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Decentralization and the challenges of local governance in Indonesia

Efriandi, Tri

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Conclusion

6

6.1 Introduction

Decentralization emerged in Indonesia as a reform in the mode of governance by which the local governments not only were provided with more resources but also given greater responsibilities in managing key governmental tasks and functions. Nevertheless, the question of how this reform can improve public service delivery and provide a broader form of democratization at the local level remains unanswered. This thesis aimed to answer this question by analyzing the issues of decentralization and governance in Papua and West Papua and the impact these have had on the provision of basic public services and democratic accountability in these two provinces.

This thesis conceptualized decentralization as the redesign of a formal governance structure, whereby the interactions among relevant actors are altered to better realize the underlying policy goals. By looking through the lens of agency theory, this thesis sought to examine the interactions between involved actors as well as the contribution of institutional and geographical factors in driving these interactions. Four complementarily empirical chapters were presented to address two key challenges regarding decentralization and governance. The first challenge was related to the provision of basic public services, namely, education, health, and clean water, which is outlined in Chapters 2-4. Chapter 5 specifically discussed the challenges of local democratization. Based on the analysis in Chapters 2-5, this final chapter discusses the key findings of each empirical study to answer the main research question. Additionally, a theoretical reflection as well as the limitations of the study will also be provided. Lastly, this chapter offers some policy recommendations and suggestions for future research.

6.2 Decentralization and the challenges of local governance

In Chapter 1, the objective of the thesis and the research question were discussed. To answer the research question, four case studies on the challenges of local governance following the establishment of decentralization in delivering basic public services and in enhancing local democratic accountability were described. The first challenge concerns the provision of education, health, and drinking water services in three districts, namely Jayawijaya, Asmat, and Manokwari, respectively. The effect of decentralization on public service delivery has been a contentious issue in academic debate, both theoretically and empirically (Schulze & Sjahrir, 2014). However, despite the pros and cons of transferring political, administrative, and fiscal authority to a sub-national level, practices in many countries demonstrate that the measure of success of decentralization in improving the quality of public service delivery is varied, specific, and contextual (Bardhan, 2002; Treisman, 2007; Mookherjee, 2015; Green, 2015). For this reason, this thesis analyzed the actual implementation of decentralization and its impact on public service delivery by providing empirical evidence from three districts in Papua and West Papua. The findings from these case studies showed that decentralization in Indonesia is simultaneously hampered by recentralization, that is, the enactment of “one size-fits-all” top-down policies by the central government. Instead of tailoring policies to meet local needs and preferences, the Indonesian central government has imposed uniform national policies that have led to undesired outcomes at the local level (Chapter 2). Furthermore, as shown in Chapter 3, the failure of national policies in recognizing specific geographical and demographical conditions at the local level has resulted in the inequality of access of the local population to primary healthcare service providers.

By observing local governance through the lens of agency theory, this thesis identified coordination and monitoring problems that hinder the effectiveness of decentralization in delivering basic public services. Chapter 4 presents how horizontal and vertical coordination has been hampered by sectoral egoism and local egoism. Furthermore, the problems of coordination have also increased due to the emergence of multiple principals, imposing different policy goals that are difficult to accommodate simultaneously by the agent. Despite all coordination efforts, monitoring as the mechanism of control of a principal over an agent is adversely affected by the spatial distance and the misalignment of territorial and functional structures of local government organizations (Chapter 2).

The second challenge concerns the function of direct local elections in promoting democratic accountability. Direct local elections, an important form of political decentralization, aim to strengthen democratic accountability at the local level. Direct local elections provide a mechanism for local constituents (the principals) to hold the local governments (the agents) accountable for their performances. As a result, the ability of citizens to choose or discipline incumbents through elections becomes a forceful incentive for local governments to increase the responsiveness of public services to local needs and preferences. In practice, however, the effectiveness of direct elections in enhancing local democratic accountability has been hampered by the discrepancy between a modern election system and a local customary practice in a number of districts in Papua (Chapter 5).

The following sections discuss the main findings of Chapters 2-5 in more detail to answer the main research question.

6.3 The effects of decentralization on basic public service delivery

6.3.1 Multi-level governance and agency problems at the local level: The evidence from Jayawijaya district

Chapter 2 analyses factors that have affected the provision of primary education in Jayawijaya district. Despite the large fiscal transfers allocated by the central government to Papua, the educational development in this district has not been very promising. In examining this development issue, the literature on decentralization, multi-level governance, and agency theory have been discussed. Based on the policy review and empirical study, the reasons why the public service provision of primary education in Jayawijaya was underperforming were related to the enforcement of “one-size-fits-all” national policies. Despite the establishment of decentralization and the heterogeneity of local circumstances, the central government keeps persisting on the rigid uniformity of policy. The case study in Jayawijaya district has yielded the following results:

- i) The uniform minimum service standards and targets that are set by the central government are difficult for the district government of Jayawijaya to achieve due to challenging geographical conditions, such as the mountainous terrain, scattered and sparsely populated settlement areas, and a lack of proper road and transportation infrastructure (Section 2.4.1).
- ii) Despite minimum service standards, the national curriculum is difficult to implement due to its inadaptability to the diversity of local cultures, languages and development levels. Learning materials in national textbooks are too advanced for primary school students. Furthermore, national textbooks use terminologies that are difficult for students to comprehend because these terms are not used in their day-to-day lives (Section 2.4.1).

- iii) Teacher absenteeism is a crucial factor for the low educational attainment in Jayawijaya district. From the empirical observations, it was revealed that the teachers' employment status correlated with the rates of absenteeism, with civil service teachers absent more often than non-permanent teachers (Section 2.4.2).
- iv) The central government has provided a number of financial incentives to solve the problem of teacher absenteeism. However, in its implementation, these incentives did not meet the various local needs (Section 2.4.2).
- v) In a principal-agent relationship, together with incentives, monitoring has been used as a mechanism of control by the principal of the agent. Concerning the problem of teacher absenteeism in Jayawijaya, however, the effectiveness of monitoring has been hindered by two problems: the employment status of teachers and the misalignment of multi-level governance structures after decentralization. The former monitoring problem emerges in private schools. Civil servant teachers who are employed in private schools are reluctant to be monitored by the religious foundations (the schools' owners). Since civil service teachers receive their salaries from and are accountable to the district government, the foundations lack the authority to monitor the civil service teachers (Section 2.4.2).
- vi) The monitoring of civil servant teachers in private and public schools is difficult to conduct by the district government due to the incompatibility between territorial and functional structures. Schools are dispersed over 40 sub-districts that are all hard to reach by the education department, which is located in the district capital. The sub-district governments that are geographically closer to the schools have no authority to be involved in the schools' management including the monitoring of the teachers (Section 2.4.3).

The findings presented in this chapter revealed that decentralization does not produce bottom-up policies that reflect and are tailored to local needs and preferences. The case of primary education in Jayawijaya showed that decentralization has been attenuated by recentralization, that is, the central government continues implementing uniform top-down policies at the national level, resulting in ineffective incentives and monitoring problems. Consequently, although decentralization has increased the local government's authority and the fiscal transfers from the central government, the decentralized governance arrangements have, in practice, failed to improve the development of the education sector in Jayawijaya.

6.3.2 Geography and Accessibility to Public Service in the Asmat District

In Chapter 2, geographical conditions at the local level have been recognized as a major challenge in the governance of public service delivery in Papua. With respect to this problem, Chapter 3 specifically discussed the geographical challenge and how policy has dealt with this problem. Chapter 3 examined how spatial distance affects accessibility to primary health care centers in the Asmat district, Papua. The accessibility score of each village in this district was quantified by applying the two-step floating catchment area (2SFCA) method. The first step of this method calculated the ratio of primary health care compared to the total population. In the second step, the accessibility score was generated by summing the primary health care to population ratios of all villages within a particular distance threshold. By using five different distance thresholds, the accessibility analysis of 180 villages in the Asmat district revealed the following results:

- i) The spatial distribution and the service coverage of community health centers (CHCs) in the Asmat district are dependent on the territorial boundaries of sub-districts. Standard policy is to allocate one CHC per sub-district. This administrative approach, however,

does not recognize the population density and the possibility of cross-border services. As a result, geographical imbalances between the supply availability of CHCs and the demand of services have arisen. Some villages have access to more than two CHCs (oversupply), while a number of villages have no CHCs available in their region (undersupply) (Section 3.3).

- ii) Logically, the number of villages with no access to CHCs decreased when the distance threshold increased. However, an increase in the distance threshold implies that people in need of health services have further to travel (Section 3.3).
- iii) The potential spatial accessibility score does not only depend on the number of healthcare services available within certain distance thresholds but also on the size and density of the population in these areas. In the Asmat district, villages with high scores were predominantly villages with low populations and were located in remote areas, whereas due to its high population density, villages surrounding the district capital were villages with the lowest accessibility scores (Section 3.3).

The results demonstrated that the tendency to distribute primary health care centers according to territorial boundaries without considering the population density and the geographical coverage of services have led to a geographical disparity of access. Inhabitants in sparsely populated villages with an overprovision of services have lower competition in term of access to CHCs (low demand) than inhabitants in densely populated regions with an under provision of services (high demand).

6.3.3 The design of institution and effective water governance: achieving balance when pendulum swings

In this thesis, governance has been defined as a government's ability to exercise its authority to make, implement, and enforce rules (Fukuyama,

2013, 2015, 2016). Following this definition, Chapter 4 particularly focused on how drinking water-related policies are designed, applied, and imposed, and their implications on the provision of drinking water services. It took the Manokwari district as its case study. By distinguishing three different governance levels, the case study resulted in the following observations:

- i) The institutional analysis at the macro-level shows that in Indonesia water is a constitutionally defined public good. Consequently, the management of water resources as well as the delivery of water services falls under the responsibility of the government and cannot be privatized. However, despite the negative sentiment associated with privatization, the provision of drinking water services by the local government-owned water utilities (PDAMs) has been hampered by the financial and managerial problems linked to those utilities (Section 4.5.1).
- ii) The analysis at the macro-level also highlighted the creation and design of organizational structure at the national and local levels. At the national level, the central government has established a supporting agency for the development of drinking water supply systems (BPPSPAM). One of the essential roles of this agency is to evaluate the performance of PDAMs. At the local level, political, administrative, and financial authority has been transferred by the central government to local governments. In this decentralized system, the local governments play a major role in managing local government-owned utilities including PDAMs (Section 4.5.1).
- iii) The analysis at the meso-level discusses the inter-organizational problems that arise in this structure, both vertically and horizontally. The evidence shows that the drinking water-related authority and responsibility among ministries at the national level are very

fragmented. Horizontally, this dispersion of authority has resulted in sectoral egoism where each ministry is reluctant to coordinate and cooperate to reach the mutual goals. Vertically, the coordination between the central and local government has been impeded by local egoistic attitudes. Local government leaders are reluctant to abide by and follow the central government's command and control (Section 4.5.2).

- iv) At the micro-level, the case of Manokwari district provided evidence that the decentralized governance system has created a complex web of agency relations. It is characterized by multiple principals whereby agents have to accommodate different objectives that are oftentimes contradictory and difficult to attain at the same time. This issue was most evident in tariff setting and in the redistribution of subsidies for PDAM Manokwari. On the one hand, PDAMs have to function as an entity with a critical social function to provide water as a basic need, especially for those who live in poverty. On the other hand, the sustainability of PDAM as a utility depends on its ability to recover its full cost. In the Manokwari district, however, PDAM has been unable to achieve full cost recovery because the district government has imposed a low tariff policy without allocating sufficient subsidies for PDAM to be able to perform such a social function (Section 4.5.3).

The multi-level analysis of institutions on drinking water governance in Indonesia revealed the interrelated causality among the three institutional levels. The formulation of policies, the distribution of authority, and the design of organizational structure at the macro-level have driven the coordination problems at the meso-level. Furthermore, the intra-organizational relationship at the micro-level has been influenced by the policy process at the macro-level and the coordination arrangement at the meso-level. Taken together, these findings thus suggest that the failure of

the current institutional design has negatively affected the drinking water governance in Manokwari district.

6.4 The effects of decentralization on democratic accountability

6.4.1 Modern democracy and customary practice

Chapters 2-4 discussed decentralization's effect on public service provision. However, examining the impact of decentralization on the quality of governance by focusing only on the responsiveness of policy concerning local public services to citizens is insufficient. It should also involve investigating governance outcomes such as accountability, political competition, and public participation in policy making (Sen, 1999; Bardhan & Mookherjee, 2006; Faguet, 2014). Chapter 5 discussed the effect of political decentralization on democratic accountability in Papua. By taking the *noken* system as case study, the analysis revealed the following results:

- i) During the pre-election phase, the absence of a legal framework to standardize and guide the local system has resulted in the various interpretations and different practices at implementation. Furthermore, the accommodation of *adat* (custom, tradition) in acknowledging the *noken* system is prone to manipulation since *adat* is not fully defined and codified in the formal legal system (Section 5.5.1.1). Together with the problems surrounding the lack of independency and capacity of election officials, the *noken* system creates an opportunity for fraud. Over many consecutive years, electoral disputes in Papua have been the most common among regions in Indonesia. One of the major consequences of these disputes is the allegation of electoral fraud (Section 5.5.1.2). Another equally important issue in the pre-election phase is the disenfranchisement of people's electoral rights due to the

use of a proxy voting mechanism (Section 5.5.1.3) and the inaccuracy of the voters' registration (Section 5.5.1.4).

- ii) On election day, there were incompatibilities between democratic principles and the practice of the *noken* system. First, the use of the *noken* bag to replace the ballot boxes contravenes with the principle of secrecy because voters' preferences are publicly revealed. Second, the use of the *ikat* (proxy voting) mechanism violates the "direct and free" principles because voters cannot exercise their voting freely and directly since they are represented by tribal leaders. Nevertheless, these flaws in the *noken* system are difficult to redress due to the difficult terrain that hinders the organization of elections in the isolated regions and voters' access to polling stations (Section 5.5.2).
- iii) Third, the *noken* system has oftentimes been associated with the emergence of electoral conflicts in Papua. By looking more closely at the election phases, conflicts did not arise during the pre-election period when the clan members tried to reach a consensus, the election day when either the *noken* bags were used at the polling stations, or when the tribal leaders voted on behalf of the community. Conflicts mostly arose during the post-election period when supporters of different candidates refused to accept the voting results; a period in which the *noken* system was not in use (Section 5.5.3).

The results of this chapter suggested that the discourses of cultural preservation and conflict prevention as the underlying reasons for acknowledging the *noken* system are insufficient. The findings further showed that the *noken* system is more a consequence of governance malfunctions and geographical challenges rather than a product of cultural inheritance and a means of conflict prevention.

6.5 Synthesis of findings and reflections to the main research question

This section discusses the key findings from this thesis by answering the main research question:

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?

As an instrument of institutional reform, decentralization has not only provided the local governments with extra resources and more authority in managing public tasks and functions, it has also redesigned formal governance structures and altered the relationship between four key actors: (1) the central government, (2) the local governments, (3) the service providers, and (4) citizens. As a result, decentralization has generated multiple relationships among these actors, emerging in roles of principal and agent. The findings of this thesis demonstrate that in achieving policy goals, these actors face difficulties in adapting to the new governance structure induced by decentralization with regard to monitoring and supervision, incentives alignment, accessibility, coordination, and accountability. Furthermore, this thesis contextualized these difficulties in adaptation by showing that geographical dimensions further constrain decentralization in achieving its objectives. In other words: places matter for good governance.

This thesis illustrated the crucial role of institutions in forming and affecting relationships among actors. Specifically, formal institutions in the form of laws, policies and regulations were analyzed to understand how these formal rules steer behavior by defining goals, arranging processes, affecting motivations, and directing coordination (Loft et al., 2015). The analysis in Chapters 2-5 revealed a number of institutional issues including, among others, uniform and contradictory policies,

fragmented and overlapping authority, and rivalry between informal norms and formal rules. Consequently, these institutional problems have produced unintended governance outcomes such as conflicting goals, ineffective coordination, and underperformance regarding developmental aims.

Concerning geography, the analysis presented in each chapter demonstrates how geographical challenges in terms of distance and difficult terrain have affected the effectiveness of governance in Papua and West Papua. Exacerbated by limited transportation and communications infrastructure, these geographical challenges have resulted in, to name a few, poor monitoring and supervision, ineffective incentive structures, disparity of access to government services, and voter disenfranchisement.

Overall, the difficulties in achieving the expected benefits of decentralization suggest that solely enacting and implementing formal legal rules aimed to decentralize political, administrative and fiscal authority without aligning these with institutional diversities and geographical conditions at the local level lead to governance failures. The empirical evidence on the practice of decentralization in Papua and West Papua demonstrated that decentralization results in unintended outcomes if its establishment is not supplemented by a proper design of institutions and a consideration of geographical factors.

6.6 Theoretical reflection

Besides aiming to provide a better understanding of the impact of decentralization on development and local democratization, this thesis also offered two theoretical contributions. First, this thesis enhanced the use of agency theory by integrating a geographical perspective in analyzing governance issues. Specifically, it showed the importance of scale (the

size and the territorial scope of a government entity) in influencing the principal-agent interactions. As shown in Chapter 2, for example, the problem of monitoring and supervision was not only caused by the teachers' employment status and incompatibility between territorial and functional structures but also by the geographical distance between the education department (in the district capital) and (local) schools. Moreover, in Chapter 3, the issue of distance was further examined to understand the interactions between the service provider and citizens and its impact on the inequality of access to health care services. Second, by analyzing a variety of policy domains not only from the perspectives of the central government, but also highlighting the dynamics of governance processes at the local level, this thesis linked the various relevant actors at the national and local level in the policy process and its impact on the policy outcomes. In doing so, this thesis enriches the existing literatures on decentralization by presenting the importance of multi-level analysis in understanding why decentralization may fail or succeed in attaining its stated aims.

6.7 Policy recommendations

Building on the empirical evidence presented in Chapters 2-5, this thesis identified institutions and geography as bringing major challenges to the effectiveness of decentralization in delivering basic public services and in realizing democratization in Papua and West Papua. Therefore, to address these challenges, this section proposes several recommendations, which not only emphasize the importance of technical approaches (e.g. physical infrastructure development) but also draw attention to the urgency of redesigning existing institutions.

- (i) Difficult terrain and a lack of transportation and communications infrastructure are the root causes of the isolation of a number of

rural communities in Papua and West Papua. The findings of this thesis demonstrated that, apart from the effect the terrain has on the way people can access public services, geographical factors in these two provinces also impair the effectiveness of governance structures during decentralization, especially with regard to aligning incentives, conducting coordination, and enabling monitoring and supervision. Therefore, to mitigate these geographical effects on governance, the development of physical infrastructure in Papua and West Papua should be prioritized by the government. The current government under the leadership of President Joko Widodo has initiated the development of road infrastructure in the central highland area of Papua. However, due to the diverse geographical conditions in Papua and West Papua, the development of road infrastructure should also be integrated with other modes of transportation, i.e. water and air transport. Moreover, the development of physical infrastructure should be further supported by an integrated planning system, particularly in the distribution of public service facilities to meet the population demands and equality of access to these facilities.

- (ii) Special autonomy for Papua and the West Papua province has been established for almost two decades since its implementation in 2001. The most salient feature of this autonomy is the larger fiscal transfers from the central government to these two provinces compared to other provinces in Indonesia. Despite its long establishment and increase in budget each year, the progress of development and particularly the provision of basic public services is far from complete. Therefore, since the larger financial support is given for 20 years and will be terminated in 2021, the central government should take this moment to evaluate the effectiveness of the special autonomy status for Papua and West Papua. One policy suggestion from this research

is to consider reallocating special autonomy from the provincial level to the district/city level. Due to the high diversity of local conditions such as geographical difficulty, population density, socio-economic development level, and the capacity of local governments, this shift in autonomy should not be implemented uniformly for all districts or cities. The design of policies or programs should be tailored to meet specific needs or to address particular problems in every district/city.

- (iii) Empowerment instead of enforcement. Law 21/2001 on special autonomy recognized the important role of religious foundations in the development of basic public services such as education and healthcare in Papua and West Papua. In practice, however, instead of incorporating these foundations into the local development process, the enforcement of a number of national policies has resulted in the exclusion of the religious foundations from this process. Therefore, empowering these foundations may be a suitable alternative strategy for supporting the local governments in delivering basic public services in Papua and West Papua. In addition, as an instrument of local governance, the empowerment of territorial and administrative divisions below the district/city level, namely sub-district and village governments, should also be considered.
- (iv) Finding the equilibrium between centralized subordination and localized discretion is one of the major governance challenges after the establishment of decentralization in Indonesia. It has implications for effective vertical coordination and upward accountability between the central government and local governments. In addressing this issue, policy makers need to identify the relevant interventions such as changing formal regulatory frameworks to clearly define the roles and responsibilities of public authorities, to simplify the bureaucratic structure of governmental organizations, and to enhance

the mechanism of accountability between the relevant actors at the national and sub-national level.

- (v) Local autonomy and autonomous bureaucracy. Despite the greater autonomy at the local level, it is also important to strengthen the autonomy of local bureaucrats. On the one hand, political decentralization has provided flexibility for elected local leaders in policy making and in administering a number of government functions. On the other hand, the stronger political standing of elected local leaders has infiltrated the autonomy of local bureaucracy, for example, by developing a patron-client relationship over a merit-based approach in managing local bureaucrats. Therefore, it is important for the central government to redesign the degree of autonomy of both the elected local officials and appointed local apparatus. It is also equally important that the autonomy of local bureaucrats should be further supplemented by sufficient personal and organizational capacity.
- (vi) Decentralization has shifted local governments' accountability from upward towards the central government to downward towards local citizens through the establishment of direct local elections. Substantially, it is expected that by making the local governments directly responsible for the local constituents, it could strengthen local democratic accountability and increase local governments' transparency and responsiveness. In practice, however, the arrangement of direct local elections has merely become a formal procedure of accountability. Elections have been implemented periodically but have been unable to produce substantive results with regard to development. The case of the *noken* system showed that even good procedures of democratic accountability in terms of free and fair elections are difficult to conduct, let alone realize substantive results of election. For this reason, it is thus crucial for policy makers to

formulate policies to regulate the use of the *noken* system in Papua. It can be made, for example, by mapping regions or locations (districts, sub-districts, villages, or polling stations) that are allowed to use the *noken* system and by outlining the arrangement of the *noken* system in each election phase (before, during, and after the polling day). These policies should be conscientiously designed through empirical studies to collect evidence on the use of the *noken* system in Papua.

- (vii) Minding and bridging the capacity gap. Decentralization has granted local governments greater roles and responsibilities in managing public goods and services. However, the assignment of government tasks and functions to the local governments should also be balanced by the sufficient capacity of local governments to meet its responsibilities. The findings of this thesis showed that the capacity gap in terms of the quality and quantity of human resources has hindered the ability of local governments to perform assigned responsibilities for service delivery. Therefore, it is necessary to bridge this gap by developing the skills and qualifications of human capital as well as by improving human resource management at the local level.

6.8 Suggestions for further research

This study is one of a few governance studies conducted in Papua and West Papua province in Indonesia. The majority of studies on the decentralized governance in Indonesia were conducted in the western part of Indonesia (e.g. regions in Java), whereas regions in the eastern part, particularly in Papua and West Papua province, were not conducted nor did they attract much attention. This is understandable, as geographical access as well as permits to conduct research in Papua and West Papua are limited. This study is one of the first to bring empirical evidence through fieldwork to the table. Nevertheless, despite such empirical evidence, only case studies

from a relatively small number of districts in Papua and West Papua have been studied. One avenue for further research would be to enlarge the number of case studies in other regions in Papua and West Papua to provide additional evidence and to acquire a better understanding of the challenges of local governance in these peripheral regions.

This study examined the effects of decentralization on the quality of local governance. Since governance in this study was defined as government, the involvement of communities and the private sector in local governance was rarely addressed directly as an object of analysis. Therefore, it would be fruitful to further explore the important role of non-state actors in local governance. In the provision of public services, for instance, the community and the private sector may also play a role in the co-production of public services. Thus, to acquire a better understanding of how decentralization could improve the quality of local governance, analyses of community-driven development and public-private partnerships should be pursued as another avenue for further research.

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