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ARTICLE



The Illusion of Local Autonomy: Central Power and Subnational Governance in Indonesia

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ABSTRACT

Decentralization has been a key reform agenda in Indonesia since the post-1998 transition, aiming to scale up democratic governance and reduce regional disparities. While assumptions about (central) authority lead to a linear transfer of authority, this article argues that decentralization has produced a counterintuitive configuration, best understood as a recentralization of bureaucracy within a formally decentralized system. This connectivity emphasizes that local governments retain administrative responsibilities, while the central government reasserts control through regulatory, fiscal, and sectoral instruments. Further, qualitative content analysis and data collection, guided by iterative coding and triangulation, are applied to laws, implementing regulations, policy documents, and peer-reviewed literature to explore how authority is distributed and reconfigured across levels of government. Findings suggest that variations in governance are insignificant and reflect local capacity, which is inherently part of decentralization, rather than a strategic reconfiguration of authority in which high-risk functions are administrative burdens and then delegated. It has resulted in overlapping mandates, fragmented accountability, and consistently uneven concretization since the reform era. This article also reframes Indonesian decentralization as an evolving institutional solution formulated by selective recentralization. It suggests that reforms should prioritize clarifying authority and strengthening accountability rather than relying solely on capacity building.

Kata Kunci:

Ilusi

Otonomi Lokal

ABSTRAK

Desentralisasi telah menjadi agenda reformasi utama di Indonesia sejak transisi pasca-1998, yang bertujuan untuk meningkatkan tata kelola demokrasi dan

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Kekuasaan Pusat Pemerintahan Subnasional Indonesia	<p>mengurangi kesenjangan regional. Meskipun asumsi terkait otoritas (pusat) menghasilkan transfer wewenang linier, esai ini berpendapat bahwa desentralisasi telah menghasilkan konfigurasi yang berlawanan dengan intuisi, yang paling baik dipahami sebagai resentralisasi birokrasi dalam sistem yang secara formal terdesentralisasi. Konektivitas ini menekankan bahwa pemerintah daerah mempertahankan tanggung jawab administratif, sementara pemerintah pusat menegaskan kembali kendali melalui instrumen regulasi, fiskal, dan sektoral. Lebih lanjut melalui analisis konten kualitatif dan perolehan data melalui undang-undang, peraturan pelaksana, dokumen kebijakan, dan literatur yang ditinjau sejawat dipandu dengan pengkodean iteratif dan triangulasi yang diaplikasikan untuk menelusuri bagaimana wewenang didistribusikan dan dikonfigurasi ulang di berbagai tingkatan pemerintahan. Temuan menunjukkan bahwa variasi tata kelola yang diterapkan insignifikan dan merupakan fungsi dari kapasitas lokal (daerah) yang semestinya bagian dari desentralisasi daripada konfigurasi ulang terkait wewenang strategis, di mana fungsi-fungsi berisiko tinggi dirensentralisasi kembali ketika beban administratif didelegasikan. Hal ini menghasilkan mandat yang tumpang tindih, akuntabilitas yang terfragmentasi, dan kongkretisasi yang tidak merata secara konsisten semenjak era reformasi. Dengan demikian, esai ini membingkai ulang desentralisasi Indonesia sebagai penyelesaian kelembagaan yang berkembang dan diformulasi oleh resentralisasi selektif. Esai ini menyarankan bahwa reformasi harus memprioritaskan klarifikasi kewenangan dan penguatan akuntabilitas daripada hanya mengandalkan pembangunan kapasitas.</p>
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A. INTRODUCTION

Decentralization has become a central pillar of governance reform in developing countries, specifically in large and diverse states such as Indonesia. In line with the political transition following the 1998 reform, decentralization hopes to accelerate public service delivery, strengthen democracy, and reduce regional inequality (Burhanuddin et al., 2024; Ramesh, 2025; Wiryawan & Otchia, 2022). In theoretical lens, decentralization enables local governments to respond more effectively to citizens' needs through their proximity and contextual knowledge (Rohdewohld et al., 2022; Smith, 2023; Yi & Qiu, 2025). On this basis, devolving authority frames to empower local institutions, strengthen accountability, and generate more equitable development outcomes across regions.

Moreover, Indonesia institutionalized decentralization through major regulatory frameworks, most notably Law No. 22/1999 and its subsequent revisions, which transferred substantial authority to district and municipal governments. This reform represents one of the most ambitious decentralization efforts globally. Hence, the local governments have taken responsibility for key sectors such as education, healthcare, and infrastructure, supported by fiscal transfer mechanisms (Digdowiseiso, 2023; M. L. F. Werang, 2025; N. P. L. Werang et al., 2025).

However, rather than consolidating into a stable decentralized system, Indonesia's governance trajectory has evolved into a more layered and contested arrangement. Even though decentralization remains formally intact, the central government has progressively reasserted authority in strategic domains, essentially natural resource governance, large-scale infrastructure, and regional security (Damenta & Digdowiseiso, 2023; Digdowiseiso, 2016, 2022, 2024; Digdowiseiso et al., 2023). This reassertion is not merely incremental but institutionally embedded. Policy instruments such as National Strategic Projects (PSN), downstream industrialization agendas, and regulatory reforms under the Omnibus Law framework have expanded central authority over licensing, investment coordination, and resource governance. These developments create a configuration in which central intervention

coexists with formally devolved responsibilities, particularly in sectors where economic and political stakes are high (Kase, 2024; Martínez-Vázquez et al., 2024; Mauri, 2024). As a result, Indonesia's governance system is better understood not as a purely decentralized model, but as a system characterized by overlapping and sometimes competing layers of authority.

Over the past two decades, this configuration has been marked by persistent ambiguity, as uneven governance outcomes across regions have persisted. Some regions, notably in Java, demonstrate relatively strong institutional capacity, economic growth, and service delivery. In contrast, others, especially in eastern Indonesia and conflict-affected areas, continue to face persistent challenges such as poverty, weak governance, and limited access to basic services (Adrison, 2024; Lewis, 2023). These disparities raise a more specific analytical question: not whether decentralization works in principle, but how the patterned interaction between devolved authority and central intervention reshapes its institutional operation.

To confirm this, existing literature in public policy and political economy has extensively examined Indonesian decentralization, including elite capture, fiscal dependency, and regional inequality (Mitra & Pal, 2022; Vikalista et al., 2026). Essentially, this literature has already recognized the entanglement of central and local power, as reflected in concepts notably fragmented authority, predatory decentralization, and illiberal institutional dynamics. However, we detect a lack of attention to specifying the mechanisms by which this interaction is institutionalized and reproduced across sectors. Rather than a lack of recognition, the limitation lies in the insufficient conceptualization of how central intervention operates within formally decentralized arrangements, particularly through regulatory instruments that selectively recentralize authority while preserving local administrative burdens.

This article addresses that limitation by focusing on what can be termed asymmetric hybridity: a condition in which the central government consolidates strategic control over high-value sectors (e.g., natural resources and national projects), while local governments remain responsible for routine service delivery and concretization. In more detail, empirical patterns in resource-rich regions illustrate this dynamic, in which central authorities expand control over mining governance and downstream industrialization, thereby constraining local decision-making (Karim & Kholid, 2025; N. P. L. Werang et al., 2026; Wijaya, 2025). Similarly, in regions with security concerns, central intervention shapes both development and governance priorities, often overshadowing local autonomy. At the same time, local governments continue to bear responsibility for public services, producing overlapping mandates and blurred accountability.

To capture these dynamics, this article advances a hybrid governance framework as an analytical lens rather than a merely descriptive label. The framework conceptualises Indonesia's governance system as being structured by the interaction of three analytically distinct yet empirically interrelated dimensions: (1) formal decentralisation, referring to the legal and institutional allocation of authority to subnational governments; (2) regulatory recentralisation, defined as the strategic reassertion of central authority through legal, fiscal, and policy instruments; and (3) political-institutional linkages, encompassing the networks and power relations that mediate interactions between central and local actors.

By specifying these dimensions, the framework moves beyond treating decentralisation and centralisation as binary opposites, and instead interrogates how their interaction generates differentiated outcomes across sectors and regions. This approach enables a more precise account of the uneven and, at times, contradictory consequences of decentralisation in Indonesia. It thereby shifts the analytical focus from evaluating decentralisation in terms of success or failure as a policy model, to examining the institutional configurations through which authority is negotiated, redistributed, and exercised in practice. In sum, this article aims to develop and apply the hybrid governance framework to examine regional policy outcomes in Indonesia. Specifically, it analyses how the interaction between formal decentralization and

regulatory recentralisation shapes governance effectiveness and regional inequality, with particular attention to strategic sectors, for instance, natural resource management and national development projects. By doing so, the article seeks to contribute to ongoing debates in the field of decentralization studies by offering a more mechanism-oriented and empirically grounded account of multi-level governance in complex political systems.

B. LITERATURE REVIEW

The study of decentralization in Indonesia spans public policy, political economy, and development studies, and has generated a substantial body of scholarship on institutional design and governance outcomes. At a general level, much of this literature frames decentralization as a reform intended to improve efficiency, accountability, and regional equity. However, when examined more closely, these studies collectively suggest that decentralization has not resulted in a simple transfer of authority from the center to subnational governments. Rather, it has reconfigured how power links across levels of government. In this regard, comparative and fiscal decentralization studies first establish that central authority persists through institutional mechanisms such as intergovernmental transfers, regulatory oversight, and national policy coordination (Kwabena Obeng, 2021; Li & Li, 2024; Martínez-Vázquez et al., 2017). Building on this insight, Indonesianist scholars, including Hadiz, Aspinall, and Mietzner, further demonstrate that decentralization has reorganized rather than displaced central power. More specifically, their work displays how processes such as predatory decentralization, fragmented authority, and oligarchic consolidation continue to shape governance outcomes. Taken together, these contributions make clear that the interaction between central and local actors is not peripheral, but foundational to Indonesia's decentralized system. Against this backdrop, the literature falls into two interrelated analytical strands.

On the one hand, a growing body of work emphasizes bureaucratic recentralisation, highlighting how formal regulatory frameworks enable the central government to retain or reassert control. For instance, studies show how fiscal arrangements, administrative supervision, and legal instruments structure subnational governance in ways that constrain local autonomy (Chugunov et al., 2021; Dexu & Wenlong, 2022; Franchino, 2024). In the Indonesian case, this tendency becomes increasingly explicit with the consolidation of authority under Law No. 23/2014 on Regional Government. It is affected by subsequent regulatory reforms, particularly the Omnibus Law (Law No. 11/2020), which centralizes licensing, investment coordination, and key aspects of resource governance. On the other hand, a parallel strand of literature focuses on political recapture, thereby shifting attention from formal institutions to the dynamics of power and elite competition. Empirical studies in this vein illustrate that decentralization often creates new opportunities for elite consolidation, clientelism, and networked governance across levels (Lozano et al., 2023a, 2023b).

In this context, local autonomy does not necessarily weaken central influence; rather, it often aligns local and national elites, enabling hierarchical control through both political and informal channels. Consequently, decentralization operates not only through institutional design but also through embedded power relations that shape how authority emerged. Moreover, sectoral analyses further extend these insights by showing that central intervention is not uniform but strategically concentrated. In particular, research on natural resource governance and infrastructure development indicates that central authorities tend to reassert control in sectors with high economic and political value (Kim, 2023; Nasikhin et al., 2022; Nguyen et al., 2024). As a result, regulatory authority in these domains is often truly recentralized, even as local governments retain responsibility for implementation. It produces asymmetrical governance arrangements in which authority is distributed differently across sectors and regions. In addition, these strands converge on a key observation: decentralization in Indonesia through the coexistence of devolved authority and persistent central control.

Nevertheless, despite this shared recognition, the literature remains analytically fragmented in its conceptualization of this coexistence. Even more institutional approaches tend to emphasize regulatory design and formal authority, while political economy perspectives foreground elite dynamics and power relations. Yet, these perspectives are rarely systematically integrated, particularly when explaining how specific regulatory instruments structure interactions between central and local actors. This limitation becomes especially apparent in studies of regional inequality. Although a substantial body of work documents disparities in development outcomes, these are often treated as static results of decentralization rather than as products of ongoing interactions between central policies and local capacities (Aginta et al., 2023). As a consequence, existing demonstrations struggle to account for why similar institutional schemes produce divergent outcomes across regions. Thus, the issue is not the absence of empirical evidence but rather the lack of a more relational, mechanism-oriented analytical approach.

In response to this limitation, the present article shifts the focus toward regulatory contradictions within decentralized governance. Instead of emphasizing informal networks or micro-level political practices, it examines how formal decentralization coexists with legally embedded forms of recentralization. In particular, it examines how regulatory instruments, such as national strategic project frameworks and reforms associated with the Omnibus Law, reshape the distribution of authority in practice. By doing so, the analysis foregrounds the institutional mechanisms through which central intervention connects within a formally decentralized system.

To bring these strands together, this article proposes a hybrid governance framework that synthesizes existing insights while addressing their fragmentation. Specifically, the framework distinguishes between three analytically separable yet empirically interconnected dimensions: (1) formal decentralization, referring to the legal allocation of authority to subnational governments; (2) regulatory recentralisation, understood as the strategic use of legal and fiscal instruments to reassert central control; and (3) political-institutional mediation, which captures how these arrangements are within broader configurations of power. By structuring the analysis in this way, the framework moves beyond treating decentralization and centralization as opposing trajectories and instead conceptualizes them as interacting components within a single governance system.

Accordingly, the contribution of this article is not to suggest that the interaction between the central and local authorities has emerged. But it seeks to specify more precisely how this interaction is institutionalized, differentiated, and reproduced across sectors. As a closing statement, it provides a clearer analytical basis for understanding how governance outcomes, including regional inequality, emerge from the configuration of multi-level authority in Indonesia.

C. METHOD

This article applied a qualitative research design based on directed qualitative content analysis to test how formal decentralization coexists with regulatory recentralisation in Indonesia. In line with Creswell & Báez (2020); Creswell & Poth (2016), the article adopts an interpretivist orientation; however, it does so through a close reading of legal and policy texts as institutional artifacts that construct and legitimize particular distributions of authority between central and local governments.

The primary unit of analysis is the regulatory provision, defined as clauses within laws and policy documents that allocate authority, define responsibilities, or establish mechanisms of control. Data was also collected through systematic searches in Scopus, Web of Science, and Google Scholar, complemented by official government repositories. Search strings included combinations of “Indonesia decentralization,” “Law 23/2014,” “Omnibus Law 11/2020,”

“regional autonomy,” and “national strategic projects.” The dataset is limited to documents published between 2004 and 2025, capturing both the consolidation and recalibration phases of decentralization. The corpus comprises three categories: (1) primary legal documents (including Law No. 23/2014 and Law No. 11/2020), (2) policy reports, and (3) peer-reviewed academic literature. These sources: legal documents constitute the primary empirical material, while policy and scholarly works provide contextual interpretation. Inclusion criteria required explicit engagement with central-local relations or sectoral governance. Hence, the analysis proceeds through a deductive coding strategy derived from the hybrid governance framework.

The coding process follows a deductive strategy derived from the hybrid governance framework and structured around three interrelated categories. First, formal decentralization captures provisions that explicitly grant authority to subnational governments, particularly in sectors such as education, healthcare, and infrastructure, as stipulated in Law No. 23/2014.

Second, regulatory recentralisation identifies clauses through which the central government reasserts control by redefining, limiting, or overriding local authority, for instance, through the centralization of licensing and investment coordination under Law No. 11/2020 (Omnibus Law) and the designation of National Strategic Projects (PSN) that supersede local planning frameworks.

Third, implementation asymmetry refers to configurations in which local governments retain administrative and service-delivery responsibilities while decision-making authority is effectively centralized, producing a mismatch between responsibility and control. These categories are systematically applied across the dataset to trace how legal provisions interact within and across sectors, thereby revealing the institutional patterns through which decentralization and recentralisation in Indonesia’s governance system. Coding is manually applied to preserve sensitivity to legal language and contextual nuance, particularly in interpreting how authority is framed and conditioned within statutory provisions.

To enhance validity, the article applies triangulation across source types, comparing legal provisions with policy interpretations and empirical findings in the literature. Rather than seeking simple corroboration, this process identifies alignment and tension between formal rules and observed governance outcomes. The article does not directly analyze informal political networks; instead, it uses a critical reading of regulatory design to infer how authority is structured and exercised. This approach ensures consistency between the research design and the article’s focus on institutional mechanisms.

D. RESULT AND DISCUSSION

Connectivity between decentralisation and central intervention: An overview

Our analysis reveals a consistent and structured pattern: decentralization in Indonesia, which is formally maintained yet substantively reconfigured through regulatory mechanisms that redistribute authority across levels of government. At the level of formal institutional design, Law No. 23/2014 establishes a clear framework of decentralization by assigning extensive responsibilities to subnational governments, particularly in core service delivery sectors such as education, healthcare, and infrastructure. These provisions position local governments as primary actors in policy implementation, suggesting a conventional model of devolved authority. However, when these provisions are still with more recent regulatory instruments, a contrasting pattern emerges. The Omnibus Law (Law No. 11/2020) and its implementing regulations introduce systematic forms of regulatory recentralisation by centralizing authority over licensing, investment coordination, and resource governance.

In practical terms, procedures that are redefined at the regional level within centralized, risk-based frameworks, thereby shifting decision-making authority to national institutions while retaining local administrative involvement. This redistribution of authority is also forced

by the concretization of National Strategic Projects (PSN), particularly in high-value sectors. A concrete illustration is the expansion of downstream industrialization projects in the nickel sector over the past two years, especially in resource-rich regions such as Sulawesi. Under the PSN framework, these projects are designated as nationally strategic, enabling the central government to override local spatial planning, accelerate approval processes, and directly coordinate implementation. In this configuration, local governments remain responsible for managing social impacts, labor integration, and supporting infrastructure, yet they exercise limited influence over project approval or design. It produces a recurring pattern of implementation asymmetry, in which responsibility is decentralized while authority is centralized. Importantly, this asymmetry is not incidental but systematically embedded in regulatory design, particularly in sectors such as natural resources, infrastructure, and national development planning (Kim, 2023; Nasikhin et al., 2022; Nguyen et al., 2024), whereas sectors with lower strategic priority tend to exhibit greater local discretion. Interpreted through the hybrid governance framework, these findings demonstrate a specific mechanism linking three dimensions: formal decentralization establishes the baseline allocation of responsibilities, regulatory recentralisation selectively reclaims authority in strategic domains, and their interaction produces implementation asymmetry.

In this sense, hybrid governance is not merely a descriptive label for institutional complexity but a mechanism for systematically separating decision-making authority and administrative responsibility. This configuration has direct implications for regional inequality. The findings indicate that uneven outcomes are not solely the result of variation in local capacity, as is often assumed. In regions with stronger institutional capacity, such as parts of Java, local governments are better able to navigate regulatory constraints and coordinate with central agencies. In contrast, in regions with weaker capacity or high dependence on centrally regulated sectors, central intervention limits local decision-making while maintaining local responsibility for implementation. The PSN example illustrates this dynamic clearly: central authorities control project approval and strategic direction, while local governments manage downstream consequences, resulting in an inherently uneven distribution of benefits and burdens. Economic gains tend to be centralized or externally captured, while administrative and social responsibilities remain local. Consequently, inequality should be understood not as a static outcome of decentralization but as a relational product of ongoing interactions between central policies and local capacities (Aginta et al., 2023).

This finding contradicts conventional explanations that attribute decentralization outcomes primarily to local capacity or coordination failures. While institutional capacity remains important (Elliott et al., 2024), the analysis shows that capacity alone cannot explain observed disparities; rather, outcomes depend on the alignment between authority and capacity. Where local governments possess administrative capability but lack decision-making authority, their effectiveness is constrained, while centralized decision-making without corresponding responsibility creates accountability gaps. This interaction explains why similar levels of capacity produce divergent outcomes across sectors.

Furthermore, infrastructure and institutional readiness are not external variables but are embedded within the governance system itself (N. P. L. Werang, Werang, & Rizki, 2025). In regions with limited infrastructure, central intervention tends to reinforce rather than resolve existing constraints. On the other hand, these findings demonstrate that decentralization in Indonesia operates through a structured form of asymmetric hybridity, in which authority is formally devolved but selectively reclaimed through regulatory mechanisms. This configuration produces differentiated governance outcomes across sectors and regions. It explains why decentralization generates uneven results, not because it fails as a policy model. Still, there is a system in which central control and local responsibility coexist in persistent tension.

Implications for governance effectiveness and regional inequality

According to the previous inspection, the analysis identifies three empirically grounded findings that clarify how decentralization operates in Indonesia's contemporary governance system and how regional inequality is produced within it rather than simply resulting from administrative shortcomings. These findings confirm the systematic coding of legislative texts, policy reports, and scholarly analyses, and they allow a clearer distinction between evidence and interpretation.

First, the evidence demonstrates that central intervention is not incidental, but institutionalized through specific regulatory mechanisms that reconfigure authority across levels of government. In particular, documents related to the implementation of the Omnibus Law framework, specifically the risk-based Online Single Submission (OSS-RBA) system, consistently indicate a transfer of licensing authority for high-value sectors, including mining, downstream industrialization, and large-scale infrastructure, from subnational governments to the central administration. This shift justifies the recurring policy narratives that emphasize uneven local administrative capacity, regulatory fragmentation, and the need to ensure investment certainty. Across the inspection, the terms "harmonization," "efficiency," and "risk-based regulation" repeatedly appear alongside claims about "capacity gaps," "local inconsistency," and "administrative delays," indicating a patterned justification for recentralisation. However, the same documents also display that local governments continue to bear responsibility for concretization tasks, including facilitating land acquisition, adjusting local permitting requirements, and providing public services associated with investment projects. It produces a consistent asymmetry in authority: strategic decision-making and revenue-generating functions are centralized, while operational responsibilities remain decentralized. This pattern is particularly evident in documents related to National Strategic Projects (PSN), where central agencies determine project designation, financing structures, and regulatory exemptions. At the same time, local governments attempt to resolve site-specific constraints and manage administrative and social implications. Across multiple sources, this configuration appears as a repeated institutional design rather than an isolated policy choice, indicating that regulatory recentralisation functions as a structured mechanism embedded within decentralization itself.

Second, the findings illustrate that governance effectiveness is contingent not only on the formal distribution of authority but also on the interaction between regulatory frameworks and institutional capacity. In line with this, the evidence shows that decentralization does not automatically yield uniform improvements in administrative performance and public service delivery; instead, it produces differentiated outcomes that reflect variations in institutional capacity, coordination mechanisms, and governance quality across regions. Comparative patterns in the data indicate that regions with similar formal mandates produce divergent outcomes, depending on their ability to align with central regulatory frameworks and to use fiscal instruments effectively. As a result, positive performance indicators, such as timely implementation, efficient budget use, and improved service delivery, are consistently associated with terms such as "compliance," "alignment," "coordination," and "administrative readiness." In contrast, weaker outcomes connect with the terms "fragmentation," "delays," and "capacity constraints" (Smoke et al., 2023). This pattern suggests that governance effectiveness is relational rather than autonomous. Local governments operate within a structured system in which central regulations define the parameters of action and fiscal transfers shape available resources. Where coordination mechanisms function effectively through clear regulatory frameworks, reliable fiscal transfers, and constructive administrative relationships, local governments are better able to implement policies that reflect both national priorities and local needs (Putri et al., 2026). Conversely, where institutional capacity is

limited, decentralization does not translate into effective governance. Essentially, the data do not assist a simplistic claim that capacity alone determines outcomes; rather, they indicate that capacity operates within regulatory constraints that can either enable or restrict local action.

Third, and most critically, the analysis shows that regional inequality arises through this interaction rather than existing independently of it. In a context marked by significant socio-economic and geographic diversity, decentralization does not automatically equalize opportunities. Instead, it can reinforce existing disparities if certain regions are better equipped to navigate the system than others. The inspection shows that regions with stronger institutional capacity and better integration into central policy frameworks are more likely to secure access to fiscal transfers, participate in national programs, and implement policies effectively. In contrast, regions with weaker administrative systems, limited infrastructure, and lower fiscal capacity face cumulative disadvantages in complying with regulatory requirements and coordinating with central agencies. Crucially, the scrutiny reveals a feedback mechanism in which local incapacity to justify further central intervention. Then, the references to capacity constraints frequently accompany policy arguments for strengthening central oversight, particularly in strategic sectors. It suggests that inequality is not simply a byproduct of decentralization but a structural feature of a hybrid system in which authority and responsibility remain limited. Regions with stronger institutional capacity can capitalize on decentralization, while those with weaker capacity remain dependent on central direction, thereby reinforcing disparities in outcomes (Newman & Hoole, 2024). This dynamic creates a self-reinforcing cycle in which disparities in capacity lead to disparities in outcomes, which in turn justify continued central control.

These findings collectively demonstrate several interrelated relationships between decentralization, governance effectiveness, and regional inequality. First, governance effectiveness in Indonesia is highly contingent on the strength of central-local coordination. Regions that maintain strong institutional linkages with the central government through effective communication, regulatory compliance, and the strategic use of fiscal transfers tend to exhibit better policy outcomes. Second, decentralization produces uneven patterns of institutional performance, reflecting structural differences in administrative capacity, infrastructure, and governance quality. Third, the hybrid nature of governance introduces both flexibility and complexity: while local governments can adapt policies to local contexts, overlapping authorities and ambiguous responsibilities often generate inefficiencies and inconsistencies, particularly in regions with weaker institutional frameworks. Fourth, regional inequality emerges directly from these dynamics, as differences in capacity and access to resources translate into differentiated development trajectories.

Empirical observations further support these findings. Variations in public service delivery across regions illustrate how decentralization produces differentiated outcomes. In some provinces and districts, local governments have successfully implemented policies in education, healthcare, and infrastructure development, often associated with strong leadership and effective administrative systems (Cairney & Toomey, 2024). Conversely, other regions continue to face persistent challenges, including delays in budget execution, limited access to basic services, and weak infrastructure. Fiscal disparities further reinforce these patterns. Even more intergovernmental transfers are needed to support regional development; their effective use depends on local administrative capacity. For instance, the territory with stronger capacity is better able to plan, allocate, and monitor expenditures, whereas others struggle with inefficiencies and underutilization of funds. Infrastructure disparities also play an essential role, as territories with limited transportation networks and digital systems face additional constraints in implementing policies and delivering services.

In this sense, this evidence confirms that decentralization in Indonesia operates within a highly differentiated institutional landscape. The interaction between authority, capacity, and

governance quality produces a wide range of outcomes, reflecting the diversity of regional conditions. Consequently, governance effectiveness becomes inseparable from questions of equity. A decentralized system that performs well in some regions but poorly in others risks deepening structural inequalities (Arkorful et al., 2022). Without deliberate efforts to address uneven capacity and coordination, decentralization may inadvertently privilege already-advantaged regions while leaving others behind. And, from a policy perspective, these findings point to several implications. First, decentralization seems to be a context-sensitive process rather than a uniform policy framework. Recognizing the diversity of regional conditions is essential for designing effective governance strategies. Second, strengthening local institutional capacity remains important, but it must connect with regulatory frameworks to be meaningful. Third, improving coordination mechanisms between central and local governments is necessary to reduce ambiguity and enhance policy alignment. Fourth, addressing regional inequality requires targeted interventions that support disadvantaged regions, including adjustments to fiscal transfer mechanisms and additional institutional support. Fifth, governance quality must be prioritized, as weak accountability and transparency mechanisms can undermine policy effectiveness and exacerbate inequality.

Finally, the essential message is that decentralization is an evolving, dynamic process. Its outcomes depend not only on the formal transfer of authority but also on the continuous interaction among institutions, actors, and regulatory frameworks. In more detail, the assumption that decentralization is a fixed model embedded in inherently hybrid structural dynamics. In sum, the Indonesian experience illustrates that decentralization can both enhance and constrain governance effectiveness, depending on how authority, capacity, and regulation are structured. Addressing these barriers requires a more precise engagement with the institutional mechanisms that shape central-local relations, rather than reliance on generic reform prescriptions.

Theoretical and practical contributions of the hybrid governance framework

The hybrid governance framework developed in this article shows that decentralization in Indonesia operates through reorganization rather than withdrawal of central authority. The analysis of legislative documents, policy frameworks, and recent reforms points to a consistent pattern. First, responsibilities involve subnational governments. Second, regulatory instruments and fiscal arrangements continue to shape how those responsibilities impact the regional actors. Third, central authorities retain decisive influence in sectors considered strategic. These findings emerge from the coding of the material, which repeatedly clusters around three observable features: delegation of administrative tasks, retention of regulatory control, and conditional allocation of resources.

In addition, these features indicate that decentralization produces a layered system in which local governments act within centrally defined limits. Autonomy exists, but it is structured and uneven. A concrete example of this pattern applied in the implementation of National Strategic Projects (PSN) following the consolidation of regulatory authority under Law No. 11/2020 (Omnibus Law) and its implementing regulations over the last two years. In several infrastructure and downstream industrialization projects, licensing authority has been centralized through nationally integrated systems, while local governments remain responsible for land acquisition, administrative facilitation, and social management. The documents analyzed repeatedly show that when local governments lack technical capacity, particularly in managing large-scale investment or environmental oversight, authority is shifted upward through legal instruments that standardize procedures and reduce local discretion. This shift limits the grounds of efficiency and investment certainty. However, analytically, it represents regulatory recentralisation. More essentially, it illustrates a specific mechanism: local incapacity does not simply hinder implementation; it becomes the basis for reasserting central

control. In this sense, inequality is not only a result of uneven capacity but also of institutional responses to that unevenness. On this basis, the framework has three dimensions: formal authority, institutional capacity, and governance quality. The analysis shows that these dimensions interact systematically. Formal authority, defined by legislation, assigns responsibilities to local governments, particularly in service-delivery sectors (Santoso, 2025).

However, the same documents frequently include provisions that limit discretion through national standards, approval requirements, and reporting systems. Institutional capacity, reflected in administrative capability, fiscal resources, and technical expertise, varies significantly across regions. This variation is not incidental; it consists of policy texts as a justification for central oversight. Governance quality, as reflected in accountability mechanisms and transparency standards, shapes how authority and capacity translate into outcomes (Budi Santoso, 2024; M. L. F. Werang et al., 2025). Where governance mechanisms are weak, the material shows a stronger tendency toward central intervention. The interaction of these dimensions produces a structured pattern of variation. Regions with stronger administrative capacity and governance systems are better able to interpret regulations, access fiscal transfers, and implement policies with fewer constraints. In contrast, regions with weaker capacity face tighter regulatory control and reduced discretion, particularly in sectors prioritized by the central government. This pattern is visible in the frequency and form of regulatory clauses identified in the analysis. Requirements for central approval, standardized procedures, and direct oversight are more common in sectors classified as strategic or high-risk. As a result, decentralization does not generate equal autonomy but creates differentiated governance arrangements shaped by both capacity and political priorities.

This finding clarifies the article's main theoretical contribution. While existing literature recognizes that decentralization and central control coexist, it often treats inequality as a downstream outcome of uneven development. The evidence presented here points to a different conclusion about inequality in the system's operations. Regulatory recentralisation functions as a selective mechanism that reallocates authority in response to local capacity conditions. Regions with weaker capacity are subject to greater central control, which in turn limits opportunities to develop that capacity independently. It creates a reinforcing dynamic: institutional weakness leads to greater intervention, and greater intervention reduces the space for institutional strengthening. In this way, inequality becomes a structural feature of the governance system rather than a temporary deviation. At the same time, the analysis displays that governance effectiveness depends on the nature of coordination itself. The documents coded under intergovernmental coordination indicate that clear regulatory frameworks, predictable fiscal transfers, and stable administrative relationships are associated with more consistent implementation outcomes. Yet, this relationship is not uniform. In highly centralized arrangements, coordination tends to be hierarchical, which can improve compliance but reduce local flexibility. In less prescriptive arrangements, coordination allows for adaptation but may lead to variation in outcomes. This distinction is paramount because it displays that coordination is not inherently beneficial; its effects depend on the structure of authority.

The findings also refine the view that regional variation in performance is not simply a sign of policy failure. They reflect how authority is distributed and exercised within a diverse institutional landscape. In regions with limited capacity, strong central control may ensure minimum standards but can also restrict local initiative. In regions with stronger institutions, greater autonomy can support innovation but requires effective accountability mechanisms. It suggests that evaluation should focus less on uniform outcomes and more on whether governance arrangements are appropriate to local conditions.

Several implications follow from this analysis. First, the decentralization policy needs to account for variation in institutional capacity explicitly. Assigning responsibilities without addressing capacity constraints risks reinforcing existing disparities. Second, regulatory

frameworks should avoid excessive centralization in response to local weaknesses. While central intervention may address short-term inefficiencies, it can also create long-term dependency. Third, capacity-building efforts need to be embedded in the core of governance reform rather than treated as separate initiatives. It includes strengthening administrative systems, improving technical expertise, and enhancing coordination mechanisms.

Finally, the article demonstrates the importance of linking empirical evidence to theoretical claims. By tracing how specific regulatory provisions, such as the centralization of licensing under recent reforms, shape the distribution of authority, the analysis provides a clear connection between data and interpretation. The hybrid governance framework is therefore not presented as a general label but as an analytical tool grounded in observable patterns. It shows how decentralization and recentralisation interact in practice and how this interaction produces differentiated outcomes across regions. In short, it offers a more precise account of how governance operates in Indonesia and why regional inequality persists within a formally decentralized system.

E. CONCLUSION

We confirm that Indonesia's decentralization, when tested through legal provisions and policy instruments, reveals a consistent institutional pattern: local governments retain responsibility for actualization and service delivery. Formally, decision-making authority, especially in high-value sectors such as natural resources and strategic infrastructure, is recentralized through regulatory mechanisms. It produces a stable form of implementation asymmetry, with authority and responsibility intentionally separated. The uneven outcomes observed across regions are therefore not incidental and cannot be explained solely by differences in local capacity.

The primary theoretical takeaway is that the conventional opposition between centralization and decentralization is not analytically useful in this context and should be replaced rather than challenged. The layered analytical model developed in this study shows that these are not competing institutional logics but interdependent components of a single system. Formal decentralization distributes administrative responsibilities to subnational governments, while regulatory recentralisation consolidates strategic control at the center. In this configuration, decentralization does not constitute a genuine transfer of authority; rather, it serves as a governing strategy that enables centralized coordination through dispersed implementation.

The contribution of this model lies not in claiming novelty, but in specifying a clear mechanism: authority reorganized through regulatory instruments that define the limits within which local governments can act. This mechanism has concrete empirical implications. The scrutiny confirms that references to local capacity constraints are within policy justifications for central intervention. As a result, when capacity is considered insufficient, authority is shifted upward through standardized procedures, centralized licensing systems, and nationally designated projects. It creates a reinforcing cycle: limited capacity justifies intervention, and intervention, in turn, restricts the institutional space needed to develop that capacity. As a consequence, regional inequality emerges not simply from pre-existing disparities, but also from how the governance system responds to them. As illustrated, regions with good institutional capacity are better able to operate within a centrally defined scheme, while weaker regions become increasingly dependent on central direction.

Moreover, the policy implications follow directly from this diagnosis. The problem is not coordination in general terms, but how coordination relates to the regulatory design. Central intervention may enhance short-term efficiency, specifically in complex sectors, but when it consistently separates authority from responsibility, it creates long-term constraints on local governance. A more meaningful policy shift would involve aligning decision-making authority

with the responsibilities already assigned to local governments, especially in areas where they are required to manage the social and administrative consequences of centrally determined policies.

All in all, this article has clear limitations. The argument relies on a systematic reading of legal and policy texts rather than on comparative empirical measurement across regions. The layered analytical model identifies a plausible mechanism, but it is not yet ready for causal testing. Based on this, further research is needed to test how these dynamics vary across sectors and regions, and to situate the findings more explicitly within existing comparative frameworks on multi-level governance.

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Contributorship

MLFW contributed to the study's conceptualization by proposing the research design, methodology, and theoretical framework to generate a novel insight grounded in the research theme. NPLW helped with the literature review, the dataset, and scrutiny, and contributed to interpreting the data. MR and RAP contributed to the conclusions and elaborated on the recommendations based on the research's findings. All authors have reviewed or ratified the final manuscript.

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