


## Decentralization in a Unitary State: A Comparative Analysis and Adaptive Governance Design Based on Performance

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Article Info	ABSTRACT
<p><b>Keywords:</b> decentralization, local government, governance, international comparison, fiscal capacity, public policy.</p>	<p>Over the past two decades, decentralization has emerged as a primary strategy in governance reform across various countries, including Indonesia. This study aims to evaluate the effectiveness of decentralization within the framework of a unitary state by examining its concepts, implementation models, and impacts on local government performance through a systematic literature review and cross country comparison. By analyzing practices in Indonesia, the Philippines, South Africa, and India, the study finds that the success of decentralization is highly dependent on the alignment between institutional design, fiscal and administrative capacity, and the structure of intergovernmental relations. Indonesia has adopted a controlled asymmetric decentralization model that has succeeded in fostering local innovation but continues to face challenges in coordination and fiscal disparities. The study proposes a new analytical framework that integrates institutional and performance based governance approaches, and emphasizes the importance of fiscal reform, adaptive institutional design, and digital transformation. The main contribution of this study lies in strengthening theoretical discourse and formulating decentralization policy recommendations that are more responsive to local dynamics and future challenges.</p>
<p>This is an open access article under the <a href="https://creativecommons.org/licenses/by-nc/4.0/">CC BY-NC</a> license</p> 	<p><b>Corresponding Author:</b> Panji Hendrarso Sekolah Tinggi Ilmu Administrasi Banten <a href="mailto:ariyul88@gmail.com">ariyul88@gmail.com</a></p>

### INTRODUCTION

Over the past two decades, decentralization has become one of the main approaches in governance reform across both developing and developed countries (Smoke, 2020; Martinez Vazquez & Lago Peñas, 2021). Decentralization is regarded as a means to enhance the efficiency of public administration, strengthen accountability, and broaden public participation in decision making processes (Faguet & Pöschl, 2015; Dickovick & Wunsch, 2019). Indonesia is among the countries that made a significant leap in decentralization following the 1998 crisis through regional autonomy policies initiated with Law No. 22 of 1999 and refined by Law No. 23 of 2014. However, despite its promising normative design, the reality of implementation reveals a range of structural and functional challenges in local governance (Hidayat, 2022; Vel & Bedner, 2020).

International literature consistently emphasizes that the success of decentralization depends on three key factors: the quality of institutional design, the clarity of authority distribution, and the capacity of local governments to carry out their mandates effectively (Rodden, 2019; OECD, 2021). In Indonesia, these ideal conditions are challenged by fragmented governance structures, overlapping sectoral regulations, and significant disparities in fiscal and bureaucratic capacities across regions (Simangunsong & McCarthy, 2023; Purwanto et al., 2021). These conditions raise a fundamental question: to what extent can decentralization be effectively implemented within a hierarchical and pluralistic unitary state framework?

Comparative experiences from India, the Philippines, and Colombia demonstrate that decentralization is not merely the transfer of authority from central to local governments. Rather, it involves complex local political dynamics, fiscal incentive structures, and the adaptive capacity of subnational institutions (Smoke & Lewis, 2022; de Mello, 2020). These examples suggest that evaluating decentralization requires more than a legalistic or normative lens; it must also assess actual performance and outcomes. Therefore, comparative analysis is essential to determine how Indonesia's decentralization trajectory aligns with global practices, and to identify strategic lessons for improving governance outcomes.

**Table 1.** Key Factors for Effective Decentralization

Key Factor	Brief Description
Institutional Design	Clear structure of roles and responsibilities
Distribution of Authority	Non overlapping and well defined intergovernmental roles
Local Government Capacity	Adequate financial and human resources

Source: Rodden (2019); OECD (2021)

Table 1 presents three essential factors for effective decentralization: a clear institutional design to define roles and responsibilities, a well structured distribution of authority to avoid overlaps between government levels, and sufficient local government capacity in terms of financial and human resources. These factors form the core foundation for successful implementation and sustainability of decentralized governance.

**Table 2.** Main Challenges of Decentralization in Indonesia

Key Challenge	Impact on Implementation
Overlapping Authority	Weakens coordination and policy execution
Excessive Sectoral Regulation	Limits the autonomy and flexibility of local governments
Fiscal and HR Inequality	Public service delivery becomes uneven across regions

Source: Simangunsong & McCarthy (2023); Purwanto et al. (2021)

Table 2 outlines the main challenges of decentralization in Indonesia. Overlapping authority hampers coordination and effective policy implementation, while excessive sectoral regulation restricts local autonomy. Additionally, fiscal and human resource inequality leads to disparities in public service delivery across regions.

**Table 3.** Brief Comparison of Decentralization Models

Country	State Type	Decentralization Approach	Key Notes
Indonesia	Unitary	Regional Autonomy	Persistent interregional disparities
India	Federal	Constitutional Decentralization	Strong subnational governments
Philippines	Unitary	Local Government Code	Local elites remain highly influential
Colombia	Unitary	Progressive Decentralization	Backed by strong fiscal capacity

Source: Smoke & Lewis (2022); de Mello (2020)

The current state of the art in decentralization studies has shifted from focusing solely on legal formal aspects to emphasizing outcome based decentralization, how decentralization affects public service quality, interregional development equity, and social cohesion (Agranoff, 2021; Lotta & Marques, 2022). However, there is a gap in Indonesian literature, which tends to focus on normative aspects and lacks longitudinal, data driven, and systematic cross country comparative studies. This research seeks to fill that gap by revisiting core decentralization concepts, critically comparing them with local governance practices in various jurisdictions, and projecting a decentralization design that is more responsive to future challenges such as digital governance, crisis management, and climate change.

Conceptually, this study proposes a new framework integrating institutional and performance based governance approaches, offering a more contextual and adaptive lens for analyzing decentralization. The novelty of this research lies in its comparative approach analyzing Indonesia's decentralization model alongside countries with similar socio political contexts, using measurable metrics such as the devolution index, fiscal capacity, and public service effectiveness (World Bank, 2023; UNDP, 2022). This study is expected not only to contribute theoretically to the development of public administration science but also to serve as a policy reference for designing more precise decentralization strategies in the future.

## Literatur Riview

### Definition and Typology of Decentralization

Decentralization is generally defined as the process of delegating authority from the central government to subnational entities (Smoke, 2015). Cheema and Rondinelli (2007) classify decentralization into four forms: political, administrative, fiscal, and market based. The World Bank (2000) and UNDP (2009) reinforce this classification as the main framework for assessing the effectiveness of devolution policies. Furthermore, Hadiz (2017) emphasizes that decentralization is not merely an administrative mechanism, but also a space for local political contestation. In the global context, Faguet (2014) demonstrates that the implementation of decentralization has different impacts in each country, depending on institutional capacity and existing socio political structures.

### **Objectives of Decentralization**

The main goals of decentralization are to improve public service efficiency, enhance local government accountability, increase community participation, and promote equitable development (Agrawal & Ribot, 2018). Litvack, Ahmad & Bird (1998) argue that when implemented effectively, decentralization can bring governments closer to local needs, thereby increasing policy responsiveness. However, several recent studies (Smoke, 2019; Ahmad & Brosio, 2020) warn that without adequate institutional reforms, decentralization may instead lead to policy fragmentation and widen fiscal disparities between regions.

### **Models and Dynamics of Decentralization Implementation**

The implementation of decentralization exhibits varying models and trajectories across different country contexts, shaped by institutional capacity, governance culture, and fiscal architecture. Martínez Vázquez and Lago Peñas (2019) highlight a common pattern among developing countries, wherein fiscal decentralization is often characterized by a heavy reliance on intergovernmental transfers from the central government. This contrasts sharply with the approach in many developed countries, which tend to endow subnational governments with greater authority in revenue generation, particularly in taxation, thereby enhancing their fiscal autonomy and accountability.

In Indonesia, the trajectory of decentralization since the Reform Era has undergone significant recalibration. As McCarthy (2020) observes, the initial model of broad regional autonomy has gradually shifted toward a more centralized configuration. This adjustment reflects concerns over the proliferation of local corruption, elite capture, and uneven administrative capacity at the subnational level, prompting the central government to reassert control over strategic policy and fiscal decisions.

Similar dynamics can be found in African and Latin American contexts. Boex (2021) and Steeves (2022) note that the success of decentralization in these regions is highly contingent on the quality of local governance and the nature of intergovernmental relations. Where institutional fragmentation and political patronage persist, decentralization tends to exacerbate inefficiencies and accountability gaps rather than resolve them. Conversely, when embedded in a coherent institutional framework with strong oversight and citizen participation, decentralization can serve as a powerful mechanism for improving public service delivery and democratic responsiveness.

### **Impact of Decentralization on Local Government Performance**

Empirical findings on the impact of decentralization reveal a nuanced and context dependent landscape. On one hand, decentralization has demonstrated positive developmental outcomes under conducive institutional conditions. Studies by Rodden (2019) and Gadenne & Singhal (2014) suggest that devolving authority to subnational governments can accelerate regional development by fostering responsiveness to local needs and enabling more efficient resource allocation. Similarly, Dziobek et al. (2020) highlight how fiscal decentralization may stimulate innovation in public service delivery, while Bardhan and Mookherjee (2021) emphasize its potential to enhance social inclusion by bringing governance closer to marginalized communities.

On the other hand, decentralization is not without its risks. Research by Reddy (2017) and Tiebout & Ostrom (2018) underscores that when local governments operate with weak fiscal, administrative, or political capacities, decentralization may instead deepen regional inequalities, enable local level corruption, and produce governance inefficiencies. These negative outcomes often arise in the absence of robust oversight mechanisms and institutional safeguards.

In Southeast Asia, particularly in Indonesia and the Philippines, the outcomes of decentralization have been markedly uneven across regions. The OECD (2022) report illustrates that jurisdictions with stronger institutional capacity, transparent budget processes, and effective oversight tend to perform better in managing public finances and delivering services. In contrast, areas with limited bureaucratic competence or political accountability frequently struggle with misallocation of funds and governance deficits. These divergent trajectories underscore the centrality of institutional quality in shaping the success or failure of decentralization reforms.

### **Contemporary Challenges and the Future Direction of Decentralization Reform**

Recent scholarship increasingly highlights the evolving challenges faced by decentralization in the context of digital transformation and climate change adaptation. Shah and Thompson (2023) argue that the digital era necessitates not merely technological upgrades but also profound institutional adjustments. These include the reconfiguration of local bureaucratic structures, enhancement of digital literacy, and above all, the establishment of robust data integration mechanisms across different tiers of government to ensure interoperability and responsive service delivery.

Simultaneously, the urgency of climate change presents a critical stress test for the effectiveness of fiscal decentralization. Crespo Cuaresma et al. (2022) emphasize that subnational governments are often on the frontlines of climate related vulnerabilities, yet their capacity to design and finance adaptive policies remains uneven. This underscores the importance of aligning fiscal transfers and expenditure responsibilities with climate risk exposure and local institutional readiness.

From a normative perspective, global policy discourse increasingly favors an asymmetric model of decentralization. As noted by Enikolopov and Zhuravskaya (2021), asymmetric decentralization where authority is delegated based on differentiated local capacities offers a more pragmatic and equitable alternative to one size fits all symmetric models. By tailoring the extent and nature of devolution to the specific administrative, fiscal, and technical capabilities of local governments, this approach enhances the likelihood of policy effectiveness, particularly in complex governance domains such as digital innovation and environmental resilience.

## **RESULTS AND DISCUSSIO**

### **Comparison of Decentralization Concepts and Implementation**

This study aims to compare decentralization practices in four countries Indonesia, the Philippines, South Africa, and India to identify patterns, strengths, and challenges of each

model. The comparison was conducted using a descriptive qualitative approach based on policy documents and recent scholarly literature.

### Indonesia: Controlled Asymmetric Decentralization

Indonesia adopts a model of controlled asymmetric decentralization as codified in Law No. 23 of 2014 on Regional Government. This legal framework delineates governmental functions into two broad categories: mandatory affairs, which are non negotiable and must be implemented by all local governments, and optional affairs, which may vary according to local capacities and priorities. Strategic sectors such as energy, secondary education, maritime affairs, and forestry are retained under central or provincial authority. This reflects a top down, administratively driven approach to decentralization, intended to preserve national unity while recognizing regional diversity (Sujarwoto, 2017; Buehler & Hofman, 2021).

Despite its normative coherence, Indonesia’s decentralization landscape faces persistent structural challenges. Disparities in fiscal capacity, uneven administrative competence, and fragmented intergovernmental coordination mechanisms have led to asymmetric development outcomes. Regions with robust governance and resource endowments tend to advance rapidly, while underdeveloped areas struggle to meet basic service standards (Aspinall & Mietzner, 2019; Lewis, 2020). These gaps raise questions about equity, efficiency, and the sustainability of decentralized governance.

However, the decentralization reforms have also yielded notable gains. Several local governments have leveraged their autonomy to enhance public service innovation, increase citizen participation, and foster more responsive policymaking (Tjiptoherijanto, 2019). These differentiated results underscore the dual character of Indonesia's decentralization: while administratively uniform, it produces functionally and developmentally asymmetric outcomes.

**Table 4.** Key Features and Outcomes of Indonesia’s Controlled Asymmetric Decentralization

Aspect	Description
Legal Framework	Law No. 23 of 2014 on Regional Government
Model Type	Controlled Asymmetric, Top Down
Division of Affairs	<ul style="list-style-type: none"> <li>• Mandatory: Basic education, health, infrastructure</li> <li>• Optional: Tourism, culture, local economy</li> </ul>
Strategic Sectors under Center/Province	Energy, mineral resources, secondary education, forestry
Positive Outcomes	<ul style="list-style-type: none"> <li>• Increase in local political participation</li> <li>• Innovations in public service delivery in selected regions</li> </ul>
Main Challenges	<ul style="list-style-type: none"> <li>• Fiscal disparity across regions</li> <li>• Weak governance in lagging areas</li> <li>• Ineffective intergovernmental coordination</li> </ul>
Resulting Asymmetry	Uneven service quality and development outcomes between urban/prosperous and rural/disadvantaged regions

Source: processed data, 2025

### Philippines: Participatory Decentralization

The Philippines represents a compelling case of *participatory decentralization*, institutionalized through the enactment of the Local Government Code of 1991. This legal framework established a relatively robust form of political and fiscal decentralization by

delegating broad authority to local government units (LGUs) in areas such as public service delivery, local taxation, and development planning. What distinguishes the Philippine model is its emphasis on civic engagement, particularly the formal inclusion of civil society organizations (CSOs) and community based groups in local planning, budgeting, and monitoring processes (Brillantes & Cuachon, 2002; Olpenda, 2021). This participatory mechanism has been credited with improving democratic responsiveness and fostering greater accountability at the local level.

Nevertheless, the effectiveness of decentralization in the Philippines is constrained by persistent fiscal dependence on the national government. The Internal Revenue Allotment (IRA) a centrally allocated transfer to LGUs remains the dominant source of local funding, limiting local fiscal autonomy and innovation. Moreover, the political and technocratic capacity of local leadership plays a pivotal role in shaping outcomes. As Capuno (2019) and Mendoza et al. (2023) argue, areas governed by competent and reform minded leaders tend to experience more meaningful decentralization, while others remain mired in clientelism and administrative inefficiencies. These disparities have produced a landscape of uneven decentralization, with significant variation in governance performance across regions.

Despite these limitations, the participatory ethos embedded in the Philippine decentralization framework continues to be a strength. By institutionalizing spaces for community engagement, the model has enhanced local legitimacy, promoted transparency, and provided mechanisms for bottom-up accountability. These features suggest that, when supported by adequate capacity and resources, participatory decentralization can serve as a catalyst for inclusive and responsive local governance.

### **South Africa: Symmetric Constitutional Decentralization**

South Africa adopts a symmetric and constitutionally embedded model of decentralization, as outlined in the 1996 Constitution. This framework establishes a clear and formal distribution of authority across three spheres of government national, provincial, and local each endowed with both exclusive and concurrent competencies (Steytler, 2005; Cameron, 2021). The principle of cooperative governance underpins this arrangement, aiming to promote institutional clarity, legal certainty, and administrative accountability.

One of the key strengths of South Africa's model lies in its symmetry all nine provinces are granted equal powers and functions, regardless of their geographic size or economic capacity. This is designed to foster national unity while ensuring balanced development. However, practical implementation reveals notable coordination difficulties and frequent intergovernmental tensions, particularly when mandates overlap or when mechanisms for dispute resolution are weak (de Visser, 2009).

In addition, local government capacity remains a significant bottleneck. Many municipalities continue to struggle with limited technical expertise, human resource constraints, and administrative inefficiencies. These weaknesses are compounded by fiscal imbalances, with subnational governments especially at the local level remaining highly dependent on equitable share transfers and conditional grants from the central government. Studies also note persistent issues of political interference and lack of financial autonomy that undermine the effectiveness of decentralization (Koma, 2014; Burger, 2022).

Despite these challenges, South Africa’s constitutionally grounded model has helped institutionalize a transparent framework for multilevel governance. The key lies in strengthening intergovernmental coordination and addressing local capacity gaps to realize the full potential of decentralization.

**Table 5.** Key Features and Challenges of South Africa’s Symmetric Decentralization Model

Aspect	Description
Legal Framework	1996 Constitution of the Republic of South Africa
Model Type	Symmetric, Constitutional, Cooperative Governance
Structure	Three spheres: National, Provincial, and Local each with defined exclusive and concurrent powers
Strengths	<ul style="list-style-type: none"> <li>• Legal clarity and institutional accountability</li> <li>• Uniform powers across provinces</li> </ul>
Key Challenges	<ul style="list-style-type: none"> <li>• Coordination issues and overlapping mandates</li> <li>• Technical and administrative weakness at the local level</li> </ul>
Fiscal Issues	<ul style="list-style-type: none"> <li>• High reliance on central government transfers</li> <li>• Limited local revenue generation capacity</li> </ul>
Political Risks	<ul style="list-style-type: none"> <li>• Political interference in subnational governance</li> <li>• Unequal implementation despite symmetric structure</li> </ul>

Source: processed data, 2025

### India: Tiered Governance Decentralization

India implements a three tier decentralization system in rural areas through Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) in urban areas. The focus is on empowering village level governments as the frontline of public service delivery (Jha et al., 2019; Singh & Sharma, 2023).

Although the Indian Constitution recognizes this structure, fiscal authority remains with the states. Budget allocation constraints and limited technical capacity hinder substantive local autonomy (Rao & Singh, 2020). Nevertheless, studies show the system’s effectiveness increases when supported by social accountability reforms and performance based budgeting (Mathur, 2021).

**Tabel 6.** Comparative Analysis of Decentralization Models

Aspect	Indonesia	Philippines	South Africa	India
Legal Basis	Law No. 23/2014	Local Government Code 1991	1996 Constitution	Constitution + State Laws
Decentralization Model	Controlled asymmetric	Participatory	Symmetric constitutional	Tiered decentralization
Type of Authority	Administrative, political, limited fiscal	Political and fiscal	Political and administrative	Administrative, partially decentralized

Aspect	Indonesia	Philippines	South Africa	India
Key Characteristics	Controlled, performance based	Broad public participation	Constitutional balance	Village focused, limited fiscal autonomy
Challenges	Technical capacity, fiscal inequality	Fiscal dependency on central government	Authority coordination conflicts	State interference, limited local capacity

Source: processed data, 2025

### Theoretical and Practical Implications

This comparative analysis underscores a critical insight: the effectiveness of decentralization is not merely determined by formal authority devolution but by the degree to which institutional design, fiscal and administrative capacity, and intergovernmental coordination are meaningfully aligned. Countries such as Indonesia and the Philippines, despite adopting legal frameworks that delegate substantial responsibilities to subnational governments, remain largely quasi-decentralized in practice. This is due to the continued fiscal dominance and policy control exercised by the central government, which undermines the autonomy and flexibility of local actors.

In contrast, South Africa and India exemplify more structurally systemic models of decentralization, embedded within constitutional and federal arrangements. These systems delineate powers more clearly across levels of government and often provide legal safeguards for subnational autonomy. However, their effectiveness is not uniform; it hinges on political stability, bureaucratic competence, and the quality of institutional performance (Faguet, 2014; Smoke, 2021). Without these enabling conditions, even the most well-designed frameworks can falter in implementation.

The findings of this study yield several practical implications for policymakers and reform architects. To advance decentralization that is both equitable and effective, reform strategies should be guided by the following priorities:

1. **Strengthening Local Fiscal Capacity Equitably** Ensuring that all local governments, particularly those in underdeveloped or rural regions, have access to adequate and predictable financial resources is essential for service delivery and development equity.
2. **Clarifying Authority Structures and Vertical Coordination Mechanisms** Clearly defined roles, responsibilities, and coordination protocols between national and subnational levels can reduce duplication, conflict, and inefficiency in governance.
3. **Enhancing Citizen Participation to Build Legitimacy.** Embedding participatory mechanisms in local governance fosters democratic accountability, trust, and responsiveness, particularly in diverse and fragmented societies.
4. **Designing Adaptive Institutions Responsive to Local Conditions** Institutional flexibility is crucial for accommodating regional heterogeneity in capacity, needs, and political dynamics. One size fits all models should be replaced by context-sensitive, asymmetric approaches that reflect on the ground realities.

Ultimately, successful decentralization is not solely a matter of devolving functions it requires building robust systems that integrate local autonomy with national coherence, anchored in capable institutions and inclusive governance practices.

## CONCLUSIONS

This study affirms that decentralization is not merely a process of transferring administrative or political authority from the central government to subnational units, but rather a complex and dynamic governance design. Through a comparative study of four developing countries Indonesia, the Philippines, South Africa, and India it becomes evident that the effectiveness of decentralization greatly depends on the alignment between institutional design, local fiscal and administrative capacity, and the coordination structure across levels of government. Indonesia adopts a controlled asymmetric decentralization model that has relatively succeeded in fostering local innovation, yet still faces major challenges such as fiscal inequality, weak technical capacity in underdeveloped regions, and ineffective vertical coordination. Meanwhile, the Philippines demonstrates participatory success through civil society engagement, but remains fiscally dependent on the central government. South Africa has a strong constitutional legal framework but struggles with local administrative capacity, whereas India relies on a tiered system of governance with a village level focus, constrained by state level fiscal control. The theoretical implication of this study is the need for a more integrative analytical framework for decentralization one that combines institutional and performance based governance approaches to evaluate and design more context sensitive decentralization models. Practically, future decentralization reforms should focus on equitable fiscal reform, enhancement of local institutional capacity, adaptive institutional design that reflects territorial diversity, and the integration of digital transformation in local governance. Thus, the main contribution of this research is to offer a new perspective on comparative decentralization studies and to provide more responsive policy recommendations that address local dynamics and future public governance challenges.

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