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A Critique of Neo-Institutionalist Perspectives**

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DECENTRALISATION AND DEMOCRACY IN INDONESIA: A CRITIQUE OF NEO-INSTITUTIONALIST PERSPECTIVES¹

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A. Neo-Institutionalism and Decentralisation

Decentralisation has emerged in the last two decades as one of the most important topics in development policy and theory debates. Understood as 'the transfer of political, fiscal and administrative powers to subnational governments', the World Bank has observed that it is 'a global and regional phenomenon' and that 'most developing and transitional countries have experimented with it to varying degrees' (The World Bank Group n.d. a). Indeed, decentralisation is a key theme in the 'neo-institutionalist' development literature, a hefty proportion of which is attributable to the intellectual production lines of such development organisations as the World Bank, or the American aid agency, USAID. Neo-institutionalism itself can be defined as a school of developmental thinking that purports to explain the history, existence and functions of a wide range of institutions (whether government, the law, markets, the family, and so on) according to the assumptions of neo-liberal economic theory. In that sense, neo-institutionalism represents a variant of the neo-liberal orthodoxy that is ascendant within governments, international development agencies, policy think tanks, and increasingly large sections of the social science community – especially as the methodologies of mainstream economics become increasingly absorbed by other social science disciplines, including sociology and political science (Fine 2001; Harriss 2002).

This essay assesses some of the major premises of neo-institutionalist explanations of decentralisation policy and practices, but focuses especially on the relationship between decentralisation and democracy. This is done particularly with regard to the recent and ongoing Indonesian experience with decentralisation.

An underlying premise of the neo-institutionalist literature on the subject is that countries can 'choose' the most appropriate form of decentralisation for themselves (The World Bank Group n.d. b). In fact, the exercise of choice is the most important aspect of the neo-institutionalist framework. The leaders of 'developing' countries, for example, can find the right balance of decentralisation in various areas of governance, and settle on the right 'pace' as a matter of good, rational, policy-making. Insofar as politics is invoked at all, it is viewed

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only as providing the initial impulse for decentralisation, after which it becomes a mere intrusion on the real business of technocratic weighing of policy options.

By contrast, it is suggested here that policy-making in any area is not merely a question of 'rationally' choosing the 'right' decisions in a technocratic, value-free manner, but is more fundamentally shaped by contests between competing interests. Policies in any context, including those that pertain to decentralisation, are essentially indicative of particular modes of distribution of power (Rodan, Hewison and Robison 2001: 15). Moreover, the privileging of the non-political – indeed the anti-political – by neo-institutionalists is fundamentally reflective of a non-democratic world-view that upholds the fiction of politically autonomous technocrats, even if these are clearly beholden to, or even comprise part of, broader coalitions of power themselves. This implicitly anti-democratic position is particularly ironic given the supposition that decentralisation will lead to good governance practices involving wider public participation in development.

But the neo-institutionalist world-view embraces democracy only insofar as technocrats or technopols can preside over policies unimpeded by the intervention of societal interests that might include that of labour or other sources of social democratic or more radical agendas. Political democracy is, therefore, insulated in this world-view from challenges to the vast inequalities in power and wealth embedded in free markets, while it simultaneously protects the rights of property (Hadiz and Robison, forthcoming). It implicitly favours a kind of liberalism which in many ways is highly authoritarian in its political aspects (Jayasuriya 2000).

Furthermore, it is suggested here that the relationship between decentralisation and democracy is at best problematic in any case. With particular reference to Indonesia following the fall of the so-called New Order regime of Soeharto (1966-1998), it is shown here that predatory forces and interests can capture the processes and institutions of decentralisation. In such a case, decentralisation is likely to have little bearing in terms of pushing forward a governance agenda based on transparency and accountability as is largely assumed in the neo-institutionalist literature, especially as represented in the prodigious intellectual production of international development agencies.

B. Why Decentralisation?

There have been many reasons cited for the prevalence of decentralisation trends, globally. Among the reasons cited in the neo-institutionalist literature are:

(T)he advent of multiparty political systems in Africa; the deepening of democratization in Latin America; the transition from a command to a market economy in Eastern Europe and the former Soviet Union; the need to improve delivery of local services to large populations in the centralized countries of East Asia; the challenge of ethnic and geographic diversity in South Asia, as well as ethnic tensions in other countries (Bosnia and

Herzegovina, Ethiopia, Russia) and the attempt to keep centrifugal forces at bay by forging asymmetrical federations; and the plain and simple reality that central governments have often failed to provide effective public services (Ahmad, Bird and Litvack 1998:1).

Significantly, 'decentralisation' has become, along with 'civil society', 'social capital', and 'good governance', an integral part the contemporary neo-institutionalist lexicon, particularly the aspects of which are supposed to underline greater attention to 'social' development. These concepts clearly feed into, as well as mutually reinforce each other, thus bolstering the basic logic of the entire neo-institutionalist world-view.

Neo-liberal versions of the concept of civil society, for example, which inform the neo-institutionalist literature, suggest that a vibrant civil society contributes to good governance and democratisation by ensuring greater public participation in development. Crucially, decentralisation is usually assumed to provide better opportunities for participation by local communities in decision-making. As the World Bank (n.d. c) puts it in a recent document entitled 'How We Work with Civil Society':

Eleven years since the fall of the Berlin Wall we now approach economic reforms and the development process in a much more decentralized fashion. Individuals and various social groups are now seen not only as beneficiaries, but also as active forces supporting development.

In turn, a vibrant and healthy civil society itself can only really emerge through the nurturing of social capital – norms and values that bind people and communities together (Putnam 1993, 2000) and create 'trust' among development actors as well as between those who govern and are governed. Decentralisation, moreover, is said to potentially lead to greater prioritisation of local needs in development policy, as it encourages greater accountability of those who govern to local communities. It can also enhance political stability, and even national unity (The World Bank Group n.d. b).

Thus, a glowing assessment (produced under the auspices of the Asia Society in the United States) of decentralisation policy in the Philippines under the 1991 Local Government Code, claims that it has been responsible for greater public participation in development, enhanced levels of public accountability and local control over resources, even as the author acknowledges the salience of predatory local political bosses (Rood 1998). Indeed, local control over development priorities and resources is one of the major objectives of the decentralisation programme in Indonesia after more than thirty years of centralised authoritarian rule under Soeharto, partly as an antidote to local demands for autonomy that in some cases have been accompanied by the threat of secession.

Thus, according to a recent USAID document, for example, 'Indonesia is moving rapidly from years of tight central control to a far more decentralized and autonomous system of local government.' More specifically, USAID (n.d.) suggests that the legal framework for local autonomy in Indonesia – part of a series of wider reforms of an array of institutions – is geared to help 'create the basis for national and local democratic governance.'

But it is also clear that the relatively new concern for public participation, accountability and even democracy, is in itself partly a response to criticism in the past of the support of international development agencies for technocratic and top-down development policies. Populist and radical critiques of these policies in many Southeast Asian countries, for example, have long claimed that these have resulted in an elitist development process within which large sections of society are marginalised – peasants, workers, other urban poor, women, indigenous peoples, and so on – while a small elite grows more powerful or wealthy in cahoots with international capital. In Indonesia, for instance, there is a long tradition of Islamic petty bourgeois populism expressed against the rapacity of big business, whether foreign or ethnic Chinese. There is also a long suppressed radical critique of the systemic injustices of capitalism which is rooted in the socialist tendencies of the country's nationalist, anti-colonial movement (Chalmers and Hadiz eds., 1997, Ch.5, 8, 9; Bourchier and Hadiz eds., 2003, Ch. 3, 6).

However, neo-liberal assumptions about the existence of a homogenous, common set of fundamental interests in civil society have little empirical basis, and neither does the notion of a civil society bound together by the nurturance of social capital. While these interests are often tacitly understood in the neo-liberal tradition to favour free markets, rule of law, and democracy – and thus basically associated with a hypothetically vibrant and independent middle class or bourgeoisie – the reality is that there are often competing interests within civil society itself. Moreover, salient sections of civil society may be profoundly anti-democratic or anti-market (Rodan 1996: 4-5; White 1994: 375-390), ironically, including those supposed paragons of 'rational' behaviour, the bourgeoisie and the middle class. By the same token, the notion of social capital – which actually began its life as part of a critique of the cultural aspects of class inequalities in contemporary capitalism (Bourdieu 1986), but was appropriated by the followers of conservative theorists such as Putnam (1993, 2000), Coleman (1994) and Becker (1996) – is spurious and ambiguous. Its main contemporary function appears to be the denial of social conflict and of the importance of unequal power relations in determining development trajectories. The notion of social capital, therefore, has become an essential part of the wider technocratic project of conceptually depoliticising development (Fine 2001; Harriss 2002).

Thus, the World Bank fails to acknowledge the importance of social conflict even as its effort to link up with civil society – for example, through NGOs – is supposed to 'amplify the voices of the poorest people in the decisions that affect their lives' (The World Bank 2000: 5). The Bank defines civil society as the

(S)pace among family, market and state; it consists of not-for-profit organizations and special interest groups, either formal or informal, working to improve the lives of their constituents (The World Bank 2000: 10).

Moreover, an array of organisations – k research and policy design organisations, labour unions, the media, NGOs, grassroots associations, community-based organisations, religious groups and many others – are regarded within this definition as ‘typical examples of the actors that comprise the dynamic web known as civil society’ (The World Bank 2000:10).

While there is certainly nothing wrong in recognising the innate diversity in civil society, there is tellingly no acknowledgement that the ‘dynamic web’ may consist of elements that are mutually antagonistic, of the powerful and the exploited, which for example, may support or resist the sort of policy agendas promoted by international development agencies or their domestic allies in developing societies. By painting a rosy picture of civil society, the World Bank and other international development agencies can overlook that democracy, public participation, accountability and social and economic rights are all historically tied to the outcome of struggles of social forces and interests and not simply the product of intentional policy design. Liberal democratic regimes in the West, for example, are the product of wrenching social change over centuries, coloured by often violent and bloody confrontations, not the least between social classes.

But it would be wrong to suggest that the neo-institutionalist literature on decentralisation is simplistic. In fact it is both vast and sophisticated. It goes without saying that the development organisations that have helped to disseminate it have considerable financial and intellectual resources, as well as actual political clout. The real issue is what sorts of interests are served by the ascendance of theoretical approaches that are deliberately oblivious to politics and to unequal power relations.

It is significant, for instance, that the degree to which politics is absent from the neo-institutionalist development literature is matched by the degree to which it is detailed and precise about everything else stripped of the element of power. The World Bank, for example, is often at pains to distinguish between different types of decentralisation: administrative, fiscal, market, and the like, and the impact of decisions regarding their sequencing and levels of speed. However, all these matters are reduced to technical decision-making, for, under the ‘appropriate’ conditions, all kinds of decentralisation are assumed to play important roles in ‘broadening participation in political, economic and social activities in developing countries’ (The World Bank Group n.d. b).

By the same token it is strongly suggested in the literature that decentralisation will likely help ‘alleviate the bottlenecks in decision making that are often caused by central government planning and control of important economic and social activities’ and ‘help cut complex bureaucratic procedures’. The link between

successful decentralisation and democratic decision making is also assumed to be fairly clear: decentralisation 'can help national government ministries reach larger numbers of local areas with services; allow greater political representation for diverse political, ethnic, religious, and cultural groups in decision-making.' Decentralisation has also been linked by to such virtues as innovation and creativity – providing the milieu, for example, for local 'experimentation' in effective governance (The World Bank Group n.d. b).

Thus, a survey of decentralisation and democratisation in Southern Africa cites studies that show how 'democracy must be rooted in functioning local, participatory self-governance institutions' – pointing to 'untapped local capacity to make collective choices and take collective action'. The dilemma for the author of the survey is that 'experiments' in local governance and democracy in virtually every place in Africa has failed! Citing other studies, he opines that these failures are rooted in 'specific policy choices and strategies pursued by African governments', which include the deliberate withholding of resources from 'local entities' (Wunch 1998). The author, nevertheless, suggests a 'not discouraging picture' emerging from the cases of South Africa, Swaziland, and particularly, Botswana – as long as 'such unknowns' as 'political will, good luck and astute leadership' are present (Wunch 1998). Again, we see here the neo-institutionalist penchant for ignoring how policy choices – including those involving the allocation and distribution of resources – are primarily a matter of conflict and contestation. Not surprisingly, a favourable prognosis is finally hinged upon intangible 'unknowns'.

Another analysis of the link between decentralisation and democracy, focussing on the Philippines experience, suggests that socio-economic developments leading to a more mature and globalised middle class are resulting in better governance practices, in spite of the entrenched presence of local political bosses that have controlled politics through the deployment of 'guns, goons and gold', and whose position has been further bolstered by post-Marcos-era decentralisation policies. These socio-economic changes, the author imagines, along with generational shifts in ruling political families, is resulting in a change in mind-set among elites – from a traditional to a more modern and technocratic one. Thus, he points to a case in which the son of a notorious old local boss is 'an American-educated sophisticate quite at home with technocratic modes of governance' (Rood 1998). Apart from unwittingly revealing an ideological preference for 'rule by technocracy', and by Western-influenced 'sophisticates', this assessment is contradicted by another long-time analyst of predatory politics in the Philippines who suggests that 'In the midst of such changes, however, much remains the same'. According to this analyst 'members of well-established political clans continue to enjoy clear domination of such bodies as the House of Representatives, and elections are still tainted by the power of money and intimidation. He also notes, among other things that, 'the enormous expense of running for election serves as an effective barrier to the entrance of reformist forces into the political arena', and that 'many so-called new faces often retain strong connections to old centers of power' (Hutchcroft 1998). As we shall see, such observations are directly relevant to the Indonesian case

discussed at length below. Thus, it is clearly necessary to be wary of somewhat superficial attempts at linking decentralisation and public participation in politics and development.

What follows in the remainder of this essay is not a critique of the stated aims of decentralisation, for we are not too concerned here about whether decentralisation is intrinsically 'good' or 'bad'. We are more concerned to demystify how – as a policy objective – decentralisation has come to embody a barely acknowledged political, not just theoretical, agenda. What is offered, thus, is an understanding of decentralisation policies or processes that incorporates the factors of power, struggle, and interests, which ultimately contradicts neo-institutionalist accounts that virtually require a politics- and value-free imaginary section of the universe in order to be even barely plausible.² The point is to suggest alternative ways of understanding why decentralisation has often failed to achieve its stated aims, partly by focussing on the Indonesian experience, and to relate these to the idea that institutions can be captured and appropriated by a wide range of interests which may in the process, in fact, sideline those that champion the worldview of 'technocratic rationality'.

C. The Problems of Decentralisation

The major problem that confronts neo-institutionalists is that decentralisation doesn't always work the way it is supposed to. While neo-institutionalists have grappled with why this has been the case, in spite of a range of stated virtues, they have also suggested what should be done to salvage failing decentralisation programmes.

The neo-institutionalist answer to the question of failure inevitably resorts to explanations that either emphasise the failings of weak institutions, the inappropriate design of decentralisation programmes, or the lack of commitment among political elites to their success. Not surprisingly, the suggested remedy for troubled decentralisation processes almost always relies on institutional adjustment and tinkering. There is little or no accounting for the fact that the persistence of weak institutions of governance may, for instance, benefit powerful predatory interests under certain conditions, or that the particular design of decentralisation may reflect a particular constellation of power rather than some imagined objective common good.

For example, an essential question from a good governance and neo-institutionalist perspective is whether fiscal decentralisation results in greater or less corruption or more or less efficient allocation of resources (Fisman and Gatti 2000). A technical solution that has been advanced in relation to post-Soeharto Indonesia, to cite one case in point, is to carefully plan the sequencing of decentralisation over a longer period of time to allow for institutional fine-tuning at the different levels of governance (Ahmad and Hofman 2000). This

² Although some of the literature suggests, as mentioned earlier, that political factors may have provided the initial impetus for decentralisation in some countries – such awareness is never translated into the insertion of such factors as power and interests in the theoretical framework.

has been a response to very real fears that local officials and notables may take advantage of decentralisation by establishing local fiefdoms bred by decentralised corruption.

In many ways the response recalls the idea that the error in Indonesia's 1980s and 1990s economic deregulation lay in its improper sequencing (The World Bank 1996: xxvii). But rather than a technical mistake, the sequencing of deregulation was made possible by the actual configuration of salient state and business interests affecting economic policy-making in Indonesia. Thus, deregulation sequencing was primarily a question of power, the consequence of which was that certain economic sectors – those in which there were powerful vested interests in the maintenance of monopolies, for example – were less open than others to deregulation (Hadiz and Robison 2002: 48). Likewise, as discussed in greater detail below, decentralisation policy in Indonesia after Soeharto is also a matter of power; an issue of contestation by an array of powerful interests, national and local, many of which seek to preserve old predatory relations of power, but within a new, decentralised and democratic political format.

It would be unfair, however, to suggest that the problems that have been encountered in actual decentralisation experiences have not led to a great deal of caution among neo-institutionalist authors. In fact, some of the neo-institutionalist literature is quite careful to underline that decentralisation is not necessarily a panacea in spite of its widely-held benefits. The World Bank, for example, cautions that decentralisation 'may not always be efficient, especially for standardized, routine, network-based services'. It can as well 'result in the loss of economies of scale and control over scarce financial resources by the central government.' In fact a central theme has been a wariness that 'Weak administrative or technical capacity at local levels may result in services being delivered less efficiently and effectively in some areas of the country' This is because 'Administrative responsibilities may be transferred to local levels without adequate financial resources and make equitable distribution or provision of services more difficult.' As has been evident in the recent Indonesian experience 'Decentralization can sometimes make coordination of national policies more complex and may allow functions to be captured by local elites.' Finally, the Bank warns that 'distrust between public and private sectors may undermine cooperation at the local level' (The World Bank Group n.d. b).

But the policy advice dispensed should things go wrong is disarmingly simple:

Project and program planners must be able to assess the strengths and weaknesses of public and private sector organizations in performing different types of functions. Before developing elaborate plans for decentralization, they must assess the lowest organizational level of government at which functions can be carried out efficiently and effectively and – for functions that do not have to be provided by government – the most appropriate forms of privatization. Even program planners who do not

see 'decentralization' as their primary motive must carefully analyze the types of decentralization already present in a country in order to tailor policy plans to existing structures (The World Bank Group n.d. b).

Here we see again the inclination for assuming that decentralisation can be 'tailored' according to pragmatically defined needs, that everything is a matter of simply choosing the 'right' way of proceeding. There is little recognition that particular constellations of power and interests impose *limits* on the policy options available to decision-makers. That not every single policy option is equally possible in any given set of circumstances; and that some are more possible than others. In fact, for the World Bank, the problem in most countries is simply to find the 'appropriate balance of centralization and decentralization' that is 'essential to the effective and efficient functioning of government.' Thus, the Bank notes that even when responsibilities are decentralized, the central government must promote and sustain 'decentralization by developing appropriate and effective national policies and regulations for decentralization and strengthening local institutional capacity to assume responsibility for new functions' (The World Bank Group n.d. b).

Unfortunately, in the real world, the actual balance between central and regional authority is far less about a conscious division of labour than, as mentioned earlier, concrete struggle over political and economic resources. This is the case, for example, in Indonesia, where decentralisation has resulted in sheer confusion about the distribution of power and authority between different levels of government. Rather than a technical governance issue, the confusion stems from a tug of war between competing interests that has a concrete, material basis. In this specific case, powerful interests entrenched in Jakarta obviously have a vested interest in maintaining some control over local resources and authority over investment policy while attempting to balance this against aspirations for greater local autonomy. On the other hand, local elites (especially at the sub-provincial level) are fully intent on taking direct control over these same resources, typically citing the injustice of past practices that allowed Jakarta to exploit Indonesia's vast riches at the expense of locals. In the meantime, provincial-level authorities, stuck in the middle between Jakarta's penchant for control and the rising aspirations of sub-provincial officials, have resolutely struggled to ensure that they do not fall into the oblivion of political and administrative redundancy.

D. Keeping politics out of decentralisation: The Indonesian Experience

If so many things can go wrong with decentralisation, what then is the key to its success? Revealingly, one answer provided by the Bank is particularly lame: 'the success of decentralization frequently depends heavily on training for both national and local officials in decentralized administration' (The World Bank Group n.d. b).

Yet again, the answer given suggests a world-view that is devoid of an appreciation of the importance of power, interests, and conflict. But this 'training for success' explanation must not be dismissed as the mere product of pure naiveté; it is also profoundly self-serving. Implicit in this position is that success depends on the inculcation of rational scientific thinking through the training of technocratic and bureaucratic elites in societies where benevolent governance is disrupted by the intrusion of self-interested politics. Clearly there is much in common here with old-style modernisation theory that relied much on the rationality, good will and intelligence of (a Western-trained) modern, technocratic and bureaucratic elite.

A recent USAID (n.d.) document on decentralisation in Indonesia, not surprisingly, replicated the 'training for success' idea. According to this document:

The re-shaping of intergovernmental relations is a complex task, particularly given Indonesia's legacy of central authoritarian rule. While the new laws and regulations create a basic framework for local self-government, it will take much work to refine them into an appropriate framework that enables effective local government in both the political and fiscal arenas. At the same time, local governments have little experience with participatory self-rule and will need assistance to create adequate mechanisms for participation, transparency and accountability. They also have limited technical capacities, particularly to perform functions that have been provided by central agencies, and they will need assistance to demonstrate to citizens that autonomy does lead to improvements in services and the environment. Particular attention will be paid to ensure women's participation and concerns are included at all levels.

The similarity here with the World Bank argument is obvious. According to this document, officials need some 'assistance' to 'demonstrate' that decentralisation leads to improvement in the provision of services, in environmental matters, and in the incorporation of women's issues. While this line of thinking is no doubt supposed to reveal a concern for the 'social' aspects of development, it is striking that no mention is made of the lack of power and influence of local environmental lobbies, or the absence of any clout of the women's movement in Indonesia. There is also no mention of how in the Indonesian context, big domestic and foreign corporations can ride roughshod over environmental regulators or that young female workers in low wage manufacturing industries continue to face harassment and violent intimidation as they attempt to exercise their right to organise.

The lack of acknowledgement of the 'politics of decentralisation' is not altogether surprising. The Bank and other organisations have invested a lot of resources into decentralisation programmes around the world. Thus they have an ever-growing institutional stake in their success. According to Litvack, Ahmad and Bird (1998: 1), a growing number of Bank-funded projects are in

effect supporting decentralisation schemes. Twelve percent of Bank projects completed between 1993 and 1997, for example, is said to have involved decentralising responsibilities to the lower levels of government – including through the direct provision of loans to sub-national governments.

In ensuring the ‘success’ of these decentralisation programmes, the Bank no doubt has to work with an array of entrenched elites, both national and local. This in itself is very prohibitive of inserting the factors of power, interest and conflict in the theoretical approach. The result is a theory of decentralisation that tacitly endorses the non-disturbance of the existing social order to the greatest extent possible, while encouraging institutional tinkering in a supposed political vacuum.

But the absence of politics is not just a concession to entrenched elites in countries that are the beneficiaries of World Bank programmes. As mentioned earlier, it is equally self-serving. World Bank officials and their domestic allies in ‘developing countries’ benefit much from the image that they are neutral technocrats whose advice are the product of an adherence to objective scientific knowledge only. They benefit much from the fantasy of a global corps of well-trained experts who are able to identify the common good through rigorous scientific procedure (mostly those associated with economics) and to rise above petty self-interest associated with the process of politics. There is little acknowledgement that the Bank itself, and by consequence their domestic allies, are a part of global coalition of power and interests whose agenda, for example, often coincide with that of the most globally mobile sections of corporate capital. The product is a warped neo-Platonic fantasy of benevolent rule by wise technocrats.

E. The Politics of Decentralisation: the Indonesian Case

The fantasy however is frequently disrupted when policies go askew or result in unintended consequences. It is disrupted when institutions – for instance those designed to facilitate economic deregulation, central bank autonomy, or decentralisation – don’t work the way that they’re supposed to. But the reasons for this are not just faulty design, the lack of rational leadership, trained personnel at the local level or even political commitment, but more fundamentally, the context of power relations within which such institutions are crafted. Thus, institutions can be captured and appropriated, for example, by coalitions of power and interest that compete against those that purportedly represent technocratic benevolence. The latter can be sidelined or forced to accommodate competing agendas if a viable domestic social base of power – especially for economic or political liberalism – is lacking. This is demonstrated in the rest of this essay primarily through a discussion of decentralisation in Indonesia since the historic fall of Soeharto in May 1998.

The unravelling of the long-entrenched Soeharto regime in the wake of the Asian economic crisis of 1997-98 set the stage for the emergence of a new political framework within which political parties, parliaments (national and local)

and elections have become increasingly important as arenas of genuine political contestation. As central authority has eroded, so too has power been decentralised from the executive body of government to its legislative branch, and from Jakarta to the regions. Significantly, in the new democratic context, it soon became urgent to respond to now openly expressed desire in a host of regions for more local autonomy, and in some cases, even for secession (Malley 2001: 351-361). But there were always regional expressions of discontent even during the Soeharto era – which included separatist movements in Aceh, West Papua and now-independent East Timor. Nevertheless these were often simply suppressed by the use of brute military force. By contrast, the response of Soeharto's successors in Jakarta to regional demands came mainly in the form of new legislation on local autonomy produced in 1999 and enacted in January 2001. This was partly because of the impossibility of a purely violent reaction in the context of the unravelling of the New Order's institutional framework.

As USAID (n.d.) describes the legislation:

The first of these laws, Law 22/1999, assigns to central government only key national functions such as defense, judiciary, foreign relations and the monetary and fiscal system, while devolving most authorities directly to local governments (city and district). The roles of provinces were minimized, restricted largely to inter-district functions and governance and management of deconcentrated central government functions. The law gives local government great autonomy over most of the functions that affect people most directly, including urban services, primary and secondary education, public and basic health services, environmental management, planning and local economic development.

Furthermore, USAID notes that the 'second decentralisation law, Law 25/1999, provides the fiscal framework for local government, emphasising local financial decision-making'. However, it also observes that there remain contentious issues relating to such matters as generating local government revenue, determining central government subsidies, as well as dividing up revenue from natural-resource based industries between central and local government (USAID n.d.). The latter is an especially important issue in resource-rich provinces such as Aceh, Riau, East Kalimantan and West Papua.

As the USAID report also comments, the regional autonomy legislation in question provides greater powers for authorities at the sub-provincial level – the *kabupaten* (regency or district) and *kotamadya* (city or town) – rather than at the provincial level. This is an important fact to note. It is also useful to note that the legislation remains hotly contested. The recent talk, in fact, has been about instituting amendments that would help change the balance of power by providing more local autonomy at the provincial rather than sub-provincial level. No doubt such a change would strengthen the position of provincial governors but frustrate the quickly rising ambitions of scores of *bupati* and mayors. Equally

importantly, it would satisfy Jakarta officials' resolve to maintain as much control as possible over the resources of the country as a whole. From their point of view now, it is perhaps easier to deal with a few dozen governors than several hundred *bupati* (regents) and mayors at the sub-provincial level. These mayors, *bupati*, and other regional officials, understandably, see the possible revisions as a step backward. They are seen no less than the sign of a lack of genuine political commitment to decentralisation on the part of the government of President Megawati Soekarnoputri.³

The immediate result of this tug-of-war, however, is a high level of uncertainty and ambiguity about the whole business of governance. According to North Sumatra governor Rizal T. Nurdin, for example, he now has the capacity to annul local ordinances produced by sub-provincial executive and legislative bodies, including those that have to do with the contentious introduction of new forms of taxation and levy.⁴ Officials at the sub-provincial level, however, who tend to see the governor as a mere representative of Jakarta rule, often dispute this reading of the rules of the game.

Investors, domestic and foreign, also have a hard time deciphering these new rules. A foreign investor with no experience dealing with Indonesia might now be especially perplexed. There is little consensus about whether local autonomy laws require permission to invest from Jakarta, the province, or the sub-provincial level of government.⁵ Given the breadth and depth of corruption in Indonesia⁶ – this potentially means that an investor has to provide kickbacks to various individuals and offices at different levels of Indonesia's notoriously cumbersome bureaucracy, with relatively little guarantee that he is bribing the right ones (Weber 1978: 240, 1095).⁷ For a host of local officials, the situation presents opportunities to 'cut in' to a previously Jakarta-centred lucrative 'industry'.

Thus, the contest in Indonesia has clearly been about control over authority and resources, though it is easy to be distracted by the often-utilised language of local pride, or ethnic or regional identity. The stakes that are involved vary from region to region in the vast Indonesian archipelago: they may be relatively small

³ She has a reputation as a staunch nationalist who is opposed to devolving too much power to the regions for fear of national disintegration.

⁴ Interview with T. Rizal Nurdin, North Sumatran governor, 7 July 2001.

⁵ I found this to be the case during fieldwork in North Sumatra. Officials at different levels of government would privilege the role of their respective institutions in 'facilitating' investment. Abdul Hafid, the *bupati* or regent of Deli Serdang – a major manufacturing centre as well as the site of major plantations – was particularly adamant that he had absolute authority to do what he wished with most investment applications. Interview, 7 September 2001.

⁶ Transparency International listed Indonesia as the joint-third most corrupt country in the world in its 2001 survey and joint fourth in 2002 (see Internet Centre for Corruption Research, <http://www.gwdg.de/~uwwv/icr.htm>). Indonesia regularly scores poorly in such recent surveys: In 2000, the Hong Kong-based Political and Economic Risk Consultancy (PERC) released results that showed expatriates working in Asia viewing Indonesia as the most corrupt of Asian countries (*Kompas* 23 March 2000).

⁷ As Max Weber once observed, it is this sort of unpredictable corruption that is likely to be the most economically detrimental.

in particularly natural resource-poor regions, but quite the opposite in natural resource-rich areas like the *kabupaten* of Kutai in Kalimantan. But even local officials presiding over relatively resource poor regions would want to ensure greater direct power over whatever is available locally rather than resign themselves to control by Jakarta. Hence, the way that regional autonomy and decentralisation is being implemented, ultimately is not a matter of technical calculation, but more fundamentally a matter of political contestation.

It is not surprising, therefore, that mayors across Indonesia have been playing with the idea of instituting new levies to business and the public. In Medan, North Sumatra, for example, local politicians have reportedly been busy introducing new levies, creating great distress in particular to the local business community.⁸ One local parliamentarian, Bangkit Sitepu, suggests that businesspeople are merely being asked to give back to society some of the profits they have enjoyed through these new levies.⁹ But local businesspeople like Yopie Batubara, chief of the North Sumatra Chamber of Commerce and Industry, or Chinese-Indonesian entrepreneur Surya Sampurna, argue that a stream of new levies – combined with incalculable unofficial kickbacks – will burden business and further discourage investment, especially in the context of Indonesia's difficult struggle to emerge from the Asian economic crisis.¹⁰

In spite of the issue of corruption at the local level, the problem is that sub-provincial units of governance are indeed under some pressure to quickly develop new sources of local revenue. This is an issue especially for *kabupaten* (districts) that are not well-endowed with natural resources or whose natural resources remain under the jurisdiction of the central government under existing legislation, as well as cities or towns that are not major manufacturing or business hubs. In North Sumatra, sub-provincial politicians are particularly concerned to ensure local control over revenue from the plantations sector. Local politicians also want to take control of such assets as Polonia Airport in the provincial capital city of Medan, well as the harbour at Belawan, and the Tirtanadi water supply company, in order to have the authority over related levies and taxes.¹¹ According to current legislation on decentralisation, these potentially important economic resources do not fall under the jurisdiction of subprovincial administrators.

As mentioned earlier, the result of this tug-of-war is a very messy state of affairs. In Medan, municipal government officials confide that the organisational and administrative structure of government has not been revamped to meet the requirements of regional autonomy and that much improvisation has been necessary to keep the government machinery running.¹² The same situation is

⁸ Interview with Yopie Batubara, head of the North Sumatra Chamber of Commerce and Industry, 8 September 2001.

⁹ Interview, 16 July 2002.

¹⁰ Interviews, respectively 8 September 2001 and 6 July 2001.

¹¹ For example, interview with Medan city parliamentarians Bangkit Sitepu and Moses Tambunan, 16 July 2002.

¹² For example, interview with Lasmi, government administration section, Mayor's Office of Medan, 3 September 2001.

likely to be found elsewhere. For example, the top development planning career bureaucrat in Sleman, Yogyakarta, conceded that he had little idea of the financial ramifications of regional autonomy just a few weeks before its official implementation in January 2001.¹³

In the midst of such confusion, provincial and sub-provincial officials routinely quibble about jurisdiction over particular taxes and levies, which spill over to questions about the provision of essential public services like water and electricity supply.¹⁴ In fact, one of the problems in the implementation of decentralisation so far has been conflict between provincial level authorities and sub-provincial authorities that no longer believe that they should be accountable to those at the provincial level.¹⁵ The governors of North Sumatra and Yogyakarta, for example, have lamented how the *bupati* under them have been increasingly inclined to defy their authority.¹⁶

But it is important to reiterate that the primary problem is not the faulty design of the decentralisation process in itself, or a lack of commitment to implementing decentralisation. That the design is faulty is beyond doubt – as reflective in numerous remaining legal contradictions and ambiguities about the functions and role of different levels of government under the current legal framework (Bell 2001). Nevertheless, rather than the product of incompetence *per se*, the design – faults and all – is indicative of a particular constellation of power and interest in the wake of the New Order and a particularly mode of social conflict that has emerged.

As discussed further below, the most notable aspect of this constellation is that predatory interests nurtured under the Soeharto regime's formerly vast, centralised system of patronage – which extended from the Presidential palace in Jakarta down to the provinces, towns and villages – have largely survived and remain ascendant (Hadiz and Robison 2002). These have reconstituted themselves through new alliances, nationally and locally, and captured the institutions of Indonesia's democracy to further their predatory objectives. Through control over parliaments and political parties, and via business alliances and assorted instruments of political violence – a confusing array of paramilitary groups and crime/'youth' organisations – they are establishing newly decentralised, mutually competing, and sometimes overlapping predatory networks of patronage (Hadiz 2000). In short, decentralisation is making possible the emergence of more localised networks of patronage that are relatively autonomous of central state authority, unlike during the Soeharto era.

¹³ Interview with Sutrisno, Regional Secretary and head of the Regional Development Planning Body, Sleman, 9 December 2000.

¹⁴ Interview with Ridwan Lubis, academic, 16 July 2002.

¹⁵ For example, interview with Marin Purba, mayor of Pematang Siantar, 7 September 2001; and Syamsul Arifin, *bupati* of Langkat, 5 September 2001.

¹⁶ Interviews with Sri Sultan Hamengkubuwono, Governor of Yogyakarta, 15 December 2000; and with T. Rizal Nurdin, Governor of North Sumatra, 7 July 2001.

The result is that those who champion decentralisation in Indonesia as a step toward an imagined benevolent kind of 'modern' technocratic governance have been decidedly sidelined from the political contest. In the absence of viable liberal or social democratic parties which might support reform agendas based on rule of law and accountability in governance, the decentralisation process has been effectively hijacked by predatory interests. But the problem is not at all about the absence of a civil society bound together by social capital. Civil society does exist – the issue is that the salient elements are those that were organised and nurtured under a rabidly predatory regime. This point is to be made clearer in the more detailed discussion below about the 'actual' politics of decentralisation in Indonesia – which will refer mainly to the cases of the provinces of North Sumatra and Yogyakarta.

F. What Kind of Decentralisation and Democracy?

As mentioned earlier, the neo-institutionalist literature envisages a more or less direct link between decentralisation and democracy. Specifically, it imagines the enhancement of levels of transparency and accountability and the development of good governance practices. The idea is that local needs will be better identified as a result of decentralisation, given higher priority, and that local leaders will be more directly under the scrutiny of their communities. Local initiative and creative energies will be unleashed as well due to the lifting of stifling centralised control over various aspects of local life. As also mentioned earlier, a central idea is that democratic governance requires solid foundations in well functioning local institutions that could conceivably thrive in a decentralised environment.

But this has not been the case in Indonesia. Here decentralisation has given rise to highly diffuse and decentralised corruption, rule by predatory local officials, the rise of money politics and the consolidation of political gangsterism. In the Indonesian context, the main questions to ask are, therefore, 'who has benefited most from decentralisation?' and 'who have been the main beneficiaries of the advent of democratic system that is primarily driven by the logic of money politics and of political violence?'

In fact, it is not difficult at all to identify who these are. By and large, they have been individuals and groups who had earlier functioned as the old New Order's local operators and apparatchik, small/medium but politically connected businesspeople with big ambitions, as well as an array of the regime's former henchmen and enforcers. Indeed, in the case of Medan in North Sumatra – one of the country's major manufacturing centres outside of the Jakarta-Bogor-Tangerang-Bekasi area – political gangsters and bosses of paramilitary groups seem to be exerting a great deal of influence due to their role, for example, in securing local electoral victories through intimidation. All such individuals and groups essentially represent interests incubated within the lower layers of the New Order's formerly vast system of patronage. Because of the opportunities provided by decentralisation and democratisation, these have now moved a few notches up the political ladder.

Indeed, once nurtured by a highly authoritarian regime that has since unravelled, these local predatory interests are now thriving under Indonesia's newly decentralised and democratised political system. They have found that the local institutions of democratic governance, once captured, can provide the necessary protection of their interests that previously required centrally organised authoritarian controls and a repressive military apparatus. They have also found money politics and political violence to be potent tools to secure their ascendance.

In fact, many believe that much of the abuse of power and systematic so-called KKN (the Indonesian acronym for 'corruption, collusion and nepotism') that took place in Jakarta has now simply been shifted to the local level. In truth, this was not unexpected at all. One provincial parliamentarian in Yogyakarta (from the former ruling Golkar party), for example, had predicted that local autonomy 'will be followed by the decentralisation of KKN practices'¹⁷ Another provincial parliamentarian in Yogyakarta observed just before the enactment of the decentralisation laws that the new prominence of local legislatures simply means that 'deviation that used to occur in the bureaucracy' will now take place in the local parliaments.¹⁸

But the Indonesian case is not unique. There are many countries that offer examples of decentralised democratic political life in which predatory elements of civil society – including political gangsters – have been major players. Post-Soviet Russia provides one of the better examples, as does the Philippines case mentioned earlier, and Thailand.

In Thailand, for example, Constitutional changes from 1997 have stipulated a more decentralised structure of governance. In line with these stipulations, there has been a drive to create new municipalities, now endowed with greater power and responsibilities (Sompong 1999). As the Asian Development Bank (1999) put it, the aim is to:

(R)econfigure the political, legislative, judicial and administrative machinery of government. If successful, Thailand will move to a more decentralized and participatory structure, in which government institutions at all levels will operate in a more transparent, accountable and responsive fashion.

The ADB, however, recognises that in the Thai case a 'number of influential forces have a vested interest in the status quo', and that 'the practice of vote buying in rural areas, fierce bureaucratic resistance to the decentralization initiatives envisioned in the constitution, and widespread perceptions of corruption' are all obstacles to success. Nevertheless, it still assumes that such

¹⁷ Interview with Khairuddin, head of the Golkar faction in the Yogya provincial parliament, 5 January 2001.

¹⁸ Interview with Syukri Fadholi, then head of the PPP faction in the Yogya provincial parliament, 15 December 2000. He is now Deputy Mayor of the city of Yogyakarta.

success is possible, in true neo-institutionalist fashion, simply on the basis of 'careful planning and tenacious implementation' (Asian Development Bank 1999).

In any case, power was always more decentralised in Thailand than in New Order Indonesia, even during the long periods of autocratic military rule (as it was in the Philippines under Marcos, who tried to centralise power, at the expense of local oligarchs). Moreover, the advent of parliamentary democracy in Thailand in the 1980s had already witnessed the growing influence of local political and business alliances – headed by individuals known as *chao pho* – who by definition were involved in underworld activities. These are rich businessmen who own land, rice and sugar mills, liquor breweries, and tobacco farms, but are also engaged in criminal activities like gambling, drugs and prostitution. As in Indonesia today, many of these *chao pho*, or Godfathers, or their family members, have entered politics and gotten elected as parliamentarians, town mayors or village heads (McVey 2000; Baker and Pasuk 2000; Ockey 2000; Hewison and Maniema 2000). Thus in many ways, the post-Soeharto Indonesian trajectory parallels developments that have already occurred in Thailand.

Like In Thailand, local legislative bodies in Indonesia have become especially crucial sites of political battles in recent years. Perhaps this is more so the case in Indonesia especially during the election of new *bupati* or mayor – which under the existing system falls under the purview of sub-provincial parliamentarians. In Yogyakarta, this was already witnessed in the election of the *bupati* of Sleman in 2000, which was a nasty affair characterised by the deployment of both money politics and intimidation by competing candidates against the followers of their respective rivals. Indeed, allegations of beatings, kidnappings, the use of paramilitary organisations, and even bomb threats were rampant.¹⁹ In the province of North Sumatra, the election of the *bupati* of Karo was particularly ugly, and ultimately involved the mysterious burning of the local parliament house.²⁰

But it was the chaotic election in March 2000 of local business figure Abdillah, as mayor of Medan, which has been among the most heavily scrutinised of cases. His main opponent in the election was Ridwan Batubara, a career bureaucrat who apparently had the blessing of the central PDI-P (Indonesian Democratic Party for Struggle, led by President Megawati Soekarnoputri) – the largest party in the Medan municipal parliament. Ridwan Batubara was also well placed as the brother of Yopie Batubara, one of the leading business figures in North Sumatra and, as mentioned earlier, head of the local Chamber of Commerce and Industry. The crafty Abdillah managed to outmanoeuvre Ridwan Batubara, however, although it later turned out that large numbers of PDI-P legislators had been bribed to vote for him. Moreover, Abdillah won in spite of

¹⁹ Interview with Hafidh Asrom, businessman and defeated candidate for the *bupati*-ship of Sleman, 9 December 2000.

²⁰ Interview with John Andreas Purba, PDI-P member of Karo sub-provincial parliament, 6 July 2001.

the fact that Yopie Batubara had attempted to help his brother's candidacy by providing funds to allow legislators to 'return' the bribes they had already accepted.²¹

But Abdillah did not depend just on money to get elected, as his candidacy was also aided by the mobilisation on his behalf of goons and thugs led by Martius Latuperisa, a Medan parliamentarian who also heads the local branch the innocuously named FKPPI – the Communication Forum for Sons and Daughters of Military Retirees. The FKPPI, formerly with links to the Soeharto family – and widely regarded to be involved in organised criminal activities – was certainly a useful tool of intimidation. Another key individual in the current mayor's victory was Tom Adlin Hajar, a PDI-P legislator who subsequently became the Speaker of the Medan legislature. Latuperisa claims, with apparent personal satisfaction, that the local party leader was persuaded to back Abdillah after being forced to choose between 'the money and the gun'.²²

Cases like the mayoral election in Medan indicate the prominence of money and intimidation in Indonesia's more decentralised and democratic politics. It is significant that Yopie Batubara estimates that it is necessary to have a war chest of tens of billions of rupiah to successfully win a local election,²³ while a defeated candidate for *bupati* in Tapanuli Selatan says that a successful bid there would require an investment of Rp 2 billion (approximately US\$220,000), thereby sidelining many potential reformers. The winner, though, he suggests, could expect a healthy return on investment during his tenure.²⁴ In this connection, it is interesting to note that local entrepreneurs have been directly contesting local elections in Indonesia, as they have been doing for some time in Thailand. In North Sumatra alone, no less than six of the (total of 22) *bupati* or mayors elected since the fall of Soeharto have backgrounds in business.

But, as mentioned earlier, it has been as much about brute force as has it has been about money. Indeed, 'Islamic' militia groups have been at least as ubiquitous in Yogyakarta as the notoriously chaotic and brutal *satgas* (paramilitary wing) of the now powerful PDI-P. Such Islamic-oriented militias include the *Gerakan Pemuda Ka'bah* (Ka'bah Youth Movement), loosely linked to the United Development Party (PPP), which was the New Order's official 'Islamic' party, and the Islamic Defence Front, FPI, itself allegedly associated with a number of Islamic political groupings. In East Java, the so-called Banser militia, linked to former President Abdurrahman Wahid's Nahdlatul Ulama mass organisation, is particularly feared. Frequently functioning as goons when certain parties need to flex their muscles, some of these militias are widely believed to have strong underworld links. For example, it has been suggested

²¹ Interview, 8 September 2001. He even claims that he has the receipts to prove this.

²² Personal communication, 17 July 2002.

²³ Interview, 8 September 2001.

²⁴ Interview with Sotar Nasution, 3 September 2001.

that many members of such organisations have been involved in protection rackets in collusion with the corrupt local police force.²⁵

In North Sumatra, however, protection, illegal gambling, and other rackets are still largely the domain of old New Order 'youth'/crime organisations like the *Pemuda Pancasila* (Pancasila Youth), originally set up to help the military confront the Indonesian Communist Party in the 1960s, and its powerful local rival, the *Ikatan Pemuda Karya* (IPK; Functional Youth Group). The latter's 'Godfather', one Oloan Panggabean, is so feared and revered in Medan that local residents often refer to him as the city's real mayor. It is significant that a number of such organisation's members currently occupy local parliamentary seats across the province. At least two have won post-Soeharto elections for *bupati* or mayor in North Sumatra.²⁶ Hence, clearly gaining influence, these political gangsters have been some of the main beneficiaries of decentralisation and democracy in Indonesia. It is also significant that many members of youth/crime organisations, with historical links to both the military the old ruling party, Golkar, have now migrated to other parties, or to their paramilitary wings, in search of new patrons in the context of the recent emergence of decentralised predatory networks. The bosses of the New Order-backed *Pemuda Pancasila* and IPK in North Sumatra, however, brush away this threat and deny that they are losing their muscle power to new competitors in the chaotic struggle for power and control over local resources.²⁷ All of these actual developments clearly have little to do with neo-institutionalist notions that strongly link decentralisation, democracy, and good governance.

G. Conclusion

Whatever the actual balance of power between these gangs of predators in the different regions, the point to emphasise is that the decentralisation process in Indonesia has largely been hijacked by interests that have little to gain from local governance characterised by greater accountability to local communities, transparency, and the like. Although the design of decentralisation was faulty in the first place – being full of legal contradictions and ambiguities – this was not the main reason that the process has descended into an arena for predatory politics. It was the persistence, and indeed 'victory', of predatory interests in contests over power that has had the most important implication for decentralisation (and local-level democratisation) in Indonesia. The key was that they were not swept away by the fall of Soeharto, but managed to reinvent themselves in the new democracy. Thus, decentralisation is unlikely to produce the kind of technocratic 'good' governance idealised in the neo-institutionalist scheme-of-things. This is most vividly illustrated by the rise of political gangsters and thugs – perhaps the ultimate of predators – in the leadership of parties,

²⁵ Interview with Herman Abdul Rahman, member of Yogyakarta provincial parliament for the PPP, 14 December 2000.

²⁶ Interview with Amir Purba, Dean, Faculty of Social and Political Sciences, Islamic University of North Sumatra (UISU), 5 July 2001; and data compiled by Elfenda Ananda.

²⁷ Respectively Medan city parliamentarians Bangkit Sitepu and Moses Tambunan. Interview, 11 July 2002.

parliaments and executive bodies at the local level. These are steering the decentralisation agenda in Indonesia – not ‘rational’, un-selfish ‘experts’ suffering from neo-Platonian, technocratic delusions.

The observations above fully contradict the assumptions of the neo-institutional literature on decentralisation, primarily as disseminated by international development organisations. While this literature emphasise the element of ‘choice’, the case of Indonesia shows that the choices actually available to policy makers are restricted by real constellations of power and interest. While neo-institutionalists emphasise the technical aspects of planning effective decentralisation policies, the case discussed above shows that contests over power has had a much greater impact on the way that decentralisation takes place than intentional policy. Moreover, in contrast to neo-institutionalist authors that maintain a link between such processes as decentralisation, democracy, participation, accountability and the nurturance of civil society/social capital, the Indonesian case demonstrates that decentralisation can be appropriated and captured by decidedly ‘uncivil’ groups like political gangsters. Finally, while neo-institutionalists imagine decentralisation as part of a wider, albeit unacknowledged, political project in which technocratic expertise and ‘rationality’ achieves ascendance on its own merits, the actual dynamics of politics can result in a situation in which technocratic ‘experts’ and their allies are brushed aside as their programmes are appropriated by those who are simply better entrenched, organised and more powerful.

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