutions turn policy decisions into allocative outcomes through fiscal and regulatory actions. Whilir *fiscal decentralization* regards the extent to which local entities collect taxes, undertake expenditures, and rectify imbalances.<sup>19</sup>

It is found out that corruption is consistently lessened by fiscal decentralization, particularly in countries with a legal origin of common rather than civil law, as civil law is more fixated on the constraints of federally appointed statutes and proffers less state and local authority as shown by Fisman and Gatti work (2000). It is unclear, according to White, whether there is actually less corruption at lower levels of government or simply less oversight and reporting of it as identified by Fisman and Gatti (2000) as well as by Kahkhonen and Lanyi (2001). There is one study tracked the impact of *political centralization* on the potential successes or failures of *fiscal decentralization*. Research conducted by Ruben Enikolopov and Ekaterina Zhurayskaya, reveals that decentralization affects economic growth, quality of government, and public goods provision in different ways depending on the strength of the national party system and whether local and state executives are appointed or elected. However, quantitative analysis conducted by Treisman concludes that when there are more tiers of government, decentralized entities will perform less well in delivering goods and services.

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<sup>17</sup> Kartasasmita. 1995. *Ibid.*

<sup>18</sup> Stacey White. 2011. *Op.Cit.*

<sup>19</sup> *Ibid*, pp.2-3.

Moreover, the smaller the jurisdictions of the lower, or first tiers of government, the worse these entities will perform. Moreover, there is also findings against too many tiers of government which seem counter intuitive to the overall objective of bringing government as close as possible to the people and illustrate the complexity of decentralization design and implementation.<sup>20</sup>

The impact of decentralization processes in highly fragile environments is also vary such as in a country recovering from conflict or disaster. Some of the theoretical assumptions about expected outcomes need to be supported by further empirical evidence whether decentralization is to be effective in these situations.<sup>21</sup> Decentralization is also often asymmetrical and can even be held back at mid-level government due to the lack of local capacity. However, according to some scholars, incomplete decentralization due to the complex relationship between local absorptive capacity and additional fiscal resources granted by central levels is even more dangerous than having a fully centralized system. The trick is to keep moving forward with progressive devolution, even asymmetrically at times, with a keen understanding of the institutions involved at all tiers of government and the quality of their relationships.<sup>22</sup>

Another literature review which is also taken into account in this article in order to assess whether decentralization process matters at fostering welfare across communities, was done by Sandra Gomes.<sup>23</sup> In her work, she focused on reviewing the relationship between decentralization reforms and the performance of governments as well as their policies. She intentionally and specifically select some propositions that explains causal factors accounted for government's responsiveness to its citizens. It was noted that studies on the respective issue is countless, and yet ended up with inconclusive results. She also indicated that many works on the subject focused mainly on "criticising propositions without proposing alternative analysis." Furthermore, Gomes discussed four types of following interpretations, allocative efficiency theories of fiscal decentralization, the multiple dimensions of decentralization, the institutional design of reform, and finally the qualitative aspects of governance.

Despite the fact that she pointed out differences in the use of concepts, analytical preoccupations and operationalization of variables among scholars, Gomes at the end come up with something in common. There are at least four explanatory factors that could be the subject of an integrated empirical analysis, namely fiscal capacity, administrative capacity, the institutional design of policies and the role of local political leadership.<sup>24</sup>

*Fiscal capacity* is considered as an elementary factor for the operationalization of policies by local governments. Without financial resources, local governments will not be able to execute their policies. The fiscal capacity of subnational governments is determined by their own tax revenue and resources. *Administrative capacity* refers to minimum administrative conditions for effective provision of public services by local governments. It includes the existence of an organizational structure, with qualified personnel and efficient administrative routines, which can

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<sup>20</sup> *Ibid.* p.4

<sup>21</sup> *Ibid* p.5

<sup>22</sup> *Ibid* p.6

<sup>23</sup> Sandra Gomes. "The multi-faceted debate on decentralization and collective welfare." *Brazilian Political Science Review*. Vol.4(2).,pp.103-138.

<sup>24</sup> *Ibid*, p. 123



respond quickly and appropriately in the process of implementing policies. Gomes noted that many scholars highlight this factor as a determinant for government performance. *The institutional design of policies* including the incentives and constraints of national legislation or regulations. The issue critical to this factor is that the lack of consensus on which institutions allow the creation of a positive or produce negative incentives. Meanwhile, *the role of local political leadership* played an important role by convincing others on the need for policy and administrative reforms as well as guaranteeing the support of key actors in the implementation process, such as the local bureaucrats, guaranteeing legitimacy and support to the actions.<sup>25</sup>

Having said that quantitative analysis (large N) is not sufficient for a comprehensive empirical test and proposed a comparative strategy or analysis that combine quantitative and qualitative aspects, Gomes proposed that the "...interaction between quantitative and qualitative analyses, in a complementary way, would allow several hypotheses derived from the debate reviewed here to be tested...". At the end, she concluded that although there are no conclusive results, decentralization processes have been and continue to be adopted in several countries, so any research that advances the understanding of how local governments operate can help to identify the mechanisms that explain the increase in collective welfare.<sup>26</sup>

### **The Implementation of Decentralization in Indonesia**

The implementation of decentralization policy in Indonesia, as mandate by Law number 22/1999 and 25/1999, is culturally and structurally challenging. Despite the fact that the country has been continually managed in a highly centralized way of governance since resumed its independence in 1945, Indonesia has declared two laws that introduced the new way of managing the country, both politically and administratively. Politically, the new laws provide ample room for promoting democracy by giving up greater power and control to local governments and communities. Administratively, these two laws aimed to decentralize decision making process, particularly in providing goods and services to local communities. Regardless there is no agreement among scholars whether the initial ideas of these two laws, were crystallized from internal political dynamics or adopted from external global demands, there were very sound expectations that these two laws will eventually result in more autonomous local governments and people in promoting better welfare. It was also expected that the existing uneven development among regions, in particular between Java and the outer islands, will be reduced significantly leads to the strengthening the existence of the unitary state of Indonesia.

The *first* challenge, of implementing decentralization policy in Indonesia was political. The demand for decentralization got its momentum soon after President Soeharto and his military regime collapsed. Having said that, as Casper and Taylor may put it, Indonesia had to begin implanting democracy into existing political system. There are two major steps, according to them, for bringing a nation into a mature democratic one. *Firstly*, the short-term step, searching relatively acceptable solutions for those who were standing behind the old

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<sup>25</sup> *Ibid*, pp.124-125.

<sup>26</sup> *Ibid*, p.126.

authoritarian regime. Secondly, the long-term step, focusing on how to consolidate the new democratic elements.<sup>27</sup>

The *second* challenge for local autonomy regime in Indonesia is to consolidate pro-democratic elements both in government as well as in general public. At this point the main challenge is not so much related to preaching democracy in the class-room or parliament lobby, rather related to translating democratic way of thinking into political, social and economic reality. Free-fight boxing once demonstrated by the members of parliament shown on national television, was regrettable exemplary action of democracy. The general public will not learn democracy as it is preached by their political leaders or as it is written in the state constitution, but from daily experiences and examples shown by the regime through policy making process and its implementations. Democracy is an experiential learning process. The implementation of decentralization, therefore, will lead to consolidated democracy if only both local governments and people as well, experience more autonomous then before. Otherwise they might see the implementation of local autonomy laws as a political tool to shift financial burdens from Jakarta to the local authority of *kabupaten* and *kotamadya*.

The *third* major problem faced by Yudoyono's administration at the beginning of his term was boosting macro-economy policy which provides sufficiently job opportunities for the public in order to fulfill very basic of human needs such as food, housing, health and education. Providing sufficient amount of public goods and services at the expected level and quality is also a political key-point to the successful implementation of the respective laws. The fact that both natural and social conditions vary across localities, highly centralized economic policy, including overlapping tax policy, just makes no sense for the general public especially at the local level.

In addition, as far as mass media exposures were concerned, at the initial stage of the implementation of Law No. 22/1999 and Law No. 25/1999 as an administrative reform. Problems, which are identified, are ranged from lacking of sufficient implementation guides, like presidential and ministerial decrees, to the unpreparedness of local government in dealing with local concern. Yet the most vulnerable part of the game is to treat all interested parties, such as central government, local political elites, CSOs and local communities, in a proper manner by inviting them in decision making processes. Otherwise, this game will turn into a war game that perpetuates uncontrollable both vertical and horizontal conflicts. It was noted, there were several identified issues that are potential to generate conflicts in public arena. Media exposure summarized as the following problems appears in the early stage of the implementation of local autonomy law, these are the problem of interpretation, interregional competition and sustained intervention, excessive taxes and public dissatisfaction, barriers on trade and discriminative local policies, environmental abuse and foreign policy.

### **Lesson Learnt from Special Autonomy of Papua**

Things that work out in Papua, they will work out in the rest of the country. So to speak, about the implementation of the Special Local Autonomy law. As far as empirical evidence is

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<sup>27</sup> Gretchen Casper and Michelle M.Taylor. 1996. *Negotiating democracy: transitions from authoritarian rule*. Pittsburgh Press.

concerned, achieving the set goals of decentralization is highly problematic. It is true especially for Indonesian context with reference to gigantic country size and high level of social, political and cultural diversity as well. In the context of Papua, as per Law Number 21/2001, the problems at implementing decentralization are mounted and more complicated. The fact that Papua is at the 33<sup>rd</sup> position out of 33 province in Indonesia in terms of local autonomy performance, as indicated by governmental report, is an undisputable fact of failure of local autonomy policy of in generating welfare of Papuans. It is so true that Papua has been considered as one of the most ironical region in Indonesia, it riches with natural resources on one side, poverty and under-development on the other side. Development undertaken by the Government of Indonesia since its integration with Indonesia on the 1st of May 1962, is considered by some people of Papua as a development that did not work. One indicator is the turmoil that has been long actuated by various separatist groups.

Political reforms that occurred in 1998 provide new space for Papua to exercise a new model of development for the region. The economic crisis experienced by Indonesia in 1998 led to the birth of reform movement that changed the political map, social, and national economies. Momentum is used by major changes in society and the elite in Irian Jaya (the earlier name of Papua) at reforming the relationship between Jakarta and Irian Jaya, with the aim of putting Irian Jaya as a priority development area is as large as the other regions in Indonesia. In contrast to the separatist movement, the popular movements and elite Irian Jaya leads to two issues, firstly, the replacement of name *Irian Jaya* become *Papua* which was stipulated in provincial decree No. 7/DPRD/2000 dated August 16, 2000; and special treatment in a given special regional autonomy to Papua. The later action was taken by the House of Representatives (DPR) and the President of GOI after a comprehensive assessment and involves various parties. It was provided in the form of Law No.21/2001 on Special Autonomy for Papua Province, which was signed by President Megawati on November 21, 2001.

Basic contents of this law are summarized as the following. *Firstly*, authority arrangements between the Central Government and the Government of Papua Province as well as the application of such authority in the province of Papua were conducted with specificity. *Secondly*, recognition and respect for the fundamental rights of indigenous people and their empowerment in a strategic and fundamental way as well as the protection of the rights of indigenous people. *Thirdly*, achieving good governance that characterized by maximum people's participation in planning, implementation and monitoring in governance and implementation of development through the participation of representatives of indigenous, religious, and women; implementation of development which are directed as much as possible to meet the basic needs of indigenous people in particular and the population in general, adhering to the principles of environmental protection, sustainable development, justice and direct benefit to the community; development and implementation of governance that is transparent and accountable to the public. *Fourthly*, the division of powers, duties, and responsibilities of a firm and clear between the legislature, executive, and judicial branches, as well as the Majelis Rakyat Papua (MRP) as a cultural representative of indigenous people given certain authority.

In summary, provision of Special Autonomy for Papua Province is intended to bring about justice, upholding the rule of law, respect for human rights, the acceleration of economic development, improving the welfare and progress of the people of Papua, in the framework of

equality and balance with the progress of the other provinces. This law puts indigenous Papuans and Papuans in general as the main subject of development. The existence of the Government, Provincial Government, District/City Government, as well as devices underneath, all geared to provide the best services and the empowerment of the people. This Law also contains the spirit of reconciliation and problem solving, among others, the establishment of the *Truth and Reconciliation Commission*. The commission is intended to solve a variety of problems in the past with the aim of strengthening national unity and integrity in the Indonesian province of Papua.

At the level of implementation, however, fact to date is the province of Papua is considerably as lagging regions. Community economic underdevelopment, lack of implementation of quality public services, poor infrastructure network, to issue low quality of human resources is the fundamental problem in this area. Such contradictions gradually creating gaps that are directly felt by the people of Papua. Development undertaken by the government actually has a very large negative impact, ranging from environmental degradation to the marginalization of indigenous peoples' rights.<sup>28</sup>

As a result, after more than thirteen years the implementation of Law number 21/2001, the case of Papua is paradoxical. Papua has abundant natural resources. For Freeport concession only, there were 2.5 billion tones of proven deposits of gold and copper mine materials; 540 million m3 of potential sustainable commercial timber, and 9 million hectare of forest conversion for large scale plantation development. Long beach this region reached 2,000 miles, 228,000 km2 of water area, with no less than 1.3 million tons per year potential for sustainable fisheries. However, the poverty rate in Papua is Indonesia's highest. In 1997 the poverty level at Papua reaches above 50%, while the average national poverty rate has approached only 14%. In 1999 reported the percentage of poor people in Papua is 54.75%, which makes Papua remains a poor province with the largest poor population, followed by East Nusa Tenggara 46.73%, and Maluku 46.14%. In 2000, the poverty percentage decreased to 41.80%, but still the largest in Indonesia, Maluku followed by 46.14%, and 36.52% of East Nusa Tenggara. Moreover, Papua is also the region with the highest retardation condition.

In 2008 *Kemitraan bagi Pembaruan Tata Pemerintahan di Indonesia* conducted research towards civil society both institutions as well as individuals who represented indigenous community, religious community, and women who are represented in the Papuan People's Assembly (*MRP*), concluded high level of public dissatisfaction with the implementation of the Special Autonomy, even in some cases, the implementation of Special Autonomy Law has increased people's distrust towards the government.

Five reasons of why it was happened in summary are as the following. *Firstly*, special Autonomy Law raised unresolved polemic between the Papuan people and the government. Such as those associated with local symbol and flag that is explicitly recognized in article 2, paragraph (2) of Law No. 21/2001, but there is no further elaboration. Cases raising the Morning Star flag is an example that often lead to political conflict. *Secondly*, the implementation of the Special

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<sup>28</sup> Arifah Rahmawati, *Papua Ethno-Political Conflict: Causes, Context, and Policy Implication*, Thesis, 2004, Naval Post Graduate School Monterey, California. pp. 19-20.

Autonomy Law, the political dimension in the resolution of problems in Papua are much stronger than welfare development. Implementation of the Special Autonomy filled more and more by political events range from regional expansion, demonstration, refuse of special autonomy, to the case of local election. Very little space is available for concrete programs at improving the lives of indigenous people. As a result, the five-year implementation of the Special Autonomy is not so much of improvement people perceived. *Thirdly*, formulation of procedure of the Special Autonomy is not running as fast disbursement of Special Autonomy budget. Government Regulation on MRP, for instance, is completed not until 3 years later. The first *Perdatus* produced not until six years after the Special Autonomy Law was implemented. In fact since 2002, a large amount of the Special Autonomy funds continue to be disbursed. Consequently there is no single regulatory framework can ensure the flow of funds for development programs that improve people's living conditions. *Fourthly*, evaluation for the implementation of the Special Autonomy which should be done every year within the first three year as mandated by the Act, was not done in depth and comprehensively. As a result people, as well as government, do not ever get a picture of the Special Autonomy in the enjoyment of their fundamental rights as a whole. What perceived in the community is that the Special Autonomy funds were diverted by the government bureaucracy. *Finally*, Special Autonomy was informed to the public (in this case in the city and district of Jayapura), but not so well-informed. Community know about it, but they are not fully understand. The Special Autonomy, therefore, was implemented with a single perspective of the government without public participation.<sup>29</sup>

It is also indicated that civil society organizations did not play an important role, given the level of interaction between the community and civil society organizations is still low. Recently many civil society organizations (CSOs) that used to play community development roles, particularly in the areas of health, tends to decrease. Instead, civil society organizations who entered politics as a role of interest groups and pressure groups, is increasing. The research also indicates that the private sector has taken big advantage from the implementation of special autonomy. In addition to their projects awarded by the government, they also get the opportunity of cultural authority retrieved by chiefs of the tribe (*Ondoafi*) on communal land. Some private parties easily get communal land for business after approaching the chief of tribe who just do not get protection from the government. So that the implementation of Special Autonomy favors more to the advantage of investors as much as to migrants than to indigenous Papuans. Taking the case of Special Autonomy into accounts, one can easily concludes that the relationship between decentralization and community welfare is too good to be true. It is theoretically plausible and empirically justified to conclude that promoting community welfare through decentralization in Papua is appealing and yet challenging. Therefore, it can finally be said that things that work out in Papua, they will work out in the rest of the country.

## Conclusions and Recommendations

Decentralization as discussed in this article refers to a commonly accepted meanings of reversing the concentration of administration at a single center and conferring powers of local government. Therefore, it is regarded as a political phenomenon capturing delegation of power to

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<sup>29</sup> Agung Djojosoekarto, Cucu Suryaman and Rudiarto Sumarwono (eds). 2008. *Kinerja Otonomi Khusus Papua*. Jakarta Kemitraan bagi Pembaruan Tata Pemerintahan di Indonesia, pp.108-109.



lower level of government. The main objective of decentralization is to create the most efficient and accountable form of government possible. There are three forms of decentralization, namely deconcentration, delegation and devolution. The claims of this article is to advocate social accounts at explaining the level of community welfare. Having discussed theoretical as well as empirical accounts on the relationship between decentralization policy and community welfare, it is concluded that such relationship is inconclusive and vary. The case of Special Autonomy of Papua demonstrate an extreme case of paradoxical decentralization policy aimed to foster welfare for local people in particular the welfare of indigenoeous Papuans.

Despite the fact of inclusive results and ambiguity, it also reveals that many studies strongly indicated that dicentralization policy predict improvement of community welfare at least through four mechanism, such as fiscal capacity, administrative capacity, institutional design of policies and the role of local political leadership. Given that all, this article finally comes to recommendations to be considered. *Firstly*, it passionaetly recommends a closer and serious attention on social accounts that works at mediating any technical organization including decentralization policy aiming to foster and generate welfare across communities. Enforcing urbanism as way of life, democacy as a way of making decision addressing critical public issues, and ensuring civilized community actions as representation of vituous citizenship, are necessary to the betterment of community welfare.

*Secondly*, rigorous and commonly accepted measure on local community welfare is also recommended both objective as well as subjective measures. A well known and ratified objective measure is MDGs that helps to consolidate government efforts in fostering community welfare. Many countires, Indonesia is not the exception, has built their development approach around the set and ratified goals. The United Nations Report 2013 indicated that global extrem poverty level has been reduced significantly from 47% in 1990 to only 22% in 2010. Indonesia is in advantage in setting objective measure in post MDGs era, as President Susilo Bambang Yudoyono was assigned by the UN General Secretary as one of co-chairs of Hig Level Panel of Eminent Persons (HLP-EP) on Post 2015 Development Agenda. In adition to objective measures of welfare as well represented by MDGs and beyond, subjective measure as demonstrated in OECD's Communiy Happiness, is also needed.

*Thirdly*, the need for rigorous measure on performance of local government is also critical. An official local government performance measurement system as mandated in Government Regulation number 6/2008 known as EPPD that it is comprised of EKPPD, EDOB, EKPOD, is an obligation. However, benchmarking to internationally accepted measures such as ISO, CAF and the like, is also necessary.

*Fourthly*, this article recommend to continue applying community development strategy as well as enforcing greater roles of Civil Society Organizations (CSOs) in developing and stengthening local community structure mediating local community welfare such as urbanism, democracy and civilized community actions as they are perpetuated by structural mediation hypothesis.

*Finally*, this article reminds the need for more systematic research agenda and rigorous assesment on both theoretical ground type of research as well as applied policy type of research.

Applying quantitative research alone will not be sufficient in explaining the impact of decentralization policy on the improvement of welfare across communities.

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