

Can decentralization affect public service delivery? A preliminary study of local government's innovation and responsiveness in Indonesia

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ABSTRACT

Decentralization has helped to increase quality of public service to be more responsive and accountable to its local people, but many still question its effectiveness especially in developing countries. Since 1998, Indonesia has applied decentralization to manage the government, the drastic shift from strong centralization to decentralization has brought question on its effectiveness. This paper presents normative and empirical evidence on decentralization to public service delivery in Indonesia. It analyzes of current theories and application that support the scheme on how decentralization may reduce inefficiency and ineffectiveness in public service provision. Drawing from articles, the researcher found that efficiency can be increased by providing institutional change to improve accountability of public service provision. It is recommended that local government should assign specific local bureaucrats to hold responsible for certain public service that will lead to strong involvement of society and bureaucrats in improving public service provision. The quick bureaucrat response and proper innovation should create strong public service demand on better public service provision and therefore, put high pressure on elite and bureaucrats to be more responsive and accountable in managing this service.

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1. Introduction

Debate over effectiveness of decentralization to increase quality of public service has been drawing attention in the past two decade. This debate has been accelerated after the wave of globalization (in term of interdependence between countries) that require any countries to increase its effectiveness in public service provision. The qualified public service in local level will increase social economic condition of a country. There is hope on positive affect of decentralization on public service provision based on limited success of several

developing countries such as Thailand, Philippine, and Indonesia in education, and health services.

The speed and quality of increasing public provision by local government however, have not meet expectation. Indonesia that applied decentralization since 1999 with the enactment of UU 22/1999 on local government still suffer from difficulties to accelerate the public service provision in local level. Institutional capacity and political willingness are blamed for the lower public service provision. The creation of demand especially important for people in developing countries, which characterized with less collective action. Significant finding on existence of corruption in minimum public service delivery (Auriol, Straub, and

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Flochel, 2016) and high effort of representative to block executive innovative programs that assign to poor and uneducated people (Besley and Burgess 2002). Despite the massive problem associated with political economy in democratic regime, some positive practice took place.

Some promising evidence on increasing public provision in several cities and districts in Indonesia has triggered the research of finding reason why these regions are able to flourish in public service provision. The success regions are able to increase and create of local people demand on public service provision. The decentralization has increased the need of public service, local government are closer to their constituent to listen their specific need. One of famous example of Indonesian public service best practice in early decentralization is Head of Jembrana district (Widianingsih, 2006 in Ahmad, 2006). He was known for his innovation in providing free education, basic health service and one door administrative policy despite its condition as the poor income district. His education policy provide free public school and scholarship in private school for the higher achiever since 2001. He also provide free health including health visit in hospital for his people. As the head of district, I Gede Winasa, held accountable and transparent service for all citizen, including business permissions and administration services, which was serve in one office and provided with transparent and fair process for all. I Gede Winasa set policy to prioritize agriculture as the number one sector of income for his people which was able to increase local revenue and fund his pro-poor programs during his two-term of power (2001-2008). Despite its limited local revenue, the elected head of district set public policy to prioritize his citizen need on free education, health and administration services that in turn increase its local revenue (Widianingsih 2014).

The example above shown how decentralization creates opportunities to increase public services at the local level. Success in decentralized public service provision has many challenges including elite capture (Dasgupta & Beard 2007) corruption (Adsera, Boix, & Payne 2003; Przeworski, Stoke, & Manin 1999), limited reward for perform government officials (Crewson 1997), severe punishment from media on innovation (Ricks 2016), high cost associated with funding innovative programs, and limited budget (Winters, Karim, & Martawardaya 2014) and conflict over degree of decentralization (Andrew, *et al.*, 2007). Winters, Karim, & Martawardaya (2014) argue that massive challenges in qualified public service delivery should be streamlined if the government focus of creating demand. Despite massive challenge in creating demand, when strong demand of public service exist, governments'

response (Besley & Burgess 2002). However, limited studies on researching demand creation as a tool for securing qualified public service supply. Drawing from Indonesia successful programs innovation, dissemination of success factors in other regions will be easier to make decentralization more effective. This research focus on investigating the method, factors, indicators and benefits of demand creation as a means of increasing and securing public service provision. Demand creation require innovation from local government to be success. Therefore, this paper aims to elaborate factors that support and inhibit innovation policy and programs from local leaders.

2. Discussion

Decentralization is believed as a tool for local bureaucrat and elite to get closer with their constituents. The decentralization may improve design of proper project, proper beneficiary and proper accountability (Kingsley 1996: Manor 1999). In Indonesia, decentralization was used to ease the impact of political economy unrest after the 32 years of Soeharto's dictatorship. The public service provision was severely poor in most part of Indonesia, which consist of 17,000 islands, including five big islands. There was huge gap of public service provision between cities in Java Island (including Jakarta as the capital city and its buffer cities) and outer Java (Kalimantan, Sumatera, Sulawesi and Papua).

The big bang decentralization post a potential improvement of unfair public service delivery in regions that were neglected during centralized Soeharto's governance era. Some of good and qualified leaders, which are not associated with Soeharto big families and relatives, are emerge in public and become qualified leader in several regions. Slow but sure, these public leader have lead a transformation of better and qualified public services delivery.

Public service performance is measured by quantity of outputs, quality of outputs, efficiency, equity, outcomes and value for money as well as consumer satisfaction (Boyne, 2003). In Indonesia, during the 17 years of decentralization (2001-2017) many studies found an increase of outputs, equity and outcomes, in education and health as well as administrative services. Lewis, McCulloch, & Sacks (2016) found that during 2001 to 2010 outcomes on health and education services in Indonesia, in term of number of children enrolled in school, immunization receiver and clean water user are

increased. Local government starts to invest more on health services (Kis-Katos, & Sjahrir, 2017). Widianingsih (2014) found that insured people for health under *Jaminan Kesehatan Jembrana* (JKJ) and enrolled students under free *Jembrana* education were significantly increased. Another poor district, Banyuwangi, also experience a drastic increase of public services. The head of Banyuwangi district, Abdullah Azwar Anas (in power for to term 2010-2020), issued several innovative public service programs such as direct citizen pick up (Jemput Bola Rawat Warga), direct birth certificate after birth (Bayi Lahir Procot Pulang Bawa Akte), child and mother death stop (Stop Angka Kematian Ibu dan Anak/ Sakina), safe society, healthy toilet use (*Pergunakan Jamban Sehat, Rakyat Aman/ Pujasera*), and smart Banyuwangi scholarship (*Beasiswa Banyuwangi Cerdas*) (Fanani, 2017 a,b). These example shows that government are response to classical demand on education, health and administrative services.

Leadership is also important to determine the demand creation. Boin and Hart (2003) shows strong evidences that leadership hold responsible for impossible problem solution in time of crisis. He found that strong leader very prepare for crisis in term of “prevention, preparation, response and reconstruction” (p.544). Metropolitan and capital cities in Indonesia, Jakarta, made some significant improvement on almost all sector of public service delivery. Head of DKI Jakarta cities, Basuki Cahaya Purnama, set a compensation for an increase of building floor coefficient policy (*kompensasi peningkatan koefisien lantai bangunan*) as an additional and innovative source of revenue to fund public infrastructures need. One of program result of the compensation fee, which was combined with private public partnership, is a mega-project and very prestigious as well as complicated overpass project that is aimed to reduce severe congestion in the heart of the city (Carina 2017). He lead example of a phenomenal leader that is able to solve problem on infrastructure need to reduce severe congestion. However, the local government, especially in mega-project, must consider value for money and consumer satisfaction before proceed for such an expensive project.

The local government must have a team that will evaluate risk of public private partnership (PPP). Grimsey and Lewis (2002) proposed that comprehensive and detail risk evaluation is needed to assure value for

money and consumer satisfaction for every PPP. The need of careful risk evaluation is high due to massive demand of infrastructure in Indonesia where its infrastructure are behind the developed countries. The evaluation must consider carefully territorial management for competing use (Ricart, and Clarimont 2016). There is an urgent need to evaluate carefully competing sectors, for a very sensitive and scarce resource such water (Falloon and Betts, 2010; Antunes *et al.*, 2011). Grimsey and Lewis (2002) argue that the risk evaluation of PPP in infrastructures must involve a specific technique of valuating durability, capital sources, taxation, pricing and guarantees. Therefore, a legal context must be provided prior to public service provision through PPP.

Support from law and regulation is one of the factors that must be present in securing the public service delivery. Law 6/2014 on Villages has helped to “increase government responsiveness—through a combination of strong financial management systems, new national institutional arrangements, and empowered citizens who can apply pressure on village governments to work in the interests of communities” (Antlöv, & Wetterberg, 2016 p.161). Law 23/ 2004 that intruct central government to delegate 32 functions to the local government has legalized any government to search for functions that potentially are suitable for their regions. The head of Jembrana district for example, has assigned agriculture function (dinas pertanian) to be located in the district. Maximum use of these dinas, allows a significant and sustainable increase of revenue from agriculture that will create benefit for local people in term of increase in individual and local government revenue during his two term of power (Widianingsing 2014). The location of this specific institution on a district therefore accompanied with funding from central government to run the office, including program funding and officer’s salary in the district.

Besides the use of law to govern political side of local government, the law also need to support the public servant governance. The existence of a national merit system has been received support from the introduction of law 5/2014 on public servant. This law provides legal base for national merit system under decentralization approach since the old law 8/1974 had not fully recognize the merit system. Perry and Wise (1990) posted the need of standardize public employees ethic to govern ideal public service provision. They posted a possibility of wrongful motivation to enter

public institution will increase the chance of corruption because existence of high chance of corrupt officers when these people hold the power to control huge amount of money to the highest rent-seekers. The quest for ideal public employees' ethic is important to assure the minimum misuse of power.

Financial flow from central government also needed to secure and flourish local government innovation. The devolution of resource and power are proven as the key to increase the decentralization effectiveness (Agrawal & Ribot 1999). However, Agrawal & Ribot (1999) also pointed out the need of local governments to provide financial report on any programs, which are accountable to all stakeholders. The innovative programs mostly require new institutions that held responsible for specific task and programs to expedite the innovation, therefore, the need and expectation of accountability for these new institutions are very high. Close and frequent monitoring from local stakeholders are therefore the key to ascertain the proper use of government money.

Direct involvement from elite and bureaucrats is also recommended to secure further innovation. The head of village, district or cities should assign a specific team to tackle and coordinate public service provision that usually consist of several public institution. Specific reward on perform local officials must be given in order to secure innovation, even though only a significant reward like in private sector will not be receive by public officials (Borins 2001). Motivation to perform is closely related with institution commitment; therefore, merit system should be applied to nurture the proper promotion for the higher achiever (Crewson, 1997). The officials' motivation, spirit and contentment to work for the satisfaction of their clients should be nurtured and rewarded. On the other sides, the politician as the people's representatives should visit their constituent frequently to observe, listen and capture their constituents' needs. There are a need to perform counterbalance system that will prevent rent-seeking opportunities.

Media also has important role in shaping innovation in public service delivery. Borins (2001) post that media should provide support on public service innovation and do not punish on failure innovation to make innovation blooming. It is known that reward in term of finance, non-finance (support) is almost impossible without collaboration between government institution and participation from civil society, therefore, community, and media should collaborate to push strong demand for public service innovation with a proper reward. The internet connection has changed the power of media. Przeworski, Stokes, and Manin (1999) argue that media should lead to control on fulfilled promises that an elected officials made on his or her campaign. The

information has the power to create awareness and then being community involvement on government program, especially that require innovation.

The use of E-government and social media will lead to openness and anti-corruption tools for societies. Bertot, Jaeger, and Grimes (2010) found that the use of ICTs has helped government to change the society's culture from apathetic to enthusiastic. The government should maximize the use of ICTs because it has helped to reduce cost associated with collecting, distributing and accessing government information (Roberts 2006). The government should update information in its website especially for innovative program to accelerate the information reach to many clients in very limited time. The government should engage with non-mainstream media and social media that based on internet to vast spread the information. Head of Surabaya city, Risma, is one of the local leader that initiate e-government in almost all public service provision such as health, education and administrative services. The result of her effort is the increasing enrolment of free health and education beneficiaries and reduce the cost of administrative effort on collecting, distributing and accessing citizen database, and invest in increasing public service provision.

Communities' involvement is also the key to determine strong demand on public service. Gibson *et al.* (2000) and Ostrom (1990) proposed that communities involvement increase capacities for collective action. However, local official and elite should involve to increase the local people participation by showing supports (in term of program and policy) to acknowledge the local need (Ricks 2016). Dasgupta (2007) argue that high community capacity for collective action will prevent them from exploitation from elite. Adsera, Boix, Payne (2003) stated that the quality of governance is determined by existence of democracy and the community involvement on voting the right representative in the right place. This statement implies that cohesiveness and strong community will determine the quality of collective action to shape the better public service provision. Bertot, Jaeger, and Grimes (2010).

3. Conclusion

Decentralization brings some positive impact on public service delivery. Good and qualified leaders, which are not associated with elites, are emerge in public and become qualified leader in several regions that focus on making better public service delivery. The decentralization will only produce maximum benefits if the local government is able to create strong demand from community collective action. Drawing from Adsera, Boix, Payne (2003), it is conclude that

community collective action (altogether) is the most important factors to determine the quantity and quality of public demand. Jembrana district is the best example to represent the result of democratization that produce good quality leadership in power in the early decentralization era. The ideal collective action should be exist whenever government and elite provide symmetric information for the community to take action. Using ICTs will boost the effectiveness and efficiency of information distribution to communities. The Bertot, Jaeger, and Grimes (2010) suggestion on changing transparency and anti-corruption culture through the use of ICTs is proven effective on several success innovative programs in Indonesia. Surabaya, Jembrana, Banyuwangi, and DKI Jakarta all use ICTs to collect, disperse and process the information on citizen data base and result in significant increase on public service delivery and citizen satisfaction.

The public service delivery quality will increase only if media, law, regulation and code of ethic of government officer have provided support for innovation. Media as a funnel of government must function to publish innovation and provide analytical information on how to fix the problem in innovation. Law and regulation must also hold the same philosophical ideas on supporting decentralization to produce better public service provision at the local level. Indonesia has to reform law and regulation that fix the hole in the previous regulation in term of public service provision at the local level. The existence of law 5/2014 along with government regulation 42/2004 have shape the national standard of public officials' action and therefore should reduce the misconduct actions. The merit procurement and promotion that is used in law 5/2014 should lead to more innovation.

There are an urgent need that the government also delegate enough financial resource to fund more innovation. The lack of innovation is usually associated with financial sources to fund innovation and to reward innovation. Therefore, local government should perform a transparency that will lead to higher trust and in the long term to increase funding for such innovative programs.

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