

## **Establishing Good Governance The Experience of Indonesia\***

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“*Governance*” is a new discourse as well as a new system in managing state and society relations in Indonesia. The model that had been known and practiced since the beginning of the Indonesia’s Independence was “*government*,” which traditionally put the government as the sole actor, as both player and holder of political power and authority, in the management of the state. The collapse of the Soeharto’s regime in 1998 was the milestone of the beginning of the governance reform process. And, for the last eight years, Indonesia is assumed to have achieved a lot of progress in terms of governance reform, although the process has been such unoptimal that the real output of the governance reform process is unobservable. Nevertheless, aside from its limited output, good governance has become a strong public discourse that it has directly and indirectly influenced the opinion and activities of the society, government, and the state as well as the events they brought about.<sup>1</sup>

This brief paper is trying to provide a general evaluation of Indonesia’s experience in establishing good governance, especially in the last eight years. It cannot elaborate all the aspects and problems related to governance reform, however. Indeed, governance can mean whatever related to attitude, behavior, principles, arenas, and processes in the management of state and society, and the relations between state and society as well as the impact resulting from such interactions. With such an insight, the first part of this paper will provide the definition of the term as the basis for evaluating Indonesia’s progress in governance reform. It will be followed by the second part, which provides the general evaluation on the achievements of the governance reform for the last eight year, the evaluation of which will be divided into several periodical divisions. A brief discussion on the

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<sup>1</sup> See, Hadi Soesastro, “Governance and Indonesia’s Sustainable Economic Growth,” paper presented in the Seminar on *Good Governance in East Asia: Realities, Problems, and Challenges*, November 17, 1999 coordinated by CSIS, Jakarta in cooperation with KAS, Manila.

governance “experience” in the Soeharto era will be unavoidably provided as introduction of this part. The third part will try to explore the challenges ahead in the making of governance in Indonesia.

### **Governance: Arenas & Principles**

Since its wide-scale introduction especially by international donors in 1990s, the concept of governance has been adopted in the level of idea and practice, and the concept itself is developing relatively well. No single definition, however, can be ensured.<sup>2</sup> To some extent, the definition and the implementation of the concept are dependent on vested interests. This paper will follow the definition of governance as provided by the World Governance Assessment (WGA),<sup>3</sup> which focuses on the importance of rules rather than results. Governance is treated as both activity and process in the sense that it is viewed as reflective of human intention and agency but is itself a process that sets the parameters for how policy is made and implemented. Analytically speaking, governance becomes a ‘meta’ activity that influences outcomes, such as reducing transaction costs and protecting human rights, depending on the nature of the rules adopted.

On the basis of such explanation, governance is understood as the formation and stewardship of the formal and informal rules that regulate the public realm, the arena in which state as well as economic and societal actors interact to make decisions. Governance, then, refers to behavioral dispositions rather than technical capacities. It is a quality of the political system that serves as an independent variable, i.e. as an explanatory factor. In this perspective, governance deals with the constitutive side of how a political system operates rather than its distributive or allocative aspects

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<sup>2</sup> See, Simon SC Tay, “Governance in East Asia An Agenda for Research and Action,” paper presented in the Seminar on *Good Governance in East Asia: Realities, Problems, and Challenges*, November 17, 1999 coordinated by CSIS, Jakarta in cooperation with KAS, Manila.

<sup>3</sup> WGA came to conclude that the plurality understanding has actually crystallized in to two separate lines, dealing with the substance of governance and the character of it in practice respectively. Along the first line, there is a difference between those who view governance as concerned with the rules of conducting public affairs, on the one hand, and those, on the other, who see it as steering or controlling public affairs. One might say that the ‘rules’ approach tends to emphasize the institutional determinants of choice, while the ‘steering’ approach concentrates on how choices get implemented. Along the second line, the difference is between governance as activity or process. Some analysts treat governance as reflected in human intention and action. It is possible to see the results of governance interventions. Others, however, view governance as an ongoing phenomenon that is hard to pin down, but which bears on how results are achieved. Practitioners tend to adopt the former position, academics often end up taking the latter. See, Goran Hayden, Julius Court & Kenneth Mease, *Making Sense of Governance The Need for Involving Local Stakeholders*, pp. 4-8, downloaded from online sources [www.odi.org.uk/wga\\_governance/](http://www.odi.org.uk/wga_governance/)

that are more directly a function of policy. Governance is a voluntarist activity that helps define the terms and conditions, under which policies are made and implemented. The quality of governance, therefore, is measured in terms of how well the various actors handle the rules that make up the basic dimensions of the political regime.

With the assumption that a political system starts working when a public issue is raised and discussed by a societal group and eventually reaches various political institutions before being decided upon and implemented by relevant public authorities, there have to be a number of components involved in such a political process. The WGA divides the components into the following six stages or arenas:

- *Civil society*, where citizens become aware of and may raise issues for the attention of public authorities;
- *Political society*, where issues are aggregated by political parties and legislatures;
- *Government*, where the stewardship of the system as a whole tends to lie;
- *Bureaucracy*, where policies are prepared and implemented;
- *Economic society*, where relations between state and market are determined;
- *Judiciary*, where disputes are settled.

There are several principles to guide processes in every arena as they have been adopted and practiced in many countries and perceived as very much close to universal values. The following are the six principles:

- *Participation*, the degree of ownership and involvement that stakeholders have in the political system;
- *Fairness*, the degree to which rules are perceived as applying equally to every one on society regardless of background;
- *Decency*, the degree to which rules are formed and handled without humiliating or harming particular groups of people;
- *Accountability*, the extent to which political actors are seen as acting responsibly and responsively in relation to their constituents;
- *Transparency*, the extent to which decisions are perceived as being made in a clear and open manner;

- *Efficiency*, the extent to which limited human and financial resources are seen as being used prudently.

The last three of these principles refer specifically to how officials behave in public office, the first three points to the way they interact with citizens. Taken together, they allow us to create a set of indicators that allow us to measure governance performance in the six arenas in a coherent and comprehensive fashion. As such, there are clear indicators that can be used if a country's governance performance is to be reviewed comprehensively. (Figure 1).

Figure 1. Summary of Arenas and Principles of Governance

<b>Principle / Arena</b>	<b>Participation</b>	<b>Fairness</b>	<b>Decency</b>	<b>Accountability</b>	<b>Transparency</b>	<b>Efficiency</b>
<b>Civil society</b>	Freedom of association	Society free from discrimination	Freedom of expression	Respect for governing rules	Freedom of the media	Input in policy making
<b>Political society</b>	Legislature representative of society	Policy reflective of public preferences	Peaceful competition for political power	Legislators accountable to public	Transparency of political parties	Legislative function affecting policy
<b>Government</b>	Intragovernmental consultation	Adequate standard of living for citizens	Personal security of citizens	Security forces subordinated to civilian government	accurate information	Best use of available resources
<b>Bureaucracy</b>	Government provide Higher civil servants part of policymaking	Equal access to public services	Civil servants respectful towards citizens	Civil servants accountable for their actions	Clear decisionmaking process	Merit-based system for recruitment
<b>Economic society</b>	Consultation with the private sector	Regulations equally applied to all firms	Government's respect for property rights	Regulating private sector in the public interest	Transparency in formulating economic policy	Obtaining licenses free from corruption
<b>Judiciary</b>	Non-formal processes of conflict resolution	Equal access to justice for all citizens	International human rights incorporated in national legal practice	Judicial officers held accountable	Clarity in administering justice	Efficiency of the judicial system

## **Political Reform and Governance**

The political change marked by the resignation of President Soeharto in 1998 provided a significant momentum for the change of characters in the relations between state and society in Indonesia, opening the possibility for the introduction of governance reform. However, whether or not such opportunity can be optimally exploited for the establishment of good governance in the management of relations between state and society, to the extent that real outcomes, which are

idealistically expected,<sup>4</sup> can be achieved, is very much dependent on how the principles of good governance are applied in various public realms.

### *The Weakening of The State*

Under the control of President Soeharto, the state show up as an uncontendable power, and therefore controlled all the public and private domains in the relations between state and society. The power of the state was concentrated in the hand of President Soeharto, with whom all the development agendas were decided and the relations between state and society were defined. The concentration on the economic development led the Indonesian government to deny the development of other sectors especially political development. Various analyses have come to the conclusion that President Soeharto applied liberal economic policies despite highly illiberal political policies.<sup>5</sup> The political and social institutions were pressured and controlled with their activities limited in such a way to simply match the interest to maintain his political power. Democracy was simply accepted as an idea and, therefore, practiced as far as the formal procedure allows it, but its substance was put beside. The social and political activities of the people were acceptable as long as they are within the political agenda and in the framework of the Soeharto's government. All the governance arenas as defined above were controlled very tightly by the state and primarily managed to sustain political power of the regime, which worked to meet the goal of economic development.

The success in achieving and managing a relatively high economic growth had been a source of legitimacy for the long-standing power of Soeharto's government. Nevertheless, the legitimacy was not totally pure in the form of voluntary public acceptance, because it was secured under the politic of repression ensured by the combined support of military, bureaucracy, political society under the control of the ruling party Golkar, and a limited number of big business groups. The legitimacy gained by Soeharto's administration is a pressured legitimacy and in many cases a bribed

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<sup>4</sup> Governance, as an idea to reform the way in managing a nation, is supposed to provide at least four outcomes for the betterness of the society: (1) people ensured with their political rights as they are the owner of the power, (2) better-served public, (3) improved economic prosperity, and (4) citizens living under secured and peaceful environment. See Jon Pierre and B. Guy Peters, 2002, *Governance, Politics and the State*, London: MacMillan Press; and Kofi Annan, 1998, *Partnership for Global Community: Annual Report on the Work of the Organization*, New York: UN.

<sup>5</sup> See, Richard W. Baker, et.al. (eds), *Indonesia The Challenge of Change* ( The Netherlands: KITLV Press; Singapore: ISEAS, 1999)

legitimacy.<sup>6</sup> The benefit of the high economic growth was used to finance the cost of maintaining such legitimacy. Such legitimacy, indeed, demanded higher economic cost from time to time, as complex socio-economic and socio-political development had made the efforts to maintain political power more difficult. The governance principles as defined above were not applicable at all especially because of the assumed reciprocal relations between political and economic development. The state, with the support of the military, bureaucracy, Golkar party, and, to some extent, limited number of big businesses, could maintain a sustainable political stability which was crucial for a sustainably high economic growth, and in return, the high economic growth was significant for sustaining political stability.<sup>7</sup>

With the support of the abundant natural resources, the Soeharto's government had succeeded in maintaining political stability policy for the support of economic growth until the end years of his resignation in 1998, the times when Indonesia was hardly hit by economic crisis, democratization (including respect for human rights) has been a global agenda, and the Indonesian people were getting politically conscious. Without underestimating the value of bloody events that triggered the reform movement that led to the breakdown of the Soeharto's presidency, the failure in handling the acute economic crisis in a relatively short time contributed significantly to the delegitimated political power of Soeharto, and therefore weakened the ability of the state to finance a sustained political stability. In the mean time, the global agenda for democratization had forced directly and indirectly the ruling power to accommodate various demands for political reform, which at that time were strongly, intensively, and consolidatively voiced and put into actions by various components of Indonesian society with the 1998 student movement as the leading force.<sup>8</sup> The weakening control of the state opened the way for consolidation of politically aware societal groups, enabling them to demand political reforms, which basically focused on to manifesting the principle of people's sovereignty in the exercising power of the government in Indonesia.

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<sup>6</sup> William Case, *Politics in Southeast Asia: Democracy or Less*, especially Chapter on Indonesia: Perpetuating and Changing a Pseudo-Democracy (Surrey, Richmond: Curzon Press, 2002) pp. 29-81.

<sup>7</sup> Mochtar Pabottingi, "Indonesia Historicizing the New Order's Legitimacy Dilemma," in *Political Legitimacy in Southeast Asia The Quest for Moral Authority*, edited by Muthiah Alagappa (California, Stanford: Stanford Uiveristy Press, 1995) pp. 246-253.

<sup>8</sup> Soesastro, *Governance and Indonesia's Economic Growth...*, especially chapter on "Governance and The Rise and Fall of Soeharto," pp. 8-14.

### Liberalizing the Politics

The fall-down of President Soeharto had left many problems of governance in Indonesia. Corruption, collusion and nepotism were complicated problems, and had become deeply rooted in various governance arenas: civil society, political society, government, bureaucracy, business, and judiciary. The socio-economic gap, poverty, and unemployment were other problems which were equally important. The political and economic centralism, putting all the activities in Jakarta, had left the regions poorly managed, and therefore there were latent political and economic problems in the regions just waiting for the right time to manifest. Another problem was the closed and highly oligarchic management of the political power of the state, such that the problem of political injustice was rampant and sacrificing many individuals and societal groups. Though leaving a number of complicated problems, the resignation of Soeharto opened the way to reform the character relation between the state and the society in which the principle of people's sovereignty was put at the central as a common reference. There was no longer one dominant power that claimed as the representative of the with the capacity to carry out political suppression on general public and especially on various arenas of governance. The relation between state and society and the ways of managing political power of the state were subject to redesign. But the problem is "who sets what rules, when and how?"<sup>9</sup>

Replacing President Soeharto, President B.J. Habibie did not enjoy any economic and political privileges as did his predecessor. On the contrary, he was burdened with many complicated economic, political, and social problems. He was not able to secure a strong public trust as he was suspected of being the representative of the interest of the political regime of Soeharto. This fact simply told us that President Habibie was running the government with relatively low political legitimacy. Effort to maintain political power was then a need to take, and President Habibie did so by introducing policies in line with strong public demand, which is political democratization. There were at least three important political policies issued by the administration of Habibie, namely

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<sup>9</sup> This is the constitutive side of politics that needs to be highlighted and emphasized in the name of governance because it is fresh and overlooked if not differentiated from the concerns derived from policy of how resources are allocated that has been strongly reflected in the classical political economy question, originally attributed to Harold Lasswell, of "who gets what, when, and how?". Governance does not influence such outcomes directly, although by changing the rules for how policies are made, it may do so indirectly. For further discussion on this issue, see Goran Hayden & Julius Court, *Governance and Development*, downloaded from online source [www.odi.org.uk/wga\\_governance/](http://www.odi.org.uk/wga_governance/)

releasing political prisoners (respect for human rights), removal of anti-political freedom regulations (freedom of association, freedom of expression, freedom of the media); and putting-up on the agenda of free and fair elections. President Habibie in fact could play no other role beyond the above roles, and this increasingly characterized his administration as simply a transitional government. The main characteristic of this government was that it could not base its policies and actions on the old regulations at one hand, but on the other hand there were still no replacing regulations at hand to rely on as they still need to be formulated in line with public and political consents.<sup>10</sup>

With the policies mentioned above, a significant number of societal organizations (NGOs and CSOs) had been growing. Moreover, various printed and electronic mass media were born as free public information media. Self organizations of people in the form of political parties had also developed very fastly and unstoppable. New regulations to ensure free and fair general elections were also formulated. Despite of being unable to adopt totally the universal principles of organizing democratic general elections, the new regulations on general elections had succeeded in providing the legal bases for the conduct of 1999 general elections, which were relatively democratic. The 1999 general elections had also brought about into political arena varying political actors although not all of them were new.<sup>11</sup> In fact, the 1999 general elections were the ones that brought down Habibie from political power.

To review this averagely one-year age transitional government in the light of governance arenas and principles as defined previously, we may say that the achievement is still limited. The transitional government of President Habibie was contributing to the governance reform, indeed, but it was not the only significant actor in the process of improving the governance condition. The public demand and pressure were the other significant factors in such governance reform process. Figure 2 describes the points of achievement in governance arenas and principles. But most importantly is

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<sup>10</sup> In his biography, President BJ. Habibie admitted that the political heritage of “the concentration of power in the hand of president” that he received from his predecessor President Soeharto, would be only a political burden rather than a political benefit for him in managing the government. See, *Detik-Detik Yang Menentukan Jalan Panjang Indonesia Menuju Demokrasi* (The Determining Seconds the Indonesia’s Long Road To Democracy) (Jakarta: THC Mandiri, 2006) pp.69-158.

<sup>11</sup> Dwight Y. King, *Half-Hearted Reform Electoral Institutions and the Struggle for Democracy in Indonesia* (Westport, Connecticut, London: Praeger, 2000).

that the one-year transitional period was really a time when good governance became a national agenda.

Figure 2: Improvement of Governance in the Transition Period

Principle / Arena	Participation	Fairness	Decency	Accountability	Transparency	Efficiency
<b>Civil society</b>	Freedom of association	Society free from discrimination	Freedom of expression	Respect for governing rules	Freedom of the media	Input in policy making
<b>Political society</b>	Legislature representative of society	Policy reflective of public preferences	Peaceful competition for political power	Legislators accountable to public	Transparency of political parties	Legislative function affecting policy
<b>Government</b>	Intragovernmental consultation	Adequate standard of living for citizens	Personal security of citizens	Security forces subordinated to civilian government	accurate information	Best use of available resources
<b>Bureaucracy</b>	Government provide Higher civil servants part of policymaking	Equal access to public services	Civil servants respectful towards citizens	Civil servants accountable for their actions	Clear decisionmaking process	Merit-based system for recruitment
<b>Economic society</b>	Consultation with the private sector	Regulations equally applied to all firms	Government's respect for property rights	Regulating private sector in the public interest	Transparency in formulating economic policy	Obtaining licenses free from corruption
<b>Judiciary</b>	Non-formal processes of conflict resolution	Equal access to justice for all citizens	International human rights incorporated in national legal practice	Judicial officers held accountable	Clarity in administering justice	Efficiency of the judicial system

### Enhancing Social Integrity

The 1999 election that was followed by (indirect) election of President and Vice President had resulted in a new political regime of Indonesia. The new political parties, such as Indonesian Democratic Party for Struggle (PDIP), National Awakeing Party (PKB), National Mandate Party (PAN), and Justice Party (PK), aside from old parties, i.e., Functional Group (Golkar), Unity and Development Party (PPP) and Indonesian Democratic Party (PDI) colored the dynamic of the Indonesian parliament with pluralistic picture in which no single political power dominated the parliament absolutely.<sup>12</sup> In the mean time, the new government was lead by the duet of KH. Aburrahman Wahid (PKB) as President, and Megawati Soekarnopoetri (PDIP) as Vice President. However, the new but plural environment and the leadership style of President Wahid, which was

<sup>12</sup> For brief but detailed analysis on this issue, "Time for Golkar To Be in Opposition," in Jusuf Wanandi, *Global, Regional And National: Strategic Issues & Linkages* (Jakarta: CSIS, 2006) pp. 322-325.

erratic, had resulted in a political life full of conflicts and contradictions.<sup>13</sup> The condition was situated in a political environment characterized by strong public demand for further political reform. The public environment simply indicated that the new political regime needed to work hard to establish new regulations for the management of political power especially on the relation between state and society as well as handling of political conflict problems within the new political regime.

The period of President Wahid's administration needs to be noted as an important political transition period as this was the time when Indonesia's constitutional reform started to undergo. This was a political course that was not possible to happen in the period of President Soeharto's presidency and signified a new development in which the state was no longer closed and arbitrary to the public demand for reform. There were two substantive points of constitutional reform under President Wahid's presidency. Though under the management of the highest state institution MPR (having absolute power to amend constitution), the control on constitutional reform seemed to be highly influenced by a number of political interest groups competing each other inside and outside the parliament arena, namely status quo, conservative and reformist. Such process of constitutional reform resulted in a problematic mixture between progresses and (new) problems. Progresses were evident in the growing acceptance and respect on human rights including economic, social, and political rights. Moreover, the constitutional reform also signified an application of devolution (decentralization) principle in the inter-governmental relations, thus the principle of local autonomy was adopted. The limitation of the presidential power was also applicable, done at the same time with the extension and empowerment of the authority of the DPR (parliament). This, however, was bringing about a new problem since the limitation of the power of president at one hand and empowerment of DPR at the other hand was resulting in the so-called "government by the parliament in a presidential system."

President Wahid fell because of the strong political conflict with the parliament in 2001. During the two-year period of Wahid's administration, however, Indonesia did not record any significant development in terms of governance except constitutional confirmation on achievements secured by previous administration. The new political regime, supposed to capitalize from the free and open

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<sup>13</sup> See, "Indonesia Now A Nation On Autopilot," in Jusuf Wanandi, *Global, Regional And National*, pp. 354-356.

environment, failed to do so due to its preoccupied business with short-term political conflict. If any, one thing needs to be cited as achievement of this political regime was fairness. Aside from constitutional reform providing acceptance and respect on human rights, the administration of President Wahid clearly showed real advocacy for the rights of minority groups. Figure 3 indicates the limited achievement in terms of governance in this period.<sup>14</sup>

Figure 3: Improvement of Governance's Arena dan Principles during Wahid Government

Principle / Arena	Participation	Fairness	Decency	Accountability	Transparency	Efficiency
<b>Civil society</b>	Freedom of association	Society free from discrimination	Freedom of expression	Respect for governing rules	Freedom of the media	Input in policy making
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<sup>14</sup> A sequential comparative assessment of governance done by WGA in 2000 included Indonesia as one of the observed 16 countries. It depicted that “Indonesia offers interesting insights along these lines. The country underwent a major political transition after it was hit by a financial crisis in 1998 and the economic boom that shielded an economic elite, closely allied with the then President, Suharto, came to an end. Indonesian respondents reflecting on the conditions in their country in 2000 could not escape noticing the difference between then and five years earlier. When the military exercised a close control of both social and political life – in the name of the New Order – both civil liberties and political freedoms were denied citizens. The fact that by 2000 there was a sense of freedom and a growing respect for human rights – except on the island of Timor, where Indonesian soldiers battled freedom fighters in the eastern part – gave respondents reason to give a satisfactory, yet cautious score, indicating their hope for the future. This relative optimism was tempered by a sense that the principal beneficiaries of the new reforms would be people with money. For instance, comments by individual respondents suggested that their sense was that many persons were running for office because of their financial advantage and that it was not at all clear that they would attend to the interests of their respective electorates, once in office.” See, Julius Court, Goran Hayden & Ken Mease, *Governance Performance: The Aggregate Picture*, The World Governance Survey Discussion Paper No. 3, downloaded from online source [www.odi.org.uk/wga\\_governance/](http://www.odi.org.uk/wga_governance/)

### Formulating Constitutional Foundation of Governance

Megawati replaced Abdurrahman Wahid as President. She was coupled with Hamzah Haz of PPP as Vice President. The formation of the new government implied a new political configuration in the landscape of national power game. Nevertheless, it was clear that the elite conflict in relation to the political power remained significant, leading the new regime to put aside the attention to manage of political reform, and agendas on governance reform were relatively ignored. This situation risked to contribute to the growing public distrust on post-Soeharto administrations as long-standing political reform seemed to have never arrived at its conclusion. Still under the political situation, the process of constitutional reform underwent a similar manner of that during the period of Wahid administration. The difference is that there was a higher intensity of public pressure on the substance to democratize Indonesia's constitution more comprehensively.<sup>15</sup> The public pressure on the eradication of corruption was also strong.

Again the period of Megawati's administration until 2004 did not record any significant achievement in the efforts to reform various arenas and principles of governance. The six governance arenas as defined above were undergoing a relatively very slow and limited development. The arena of civil society could be sustained, however, and it experienced a somehow limited development. The increasingly organized civil society not only empowered this community to contribute to the policy making processes, but also indicated a growing compliance (respect) on laws. Indeed, this applied only to the laws and regulations (especially the new ones) that were perceived to be just and fair for general public. In the arena of political society, the parliament is viewed as lacking its effort to work on political reform processes and deficient of public trust due to its weak commitment to public interests. The oligarchic style of management in political parties tended to put off the political processes and therefore raised the suspicion that the political parties are working for their own political interests. The open and free political environment, however,

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<sup>15</sup> For a very comprehensive analysis of Indonesia's Constitutional Reform, see Denny Indrayana, *Indonesian Constitutional Reform 1999-2002 An Evaluation of Constitution-Making in Transition*, PhD Thesis (Melbourne: Faculty of Law University of Melbourne, 2005).

saved the situation by providing opportunity for the public preferences to be accommodated minimally in the policy making processes in the parliament.<sup>16</sup>

The arena of bureaucracy was far from any significant reform effort to make it more accommodating to various principles of governance. But in the local level, as a result of the decentralization policy and local autonomy, local bureaucracy in several regions has indicated real improvement of its performance. The commitment of local leader to bureaucratic reform to provide better service to the people would have significant influence. It also implied a better business climate. But this development was very local in nature.<sup>17</sup> The establishment of the independent Supervisory Commission of Business Competition (KPPU) also indicated the development in the arena of business society as it ensures that business regulations are applicable to all business players. The fair competition in the business world is expected to bring about benefits to general public.

The constitutional reform was completed during the period of Megawati's administration. The public pressure and the involvement of civil society groups in the last two stages of the constitutional reform contributed to the substantiation of the Indonesia's constitutional reform. There is one worth-noting achievement in this period, which is the constitutional confirmation on the need to diversify the state power to state institutions and independent commissions, all of which have equal positions. There is no longer one state institution with highest authority provided by the constitution. Several new state institutions were formed to complement old state institutions such that the mechanism of checks & balances is ensured to work properly. The other result of the constitutional reform is the provision on direct election of president and vice president as manifestation of people's sovereignty in the formation of national leadership. The legislative body is divided into two chambers, and all the members of the parliament are elected through general

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<sup>16</sup> Jurgen Ruland, et.al., *Parliaments and Political Change in Asia* (Singapore: ISEAS, 2005) pp. 45-47; 210-245; Bivitri Susanti, et.al., *Semua Harus Terwakili Studi mengenai Reposisi MPR, DPR, dan Lembaga Kepresidenan di Indonesia* (All has to be represented A Study on the Reposition of MPR, DPR, and the Presidency in Indonesia) (Jakarta, PSHK, 2000); Bivitri Susanti, et.al., *Tentang Kinerja Legislasi DPR 2005* (On the Legislative Performance of the DPR 2005) (Jakarta: PSHK, 2006).

<sup>17</sup> There have been a number of districts in Indonesia that perform best practices in managing good and clean government such as the regency of Jembrana (Bali), the regency of Solok (West Sumatra), and the Regency of Sragen (Central Java). *Media Otonomi*, No. 10, Tahun 1, 2005.

elections. The also confirms that the military is no longer involved in politics, and therefore is subordinated to civilian government.

With such development, there are potentials to develop further governance reform. Though not yet comprehensively achieving an optimal development, it provides open environment in which new regulations for governance reform can be applied. The summary of the progresses can be seen in Figure 4.

Figure 4: Improvement of Governance's Arena dan Principles during Megawati Government

Principle / Arena	Participation	Fairness	Decency	Accountability	Transparency	Efficiency
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<b>Judiciary</b>	Non-formal processes of conflict resolution	Equal access to justice for all citizens	International human rights incorporated in national legal practice	Judicial officers held accountable	Clarity in administering justice	Efficiency of the judicial system

#### Gradual Progress of Making Governance

The achievements in governance reform in the period of Megawati's administration were proved to be inadequate to win its position in the competition with Susilo Bambang Yudhoyono coupled with Yusuf Kalla (two former ministers under Megawati's cabinet) in 2004 presidential election. The fact, however, does not negate the value of the development of good governance. In this sense, it can agued that a peaceful, open, and relatively fair process of change in political leadership is crucial to secure the achievements in governance reform from the previous periods, and therefore

provides the basis for further development. This condition benefits many parties as the rest jobs will be lighter. What to be done are simply to strengthen the past achievements and to complement those achievements with new ones, making the whole more compact and qualified.

Putting aside the various political conflicts that develop during the two-year period of Yudhoyono’s administration, there are new achievements that increasingly extend the scope of governance reform in Indonesia. The new regulations that have been provided in the amended constitution and directly have implication in the governance reform begin to be implemented. In the arena of government, for example, inter-state institutions and commissions consultation has been practiced although the principle of transparency is not applied optimally. Moreover, the military is formally excluded from political involvement, and forced to comply with (elected) civilian government. In the arena of political society, the parliament does not seem to stay insensitive to public demand, asking it to representing public preferences in its policies. The parliament needs to, at least, listen to public voices and interests, although it is still considering its political interests that provide the basis for the existence of political parties in the parliaments. In the arena of economic society, the consultation mechanism has been extensively and openly practiced not only between government, parliament, and business communities, but also with labor associations. Figure 5 summarizes the development of governance reform in Indonesia for the two-year administration of President Yudhoyono.

Figure 5: Improvement of Governance’s Arena dan Principles during Yudhoyono Government

Principle / Arena	Participation	Fairness	Decency	Accountability	Transparency	Efficiency
<b>Civil society</b>	Freedom of association	Society free from discrimination	Freedom of expression	Respect for governing rules	Freedom of the media	Input in policy making
<b>Political society</b>	Legislature representative of society	Policy reflective of public preferences	Peaceful competition for political power	Legislators accountable to public	Transparency of political parties	Legislative function affecting policy
<b>Government</b>	Intragovernmental consultation	Adequate standard of living for citizens	Personal security of citizens	Security forces subordinated to civilian government	accurate information	Best use of available resources
<b>Bureaucracy</b>	Government provide Higher civil servants part of policymaking	Equal access to public services	Civil servants respectful towards citizens	Civil servants accountable for their actions	Clear decisionmaking process	Merit-based system for recruitment
<b>Economic society</b>	Consultation with the private sector	Regulations equally applied to all firms	Government's respect for property rights	Regulating private sector in the public interest	Transparency in formulating economic policy	Obtaining licenses free from corruption

<b>Judiciary</b>	Non-formal processes of conflict resolution	Equal access to justice for all citizens	International human rights incorporated in national legal practice	Judicial officers held accountable	Clarity in administering justice	Efficiency of the judicial system
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## Challenges Ahead

There have been many achievements in the post-Soeharto era in terms of governance reform, but it is needless to say that there are still many problems to be settled in the process of establishing good governance in Indonesia. Factually speaking, the process of establishing good governance is always full of dynamics due to the fact that many actors are involved with their own agendas possibly incompatible with each other. They also compete for varying interests, which complicate the reform process. In such condition, the eight-year processes of governance reform have not resulted in a comprehensive, compact and uniform picture. What is to be moderately said is that the situation is still fragile that a setback remains possible to happen. The fundamental problems are still haunting, and compose burdens in the further process of governance reform.

Among the fundamental problems, some can be elaborated as follows.<sup>18</sup> *First*, there is still no common blueprint from all the stakeholders on the processes and goals or end results of the *governance reform*. The absence of the blueprint on the direction of the governance reform results in the following problems: (1) the process of *governance reform* does not tell us about a clear destination such that the success is difficult to measure, (2) the programs are fragmented between actors and institutions, (3) the programs are not synergistic and constructive, and (4) in the long run it can result in public apriori and frustration as the process of *governance reform* does not tell them a clear meaning, substance, and results. *Second*, optimum coordination among institutions working in the area of *governance reform* cannot be expected. This minimum coordination makes the reform movement not focused but fragmented with their own agenda. To date, there is no institution provided with the mandate to coordinate the efforts and programs related to *governance reform*.

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<sup>18</sup> See also, TA. Legowo, et.al., *Laporan Akhir Penilaian Terhadap Pembaruan Tata Kelola Pemerintahan di Indonesia* (Final Report Assessment on Governance Reform in Indonesia), a report submitted to the Partnership for Governance Reform in Indonesia (Jakarta: September 2006, unpublished).

*Third*, there have been disharmony among (and inability of) the transitional institutions (independent state Commissions and Committees), which are mandated to enact the principles of good governance. At this point there are 40 transitional institutions with overlapping authorities both among the institutions and between the institutions and the conventional government institutions. Moreover, the performance of these transitional institutions is far from satisfactory as they have limited authority and resources to optimally exercise run their mandates. *Fourth*, there remains possibility of incompatibility between the agenda of political parties (and politicians) and the spirit of *governance reform*. The political parties tend to gain political power rather than to implement the principles of good governance as their main goal of every agenda.

*Fifth*, the minimum capacity of civil society organizations (CSOs) especially in the financial independency management of the organization. CSOs are likely very dependent on the donor in organizing their activities such that they tend to be project oriented, and run for short-term programs or movements. The risk is that the programs in governance reform tend to be sporadic and simply provide a “helicopter-effect:” the dust is gone when the helicopter comes but it comes again when the helicopter goes. *Sixth*, the existing national leadership is not adequately reliable and trustworthy to mobilize support for governance reform. The scarcity of suitable leadership has resulted in the absence of rhythm and spirit to scale up the reform movement in the national level, ensuring that in the public and private domains the principles of good governance will be surely applied.

*Finally*, the concept of good governance is likely to be increasingly accepted as formal ornaments (pro-forma) in the conduct of the administration. The “governance” institutions are created to simply meet the requirements or used to justify the policy making processes in the national and local level. This reality overlooks the substantive potentials of the good governance principles in bringing about positive results for the nation. This may happen because to date there is no real penalty for bad governance practices.

## **Concluding Notes**

There are three main points to be cited based on the above review on the development of governance reform during the last eight years. *First*, there have been various sectoral developments

to the extent that further reform efforts and the deepening of the current achievements will be relatively easier to carry out. Moreover, *second*, the principles of good governance have been implemented fairly extensively. The problem is that the application of the principles is not yet substantive, comprehensive, and integrated in a sound governance system. *Third*, the organization of the good governance is also opening up new problems that need joint settlement, which means involvement of all the stakeholders in governance reform is necessary.