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Decentralization and the challenges of local governance in Indonesia

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Introduction

1



Fig.1.1 Map of Papua and West Papua provinces

1.1 Moving away from the center and the resurgence of local governments: an overview

Decentralization has become one of the most important topics in academic debates and policy innovations on governance in both developed and developing countries. The shifting of authority from central government to lower levels of government institutions is conducted as an important institutional reform to address a wide range of policy issues and to achieve a variety of state goals. For instance, development agencies and international donors, such as the World Bank and United Nations Development Programme, have been advising decentralization as a framework to promote democratic accountability and to improve local development, particularly in the delivery of public goods and services (World Bank, 2000; Crook & Manor, 2000). Moreover, decentralization is also adopted as an instrument to maintain unity and integration due to the political tensions in multi-ethnic countries (Ghai, 2000; Bardhan, 2002), as a response to changing economic circumstances (Devas, 1997; Bardhan, 2002), and as a policy tool to adapt to regionalization, globalization, and urbanization (Rondinelli, 1989; Hooghe & Marks, 2003; McCallion, 2007).

Advocates of decentralization argue from a theoretical perspective that greater autonomy at the sub-national level could enhance democratic accountability by encouraging local authorities to be directly responsible for their actions to local citizens (Agrawal & Ribbot, 1999; Manor, 1999; Blair, 2000; Cheema, 2007; Grindle, 2007). Decentralization is also indicated to have a potential benefit on the provision of public services by opening a broader opportunity for local citizens to participate in designing and implementing policy. Therefore, the policy could potentially be tailored to local preferences and needs (Blair, 2000; Devas & Grant, 2003; Faguet, 2004; Grindle, 2007). Despite these optimistic arguments, skeptical

critics counter that the relatively smaller scale of local government makes it more susceptible to capture by local elites (Bardhan & Mookherjee, 2006; Faguet 2014). The devolution of power to subnational governments might also augment distributional conflicts, foster subnational authoritarianism, exacerbate patronage and be accompanied by more corruption at the local rather than at the national level (Prud'homme, 1995; Faguet, 2014; Falletti, 2005).

The contradictory arguments on decentralization above indicate that decentralization is not a panacea for all problems regarding governance (Prud'homme, 1995; Agrawal & Ostrom, 2001). The potential benefits of decentralization as an institutional framework to enhance local democratization and to improve the provision of public services does not always mean that the establishment and implementation of the framework will generate the expected results because the effectiveness of decentralization is dependent on a number of specific and contextual factors (Bardhan, 2002; Treisman, 2007; Mookherjee, 2015; Green, 2015). For instance, political decentralization through the establishment of local elections is projected to better balance autonomy and accountability, by allowing local constituents to directly select, or sanction, the candidates for local executive leaders or council members (Crook & Manor, 2000; Yilmaz, et al., 2010). However, its effectiveness depends on the extent to which the election is freely and fairly conducted (Ribot, 1999; Albornoz & Cabrales, 2013), the availability of information about the range of candidates on offer (Fukuyama, 2015), and the ability of voters to monitor the candidates' performance in office (Fearon, 1999). Furthermore, the relationship between democratic decentralization through periodic local elections and the quality of government is still a matter of debate (Acemoglu & Robinson, 2012; Fukuyama, 2015). Having regular local elections do not guarantee that the local governments will govern effectively as the

democratically elected governments might fail in providing what the voters want, such as delivering basic public services like education, health, and infrastructure (Fukuyama, 2012, 2015). Therefore, the analysis of decentralization is not limited to how decentralization may enhance accountability, but instead also focuses on how greater authority granted by the central government, and the legitimacy gained from local elections, can be exercised and transformed by local governments into good local governance indicated by, for example, responsiveness, transparency, accountability, and the rule of law.

Ultimately, despite all the underlying motivations and objectives a state desires to achieve, decentralization has shifted state authority from the center to the periphery. As a result, decentralized local governments now play a pivotal role in planning and managing a number of critical government tasks and functions. Positioning the local government as the central actor in formulating, implementing, and enforcing policy, and in delivering public goods and services within specific geographical boundaries is therefore related to the territorial dimension of decentralization, which will be discussed in the next section.

1.2 Linking decentralization, governance, and geography

The ideas of decentralization and governance come with a wide array of concepts and definitions that are nonetheless interlinked. Although governance has also been used by the private sector, for example in the term “corporate governance”, the concept of governance has oftentimes been associated with government, that is, the way the government exercises its authority to make, apply and adjudicate rules to achieve a wide variety of goals (Peters, 2011). Furthermore, due to the globalization that shapes international economic interaction as well as technological innovations that lead societies to become more interconnected, the idea of governance

has expanded to include international governance and self-organizing governance (Cheema & Rondinelli, 2007; Fukuyama, 2015, 2016). International governance is driven by new mechanisms of international cooperation, which may not always have states as the main actors but are instead managed by organizations somewhat outside of the state system. For instance, regional intergovernmental organizations, multinational corporations, and transnational financial institutions (Cheema & Rondinelli, 2007; Fukuyama, 2016). The other type of governance is self-organizing or network governance, that is, the delivery of government functions by non-state actors, such as the private sector, civil society, and society in general (Ostrom, 2005; Tortajada, 2010; Fukuyama, 2015, 2016). Although the latter two governance systems are implemented at different territorial levels (international versus domestic), they share the same concept, namely governance without government (Fukuyama, 2015). In the same manner, along with the evolution of the concept of governance, the concept of decentralization has also expanded to refer not only to the distribution of authority, responsibility and resources within governments but also the sharing of authority and resources for policy making within society (Cheema & Rondinelli, 2007). This definition implies that authority and action may not only be transferred to the government organizations at different territorial or administrative levels but also to the private sector and non-governmental organizations (Cheema & Rondinelli, 2007; Chien, 2010).

Nevertheless, the transfer of authority from the state to the private sector or society is also problematic because the private sector and society consist of heterogeneous groups with varied interests and complex relationships (Crook & Manor, 2000; Tortajada, 2010). As for impact, since collective governance through negotiations in societal networks cannot always be easily conducted and concluded, the involvement of

a wide range of actors may encounter difficulties in reaching conclusive and actionable decisions (Peter, 2011). Furthermore, the outsourcing of government functions to the private sector and network society also raises question as to how accountability is achieved to ensure that tasks and functions that have been delegated are objectively, adequately, and equitably performed (Crook & Manor, 2000; Tortajada, 2010; Fukuyama, 2015). In contrast to the government officials who are democratically legitimated to carry out their functions and are responsible for their performance to the constituents through various formal accountability mechanisms, the mechanism of accountability of these non-government bodies is unclear and thus enforcement may be problematic (Crook & Manor, 2000; Mehrotra, 2005; Peter, 2011; Fukuyama, 2016).

For these reasons, governance in this study is defined as a government's ability to exercise its legitimate authority to design, implement and enforce rules, as well as to ensure the delivery of basic public services (Fukuyama, 2013, 2015, 2016). Correspondingly, since this study focusses on the important role of governments in managing public functions, decentralization in this study is thus specified as the intergovernmental distribution of certain public functions from the central government to the subordinate levels of government, namely district/city governments (Manor, 1999; Faguet & Sanchez, 2008; Faguet, 2014).

Furthermore, viewing decentralization in terms of moving the authority "away from the center" (Macmahon, 1961, p.15) as an attempt to "bring government closer to the people" (Buire, 2011) draws attention to the concept of scale that establishes the linkage between decentralization and geography. Scale refers to the size of a jurisdiction and to the scope of its territory (Termeer, Dewulf & Lieshout, 2010). In relation to decentralization, this definition can be observed in at least three related ways. First, decentralization is influenced by the intrinsic importance of the

territorial dimension whereby the creation of administrative boundaries shapes the spatial and organizational structure of government tiers, which further determines where the authority will be allocated (Cohen & Peterson, 1999; Hutchcroft, 2001; Ivanyna & Shah, 2012). Spatial structure is the territorial division of a country, such as national, provincial, district/city, sub-district, and village territories, whereas organizational structure is the establishment of government administrative structure at each spatial level (Cohen & Peterson, 1999; Yüksel et al., 2005). In practice, it is implemented differently in many countries. Some countries establish the government structure in every territorial division while some countries limit the division of local government and its autonomy only down to the municipal (district/city) level.

Second, the connection between decentralization and geography corresponds to the size of local governments in terms of the area and population that contributes to the efficiency and effectiveness of public service provision (Ivanyna & Shah, 2012). Basic public services and facilities such as health care centers and primary schools should be available and delivered to the entire population in the district capital as well as in the hinterland (Cohen & Peterson, 1999). However, due to the vast territory and varied population density, these services are potentially difficult to be provided and operated by the district/city governments in the capital alone. Therefore, to increase the coverage of services and to reduce distance, the delivery of services at the sub district or village level are often managed by service providers (e.g. schools or primary health care centers) that are located near to the service users. Wallace Oates (1972, p.55) argued that “each public service should be provided by the jurisdiction having control over the minimum geographic area that would internalize benefits and costs of such provision.” Nevertheless, when decentralization is limited only to the district/city level, these providers

have no autonomy and are subordinate to the certain local government's departments that are based in the district/city capital. As a result and in spite of the establishment of public service providers at the sub-district/village level, which are intended to increase accessibility by reducing the populations' distance from the service facilities, distance between district/city governments and public service providers is also created, which might give rise to coordination and monitoring problems.

Third, the relation between decentralization and geography converges on the distribution of service providers. In his first law of geography, W.R. Tobler (1970, p.236) points out that "everything is related to everything else, but near things are more related than distant things." For the same reason, the establishment of local government agencies as service providers that are territorially and structurally subordinate to the autonomous district/city governments is designated to provide services close to the community. However, this raises the question of if the closeness of services to the people is important, how close is close enough? (Ivanyna & Shah, 2012). In many cases, the spatial view of decentralization is primarily focused on the transfer of centrally produced and provided public goods and services to local-level units without really considering how the public sector tasks that have been transferred are compatible with the tiers of local government administrative structure and the size of local government in terms of its geographical scope and population size (Cohen & Peterson, 1999; Ivanyna & Shah, 2012). Consequently, in the distribution of services, this creates a tendency to locate the service providers solely on the basis of administrative boundaries due to the necessity of having clear distinctions between the levels of government and a clear division of tasks and responsibilities (Termeer, Dewulf & Lieshout, 2010). However, public goods and services are not all of the same scale and due to distance and externalities, the rigidity of layered governmental

systems might raise governance problems when scales of public goods do not correspond with the territorial boundaries of governmental authorities (Termeer, Dewulf & Lieshout, 2010).

In essence, the links between decentralization, governance, and geography are embodied in terms of local governance and scale. Decentralization is one of the formal governance structures that emphasizes the greater role of local governments in arranging government functions, in general and in providing public services, in particular. Furthermore, the analysis on decentralization cannot be isolated from the concept of scale. This is because the tiers of government (e.g. provincial, district, sub-district, and village) and the government size (population and area) could shape the spatial and jurisdictional scale of local governments which matter for the effectiveness and efficiency of public service delivery.

1.3 Understanding decentralization as a principal-agent relationship

As explained above, decentralization is related to the concept of scale in terms of jurisdictional scale (the division of government tiers) and spatial scale (area and population size). Decentralization can, therefore, be perceived structurally as the transfer of governmental tasks and functions from the higher to lower level of governments (Cohen & Peterson, 1999; Termeer, Dewulf & Lieshout, 2010) and spatially from the larger to the smaller geographical areas and populations (Ivanyna & Shah, 2012). These hierarchical administrative and spatial structures indicate that the national government stands as the highest authority that delegates power and grants a certain degree of autonomy to the local governments. This mode of governing thus allows us to conceptualize decentralization as an agency relationship whereby the local government is an agent that is acting to perform services and/or make a decision on behalf of the central government as the principal. Furthermore, the agency relation in

decentralization is developed not only between the central government and the local government but also at the local level between elected officials (governors, district heads/city mayors, local legislators) as local principals and local government bureaucrats as the agents. The implementation of political decentralization through direct local elections as a means of promoting local democracy implies an agency relation between the local government as the agent and the local citizens as the principals (Hutchcroft, 2001; Cheema, 2007). Furthermore, in the provision of public services, an agency relation exists between local governments (principals) that delegate authority to public service providers (agents) to deliver certain public services such as education, health or clean water (Bossert, 1998; Box, 1999, Kiser, 1999).

For a well-functioning agency relation, a principal requires a control system to verify whether the agents perform for themselves or act in the favor of the principal (Bossert, 1998; Kiser, 1999). The principal might experience controlling problems when (1) the principal and the agent have different goals due to the self-interest of the agent and (2) the agent has better information about her action and in effect, the principal cannot determine whether or not the agent has performed appropriately (Eisendhart, 1989; Kiser, 1999). The major issues are thus how the principal controls the agents to whom she delegates the authority to implement policy (Kiser, 1999) and what governance mechanisms are used by the principal to control the agents' actions (Panda & Leepsa, 2017). This study is particularly interested in exploring these issues in order to understand the agency problems and its impact on public service provision and democratic accountability after the establishment of decentralization in Indonesia.

1.4 Decentralization in Indonesia and the case study of Papua and West Papua

Decentralization in Indonesia is motivated primarily as a response to political problems. It has been a reaction to a highly centralistic and authoritarian government system during the President Suharto regime, known as the period of New Order, which continued for more than 32 years. During that period (1965-1998), the central government exercised a centralized form of command and control of political authority, local government systems and development processes. This centralized governance system resulted in inequality of development between the provinces in Java and provinces outside of Java, particularly the provinces in the eastern part of Indonesia. Furthermore, the centralized control of natural resources by the central government also triggered secession movements in regions with abundant natural resources such as Aceh, Riau, East Kalimantan, and Papua. Reforms in 1998 followed the stepping down of President Suharto and the separation of East Timor from Indonesia in 1999 raised political tension between the central government and local governments due to the demand of some provinces to separate from the unitary state of the Republic of Indonesia.

The central government reacted by enacting Law 22/1999 on local autonomy which provides a wide-ranging devolution of authority to local governments. The authority concerning international affairs, defense, monetary policy, religious affairs, and the judiciary is, however, exempt. The central government expected that this policy would reduce the political tension with the local governments. Nevertheless, in Papua, the problem was much more complex because the local elites were not in favor of the decentralization policy (Pratikno, 2005; Hadiz, 2005). After a national dialogue between 100 Papua delegations and President Bacharuddin Jusuf Habibie that failed to reach a compromise in February

1999, the second Papuan congress in 2000 resulted in the foundation of the Papuan Presidium Council which called for secession from Indonesia (Widjojo, 2008). The government then addressed this problem by providing greater political, administrative, and fiscal authority in the form of “special autonomy” to the Papua province through the issuance of Law 21/2001 (see Table 1.1). This law acknowledged that neither the development nor the exploration of natural resources in Papua have been able to improve the welfare of the indigenous people. For these reasons, special autonomy was established to accelerate economic development and to enhance the welfare of the Papuan people, to improve the equality and equity of development with other provinces in Indonesia, and to uphold the rule of law and human rights in Papua.

This special autonomy in Papua and West Papua has been in place for more than a decade, since 2001, with, however, insignificant results. In 2019, from a total of 34 provinces in Indonesia, Papua and West Papua still had the lowest human development index (HDI), with scores of 60.84 and 64.70, respectively, while the national HDI reached 71.92 from the maximum of 100 (Central Statistics Bureau of Indonesia, 2019).¹ Furthermore, the poverty rates in Papua and West Papua were the highest in Indonesia. In 2019, the poverty percentage in Papua was 26.55 % and 21.51 % in West Papua, compared to the national percentage of only 9.22 % (Central Statistics Bureau of Indonesia, 2019). Rampant corruption (Djojosoekarto, 2008; Firman, 2009; Nolan et al., 2014; Anderson, 2015), inter and intra-ethnic tensions due to local political and economic competition (Widjojo, 2008; Nolan et al., 2014; Anderson, 2015), and policy problems between national and local regulations (Djojosoekarto

¹The Human Development Index (HDI) is a summary measure of average achievement in the following three key dimensions of human development: a long and healthy life, being knowledgeable, and have a decent standard of living. The dimensions were measured by the health dimension (life expectancy at birth), education dimensions (mean years and expected years of schooling), and the standard of living by expenditure per capita (United Nations Development Programme, 2019).

et al., 2008) are some of the major development constraints in these two provinces. In addition to the physical barriers to improving infrastructure development, the other constraint for decentralization and regional development in Papua and West Papua is the lack of capacity of local governments (Resosudarmo et al., 2014).

Table 1.1 A comparison of general autonomy and special autonomy

Authority	General Autonomy	Special Autonomy
Political	<ol style="list-style-type: none">1. No cultural representative institutions.2. All, irrespective of ethnic background can be candidates for governor and vice governor.3. No local political parties.	<ol style="list-style-type: none">1. The establishment of Papuan People Assembly (<i>Majelis Rakyat Papua</i>) as the Cultural Representative of Papuans.2. As one of the requirements, only Papuan natives may be a candidate for governor and vice governor.3. The establishment of local political parties and the priority for Papuans to be recruited as local party members.
Administrative	<ol style="list-style-type: none">1. Provincial regulation (<i>peraturan daerah provinsi</i>).2. No customary courts.	<ol style="list-style-type: none">1. Provincial regulation.2. Special provincial regulation (<i>peraturan daerah khusus</i>).3. Customary courts (<i>pengadilan adat</i>).
Fiscal	<ol style="list-style-type: none">1. Revenue sharing fund of oil mining (<i>Dana Bagi Hasil Pertambangan Minyak Bumi</i>): 15%.2. Revenue sharing fund of gas mining (<i>Dana Bagi Hasil Pertambangan Gas Alam</i>): 30%	<ol style="list-style-type: none">1. Revenue sharing fund of oil mining:<ol style="list-style-type: none">a) 2001-2026: 70%b) 2027 onwards: 50%2. Revenue sharing fund of gas mining:<ol style="list-style-type: none">a) 2001-2026: 70 %b) 2027 onwards: 50 %3. Special autonomy revenue (2001-2021): 2% from total national general allocation grant (<i>dana alokasi umum nasional</i>). The allocation of this revenue is prioritized for the health and education sectors.4. Additional funding for infrastructure. The amount is determined by the central government and house of representatives every year, based on the proposals from the provincial government.

Source: Law 21/2001 on Special Autonomy; Law 23/2014 on Local Government.

In its implementation, one of the salient features of this special autonomy is the increased budget transfer from the central government. From 2009 to 2017, as much as Rp. 40 trillion (approximately US \$ 2.8 billion) was allocated to these two provinces to accelerate the development of health, education, and infrastructure in both provinces. However, despite such financial transfers, the development progress in Papua and West Papua has not yet been significant. Although it was implemented since 2001, the achievement of development targets in these two provinces is disappointing, as indicated by the 2019 HDI score and poverty rate.

Despite the unpromising results of development, the other crucial issue of decentralization in Papua is electoral accountability. The first direct elections of local government leaders (i.e. provincial governors and district heads/city mayors) in Indonesia were introduced in 2005, which marked a major political leap for Indonesia's transition toward democracy. The direct elections in some districts in Papua, however, differed from the national election system due to the use of the *noken* system. Instead of using a "one man, one vote" mechanism, the *noken* system accommodates a proxy voting mechanism whereby a tribal leader can vote on behalf of his community. Furthermore, the *noken* system is also practiced by the using of woven bags to replace the ballot boxes. Nevertheless, in its implementation, this traditional method of voting has sparked controversies over its incompatibility with the principles of liberal democracy used in the national election system. In addition, the use of this system has also oftentimes been associated with the emergence of violent conflicts during election periods in Papua. These issues with the *noken* system will be elaborated in this thesis to offer a complementary view in analyzing decentralization by not merely drawing attention to the challenges of development, but also the problems of democratization and accountability.

In recent years, several studies have been conducted in Papua and West Papua. However, most of these studies are dominated by the issues of political conflict, whereas the issues of development and democratization have not drawn much attention (see Table 1.2 for an overview). Furthermore, these studies have also been mostly conducted at the provincial level, while empirical studies at the district/city level are lacking or limited. McGibbon (2004a), for example, analyzes the effectiveness of special autonomy as a solution to separatist conflict in Papua. This study, however, mainly focuses on the historical background and political bargaining process between Jakarta and Papua in drafting the special autonomy law, whereas how the autonomy is implemented and its impact on local development and democracy are not much addressed. Another instance is a study by Resosudarmo et al. (2014), which examines the macro- and micro-economic performances in Papua and West Papua. In this study, economic development in these two provinces is measured by analyzing the trend of GDP per capita and poverty levels between 1993 and 2012. Briefly, the study concludes that the growth of provincial GDP is driven and dominated by the natural resource sectors (i.e. mining, oil, and gas sectors). Regarding poverty, despite demonstrating the fact that the rural poverty rate is higher than urban poverty, the study argued that rural poverty is also much more challenging to address due to the lack of development of education, health, and infrastructure in rural regions of Papua and West Papua. Nevertheless, the study merely portrays development issues at the provincial level without further discussing the diversity of circumstances at the sub-provincial level. Moreover, the study does not deepen its analysis of the results to determine the underlying causes of development failure in rural areas.

Table 1.2 Studies on Papua and West Papua²

Research Topic	References
Political Conflicts	Anderson (2015); Bertrand (2014); Broek & Szalay (2001); Chauvel (2004); Chauvel & Bakti (2004); International Crisis Group (2001; 2002; 2003); McGibbon (2003; 2004a; 2004b); Nolan et al. (2014); Timmer (2004; 2013); Widjojo et al. (2010).
Development studies	Djojosekarto, et al. (2008); Resosudarmo, et al. (2014); UP4B (2014); Widjojo et al. (2010); World Bank (2009).
Democratization	IPAC (2014); Mietzner (2009); Nolan (2016).

Therefore, this thesis focuses on the developmental and democratization issues in Papua and West Papua. In doing so, instead of accentuating the provincial level, the four case studies in this thesis are taken at the district level to obtain better understanding of local governance challenges under particular local circumstances.

1.5 Research strategy and methodology

1.5.1 Research Aims

The main objective of this thesis is to provide a better understanding of the challenges of local governance after the establishment of decentralization and its impact on the provision of basic public services and democratization in the peripheral regions of a developing country. By doing so, this research contributes to governance debates by conceptualizing decentralization as one of the governance mechanisms where the relationship between

² The list of publications is not exhaustive.

actors is constructed as a principal-agent relation. Additionally, this study also seeks to address the implications of geographical factors on local governance in order to understand how distance may affect accessibility and generate additional coordination and monitoring problems.

1.5.2 Research Question

Based on the objectives above, the main research question of this thesis is:

What are the underlying causes that have hampered the provision of public services and local democratization in Papua and West Papua despite the establishment of special autonomy in the provinces?

In addressing this question, this thesis is divided into four individual complementary articles in which each article contains a particular case study to answer a specific research question which aligns with the challenges of local governance in delivering basic public services and in promoting democratic accountability. Subsequently, the empirical findings from the four articles will be synthesized in the conclusion chapter to answer the main research question.

In addition, by answering the main research question, this thesis aspires to contribute to both social and scientific debates. The societal relevance of this thesis can be distinguished into three levels: the global, national, and local levels. First, at the global level, by examining four important dimensions of the United Nations' 2030 Sustainable Development Goals (SDGs), namely education, health, clean water, and accountable institutions, this study portrays the roadblocks of governance and development in a middle-income country that could potentially impede the achievement of the SDGs. In discussing this, this study suggests that in realizing the target of SDGs it is important for the international community to focus not only on the role of the central government but

also recognize the roles the sub-national levels could play in achieving those goals.

Second, at the national level, based on the empirical findings of policy implementation and its outcomes on development and accountability at the local level, this thesis offers a number of recommendations which will be beneficial for national development planners and policy makers in accelerating development in Papua and West Papua provinces. Furthermore, the results of this study suggest that the achievement of national development targets should not be dominated by the success stories from a few provinces or districts/cities, particularly those in the western part of Indonesia, but instead greater attention should be paid to the eastern part of the country, especially to Papua and West Papua.

Third, from a local perspective, by focusing on the provision of basic public services and democratic accountability, this study emphasizes the importance of socio-economic arrangements (education, health, and clean water) and political and civil rights (the liberty of political participation) in improving the quality of living and wellbeing (Sen, 1999). By doing so, the evidence presented in this thesis highlights the urgency for local stakeholders to evaluate the effectiveness of current policy practices and to subsequently prioritize policies, programs, and budgets to produce and deliver basic public goods and services for the community, particularly for those who live in poverty.

The scientific significance of this thesis is discernible in the application of agency theory. This theory is rooted in new institutional economics, which emphasizes the importance of institutions (e.g. formal rules or informal norms) in driving human decision making and behavior (Holzhacker, Wittek & Woltjer, 2016). In this study, decentralization is conceptualized as an institutional change, which transforms the formal

governance structure from centralized and hierarchical to decentralized and autonomous. This transformation is embodied in the (re)design of institutions that is not only limited to the enactment of decentralization related policies but also the reorganization of governmental structure and the redistribution of authority in that organizational structure. This study is therefore carried out to understand how institutional change induced by decentralization affects the interaction among relevant actors and its consequences on the deliverance of public service and accountability. In doing so, this study expands the scope of agency theory by applying it to identify factors that construct agency problems among involved actors in a decentralized governance system.

Moreover, this study complements agency theory by examining agency problems from a geographical perspective. It considers the impact of spatial distance in structuring the relationships between the principals and the agents. Thus, by acknowledging the importance of geography in analyzing agency problems, this study offers a better understanding of how the design of institutions for an effective agency relationship during decentralization could possibly be challenged by distinct geographical conditions at the local level.

1.5.3 Methodology

This thesis adopts a case study approach for two reasons. First, the closeness of the case study approach to real-life situations and its harnessing of a wealth of details (Flyvbjerg, 2006) enables us to “investigate contemporary phenomena within its real-life context” (Yin, 2003, p.13). Second, since case studies are aimed at particularization instead of generalization (Stake, 1995) and have an advantage in constructing context-dependent knowledge (Flyvbjerg, 2006), this approach is well-suited for research that is conducted in a region with a high diversity of local contexts.

Correspondingly, this thesis uses qualitative and quantitative research methods in the four case studies that are examined. The case studies in Chapters 2-4 (education, health, and drinking water services) draw on fieldwork in three particular districts in Papua and West Papua, while the empirical work of Chapter 5 (the *noken* system) is not based on a specific district but gathers evidence from several districts that used the *noken* system during election time. These four case studies are further introduced in the thesis outline section.

1.5.4 Case selection

To understand the challenge of local governance in the provision of basic public services, three different districts were selected as field research locations for particular public services. The first case study is the development of the education sector in the Jayawijaya district. Despite being a representative of districts in the central highland area of Papua, this district is selected as the case study due to its underperformance in educational development, which is indicated by the high illiteracy rate and the low mean years of schooling. Chapter 2 of this thesis, therefore, aims to analyze the underlying causes that have hindered educational development in this district despite the extra financial resources allocated by the central government through decentralization.

The second case study discusses the inequitable spatial access to primary health care in the Asmat district. The Asmat district is selected as the fieldwork location for two reasons. First, this district represents the lowland region in the southern part of the Papua Island, which is characterized by rivers and swampy areas. Due to a lack of infrastructure, the geographical conditions of this district result in many villages being difficult to access. Second, in early 2018, malnutrition and a measles outbreak in this district caused the death of over 65 children. The difficult

geographical condition and the lack of health care facilities contributed to this health crisis. For these reasons, the Asmat district presents an interesting example of how geographical conditions, in terms of distance, affect accessibility to primary health care services. The third case study draws on the case of drinking water governance in the Manokwari district, West Papua. Manokwari became a new urban region after this district was declared as the provincial capital of the West Papua province. However, despite the abundant development of infrastructure, due to its status as a provincial capital, the development of the drinking water sector in this district has not received much attention. As a new urban region, this district experienced problems of an inadequate piped water supply because only a quarter of the total population is connected to the piped water infrastructure. Chapter 4 explores this issue by discussing the institutional design of water governance in Indonesia and its impact on the provision of drinking water services in the Manokwari district.

Chapter 5 of this thesis highlights the problem of accountability by discussing traditional voting practices during the election time in several districts in Papua. The reasons as to why it is important to discuss and consider accountability are twofold. First, the direct election of local government executive leaders (governors and district heads/city mayors) emerges as one of the salient embodiments of decentralization in Indonesia. Since decentralization grants more authority to local officials, it also changes the pattern of accountability by making the local authorities more accountable for their actions and performance to local constituents than to the central government. As a result, the establishment of local elections could lead to good democratic governance by making the local elected officials more responsive in providing high quality public goods and services to the local citizens (Agrawal & Ribbot, 1999; Ashworth, 2012). However, the positive impact of local elections on the improvement

of public service provision may not be attained when a local election is not implemented democratically. Second and accordingly, democratic elections and public service provision are mutually supplemented. Amartya Sen (1999) explained that seeing human development as freedom is not only about adequate opportunities that people have to achieve what they minimally would like to achieve (e.g. access to education, health care, or clean water) but also about appropriate procedures whereby people have freedom to conduct actions and to make decisions (such as voting privileges and political rights). Therefore, discussing human development by drawing attention only to opportunities that people have for accessing basic public services is insufficient without considering it within the context of the nature of the processes that bring these opportunities (Sen, 1999).

1.5.5 Data collection

In gathering and analyzing primary and secondary data, this thesis uses a number of approaches. First, a review of the academic literature was conducted to develop analytical guidelines before the empirical investigations were undertaken. Furthermore, policy documents together with the secondary data such as previous studies and official statistical reports were studied to become informed of what is regulated in policy documents and what is implemented in governance practices.

Second, in-depth interviews were conducted during eight months of fieldwork between 2017 and 2019 in Jakarta, Yogyakarta, and in four districts and cities in Papua and West Papua. Interviews were conducted with officials from central government ministries, the national election commission, local government departments and public service providers (primary schools, primary health care centers, and a water utility). Interviews were also conducted with representatives from

academic institutions as well as of educational foundations and a water utility association. Most interviews were audio-recorded and for those respondents who preferred not to be recorded, interview notes were taken during interviews. Subsequently, all interview results were transcribed and summarized. During the fieldwork visits, spatial data and attribute data for Chapter 3 were also collected from the official sources of the central government agencies and the district government.

Third, the policy documents and interview transcripts were classified and analyzed through a coding process developed for use with the assistance of Atlas.ti computer software. For the spatial analysis presented in Chapter 3, the ArcGIS Desktop 10.5.1 software was used as the geographical information tool. Further details on the data collection and data analysis are elaborated in Chapters 2-5.

1.6 Thesis outline

This thesis is structured as follows:

Chapter 2 examines the challenges of the development of primary education after decentralization in the Jayawijaya District, Papua. By combining multi-level governance and principal-agent approach, the empirical findings of this chapter show three major barriers that have hindered the delivery of primary education services in Jayawijaya: (i) the uniformity of national policies, (ii) the ineffectiveness of incentive structures, and (iii) the problem of monitoring.

Chapter 3 analyzes the geographical disparities on the distribution of primary health care facilities and its impact on the accessibility in the Asmat district, Papua. The analysis is conducted by analyzing the spatial distribution of primary health care centers (supply) relative to the geographical distribution of the population (demand). The case shows

that there are imbalances between the supply of primary health care and the demand of services from populations residing in villages. The results in this chapter suggest the need for regulatory planning authorities to develop a more equitable spatial distribution of primary health care by increasing supply in regions that are underserved and by adjusting the number of primary health care centers in oversupplied regions.

Chapter 4 discusses the institutional design of drinking water governance in the Manokwari District, West Papua. Three interrelated levels of institutions (i.e. macro-, meso- and micro-levels) are analyzed to understand how the existing regulatory frameworks and the current organizational structures affect the governance of drinking water services. By gathering data from policy documents analysis and in-depth interviews with different actors involved in the governance of drinking water at the national and local levels, this chapter concludes that the governance of drinking water services after decentralization is constrained by the failure to synchronize water-related policies, organizational structures, and the distribution of authority.

Chapter 5 focuses on political decentralization and democratic accountability in Papua by discussing a local customary practice that is used during election time, namely the *noken* system. *Noken* is the name of a bag that is used in a traditional voting system. In this system, the bag replaces the ballot box, in which tribal leaders vote on behalf of their community members. Problems arise due to the incompatibility between the *noken* system and the formal national election system. Oftentimes, this system is associated with the emergence of violence during election times in central highland districts in Papua. Despite its irreconcilability with the formal voting system, the *noken* system is recognized by the constitutional court in regard to two principles: to preserve local customs (*adat*) and to prevent conflicts in a traditional community that might occur if the national

election system is forced upon a traditional community (*masyarakat adat*). However, based on the findings of this chapter, we argue that the claims on cultural preservation and conflict prevention in acknowledging the *noken* system are not well grounded. By conceptualizing the dimensions of a free and fair election and analyzing each of the three election phases individually, this chapter demonstrates that the emergence of the *noken* system and the roots of its problems lie in geographical challenges and governance malfunctions.

Finally, Chapter 6 summarizes the main research findings and discusses the limitation of this thesis. Building on these findings and limitations, this chapter offers recommendations for policy makers and provides suggestions for future research. In addition, the theoretical contributions and the social implications of this study will also be discussed in this final chapter.

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