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Institutions, Outputs and Outcomes

Two Decades of Decentralization and State Capacity in Indonesia

Yanuar Nugroho and Sujarwoto

Since the 1998 Reformasi process, Indonesia has decentralized and granted wide-ranging autonomy to its subnational governments. Two decades following these reforms, it is crucial to ask the extent to which decentralization has strengthened state capacity—namely, the ability of the administration to deliver development. Of the various dimensions of state capacity, we focus on two: the structure of public administration; and the provision of local public services. To this end, we analyse statistics from the periods prior to and following decentralization. In addition, we draw on key informant interviews and refer to our personal experience in government to provide depth and nuance to our findings. We find that, in some respects, decentralization in Indonesia has managed to achieve what it promised, but failed to deliver in others. Most indicators of state capacity regarding the delivery of public services improved under decentralization. This progress was probably linked to the increase in the quality of public administration at the local level. However, disparities and gaps in local state capacity are also evident. In some aspects of the economy, the disparity in the provision of social and basic services has deepened. Decentralization has also made policy coordination between central and subnational governments in delivering development more complex, due to the high level of political intervention at both levels.

Keywords: Decentralization reform, state capacity, public administration, public services, Indonesia

1. Introduction

The two biggest hallmarks of the 1998 *Reformasi* process in Indonesia are democratization and decentralization, which have transformed the country, not just in terms of politics, but more importantly

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in terms of administration. Decentralization, both political and administrative, is indeed the other side of the democratization coin (Crook and Manor 1998; Gopal 2008; Grindle 2007; Rondinelli and Cheema 1983).

By giving subnational governments greater discretion in pursuing their development objectives, decentralization was aimed at fostering regional development from below (Rondinelli and Cheema 1983). This includes building administrative capacity at the local level. As subnational governments provide key services to citizens, improvements in capacity and service delivery in turn are key to the achievement of developmental goals. However, despite the rhetoric and theory of decentralization promising better capacity of local administrations, the practice over more than two decades suggests that decentralization can also result in unfulfilled expectations and the emergence of unanticipated problems (Cheema and Rondinelli 2007; Gopal 2008; Grindle 2007; Malesky and Hutchinson 2016).

With regard to Southeast Asia, Malesky and Hutchinson (2016) set out how and why decentralization has not delivered on its promises in the region. Either it does not achieve its goals, or it has not been given a chance to succeed by central government leaders who are reluctant to devolve their power. In the latter case, national leaders issue contradictory legislations that undermine the effectiveness of decentralization reforms or use alternative methods to recentralize authority.

On Indonesia, Ostwald, Tajima and Samphantharak (2016) note that decentralization has created a new class of regional political elites, who have pushed to shift significant power to the subnational level. While the political motivations of mitigating centrifugal pressers appear to be vindicated, the anticipated gains in service provision and downstream economic impacts have not uniformly materialized, as efficiency gains in some regions have been offset by the widespread emergence of clientelist practices and fiscal inefficiencies. The tension between the central and local governments also remains under decentralization. Von Luebke (2009) finds government leadership is an important, but often underestimated, policy determinant that can compensate for (or aggravate) weak societal checks in transitioning economies such as Indonesia.

Reflecting on two decades of decentralization in Indonesia, this study raises an overarching question: has decentralization delivered on its promises, particularly as it pertains to state capacity? We investigate this in two areas, namely how and to what extent has decentralization led to measurable improvements in: the structure of public administration; and the provision of local public services.

There have been several studies focusing on the relationship of decentralization reforms and subnational development in Indonesia, including: Vujanovic (2017); Firman (2009); Thufail (2016); Hill and Vidyattama (2016); Hofman and Kaiser (2004); Kimura (2010); Resosudarmo and Vidyattama (2006); and Talitha, Firman and Hudalah (2020). However, most of those studies focus either on decentralization and regional or spatial economic development. This paper contributes to the analysis of the relationship between state capacity and decentralization outcomes in Indonesia. To this end, we base our investigation on existing research regarding the importance of institutions as key determinants of the decentralization process. The existing literature focusses on local governance and local government leaders (Von Luebke 2009), local government proliferation (Lewis 2017), district-level implementation of particular services such as health services (Fossati 2016b) and local political institutions and politics (Ostwald, Tajima and Samphantharak 2016). This paper, for its part, focuses on state capacity as a lens to understand Indonesia's decentralization reforms and their implications for effectively achieving development outputs and outcomes.

Based on theoretical arguments on state capacity by Tilly and Besteman (1985), Fukuyama (2014) and Berwick and Christia (2018), we propose a cross-cutting framework to analyse the linkage between decentralization reforms and regional development. To this end, the framework of "state capacity" is used to assess whether decentralization has managed to achieve the following outcomes: first, improve the capacity of local governments to create regulatory frameworks, establish local institutions, provide

accountability mechanisms, and deliver development outputs and outcomes; and second, improve the capability of the central government to manage decentralization through effective coordination across ministries and subnational governments.

The main findings show that decentralization in Indonesia has, in many areas, managed to achieve partial improvements. Yet, at the same time, it has failed to deliver in others. The capacity of subnational governments to deliver developmental outcomes has increased, but disparities and gaps remain. These are linked to varying levels of local government capacity to deliver public goods, particularly between local governments in Java-Bali on one hand, and those in Papua, Maluku and Nusa Tenggara Timur on the other.

We discovered weak local capacity in creating supportive regulation for: improving access to and quality of public services; establishing public administrative reform; and providing accountability mechanisms. Our study highlights weak policy coordination across ministries and between the central government and subnational governments. The ensuing redundancies, ambiguities, and confusion lead to low capacity at the local level to deliver developmental outcomes. Consequently, the national government still needs to improve its capacity to coordinate and manage decentralization, particularly reconciling tensions between central and subnational interests. Elite capture and political intervention at the national and subnational levels remains high, and bureaucracy at the national and subnational levels continue to serve as an extension of elite interests.

Our findings are in accord with studies indicating that the anticipated gains in service provision and downstream economic effects from Indonesia's decentralization reform have not uniformly materialized (Von Luebke 2009; Lewis 2010, 2017; Fossati 2016a; Ostwald, Tajima and Samphantharak 2016). While local governments are responsive to the needs of local people to some extent (Ostwald, Tajima and Samphantharak 2016; Lewis 2010, 2017), there are disappointing outcomes due to: weak state capacity to create supportive regulation (Malley 2003); corruptible local accountability mechanisms (Fossati 2018); and thwarted public administration reform (Purwanto and Pramusinto 2018).

The next section discusses relevant theoretical work before laying out the framework used to analyse the diverse outcomes of decentralization reform in Indonesia. We follow with a discussion of the relevant decentralization regulations. Next, we compare the achievement of developmental goals before and after the decentralization. Subsequently, we elaborate how state capacity in local government can be measured.[1] The last two sections discuss our main findings and then chart a way forward.

2. Decentralization and State Capacity

Broadly, scholars agree that decentralization is a process that unfolds over time and is neither linear nor one that necessarily results in a single outcome. Hence, they propose shifting the debate from weighing the promises or perils of decentralization to examining the causal explanations of the diverse outcomes that decentralization reforms engender (Jütting et al. 2005; Grindle 2007; Hansjörg and Junghun 2016).

In the Indonesian case, Fossati (2016b) seeks to identify what has and has not worked. In his research on multilevel politics, coordination, and local health insurance schemes, he finds that regions where cooperation between provincial and district authorities has emerged display systematically higher levels of health insurance coverage. He holds that the positive effect of cooperation between levels of government does not depend exclusively on patronage networks. Patunru, McCulloch and von Luebke (2012) show that relationship-based, rather than rule-based, cooperation between government leaders and local firms can provide an effective mechanism to boost investment and improve local investment climates. By taking a detailed look into the political economy of the Javanese city of Solo, Von Luebke, McCulloch and Patunru (2009) find that informal, relation-based cooperation can provide a constructive platform for policy reform.

Fossati (2016b) also examines the impact of local democratic institutions on decentralization. He found that local governments are, to some extent, responsive to the needs of the most vulnerable. In years when local elections (*pilkada*) are held, low-income households are targeted more accurately, suggesting that electoral incentives for local elites may increase access to social services among the poor. However, this positive effect of direct local elections is only limited to districts with electorally competitive politics. Lewis and Hendrawan (2019) find that when large multiparty coalitions are newly elected, there is a shift in local government spending towards health sector activities. Yet, this positive effect is short-lived and disappears after a year or two. It is suspected that funds are then diverted to prepare for the subsequent electoral cycle.

Fossati's work on the resurgence of ideology in Indonesia, political Islam, *aliran* (ideological and partisan groups) and political behaviour highlights the influence of religious political institutions following decentralization in Indonesia. He finds political Islam is associated with important attitudes. Islamist Indonesians are less likely to support liberal understandings of democracy, more likely to see economic issues as policy priorities, and more likely to support economic redistribution and regional autonomy (Fossati 2019). His work concludes that there are significant differences between how elites and masses conceive of democracy as well as in their commitment to liberal norms. It concludes that the legislators are systematically more liberal than voters (Fossati 2020). Fossati (2021) finds that civic nationalists in Indonesia are more likely to consider policy to be crucial for economic development. In contrast, ethnic nationalists are less supportive of international trade and foreign investment.

While these studies shed light on different aspects of Indonesia's decentralization reform process such as local governance, politics, and central-local government relationships, our study focuses on state capacity. This will be used as a lens to understand the impact of decentralization on the provision of developmental outputs and the achievement of developmental outcomes in the country.

Research on state capacity stresses that the outcomes of decentralization depend on the ability of governments to deliver social and economic development to citizens. They argue that a government with a high level of capacity at both the central and local levels is necessary for effective decentralization. Conversely, deficient levels of state capacity will result in ineffective decentralization. The theory also suggests that state capacity can be understood as "capital" that can be accumulated, or, similarly, depreciated over time, depending on the willingness of different administrations to invest in building it (Besley and Persson 2010; Cárdenas 2010; Englehart 2009; Fukuyama 2014).

Based on arguments pertaining to decentralization and state capacity, we develop our framework to analyse the diverse outcomes of Indonesia's decentralization reforms. Following Tilly and Besteman (1985), Fukuyama (2013), and Berwick and Christia (2018), we define state capacity as the ability of state institutions, including central and local governments, to deliver development outputs and outcomes. The literature on state capacity suggests no generally accepted way of measuring this concept, as it is multidimensional. For our purposes, we focus on public administration and public services as proxies for state capacity. Consequently, we use Fukuyama's (2013) measurement of state capacity, which looks at two dimensions: outputs/outcomes; and administrative procedures. In the next section, we elaborate on key responsibilities that were allocated to each level of government since 1974, particularly before and after the introduction of decentralization reforms.

3. Decentralization Processes in Indonesia (1974–2014)

Indonesia is a unitary state with a presidential system. As such, subnational (i.e., provincial and municipal or district/city) governments act based on authority delegated to them by legislation or the directives of the central government. From 1965 until 1998, the country was under a centralized government and local governments were closely controlled by the New Order administration. Local governments had little rights

and prerogatives, and all policies were made at the central level. This centralized political order resulted in not only a lack of democracy but also a high degree of dependence of local governments on the centre.

The economic and political crisis in Indonesia in 1998 triggered radical decentralization reforms in 1999 which were then implemented in 2001. This shifted Indonesia's structure of government from a high degree of centralization to the other end of the spectrum. This entailed devolving all government functions to the local level—with the exception of defence, international relations, justice, police, monetary policy, development planning, religion, and finance, which are retained at the centre. Local governments (at the municipal or district and city levels) are obliged to perform a set of key functions. These include the provision of health, education, environmental and infrastructure services, and are designed to perform any functions not explicitly reserved for either the centre or the provinces.

Decentralization in Indonesia prompted a major restructuring of political authority, where the local governments have full autonomy to manage their jurisdictions. It eliminated the hierarchical relationship between the central and local governments and transformed the electoral process at the local level into a more substantive democratic exercise. Table 1 presents key responsibilities that are allocated to each level of government pre-2001 and post-2014.

There were three main decentralization regulations implemented post-2001. The first is Law 22/1999, which concerns regional autonomy and fiscal arrangements between the central and local governments. While far-reaching, it has not stopped many from criticizing what have, ultimately, been insufficient revenue transfers to the local level.

The second is Law 32/2004, which is aimed at revising previous regulations, particularly on the positions of mayor/regent and the local house of representatives (Dewan Perwakilan Rakyat Daerah, or DPRD). Citizens directly elect the mayor or regent as well as members to the DPRD—although the DPRD has limited authority over the mayor or regent. This regulation also strengthens the authority of the central and provincial governments to oversee local government affairs.

Government Regulation 23/2014 entailed significant changes, especially for the authority of the central government. This regulation explicitly stipulates that local governments are responsible for providing the stipulated public services in their territories. In addition, this regulation confirms that there are concurrent responsibilities which are shared jointly between central and local governments, and which may be compulsory or optional services (Talitha, Firman and Hudalah 2019). These responsibilities are further subdivided into basic and non-basic categories. The division of concurrent responsibilities between provincial and district governments entails different operational tasks, due to their different scale. It can be said that this latest decentralization regulation tries to bring back some government affairs to the central government.

In this paper, we look at the consequences of decentralization reforms for central and local governments. Before 2001, local governments were essentially delegated arms of the central government and, therefore, quite weak, essentially limited to providing oversight functions. Post 2001, they have received the bulk of responsibilities to provide essential public services affairs that are key for the welfare of Indonesian citizens.

4. Methods of Investigation

To achieve our goals, we use data sets that the government uses for planning and evaluating local and national development. These include the Village Potential Census (*Podes*), National Social Economic Survey (*Susenas*) (BPS 1997b, 2018b), District Financial Information System (SIKD) (Indonesia Ministry of Finance, 2018) and National Labour and Employment Survey (*Sakernas*) 1996/97 and 2018/19 (BPS 1997a, 2018a). We also use official statistics reports from the Central Statistics Agency for 1996/97 and 2018/19, which provide valuable information on development goals such as poverty, inequality, and key

TABLE 1
Indonesia's Regulations Pertaining to Decentralization (1974–2014)

Government Level	*Pre-2001 (1974–2001)*	*Post-2001*		
		2001–4	*2004–14*	*2014–now*
Central government	All government responsibilities	Six areas of responsibility: foreign policy, defence and security, judiciary, monetary and fiscal policy, and religion.	Six areas of responsibility: foreign policy, defence and security, judiciary, monetary and fiscal policy, and religion.	Absolute Responsibilities: foreign policy, defence and security, judiciary, monetary and fiscal policy, and religion. Concurrent responsibilities: six basic services (education; health; public works and spatial planning; public housing and residential areas; peace, public order, and public protection; and 17 non-basic services (labour, empowering women and protecting children, food, land, environment, population administration and civil registration, community and village empowerment, population control and family planning, communication, communication and informatics, cooperatives, small and medium enterprises, capital investment, youth and sports, statistics, culture, libraries; and archives management); Optional responsibilities: which are located or used across countries or across province borders, have strategic roles for national interest, having benefits and negative impacts across countries or provinces, and for the purpose of efficient use of sources.
Provincial government	Delegated arms of the central government	Nine responsibilities: macro planning and supervision; training in certain fields; allocation of human resources; research covering the province; regional port	Eighteen responsibilities: development planning and control; spatial planning, utilization, and supervision; maintenance of public order and public peace; provision of public facilities and infrastructure; healthcare; implementation	All congruent and optional responsibility which located or used across districts borders, have strategic roles for provincial interest, have benefits and negative impacts across districts and for the purpose of efficient use of sources.

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TABLE 1 — *cont'd*

Government Level	*Pre-2001 (1974–2001)*	*Post-2001*		
		2001–4	*2004–14*	*2014–now*
		management; environmental control; trade promotion and culture/tourism; handling of infectious diseases and plant pests; and provincial spatial planning.	of education and allocation of human resources; overcoming social problems across districts; services in the field of employment across districts; facilitation of the development of cooperatives, small and medium enterprises, including across districts; environmental control, land services, including across districts, population service, and civil registry; government general administration services; investment administration services, including cross-border districts; implementation of other basic services that have not been implemented by the district; and other mandatory affairs mandated by legislation	
District government	Delegated arms of the central and provincial governments.	Eleven responsibilities: public works; health; education and culture; agriculture; transportation; industry and trade; investment; environment; land; cooperatives and labour	Sixteen responsibilities: development planning and control; planning, utilization, and supervision of spatial planning; administration of public order and public peace; provision of public facilities and infrastructure; handling of the health sector; education administration; overcoming social problems; employment services; facilitation of cooperative development, small and medium enterprises; environmental control; land services; population services, and civil registration; government general administration services; investment administration services; provision of other basic services; and other mandatory affairs mandated by legislation)	All congruent and optional responsibility which located or used within districts, have strategic roles for district interest, having benefits and negative impacts within district and for the purpose of efficient use of sources.

SOURCE: Authors' compilation.

social indicators (BPS 2019a, 2019b). We also compile and analyse statistics from the Ministries of Education and Health, which provide data on the government's capacity to deliver development outputs and outcomes in these sectors (BPS 2019c; Indonesia Ministry of National Education 2019).

To capture developmental differences between regions, we group institutions, outputs, and outcomes into three categories: Java and Bali represent a high level of development, Outer Java[2] a medium level, and Nusa Tenggara Timur, Maluku and Papua a low level, respectively (Booth 2016).

We also look at findings from previous studies and government reports to qualify our findings and enrich the analysis. This is complemented by insights gathered by in-depth interviews with six high-level informants from the national government.[3] Lastly, based on first-hand experience of working in the central government, we share our perspective for additional insight.[4]

5. Findings

5.1 The Achievement of Development Goals

Table 2 lays out indicators pertaining to Indonesia's achievement of development goals prior to and following the decentralization reforms. Despite lower rates of economic growth, a rising Gini coefficient, and higher levels of unemployment, Indonesia shows improvements across a range of indicators following the 1999/2001 reforms. This is seen in an increased life expectancy, greater access to health and education services, in addition to higher rates of access to clean water and electricity.

We can see that the regions of Java and Bali demonstrate consistently higher levels of development, while Nusa Tenggara Timur, Maluku and Papua are left behind—attesting to deepening disparities between the two macro regions. However, we also see an outstanding level of poverty reduction in Outer Java. Towards the end of Indonesia's centralized period, the poverty level in this part of the country was 2 per cent higher than in Java and Bali. However, twenty years later, the situation is reversed. In 2018/19, the poverty level in Outer Java was about 1.9 per cent less than in Java-Bali. Poverty reduction in Nusa Tenggara Timur, Maluku and Papua did not progress much, registering a 1.3 per cent reduction during this period.

Likewise, Gross Regional Domestic Product (GRDP) in Indonesia's outer regions did not progress significantly. However, during this period the GRDP in Java-Bali increased substantially, from IDR0.5 trillion to IDR12.9 trillion. This greater level of economic growth was accompanied by increasing inequality, as seen by an increase in the Gini coefficient from 0.34 to 0.38. Relatedly, the unemployment rate in Java-Bali was also higher than in other regions. It is also important to note that a large increase in the unemployment rate appeared in Nusa Tenggara Timur, Maluku and Papua.

Overall, we can say that, although the decentralization of key government services has led to an improvement in the quality of life of most Indonesians, it has also been accompanied by greater economic inequality with some regions at risk of being left behind.

5.2 State Capacity

5.2.1 Local Government Capacity in Delivering Development Outputs and Outcomes. The primary function of decentralized local governments is to provide essential services related to the local economy, healthcare, education, energy, and the environment. Through increased government capacity in delivering development outputs and outcomes, we believe that decentralization has helped Indonesia progress towards its development goals.

Tables 3 and 4 show a comparison of government capacity in delivering outputs (Table 3) and outcomes (Table 4) during the pre-decentralization and post-decentralization periods. The ability of local

TABLE 2
Development Indicators Before and After the Decentralization Reforms

Development goals	*National*		*Java and Bali*		*Outer Java***		*Nusa Tenggara Timur, Maluku and Papua*	
	1996/97	*2018/19*	*1996/97*	*2018/19*	*1996/97*	*2018/19*	*1996/97*	*2018/19*
Economics								
Poverty (%)	11.3	9.7	8.8	9.6	11.1	7.7	20.4	19.1
PDRB (1000T IDR, current price)	0.5[b]	14.8[b]	0.5	12.9	0.1	2.5	0.1	0.9
Economic growth (%)	7.9	5.2	7.0	4.7	6.9	3.1	7.4	4.6
Gini ratio	0.35	0.38	0.34	0.38	0.31	0.34	0.34	0.36
Inflation (%)	6.7	3.1	na	na	na	na	na	na
Social								
Life expectancy rate (years)	64.4	71.2	66.6	72.4	64.2	69.5	62.6	66.8
Infant mortality rate-IMR	49.6[a]	20.9[a]	na	na	na	na	na	na
Unemployment rate	4.9	5.3	5.0	5.2	4.8	4.7	3.9	4.9
Literacy rate	85.5	95.7	84.1	96.9	88.3	95.6	75.8	92.8
Human Development Index	67.7	71.9	69.8	74.3	67.8	70.4	63.1	64.9
Energy, clean water and sanitation								
Electricity (%)	72.1	98.5	82.1	99.9	56.2	97.5	40.3	79.7
Clean water (%)	61.5	80.4	70.4	85.8	46.9	73.7	41.9	50.7
Sanitation (%)	42.1	84.2	44.9	86.6	37.7	81.4	30.3	60.1

NOTE: * GDP at the current price. ** Excluding Java-Bali, as well as Nusa Tenggara Timur, Maluku and Papua islands.
SOURCE: Statistik Indonesia (BPS) (1996, 2018).

TABLE 3
Comparison of Government Capacity in Delivering Outputs Pre- and Post-Decentralization

Outputs	*National*		*Java and Bali*		*Outer Java***		*Nusa Tenggara Timur, Maluku and Papua*	
	1996/97	*2018/19*	*1996/97*	*2018/19*	*1996/97*	*2018/19*	*1996/97*	*2018/19*
Economics								
Number of micro and medium-scale enterprises per district (in 100,000 units)	1.42	4.77	1.22	3.54	0.16	1.02	0.04	0.11
Number of village cooperatives and other types of cooperatives per district (in 1,000 units)	0.94	1.51	0.53	1.14	0.30	0.40	0.01	0.07
Number of banks, bank branches and other local financial institutions per district in (in 1,000 units)	3.24[a]	18.48[a]	0.69	7.64	0.31	1.59	0.06	1.24
Number of other economic facilities (i.e., traditional/ modern markets, minimarkets, restaurants, etc.) per district (in 10,000 units)	1.88[a]	14.86[a]	2.65	8.24	1.74	3.07	0.04	0.33
Financial, business, and manpower conditions	N.A.	0.169	N.A.	1.168	N.A.	0.181	N.A.	–1.272
Quality of life and infrastructure development	N.A.	–0.013	N.A.	0.875	N.A..	0.061	N.A.	–1.540
Average spending on economy services on total expenditure (%)	2.3	6.4	1.7	6.3	1.7	6.2	2.8	7.5
Social								
Hospital bed per 1,000 population	0.65	1.28	0.87	1.38	0.67	1.28	0.42	1.18
Primary healthcare per 100,000 population	2.97	7.34	2.71	3.18	1.92	5.89	4.29	12.97
Doctor per 100,000 population	8.56	49.45	8.95	60.83	9.68	54.92	7.05	32.63
Nurses/midwifes per 100,000 population	13.19	36.70	14.17	41.90	7.01	23.70	18.41	33.81
Public health insurance coverage (%)	15.24[b]	72.90	14.52[b]	70.69	16.22[b]	72.90	21.96[b]	73.18
Ratio high school buildings per students	390	317	422	384	407	294	342	300
Ratio junior high school buildings per students	328	205	292	264	418	161	241	189
Ratio elementary school buildings per students	158	158	162	167	171	196	141	111
Ratio high school teacher per students	15	15	16	15	14	13	14	15

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TABLE 3 — *cont'd*

Outputs	*National*		*Java and Bali*		*Outer Java***		*Nusa Tenggara Timur, Maluku and Papua*	
	1996/97	*2018/19*	*1996/97*	*2018/19*	*1996/97*	*2018/19*	*1996/97*	*2018/19*
Ratio junior high school teacher per students	16	20	16	15	17	17	16	41
Ratio elementary school teachers per students	21	28	21	16	21	27	21	48
Civil servants per 1,000 population	16.56	25.51	16.47	15.90	15.75	24.47	21.37	36.18
Average local own revenue on total revenue (%)	12.0	11.1	19.6	20.1	7.1	9.3	6.0	4.5
Average local own revenue on total expenditure (%)	10.8	11.2	15.6	20.3	7.8	9.4	5.8	4.5
Average transfer from central government (billion IDR)	263	1,007	245	1,384	219	907	198	819
Average spending on education services on total expenditure (%)	4.9	25.6	4.8	32.2	5.2	25.4	3.9	16.9
Average spending on health services on total expenditure (%)	2.5	15.1	2.1	17.1	2.5	14.6	3.8	10.7
Average spending on general services on total expenditure (%)	3.7	32.9	3.9	27.2	3.7	32.6	3.1	42.2
Average spending on social protection on total expenditure (%)	N.A.	1.5	N.A.	1.2	N.A.	1.5	N.A.	1.9
Average spending on housing and public facilities on total expenditure (%)	18.9	14.5	15.8	11.9	21.6	15.7	17.0	14.4
Energy and clean water								
Electricity production (1000GWh)	58.7	276.8	47.3	207.7	8.6	66.3	2.3	2.8
Clean water production (1000 litre per second)	N.A.	234.2	N.A.	125.8	N.A.	100.1	N.A.	8.3

NOTES: ** Excluding Java-Bali, as well as Nusa Tenggara Timur, Maluku and Papua islands (Total national number).
SOURCE: Statistik Indonesia (BPS) (1996, 2018).

TABLE 4
Comparison of Government Capacity in Delivering Outcomes Pre- and Post-Decentralization

Outcomes	*National*		*Java and Bali*		*Outer Java***		*Nusa Tenggara Timur, Maluku and Papua*	
	1996	*2018*	*1996*	*2018*	*1996*	*2018*	*1996*	*2018*
Economics								
Volumes of exports (100K USD)	0.5	1.8						
Volumes of imports (100K USD)	0.4	1.9						
Foreign investment (1000 billion USD)	29.9	21.9	19.7	17.0	9.7	4.5	0.5	0.4
Domestic investment (100 trillion IDR)	100.7	328.6	44.5	178.5	48.8	142.4	7.4	7.7
Social								
Universal immunisation coverage (%)	72.3	89.6	81.2	94.3	76.6	88.7	70.5	81.5
Birth attended by skilled health personnel (%)	50.1	93.6	48.2	95.8	43.2	92.7	44.2	67.6
Access to healthcare facilities (%)	45.5	97.2	47.0	98.1	42.9	97.4	43.5	96.7
Modern contraception use (%)	81.1	67.8	81.5	69.3	80.5	67.3	78.4	43.1
Net enrollment rate, elementary school	91.5	97.5	91.0	97.9	89.1	97.9	81.2	92.4
Net enrollment rate, junior secondary school	54.5	78.8	55.2	82.1	51.2	77.0	50.1	68.9
Net enrollment rate, high school	34.8	60.5	30.1	63.3	25.2	62.2	25.2	57.7
Energy and clean water								
Electricity distribution (1000GWh)	54.7	239.1	45.5	176.9	5.8	58.7	0.3	3.4
Clean water distribution (1000m^3)	1454.0	3750.3	870.4	2251.4	100.2	1416.4	234.4	823.8

NOTES: **Minus Nusa Tenggara Timur, Maluku and Papua islands.
SOURCE: Statistik Indonesia (BPS) (1996, 2018).

governments to collect revenue directly from residents in their jurisdictions is a very important indicator of state capacity. We found a decreased proportion of locally generated revenue as part of total revenue after decentralization with a substantial decrease in Nusa Tenggara Timur, Maluku and Papua (from 6 per cent in 1996/97 to 4.5 per cent in 2018/19). However, a slight increase in the proportion of locally generated revenue in total expenditure is shown, which is mainly due to improvements in Java and Bali during the period.

While the ability of local governments to collect their own revenue was almost stagnant, we see some improvement in their ability to deliver services related to economic development outputs. The number of micro and medium enterprises, cooperatives, modern banks, and other financial institutions and essential economic facilities such as markets, minimarkets, and restaurants, has sharply increased following decentralization. For example, in 1996/97, the number of micro and medium enterprises was 142,000 units, but by 2018/19, it had more than tripled to 477,000 units. Likewise, the number of other economic facilities also soared from 188,000 units per district in 1996/97 to 1,486,000 units per district in 2018/19. We also see the average number of local government spending on economic services as a percentage of total local government expenditure has almost tripled following decentralization (Indonesia Ministry of Finance 2020). However, business competitiveness is still an acute issue, especially in Nusa Tenggara Timur, Maluku and Papua. This is seen from the negative scores for financial, business, and infrastructure conditions as well as the quality of life and infrastructure.

We also see that this substantial improvement in government capacity in delivering economic outputs occurred largely in Java-Bali. For example, in 2018/19, the number of micro and medium enterprises in Java-Bali was thirty-two times higher than in Nusa Tenggara Timur, Maluku and Papua. Likewise, in 2018/19 the average number of other economic facilities in districts/regencies in Java-Bali was almost twenty-five times higher than in Nusa Tenggara Timur, Maluku and Papua. This figure was almost five times higher than the number of other districts/regencies in Outer Java. Between 1996/97 and 2018/19, it seems that the gap widened. For example, the gap in other economic facilities between Java-Bali and Outer Java increased from 0.91 in 1996/97 to 5.17 in 2018/19. This gap was larger for Nusa Tenggara Timur, Maluku and Papua, from 2.61 in 1996/97 to 7.91 in 2018/19.

Following decentralization, the government's capacity to deliver essential services such as health and education improved. The percentage of local government spending on essential public services has substantially increased during following decentralization, except for spending on housing and public facilities. Indeed, for education, health services and general services, it has increased by a multiple of 5.2, 6.0, and 8.9, respectively. The gap across regions in providing hospital beds also appeared to be closing. Primary healthcare or *Puskesmas* provision almost tripled from 2.97 to 7.34 units per 100,000 population. This included regions such as Nusa Tenggara Timur, Maluku and Papua, which saw an increase from about 4 to almost 13 units per 100,000 population, while outside Java overall it increased from 1.92 to 5.89 per 100,000 population.

However, the disparity in the distribution of health workers also increased. In 2018/19, the ratio of medical doctors in Java-Bali was about double that of Nusa Tenggara Timur, Maluku and Papua, while in 1996/97, the ratio was similar. Accordingly, the ratio of nurses/midwives in Java-Bali in 2018/19 was higher, while in 1996/97, it was lower than the ratio in Nusa Tenggara Timur, Maluku and Papua. A significant increase in public health insurance coverage was also shown. In 2018/19, more than two-thirds of the Indonesian population was covered by health insurance, while in 2003, only less than two among ten individuals had health insurance. We also see that the disparities in public health insurance across regions decreased, and people in Nusa Tenggara Timur, Maluku and Papua seem to have better access to public health insurance compared to other regions.

Government capacity in delivering education services has also progressed notably after the decentralization. Nationally, the ratio of junior secondary and high school buildings to students decreased

from 390 high school students per unit in 1996/97 to 317 high school students per unit in 2018/19; and 328 junior secondary students per unit in 1996/97 to 205 junior secondary students per unit in 2018/19. In Java-Bali and Outer Java, the ratio even increased. Likewise, we also see that the ratio of high school teachers per student did not change. In Java-Bali, as well as Outer Java, it decreased by one digit. However, in Nusa Tenggara Timur, Maluku and Papua, the ratio increased, although it still met the minimum national services standard for high school education, which requires at least one teacher per twenty students. The ratio of teachers in junior secondary school and elementary school increased, which mostly occurred at Nusa Tenggara Timur, Maluku and Papua. This increasing teacher-to-student ratio reflects the decreasing capacity of some local governments in those regions to deliver education output following decentralization. Interestingly, the number of civil servants has slightly reduced over time in Java, but increased markedly elsewhere, especially in Papua, Maluku and Nusa Tenggara. This suggests that, as decentralization increases the size of the local state apparatus, it has arguably become a larger source of employment and economic sustenance for the locals—although the quality of services has stagnated in the three provinces.

The improvement of government abilities to deliver development outputs is also evident in the provision of energy and drinking water. However, while the improvements are noticeable, they occur alongside important gaps. In 2018/19, Java-Bali produced almost a hundred times the amount of electricity as did Nusa Tenggara Timur, Maluku and Papua. And, this disparity was more marked than it was in 1996. The capacity gap in delivering clean water was also observed across regions. Java-Bali were able to produce 125.8/1,000 litres per second of drinking water in 2018/19, while Nusa Tenggara Timur, Maluku and Papua were only able to produce 8.3/1,000 litres per second in the same year, while outside Java overall, the drinking water production was 100.1/1,000 litres per second in 2018/19.

All these gaps of outputs may explain the disparities of government capacity in delivering outcomes, as seen in Table 3. In terms of economic outcomes, there is a vast disparity between Java-Bali and Nusa Tenggara Timur, Maluku and Papua. In the last two decades, Java-Bali have had the highest share of foreign and domestic investment in the country, while regions outside Java were left behind. Investment flows knowingly target regions not only with large populations, but also with resources and adequate infrastructure. Nevertheless, local government capacity is also important for attracting investment. In 2018/2019, domestic investment in Java-Bali was IDR178,500 trillion (estimated US$12,750 billion) while domestic investment in Nusa Tenggara Timur, Maluku and Papua was only IDR7,700 trillion (estimated US$550 billion). Accordingly, foreign investment in Java-Bali in the same year was US$17,000 billion, but in Nusa Tenggara, Maluku and Papua it was only US$400 billion. The amount of foreign investment in 2018/19 was lower than in 1996/97 in all regions.

Despite most health development outcomes improving following decentralization, disparities in child immunization coverage, birth attendance by skilled health personnel, and access to healthcare facilities persisted. In 2018/19, 94.3 per cent of children in Java-Bali had been immunized, while in the regions outside Java the number was 88.7 per cent, and in Nusa Tenggara Timur, Maluku and Papua 81.5 per cent. The gap in universal immunization coverage widened. Similarly, despite considerable improvements in birth attendance by skilled health personnel and access to healthcare facilities, regional inequality persisted. Contraception use also decreased substantially following decentralization. In 1996/97, the percentage of contraception use in Indonesia was 81.1 per cent, but after twenty years, it decreased to 67.8 per cent. In Nusa Tenggara Timur, Maluku and Papua, the number plunged from 78.4 per cent to 43.1 per cent, meaning that less than half of married couples did not use modern contraception. Thus, the capacity of local government to improve access to modern contraception following decentralization seems to have weakened.

Access to primary education substantially improved under decentralization. The net enrolment rate of elementary school, junior secondary school, and high school increased significantly. In 1996/97, about

91 per cent and 89.1 per cent of children between the ages of seven and twelve attended elementary school in Java-Bali and regions outside Java. In 2018/19, this number increased to about 97.9 per cent in both regions. In 1996/97, the net enrolment rate for Nusa Tenggara Timur, Maluku and Papua was 81.2 per cent. This figure increased to 92.4 per cent twenty years later.

The gap in enrolment rates in elementary schools across the regions also seems to be closing. In 1996/97, the gap between Java-Bali and Nusa Tenggara Timur, Maluku and Papua was 9.8 per cent, while in 2018/19, the gap was 5.5 per cent. Likewise, the net enrolment rate of junior secondary schools improved under decentralization from 54.5 per cent in 1996/97 to 78.8 per cent in 2018/19. However, the gap across regions widened. In 2018/19, the gap between Java-Bali and Nusa Tenggara Timur, Maluku and Papua was 13.2 per cent, while in 1996/97 it was only about 5.1 per cent.

This gap is also apparent in access to high school. In 2018/19, the net enrolment rate for high school in Java-Bali was 63.3 per cent, while in the same year, the number for Nusa Tenggara Timur, Maluku and Papua was 57.7 per cent. In 1996/97, the net enrolment rate for high school in Java-Bali was 30.1 per cent, while in Nusa Tenggara Timur, Maluku and Papua it was 25.2 per cent. The gap between those regions increased by 0.7 per cent.

The capacity of the government to deliver development on energy and clean water improved under decentralization. In 2018/19, the government distributed about 239,100 GWh of electricity, while in 1996/97 it was 54,700 GWh; in other words, a fourfold increase. However, Java-Bali is still dominant as it accounts for more than half of the country's electricity distribution. There is a wide gap between Java-Bali and outside Java, especially Nusa Tenggara Timur, Maluku and Papua, although this appears to be closing. Likewise, the ability of the government to deliver drinking water to citizens has almost doubled. The distribution of drinking water in Java-Bali represents more than half of the total national drinking water distribution. Although the gap across regions still exists, it has narrowed following decentralization.

Overall, in most aspects of government, the capacity to deliver development outputs and outcomes following decentralization have substantially increased, improving local government abilities to deliver most of the essential public services across the regions. However, gaps across regions persist. In some aspects, it appears to be widening, especially between Java-Bali and Nusa Tenggara Timur, Maluku and Papua. The local government capacity gaps in delivering essential public services have widened and left Nusa Tenggara Timur, Maluku and Papua further behind. This is despite much development funding having been transferred to regions outside Java, especially Papua, during the decentralization era.[5]

Seemingly, decentralization works better in more populous regions with better infrastructure, although local government capacity in delivering development matters. As such, decentralization also gives more opportunities for local governments to plan and implement various programmes to address local demands.

5.2.2 Factors Contributing to Local Government Capacity. In this section, we expound further on the factors within local and national governments that may explain variations in local government capacity to delivering development outputs. In doing so, we will only focus on the following local government factors: capacity to create a regulatory framework; setting local institutions; and providing accountability mechanisms.

(a) Capacity to Create Regulatory Frameworks

A supportive regulatory framework is essential to support local governments to deliver development outputs. To some extent, decentralization provides incentives for municipal or district governments to establish regulatory frameworks to ensure access to essential public services for local populations. For example, we found that most district governments, especially in Java-Bali, were able to formulate "local government regulations" (*perda*) on compulsory twelve-year education, free childbirth services, nutrition and food supplement for children under five, free children immunization, and other local need-based

regulations. We have also seen initiatives from local governments to formulate *perda* to remove business barriers and restrictions. Some local governments, such as municipalities in Yogyakarta, Belitung island, cities of Bima and Surabaya, and Banyuwangi district, have managed to reduce and provide tax incentives for business investment, particularly in the area of tourism, and small and micro enterprises (Kemenpan RB 2019). However, several local governments issue regulations that hamper business and investment, creating a sentiment that decentralization might have led to over-regulation.

In the last twenty years, we also see that decentralization has opened opportunities for district governments to create regulatory and policy innovations for improving public services. The Ministries of Home Affairs and State Apparatus and Administrative Reform of the Republic of Indonesia, since 2014, have introduced an annual local government public service innovation competition, or *sinovik* (Sistem Inovasi Pelayanan Publik). It was reported that thousands of proposals were submitted by local governments for the competition. However, an evaluation of this competition over five years shows that the winners were mostly local governments in Java and Bali such as Yogyakarta, Bandung, Jakarta, Surabaya, Malang, Kebumen, Banyumas, Magelang, Semarang, Banyuwangi and Badung Bali. A small number of district governments outside Java were quite innovative, such as in Padang, Palembang, Kutai, Banjarmasin, Makasar, Pare-Pare, Takalar and Bima, which were recognized as the most developed districts in each of the regions. Almost no district from Nusa Tenggara Timur, Maluku and Papua could showcase their innovation during the period (Kemenpan RB 2019). Issues of lack of district government capacity, especially in rural Papua, Maluku and Nusa Tenggara Timur, were deemed to be the root cause. Another often cited reason was the lack of demand for good-quality local public services from the local community, which, to some extent, could be linked to the level of education and poverty.

Despite the progress, we also found issues of problematic regulations (*perda bermasalah*) that are counterproductive to improving the local economy and public services. In June 2016, President Joko Widodo announced that the Ministry of Home Affairs had revoked 3,143 provincial and district government regulations, which were considered problematic as they contradicted national regulations. This number was the highest since 2002. Between 2002 and 2009, the national government had also revoked 2,246 local government regulations. In total, the national government has withdrawn or revoked about 7,029 local regulations from 2002 to 2016. The Ministry of Home Affairs has officially explained that the main reason for all those local government regulations being withdrawn is that they have become excessive, creating complex rules and procedures. These local regulations are often redundant, burdening businesses, or contradict national regulations, and some are found to be in violation of civil rights. The massive number of *perda bermasalah* seems to reflect a lack of local government capacity to develop a regulatory framework that not only addresses the needs of local citizens, but one that is also linked to, or in line with, national regulations. Some studies have noted that the phenomenon of *perda bermasalah* is often linked with elite capture, clientelism and mobilization of identity politics, representing weak local democracy during decentralization (Yuwono 2012; Amalia 2017). However, the efforts of the Ministry of Home Affairs to withdraw all those regulations was thwarted by the ruling of the Constitutional Court that abolished the ministry's authority to withdraw any counterproductive local government regulations.

(b) Providing Accountability Mechanisms

Over the last two decades, we have seen that accountability mechanisms following the decentralization regime have generally improved. Now, most mayors and *bupatis* (heads of districts) and even governors have to listen to the voices of their citizens. Otherwise, citizens may not vote for them in the next subnational elections. Prior to decentralization, this accountability mechanism did not exist as the head of local government only answered to the central government in Jakarta. Various channels for strengthening accountability mechanisms were also created in many districts.[6]

Furthermore, the use of e-government tools for promoting accountability from within district governments and between district, provincial and national governments have been established through online surveys (Layanan Aspirasi dan Pengaduan Online Rakyat, or LAPOR) (Sadat 2014). In major cities such as Jakarta, Bandung, Yogyakarta and Surabaya, we also found strong local media that provide regular information on government and incumbent performance, party platforms, and candidate promises, which make up the essential pillars of local accountability to work. Moreover, we also see a significant number of relatively well-educated voters and civil society organizations, which are able to put pressure as well as provide support for ensuring the accountability of local officials in those cities.

However, we also looked at the evidence that many local governments could not deliver their mandate. In August 2017, the Minister of Education and Culture, Muhadjir Effendy, reported that most district governments spent less than the mandatory 20 per cent of their budget for improving education services as stipulated by Law No. 20/2003 on the national education system. We noted that only the Jakarta provincial government spent 22 per cent of the budget on education, while Papua province spent only 1.4 per cent of the budget on education. In November 2017, Budiarjo Teguh Widodo, the Director-General of Fiscal Balance, reported that, based on the local government budget 2017 report, only 177 district governments had managed to use 10 per cent of their budget for health services as mandated by national Law 36 of 2009. Despite the increasing ability of the government in delivering outputs and outcomes, the proportion of the health budget in Papua between 2006 and 2019 was just around 1.29 per cent of the total local government budget, while it is mandated by law to be at least 5 per cent.

More importantly, we also see that decentralization has created opportunities for heads of districts and local parliaments to misuse power and resources. Local corruption grew massively under decentralization. In April 2019, *Indonesia Corruption Watch* reported their ranking of the most corrupt provinces, which included Aceh, Sumatra Utara, Riau, Banten, Papua and Papua Barat. During the 2004–19 period, twenty-one governors and 119 mayors were prosecuted for corruption (KPK 2018). This increase in local corruption reflects the weakness of accountability mechanisms of most local governments following decentralization. We have seen little organized pressure, demand creation, or efforts to ensure accountability of local officials in those regions. Hence, partisan political pressures are likely to occur in most districts, undermining political competition, and thus sustaining traditional methods of mobilizing support such as through clientelism.

(c) Development of Local Government Organizations

The local government's capacity to establish organizations to conduct public administration and deliver public services is vital for effective decentralization. The grand design of bureaucratic reform was formulated in 2010 through Presidential Decree 81 of 2010 concerning "*Grand Design Reformasi Birokrasi 2010–2025*". Measures were taken across several key areas to improve local government performance, including introducing a merit system, training and capacity building, organizational engineering, and performance-based remuneration.

However, about one decade after its launch, we found that only a small number of local governments managed to implement it. Since 2016, the Indonesian Civil Service Commission (Komisi Aparatur Sipil Negara) surveyed the implementation of the merit system across ministries, departments, and local governments. The 2018 reports show that only local governments in Java-Bali were categorized as "green", i.e., able to implement most aspects of the merit system.

On the contrary, all local governments within Papua, Maluku, Nusa Tenggara Timur, Central Kalimantan and Southeast Sulawesi were categorized as "red", meaning that they failed to implement the merit system as a whole, or had operationalized only small aspects of the system. This could be associated with the prevalence of corruption cases in the regions. In addition, patronage networks are getting worse and more apparent in those regions. This is seen through bribery for getting official/government jobs,

promotions, transfers, placements as well as favouritism for family, friends, and the highest bidders as reported by several studies (Van Klinken 2009; Aspinall 2013; Blunt, Turner and Lindroth 2013). In those regions, public officials and bureaucrats were often appointed without the required skills or qualifications, placed in wrong positions, transferred when there was no vacancy, and given assignments they could not fulfil.

The capacity of local governments to establish or strengthen local organizations is related to their ability to strengthen governance in managing public services. Following decentralization, we see privatization and contracting out of local public services to the private sector and non-government organizations. Some of these initiatives have shown success in the delivery of public infrastructure programmes in Jakarta.[7] During decentralization, we also see that non-profit organizations play an important role in providing essential educational services, health services and water services. The Ministry of Law and Human Rights reported that, in 2018, there were 390,293 NGOs registered with the ministry. Most of them work in community development and essential public services. However, we also discovered that the incentive structures of local institutions were not necessarily aligned with the objective of improving public service performance in many districts. This was particularly in districts where elite capture is high and local democracy is weak, such as Papua, Maluku and Nusa Tenggara Timur. In most districts in these regions, privatization and contracting out of essential public services was problematic, leading to performance issues and corruption.

Local government institutions and other social and economic institutions in Java-Bali are generally more developed than those outside Java. This institutional gap had existed since the colonial era, long before Indonesia as a sovereign country was founded. Java was strongly controlled by the Dutch and British colonial governments, who built vast transportation networks for military and trading purposes, and developed modern commercial agricultural plantations and mining. Under the New Order regime, this gap widened because of a Java-centrist development policy. As a result, all the best essential institutions in the country, especially those related to health and education, are located in Java and Bali.[8] Thus, it is not surprising that, with the lack of human resource capacity and other essential institutions, weak local institutions persist in most regions outside Java-Bali. Accordingly, not only do Java and Bali have well-qualified public officials, but they also have better access to technology, public facilities, training opportunities, and other such inputs. Therefore, public sector modernization is more likely to occur and be more successful in Java-Bali than outside of Java—indicating that decentralization might not address inequality in terms of human resources.

5.2.3 National Government. The increasing number of district administrations induces a fragmented system of public administration and results in coordination problems. Duplication, ambiguity, and confusion in the power relationships and administrative responsibilities among national, provincial, and district governments occur to this day. Our interviews with the Deputy for Politics, Law and Security at the Ministry of National Development Planning/Bappenas and the Deputy for State Agencies and Institutions at the Ministry of State Apparatus and Administrative Reform found that such ambiguities persist in the areas of fiscal and monetary policy, business investment, land reform, environmental management, human resources, and other essential social services between national and local governments.

> To me, the challenge for coordination in the past was not as big as it is today, because everything was instructed by the central government. So, it was as simple as when the President gave his order, everyone would follow suit. Hence, coordination was much less challenging than it is today where we have democratization and decentralization. Governors are directly elected, but so are heads of districts (*bupatis*) and mayors. So [the bureaucracy] thinks that it is okay for them to not obey their governors because they are not answering to them [but to their *bupatis* or mayors].[9]

> The turning point was Law 22 of 1999 when *pak* Ryas Rasyid was the Minister for Regional Autonomy. At that time, the subnational governments were given so much flexibility—so much that the central government could not intervene in matters of development of local institutions, making them misaligned with the national strategy. At that time, we found local institutions became so big as local governments built them neither according to their potential nor regional strategy to achieve, but it was more about making more institutions to create more official positions. This may be related to local politics where *bupati* or mayors are directly elected by the citizens—so they [*bupati* and mayors] feel more responsible to their citizens, and not to the central government.[10]

In light of this situation, to strengthen coordination, the government introduced new decentralization regulations, such as those stipulated in Law 23/2014, which revised Law 32/2004. This law brought substantial changes in decentralization as it confirmed the existence of concurrent governmental affairs, which are shared jointly between central, provincial, and district governments, as clearly stated by the Deputy for State Agencies and Institutions at the Ministry of PAN-RB:

> Law 32 of 2014 already governs [concurrent governmental affairs]. So local institutions are now grouped based on their typology. There are type A, B, or C organizations, and there are criteria. So now, their functions are already explicitly mentioned and regulated.[11]

However, the recent Omnibus Law on Job Creation (Law 11/2020) revoked Law 32/2014, and added more ambiguities about the responsibilities of central, provincial and district governments, further frustrating citizens and policymakers. The lack of consistency between the *de facto* and *de jure* of who is responsible for what continues. Among many examples is the issuance of business permits. The Omnibus Law strips the authority of local governments to issue business permits in their regions[12] and pulls it back to the central government, creating confusion on the ground.

Weak policy coordination has become a major concern following the decentralization reforms. The national government often struggles to manage local governments because of weak policy coordination across ministries. The sector silos[13] across ministries and agencies are often the reason for weak policy coordination, as "ministries want to do their jobs their own ways".[14] Or, as elaborated by the Special Adviser to the Minister of Home Affairs:

> Decentralization was a good decision. But we must remember that we are a unitary state that is decentralized. That much should be clear and not disputed anymore. This includes the institutions [and] what the mechanism should be like, if we indeed agree with the regulations. The President is our leader. So now it's about how we support him. How we can have the same mindset. But these days, we are seeing subordinates want to be leaders (a tail wants to be the head). How can we have the same mindset?[15]

As these sector silos become more acute, policies are more often not designed to produce policy integration to achieve national priorities. Instead, they disrupt the provision of public goods. For example, the Ministry of Environment and Forestry wants to reduce land-intensive agriculture, but at the same time the Ministry of Agriculture wants to increase domestic production while the Ministry of Trade demands stable food prices. Policy contradictions among ministries and agencies, which are common in the policymaking processes, such as in import policies, data management, disaster management, and social security, among others, further complicate the coordination with local governments during the implementation phase.

6. Discussion and Conclusion

During the New Order, local governments worked mainly as implementing agencies for national policies and programmes. After the decentralization reforms, they were caught unprepared as the

delegation of government responsibilities was not accompanied by adequate attempts to improve local government capacity to produce public goods, increase productivity and employment, and promote economic growth.

We found that, after two decades, decentralization in Indonesia has, on many fronts, managed to achieve some of what it promised in delivering public services. Yet, disparities and gaps remain. We found that some local governments have been more successful than others, but many, particularly local governments in Papua, Nusa Tenggara Timur and Maluku islands, have failed to seize the opportunities offered by the decentralization reforms to promote public services that meet local demands. The Special Adviser to the Minister of Home Affairs suggested that this happened because, "we did not start from the same starting point. And since it is about local government, it means we have 416 variations in terms of district, or ninety-eight variations if it concerns cities."[16]

These findings are not surprising and confirm numerous existing studies (see, among others, Malesky and Hutchinson 2016; Ostwald, Tajima and Samphantharak 2016; Aspinall and Berenschot 2019; Von Luebke 2009, 2020, 2021; and Fossati 2016a, b, 2020, 2021). Aspinall and Berenschot (2019), for example, elaborate on the rampant clientelism following decentralization outside Java due to the lack of capacity of local democratic institutions. They note that, in poor regions with a poorly educated and rural population such as Gunung Mas (Kalimantan) and Jayapura (Papua), almost all government jobs are considered to be dependent on loyalty during election campaigns. In contrast, in Jakarta, less than 40 per cent of such jobs are provided as clientelist rewards.

Compared to other developing countries that undertook decentralization, local governments in Indonesia were reasonably empowered, enjoyed competitive local elections, received generous access to resources, and retained some technical capacity from the way staffing was handled. Why, then, has performance not been more uniformly strong and significantly improved? The Chairs of KASN, in both periods 2014–19 and 2019–24, offered the following explanation:

> It is difficult for local governments in remote areas to get first- or second-class human resources. They [top-quality people] do not want [to join civil service in remote local governments] because they can go to the open job market [even also outside the government]. So, there are two main causes. First, the candidates [for civil service] do not want it or are very limited in number. Second, the political demand from the local government that requires locals to join the civil service [become a deterrent factor for outsiders to join local civil service]. Because we have neglected regions for too long, but this does not happen only in Indonesia. It also happens in the US. Public servants in Texas are very different compared to those in the Northern parts of the US.[17]

> Specialist medical doctors were offered a salary of IDR50 million (US$3,500) per month for them to work as civil servants in Papua. They rejected it. What does it mean? The policy for competence and career development has to match the incentives and remuneration scheme so that they [civil servants] would be willing to work wherever it is interesting for them.[18]

The Head of National Institute of Public Administration also supports the above explanation, adding that:

> I often meet the Heads of Local Civil Service Agencies desperately telling me that they do not have the budget for competence and career development and training. [They also said that] they had planned for this. But when it is discussed during the budget meeting with the local parliament, it would be rejected as it was deemed wasteful. It all means to me that there is still a quite significant difference in mindset among us. Some see civil service as a "production factor", but now we have to shift our thinking. Civil service development is an important part of human capital development.[19]

At the subnational level, we found that local governments' ability to create sound regulatory frameworks, provide accountability mechanisms, and establish local institutions were factors that characterized changes in local public administration and public services. These were the result of a dual process involving ongoing democratization and decentralization in the country where the reforms have been slow and stagnant at times, both demonstrating the potential for reversal and not mutually reinforcing. We found that not all decentralization and democratization processes at the local level were easily implemented. Despite some stories of improved public services performance and responsiveness to local needs, institutional failures and local corruption remain, partly due to poor governance. Some local governments were still plagued by inefficiencies, ineffectiveness, unresponsiveness, clientelism, and graft. Indeed, we discovered variability in the extent to which local governments were responding to new opportunities and constraints and dealing with the legacy of the authoritarian regime of the past. Some local governments succeeded in making significant headway in developing public administration and delivering public services, while others proved to be dysfunctional. We notice that, while in some regions, local governance emerged to be better, in others, they happened to be corrupt, bumbling, and unresponsive.

On the other hand, at the national level, we found that the national government still struggles to manage issues of policy coordination across ministries and with subnational governments. We highlight that political-economy factors underlie all of these dynamics. Central government agencies resist aspects of decentralization that weaken their roles, and they have few or no incentives to collaborate, especially in the absence of effective coordination. The main challenges to improve coordination across ministries are difficulties in policy synchronization, unnecessary and overlapping regulation, overlapping activities and "sectoral ego". Although these challenges inhibit coordination, each ministry retains its independence of action.

Accordingly, decentralization also creates a tumultuous relationship between the central government and subnational governments. The central government appears weak, having only three instruments at its disposal for controlling the subnational governments: fiscal instruments; determining civil service arrangement or structure; and general authorities such as annulment of local regulations. In some aspects, we see that governance is not merely a matter of rules and institutional arrangements, but also a political issue. Political divisions at the national and local levels have affected the effectiveness of policy coordination between central and subnational governments. Hence, leadership, communication and policy direction are keys to removing the political blockage. However, in hindsight, although this may be worth another investigation, we humbly admit and recognize that national politics seem to have some bearing on the ways in which decentralization could serve its purpose.

NOTES

1. As a methodological note and for consistency, we use the terms "subnational government" or "local government" interchangeably to refer to any levels of government below national, i.e., province, district, or city. Whenever there is a need for specificity, we refer to the given level of government concerned.
2. This refers to provinces off Java and Bali, but does not include Papua, Maluku and Nusa Tenggara Timur. Consequently, this group largely includes provinces in Sumatra and Kalimantan.
3. The Deputy for Politics, Law and Security of the Ministry of National Development Planning/National Development Planning Agency (Bappenas); Deputy for State Agencies and Institutions of the Ministry of State Apparatus and Administrative Reform; Special Adviser to the Minister of Home Affairs; the Head of the Institute of State Administration (LAN); and Chairs of the Commission for State Apparatus (KASN) (2014–19) and (2019–24).
4. The first author was Deputy Chief of Staff to the President (2015–19) and formerly Director and Special Adviser to the Minister/Head of President's Delivery Unit for Development Monitoring and Oversight (2012–14).
5. As shown in the data of average transfer from central government in Table 3.

6. For example, the implementation of citizen charters in some public services providers, such as public hospital and primary healthcare, public or consumer complaints both online and offline have been the central part of much local government organizations; strategic planning has been part of the local development plan; as well as budget and annual accountability reports have been opened to the public by most of districts government (Brinkerhoff and Wetterberg 2013; Pramusinto 2012; Winters, Karim and Martawardaya 2014).
7. See studies conducted by Wibowo (2006), Abednego and Ogunlana (2006), Rahardjo, Suryani, and Trikariastoto (2014).
8. For example, all top universities which are essential institutions to supply qualified human resources are located in Java. According to the National Accreditation Board for Higher Education 2018, only two universities outside Java achieved grade A. Similarly, only 223 study programmes within universities outside Java achieved grade A, while in Java there were 1,478.
9. Deputy for Politics, Law and Security, Kementerian PPN/Bappenas, interview, 24 September 2020.
10. Deputy for State Agencies and Institutions, KemenPAN-RB, interview, 25 September 2020.
11. Ibid.
12. As stipulated in Law 19/2009 for livestock business, or in Law 18/2012 for food business, for example.
13. Popularly referred to in Indonesian bureaucratic jargon as *ego sectoral*.
14. Chair of KASN (2014–19), interview, 11 February 2021.
15. Special Adviser to the Minister, Kemendagri, interview, 8 February 2021.
16. Interview, 8 February 2021.
17. Chair of KASN (2014–19), interview, 11 February 2021.
18. Chair of KASN (2019–24), interview, 11 February 2021.
19. Interview, 10 February 2021.

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