Decentralization in Indonesia: Challenges and Improvements

Agus Pramusinto[1]
Professor in Public Administration
Universitas Gadjah Mada
Indonesia

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Abstract

This article discusses the implementation of decentralization policies in Indonesia in the digital era. Public demands for greater authority for local governments have existed since the colonial period. Over time, this authority was only granted after BJ Habibie was inaugurated as president in 1999, when he implemented decentralization and provided the widest possible regional autonomy. Many significant changes followed, such as granting authority to manage regions, restructuring regional government to enhance autonomy, ensuring a fairer distribution of natural resource revenues, and holding regional head elections that better reflect local aspirations. Today, many local leaders are innovative, introducing public services based on information technology. This shift is expected to enhance the transparency and accountability of local governments. Although decentralization and regional autonomy have led to many positive developments, corruption remains an issue, largely due to the high costs of elections.

A. Introduction

This chapter examines the decentralization policy in Indonesia and its implications for enhancing accountability and transparency. Decentralization has been widely studied in both developed and developing countries (Faguet, 2020; Robinson et al., 2021; Heller & Parekh, 2022), including Indonesia (Rasyid, 2006, 2014; Soemarto & Suryahadi, 2020). This paper argues that decentralization can positively impact accountability and transparency, particularly when innovative leaders emerge at the local level.

Decentralization has long been a key topic in public administration studies, as it encompasses various aspects such as strengthening local democracy (Faguet, 2020), improving the efficiency of public service delivery (Bahl & Smoke, 2020), and increasing public participation (Teorell, 2021). It also involves a critical examination of the power dynamics between central and regional governments, which affects bureaucratic structures and overall governance effectiveness. The degree of autonomy granted to local governments in policy formulation and public participation plays a crucial role in shaping governance outcomes. As a result, transparency and accountability remain central issues in decentralization debates. Moreover, decentralization is often linked to improved service delivery in education (Lipsky & Seeley, 2019), health (Bahl & Smoke, 2020; Faguet, 2020), and infrastructure (Martinez-Vazquez & McNab, 2014).

This specifically explores the policy and implementation of decentralization in Indonesia. While decentralization gained significant traction in 1999 following the collapse of the highly centralized New Order regime (Rasyid, 2006), its roots can be traced back to the Dutch colonial period and the early years of Indonesia's independence. Over the

past 25 years, Indonesia has implemented a broad decentralization framework, allowing local governments greater autonomy. The extent to which this policy has strengthened accountability and transparency can be assessed by analyzing governance developments across various regions.

The chapter is structured as follows: First, it examines the theoretical and practical debates surrounding decentralization in different countries. The second section explores the evolution of Indonesia's decentralization policies, highlighting the shifting balance of power between the central and local governments. The third section discusses emerging leadership models in the regions as a direct consequence of decentralization. The fourth section presents case studies of innovative governance initiatives implemented at the regional level. Finally, the fifth section analyzes the key challenges in fostering transparency and accountability within decentralized governance structures.

B. Decentralization and Its Debate

According to Olowu & Wunsch (2004), approximately 70% of countries worldwide have implemented some form of government decentralization. The extent of decentralization varies, with some countries adopting political, administrative, and financial decentralization to different degrees. In some cases, decentralization occurs from the central government to the provincial level, while in others, it extends further to district/city governments and even to the sub-district or village level. The decentralization process has also evolved beyond the simple transfer of authority and resources from higher to lower levels of government. In many instances, decentralization now includes the delegation of responsibilities from government institutions to non-government entities. These efforts aim to enhance government efficiency, accountability, and responsiveness to local aspirations and needs.

The choice of decentralization model adopted by a country is a political decision influenced by factors such as ideology, socio-economic conditions, and the capacities of both regional and central governments. Generally, decentralization takes one or more of the following forms: devolution, deconcentration, co-administration, and privatization.

Here are some variations and their definitions:

"Devolution is the transfer of public governmental functions from the central government to lower levels of subnational government. Deconcentration refers to the delegation of authority from the central government, a territorial jurisdiction head, or upper-level administrative vertical agencies to their officials in regional areas. Co-administration involves the appointment of an autonomous regional government by the central government or a higher-level regional government to implement governmental functions, while still being accountable to the higher authority" (Gerritsen & Situmorang, 1999: 49–50).

"Privatization is another form of decentralization that entails downsizing the state

through privatization, contracting out, and other liberalizing mechanisms associated with new public management" (Rondinelli & Minis, 1990, as cited in Turner, 1999: 8).

In addition to the various forms of decentralization, its implementation varies across countries. Some countries adopt a symmetrical form of decentralization, such as India and Germany, where states are granted relatively equal administrative and legislative powers (Faguet, 2020). Meanwhile, other countries implement asymmetrical decentralization. Spain and Canada are two examples of this approach. Spain grants greater authority to Catalonia and the Basque Country, while Canada provides special autonomy to Quebec (Lijphart, 1999).

Decentralization promises many improvements in governance, service delivery, and public participation. International institutions such as the World Bank and the IMF actively encourage countries to implement decentralization by offering technical expertise to support its preparation and execution. However, some researchers warn of its potential risks. If not properly supervised, decentralization can lead to abuse of authority by regional officials (Faguet, 2020). Additionally, while decentralization aims to improve public welfare, regions with limited resources may struggle to develop, leading to widening inequality (Sumarto & Suryahadi, 2003). Public services can also suffer if decentralization is not accompanied by investments in human resource capacity, potentially resulting in a decline in service quality.

Studies on decentralization have shown varied results across different countries. Some have successfully implemented decentralization, while others have faced significant challenges. A successful example is the Netherlands, which grants strong authority to local governments in managing education policies, urban planning, and regional economic development. With strong local government control over resource management, decentralization has improved transparency and accountability (Denters & Klok, 2005). Another success story is India, where decentralization has helped reduce regional inequality and increase public participation. In rural areas, decentralized governance has significantly improved health and education services (Gupta & Mishra, 2007).

Conversely, Pakistan serves as an example of less successful decentralization. The country has experienced widening disparities between wealthy and impoverished provinces. Due to its strong dependence on the central government, local authorities have struggled to implement effective regional policies. Political conflicts have further disrupted decentralization efforts, weakening governance (Tariq & Ali, 2011; Khan, 2014). Similarly, Spain has faced challenges in implementing decentralization policies due to political conflicts in Catalonia and the Basque Country, which have threatened national stability (Lopez & Moreno, 2019).

C. The Long Journey of Decentralization in Indonesia
1. Decentralization: The Colonial Era to the New Order
The demand for government decentralization in Indonesia is not a new phenomenon.

Calls for decentralization emerged as early as the Dutch Colonial period, despite the highly centralized administration based in Batavia (now Jakarta). While the colonial government allowed the formation of city councils to address local administrative needs, the decentralization granted was primarily intended to facilitate Dutch supervision and control. According to Ricklefs (2021), decentralization during this period did not provide real power to local governments but was instead a tool for oversight and domination.

Indonesia gained independence on August 17, 1945, following 350 years of Dutch rule and 3.5 years under Japanese occupation. The country faced a severe economic crisis due to the aftermath of World War II, the Japanese occupation, and the war for independence. By the 1950s, Indonesia's economy had deteriorated, marked by high inflation, rising foreign debt, and unstable prices. In response, President Sukarno pursued economic nationalism by nationalizing foreign-owned assets and adopting a centralized government system. Seeking external support, he aligned with the Soviet Union and China. Through the Guided Democracy policy of the 1960s, Sukarno aimed to ensure political stability by strengthening central government control and limiting opposition (Vickers, 2005).

In 1966, Suharto assumed power, inheriting widespread poverty, inflation, and economic instability. Under his New Order regime, centralization intensified, justified as necessary for stability and national cohesion following the turbulent transition from the Old Order. Mietzner (2011) explains that Suharto viewed centralization as the most effective means of governing a large and complex nation. As a result, political decisions and budget allocations were controlled from Jakarta, exacerbating inequality between Java and the outer islands. While local resources were heavily exploited, the provinces bore the brunt of environmental degradation, poverty, and declining public services in health, education, employment, and housing.

In 1974, Suharto enacted Law No. 5/1974 on Regional Government Principles. However, rather than granting real autonomy, the law reinforced centralization. To tighten control, Suharto appointed military generals to key government positions, from ministers and governors to regents and village heads. High-ranking military officers were also placed in bureaucratic leadership roles, including secretary generals, director generals, and board members of state-owned enterprises. This strategy further solidified the centralized governance structure of the New Order era.

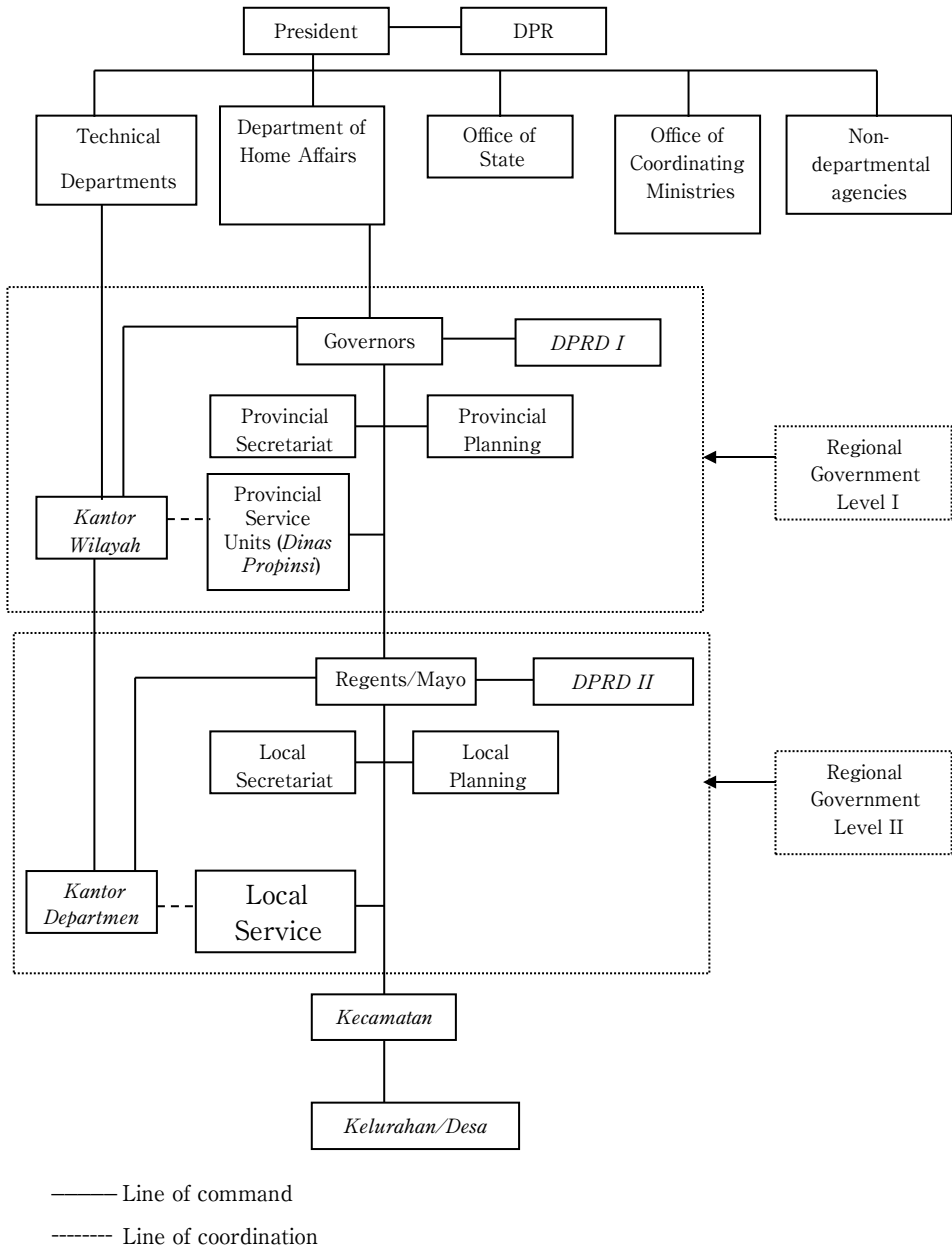## 2. Decentralization in the Reformation Era and the Digital Era

The 1997 financial crisis, followed by a political crisis, led to widespread unrest and demands for President Suharto's resignation. After Suharto stepped down in 1998, President BJ Habibie initiated major governance reforms, including the enactment of Law No. 22/1999 on Regional Government. This law granted broad autonomy to regions, particularly regencies and cities (Rasyid, 2004). The role of the Central Government was significantly reduced, retaining authority only over absolute functions such as defense, security, foreign policy, fiscal and monetary policy, judicial affairs, and religious affairs.

All other responsibilities were either fully decentralized to regional governments or shared among the Central Government, Provincial Government, and District/City Government. For example, education governance was divided among the three levels: the District Government managed elementary and junior high schools, the Provincial Government oversaw high schools, and the Central Government remained responsible for higher education.

During Suharto's rule under Law No. 5/1974, the regional governance structure positioned Central Government agencies in the form of Regional Offices (Kanwil) at the provincial level and Departmental Offices (Kandep) at the district/city level (see Figure 1). These offices functioned as extensions of central ministries, meaning that agencies such as the Ministry of Education, Ministry of Health, and Ministry of Public Works had branch offices in both districts and provinces.
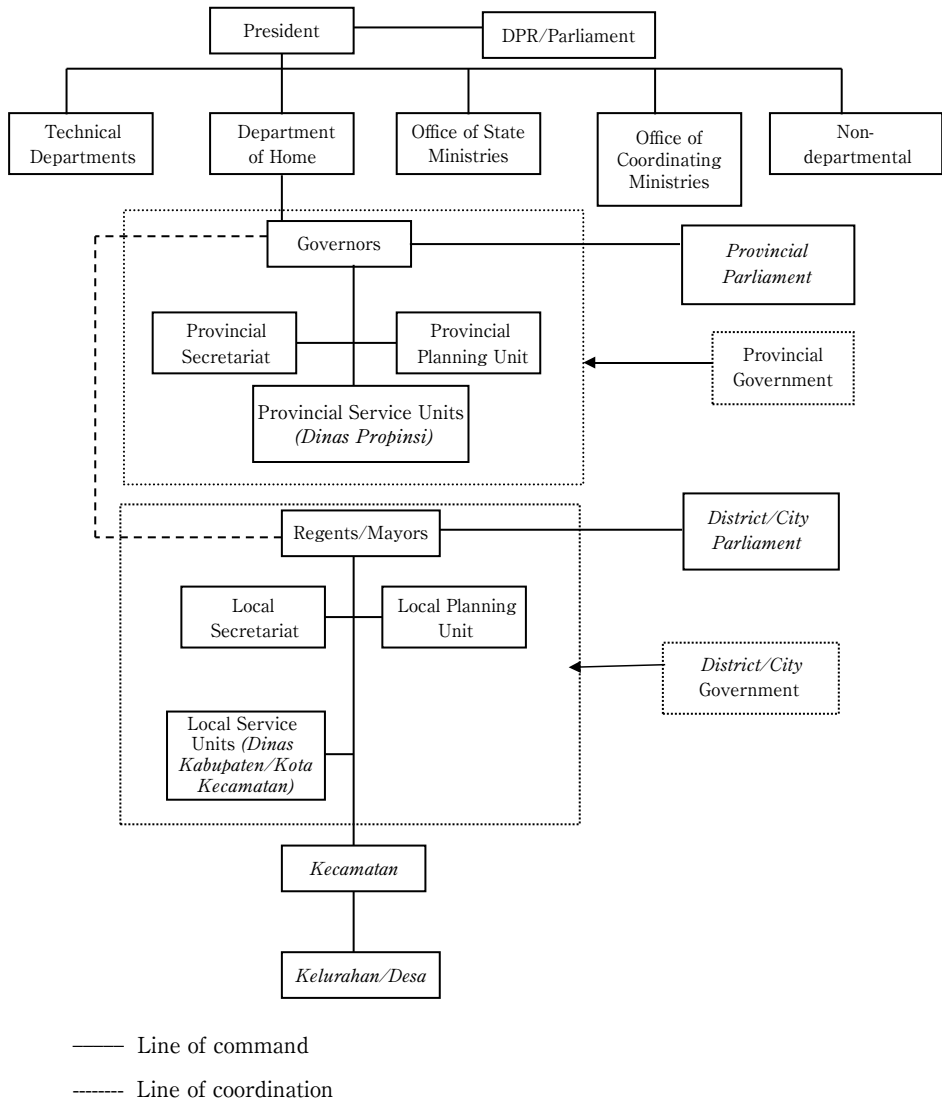
However, with the implementation of Law No. 22/1999, these Central Government agencies in the provinces and districts/cities were dissolved (see Figure 2). Consequently, all policy-making and program implementation in the regions became the responsibility of Regional Autonomous Offices (Dinas). This shift significantly reduced the Central Government's control, eliminated overlapping programs, and empowered local governments to formulate and execute their own policies. Under the previous system, heads of departmental and regional offices were more accountable to their superiors in Jakarta than to the regents/mayors or governors of the areas they served. With decentralization, this bureaucratic dependency on the central authority was effectively removed, fostering a more autonomous and locally responsive governance structure.

To further strengthen the implementation of decentralization, the government issued Law No. 25/1999 on Fiscal Balance between the Central Government and Regional Governments in the same year. This law aimed to regulate the allocation of transfer funds to regions, allowing them to manage their budgets more independently and reducing their high dependence on the central government. Regions rich in natural resources particularly benefited, as the new financial balance ensured a fairer distribution of funds. For instance, under the revised revenue-sharing scheme for oil and gas revenues and royalties, regional earnings increased from 15 percent before Law No. 25/1999 to 30 percent (Rasyid, 2004; Resosudarmo, 2005).

Source: Adapted from Mokhsen, N., 2003. *Decentralization in the Post New Order Era of Indonesia*, 2003 and and Devas, N., 1989. *Financing Local government in Indonesia*, Ohio University, Ohio.

Figure 1: The Structure of Government in the New Order Era (Under Law 5/1974)

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                    ┌───────────────┐         ┌──────────────────┐
                    │   President   │─────────│  DPR/Parliament  │
                    └───────┬───────┘         └──────────────────┘
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│   Technical   │ │Department │ │Office of State │ │  Office of   │ │     Non-     │
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- Line of command
- Line of coordination

Governors — Provincial Parliament

Provincial Secretariat — Provincial Planning Unit

Provincial Service Units *(Dinas Propinsi)*

Provincial Government

Regents/Mayors — District/City Parliament

Local Secretariat — Local Planning Unit

District/City Government

Local Service Units *(Dinas Kabupaten/Kota Kecamatan)*

Kecamatan

Kelurahan/Desa

——— Line of command

------- Line of coordination

Figure 2: The Structure of Government in the *Reformasi* Era (Under Law 22/1999)

Table 1: Changes in the Distribution of Natural Resource Revenue

Revenue Source	Old Sharing Arrangement	New Sharing Arrangement
Oil	100% centre	85% centre; 3% province of origin; 6% district of origin; 6% other districts in province of origin
Gas	100% centre	70% centre; 6% province of origin; 12% district of origin; 12% other districts in province of origin
Reforestation fee	100% centre	60% centre; 40% regional governments of origin
Forestry enterprise license fee	55% centre 30% provinces 15% districts	20% centre; 16% provinces; 64% districts
Forestry production royalties	30% centre 70% regional governments	20% centre; 16% provinces; 32% district of origin; 32% other districts in province of origin
Mining land rent	65% centre 19% provinces 16% districts	20% centre; 16% provinces; 64% districts
Mining royalties	30% centre 56% provinces 14% districts	20% centre; 16% provinces; 32% district of origin; 32% other districts in province of origin
Fishery enterprise fee	-	20% centre; 80% distributed equally among districts
Fee on fishery income	-	20% centre; 80% distributed equally among districts

Source: Brojonegoro, B., (2004).

A fairer distribution of natural resource revenues aims to reduce regional inequality, enhance regional independence, and encourage local community participation. Historically, resource-rich regions have paradoxically experienced high levels of poverty, despite their abundant natural wealth. With a more equitable distribution of revenues, local governments gain greater financial autonomy, allowing them to fund their own development programs more effectively. Additionally, a fairer allocation of resources serves as an incentive for regions to maintain the sustainability of natural resources and to implement more responsible and sustainable natural resource management policies.

In addition to changes in local government structures and natural resource revenue distribution, one of the most noticeable trends since the implementation of decentralization and regional autonomy has been the increasing demand for the creation of new autonomous regions—both at the provincial and district/city levels. In 1999, Indonesia had 27 provinces, 292 districts, and 98 cities. By 2024, this number had grown to 38 provinces, 416 districts, and 98 cities (Rasyid, 2016; BPS, 2023). The following table presents the growth in the number of administrative regions since 1999.

Table 2: The Establishment of New Regional Autonomous Regions

Year	Province	District	City
1999	27	292	98
2000	30	292	98
2010	23	416	98
2014	34	416	98
2023	38	416	98

Source: Badan Pusat Statistik, 2023

The emergence of new administrative regions has been driven by several factors. First, dissatisfaction with provincial or district governments, particularly among people living far from the center of government. Those in remote areas often feel that the public services they receive are inferior to those provided in provincial or district capitals. Second, there is a desire to access additional budget allocations from the Central Government. By establishing a new province, district, or city, the region gains direct access to government funds, which raises hopes of improving infrastructure, education, and healthcare services. Third, the political ambitions of local elites play a role. Some leaders who lost in political competitions for governor or regent/mayor positions mobilize public support for regional expansion, framing it as a matter of improving public services while also securing new political opportunities.

Another significant reform under Law No. 22/1999 was the process of electing regional heads. Previously, regents/mayors and governors were nominated by the local legislative councils (DPRD) at the district/city and provincial levels, but the final selection was made by the Central Government. With the new law, the authority to elect regional leaders was transferred to local DPRDs, allowing them to directly select regents, mayors, and governors. This shift weakened central control over regional leadership and strengthened local political autonomy. The process evolved further with the enactment of Law No. 32/2004, which introduced direct elections for regional heads, giving citizens the power to vote for their leaders without needing DPRD representation in the selection process.

In the digital era, decentralization in Indonesia has taken on new dimensions. According to Diaz et al. (2020), the rise of information technology has provided local governments with new opportunities to enhance public services, leading to greater transparency and accountability in policy-making, budget management, and service delivery. Digital advancements have streamlined administrative processes, making public services faster and more accessible. Furthermore, innovation competitions in public service delivery increasingly feature proposals that leverage digital technologies, reflecting a growing trend of technology-driven governance improvements.

D. The Emergence of New Leaders through Direct Elections

It is undeniable that the direct election of regional heads has resulted in a more diverse pool of elected leaders. In the past, regents and mayors were predominantly from military backgrounds, as appointments were often influenced by central government decisions. However, in the post-reform era, elected regents, mayors, and governors now come from various backgrounds, including the bureaucracy, business sector, religious circles, and even the entertainment industry. This shift reflects the spirit of reform, ensuring that regional leaders are chosen directly by the people rather than being appointed from above.

As a result, we have witnessed the rise of many local leaders who are recognized for significantly improving public services compared to the centralized governance of the past. Below are some notable examples of successful local leaders and their achievements.:

Hasto Wardoyo: an obstetrician who is observant in building

Hasto Wardoyo, the Regent of Kulon Progo, Yogyakarta, has a background as an obstetrician. Under his leadership, he introduced transformative policies that significantly improved public services and the local economy. One of his notable initiatives was the "Hospital Without Class" program, which aimed to provide equal healthcare access for all citizens, regardless of their economic status. Additionally, he launched "Bela-Beli Kulon Progo" (Protect and Buy Kulon Progo), a program designed to boost the local economy by promoting locally produced rice and batik. This initiative successfully enhanced economic opportunities for local farmers and artisans. Due to his strong leadership and policy innovations, Hasto Wardoyo was later appointed as the Head of the National Family Planning Coordinating Agency (BKKBN), where he continues to contribute to national public health and family planning programs. Currently, he is being encouraged to run for Mayor of Yogyakarta in the upcoming November 27, 2024, elections.

Tri Rismaharini: a firm female bureaucrat

Tri Rismaharini, the Mayor of Surabaya, successfully transformed the city into one of the cleanest and most well-managed urban areas in Indonesia. Surabaya's city planning and cleanliness have become a model for urban management in the country. Known for her hands-on leadership style, Risma personally engages with residents daily to listen to their concerns, helps manage traffic congestion when passing through busy streets, and even joins garbage collectors in cleaning the streets to set an example for the community. She is also committed to education, ensuring that every child has access to schooling by personally checking enrollment data. Due to her outstanding leadership and success in Surabaya, President Joko Widodo later appointed Tri Rismaharini as Minister of Social Affairs

Abdullah Azwar Anas: an innovative young politician

Abdullah Azwar Anas, the Regent of Banyuwangi, has achieved remarkable success through his various innovative programs. A young politician who previously served as a member of the DPR (Parliament), Azwar Anas quickly transformed Banyuwangi from an underdeveloped and little-known area into a thriving tourist destination, significantly improving the standard of living of its residents. One of his key initiatives was the introduction of the annual Banyuwangi Arts and Culture Festival, which became an icon of the district, attracting tourists from various regions. Due to his successful leadership, Azwar Anas was later appointed as Head of the Government Goods/Services Procurement Policy Agency (LKPP) and subsequently as Minister of State Apparatus Empowerment and Bureaucratic Reform.

Ridwan Kamil: a visionary academic and architect

Ridwan Kamil is an academic and city architect who earned the trust of the people to lead and develop Bandung. Leveraging his technological expertise, he successfully modernized public services through technology-driven innovations. Following his achievements as Mayor of Bandung, Ridwan Kamil was elected Governor of West Java Province, where he continued implementing progressive policies to enhance urban development and governance. Due to his high public trust and strong leadership record, Ridwan Kamil has been nominated as a candidate for Governor of the Special Region of Jakarta. He is set to compete in the Jakarta gubernatorial election on November 27, 2024.

Basuki Tjahaya Purnama: a controversial businessman who improved the bureaucracy

Basuki Tjahaja Purnama, a businessman-turned-politician, was first elected as Deputy Governor of Jakarta before later assuming the position of Governor. Despite his controversial leadership style, often characterized by his outspoken and direct approach, many Jakartans recognized his significant contributions to the city's development. Under his leadership, Jakarta saw improvements in flood control, education services, and efforts to curb large-scale corruption within the bureaucracy. Following his tenure as governor, Basuki was appointed as President Commissioner of Pertamina, Indonesia's largest state-owned enterprise. In this role, he was tasked with strengthening corporate governance and improving its overall performance.

E. Various Innovations in Regional Public Services in the Digital Era

Although there are concerns that decentralization may negatively impact the quality and equity of public services, there is also clear evidence of progress resulting from its implementation. This is reflected in the enthusiasm of regional government agencies to develop public service innovations and actively participate in competitions organized by the Ministry of State Apparatus Empowerment and Bureaucratic Reform. These initiatives demonstrate the commitment of local governments to improving service delivery and enhancing governance in their respective regions.

Table 3: Number of Innovation Proposals (2014–2023)

Year	No. of Innovation Proposal
2014	516
2015	1,189
2016	2,476
2017	3,054
2018	2,824
2019	3,156
2020	3,059
2021	3,178
2022	3,478
2023	3,110

Source: Kemenpan RB. (2024).

The data above demonstrates the high level of enthusiasm among district/city and provincial governments in driving innovation. With ample opportunities for innovation, competitively elected regional leaders strive to showcase their performance by introducing breakthrough initiatives. The following are examples of provinces and districts/cities outside Java that have won the public service innovation competition organized by the Ministry of State Apparatus Empowerment and Bureaucratic Reform.

Table 4: Winners of Innovation Competitions from Outside Java

Name of Government	Level of Government	Title of Innovation
Nusa Tenggara Timur	Province	NTT Smart Education
Jayapura	City	Jayapura Digital Services
Maluku Tengah	District	Village Digital Services
Makassar	City	Smart City
Kalimantan Timur	Province	Kaltim Smart City
Sulawesi Selatan	Province	Sulsel Digital Services
Aceh Besar	District	Smart Village
Sumatra Utara	Province	Smart Agriculture
Papua Barat	Province	Smart Healthcare
Kalimantan Selatan	Province	Smart Digital Services

Source: Kemenpan RB. (2024).

Here are some examples of innovations introduced by regional leaders. One notable initiative is the Village E-Service Application developed by Banyuwangi District. This service facilitates easier access for residents to obtain essential documents such as ID cards, birth certificates, and business permits. The innovation has been recognized for enhancing transparency, increasing public participation, and expediting administrative processes (Dewi & Prabowo, 2002). Additionally, Banyuwangi District has introduced a digital poverty mapping application that categorizes individuals based on poverty alleviation programs best suited to their needs. Through this platform, anyone can contribute to poverty reduction efforts by selecting a recipient and directly providing food or other assistance.

Another notable innovation comes from the West Java Provincial Government, which launched the Public Information Portal to promote transparency regarding policies, budgets, and programs. The portal also features a discussion and Q&A platform, allowing residents to interact directly with provincial government officials. Similarly, Surabaya City developed the Government Resource Management Information System (GRMS), an integrated financial management system covering all aspects of bureaucratic operations. GRMS includes modules for budget formulation (e-Budgeting), work planning (e-Project Planning), electronic procurement (e-Procurement), contract administration and payment processing (e-Delivery), activity monitoring (e-Controlling), and civil servant performance evaluation (e-Performance) (Suryani & Rahmawati, 2020; Santoso, 2022).

Beyond major cities in Java, we also see significant innovations in remote regions far from the center of power. For example, Papua has adopted SISKA, a technology-driven public service platform that supports local governments and communities in implementing immunization programs, health check-ups, and medicine distribution. Similarly, Maluku Province, despite its distance from major technological hubs, has successfully leveraged Geographic Information System (GIS) technology for infrastructure mapping and development planning. This system allows the government to accurately identify and analyze infrastructure conditions, such as roads, bridges, and public facilities, ensuring that development priorities are based on real needs (Resosudarmo & Tanuwidjaja, 2019; Haris, 2020).

F. Obstacles and Challenges of Implementing Decentralization in the Digital Era in Indonesia

As a vast country, Indonesia benefits from abundant natural and human resources, which serve as valuable assets for development. However, its geographical expanse, stretching from Sabang to Merauke across more than 17,000 islands, presents significant challenges in governance and infrastructure development.

One of the key challenges is the inequality of digital infrastructure across regions. Indonesia's archipelagic nature directly affects the distribution of digital infrastructure, particularly in Eastern Indonesia, including Papua, Maluku, and East Nusa Tenggara.

These regions often struggle with basic electricity access, let alone reliable internet connectivity. Even in areas where internet access exists, strong connections are often limited to provincial capitals (Hidayat, 2019; Kemenkominfo, 2021).

Another major challenge is the availability of human resources with digital competence. Each era presents new demands for its workforce, and the digital era requires vastly different skills compared to when Indonesia's decentralization policy was first introduced. The need for digital literacy now extends to digital information systems, public data management, and the use of technology to enhance public services (Budianto & Suryana, 2020; Hukumonline, 2020). However, government-led digital skills training programs have not yet caught up in either quantity or quality, leaving a gap in digital competence among civil servants.

Limited public access to digital technology also remains a concern. While digital infrastructure has improved, its distribution remains uneven, particularly in remote areas where budget constraints prevent further expansion. As a result, many communities still struggle to access government services, file complaints, or participate in public oversight of development programs (Dedi, 2021; Kemenpan, 2022).

A further issue is the quality of local leadership. Direct regional elections have created opportunities for less competent candidates to assume leadership roles. In many cases, money politics plays a significant role in determining electoral outcomes, often overriding leadership competency. Wealthy candidates can easily buy votes, leading to corrupt governance. The impact of money politics and corruption is evident in the high number of regional leaders caught in anti-corruption operations (OTT, Operasi Tangkap Tangan). To date, over 100 regents, mayors, and governors have been arrested by the KPK for corruption-related offenses (Tumbelaka, 2017).

Another consequence of decentralization is the emergence of policy fragmentation at both inter-local government levels and between local and central governments. Decentralization grants each region policy-making autonomy, but this often leads to uncoordinated and overlapping regulations. Many regional systems and applications have been incompatible with central government systems, leading to inefficiencies. In 2023, approximately 1,000 government applications were revoked as part of bureaucratic simplification efforts. The primary reasons for these revocations included: (1) ineffectiveness in public service delivery, (2) lack of integration with central government systems, (3) high operational costs, and (4) duplication of functions (Haryanto, 2020).

G. Conclusions

The policy of decentralizing authority from the Central Government to Regional Governments is an inevitable necessity in governance. This is influenced not only by internal governmental dynamics aimed at ensuring effective administration but also by external pressures, such as intensifying global competition. Decentralization has been chosen as a strategy to make public service delivery more efficient and effective, to ex-

pand public participation, and to reduce regional disparities.

Indonesia's experience with decentralization has gone through fluctuations, changes, and improvements over time. The evolution of decentralization can be traced back to the Dutch Colonial Government, continuing through the early independence period, the New Order era, and into the reform era in 2024. However, it is evident that regional autonomy remained very limited, with the Central Government maintaining strong control. It was only during the reform era in 1999 that significant autonomy was granted, largely due to strong demands from the regions at a time when the Central Government's political, economic, and financial legitimacy was at its weakest.

The decentralization policy has provided regional governments with greater autonomy, allowing them to manage most governmental functions, except for seven absolute affairs that remain under central control. Changes in the government structure have strengthened regional apparatus, while at the same time eliminating central government agencies in the regions. Additionally, resource revenue-sharing has become more proportional, benefiting resource-rich regions more fairly than before. Furthermore, regional expansion movements have emerged as a demand for greater autonomy in several areas.

A key positive outcome of decentralization has been the direct election of regional leaders, allowing citizens to elect their regents/mayors and governors. This marks a significant shift from the previous system, where leaders were appointed by the Central Government, then later elected by the DPRD, and finally through direct elections by residents. This new system not only enhances public participation but has also resulted in the emergence of innovative local leaders. Additionally, technology-based public services, such as licensing, healthcare, and social assistance, have been greatly improved through digital applications.

Although challenges remain, particularly regarding the high cost of direct regional elections, this does not mean that decentralization should be reversed, or local government authority reduced. Instead, efforts should focus on developing a more cost-effective election process, preventing the rise of predatory leaders who engage in corruption to recover their election expenses. Strengthening electoral integrity and reducing the financial burden of elections are essential to ensuring that decentralization continues to bring positive change to regional governance.

Note

1 *Professor in Public Administration, Universitas Gadjah Mada, Indonesia*

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