

Political and Administrative Reforms in Indonesia: New Perspectives for the 1990s?

RAINER ROHDEWOHL

1. The need for reforms

In its 30 years of rule, the New Order government of President Suharto has achieved a remarkable economic success with an annual growth rate of the GDP of nearly 7 percent, and a GDP per capita growth rate of 4.5 percent p.a. (World Bank 1992, 1994). Economic development was accompanied by a social and human development which has earned Indonesia a top position as one of the ten best performing countries in the 1980-1992 period (UNDP 1994). Since the 1980s, however, the development strategy, which was based on extensive involvement of the public sector in the economy (in production and distribution of goods and services, monopolization of markets for public enterprises) and rigid regulation of private sector activities, has been challenged by new economic, administrative and political parameters.

The collapse of the oil price in 1983 drastically reduced the revenue of the government, and public fixed investment experienced a negative growth of - 2.0 percent per annum in the 1982-1988 period (Bhattacharya/Pangestu 1993). In order to fund the investment plans of the previous and the current Five Year Development Plan, and even more for the realization of the objectives of the Second Twenty Five Year Development Plan (PJP II), Indonesia has to rely on funds from the private sector. Since the legitimacy of the New Order government is based on its promise of economic and social development, the government has to improve the framework conditions for the private sector - the starting point for the deregulation policy in nearly all sectors of industry, trade and services which began in 1983. As a major policy objective, deregulation has since been firmly imbedded in major policy documents, like the Broad Guidelines of State Policy (Garis-Garis Besar Haluan Negara - GBHN) 1993 and the five-year development plan REPELITA VI. Senior government ministers have also repeatedly reconfirmed the government's intention to abolish monopolistic and oligopolistic

practices.¹ At the end of the 1990s, Indonesia is moving towards an economy based on private sector development, even if that includes modifying existing coalitions of power and interests between the bureaucracy, the military, and the business community.

Administratively, the highly centralized public administration system (Rohdewohld 1995) proved to be unable to deal effectively and efficiently with the new demands and challenges stemming from deregulation and rapid private sector growth. Slow decision-making, cumbersome procedures for permits and licenses, lack of transparency and the weakness of the legal framework are factors hampering the development of the private sector. Apart from its negative impact on private sector development, the patrimonial attitude of the administration, its widely perceived remoteness from the people, epidemic corruption² and wide-spread collusion between bureaucrats and business conglomerates have seriously damaged the image and esteem of the bureaucracy as one of the cornerstones of the political fabric of the New Order government³, with potential risks for the legitimacy of the same. Deregulation of the economy had therefore to be supported by de-bureaucratization, and by a decentralization of administrative decision-making.

Economic and social development invariably resulted in the demand for more political participation. Criticism of the political approach of the New Order government is growing louder. The dominance of the bureaucracy vis-à-vis the elected bodies at national and regional level, the restriction of the press, the dominance of the ruling party GOLKAR and the advantages it enjoys as party of the establishment are issues which are discussed more openly, as are the demands for openness, transparency, and accountability of the public sector. On 1 July 1996, a group of intellectuals, politicians and former government officials issued a statement titled "Back to the Nation's Noble Ideas", in which they criticized Indonesia's political and economic development as moving away from the ideals of the Pancasila democracy and its aim of social justice.⁴ The July 27 riots in Jakarta, which followed the take-over of the headquarters of the opposition party PDI by one of the two feuding factions of PDI underlined the fragility of Indonesia's social and political stability at a time of accelerating social and economic change:

¹ So the Coordinating Minister for Industry and Trade, Hartanto (see *Jakarta Post*, 2 June 1995), and Finance Minister Mar'ie Muhammad (see *Indonesian Observer*, 29 June 1995).

² In a recent survey of the Berlin based organization Transparency International, international business people ranked Indonesia as one of the ten most corrupt countries in the world (*Washington Post*, 16 November 1996).

³ See Robison (1993).

⁴ *Media Indonesia*, 15 July 1996.

while the government insists on viewing the riots as a political, ideological issue (linked to a small opposition group called Democratic People's Party which is supposed to be influenced by the former communist party), most observers agree that at the core of the riots lies an explosive combination of political conflicts with social unrest and the demand to narrow the widening income gap (Sudibjo/Edwin 1996).

The General Election of March 1997 and the subsequent election by the People's Consultative Assembly of a new president clearly stimulate the demand for more political debate and openness, because the pending succession to President Suharto (which is inevitable even if he is reelected for a sixth term) increases the options for a reform of the political process.

In the following we look at policy reforms in the two fields of the administration and the political system. The question is whether the Indonesian polity, the system of government as developed under Suharto, is flexible enough to adapt to its changing environment, and will be able to survive the inevitable succession.

2. Reforming the administration: decentralization and professionalization

Administrative reform in Indonesia is a continuing process (UNDP 1991) which can be more appropriately described by the Indonesian term of "*pendayagunaan*" (lit. "making better use of something"). Administrative reform in Indonesia centers around eight priority areas which were originally defined by the Ministry of Administrative Reform (MENPAN) in 1990 (RIPA 1990). These eight reform programs include among others the improvement of internal management control, the application of job analysis, the professionalization of the civil service, simplification of procedures, and the decentralization of administrative authority to the sub-national level. Decentralization and professionalization as the most comprehensive elements of this reform program deserve some more in-depth analysis:

a) Decentralization

Law No. 5 (1974) on Basic Principles of Administration in the Region outlines the three main principles of regional administration in Indonesia (Rohdewohld 1995:55ff):

- Under the principle of decentralization (*asas desentralisasi*) governmental services and functions are transferred to lower levels of government. These matters become the full responsibility of the regional gov-

ernments which have the authority for policy formulation, planning, implementation as well as for funding (SANRI I:81). Under the decentralization principle, Law No. 5 (1974) established two levels of autonomous regions (*daerah otonom*): at the provincial level (*daerah tingkat I* - Dati I), and at the regency/ municipality level (*daerah tingkat II* - Dati II).⁵

- Under the principle of deconcentration (*asas dekonsentrasi*) certain matters for which the central government remains responsible are carried out and discharged by administrative units of the central government departments in the regions, the *instansi vertikal*.
- Under the principle of co-administration (*asas tugas pembantuan*) administrative agencies of the Dati I and Dati II level implement certain functions on behalf of the central government; the central government retains its jurisdiction for planning and funding of these matters.

Although Law No. 5 (1974) called for the strengthening of the autonomous regional governments, not much has been done in the first twenty years since the law came into effect. Factors delaying the implementation of decentralization in Indonesia include the resistance of the central government bureaucracy to transferring substantial tasks and decision-making authority to the regions, the delay in formulating the necessary legal regulations and guidelines, lack of technical and human resources at the regional level, and the insufficient regional institutional capacities to handle substantial policy matters. Financial dependence of the local administration on central government funds guaranteed that major policy decisions continued to be made at the central level. Apart from political and administrative obstacles, culture might also be an obstacle for decentralization, because "the Javanese conception of power prevents devolution of political powers to local governments. It ... reinforces the vertical orientation of officials instead of being responsible to the local population" (Asmerom et al. 1994:22). In their decision-making process local officials therefore tend to accommodate orders and objectives of the central government ministries more than the policy-making process at the local level.

One of the greatest weaknesses of the regional governments is their dependence on central government revenue: Whereas in other countries local governments finance approximately two thirds of their spending from their own sources and revenues, in Indonesia 67 percent of local government

⁵ According to the definition of Rondinelli (1981), the decentralization principle (*asas desentralisasi*) as defined in the Law No. 5 (1974) can be understood as "delegation", not as "devolution", since the central government retains general supervision and guidance. The transfer of governmental tasks to the autonomous regions is furthermore at the discretion of the central government: it can be revoked at any time.

expenditure was financed by central government transfers, and only 21 per cent by own tax and non-tax revenue (World Bank 1994:155, Shah/Qureshi 1994). Moreover, while Law No. 5 (1974) called for greater autonomy of the Dati II-level, the majority of tasks transferred from the central government were transferred to the Dati I-level (GOI 1989:2-3).

Based on Government Regulation (PP) No. 45 (1992), the central government finally decided to initiate a pilot phase of two years, in which substantial tasks were transferred to selected Dati II-governments. In April 1995, the Government Regulation (PP) No. 8 (1995) transferred 19 governmental tasks from the provinces to 26 regencies and municipalities which were selected and categorized on the basis of their specific capabilities. Tasks transferred to the local level include health, fisheries, education, public works, animal husbandry, home industries, public housing, land transport and tourism. Based on the general guidelines from the provincial governments and the Ministry of Home Affairs, these local governments are now responsible for handling these affairs, including the planning of personnel, equipment and budget. The central government agencies located in the selected Dati II-government areas which had previously handled these tasks will now be under the command of the head of the regional government (*kepala daerah*). Each of the selected local governments receives an additional grant of 60 million Rupiah to cover the costs of the delegation of tasks. The results of this transfer of authority for the quality of public service delivery, and for the institutional ability of the local governments to carry out the new responsibilities, remain to be seen.

Decentralization policy in Indonesia (which is prerequisite for further economic development) follows a functional approach: its main objective is to improve public service delivery by utilizing local know-how, shortening communication channels between the public sector and clients in the private sector, and by speeding up the decision-making process. It concentrates on the executive branch of the state, and does not aim at strengthening the political role of the regional legislative bodies. Apart from its functional focus, however, decentralization should have a political focus as well as formulated in the 1993 Guidelines of State Policy (Garis-Garis Besar Haluan Negara - GBHN): "Initiatives and active participation of the community, together with the regional planning boards, in regional development need to be more encouraged, development control and coordination more intensified, and the functions of the regional legislative bodies more improved as the manifestation of increased participation of the community in the development drive." (GOI 1993:78).

b) Professionalization

Major problems of the Indonesian civil service are the educational background of the civil servants, their location, and the structure of positions (Rohdewohld 1995:93ff).

In 1994, 11.3 percent of the civil servants had primary education, 70 percent had secondary or high school education, 10 percent had a lower tertiary education (like a diploma or BA). Another 8.7 percent had a master degree or a Ph.D. (GOI 1994:1188). Comparison of these figures with 1989 shows the efforts of the government to increase the educational level of its staff: the number of civil servants with only primary education decreased by 25 percent, while the number of civil servants with an M.A. or Ph.D. increased by nearly 60 percent.

3.47 m civil servants are employed by the central government (87.5 percent of all civil servants), and only 0.49 m (12.5 percent) by the autonomous regional governments. Despite the declared policy of decentralization, the number of central government civil servants increased by more than 20 percent between 1989 and 1994, while that of regional civil servants did so by only c. 4 percent (ibid.). The regional civil service employs a much larger number of civil servants in the lower ranks: nearly 30 percent of all regional civil servants are in the (lowest) *golongan I* rank compared with 13.4 percent of the central government civil servants; in the highest rank (*golongan IV*) the figures are 0.4 resp. 1.0 percent. Since the regional civil service offers less attractive career prospects than the central government civil service, the regional governments are less able to attract highly qualified civil service candidates.

Apart from increasing the educational level of civil service recruits and improving in-service training and education of civil servants, the government concentrates on the expansion of the so-called "functional positions" (*jabatan fungsional*) in its effort to increase the professionalization of the civil service.⁶ At the end of REPELITA V (1994), 52 functional positions had been developed (GOI 1994:1160), ranging from medical doctor to forestry technician and tax controller. For each of these positions recruitment

⁶ Functional positions are career positions linked to specific academic and/or technical professions, like medical doctors, computer operators, or librarians. The other main category of civil service positions are structural positions, i.e. line management positions. They are general management positions in the sense that their holders can be transferred between various technical fields of work, therefore they must fulfill educational requirements only regarding the level of education (university degree), but not regarding the specific subject of education. In 1994, 4 percent of the civil servants held structural positions (a decrease of 25 percent since 1989), while c. 50 percent were classified as other or functional positions.

and performance criteria as well as a career development path have been established, and a specific government institution has been identified as *lembaga pembina*, i.e. as the institution responsible for handling the technical and professional aspects of this functional position. Once fully operational, the 52 functional positions will cover more than 2 million of the civil servants (including the c. 1.6 million teachers of the Department of Education and Culture).

Professionalization of the civil service also includes efforts to improve the match between the skill requirements of a certain position and individual qualifications. Implementing job analysis was seen by the government as a prelude for the development of job descriptions, and for the better specification of tasks and responsibilities of each position, which would enable better definition of the qualifications required. However, job analysis has not yet been integrated into a functional review of the respective government agencies nor have job descriptions been satisfactorily achieved. According to the World Bank, "while the actual analysis has reportedly been completed in some 95 percent of the departments and agencies, including at the regional level, there is little indication that the information gathered has been used for any useful purpose" (World Bank 1993:32).

In order to become effective, the policy of professionalization will have to tackle the attitude of the civil servants towards society and the individual citizen. The role concept of Indonesian civil servants is still influenced by the traditional class of bureaucrats, the *priyayi* with their paternalistic and patrimonial attitude (Rohdewohld 1995:111ff). This attitude, which creates a hierarchical relationship between bureaucrat and citizen, must be replaced by a client-oriented, service-centered attitude. The organizational culture of the Indonesian public administration, which can be characterized as a unique mixture of role culture and power culture (Handy 1983), allows for little individual initiative and decision-making. Institutional decentralization has to be complemented by decentralizing decision-making within institutions in order to speed up processes and encourage individual initiative. As formulated by Dwivedi/Henderson: "Development administrators have to be flexible in their approach, amiable in nature, outgoing, people-oriented, and should be willing to take risks and more on-the-spots decisions, rules and regulations notwithstanding" (Dwivedi/Henderson 1990:15). There is still a long way to go to achieve such a mental switch from the tradition-oriented Indonesian bureaucrat to this ideal of a modern civil servant.

Administrative reform in Indonesia has so far not addressed one of the main reasons for the low productivity and efficiency of public administration: the inadequate remuneration for civil servants. With base salaries of between US\$ 39 and 270 per month the Indonesian civil service is one of the lowest paid in the region. According to a 1989 government study, the

base salary in the lowest civil service category could statistically cover the cost of living for only 17 days.⁷ The base salary is only one component in the rather complex, un-standardized and diverse system of civil service remuneration (World Bank 1993), and is complimented by other allowances in cash and kind. While senior bureaucrats can use their position to tap additional sources of income, lower level civil servants have to complement their civil service income by doing other jobs. Furthermore the civil service has suffered from the widening gap between inflation and delayed increases of civil service salaries (World Bank 1994:148). Average real compensation fell slightly between 1984/85 and 1990/91. Income disparities between the private and the public sector are widening: the income earned by civil servants in Indonesia is just one quarter, or at best one third of what employees of private companies receive.⁸ As a consequence, the civil service is not only unable to attract the better qualified graduates, but also loses qualified staff that moves to the more attractive private sector.⁹ The fact that the ratio between the lowest and the highest base salary in the civil service in Indonesia is the lowest of all Southeast Asian nations (Quah 1990) aggravates the difficulty of the service to keep qualified senior staff.

The negative side effects of inadequate remuneration (moonlighting, the need to have several jobs, increased incentive for taking illegal surcharges and kickbacks for the provision of standard administrative services, a higher rate of corruption) will continue to lower productivity and efficiency of the civil service despite efforts to improve structures and procedures of the administration.

Administrative reform has not yet reflected the impact of the policy shift towards strong private sector involvement in economic development. Deregulation and the reduction of direct state intervention result in the reduction of licensing functions of the bureaucracy. Certain parts of the bureaucracy (for instance in the Department of Trade) are simply "losing their job".¹⁰ However, the partial withdrawal of the state from direct economic intervention will increase the complexity and difficulty of the public ad-

⁷ *Jakarta Post*, 11 November 1992.

⁸ Prijono Tjiptoheriyanto, Efforts towards clean, respected government; in: *Jakarta Post*, 17 March 1995. The World Bank (1993) estimates similar wage differences.

⁹ The brain-drain from the civil service to the private sector is felt above all in those areas where skills and knowledge of civil servants can be easily utilized by the private sector, like in accounting, science and technology. Government institutions like BPPT, BPK, LIPI and BATAN are reported to have suffered from the loss of qualified personnel to the private sector (*Jakarta Post*, 4 April 1993).

¹⁰ The Department of Trade is the only central government department that experienced a massive reduction in the number of civil servants of nearly 40 percent between 1986 and 1992 (World Bank 1993).

ministration's tasks: "It has now to regulate and support private, community and arms-length agencies; these tasks are technically difficult, politically sensitive and difficult to accommodate together with established styles of administration." (Batley 1994:489). The administration has to switch to more indirect modes of operation by developing macro policies, by setting the framework conditions for private sector activities:

"Direct interventions in production, trade or finance give way to actions that ensure markets are competitive and that strengthen the legal framework that provides the basis for market contracts. These shifts in the mode of economic management necessitate parallel shifts in the organizational structure, staffing and skills mix of government institutions, changing the emphasis from routine administration of controls to policy analysis, monitoring of policy implementation, facilitation of private activity, and coordination." (World Bank 1994:135)

New managerial tasks, which are required in the civil service (especially at the senior level) include analyzing and maintaining market conditions, setting frameworks for policies and standards, managing and regulating contracts and monopolies, coordinating, financing and supporting producers, enabling community self-provision, supporting consumers with information, and ensuring quality control (Batley 1994:501).

The modification of procedures, decentralization, and the abolishment of administrative jurisdiction will result in a rearrangement of functional relations between government agencies. However, so far there has been remarkably little effort towards a comprehensive review ("mapping") of the functions and processes of governmental institutions in view of the deregulation policy.

3. Reforming the political system?

While the Indonesian polity has been able to implement economic and administrative reforms, it has so far been unable to introduce political reforms. Although there is growing awareness of the need to change and modernize the political process more than 30 years after the New Order government came to power, little has been done so far. To understand this inertia of the political system, we have to look at the basic perception of state and society in Indonesia, and at the political principles on which the New Order system of government is built.

The Western dualistic perception of society and state as something different from each other, each having its own identity, has been questioned in the Indonesian concept of an "integralistic state". The "integralistic state" is

a state "which can overcome (surmount) all views which exist in the society, a state which surmounts majorities and minorities, a state which surmounts all concepts of religion, but which is not a religious or theocratic state."¹¹ In the "integralistic state" society and state become one: "According to the integralistic view of the state, as a nation in its ordered aspect, there is basically no dualism of the state and the individual, no conflict between the state organization on the one hand and the legal order of individuals on the other, no dualism of state and society without the state" (Adnan Nasution, cited in Thoolen 1987:64). In a recent publication the "integralistic state" has been characterized as "an integral combination of the entire society, of all people and classes, in which its members relate to one another as an organic unity ... the state does not favor a particular group or state, does not view the individual's interests as essential but guarantees the nation's livelihood as a whole in a unity which cannot be separated".¹² The implication of this concept is that the individual has little or no rights when it comes to the interest of the state as a whole (which are ultimately defined by the government in power).

In this particular interpretation the state is above society in the sense that contradictions and conflicts of interest within society, between various groups and sections of society, do not affect the activities of the state. The state in its institutionalization and activities is not an expression of the power structure of society, but is neutral, and pursues only the overall interests of society as a whole. In the perception of the New Order government the state and the government are identical and exist in a hierarchical relationship with society.¹³ This corporatist concept requires that the state controls existing social organizations and regulates the emergence of new ones. Communication between society and the state takes place by utilizing these officially recognized organizations and institutions: "Organizations whose leadership is overseen by the state have been established to represent mass groupings of the population, including labor, women, youth, peasants and

¹¹ "Suatu negara yang dapat mengatasi segala paham yang ada dalam masyarakat, negara yang mengatasi mayoritas-minoritas, negara yang mengatasi semua paham agama, bukan negara agama atau teokrasi." (Kamus Pancasila 1991:197). The concept of the "integralistic state" was developed by Prof. Soepomo during discussions about the form of the independent Indonesian state. See Simanjuntak 1994.

¹² Marsillam Simanjuntak, *Pandangan Negara Integralistik*; Jakarta: PT Pustaka Utama Grafiti 1994 (p.85). (Cited in *Jakarta Post*, 10 August 1994).

¹³ This understanding of the state (= the government) as being in command is for instance reflected in the formulation of the 1993 GBHN that "national development is carried out by the society together with the government ... the government has the obligation to provide guidance and direction, and to create a conducive climate to stimulate active participation of the society in development" (GOI 1993:123).

fishermen." (Bhattacharya/Pangestu 1993: p.X). Inputs coming from society to the state through these recognized channels of communication are taken up by the state (the government and the administration), are processed internally (the policy making process takes place basically within the public administration with little public debate¹⁴) and transformed into decisions of the state which are then communicated again to society. Central to the corporatist state in Indonesia is a "network of functionally-based representative organizations which would serve as the conduits for channeling societal aspirations upwards to state leaders, and which would be imbued with a collectivist spirit." It was seen "as both an indigenous and, more broadly, an Asian alternative to what was regarded as the divisive Western capitalist and liberal democratic thinking associated with a pluralist and competitive party system" (MacIntyre 1991:24). Social organizations are controlled by the state in order to broaden the state's control and outreach into society: their function is to discipline their members and ensure the acceptance of the state's policies, but not to initiate a critical review and discussion of these policies in order to obtain legitimacy of these policies or develop alternative policies.

The corporatist state in Indonesia has considerable autonomy from the majority of the population in policy and decision-making: most of the decision-makers are not elected politicians but bureaucrats. The scope for political participation by non-elite groups and individuals is dramatically reduced, and the most influential (strategic) groups monopolize the utilization of the state in their own interests.¹⁵ The adoption of a corporatist strategy ensures that the policy-making process functions without direct pressure from society. Mechanisms of "checks and balances" are lacking, and within the state apparatus control of the bureaucrats themselves is achieved through the corporatization of the civil servants (compulsory membership in the civil service organization KORPRI, quasi compulsory membership in GOLKAR) (Pangestu 1993:277). The broad mass of citizens are denied political participation through political parties which are not allowed to operate on the level of villages and urban neighborhoods ("floating mass" concept).

Under the conditions of globalization, economic development and social change the corporatist concept of state in Indonesia becomes dysfunctional as the existing corporatist groups (which should function as channel of communication and consensus-building between the state/government and society) fail to integrate huge parts of society in the decision-making proc-

¹⁴ See Rohdewohld 1995:41ff for an analysis of the policy-making process in Indonesia.

¹⁵ See Evers/Schiel 1988 for a discussion of the concept of strategic groups.

ess. Because they fail to reflect the needs and interests of these parts of the population, they fail to achieve legitimization and acceptance of government decisions by the people. Since a general opening up of the political process (in the sense of having more political parties, a free press, open public debate on civic issues etc.) is not on the agenda of the New Order government, the only answer so far has been the appeal to the administration, to GOLKAR as the government party and to the other functional organizations to improve their responsiveness to the wishes and aspirations of society. In policy documents (like the GBHN and the REPELITA), and in public statements of government representatives the need has been underlined for public institutions and organizations which are responsive to public opinion, which are able to take up and channel the aspirations of society. Both the renewal of the discussion on nationalism and "National Awakening"¹⁶, and the repeated demands for a "clean" and "responsible" bureaucracy must be seen in this context.

Reform in the field of policy-making is one of the most pressing issues of the political system. The existing political parties are unable to function as "mouthpiece" of society: the ruling party GOLKAR is "designed to extend the state apparatus into the social sphere and to prevent the operation of popular politics" (Robison 1993:67), not to present the interests of the social sphere in the political domain. The activities of the other two political parties, the PDI and the PPP, are likewise regulated by the state. Especially in the case of PDI, constant interference of the government in the internal conflicts of the party have succeeded in making it ineffective as opposition party. Communication between the state and society is basically one-way and top-down. The representative legislative bodies at central and regional level (DPR, DPRD) are closely integrated into the system of bureaucratic control both in their procedures (like in the case of the budget), and in the selection of their members. Although they are still one of the few public arenas where a review and a critical analysis of state policies can at least be attempted,¹⁷ their ability to represent popular resentment and opinion is lim-

¹⁶ President Suharto declared the 20 May 1994, the 86th anniversary of the foundation of *Budi Utomo*, the first national movement of Indonesians, as the beginning of the "Second National Awakening", "intended to strengthen the nation's development so that the objectives of justice and prosperity are realized" (*Jakarta Post*, 23 May 1994). A high level GOLKAR seminar in May 1994 triggered off a debate in the press on Indonesian nationalism. The underlying explanation for this drive is the need to rally the people, who do not see their material interests being taken into account and being satisfied by the present government, around an idea or an ideology in order to strengthen government legitimacy.

¹⁷ One example for the small, but existing influence of the DPR is the case of the Golden Key Group, which obtained huge credits from the state bank BAPINDO (Bank Pembangunan Indonesia). When the Golden Key Group defaulted on the loans (which were ob-

ited. The dilemma of the political elite in Indonesia is that on the one hand channels of communication have to be found in order to stimulate the participation of society in the development process, while on the other hand these channels of communication must be carefully controlled in order not to endanger the hegemony of the existing elites.

4. Outlook: Perspectives for policy reforms in Indonesia

The implementation of the deregulation policy has proved that the New Order government is capable of reacting flexibly to changing macro-economic parameters, although the process of economic reform is not without setbacks and sometimes lacks consistency.¹⁸ Efforts are under way to streamline procedures and structures of the public administration system in view of the new economic realities and in order to meet the demands of the growing private sector for efficient public service delivery.

It is in the field of political reform where the regime has been inflexible and hostile to any reform initiative. Although some changes have been implemented (like the abolition of the requirement of a police permit for meetings and seminars), in other areas the government continues to act harshly against outspoken critics, the mass media or rival politicians. The unsolved issue of succession urgently requires new political initiatives, yet at the same time prevents them because of the fear of instability and political unrest. At the present time, two options seem possible: 1. the succession process progresses smoothly, based on elite and popular support, and opens the way for far-reaching reforms in the administrative and political structure of a post-New Order system. 2. The succession process is engineered by the ruling elites or the majority of the same without finding the necessary support and legitimization in the country. Such a situation would force the new regime to guard existing restrictions even more rigidly in order to ensure its own survival.

tained with the help of leading public figures), thus making BAPINDO technically bankrupt, the whole affair was made public by members of the DPR.

¹⁸ An obvious example of such inconsistencies is the "national car policy" announced in February 1996, which grants one of President Suharto's sons monopoly rights for the production of a "national car", giving him tax and duty concessions for the importation of the car from South Korea until production can start locally (Manning/Jayasuriya 1996).

Bibliography

- Asmerom, H. K. et al. (1994): Good Governance, Decentralization and Democratization in Post-Colonial States: A comparative Study of Ghana, Indonesia and Surinam; Paper presented at the International Political Science Association Congress, Berlin, 21-24 August 1994
- Bhattacharya, Amar / Pangestu, Mari (1993): Indonesia: Development Transformation and Public Policy; Washington D.C.: World Bank
- Batley, Richard (1994): The consolidation of adjustment: implications for public administration, in: *Public Administration and Development*, Vol. 14 (1994), pp. 489-505
- Dwivedi, O. P. / Henderson, K. M. (1990): Public Administration in World Perspective; Ames: Iowa State University Press
- Evers, Hans-Dieter / Schiel, Tilman (1988): Strategische Gruppen. Vergleichende Studien zu Staat, Bürokratie und Klassenbildung in der Dritten Welt; Berlin: Dietrich Reimer Verlag
- Government of Indonesia (GOI) (1989): (Ministry of Home Affairs, Secretariat General, Bureau of Planning) Urban Institutional and Manpower Development Study (Final Report); Jakarta (mimeo)
- (1993): The 1993 Guidelines of State Policy; Jakarta
- (1994): Pidato Kenegaraan Presiden Republik Indonesia Di Depan Sidang Dewan Perwakilan Rakyat, 16 Agustus 1994 (Lampiran); Jakarta
- Handy, C. B. (1983): Understanding Organizations; Penguin: England
- Kamus Pancasila (1991) (edited by A. Syaifuddin and U. Hasanah); Yogyakarta: Nur Cahaya
- MacIntyre, Andrew (1991): Business and Politics in Indonesia; Sydney: Allen & Unwin
- Manning, Chris / Jayasuriya, Sisira (1996): Survey of Recent Developments; in: *Bulletin of Indonesian Economic Studies (BIES)*, Vol. 32(1996)2, pp. 3-44
- Pangestu, Marie (1993): The Role of the State and Economic Development in Indonesia; in: *The Indonesian Quarterly*, Vol. XXI(1993)3, pp. 253-283
- Quah, John T. (1990): Administrative policy in Southeast Asia; in: Dwivedi/Henderson 1990, pp. 235-260

- RIPA (Royal Institute of Public Administration) (1990): Report of the UNDP/MDP Mission to Indonesia (INS/90/525); Jakarta (mimeo)
- Robison, Richard (1993): Indonesia: Tensions in state and regime; in: K. Hewison, R. Robison, G. Rodan: Southeast Asia in the 1990s. Authoritarianism, Democracy and Capitalism; Sydney: Allen & Unwin; pp. 39-74
- Rohdewohld, Rainer (1995): Public Administration in Indonesia; Melbourne: Mon-tech Pty Ltd. (for the Graduate School of Government, Monash University)
- Rondinelli, Dennis (1981): Government Decentralization in Comparative Perspective: Theory and Practice in Developing Countries; in: *IRAS* Vol. 2(1981), pp. 133-145
- SANRI - Sistem Administrasi Negara Republik Indonesia (2 Vols: SANRI I and SANRI II) (Published by Lembaga Administrasi Negara); Jakarta: CV Haji Masagung (8th edition) 1993
- Shah, Anwar / Qureshi, Zia (1994): Intergovernmental Fiscal Relations in Indonesia. Issues and Reform Options; Washington D.C.: The World Bank (World Bank Discussion Papers 239)
- Simanjuntak, Marsillam (1994): Pandangan Negara Integralistik; Jakarta: PT Pustaka Utama Grafiti
- Sudibjo / Edwin, Donni (1996): The Increasing Challenge of Regime's Legitimacy; in: *The Indonesian Quarterly*, Vol. XXIV(1996)3, pp. 226-232
- Thoolen, Hans (ed) (1987): Indonesia and the rule of law. Twenty years of New Order Government; London: Francis Pinter
- United Nations Development Programme (UNDP) (1991): Administrative Reform in Indonesia - Project Findings and Recommendations (Report prepared for the Government of Indonesia by the Management Development Programme of UNDP); Jakarta (mimeo)
- (1994): Human Development Report 1994; Delhi: Oxford University Press
- World Bank (1992): Indonesia - Growth, Infrastructure and Human Development; Washington D.C.
- (1993): Indonesia - Civil Service Issues; Washington D.C. (mimeo)
- (1994): Indonesia - Sustaining Development. A World Bank Country Study; Washington D.C.: The World Bank