Traditionally, the main functions of a democratic state are to protect basic human needs, enforce the rule of law, prevent the abuse of power, protect national interests and regulate public life. However, it has during the past twenty years become increasingly difficult for governments to deliver these services. Deregulation, down-sizing of social services, privatization and reduced public spending are affecting the role of the state in the early years of the 21st century. The power of the nation-state is being challenged by supra-national forces, by privatization and civil society, and by decentralization. This puts strong pressures on the capacity of governments to deliver basic services and enforce the rule of the law.

Simultaneously with this development, the state (referred to as “Big Government”) has been challenged by neo-liberals and neo-conservatives who have argued that the public good is better catered for by the mechanisms of competition and the free market, rather than by governments. According to this dogma, government should confine itself to provide a competitive and level playing field for political parties, investors and citizens. Market competition is the primary means of defining the social value, and notions of social justice and common good are displaced by an apolitical view of a public sphere in which individual welfare, materialism and consumption patterns characterize social life. This view has come to permeate not only conservative and liberal governments, but also the traditional social-democratic states in Western Europe such as the in the UK and in Scandinavia.

However, during the past decade, we have seen a strong response to the erosion of democratic vitality from people who do not accept down-sizing of public services and the retreat into the private sphere as the inevitable price of political progress. Political activist are arguing that the world would be a better place if decisions were taken in more unhurried and reflective deliberations, involving as many people as possible. They argue that stable, responsible and accountable public
policies are needed to remake societies so that benefits will accrue to all. Even though many of these activists are critical of governments and states, they argue for a deepening of democracy through new direct forms of deliberate rule, rather than its dismantling, as the solution to the deficits of democratic vitality. The solution to the deficits of democracy is more democracy, not less. Idealism and political action are the key words, exemplified by the World Social Forum (in which Indonesian activists have diligently participated) and the anti-G8 and anti-WTO demonstrations the world over.

As state power is being renegotiated, old government structures and state models are being challenged by civil society, privatization and global forces. Modern society is increasingly complex and demands new governance solutions. There are intense debates within the more mainstream public administration literature on the role of government in the 21st century. One school argues that the role of the government must change from being decision-makers to be facilitators and “empowerers”. Another school talks about “re-inventing government”. There is also a shift in language from “government” to “governance”. The new governance paradigm is about process, politics and partnerships. While in the past, countries were run by the government that took decision based on technical knowledge, today new structures and demands are forcing government agencies to change. Effective and more democratic state management and partnerships require improved governance practices at the local level, encouraging popular participation and new partnerships.

These changes serve as a backdrop to the challenges that the Indonesian state is experiencing today. Democratization, globalization, privatization and decentralization are all putting their own very specific challenges on the Indonesian state, and its capacity to design social policy. What I propose to do in this paper is to review how two of these forces - democratization and decentralization - play out at the local level and impact the capacity of the state to provide social welfare. I will put my focus on the local level; the face of the state that people experiences on a day-to-day basis. To anticipate the conclusions of the paper, I will argue that a strong state is necessary, but a strong and democratic state. This is a state that involves citizen in decision-making and empowers political life and ensures equity in the delivery of social policies. And this is a state that balances decentralization with a national commitment to pursue social welfare.

Democratization and Decentralization in Indonesia

A decade of democratisation in Indonesia has led to the basic protection of freedoms of expression and association, and the separation of powers between the executive and the legislative branches of government. While in the past Indonesian legislators were rubber-stamping the decisions of the executive, they have today regained much of their power and authority, and are answerable to the voters every five years. Several important democratic changes have occurred: the strengthening of parliaments and political parties, media (both printed and broadcast) has grown stronger and more important, unpopular state institutions
have been dissolved, community-based democratic institutions revived, and trust between citizens and the state have begun to the built.

A good characterization of the state of democracy is the petition in Jakarta Post on 31 May 2007 (page 11) in which 46 prominent civil society leaders and democracy activists described said that “we have turned Indonesia into a country with the widest and most vibrant democracy in Southeast Asia”. But, they continue, Indonesia is also experiencing a loss of the sense of justice because “of the enormous gap between the rich and the poor...and because the guardians of justice are corrupt”. Much is gained, but much is still to be down.

Part of the Indonesian public administration is still unresponsive towards the public good, using their authority to further their own vested interest. Only the top layer of the bureaucracy has been replaced. There is still a strong sense of entitlement and righteousness among government officials in Indonesia; that it is their right to define public policy as they see it fit. Many state officials have not embraced the new procedures and standards that accompany decentralisation and democratic reform. Civil servants maintain their old work patterns and attitudes, and remain corrupt. Indonesia remains within the bottom 20 percent of Transparency International’s Corruption Perceptions Index. Powerful positions in the government and in legislative bodies at the national, provincial and municipal levels are still held by members of a small elite. Elected DPRD councillors remain oriented towards their parties rather than voters, and often lack the proper capacity to carry out their main functions of law-making, budgeting and oversight. Political parties lack any meaningful grassroots basis. Parties recruit politicians with skills in fundraising since this ability to raise money for their parties is one of the main expectations of a politician.

Democratic rights are not always fully installed in the minds of government officials. Recently, during a visit in China, a high ranking government official was reported to have complained that “Indonesia is too democratic to progress”. The official went on to say that “as long as individual right is above public responsibility, we will not progress” (Jakarta Post, 8 June, page 3.). Even though the comments might have been tailored specifically for a Chinese audience, there is still a retaining sense among some government officials that democratic freedoms sometimes go too far. An outspoken television program was recently harshly criticized by the Minister of Information, and was only allowed to air again after the President himself allowed so. We are hearing the words “political stability” again in speeches by top politicians, an eerily reminder of 1957 and 1967 when political activities were disbanded in the name of development and stability. This has even led to some political observers to describe 2006-2007 as the “third era of de-party-politicization”

I am not as pessimistic, but before we go into a discussion of that, let me briefly describe the second important force that is characterizing present-day Indonesia, decentralisation. It is hard to over-estimate the degree of centralisation in Soeharto’s Indonesia. The central government collected taxes, revenues and

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moneys from the regions, and redistributed them in highly opaque ways. The implementation of policies and regulations was determined from above, and took place without questions and without the participation of local people. Local branches of central government agencies could be found in all communities in Indonesia, and these were obliged to carry out centrally-designed development projects as well as supervise the local population.

New legislation emerging after the fall of Soeharto set out to change this. Most importantly, Law no. 22 of 1999 on Local Governance (later revised as Law 32 of 2004) grants autonomy to the some 370 (rural) districts (kabupaten) and 80 (urban) municipalities (kota) to manage services and duties. Similar to a federal system, finances, the legal system, foreign affairs, defence and religion were retained at the national level, while the authority over roads, harbours, and other “areas of strategic national interest” were been transferred to the provincial level, an administrative arm of the central government. Districts and municipalities are given authority over remaining functions, including health care, education, public works, cultural policies and natural resources management (for more details, see Hidayat and Antlöv 2004). In Law 32/2004, some of these functions are handed back to the province-level, but if Law 22 was five huge steps towards regional autonomy, Law 32 was one step back, and we are still four steps ahead. Yet, as I am writing this, the government is in the middle of again revising the law on local governance, to be submitted to the parliament in early 2008.

The laws on regional governance were drafted with the explicit aim to improve social welfare for the majority of Indonesian citizens. However, there were problems in initiating such a radical and rapid decentralization process, all the more since it occurred during a period of social disintegration and democratic deficit. Law 22/99 assigned the provision of virtually all public services to district administrations, without establishing the appropriateness of devolving these functions to this particular tier of government - how this might be achieved, the required sequence of measures, and how funding would be secured. This initially led to deterioration in the provision of services as state expenditure for social services such as public hospitals and schools were reduced. It also meant an exacerbation of inequalities between districts since jurisdictions were asked to pay for more and more of their own services and by allowing resource-rich localities to keep their riches for themselves. Furthermore, large parts of local budgets have been used for routine spending, such as for salaries for civil servants and elected councillors (who get free housing and generous allotments for representations) (for case studies of the early years of decentralization, see the chapters in Aspinall and Fealy 2003, and Sakai 2002). There is also a lingering distrust between government officials and civil society activists.

This view is in line with studies by Hadiz (2003a and 2003b), Törnquist (2003) and other critics who have argued that local elites have captured the new democratic spaces provided by the dismantling of the Soeharto empire and the centralised state. These critics note that many of the people who lived very comfortably under the New Order regime are still in power today, albeit under new political arrangements and wearing different party shirts. They have been joined by a new class of “predatory interests” (Hadiz 2003a) or preman politik (“political thugs”)
(Suaedy and Simanjuntak 2000), people that have emerged since the fall of Soeharto. The result, they argue, is a weak democracy dominated by politicians and bureaucrats, and in which the decentralisation process has been hijacked by interests that have little to gain from greater accountability, and there is very little hope for future reforms.

I do not necessarily want to argue strongly against this pessimistic picture: seen from above, from a political-economic point of view, there are clear weaknesses remaining in the Indonesian democratization. However, if we change our perspective and go down to the local level, there are different stories to tell, giving a more complex and hopeful picture of local politics and governance patterns. Changes are taking place at the local level, often outside of formal political structures, with new leaders challenging old power structures and attempts being done to enlarge and deepen local democracy. These innovations are being spearheaded by NGO activists, by newly-emerging social movements and by community-based social action groups. Some are even pushed by brave government officials who support local-level reform and democracy. There is a lot of energy in Indonesia today, a lot of experimentation and trying out of new governance forms, such as citizen forums, town-hall meetings and budget hearings. Even though it is easy to be pessimistic when looking at Indonesia through a Jakarta-prism, if we look from the bottom-up, we can see changes occurring that might eventually lead to more radical changes at the national level.

As part of the democratic process, Indonesia introduced in 2005 direct pilkada elections of local heads of government (mayors, bupati and governors). This is an important step towards creating more responsiveness is local governance. Local elections allow for tailored representation of local interest and facilitate the inclusion and representation of minority groups in political life (such as former combatants - in the case of Aceh - or indigenous groups - in the case of Papua and Eastern Nusa Tenggara). By improving representation, local elections also have the potential of closing the gap between elected official and constituency and provide better access by citizens to policy-makers. By and large, I would argue, the pilkada have produced leaders that are somewhat more responsive and reform-minded (this is also supported in the recent USAID-funded “Stock Taking on Decentralization” report). There is still some way to go before we see elected officials that strongly support pro-poor policies, but many of the leaders that are pursuing local-level innovations have been elected directly. However, one of the weaknesses in the elections is that candidates can only proposed by political parties with more than 15 percent of the seat in the local parliament (non-party candidates are not allowed), and the elected candidate therefore feels obliged to the party rather than oriented to the public.

**Achievement in Local Governance**

To assess the result of regional autonomy and pilkada, let us take a slight detour and a closer look at some of the accomplishments of local governments and elected officials. This will be necessity be a brief overview before we return back to the
main topic: how the new local governance models affect public policy and social welfare.

As part of the larger restructuring of the Indonesian state, public policies are today increasingly being planned and executed in neighbourhoods and communities: in citizen forum, town hall meetings, Musrenbang planning forums, village council meetings, public hearings, etc. Local level policies emerge from bottom up, not just from the top, through what has popularly become known as partisipasi warga (citizen participation). There are a myriad of ways in which civil society organizations can engage in local governance issues. The Institute of Development Studies (IDS) in Brighton has a useful matrix which classifies ways in which civil society and government interacts (Goetz and Gaventa 2001: 15). On a continuing from civil society voicing to government frameworks, these forms include: awareness-raising and building capacity to mobilize; research and information generation for advocacy; lobbying to influence planning and policy formulations; citizen-based monitoring and evaluation; partnership and implementation; auditing; joint management of sectoral programmes (including co-production schemes) and government frameworks for participatory planning.

In Indonesia, some civil society organizations have decided to stand outside of the state, observing, taking note and monitoring what the local government and parliament are doing. Specific note should be given to the range of budget transparency groups that have during the past 5-6 years been pushing for the publication of local budgets and increased budget allocation to the poor. Local budgets have proven a good entry point into larger discussions about both corruption and pro-poor public services, and have led to some tentative achievements. Manuals and handbooks on citizen’s budget oversight are being produced by many groups and disseminated around the country for people to start to use. Citizen groups have recognized their rights, and are advocating for increase budget allocations for their cause, be it education for the blind or mother-child healthcare.

Others civil society groups have decided to establish partnerships with local governments and to engage in government project as sub-contractors, aiming to reform from within. Collaborations in holding public hearings on various public service improvements are good example of this form of civil society-local government partnership. The use of “citizen report cards” to measure customer satisfaction with public services is another collaborative effort between government and people in a town or district to ensure that good public services are recognized and badly performing public services are given the push to reform. These collaborations have been quite successful in providing a necessary focus on public services and providing an incentive for public sector reforms.

There is also a lot of excitement in Indonesia about village autonomy and community-driven development. The larger question here is what role villages have in the development of Indonesia and for the provision of public services. Department of Home Affairs and the House of Representatives have decided that a separate law on village governance is to be drafted, in conjunction with the revision of Law 32/2004. There are two basic issues here for this the lowest level of
government: what functions and services could be managed by villages (Home Affairs have drafted a tentative list of some 210 authorities that could be devolved to village governments), and secondly, what are the limits and minimal obligations of state interventions in villages (both negative and positive, ranging from protection of human security and legal certainty to placing Babinsa soldiers in each village and demanding of neighborhood leaders to report suspicious persons to the authorities).

If the reader will indulge with me, let me briefly highlight some of the improvements that local governments supported by the project I am presently working for (the USAID-funded Local Governance Support Program) have achieved during the past two years, specifically as they are related to public services

- **Assistance to Local Government to Implement Minimum Service Standards.** At present, there is no national health insurance system that provides coverage for all citizens in Indonesia and as a result, many poor people do not receive sufficient healthcare. In Kabupaten Padang Pariaman, local government officials, health sector specialists and civil society organizations are collaborating on an initiative to socialize a health insurance program called *Jaminan Pembiayaan Kesehatan Masyarakat/JPKM* (Health Insurance for Citizens). The insurance program was introduced by the national government through the “Minimum Service Standard on Health Financing for the Poor” which mandates that coverage be extended to 100% of the population, but few local governments can achieve the full coverage standard. Local government officials in Padang Pariaman have developed procedures and policies to implement the JPKM and meet the minimum service standards on providing coverage for the poorest members of their district. Government officials have agreed that the insurance premiums for the poor will be paid from the APBD (local budget) and the local government of Padang Pariaman committed to developing a special budget for the JPKM to ensure coverage in the future. Local governments developing similar JPKM program include Kabupaten Sinjai and Kota Binjai in North Sumatra, and Kota Parepare and Kabupaten Gowa in South Sulawesi.

- **Kota Depok Involves Citizens to Contain Flooding.** One contributing factor to the recent severe flooding in Jakarta is the absence of sufficient wetlands and retention ponds to hold water during downpours. Kota Depok, located just south of Jakarta, contains over 30 small lakes which act as natural water recharge areas and hold water during the rainy season, but some of these lakes are becoming clogged with garbage or are disappearing altogether. Since 2005, the Depok local government, including representatives from the Environmental Office, Agriculture Office and BAPPEDA have collaborated with civil society organizations and citizens to establish and manage a task force to preserve the lake system and help prevent further flooding. Task force members have gone on to provide important information and training to the citizens of Depok. For example, in January 2007 the task force trained household members to manage their solid waste by composting instead of dumping directly into the lake and other areas. In February, the task force facilitated a meeting with stakeholders on “The Management of Lakes in Depok.” The meeting provided a forum to reflect on successful initiatives and generate new ideas to raise awareness and
preserve the lake system. One direct outcome of the meeting is the commitment to hold a will be a multi-sector workshop in the next few months to identify best practices for lake management.

- **Improvement of Health Care Services.** Local officials in Binjai (North Sumatra) have developed a task force and framework to identify problems and analyze issues affecting health service delivery and to finalize the district’s working team on health service delivery for the poor. Participants in the task force include stakeholder representatives from the local government’s executive and legislative offices as well as from NGOs, health service practitioners and providers. The Local Government of Binjai has committed to allocate Rp. 130 million in the 2007 Budget to support the program. There has been committed interest by all stakeholders to improving services and, as a result, a health service delivery works plan has been developed and the Health Work Unit proposed Rp. 650 million to the 2008 Budget to continue programs for the poor.

Examples of innovation in local governments are becoming plentiful. Recently, the *Jawa Pos Otonomi Award 2007* was announced in Surabaya, with the nation’s second largest newspaper providing recognition and awards to local governments in East Java who have carried out public innovations within the fields of economic development, political reforms, and public service delivery. To give a flavor: the award for political accountability was given to the local government of Pamekasan for their initiative to publish a pocket book of the 2006 local budget (APBD). In the health service sector, Jombang was awarded for the reforms of the community-health centers (*Puskesmas*) which not only are free, but have noticeably improved their services. In their evaluation of the 2007 regional autonomy in East Java, the organizers, the Jawa Pos Institute for Pro-Otonomi noted a trend of local government to move away from large infrastructural projects to try out community-based development initiatives. One of the nominees, Blitar, was thus awarded for their support to local, community-based, Koi-fisheries, who have been successful in marketing their Koi to middle-class customers in Surabaya and Jakarta. Another trend is the focus on rehabilitation of traditional markets, as a counterweight towards the introduction in many cities of international supermarkets.

As I am writing this paragraph, I am in the city of Solo in Central Java. Here, a dynamic mayor was directly elected two years ago, and has rapidly gained the trust of people by cleaning up the city, enhancing facilities for education and health-care, and introducing one-stop permit shops for investors. Solok, Kebumen, Kupang, Gorontalo, Sragen, Jembrana, Lebak, Makassar, Bontang. The list might not be terribly long (but certainly much longer than this), but there are good things happening in local governments today. And even more so if we also add in the struggles carried out by civil society organizations.

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The New Governance Paradigm and Social Policies

The question is, in the words of an op-ed in Jakarta Post on 19 June 2007 by our host Sugeng Bahagijo, whether this is more than “A Few Good People and Local Government”? What we have seen above are good examples of the types of local-level changes that are occurring. As important as they are, we still need to address the topic of this workshop: do they create living conditions that are conducive to human welfare? Are these practices leading over to policies, defined as plans of action to guide decisions and actions? Having spent quite a few years in the country, I would give a very Indonesian answer: belum (not yet). There is potential, and some of these practices are improving living conditions for people, but there are still obstacles for human welfare policies to be fully implemented. From the perspective of the local (which I believe is my mandate at this workshop), at least three conditions need to be met:

- people and popular organizations are given a role in determining policies
- more political activities are encouraged
- central government provides clear guidance on social policy and poverty alleviation

Let us look at them separately.

Experiences from other parts of the world point towards the fact that local governments cannot and will not reform themselves without pressures from below and support from above. As we have seen, many local government officials in Indonesia are quite hesitant to change. There needs to be constant public opinion that not only pressures local governments to reform but also lets them know exactly what is needed. I believe that citizen engagement in governance and policy-making is a key ingredient in the promotion of progressive social policy. Citizen participation involves the systematic participation in decision formulation and taking by groups of citizens, of linking those who have developed participatory methods for consultation, planning and monitoring to the new governance agenda (Manor 1999, Blair 2000, Pimbert 2001, Fung and Wright 2003). People must be systematically involved in policy formulation, decision-making and program evaluation. This kind of popular participation shifts the focus from a concern with beneficiaries or excluded groups (as in much traditional development work) to a concern with broad forms of engagement by citizens in key arenas that affect their lives (Cornwall and Gaventa 2001), giving new voices to those that have been excluded from social and political participation.

In Indonesia today, as we saw above, there are lots of such good experiences in which spaces are being opened by innovative and reform-minded activists and local government officials. However, the opening up of social spaces is only the first step: a necessary but not sufficient condition for progressive social policy to be pursued. Increased participation on its own - without greater downward accountability of officials and the active inclusion of the poor - is insufficient for clear policy outcome to be produced. There is little point in providing venues and inviting citizens to participate if the issue of the basic power relations governing any form of social interaction is not addressed first - allowing the new democratic
spaces to be captured by the elite. If “democratic” meetings are just an alternative means for members of traditional power holders to find a new way to access power while the poor and marginalised are too intimidated to speak up, not much has been gained. On a higher level as well, only a limited number of pro-democracy activists or advocacy NGO leaders have been able to influence public policy in a comprehensive manner. A “democracy audit” carried out in 2005 showed that the pro-democracy movement even seven-eight years after the fall of the authoritarian government is still marginal (DEMOS 2005). Very few pro-democracy activists are in power - and those that do not represent the interest of civil society longer. We therefore need to look closely at who is engaged, who controls the agenda, how decisions are reached, and who benefits from these decisions. This leads us over to the second condition for strengthened social policy: the politicization of social life.

There is thus a need for the creation of strong political forces that can articulate particular social interests. Society as such needs to be politicised, in the everyday form of “low politics”. It is above all at the local level that Indonesia must build its political life and basic institutions. Local, everyday politics is the foundation for other form of politics - opening up the spaces that have been monopolized by rent-seekers. Without grassroots democracy, it is impossible to sustain democracy at the national level. (The opposite is also true; if the central government does not protect rights of assembly and expression, it is difficult to democratise the grassroots.) Politics needs to be built from below, because this is where social forces are at their most dense, where political recruitment and the building of constituencies takes place, where people can translate national policies into local programs, and where local issues become national concerns. It is on this level that politics matter to people, where they can be free to determine their destinies, express their views and participate in the decisions that shape their lives. The greater competition that politics entail enhances the likelihood that elites will seek political support from disadvantaged groups - diversifying the political arena and engendering pro-poor policies.

A politicization of everyday life involves devolving politics to ordinary people. This must amount to a “de-professionalization” of politics. In the 1960s and 1970s, policy-makers relied heavily on economic models that sought technically efficient solutions that maximized welfare for the greatest number of citizens under free-market conditions. During the 1980s, a second-generation approach of public policy studies began focused also on democracy-building outcomes, and began to look at the “how” question: under what conditions could improved public polices be institutionalized. It seems that in the mid-to-late 20th century, mass democracy, the notion that ordinary people should have a say in politics was lost and replaced by an increasing professionalization of politics of the public policy making process. Technocrats took over and full-time politicians became estranged from the life of common people. A third generation of questions emerged in the 1990 as a response to the increasing complexity of challenges for state agencies from globalization, privatization, decentralization and democratization. Reform sequencing and process interaction became key concerns: policy reforms are “dynamic combination of purposes, rules, actions, resources, incentives, and behaviours leading to
outcomes that can only imperfectly be predicted or controlled” (Brinkerhoff and Crosby 2002:5).

Most people do not want to interact with the political sphere as professionals; very few citizens want to become politicians. Borrowing from feminist theory, the political sphere needs to be reshaped to reflect the needs of common people. Public policy formulation should be a political process in which citizens had the right to engage, leading over to “deliberative democracy” (Gastil and Levine 2005), “citizen democracy” (Frantzich 1999), “everyday politics” (Boyte 2004) or “politics for amateurs” (Stoker 2006). Politics and governance are not only for the specialists, but also for the non-professional. The democratization of policy-making necessitates that government actors are willing to open up for more participatory and transparent decision making, and this is what sometimes is lacking. Experiences from around the world show that technocratic solutions are not optimal. Not only do they not reach their targets for lack of information or skills; they are resisted by people since they interfere in their lives.

Neither popular participation nor grassroots political action will by themselves bring changes in social policy at the national level. For that, a third condition must be fulfilled, and that is that the capacity of the state to deliver on its promises to provide social welfare. It is necessary to have clear national-level directions in terms of social welfare provisions that local government could implement. It is naïve to believe that this will happen only through innovation by local governments.

As we saw above, there are both general and particular conditions affecting the capacity of the state to provide social welfare. The general condition is related to global forces such as privatization and democratization, while the particular conditions are related to specificities of the Indonesian state such as lingering rent-seeking practices and distrust. To design social welfare policy in an era of decentralization and democratization, central government agencies need to take a more comprehensive view of policies. Much is piece-meal today and there seems to be no blueprint. Even though individual ministries and champions are designing good and well-meaning policies, there are also powerful interests that are not fully aboard. Part of this is related to an old conflict within the Indonesian state between “pro-market liberals” and “state developmentalists” who for decades have fought a tug-of-war over public policies, and continue to do so.

Whatever course Indonesia sets itself to develop, what is needed is a strong commitment and clear guidance by central government agencies. The “trickle-up” effect we are presently seeing with innovation in local governance spilling over to neighboring jurisdictions, might not by itself lead to improved social policies. In taking a more comprehensive view of social welfare, the central government should both learn from and build on reforms already going on the regions. This includes clarifying the role of provinces in supporting social welfare policies.

People might argue that the developmental state under Soeharto provided some sense of social security in terms of education and healthcare (school books were free, access to puskesmas easy, etc.). But I think that recent history shows that
pembangunan under the New Order proved to be a fallacy. One need not underestimate the economic progress of rural development programs under the New Order to recognize the negative social, political and cultural impact the regime had on communities. Yes, schools books might have been free, but parents had to bribe teachers to allow their children to pass grades. Yes, there might have been access to community health centers, but they had no medicine since doctors and nurses preferred to moon-light during evenings. The fall of Soeharto was a sign that the people of Indonesia wanted more than material development. They want to be able to speak freely, to criticize their corrupt neighborhood chief without being intimidated, to get their ID card without having to pay bribes, etc. I do not want to romanticize the 1998 movement - it was led by middle-class students far away from the lives of villager and kampong-dwellers - and there are people on the street who say that “things were better in the past”, but when you engage in a discussions with them, many recognize that corruption was the price they had to pay for authoritarianism, and they appreciate the freedoms that democracy provides them with. “Development” is thus not only material but is also about human security and social welfare, a personal sense of security with protection of human rights such as not being afraid to speak up, and a welfare that is based on equal access and engagement. We need thus not romanticize the developmental state. The question remains, however, what it is in the present constellation of the state that does not allow it to fully provide equitable social policies. Why is the present Indonesian democracy unable to extinguish poverty and provide welfare for all?

**Conclusions: Politics, Social Policy and Welfare**

The challenge of the modern nation-state is to reconcile the need to limit its own power (since it tends to overly interfere in the daily affairs of its citizens, and since power corrupts), while not undermining itself to the extent that it is completely powerless to counterbalance the global corporate wielders of money and information, and thus be unable to protect the interests of its citizens, especially the poor (Touraine 1997). That political system must meet the aspirations of the ordinary citizens who wish to affect the public decisions that affect them in terms of providing access, while being strong enough to provide human security and legal certainty. Government institutions must be organized to achieve a more rational, impersonal and legitimate means of carrying out public administrative function (LogoLink Topic Pack on Participatory Planning, page 13). Citizens must be able to trust those in public office not to treat them in an arbitrary or corrupt manner but in a consistent, ordered, rule-bound way.

Evidence from other parts of the developing world tells us that a substantive and strong democratisation can only be achieved when the new democratic government has the power and willingness to “dis-empower” hardliners and old forces. Democratisation alone - simply opening up the political arena without greater downward accountability of government officials and politicians and without mechanisms to include the disadvantaged - is insufficient. This suggests the need for a state that is democratic and strong.
Only a **strong** state can withstand the powers of global market, protect its citizens from the continued rule of old-timers and ensure that social welfare is provided also in poor and disadvantaged part of the country. Only a democratic state can deny the “power corrupts” iron law of oligarchy and allow the exercise of civic authority over public matters. Together these two principles make for a strong democracy, one that accentuates the equality of power in democratic decision-making and thus challenges unequal power relations - as opposed to a weak democracy that emphasises individual rights to property and profit and therefore accepts the unequal outcomes of markets (Barber 1998, Barker 1999, Swift 2002). This is a state and government that is responsive towards the needs of citizens, and that therefore has mechanisms through which it can accountable and transparent to citizens about their actions, particularly in relation to their public service mandates and the use of public resources. If this is the spirit underpinning government as a social institution, then the state could make government institutions work.

Participation (and democracy more broadly) is not only a process but also a means to overcome poverty. Quite often, material poverty is rooted in social exclusion and vulnerability (Cornwall and Gaventa 2001). The inclusion of historical disadvantaged groups in policy decisions is in itself a way to address the roots of their poverty. Amartya Sen has argued that elections and a free media give politicians in democracies much stronger incentives to avert famines and promote social justice. Democracy thus helps protect people from economic and political catastrophes such as famine and descent into chaos. In the same way that democracies historically never have gone to war against each other, it is very uncommon with famine and chaos in democracies. This form of strong democracy can only be achieved by identifying practices and innovations that contribute not only towards efficient government (Soeharto was extremely capable!), but a government that serves society better - especially those that have no power; the form of state that protects the rights of the weak and emphasises equality before the law.

As we have seen, this kind of strong democracy cannot be achieved by local governments alone. Most local governments in Indonesia have limited resources and revenues and cannot carry out their core functions without support from higher authorities. They are dependent on central government transfers. To date, poor and rich regions alike are getting these General Allocation Transfers (DAU, *Dana Alokasi Umum*). Because they are (more or less) evenly split, resource-poor regions have found it difficult to improve welfare standards, and at times even provide the basics of public services. In an important step, the government is for fiscal year 2008 planning to change these allocations so that rich regions get less of the General Allocation Transfer, in order to use DAU as it was initially meant, as a mechanism for equity. However, rich regions have protested against this new policy (see KOMPAS, 16 June, page 9, “*Daerah Kaya Protes DAU*”) arguing that they should be able to retain what is their property. The outcome of this tug-of-war will be an important indicator of the strengths and willingness of the central government to promote equity and social welfare. The government should be commended and supported for this initiative (even though some critiques say it is too little, too late).
There seems to be a growing commitment from central government actors to not only talk about poverty alleviation, but also program and allocate funds. There is the Poverty Reduction Strategy Paper and the full program that has been developed around that. There is the new *Program Nasional Pemberdayaan Masyarakat* (PNPM), providing funds to village groups for community development projects. The Ministry of Forestry has recently launched its long-awaited *Program Hutan Tanaman Rakyat*, a program to allow community groups to cultivate state forests, built on community forestry models developed by DfID, Ford Foundation, CIFOR and others over a long period of time. A tentative indicator that funds are flowing towards basic services and poverty alleviation program is a comment made by the Minister of Defence during a recent LIPI seminar on conflict prevention; he complained, somewhat tongue-in-cheek, that his ministry has gone for first to fourth ranking in spending among the line-ministries; he has been overtaken by both the Department of Education and Department of Health.

We can conclude that some of the deficits we have found in Indonesia are related to the lingering weaknesses of the state, a legacy of the authoritarian regime. But this is not a permanent condition. Solutions must be found in the realm of political pressures from civil society and new political constellations. What kind of pressures and politics? That is not really for me as a guest to the country to say, but experiences from other countries point towards the fact that there must be a restructuring of the state which begins with public sector reforms, allowing reform-minded leaders with strong mandates to lead key state institutions. The sense of entitlement among elected politicians and government officials in Indonesia breeds power abuse and corrupt practices, and needs be rehabilitated to a work ethos in which serving the nation, city or village is the prime incentive for running for office or becoming a civil servant. Political parties also need to be more rooted in every reality of citizens, which possibly could be done by reforming the political system so that party representatives become oriented towards constituencies rather than party bureaucracies. What incentives there would be for politicians and officials to go through these changes is a complex question. It should probably be a combination of positive, democratic incentives: getting re-elected, having a sense of pride for serving the nation, feeling job satisfaction, getting promoted because of good performance, etc, and disincentives: not ending up in jail for corruption, not being harassed by villagers for bad public services, not being left behind when the reform pace picks up, etc. But the motivation for change needs to be answered clearly, since the incentives not to reform are quite substantial today, with corruption and impunity.

Democratic, decentralization governance provides the best framework for people to exercise their democratic authority over public matters, but it needs to be nested within a national system that protects universal rights and entitlements. As

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4 I am certainly not blaming Indonesia's problems on a “few bad men” as if the country is a gentle place and were it not for a few nasty, selfish types everyone would be happy. Nor do I believe that the arrival of a *Ratu Adil* will be the solution, a prophesy that the “Just King” will come at the end of time and solve all mankind’s troubles. The problems in Indonesia are systemic and institutional. However, this is not to say that leadership is unimportant - institutions and systems, at the end of the day, are made up of people.
political engagement grows, so does the legitimacy and effectiveness of state authority, providing a strong hand for protection against exclusion and regulating the privatization of public affairs. In the words of the Jakarta Post May 31 petition quoted above, democracy is “a healthy and production conversation”. This must include a dialogue on how to design a strong democratic and decentralized state that can act as the protector of human rights and provider of basic social services for all. Prakarsa should be commended for organizing this conference, an important contribution to that national conversation.

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