

THE PERKS AND THE PITFALLS OF DECENTRALIZATION FOR DELIVERING HEALTH AND EDUCATION SECTORS : AN INDONESIAN OVERVIEW

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Abstracts

Decentralization has produced conflicting opinions among scholars that indicate decentralization outputs are vary in different degrees, especially on health and education services. This paper will discuss the importance of decentralization governance in Indonesia for addressing local government in providing health and education services, as well as questions whether decentralization works best for delivering health and education sectors management. It also will trace the theoretical background that serves as the backbone to further the practice of decentralization in Indonesia. This paper focuses on those issues, and on the opportunities for local government to allocate its resources to the most important basic needs of the people in Indonesia - education and health sector.

Keyword: Decentralization, Health and Education, Indonesia.

INTRODUCTION

Decentralization as a Governance

It is important to understand the meaning and the implication of the term decentralization. Mawhood (1983) contends that decentralisation is the sharing of part of the governmental power by a central ruling group with other groups, each having authority within a specific area or state. Furthermore, Smith (1997) states that organisationally, decentralisation means a choice between different types of public institutions, These institutions vary in terms of the areas over which they have jurisdiction, the range of functions delegated to local institutions, the level of discretion allowed, and the manner in which decision-makers are recruited, the effect is to produce institutions that are primarily political or bureaucratic or a mixture of both.

Cheema and Rondinelli (1983) define decentralization as the transfer planning, decision making, or administrative authority from the central government to its field organizations, local administrative unit's semi-autonomous organizations, local government or non-governmental organizations. Moreover, Peters and Pierre (2000) conclude that local autonomy also means decentralizing the state authority to the local and regional institution, as well as reshaping the paradigm modes on governing society which tend to "*Centralized bias*" and neglect local preferences. In relation to that, local

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autonomy is mainly marked by the transfer of national government authority to the local government. This results in a greater responsibility for local government in maintaining their day-to-day public tasks. Thus, it's important to remember that decentralization is attached to the notion of improving the quality of local government.

Rondinelli (1993) prescribed three primary forms of decentralization its own goals in terms of delegating authority within the intergovernmental relationship. Deconcentration sought to shift administrative responsibilities from central ministries and departments to regional and local administrative levels by establishing field offices of national departments and transferring some authority for decision making to regional field staff. Devolution aimed to strengthen local governments by granting them the authority, responsibility, and resources to provide services and infrastructure, protect public health and safety, and formulate and implement local policies. Through delegation, national governments shifted management authority for specific functions to semiautonomous organizations and state enterprises, regional planning and area development agencies, and multi- and single-purpose public authorities

As a rational political choice, decentralization policies encourage delivery of the autonomous local government, as well as democratizing sub-national government that are capable of improving their own local capabilities in maintaining their local government jurisdiction. Improving capabilities and competence largely benefits the sub-national government in terms of its political and administrative performance. Moreover, decentralization fosters local government to be closer to its people, in terms of its accessibility and accountability for delivering public service.

However, the emergence of Decentralization provoked question whether decentralization has played several a role in fostering accountable and responsible governance. Furthermore, as the concept of governance expanded, so did thinking about the rationale, objectives, and forms of decentralization. Decentralization now encompasses not only the transfer of power, authority, and responsibility within government but also the sharing of authority and resources for shaping public policy within society. In this expanding concept of governance, decentralization practices can be categorized into at least four forms: administrative, political, fiscal, and economic (Cheema & Rondinelli, 2007).

Each of decentralization concepts deliver different locus and focus as follow; Administrative decentralization focusing on deconcentration of central government structures and bureaucracies, delegation of central government authority and responsibility to semiautonomous agents of the state, and decentralized cooperation of

government agencies performing similar functions through “twinning” arrangements across local borders. Political decentralization focuses on organizations and procedures for increasing citizen participation in selecting political representatives and in making public policy; changes in the structure of the government through devolution of powers and authority to local units of government. Fiscal decentralization focusing on the means and mechanisms for fiscal cooperation in sharing public revenues among all levels of government; for fiscal delegation in public revenue raising and expenditure allocation; fiscal autonomy for state, regional, or local governments. On the other hand, economic decentralization focuses on market liberalization, deregulation, privatization of state enterprises, and public-private partnerships.

Decentralization has also associated with delivering the development at the local level in developing countries. Litvack, Ahmad, and Bird (1998) conclude that local development is one of the common rationales around the world for transfer of political, administrative and fiscal control to the lower levels of government. In this logic, decentralization promises greater concern for the locality and greater local responsibility in designing, formulating and implementing development programs. Decentralization definition suggests that transferring and giving significant authority to local and regional authorities will address the problems inherent the vertical imbalances between the national and local priorities.

As the concepts and forms of decentralization became more diverse so did the objectives decentralization. In order to discuss the importance of decentralization in Indonesia for addressing local government in providing health and education services, As well as questions whether a decentralization model works best for delivering health and education sectors management. It also will trace the theoretical background that serves as the backbone to further the practice of decentralization in Indonesia. This paper focuses on those issues, and on the opportunities for local government to allocate its resources to the most important basic needs of the people in Indonesia - education and health sector.

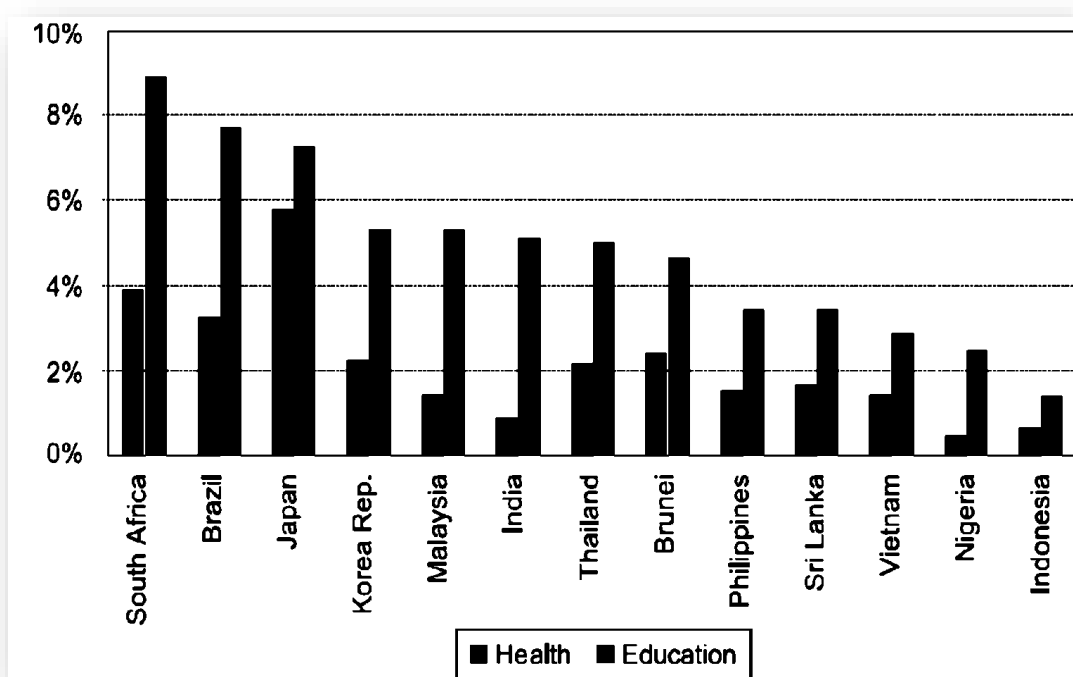
DISCUSSION

Health and Education Sector in a Decentralized mode of government: Indonesia’s experience

Before decentralization came, Indonesia was a centralized country with relatively minimum spending on health and education sector compared to its neighbouring countries like Malaysia and Thailand. The following table will display an international

comparison on the allocation and spending for health and education sector from 1996-2000. This table explain that before decentralization reshaped Indonesia's governmental system, Indonesia was largely a country with relatively minimum spending on health and education of 1.5% from its GDP.

Table 1. Comparison of the allocation of government spending for education and health sectors from 1996-2000 (% GDP)



Sources: (UNDP, 2004)

Since 2000, decentralization in Indonesia has play important roles in delivering central government policy for adequate decentralized public service under the authority of local and regional government. Thus, a number of studies and assessment that focuses on Indonesia's fiscal decentralization and its impact to public service has appeared. Major international donors such as the World Bank, The Asia Foundation (TAF), and local research firm SMERU foundation have studied the latest initiatives on decentralization and its impact on public service in Indonesia. The Asia Foundation has made consecutive reports in Indonesia's Decentralization through Indonesia Rapid decentralization report, the fourth report was launched on November 2004 and outlines

key supporting factors for good practice in decentralized governance and highlights the challenges for local governments as they attempt to deliver better public service.

In 2008, World Bank releasing its reports on Indonesia's public expenditure in 'Spending for Development: Making the most of Indonesia's new opportunities'(2008). These reports briefly explore the facts on Indonesia's public expenditures, presenting trends over time and analysing the composition across sectors and levels government. The reports suggest several important silver linings for the improvement of the health and education sectors in Indonesia. The Indonesian education sector is now allocating 17,2 percent of total public expenditures to education, putting it almost on a par with other developing stories, but its relatively low compared with its East Asian neighbours, while on the health sector the reports contends there have been problems that attached to the unequal and inefficient allocation of the health resources. This relates to the fact that in general, health expenditure is still low in Indonesia. Currently, public health spending generally benefits richer income groups more than the poor through regressive subsidies for secondary healthcare. The poor have very little access to public hospitals and hence, do not make use of the vast majority of the spending channel into secondary care.

Another notable work by independent researcher and research teams that focusing on decentralization and its impact on health sector and education in Indonesia includes: Lieberman, Capuno, and Van Minh (2005), Stein Kristiansen and Pratikno (2006), Friedman, Heywood, Marks, Saadah, and Choi (2006), S. Kristiansen and Santoso (2006), Arze del Granado, Fengler, Ragatz, and Yavuz (2007), Widyanti, Suryahadi, Monitoring, and Unit (2008), Heywood and Harahap (2009), Kruse, Pradhan, and Sparrow (2009). Much can be learned from these previous studies. They have demonstrated decentralization has been playing crucial part in determining the quality of public service delivery in local and regional government, especially in health and education sector. Important measure taken from Kruse et al. (2009) were mainly outlines the facts that transfer from the central government (through DAU and DAK) are also the most important source of financing for development spending in health sector. Thus, the elasticity of development spending with respect to DAU and DAK funding suggest that any inequalities in districts public spending could be attached to the reallocation of central funds. In short, the study above outlining the important of a rigid and well designated fiscal decentralization scheme to address the problems with the health expenditure policy during decentralization. Or in other word, decentralization likely does

not benefiting the people at large, especially when it comes to health and education service.

Stein Kristiansen and Pratikno (2006) conducted two different study on Indonesian decentralization focusing on health and education sector. The first study is *Decentralising education in Indonesia*, and the second study is *Surviving decentralisation? Impacts of regional autonomy on health service provision in Indonesia*. The first study on decentralizing education in Indonesia conclude two important point; (1) there is a total lack of transparency and accountability in government spending on education after the decentralisation reform. Vertical financial accountability has been abolished and no alternative exists in horizontal accountability. The executive bodies at the district level are not enforced to reveal any detailed accounts or policy assessments from the education sector to the legislative bodies or to the civil society in general. (2) There has been growing perception from the respondents on the quality of education is higher today than it was three years ago, before the decentralization come (Stein Kristiansen & Pratikno, 2006).

The second study on decentralization and health service provision conducted by Stein and Pratikno in Indonesia reveal the lack of transparency and accountability in local government financial handling of the health sector. Some of the transfers' grants from the central government are not working properly in terms of its objective as well as its time of release from the central government. The unstable central-local governmental relations also jeopardizing administrative aspect of health sector policy. In turn, this impact to the role of public health institutions such as Public hospital and *Puskesmas* (Community Health Service) which turned into profit oriented institutions. After the decentralization, a lot of public hospitals often refuse to treat poor people without the ability to pay. This event sends bad signal for the decentralization policy implementation, especially in health public service (S. Kristiansen & Santoso, 2006). Both of the studies delivers the understanding that there is a big impact of decentralization happening in local government's context.

Recent studies, evaluating decentralization outcomes in the health and education sectors in Indonesia is coming from Simatupang (2009). The study suggesting different interpretations on the outcome of decentralization in health and education sector in Indonesia. The finding displays significant changes in education outcomes under decentralization era. In general, more than 50% of municipalities experiencing improvement in education outcomes, such in literacy rates (overall and female), years of schooling and dropout rates for primary and secondary education. Unlike the education

sector, decentralization does not bring improvement in health service delivery in municipalities in Indonesia. Simatupang contends that most of the municipalities experience declining usage of health facilities. Indicators such as health service utilization rate, labour attended by medical worker, immunization coverage and contraceptive usage are worsen in most municipalities after decentralization. In contrast to the previous patterns summarized by other researcher mentioned earlier before, Simatupang concluded that decentralization reform in Indonesia does improve education and health service delivery to different degrees.

Delivering Health and Education Service in a Decentralized Mode of Government: Its challenge

Research indicates that governance in decentralization can be improved. Azfar, Kähkönen, Lanyi, Meagher, and Rutherford (2004) identified two dimensions of decentralization that could benefit governance of the local government. They are; 1) allocative efficiency; decentralization improving the governance in public service provision by improving the efficiency of resources allocation 2) Productive efficiency ; a combination of promoting accountability, reducing corruption, and improving cost recovery (Productive efficiency).

The premise of resource allocation largely is constructed from the Musgravian perspectives that believe that policies of subnational government should be allowed to differ, in order to reflect the preferences of their population. In support, Oates (1972) contends that in a democratic society decentralization will result in a better match of supply and demand for local public goods. One pillar of the argument is the assertion that sub-national government is closer to the people than the central government, hence they have better information about the preferences of the local population. This means decentralization with better response to the variations in demands for goods and services. In addition, under decentralization, authority moves to jurisdictions that encompass less social diversity and fractionalization, hence less extreme variation in preferences.

A decentralized mode of government will provide competition among local government. This means that decentralization assumed to increase the possibility that government will respond to local demand (Tiebout, 1956). Furthermore, competition allows a variety of bundles of local public goods to be produced, and individuals can reveal their preferences for those goods by exercising some forms of exit option extreme

such as moving jurisdictions that satisfy their tastes. By this logic, local government should pay attention to the preferences of the citizen to avoid risking the loss of tax revenue (Oates, 1972).

Challenging argument comes from Prud'homme (1995) 'The Dangers of Decentralization'. Prud'Homme outlines several problems that occur in the model of fiscal federalism for developing countries; He focuses on the problem of allocating resources for public service. Prud'Homme contends that in most developing countries the problem is not to reveal fine differences in tastes and preferences between jurisdictions, but to satisfy basic needs. In addition, in many developing countries where land and labour markets do not function well and democratic tradition is in its infancy, it is not realistic to assume that people can move easily between jurisdictions or make their voices heard through the political process. In turn, this could reduce the potential reflection of electorate preferences. Finally, even if elected officials wanted to fulfil their mandate from their voters, they cannot, because of a gross mismatch between available resources and promised expenditures. This will trigger the problem of resource allocation in a decentralized mode of government.

In Indonesia's case, decentralization is an important issue as a result of *Reformasi* movement in 1998. It's has massively reshaped Indonesia's governmental system, as well as bringing several effects to the people. Haris (2005) proposed following negative effects of decentralization; 1) Local government pays more attention to enlarge local government institution to gain more transfer funds from the Central government, 2) The emergence of 'Raja Kecil' (Little kings) who gain significant local power and control, 3) The potentially rapid bloom of corruption due to weak of the dog watcher function of local parliament. The latter maintained by the collusion among the executive and legislative branch. The executive priority agenda after regional elections was to give economic concession to political entrepreneurs, rather than give attention to the welfare of its constituents.

A recent development of decentralization exhibits a phenomenon of elite capture. The local political elite and the local government elite exhibit a behaviour that are more oriented to physical development programs or expenditures than non-physical items, such as poverty alleviation program through micro-financing program. Moreover, the phenomenon of elite capture has significantly corroded public service in Indonesia, especially in the health and education sectors.

Rinaldi, Purnomo, and Damayanti (2007) found two pattern of corruption in the decentralized mode of government In Indonesia. These two patterns of corruption are

mainly utilized by the executive and legislative in conducting the provision of public goods. This includes health and education services as the basic need of the people. Legislative corruption cases take three main forms: 1) mark-up of budget lines; 2) channelling government budget to fictitious institutions; and 3) manipulating official trips for personal gain. In the executive, the main *modus operandi* is as follows: 1) utilizing unspent budget inconsistently with procedures; 2) breaching regulations governing the submission and channelling of local budget; and 3) manipulation of procurement processes. The rapid growth of corruption since decentralization has also weakened health and public sector's performance under decentralization. This corruption has become one of the prominent problems for delivering health and education sectors in a decentralized mode of government.

CONCLUDING REMARKS

Indonesian decentralization has display that decentralization reform has weakened health sector and the education sectors. Moreover, the specific characteristics of local government and their differing levels of political, technical and managerial capability, influence responses to decentralization policy. Conflicting opinions among scholars indicate that there is some possible disagreement and outcome for utilizing decentralization as the best way for allocating resources, especially on health and education sector service.

The potential of elite capture and the rapid growth of corruption since the enactment of decentralization in Indonesia has also become an impediment for delivering a well-structured of health and education sectors. In short, corruption and the phenomenon of elite capture have degraded the quality of health and education service into different degree. In Summary, Indonesian experience of decentralization vividly has resulted varying outcome on health and education sectors. There is an urgent need for building more comprehensive model for delivering and allocating resources in a decentralized mode of government that could foster an effective model for improving health and education sectors in a decentralized mode of government.

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