

Local Government and Development Aid  
——Case Study of The Asahan Project  
in North Sumatra——

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The Asahan Project is a large scale industrial development implemented by the cooperation between Indonesia and Japan. The development project comprised of aluminum smelters by the Straits of Malacca and two power stations in the upriver of the Asahan River which flows from the Lake Toba to the Straits. The power stations supply low cost power for the smelters. Indonesia began to utilize the water resources of the Asahan River and to get foreign currency by aluminum export to Japan.

The North Sumatra Provincial Government played the leading role in purchasing the land for the project. Land procurement was carried out by the request of the Asahan Development Authority, an central government entity under the Ministry of Industries. Project company PT. Inalum payed the compensation for the land purchase. In order to support the Asahan Project, various kind of programs have been implemented by the central government in Jakarta. Industrial zone development programs for North Sumatra have been desinged by the Ministry of Industries. But North Sumatra Province has never been able to take the initiative in the planning and implementation of the Asahan Project and other supporting programs. Major fruits of the Asahan Project are grasped by the central government.

Land expropriation was the most onerous work in the development project. The central government expected that the local government ad-

roitley expropriated land from the inhabitants in rural areas who stuck to their own traditional customary law (*adat*). Then, the local government contrived to mobilize *musyawala*, common deliberation process, which aims at an unanimous decision. Intricate adat law and land ownership are burden to the local government. Nevertheless, the local government is deprived of the independency in terms of physical revenue and development planning. The North Sumatra Provincial Government solicited the redistribution of the revenue of annual fee from Inalum. Decentralization seems to be necessary in terms of development planning and budgeting in Indonesia.