

CHAPTER TWO

LITERATURE REVIEW

A. Political Reform

Politics (from Greek: *Politiká: Politika*, definition "affairs of the cities") is the process of making decisions that apply to members of a group. More narrowly, it refers to achieving and exercising positions of governance and organized control over a community, particularly a state.¹ According to Gabriel A. Almond politics are all the activities associated with the control of public decisions in a specific society and in a specific territory, where this control is supported by the authoritative instrument legally and coercively.²

The transfer of power from President Soeharto to the Vice-President B.J Habibie on 21 May 1998 has brought significant changes to the Indonesian political system. At the macro level, the change is proven from the transformation of the previously authoritarian Indonesian political system to a more democratic one. At least, the way to the process of democratization has become more opened ever since. Partially, this is proven from the change in the relations between the central government and local government, from a centralized to a more bureaucratic and also the military style is

¹ Randall Burns, studied Economics at the University of Chicago (AB 1981). Write at VDARE.com <https://www.quora.com/What-is-the-best-way-to-describe-politics> accessed on January, 29, 2018 17.43 pm

² Miriam Budiardjo, 1982, *Dasar Dasar Ilmu Politik*, Jakarta, PT. Gramedia, p.8.

professional but politically neutral, as well as the changes of other institutional frameworks, such as multiparty, more democratic, freedom of press, and decentralized efforts.³

In the era of reformation, the community was given the freedom to establish political parties with diverse ideologies, so that the society or the people felt more free in channeling their aspirations. In addition, some organizations that grow in society are increasingly diverse and appear to be more active in influencing the public policies related to their field. Thus, it can be concluded that the society aspirations can be explored more easily and free without the pressure from the government such as what happen during he old order and new order

B. The Concept of Decentralization and Regional Autonomy

In order to conduct the regional autonomy as what has been governed in the Local Government Act of 2004, which declares that through the regional autonomy, the regional economic development as targeted to be realized through the regional sources management. Regional autonomy as the authority to govern and manage the local society interests based on their own aspirations which is in line with the regulations.

The assertiveness statement of the autonomy belongs to society and society as the subject and not object. The personification

³ Amir Machmud, 1986, *Pembangunan Politik dalam Negeri Indonesia*, Jakarta, PT. Gramedia, p. 21.

of decentralization is a regional autonomy and the area of autonomous region. Both in the definition of autonomous regions and regional autonomy contains elements of organizing and administering authority. The authority to regulate and manage is the substance of regional autonomy organized conceptually by the Local Government. In many ways, decentralization and autonomy are mutual words that can be exchanged.⁴

Autonomy comes from the Greek words *autos* and *nomos*. *autos* word means "self", and *nomos* word means "command". Autonomy means "self-governing". In the administrative discourse public autonomous regions are often referred to as local self-government. The concept of decentralization according to Webster provides the following decentralization formula: To decentralize means to divide and distribute, as governmental administration, to withdraw from the center or concentration (Decentralization means divide and distribute, such as government administration, removing from the center or place of concentration).⁵

As mentioned above, decentralization is related to regional autonomy. According to Haris, regional autonomy is the authority of a region to organize, regulate and manage its own territory without any intervention and assistance from the central government to improve

⁴ Budi Winarno, 2007, *Sistem Politik Indonesia Era Reformasi*, Yogyakarta, Medpress, p. 19.

⁵ Djoko Prakoso, 1984, *Kedudukan dan Fungsi Kepala Daerah beserta Perangkat Daerah Lainnya di dalam Undang-Undang Pokok Pemerintahan di Daerah*, Cet.1, Jakarta, Ghalia Indonesia, p. 12.

the efficiency and results of government implementation in the framework of service to the community and the implementation of development in accordance with the existing and enacted legislation.

The authority of regional autonomy can be divided into two, namely broad autonomy (*otonomi luas*) and limited autonomy (*otonomi terbatas*). The authority of broad autonomy according to Haris is the regional authority to organize a government that covers the authority of all areas of government, except the authority in the field of foreign policy, security defense, judiciary, monetary and fiscal, religion and authority in unanimous implementation from planning, control and evaluation.⁶

C. The History of Decentralization in Indonesia

During the reform era, decentralization was born because of the issuance of the Decree of the People's Consultative Assembly of the Republic of Indonesia No. XV/MPR/1998 on the Implementation of Regional Autonomy, Arrangement, Distribution, and Utilization of the Equal National Resources, as well as the financial balance of Central and Regional Government in the Framework of the Unitary State of the Republic of Indonesia.

On 7 May 1999 born the Law no. 22 of 1999 on Regional Government and Law no. 25 of 1999 which regulates central and regional financial relations, replacing Law no. 5 of 1974 which is

⁶ Djoko Harmantyo, 2007, "Pemekaran Daerah dan Konflik Keruangan Kebijakan Otonomi Daerah dan Implementasinya di Indonesia", *MAKARA SAINS*, Vol. 11, No. 1, April 2007: 16-22, p. 8.

centralistic. These two laws provide for wide-ranging autonomy authority to district and city governments. Regents and mayors were declared no longer as a hierarchical government apparatus under the governor. The highest office in the district and the city is the only local head at the local level, independent of the governor.

Law No. 22 of 1999 and Law No. 25 of 1999 also provide an ideal framework for the realization of a dynamic and democratic local political situation in each region. However, the subsequent political practices have not yet fully demonstrated the existence of democratic autonomy.⁷ There are at least two major causes why this can happen

First, the central government apparently did not give the autonomy right to the local government. The lack of seriousness can be seen from the central government's neglect of old legislation that is no longer in line with the new autonomy law. In fact, there are hundreds of Government Regulations, Presidential Decrees and various other regulations that must be adapted to the new regional autonomy framework. The absence of a new implementation rule that supports democratic regional autonomy makes the two laws concerning regional autonomy sterile and ineffective. Moreover at the local level, its absence has generated confusion.⁸

⁷ Desentralisasi, Otonomi Daerah dan Perkembangannya di Indonesia https://www.kompasiana.com/citmay/desentralisasi-otonomi-daerah-dan-perkembangannya-di-indonesia_54f921aba33311ba078b4711 accessed on February, 16, 2018.

⁸ Vedi R. Hadiz, 2005, *Dinamika Kekuasaan Ekonomi Politik Indonesia Pasca Soeharto*, Jakarta, Penerbit LP3ES Indonesia, p. 12.

Secondly, decentralization has inflated an uncontrollable spirits among some of the elites in the region, giving rise to very strong regional sentiments. The term "sons of the region" arises everywhere representing regional sentiments manifested through a kind of necessity that the top seat of government in the region must be occupied by the original figures of the region concerned. This is certainly not something to be desired, let alone be the goal of implementing regional autonomy. However, the phenomenon of "son of the region" is bursting in various regions.⁹

The second amendment of the Constitution has changed the face of the Regional Government to become more democratic and more responsible. Article 18 Paragraph (5) of the 1945 Constitution, Second Amendment, which stated, "The Regional Government shall exercise the broadest autonomy, except the affairs of the government which by law shall be determined as the affairs of the Central Government". Article 1 paragraph (1) of the 1945 Constitution can not be read separately with Article 18 paragraph (1) and (5) of the 1945 Constitution.

The form of the state (*de staatsvorm*) of RI as a whole must be read and understood in the meaning: the State of Indonesia is a unitary State in the form of a Republican, managed bades on decentralization, and run based on the principle of the broadest autonomy, in

⁹ *Ibid.*, p. 15.

accordance with Article 1 Paragraph (1) of the 1945 Constitution juncto Article 18 paragraph (1) and (5) of the 1945 Constitution.

After five years, Law No. 22 of 1999 and Law No. 25 of 1999 is deemed necessary to be revised, until Law no. 32/2004 on Regional Government and Law No. 33 of 2004 on Financial Equilitation replaces Law no. 22 of 1999 and Law no. 25 of 1999. Article 1 Sub-Article 7 of Law Number 32 of 2004 regarding the Regional Government to formulate decentralization is the transfer of government authority by the government to the autonomous regions to regulate and manage the government within the system of the Unitary State of the Republic of Indonesia.

The government referred to in the article is the Central Government. In this case the President of the Republic of Indonesia is holding the power of the state government of Republic of Indonesia, according to the 1945 Constitution (Article 1 Sub-Article 1 of Law Number 32 Year 2004). Delegation of authority by the central government to the autonomous region means the transfer of authority by delegation, commonly called the delegation of authority.¹⁰

During the delegation of power which are delegately distributed, the delegator loses that authority, all turning to the delegate recipients.

¹⁰ Kacung Marijan, 2010, *Sistem Politik Indonesia: Konsolidasi Demokrasi Pasca-Orde Baru*, Jakarta, Kencana Prenada Media Group, p. 24.

D. The Meaning of Decentralization for Improving Local Government

Based on the consideration of Local Government Act of 2004 point (a) stated that the procedures for the implementation of local governance shall be regulated in law in accordance with the virtue of Article 18 paragraph (7) of the 1945 Constitution of Republic of Indonesia. This law also defined decentralization as the delegation of government affairs by the central government to autonomous regions based on the autonomy principle.¹¹

Decentralization is essentially defined as the delegation or surrender of power or authority in a particular field vertically from higher officials or institutions to the functionaries, subordinates officials or institutions so that they are enforced with power and that particular authority is entitled to act on its own behalf in certain affairs.

According to Soenobo Wirjosoegito, decentralization is the surrender of authority by the higher public agency to the lower public agency independently and based on the self-interest consideration to make the decision on regulation and government policy, and the structure of authority that occurs from it.¹²

DWP.Ruiter reveals that in the public opinion Decentralization takes place in 2 (two) forms, namely territorial

¹¹ Article 1 Number 8 of Law on Regional Autnomy No. 32 of 2004 on Local Government.

¹² Soenobo Wirjosoegito, 2004, *Proses & Perencanaan Peraturan Perundangan*, Jakarta: Ghalia, p. 54.

decentralization and functional decentralization, Territorial decentralization is giving to groups who has the territorial boundaries of an individual organization, thereby providing a possibility to create a policy of its own in the whole system of government. While functional decentralization is giving to a functionally separated group of the organization itself, thus giving the possibility to create its own policies within the framework of the governance system.¹³

Rondinelli and Cheema define decentralization as transfer of planning, decision making and / or administration authority from the central government to central organizations in the regions, local administrative units, semi-autonomous and parastatal organizations (companies), local governments or non-governmental organizations. Differences in the concept of decentralization are determined primarily on the basis of level of authority for planning, deciding and managing the authority transferred by the central government and the magnitude autonomy received to carry out these tasks. Furthermore, Rondinelli, Nellis and Cheema define Deconcentration as the delivery of a number of authorities and administrative responsibility to branches of government departments or the lower agencies.¹⁴

¹³ Analysis on The Essence of Regional Parliamentary Rules or the Order of Regional Parliament, *Journal Pasca Unhas* Juni 2014, Vol.3 No.1 : 1 – 11 ISSN 2252-7230.

¹⁴ G Shabbir Cheema, Dennis A. Rondinelli, *Op.Cit*, p. 74

Riggs defined that decentralization has two meanings, the first is that decentralizations means the delegation which includes submission of responsibility to subordinates to make decisions based on the case, but the supervision remains in the center. The second is that decentralization means the transfer of power (devolution) in which responsible for certain activities are left fully to the recipient authority.¹⁵

Essentially, decentralization is the autonomization of a society which are in a certain territory. A society that did not originally have the status of autonomy, through decentralization it will be able to achieve autonomous status by transforming it into an autonomous region. As a radiance to understand the sovereignty of the people, of course autonomy should be given by the government to the community and not at all to the region or Local government.¹⁶

Decentralization is the transfer of authority from the central government to local governments to take care of their own household affairs based on the initiative and aspirations of their people within the framework of the unitary state of the Republic of Indonesia.¹⁷ With decentralization, the autonomy for a local government emerges and it will have a positive impact on the

¹⁵ S.H Sarunjang, 2000. *Arus Balik Kekuasaan Pusat ke Daerah*, Jakarta: Pustaka Sinar Harapan, p. 47

¹⁶ *Ibid*

¹⁷ Syamsuddin Haris, 2007, *Desentralisasi dan Otonomi Daerah*. Jakarta: LIPI Press. p. 52

development of disadvantaged areas in order to be self-sustaining and automatically able to promote national development.

According to Josef Riwo Kaho¹⁸ the objectives of decentralization are a) to reduce the accumulation of work in the Central Government, b) in a very important issue requiring immediate action, the region does not need to wait any longer from the Central Government; c) it can reduce bureaucracy in a bad sense because every decision can be immediately implemented; d) in a decentralized system, differentiation and specialization can be made which is useful for certain interests. In particular, territorial decentralization can more easily adapt to the needs and the local needs, e) reduce the possibility of arbitrations by the central government, f) from a psychological point of view, decentralization can give more satisfaction for regions because it is more direct in nature.¹⁹

A. Simanjuntak states that decentralization can be divided into 3 kinds, namely political decentralization, administrative decentralization and fiscal decentralization. The three kinds of decentralization are closely interconnected with each other and should be implemented together so that the various goals of regional autonomy as such improvement of public services can be

¹⁸ Josef Riwo Kaho, MPA (1982-1988) is an Academician / Professor in the Governmental Science at Faculty of Social and Political Sciences Gadjah Mada University.

¹⁹Josef Riwo Kaho, 1997, *Prospek Otonomi Daerah di Negara Republik Indonesia*. Jakarta : PT Raja Grafindo Persada, p. 12

implemented.²⁰ Political decentralization is the delegation of the decision making power on lower government, to encourage citizens and elected representatives to adapt in the decision-making process.²¹

Administrative decentralization is a delegation of public services authority to others in the institutional structure of the country. In administrative decentralization that involves organizational design, identification of specific administrative tasks is required to perform the role. Some administrative roles are planning, policy innovation, and finance management, and operational management.²²

Fiscal decentralization is intended to move or to deliver sources of income and expenditure factors to the region by reducing government bureaucracy. By bringing government closer to society, fiscal decentralization is expected can encourage public sector efficiency, as well as public accountability and transparency in the provision of public services and manufacture transparent and democratic decisions.²³

²⁰ *Ibid.*, p.14

²¹ *Ibid*

²² *Ibid*

²³ *Ibid*