

Preface

In Indonesia, the policy of decentralization implemented in 2001 has become a key policy aimed at facilitating democratization at the local level. Through Law 22/1999 on Regional Governance, the central government transferred power and financial resources as well as personnel to local governments. Within decentralization, local governments had rights to manage locally formulated development programs. The law mandated that development programs to be executed based on principles of diversity, participation, genuine autonomy, and community empowerment. Decentralization is expected to improve community participation, local capacity, transparency, accountability, responsiveness, and the targeting accuracy of government programs.

Nevertheless, it is imperative to note that decentralization is not an end in itself, but only a way to pursue balanced economic development. Wider public involvement in local decision-making should not only increase legitimacy and grassroots support, but also accelerate economic growth and poverty alleviation throughout the country. In this regard, several macroeconomic indicators present that Indonesian governmental decentralization has not been completely successful in the above-mentioned economic development. Economic growth and the decline in the poverty rate have slowed after decentralization. Some indicators, like the primary school enrollment rate, improved, but many others like infant (children under 5 years old) and maternal mortality rates, access to water, energy and sanitation services were improved only slightly or not at all.

Conceptually, there are more theories and reasons to explain why decentralization creates successful development. Many failures are due to problems of implementation rather than problems with the concept itself. Analyzing the nature of implementing decentralization is therefore very important to understanding why the problems exist and how to solve them. Many researchers have highlighted the regulations, intergovernmental relationship, and many other aspects of Indonesia's political, fiscal, and administrative decentralization, especially concerning what is happening at the national level. One of their limitations is that the problems and policy implications of decentralization are mostly analyzed from the perspective of the central government, which focuses on macro design, institutional

arrangements, and the impact of decentralization on national macroeconomics and politics. Using the perspective of central government to analyze decentralization, many existing studies do not focus on local dynamics where the process of local governance is taking place.

This book uses quite a different approach. It is written based on the idea that people have to look at local realities in order to understand decentralization. Grassroots realities, especially concerning the implementation gaps in villages, will be the main substance here. It will discuss composite issues including participatory budgeting, social capital, local capacity, rural leadership, community participation, livelihood problems, and poverty alleviation. These are the issues in which political, administrative and fiscal aspects of decentralization meet together in implementation and form the dynamics of policy implementation. An interdisciplinary approach toward local politics, public administration, and rural economy is used to discuss the issues and to formulate policy options.

Chapter 1, as the introductory chapter of the book, briefly discusses the historical background of Indonesian decentralization. A glance at Suharto's rural development policies along with their consequences affecting rural livelihood, local institutions and bureaucracy, and the coming of Asian monetary crisis in 1998, provides the background to the decentralization policy. This chapter makes the important claim that Indonesia's decentralization is identical to its process of democratization, and thus it should be analyzed as not only a phenomenon of public administration or development management, but also as an outcome of local politics.

Chapter 2 discusses the framework needed to analyze decentralization and rural development. This chapter reviews theories of decentralization, why decentralization is important for rural development, and why in some areas it is successful while in other areas it has failed. This chapter aims to provide a general understanding of decentralization theories and analysis in the context of rural development. Since decentralization is country specific, Chap. 3 discusses the designs of political, fiscal, and administrative decentralization in Indonesia, underlining in particular those related to village government and rural development.

Chapter 4 discusses rural development policies in Indonesia, and the changes in program approaches before and after the decentralization. This chapter reviews several studies on land reform policy, the Green Revolution, community-driven development, and social protection programs in Indonesia. The implementation and impacts of these programs on the rural economy are discussed briefly. Lessons learned from those programs are presented in the last part of the chapter.

Generally, budgeting is the most effective tool to achieve government policies. Whether local governments prioritize rural development or not can be seen from the budget allocation for related sectors. Issues on local budgeting are discussed in Chaps. 5 and 6. Chapter 5 discusses expenditures on rural development before and after decentralization. It presents how the spending for recurrent activities, agriculture, rural infrastructure, education and health has changed over the years. Chapter 6 discusses the dynamics of local participatory budgeting, specifically interactions between local communities, officials, and councils in the budgetary decision-making.

In the case of rural areas, communities have built a complex relationship between households, institutions, and community leaders. Villagers have extended their social capital through membership in institutions. Theoretically, development policies will be more successful if the government optimally utilizes existing social capital. Chapter 7 discusses institutions existing in rural areas, institutional membership and the utilization of social capital in decentralization. Chapter 8 discusses rural community leaders, their capacities, and the roles they have played in decentralization. The capacity of village's head and other neighborhood leaders will be measured through a set of indicators, which is a combination between general and traditional Javanese leadership. Chapter 9 discusses the capacity of village government in implementing decentralization. It focuses on the capacity of village's officers, council and development committee. This chapter also discusses the ways in which villagers and rural institutions work together to solve local livelihood problems.

Chapter 10 discusses community participation in rural development, especially about the mechanism and substance of involvement in planning, execution, and evaluation of rural development. Substantially, Chaps. 7–10 aim to discuss how decentralization facilitates democratization at the village level. Some part of the discussion uses a participatory approach, especially from the Javanese cultural perspective to understand rural leadership, interactions between communities and their leaders, and how that perspective influences the ways in which communities participate in rural development.

The impact of decentralization on rural development should be analyzed from the perspective of the rural economy, especially in terms of poverty alleviation. Thus, Chap. 11 discusses the implementation of poverty alleviation programs along with decentralization. The targeting accuracy of these programs, whether or not decentralization has an impact on improving program distribution, and most importantly, the changes in the socioeconomic condition of households before and after decentralization are assessed in Chap. 11.

The final Chap. 12, provides policy options to improve implementation of decentralization in order to optimally develop the rural community. Based on the findings and discussion from the previous chapters, it presents several potentials of decentralization in Indonesia, which include robust rural institutional membership, rare cases of elite capture in the distribution of poverty alleviation programs, good individual village officer capacity, and functioning rural community leaders. At the same time, there are also several challenges of decentralization, which include limited budget allocation for rural development, problematic local capacity realization, pseudoparticipation of rural communities, and limited impacts on the rural economy and poverty alleviation. The implementation of decentralization should be improved by strengthening legislation on decentralization, delivering capacity development for rural institution, and institutionalizing decentralization through rural development programs.

Overall, decentralization and rural development are crosscutting issues, therefore problems may arise anywhere during implementation. This book discusses related theories to help the readers understand how each of them contributes to solving the

implementation gaps. The arrangement of book chapters is based on policy phases, which start from formulation, implementation, and measuring the impact of decentralization. Hence, it will be easy for readers to follow. This book expects to fulfill the needs of people seeking to understand the issues of decentralization and rural development in both Indonesia and other developing countries. Readers are highly valued and will be appreciated for any comments and advice they provide to improve the contents of the book.

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