

Since the implementation in 1999 of Law No. 22 on regional administration and Law No. 25 on the division of financial responsibilities between central and regional governments, each district and municipality in Indonesia has created an extensive framework for administration and management of regional finances based on principles of decentralization. Those laws were created so as to ensure that, as autonomous regions, regencies and cities have sufficient authority and responsibility to serve people's interests in ways that are open, participatory and publicly accountable. Meanwhile, in the financial field, it is anticipated that new changes will lead to the development of regional financial systems that are just, proportional, rational, transparent, and accountable.

Indeed, regional autonomy, on the one hand, has given rise to new innovations and the development of a new climate of openness. Systems of administration that in the past were bureaucratic, centralistic and militaristic have now shifted to become relatively more open and accommodative. Regional autonomy is thus strengthening citizenship. On the other hand, regional autonomy has weaknesses in relation to several matters, like the coordination and synchronization of authority and responsibility between the central government, provincial governments and regency governments; a continuing lack of openness in the formulation of regional and local budgets; the limited involvement of civil society organizations (CSOs) in the design and administration of regional and local budgets; the rise of uneven patterns of regional tax collection; and the uncontrolled exploitation of natural resources, as enforcement powers of higher level agencies have become weaker. Although decentralization has been assumed to further strengthen the regions and to empower local people, in many cases the amounts of funding to assist low-income people has not increased. Some people therefore conclude that decentralization has in fact helped to enrich regional legislative and executive bodies and other local elite groups, rather than benefiting poor people.

When President Megawati Soekarnoputri was defeated by retired general Soesilo Bambang Yudhoyono in this year's presidential election, by a margin of 25 million votes (or 60.8% to 39.2%), it became clear that the Indonesian people were not satisfied with the Megawati administration and wanted change. Although SBY has not yet revealed in detail his programs and priorities, the expectations of the Indonesian people were clearly expressed in direct dialogs between