

# Decentralization, Democratization, and Public Service Delivery

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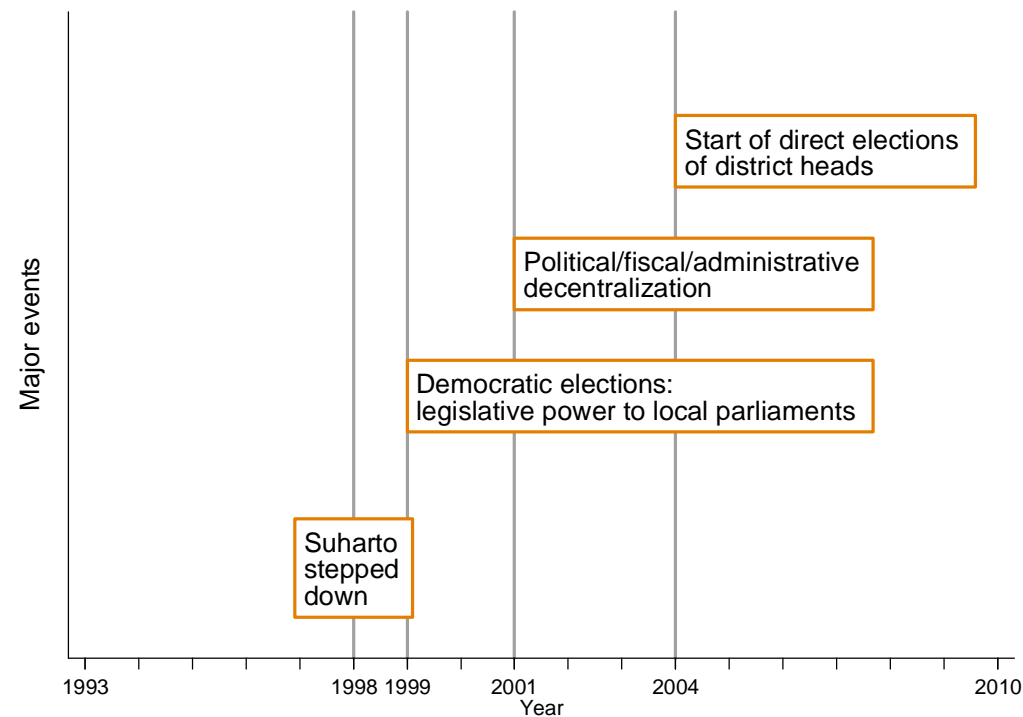
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# Outline

- Introduction
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  - Approach
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- PSD output
- Concluding remarks

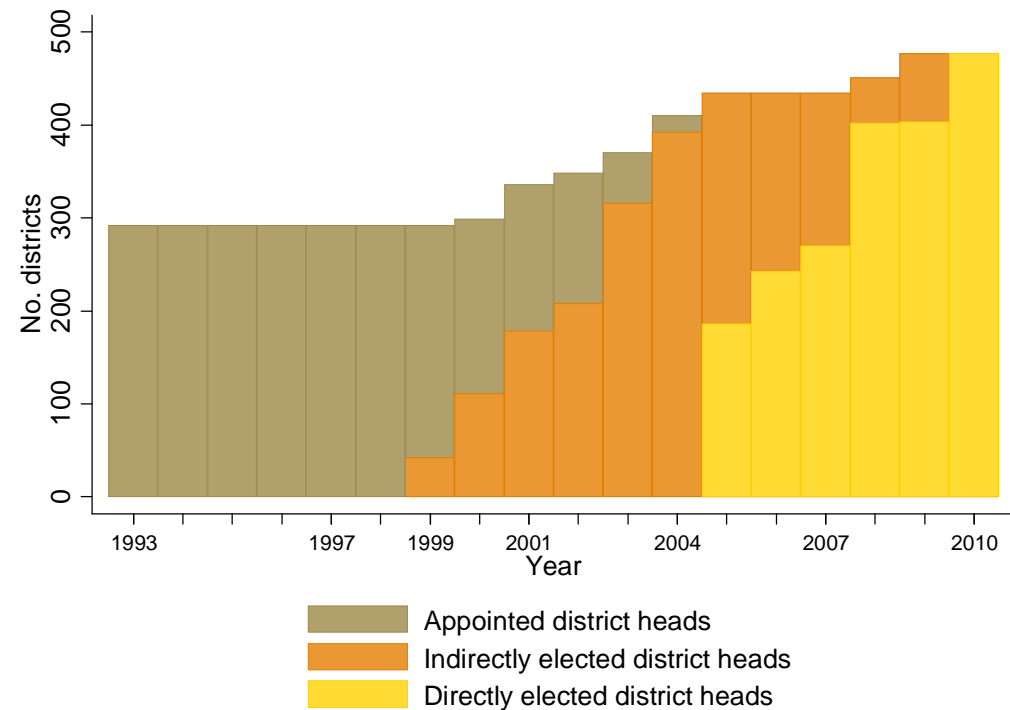
# Decentralization in Indonesia

Indonesia underwent a big-bang decentralization and rapid democratization



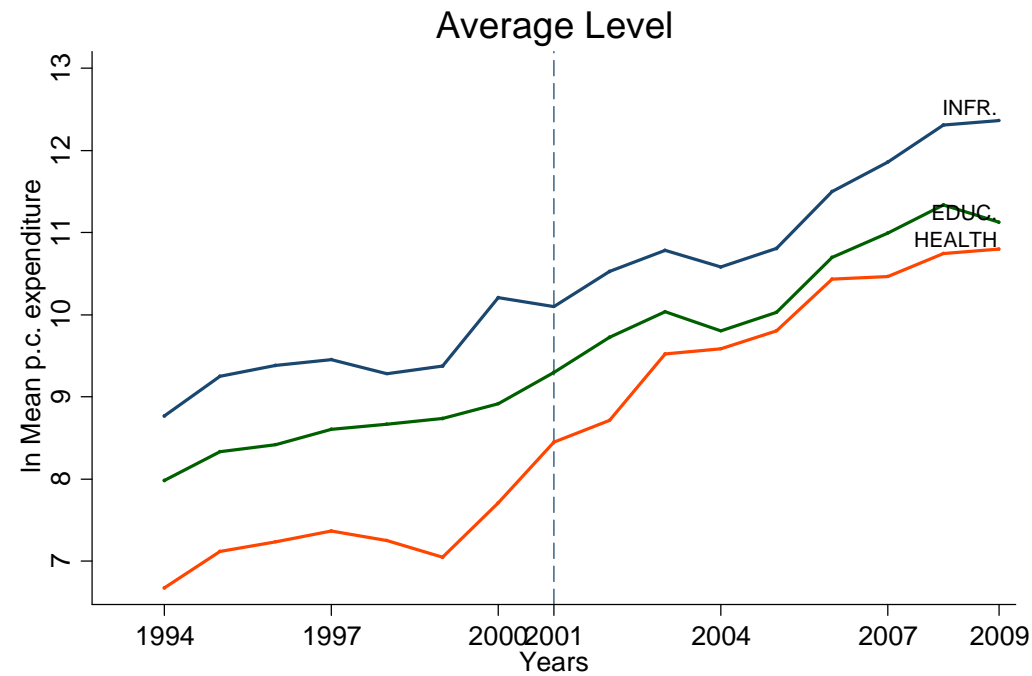
# The democratization process

The timing of democratically indirect and direct elections was fairly exogenous



# Districts gained fiscal authority

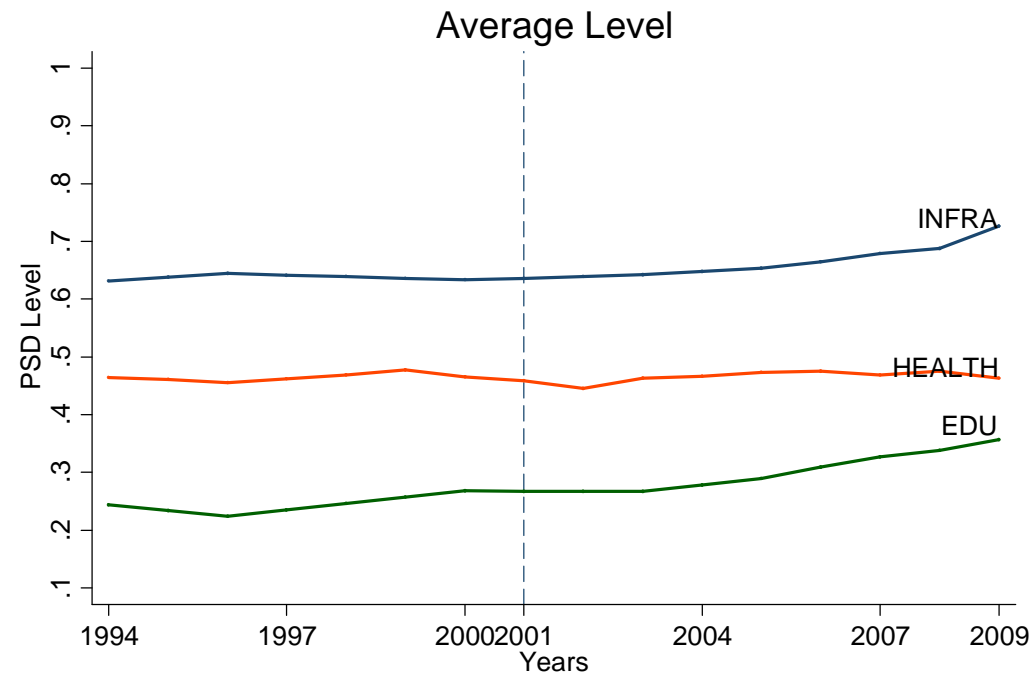
Local sectoral expenditure p.c. increased considerably



Source: SIKD, Min. of Finance

# Public service delivery

did not improve much over time



Source: Susenas, Podes (BPS)

# Central questions

- Have things become better for the people?
  - Better governance?
  - Better services?
    - Better preference matching , higher transparency and participation or local capture?
- Heterogeneity of districts: convergence or divergence?
- Methodological challenge: missing counterfactual

# This paper

Reports on the existing large scale empirical research by Bambang Suharnoko Sjahrir, joint with Krisztina Kis-Katos and Günther G. Schulze.

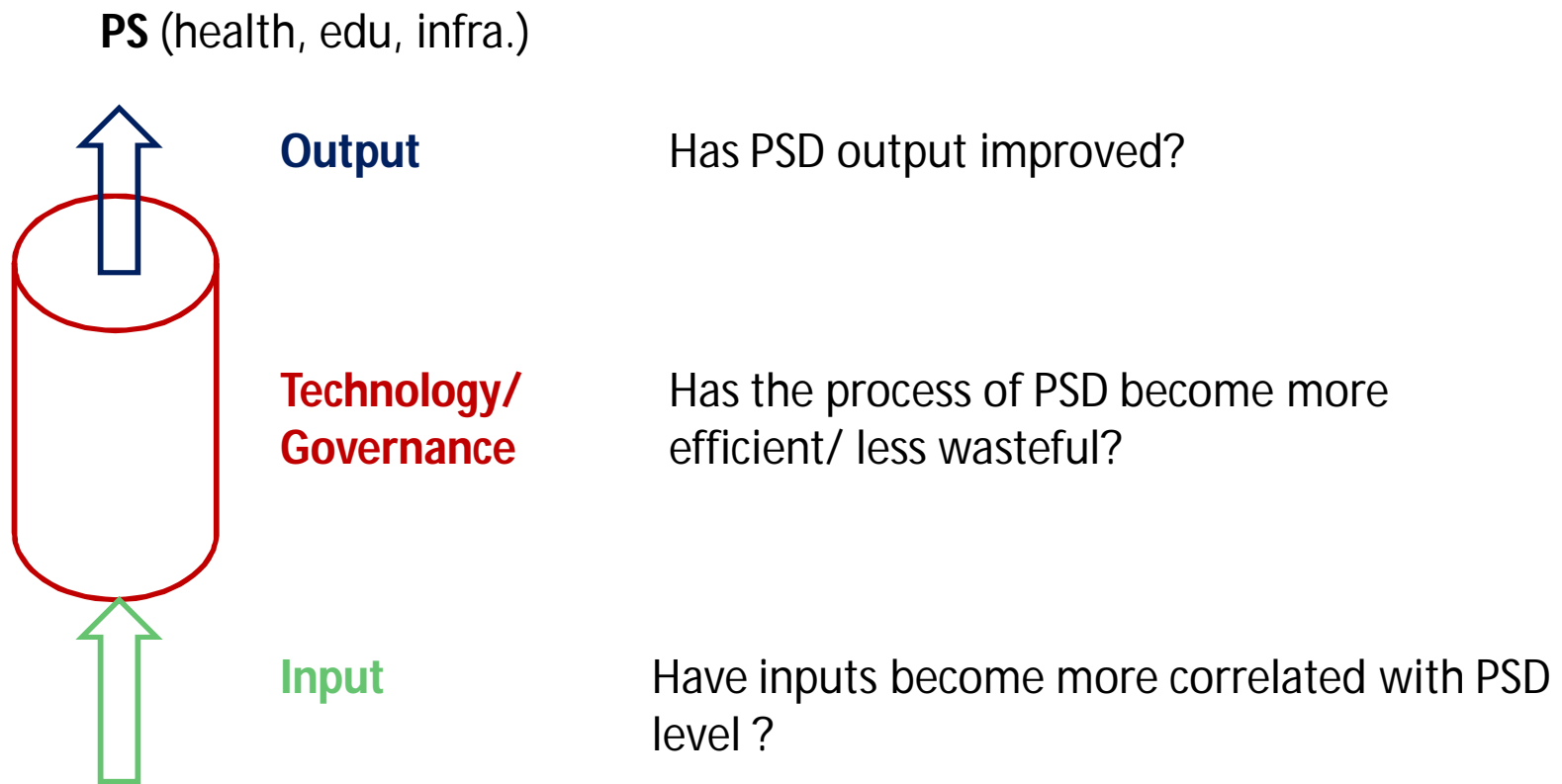
Panel dataset:

- District level, 418 out of 477, excl. NAD, Papua and DKI
- Balanced and unbalanced, from 1994 to 2009
- Fiscal variables for 3 sectors (MoF)
- Levels of public physical infrastructure (BPS: Susenas, Podes)
  - Ratio of jun. secondary schools to jun. School-aged children
  - Ratio of health clinics (Puskesmas) to population
  - Share of villages with paved roads
- Timing of local elections (exogeneously determined), national elections and local parliamentary compositions (KPU, MoHA, TAF, WB)
- Other controls (BPS, MoF)



# The analytical approach

**Three *complementary* approaches** to measure the effect of institutional change on PSD



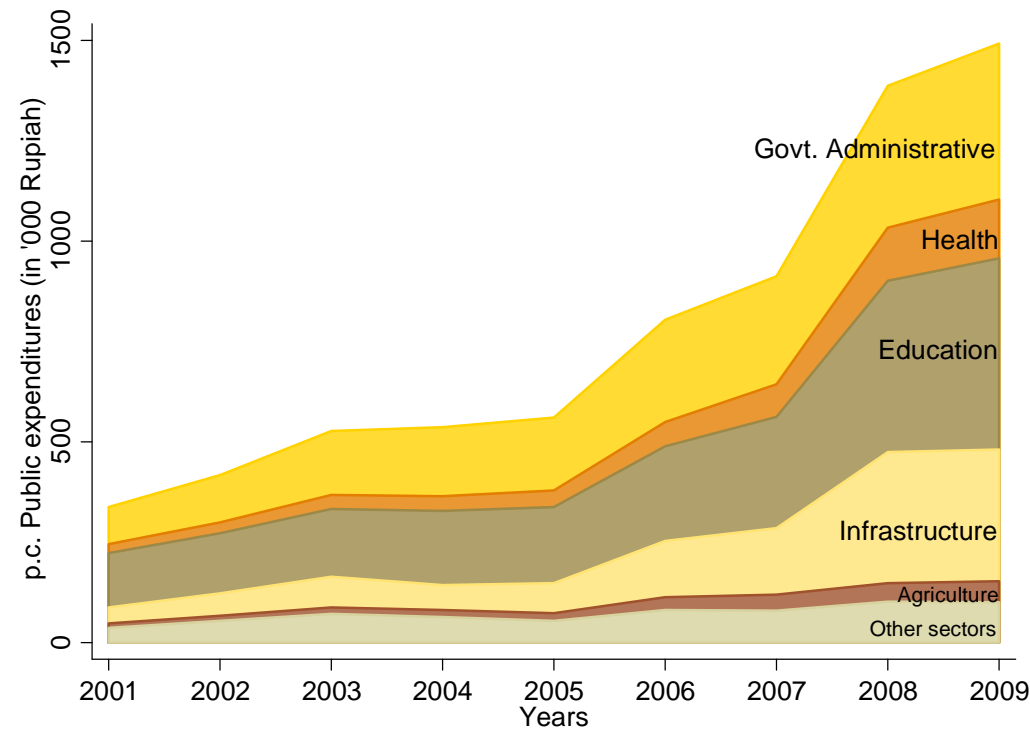
# Input : public expenditure (1)

Source: Kis-Katos and Sjahrir (2013)

- RQ : Had DEC and DEMO an effect on expenditure patterns for core services?
- Method :
  - balanced panel 1994-2009,
  - SUR FE on health, education and infrastructure
- Results :
  - District spends more if its PSD level is relatively low after decentralization
  - No systematic changes with the democratization process

# Governance/technology : Administrative spending (1)

Government administrative spending is relatively high



Source : Sjahrir et al. (2013)

# Governance/technology:

## Administrative spending (2)

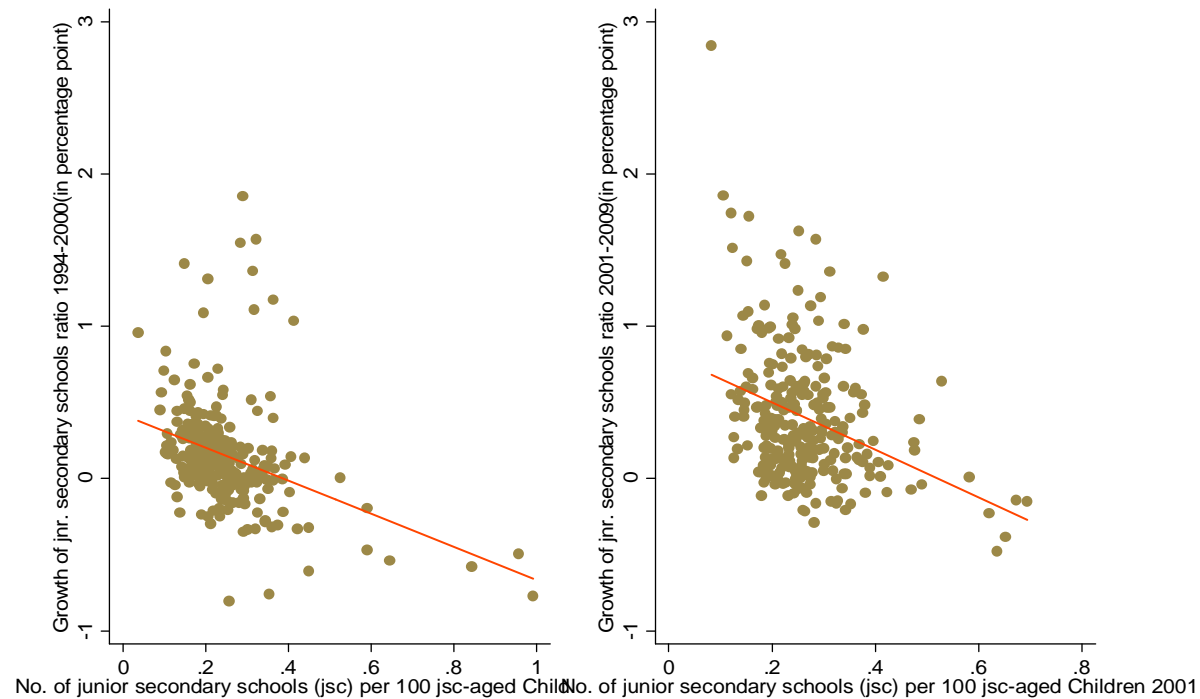
- Source : Sjahrir, Kis-Katos and Schulze (2013)
- RQ : what are the determinants of administrative spending?
- Method : unbalanced panel 2001-2009, Pooled OLS, FE
- Results :
  - Splitting is not the main reason, lack of accountability is
  - Democratic accountability not (yet) effective
  - Higher in districts with lower political competition

# Output : PSD level (1)

- Source: Schulze and Sjahrir (2013)
- RQ :
  - Convergence or divergence ?
  - Have DC and DEMO altered PSD?
  - Determinants of PSD
- Method :
  - unbalanced panel 1994-2009
  - SUR FE on health, education and infrastructure
  - Synthetic counterfactual: prior trend

# Output : PSD level (2)

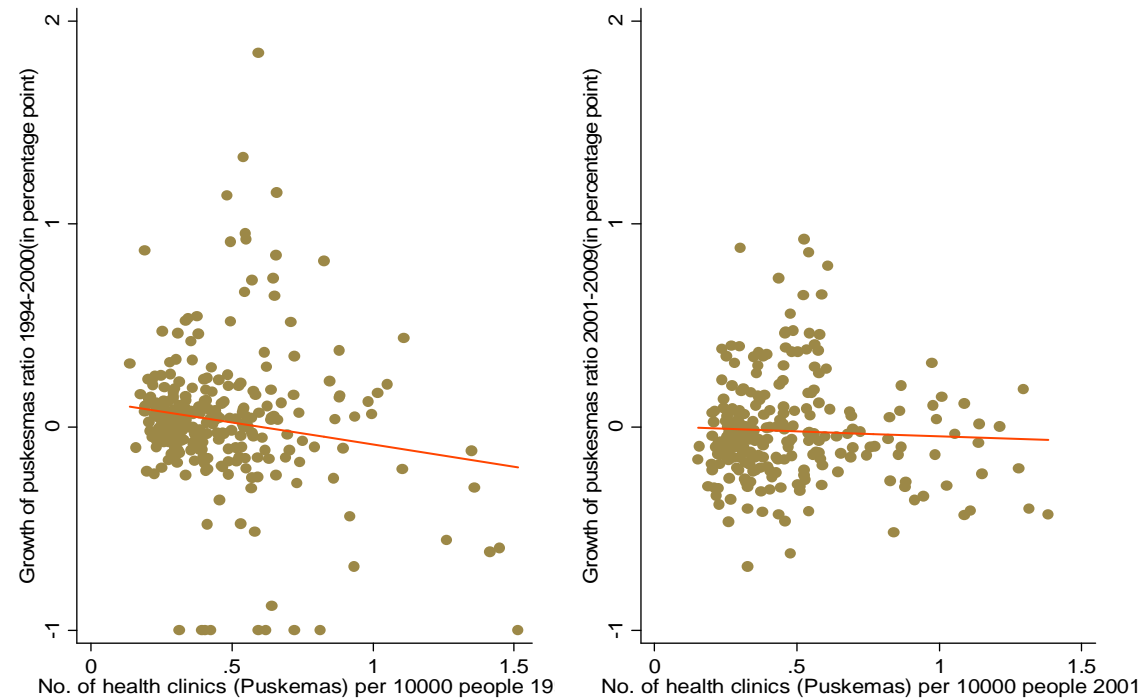
Convergence in secondary education



Source : Schulze and Sjahrir (2013)

# Output : PSD level (3)

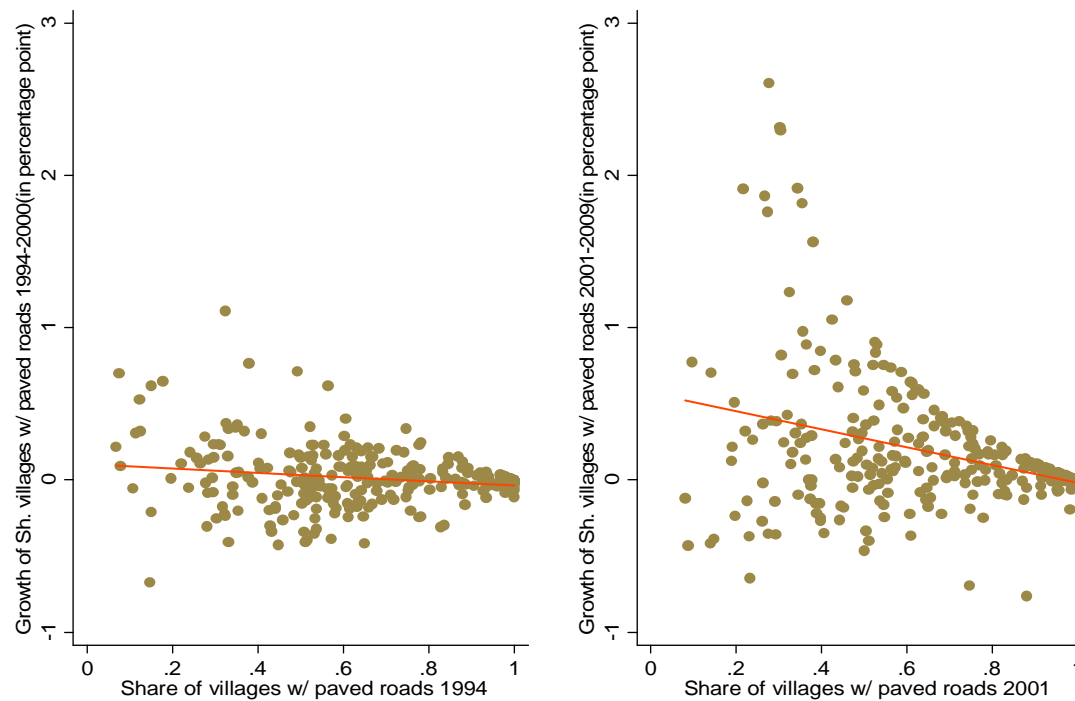
But not in health



Source : Schulze and Sjahrir (2013)

# Output : PSD level (4)

And only slightly in infrastructure



Source : Schulze and Sjahrir (2013)



# Output: PSD level (5)

- Results
  - Convergence. Lagging districts catch up
  - Money matters. Richer districts provide better services
  - Decentralization tends to make things better
  - No uniform effects of direct election: depends on financial endowment.

Source: Schulze and Sjahrir (2013)

# Concluding remarks

- First systematic econometric approach to measure the effects of decentralization and democratization on PSD
- Covers the first decade
- Democratic accountability still insufficient
- DEC and DEMO have non-uniform effects, but overall tend to be slightly positive
- Effects may still unfold

The best may yet to come

Thank you very much for your attention