

OPPORTUNITIES AND CHALLENGES FOR DECENTRALIZED GOVERNMENTS IN THE GLOBALIZATION ERA: LESSONS FROM INDONESIA

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Abstract: Globalization has been inevitable by the increasing use of technology which allows people and goods to travel across borders, easier, faster, and cheaper. The only way for a country to take benefit from globalization is to give greater autonomy to the regions inside the country to allow them to manage their own economic resources. However, decentralization comes with its own opportunities and challenges. Reflecting from Indonesia's quarter century of experience, this paper concludes that there is no single formula that fits all local governments. Each local government still needs clear direction, clarity in leadership, budget accountability, and transparency to optimize the benefit of globalization for the welfare of the people.

Keywords: Decentralization; Globalization; Leadership; Regional Government

INTRODUCTION

The implementation of decentralization in Indonesia was driven primarily by the fact that a centralized government was not suitable to propel growth with equity for a big, archipelagic country like Indonesia. In 1998, the opportunity for decentralization came with the extraordinary political circumstance which led to the regime change. After the heavy-handed and Jakarta-centric rule under President Suharto's New Order, a decentralization system was chosen to address the crises for the Reform Order (Ostwald et al., 2016). This paradigm shift aims to provide more flexibility for them to grow their economy based on their own comparative economic advantages as well

as to create a more democratic climate in the regional government (Hadiz, 2010).

Since the beginning of the Reform Order, decentralization policy has been broadening the discourse of regionalism in policymaking, planning, implementation, supervision, control, and evaluation. The authority and responsibility granted in law number 23 of year 2014 on regional governance, needs to be balanced with the distribution of adequate resources to support the implementation of the given authority and responsibility (Ostwald et al., 2016).

On the other hand, local governments are required to be more independent in various fields, including funding and developing regional economies. Hence, the regions are driven

to increase Original Local Government Revenue (PAD), to reduce their dependence on the Central Government budget (APBN) (Halim & Nasir, 2021). The capability of the regional government in managing their budget independently, greatly affects the condition of the region itself which eventually determines the welfare of the local people.

After almost twenty-five years of implementation, there are diverse outcomes of decentralization across regional governments in Indonesia, both at Provincial as well as Regency and City level. According to (Chabib Soleh and Suropto, 2011), regional financial performance often become the major benchmarks of the success of the local government, as shown by (R. Agoes Kamarullah, 2017) in Pamekasan Regency, in East Java Province. Kamarullah found out that although the Original Local Government Revenue (PAD) in Pamekasan had increased annually, they still depend on the central government budget to pay for their direct expenses such as regional employee salary (R. Agoes Kamarullah, 2017).

On the other hand, a study by (Joko Tri Haryanto, 2017) about Banten's budget management found the opposite outcome. Banten has been able to manage their regional revenue including taxes to finance their regional development and public services (Joko Tri Haryanto, 2017). They implement a mechanism of budget monitoring and evaluation and clearly show the implementation of money follows function principles (Joko Tri Haryanto, 2017).

Another potential for local governments to increase their Original

Local Government Revenue comes from globalization. With the possibility to directly open trade with foreign governments, local governments can export their own products and services without going into the central government's bureaucracy. Therefore, they could determine their own economic capacity which may transform the structure and functions of local administration significantly (Fethi, 2017). In this study, after the conceptual framework was established, this article would explain how local governments could take benefits from globalization by using greater autonomy provided by decentralization.

CONCEPTUAL FRAMEWORK

This study uses several concepts to examine problems. First, the concept of regional autonomy which can be defined as a manifestation of the desire to maximize all regional potentials to improve the welfare of the people in the area. Regional autonomy is considered important because autonomy is an essential requirement where regions have the desire to manage their own households (Rifai, 2017).

Within this framework, this paper will emphasize the comprehension of regional governments about their right to manage and maximize their region potential, both natural resources and human resources, with their uniqueness. The nature of independent autonomy is legal self-sufficiency and actual independence. Therefore, this concept of autonomy focuses more on aspirations than on conditions.

The second concept is globalization. According to (Keohane,

2006), they define globalization as a process of making something (object or behavior) a characteristic of every individual in this world without being limited by territory. It is labelled as the term of dependence between nations and people around the world through trade, investment, travel, popular culture, and other forms of interaction, hence the boundaries of a country become narrower. However, globalization does not yet have an established definition, so it depends on which side people see it. In this paper, research would be using globalization's interpretation from (Prasojo & Kurniawan, 2008). They use globalization and localization to describe the process of strengthening regional autonomy.

They examine globalization and localization is a force in different societies but influences one another. They explained that in implementing decentralization in the era of globalization, there were several powers and functions that were taboo to be decentralized (Prasojo & Kurniawan, 2008). Therefore, the concepts of centralization and decentralization are often implemented in the state system such as foreign authority, defense and security authority, and judicial authority. On the other hand, there are several powers which, due to demands for efficiency, effectiveness, and closeness of public participation, are administered by local (or state) governments.

RESULT AND DISCUSSION

Today, almost every country is in the vortex of free trade, both within the framework of AFTA, APEC, and WTO. Each country strives to its utmost to create a

policy framework capable of creating a conducive economic climate for increasing domestic investment and encouraging people to play in the global market. One of the implications of the above conditions is the increasing public demand for the efficiency and effectiveness of the public sector (government). This is because the market will not be conducive if the public sector is inefficient.

The provision of regional autonomy is expected to increase the efficiency, effectiveness, and accountability of the public sector in Indonesia. With autonomy, regions are required to seek alternative sources of development financing without reducing hopes that there is still assistance and a share (sharing) from the Central Government and using public funds by the priorities and aspirations of the community.

Under these conditions, the role of private investment and regionally owned companies is expected to be the main driver of regional economic growth and development (the engine of growth). Regions are also expected to be able to attract investors to boost regional economic growth and create a large multiplier effect.

Economic globalization has increased competition between countries in an international economic system. One way to deal with and take advantage of international trade is to increase competitiveness by increasing work efficiency and productivity. As a first step towards increasing efficiency and productivity, structural changes need to be made to strengthen the position and role of the people's economy in the national economy.

Aligned with efforts to strengthen the autonomy of a dynamic and responsible Regional Government, and to realize regional empowerment and autonomy in a more tangible scope, efforts are needed to increase the efficiency, effectiveness, and professionalism of human resources and public institutions in the regions in managing local resources. Efforts to improve regional resource management must be carried out in a comprehensive and integrated manner starting from the aspects of planning, implementation, and evaluation so that the autonomy granted to the regions will be able to improve the welfare of the community.

From the planning aspect, the regions need regional officials (both executive and legislative) who are of high quality, have strategic vision and can think strategically, and have good morals so that they can manage regional development well. Active participation of all elements in the regions is needed so that regional development planning truly reflects regional needs and is directly related to the problems faced by the regions.

From the implementation aspect, local governments are required to be able to create a management system capable of supporting the operationalization of regional development. One aspect of regional governance that must be regulated carefully is the issue of regional financial management and regional budgets. The Regional Budget or the Regional Revenue and Expenditure Budget (APBD) is the main policy instrument for local governments.

To ensure that the management of public funds (public money) has been carried out properly (according to the concept of value for money), it is necessary to evaluate the results of local government work. Evaluation can be carried out by internal parties which can be carried out by internal auditors or by external auditors, for example, independent auditors. To create transparency and public accountability, local governments need to prepare financial reports that are submitted to the public. Supervision from all levels of society and especially from the DPRD is necessary so that the autonomy given to the regions does not go too far and can achieve its goals.

The Impact of Globalization on Local Governments

The process of globalization that occurs as a process of change in all aspects of life, including regional autonomy, has provided a discourse on how the concept of regional autonomy is implemented according to the aspects of decentralization. This decentralization is the decentralization of power from the central government to local governments. The process of globalization, seen from the point of view of its analysis, has the meaning of a comprehensive and multi-dimensional change phenomenon covering economic, political, cultural, and ideological aspects.

Globalization produces a world that is increasingly unified and "eliminates" the boundaries of the sovereignty of the nation-state from an economic, social, and cultural point of view and unites these differences in a world without borders

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(borderless). Globalization has caused different perceptions in interpreting globalization itself. The difference in interpreting globalization in relation to regional autonomy is shown by a narrowing in the meaning of strengthening regional governance (ethnicity). This difference in interpretation has created problems in efforts to accelerate the process of implementing regional autonomy.

The implementation of regional autonomy will provide benefits as well as new challenges from an economic, social, and cultural perspective for each region. The main benefit of course comes from the right to freedom in managing the potential of the region. If regional governments, through their policies, can carry out an appropriate management, then regional autonomy will certainly provide maximum benefits both materially and non-materially.

However, challenges also arise for governments at higher levels in the form of the ability to equally distribute the success of regional autonomy. The successful implementation of regional autonomy in a region can certainly provide any additional rights for the people of the region. Examples of additional rights that are felt directly by the community are the special education subsidy program for the local students, or we usually known as 'Putera Daerah'. Other additional benefits is any additional wealth for the region from other parties as a compensation for exploiting their regional resources. This right may not necessarily be felt by communities under regional governments who have not succeeded in optimizing their regional

resources through regional autonomy policies. Things such as inequality and injustice between regions need to be anticipated by the central government through some policies because they can increase regional sentiments, that is ethnicity.

Regional autonomy has also led to the introduction of the concept of democracy and human rights according to the will of local communities (regional in nature). However, it is unfortunate that the issue of human rights and democracy is often misinterpreted in order to obscure the meaning and meaning of human rights and democracy itself which is universal.

Reinforcement of regional identity as a form of affirmation of regional culture and identity through efforts to explore regional cultural traditions should be pursued. However, in the process of exploring traditions, it is important for the government to ensure that the culture of each region is not exclusive or even rejects the existence of other cultures. Several regional governments have tried to take advantage of their regional autonomy rights to maximize cultural exploration on a massive scale, giving birth to a cultural revivalism movement. The aim of cultural exploration is actually noble, namely trying to revive regional culture that was 'lost' during the application of the prevailing centralistic system. In fact, the loss of some of these cultures is a natural process among the cultural pluralism that lives and develops in modern society. This actually shows the process of transformation of cultural and social globalization in society.

Cultural and social processes and transformations, which are more

commonly referred to as cultural and social globalization, have given birth to concepts that give rise to cultural diversity, both local culture and the absorption of cultures that enter and give birth to the marriage of local and foreign cultures. Judging from the very pluralist Indonesian society, the implementation of regional autonomy following regionalism (pseudo ethnicity), of course, will make this country fragmented and divided according to the narrow concept of ethnicity. The process of implementing autonomy does not want horizontal conflicts. The process of regional autonomy is more directed at balancing the differences between the central government and regional governments which cover all aspects of life, be it economic, socio-cultural, and political (political education of local communities).

Therefore, it is necessary to have an understanding of the concept of regional autonomy without looking at the narrowing of the meaning of regional autonomy itself. This positive impact will certainly give birth to thoughts that will ultimately contribute to the balance between society and the state. It is hoped that the government's policy in providing the widest possible economy to the regions will provide real nuances in strengthening the role of government in the regions. Strong regional governance is meant as an effort to provide regional freedom in regulating their own regions.

We must change the concept of development flow in the regions according to the interests and priority scale in the regions, namely by empowering the regions by channeling development funds that no longer follow central government

procedures but can go directly to their closest targets, namely according to urgent needs (priority scale). By following this flow, the planned program can be aimed directly at its target and can be carried out efficiently and transparently. The granting of regional autonomy in a transparent and open manner, following correct procedures, of course also provides real certainty for the success of development in the regions. The tradition of "populist government" must be a priority with the aim of inviting all people to participate in promoting development in the regions.

Implementation of Regional Autonomy and Decentralization in Local Development: Various Policy Aspects

From the literature review approach, it is known that several regions in Indonesia have actually implemented several decentralization policies to keep pace with the development of globalization. In general, there are four focal points that were further scrutinized in this paper to describe the implementation of regional autonomy and decentralization across local governments in Indonesia: Development of local economies; International trade; Management of Natural Resources, Tourism, and Regional Culture; as well as Infrastructure and Transportation.

The first issue is related to the development of local economies and implementation of special economic zones. Implementation of local economic development, among others, has been carried out by the Government of North Barito District, Central Kalimantan (Haridison et al., 2022). In the

implementation process, it is explained that the local government and Village-Owned Enterprises (BUM Desa), in this case the Sampirang I (One) Village government, North Barito District, Central Kalimantan, have a dominant role in both initiation and action stages of local economic development. At the initiation stage, the village government opens cooperation with various parties, accelerates development through lobbying and negotiations with higher government, and strengthens institutions. Meanwhile, in the action stage, the Village-Owned Enterprise (BUM Desa) is the driving force by actualizing and upgrading the value of renewable natural resource products, as well as marketing the products produced.

In another region, Sei Mangke Kek, North Sumatra, the application of special economic zones as a model of economic development shows the efforts of regional autonomy in attracting foreign investment and promoting leading sectors (Widianto, 2021). Local governments have an important role in shaping the enabling environment for local business growth and poverty reduction. Economically, the implementation of local economic development and local economic zones has successfully increased local revenue through increased empowerment of local citizens and small businesses. It appears that decentralization allows flexibility in managing local-level economic initiatives and strengthens the resources of each region, which are different from one another. Village autonomy in conducting local economic development policies refers to the principle of decentralization, where economic decisions can be taken

independently according to local potential and needs.

Secondly, it is also worth pointing out the extent to which international trade is facilitated within the context of regional autonomy. One of the policy practices involving international trade has been successfully implemented by the Papua Provincial Government. The Governor of Papua signed a memorandum of understanding with several Governors in the Papua New Guinea region as a practice of international trade cooperation (Renyonet, 2022). The potential and natural products consisting of agricultural and plantation sector commodities of Papua Province have succeeded in making Jayapura City a trade gateway to the Pacific Region. Not stopping there, the Papua Provincial Government also maximizes the agreement by implementing work program synergy and making Sentani Airport the center of the central government's export flow.

Moving to the westernmost region, the Government of Medan City, North Sumatra, also maintains an international cooperation with the government of Penang (Georgetown), Malaysia through the "sister city" program (Sinambela, 2019). This agreement was formed from the similarities in culture and ethnicity between the residents of the two regions. Uniquely, this agreement was first signed in October 1984 with the hope of developing cooperation in all fields. The establishment of MoUs between local governments and governments of other countries is a concrete example of decentralization, where local governments have the discretion to carry out foreign relations.

This type of policy has also proven successful in increasing local revenue.

The third cluster deals with the issue of optimizing the management of natural resources, tourism, and regional culture. This type of policy implementation is applied by the Batu City Government, East Java. Batu City, which is superior in terms of its very attractive nature for tourism, was successfully highlighted more intensely through the Gunung Banyak eco-tourism program. The potential of the Gunung Banyak area has been less exposed due to budget constraints and lack of synergy between government work units. However, this obstacle has begun to be resolved with the establishment of cooperation between the Batu City Regional Government and PT PERHUTANI in managing this eco-tourism program.

A more massive implementation was successfully implemented by the Government of Bojonegoro, East Java. Through the petroleum management program, the Bojonegoro Regional Government has succeeded in having an oil and gas endowment that greatly affects Local Government Revenue (PAD) (Sholikin, 2018). The Bojonegoro government focuses on 3 things in running this program, namely: 1) human resource development; 2) infrastructure development that supports economic growth 3) sustainable fiscal management through oil and gas endowment funds. The indicators of this program are measured by indicators of Economic Growth, Poverty Level, Sustainable Development Goals (SDGs), Open Government Partnership (OGP). In its implementation, the Bojonegoro Regional Government

Collaborates 4 (four) friends by involving Academics, Business, Government and Community (ABGC), in the formulation of various policies. This alignment of petroleum exploitation with regional programs has proven to reduce poverty levels consistently since 2014. The management of natural resources in Bojonegoro Regency and the development of ecotourism in Batu City demonstrate the application of regional autonomy in managing local potential according to the characteristics of each region. Decentralization gives local governments the authority to manage the tourism and cultural sectors according to local needs and potential.

Finally, the improvement of infrastructure and transportation to enhance interregional connectedness has become one of the top agenda under Joko Widodo's leadership. Such concern also resonates to the regional and local level. The management of Local Government Budget (APBD) in infrastructure and transportation development held by the North Sumatra regional government in the Smart City concept (Hasibuan & Sulaiman, 2019). Smart City is the application of the concept of smart cities with the use of technology and communication to realize better community services. The Smart City concept will also increase community and government participation in utilizing application data, providing input and criticism easily. The four pillars of smart city development include; The first pillar is people (users) including character and morals, adherence to policies (compliance), The second pillar is service mechanisms and standards, including patterns of

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relationships between stakeholders, mechanisms for integrating public services and data. The third pillar is ICT infrastructure, to integrate services and data (information) to drive all online access, automation media such as network infrastructure, broadband, data center / cloud, data sharing platform / big data, applications, CCTV, and so on. The fourth pillar is the smart city institutional structure to conduct analysts, integrators, evaluators, and align IT Governance with business processes. Smart city institutions will oversee the sustainability of development programs that have been initiated by local governments. The Smart City concept encourages the active role and participation of the community in city management using a citizen centric approach so that there is a more dynamic and close interaction between citizens and service providers, in this case the Local Government. Optimizing decentralization through government performance in serving the community is expected to be effective and efficient. Local governments can invest their APBD in infrastructure and transportation development that supports global connectivity. This includes ports, airports, roads, and other transportation and communication networks that can improve accessibility and mobility.

Overall, the compilation of literature works, as described above, show how regional autonomy and decentralization are applied in various development contexts at the local level, enabling local governments to manage resources and implement policies that suit the characteristics and needs of each region. Based on the data above, we know

that some local governments are already implementing the Regional Autonomy and Decentralization Theory that relates to globalization, which is a fundamental concept in granting policies and authority to local governments. We also can see that each local government has different methods and programs to manage their resources through some policies. This reflects the concept of regional autonomy and decentralization, where local governments have greater authority to make decisions in various aspects of economic development, infrastructure, and natural resource management.

CONCLUSION

Governments around the globe have been widely adopting regional autonomy and fiscal decentralization policies to ensure prosperity in a democratic society. Moreover, there is a hope towards a more accommodative mechanism for formulating policies that facilitates more and more grassroots aspirations from the regional community that is in turn improving the quality of public services provided to the society.

In line with the decentralization spirit, Regional Governments are undoubtedly required to improve their ability to utilize the potential of regional resources. With the decreasing level of dependence from the Central Government, Regions are required to do everything by themselves. Therefore, they must increase professionalism of Regional Government officials, carry out regional financial accounting reforms and regional financial management, carry out strategic planning correctly, so that it will spur the realization

of real, dynamic, harmonious and harmonious regional autonomy. Eventually, all of their collective efforts are expected to strengthen the base of the regional economy, and strengthen national unity and integrity in welcoming the era of the global economy.

To realize the above discourse, regions are faced with complex environmental challenges or have undergone rapid changes. Macro

environmental variables such as technology, consumer preferences, and accelerated information dissemination create a turbulent environment. Such an environment demands appropriate and fast responses from organizations in order to compete or survive. The organizations that will be the winners in this century are only organizations that have high-performing human resources so they are responsive to the environment.

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