



Government Policy Solution to Build up Social Welfare by Decentralization: An Overview

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ABSTRACT

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The decentralization scheme has become a familiar issue around the world for the last 2 decades. Gaps between the degree of decentralization around the world seem true, but still have no agreement towards the question relating to which country is more decentralized? Because of the difference between meaning and sizing in various research. Actually, a proper evaluation to determine the degree of decentralization in a country could undertake on the condition that an inclusive method is acquired instead of simplifying its complex characteristic into solitary measure of autonomy. The interrelation between those various measures of decentralization is considerable. Thus, it should be noticed that there is none of one-size-fits-all index of the degree of decentralization in a country. Because there's a wide variety of research towards it, though there is also literature on decentralization outcomes. The results have been mixed not only because decentralization can take many shapes and mix in different countries, moreover it is due to the various tool which might unusual results under diverse conditions. Thus, reaching a precise definition of decentralization and linking it to specific research is neither possible nor desirable because the simple premise generalizes everything and produces pitfalls that can be vague instead of clarify those facts. What else more significant than the need of an actual contexts but in appropriate methods which go beyond the truth by deed such as spending decentralization and considering the political and institutional background for particular issues on trial.

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1. Introduction

The matter relates to degree and design of decentralization has continued to rise due to an upcoming trend toward decentralization that continues to spreading around the globe. Both federal and unitary countries, both industrialized and developing countries are catching on decentralization [1]. While decentralization benefit those policymakers, across many countries countered carelessly regards the degree of decentralization which is still accept and sheltered. Until the inquiry came up in how to calculate the decentralization, those comparisons could be quantified. Nevertheless, it appears that different research would earn varied conclusions regarding the comparative measures towards the degree of decentralization in different countries.

That is reasonable if there occurs a variation in the degree of decentralization around the globe, then what is on mind here are the comparisons of measurement. Truthful said that decentralization could be estimated based on how decentralization is marked. There is no agreement on specific definition of decentralization that enhances the possible use of competing dimensions of decentralization. The effects from



decentralization will depend on the particular issue and we have to look further into the various aspects that influence the attitudes of those involved in public policy making and service delivery.

Boadway & Eyraud had shown from their research that the degree of decentralization (was calculated by share of local governments within government expenditure and income globally) spread widely across countries [2]. Also it indicates that the degree of decentralization rarely occur by federal structure and constrained by unitary institutional structure. In their research, they discovered that some unitary states such as (Denmark and Sweden) are more decentralized than countries which are pinpoint as federal such as (Germany, Mexico and the United States).

Though still unclear towards the degree of decentralization across the world is true, but when we look closely on it, it will emerge that the definition and dimensions of decentralization still unknown. "By cut down the feature syndrome into one measure of autonomy will create a more complex move once we recognize other criteria of decentralization at current times. In particular, the degree of autonomy has become indefinite when we equate regional governments with significant energy sources (fiscal decentralization) and deconcentrated powers (administrative centralization) with regional authorities by few energy sources (fiscal centralization) but delegated powers (administrative decentralization). Right estimation of autonomy will demand consideration towards the bonds between measures" [3]. In Indonesia itself, decentralization has been a major theme for over the last two decades. The goals of decentralization are featured prominently in the 5th annual development plan (1989 ± 94) and restated in plan 6. Until recently, this had rarely gone beyond rhetoric, but now there are signs of something a little more substantive, one example being the recent declaration of a 'pilot area' in the decentralization program [4].

Based on Tanzi, Indonesia is a successful example of decentralization, `mostly because the process is gradual and carefully planned. Gradually hardly remarkable, some might say, but whether it works is another matter [5]. It is not surprising that decentralization has become an issue in Indonesia [6]. With the world's fourth largest population, a large number of separate islands and great ethnic and cultural diversity, several systems of local government are essential. At first glimpse, Indonesia appears to be an obvious candidate for a federal structure, like its neighbor Malaysia. However, the Dutch colonial regime's attempts to implement a federal system in Indonesia lasted less than a year and left Indonesia with a lasting distaste for it. According to [7], this is not only because federated states are seen as puppets of the colonial regime, but also that such a model did not match the perceptions of Indonesians or more specifically Javanese, related to the unified nature of power and authority.

Through this research, the author aims to explain the degree and its pattern from a decentralization used by several countries in the world to get clear definition and range of decentralization, therefore it can be assessed and obtained by countries that have indeed established a decentralized system.

2. Method

This research used a descriptive qualitative survey method with case study type in order to describe and interpret a case which occurred at Indonesian Medical Council likewise to evaluate the performance of the Non-Tax State Revenue management during 2017-2019. The research model used are included in summative evaluation model from [11] to assess the overall results achieved. While the evaluation method which applied in this study is an evaluation method before and after comparisons from [12] to examine and compare its before and after conditions.

The process of evaluating the performance of PNB management at the Indonesian Medical Council was conducted accordingly to the theory which presented by [13] and [14] on the basis of PNB management contained in [15] Through variance analysis in an effort to determine the level of effectiveness and efficiency at PNB financial performance. The preference of its respondents used a purposeful sampling technique, which is a typical case sampling which aims to define or tell an object normally within the average limit [16]. The research respondents obtained consisted of key informants, main informants, and supporting informants who were authorized by the officials of the Indonesian Medical Council's Secretariat, such as the Head of the General Administration and Public Relations Division, Head of the Registration Section, Head of Sub-Division of Registration and Herregistration, Head of Sub-Division of Finance, Reception Treasurer, Expenditure Treasurer, and SAIBA Officer.

The data collection technique that was used in this research by conducted a survey and collected data with several methods, such as observation and interviews, as well as literature reviews. The Data analysis

techniques which applied in this research namely the interviews results, data reduction, data analysis, data interpretation from the results of data analysis which will be concluded. This research was also used several analyzes to measure the financial performance of Non-Tax State Revenue with Revenue variance analysis [17] through the calculation of effectiveness ratio and efficiency ratio [18]. It is said to be effective if the ratio achieved well at least 1 or 100%, and could be said to be efficient if the ratio achieved is less than 1 (one) or below 100% [19]. To examine the validity of the data, the authors used triangulation method as a combination of various methods to examine the interrelated phenomena from different views and perspectives through the method of triangulation, inter-researcher triangulation, data source triangulation and theoretical triangulation [20].

3. Result and Analysis

Trustworthiness and efficacy of the preferred indicator of decentralization as a mixed dimension of decentralized supremacy has becomes an issue when findings from two studies which evaluate further decentralization in certain countries which oppose each other or as a result in challenging sound ideas. Denmark, since central authorities strictly controls almost each side of local government finances, appears to be more decentralized than the United States.

Kwon explains that “It is quite surprising that the US appears to be more centralized than the other federal countries studied [10]. Those previous concept, nevertheless, is a bit deceitful. State and regional tax revenues in the US are all ‘own source’ income; which makes state and regional governments counting on their own tax forces for expansion their taxes revenues. And to another countries, which most of the taxes from state/regional as an outcome of constitutional or legislative decisions and authorize the local governments to share national tax income”.

From these observations, it can be said that the underlying composition of intergovernmental fiscal ties and more explicitly on how the regional level is financed is a real dimensions of the quality of decentralization. It is widely held in high esteem that regional governments can be said as fiscally sovereign only if they depend on independent regional taxes. In contrast, Kahkonen & Lanyi, who are less concerned with the devolution of taxation power [11]. From the author's opinion, “A very reasonable step of decentralization is the main idea of delegating spending instead of taxes (by translucent and prescription-based fiscal transfers) due to devolution of power on taxes could affect hugely vertical externalities in terms of tax rates”. Bardhan, also argues that in the field of income, whether the state increases most of its own income, it would be less crucial than the transfers to the state which are not permissive [12].

In reality, according to decentralization instrument, there are two strands in literature which suggest two options in measuring fiscal autonomy. The first one highlighted to the tax devolution authorities as an decentralization tool and note that as relevant to regional autonomy, then the other marked the nature of intergovernmental transfers (discretionary or not) as measurement tool that affects regional attitudes and its autonomy also accountability.

So the first choice has to concern on fiscal regulation which connected both allocated spending and income (vertical imbalance) while the second choice at financial mechanisms is the character of intergovernmental transfers [13]. Elicited from these two methods, it can be observed that in assessing fiscal decentralization, the share of regional spending and income are noticed as the best marker. This because the fiscal instruments are convinient to calculate whether the managerial and financial tools are highly substantial and tough to get statistically estimation if there are no transfers that are closely restricted to technical purposes. Transfers pursuing a combination of goals and politically motivated transfers have always been a significant part of ties between governments around the world and even more so, as [14] argues that attempts to remove them will only show their flexibility. Income and expenses provide best convenient measures with no complete research of each and every country. Second, errors inseparable to another variables of interest so they will not give chance to bias in the estimates [3].

Bardhan used classic meaning of decentralization. It could be defined as “the extent to which power is held by autonomous elected local governments that are capable of making mandatory decisions in at least some policy areas” [12]. Elicited from this statement, the authors devided these matter into four variables which they applied to sizing the eight Latin American countries based on their degree of decentralization. Those variables are: (a) Election Autonomy (b) Independence in regional organizations (c) Regional portion of total expenditure and (d) Functional leadership in key sectors.



Therefore, there is cause to believe in several research about decentralization which is interpret and calculated otherwise this comparison might suggest broad correlation in empirical literature on issues such as which country most decentralized (2 researches use an diverse definition and measurement methods and get different results). Martínez-Vázquez et al., while talking about valid measures of decentralization as one issue, that creating difficulties when observed the decentralization so urgently need to use the right measures for fiscal decentralization and makes the estimated results flimsy [15]. The deal with instability of assessed results is rely on how to estimates the fiscal decentralization (and, therefore, the dangers of drawing broad interpretation) mostly have significant policy implications.

Hessling also emphasizes that there is no specific meaning for decentralization [16]. Though we can see that different authors are working on decentralization which literally talk about widely similar ideas, they use different labels in very different ways that lead to different conclusions drawn from empirical studies. Decentralization is a universal word for “Handover of power and energy came from a higher level to a lower level in the political system” [17]. As for the author, it can take 3 forms. These forms either could stand alone or work together:

- 1) Deconcentration or administrative decentralization, arise when agents at higher levels staff of government move to lower levels.
- 2) Fiscal decentralization arise when higher levels of government involved in budgets and financial decisions to lower levels.
- 3) Devolution or democratic decentralization, happen when sources, force and routine are pass on to lower-level officers that are fairly independent or higher, and at least not quite democratic, authorities.

And for author the decentralization sounds like an umbrella term for all numerous decentralization methods that used in different purposes. Smith however, considers the devolution as a famous term that “covers all forms of the transfer of empowerment” [18]. In reality, there has a huge part of literature which has variant meanings and types of decentralization. Quoted on meaningful; [19] has identified 4 well-known type of decentralization: devolution, delegation, deconcentration, and divestment (or privatization). Deconcentration occurs once the central government divides responsibility for particular services to its regional branch offices. This unlikely seen as deliver the authority to lower levels of government but it will lead to the potential benefits or pitfalls of decentralization. Delegation point out to an atmosphere in term of which central government delegates their responsibility for decision-making and public use towards its regional governments or semi-autonomous organizations (regional governments did not controlled entirely but central government eventually rely on them). Devolution are mentioned as situation whereas the central government delivers the decision-making, financial, and controlling the authority to a quasi-autonomous unit of regional government. Divestment is the delivers from public services and institutions to private industries and companies.

So it is clear that decentralization is an environmental which has multi-faceted issues. It has several features count on the different types of decentralization combine with each other in a context. Therefore, there is no type that can be studied separately. For example, fiscal decentralization cannot be analyzed with no consider on which colors or variants that we are trying to investigate and depending on how it mixes with other types of decentralization such as political, administrative and market decentralization in certain historical cultural institutional contexts. Therefore, a correct assessment is needed to evaluate the degree of decentralization in a country which can only be attempted if a comprehensive method to measuring the decentralization is found [20]. Due to there is a wide variety of research towards this matter, likewise to the literature on decentralization outcomes. It appears that the positive benefits conventionally attached to decentralization (efficiency, transparency, accountability) which are not always directly proportional to the degree of decentralization (i.e., with more decentralization, did not mean the benefits always appear). Sometimes negative results relate to decentralization. It is universally said that decentralization of government in terms of devolution, could improve governance by insisting on accountability, participation, and transparency. But devolution in itself did not guarantee a better governance. Indeed, inefficient or inappropriate devolution produces will bring more problems than it solves [19]. Therefore, it means that decentralization efforts need to be made up carefully, keeping in mind deep-rooted problems in the system from the presence of a legacy of centralization that could interfere with the desired outcomes of the decentralization process. The legacy of centralization (as paternalism, clientelism, institutional rigidity, data asymmetry and supply-driven interventions) often limits the realization of the main goals 4 decentralization and so we must address this issue first to ensure efficient local institutions.

Not only the inheritance of centralization, there are various other conditions in which decentralization not only fails to deliver as expected but also undermines the quality of government. For example, in rural states, decentralization and the creation of autonomous local entities can result in a loss of economies of scale and lead to macroeconomic instability. Besides that, those fiscal decentralization could reduce central income when the central government cannot control public spending. Local governments may also shortage the capacity and capabilities of national institutions. These challenges strengthen the importance of efficient planning and design in implementing the decentralization [20].

Despite the skepticism posed by the definition of decentralization, its main goal dispels the myth that decentralization as a common cure for government ills and demonstrates that it does indeed have a downside (under certain circumstances) and a clear assessment of the value of decentralization itself which cannot be made.

So it is obvious that efforts to evaluate the effects of decentralization are still mainly unconvincing. Though seeing all works above have facts on their side to support each reason, it is recognized that most of them use the Government Finance Statistics (SKU) from the International Monetary Fund to measure decentralization, which sadly, did not contain the data from the local governments' level of autonomy in terms of their income or spending which relevant data when analyzing decentralization [21].

Despite the conclusions above, as further attention to the definition and measurement of decentralization (as stated in the previous section), it cannot be assumed that any difference and inconsistencies exist not only because of the lack of conventions on the accurate dimensions of decentralization but also the results of comparisons in selection and interpretation of information. This is also because it tends to ignore so many significant intermediary aspects. Therefore, the examination is not about accuracy rather than the adequacy of decentralization markers in certain contexts.

Therefore, the literature survey could be referred as a guide to investigate the factors which mediate the decentralization process to generate different results. The predominant reason today is the results of fiscal decentralization which manifold because they can come in as different shapes and mix (that mentioned on prior section) around countries, inside countries and even zones which makes assessing its own degree are formidable task in the starting position. But taking step further, it can be assumed particularly if there is 2 hypothesis issues that has similarities of decentralized design, The results still can be expected as different because it uses the "different instruments under different conditions" [22]. Due to the legal and constitutional framework and then the institutional structure of the public administration system in each country will affect the results of the implementation of fiscal decentralization. As a matter of fact, the effective fulfillment is highly concede as a benefit for ongoing institutions (whether they contributed to political and economic incentives to local public officials for better governance and accomplishment of fiscal decentralization).

Thus, the fiscal decentralization outcome in a federal or unitary state would be based on type of various that chased and what kind purpose, under any kind political conditions, legal and constitutional structures, political processes, features of political institutions, political decision structures and public administration systems and structures, political and economic incentives. Neyapti, has viewed through their research which stated that decentralization will bring benefits to which regular attach to it and but in the case of a weak center, those country would be encounter with all potential issues which are acknowledge alongside decentralization [23]. Empirical research towards the fiscal decentralization result in Brazil, for example, the research by [24] was interpreted that the higher fiscal decentralization in Brazil caused a budget and financial crisis. The academic literature in Brazil has provided evidence for this by reporting that Brazil's democratic political institutions-including electoral laws, political party systems, federalism and legislative procedures-were not optimal from the point of view of democratic representation and effectiveness of policy-making. All of these sub-optimality contribute to central power and some veto points, which in turn imply ineffectiveness and institutional disorganization. In this context, it is meaningful to say what [25] tries to say "They commented that the impact of decentralization hugely depends on two aspects of political centralization: (a) the power of national party system (assessed by the fractionalization of parliament and the age of the main parties) and (b) subordination (whether local and state officials are promoted or elected)". The author supports Riker's theory which stated that in developing countries, the strong alliance would strengthen the fiscal decentralization outcomes in economic development term, government standard and the provision of public stuff [26]. The authors claim that the subordination of regional government to a greater extent will increase the ongoing affects from decentralization to development (either developed or developing countries) and government excellency (in developing countries).



4. Conclusions

Research reviewed priorly relates to the term of the degree, pattern likewise to the results from decentralization indicates which viewed closely from various intellectual custom with few of conventions. Citing from [3], a comparison of the types and degrees of decentralization has created a conceptual mess. This confusion has multiplied notion idea of decentralization, persevere positive direction in which integrate with other concepts and disregard its pluridimensional. There is also a surges from unit analysis when chasing this concept. Thus, reaching an accurate definition of decentralization and linking to the specific results whether possible or not since that was an simple assertion that generalizes anything and brought doubtful instead of define the truth. Most relevant thing is the requirement of an accurately relates with extensive method that unquestionably estimate such as decentralizing spending and also bears in mind the political and institutional treaty for specific issues which on trial. Therefore, the investigation towards its impact on macro barometer would demand qualitative and quantitative methods that weighing on the institutional structure of the country. And should be remembered that the more subtle information would be tough to gather (universal alibis) likewise to the more rounded information which is hard to rely on.

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