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How Indonesia Should Go Further with Decentralization: Revisiting the Views and the Visions

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Abstract:

Indonesia's vast geography and cultural diversity pose long-standing challenges to the centralized governance systems. Following the collapse of the New Order regime in 1998, the country embarked on an ambitious decentralization campaign, transferring authority and resources from the central government to local governments through Laws No. 22 and 25 of 1999. Despite the progress made, recent trends suggest a drift back toward recentralization and inefficiencies in subnational governance. This article investigates how Indonesia should move forward with a deeper and more coherent decentralization policy, drawing insights from the ideas of key early independence-era thinkers, as well as the reform era. Using a qualitative historical-interpretive approach, the study analyzes political writings, speeches, and conceptual contributions of late figures, framed alongside policy and governance developments in post-Reformasi Indonesia. The findings reveal that decentralization was not merely an administrative concern but a philosophical and moral imperative for these thinkers. Hatta promoted village autonomy; Sjahrir advocated democratic pluralism; Malaka emphasized grassroots empowerment, while the reformists underscored decentralization as a pillar of democratic resilience. The study concludes that Indonesia's decentralization project must go beyond partial devolution. It should embody the ethical and participatory principles rooted in the country's intellectual tradition that work towards strengthening local democracy, fiscal independence, regional capability, and innovation. Reviving these foundational visions is vital to ensuring that decentralization serves not just efficiency, but also the quality of justice, inclusivity, prosperity, and national diversity.

Keywords: decentralization, regional economy, post-covid economy, public services, public policy

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1. Introduction

Indonesia, as an archipelagic state comprising over 17,000 islands and hundreds of ethnic groups, is inherently decentralized in its geography and socio-cultural structure (Badan Informasi Geospasial, 2024). Yet, since independence, governance has often been managed through a centralized framework that struggles to accommodate this vast diversity. This mismatch has contributed to regional disparities, bureaucratic inefficiencies, and missed opportunities in local development. Following the authoritarian Orde Baru regime (Soeharto), the Reformasi era marked a turning point. Laws No. 22 and 25 of 1999 represented a radical shift toward decentralization, giving greater autonomy and financial power to local governments (Hofman & Kaiser, 2004). This was later refined through Law No. 23 of 2014, which attempted to strengthen oversight and intergovernmental coordination. However, the full promise of decentralization remains only partially realized (Indonesia, 2014).

The need to revisit decentralization discussion is now urgent due to increasing regional competition, global economic volatility, demand for public services, and the post-covid recession. The pandemic exposed the fragility of centralized responses and highlighted the importance of agile, local-level decision-making in crisis management (Afifi, Adrian, Azami, & Farid, 2024; World Bank, 2022). Regions with stronger local governance tended to manage health services, social assistance, and local economic adaptation more effectively. The global economy is entering a new phase marked by technological disruption, environmental concerns, and regionalized value chains. This presents both challenges and opportunities for Indonesia's subnational entities. In particular, initiatives like green energy, sustainable agriculture, and the circular economy align naturally with regional strengths and require decentralized innovation systems to flourish (Afifi, Adrian, et al., 2024; Bettiol, Burlina, Chiarvesio, & Di Maria, 2022).

Indonesia's regions have diverse comparative advantages, expanding from marine economies in Eastern Indonesia to highland agriculture in Sumatra and mass economies in Java. However, the centralist bias in policymaking has often sidelined regional innovation ecosystems (Firman, 2009). Decentralization could unlock these potentials by allowing locally tailored policies and budgetary autonomy.

Decentralization is not merely an administrative or budgetary mechanism; it is a political and ethical commitment to pluralism, participation, and justice. Something that Indonesia learn from its history (Kahin, 2005; Ricklefs, 1991). Early Indonesian thinkers like Mohammad Hatta, Sutan Sjahrir, and Tan Malaka envisioned decentralization as essential to ensuring that independence translated into freedom and dignity at the local level (Hatta, 1966; Malaka, 1951; Sjahrir, 1995).

Hatta, often referred to as the father of Indonesian cooperatives, emphasized that village autonomy and local democracy were foundational for building a just and prosperous society. In his writings, he argued that governance should empower local communities to manage their own economic and social development (Abbas, 2010; Hatta, 1966). His ideas resonate with current notions of grassroots-led development. Tan Malaka, though more radical in his orientation, also saw local empowerment as key to mass mobilization and anti-imperialist resistance. His work "Madilog" argued for dialectical reasoning rooted in local realities, an intellectual argument for contextual, not top-down, policymaking (Malaka, 1951). Sutan Sjahrir, in turn, provided a liberal-democratic vision that emphasized political decentralization as a bulwark against authoritarianism. He championed civil liberties and inclusive governance as prerequisites for modern nationhood. His legacy underlines the risk of bureaucratic centralization slipping back into autocratic tendencies (Mrázek, 2018; Sjahrir, 1995).

Other figures like Agus Salim, M. Natsir, Ahmad Dahlan, Hasyim Asyari, Iwa Soemantri, and others also sound the same voices, in specific areas like education, religion and local customary authority. All this think and thoughts lead the early thinkers of the Republic with the slogan *Bhinneka Tunggal Ika*, Unity in Diversity. But in the technical reality, the system that is used and innovations are slower-paced than the challenges faced by the nation, like education, people's welfare, and economic development, which lead to the practical centralized system used for decades and pose a tough challenges to be handled nowadays, in the cultural and work ethos of governance practices. This issue led to the excessive power of minority elites, like corruption, abuse of power, and nepotism, which at some point led to the Reformation era.

The Reformasi voices, including figures like Habibie, Amien Rais, Nurcholish Madjid, Deliar Nor, Ryaas Rasyid, Boediono, Syafii Maarif, Adnan Buyung Nasution, and others, echoed similar

concerns. They regarded decentralization as a way to democratize not only political structures but also economic opportunity and public services, thereby reducing corruption and fostering transparency. (Bunte & Ufen, 2009; Matsui, 2003). Even though the idea was welcomed enthusiastically. Yet, the momentum has stalled. In recent years, Indonesia has shown signs of recentralization by stealth, including through tighter fiscal controls and administrative recentralization under various presidential regulations. This has weakened local initiative efforts and reintroduced Jakarta-centric planning biases (Afifi, Andriyaldi, & Adrian, 2024; Jati, 2012).

This trend is particularly worrying in the post-covid economy, where resilience depends on local innovation, rapid adaptation, and economic diversification. For instance, waste-to-energy initiatives, sustainable fisheries, and community-based tourism are often best implemented through local partnerships and decision-making, not national blueprints (Afifi, Adrian, et al., 2024; IMF, 2022) (UNDP Indonesia, 2020). Decentralization also plays a pivotal role in inclusive economic recovery. It allows for more responsive labor market policies, education alignment with local industry needs, and innovation hubs that reflect local culture and knowledge (Rodriguez-Pose & Gill, 2004). These are crucial in building regionally anchored circular economies. Decentralization can enhance inter-regional competition, fostering a healthy rivalry in public service delivery, infrastructure efficiency, and governance quality. However, for this competition to be productive, institutional capacity at the regional level must be significantly improved, and performance-based incentives must be strengthened (Smoke, 2015).

This article seeks to revitalize the decentralization discourse by reconnecting it with its historical-intellectual roots and contemporary global relevance. It argues that a coherent, ethical, and participatory decentralization policy, grounded in original Indonesian thought and adapted to today's global and local challenges, is essential for equitable and sustainable national development.

2. Methodology

This study adopts a qualitative historical-interpretive approach, integrating textual analysis and policy review to explore how decentralization in Indonesia can be strengthened through the lens of foundational Indonesian thinkers and contemporary governance challenges. Historical-interpretive research is particularly effective in uncovering the

philosophical underpinnings and normative aspirations embedded in political thought, especially when addressing long-standing governance paradigms like decentralization (Guba, Lincoln, & others, 1994; Howell & Prevenier, 2001). This approach enables the researcher to analyze the continuity and transformation of decentralization ideals from Indonesia's independence era to the post-Reformasi context.

Primary sources include the writings and documented correspondences of Indonesia's early independence-era intellectuals and statesmen, namely Mohammad Hatta, Tan Malaka, Sutan Sjahrir, and others, as well as reformasi-era thinkers. These materials are supplemented with secondary sources, including peer-reviewed journal articles, policy papers, and historical interpretations. A hermeneutical reading strategy is employed to interpret these texts, with particular attention to ethical values, political principles, and governance strategies concerning decentralization, autonomy, and participatory democracy (Gadamer, 2013; Palmer, 1969).

The study incorporates a policy analysis of Indonesia's current decentralization framework post-1998, especially focusing on the implementation and evolution of Laws No. 22/1999, No. 32/2004, and No. 23/2014. Policy documents from the Ministry of Home Affairs, BAPPENAS, and decentralization reports by institutions such as the World Bank, UNDP, and OECD are critically reviewed. These documents help identify implementation gaps, recentralization trends, and the actual impacts of decentralization on regional development, innovation, and crisis response.

To ground the discussion in contemporary relevance, the study also uses thematic content analysis to extract patterns from recent journal publications and reports on regional resilience, post-covid recovery, and the global competitiveness of subnational regions (Braun & Clarke, 2006). Attention is given to how decentralized regions in Indonesia have responded to global economic disruptions, climate change, and the circular economy movement, thus linking political thought to practical governance outcomes. Some relevant regional case studies are also used illustratively.

By combining interpretive historical inquiry with contemporary policy critique and regional development analysis, this methodology allows the study to offer both normative and practical recommendations. It emphasizes how the intellectual tradition of Indonesia's founding

thinkers can serve as a compass for reforming current decentralization practices in a way that enhances democratic governance, equity, and resilience in the face of global and local challenges (Creswell, John W., 2017; Yin, 2009).

3. Literature Review

3.1. Conceptualizing decentralization

Decentralization has been a central theme in governance reforms globally, emerging as a key mechanism to improve state responsiveness, foster public participation, and enhance service delivery. At its core, decentralization refers to the transfer of authority and responsibility from the central government to subnational or local government units. This shift allows for more localized governance that is often presumed to be more in touch with community-specific needs (Afifi, Andriyaldi, et al., 2024; Rondinelli, Nellis, & Cheema, 1983). It can occur across several dimensions: administrative, political, fiscal, and market-based, each with varying implications.

Administrative decentralization involves the redistribution of planning and management responsibilities to local levels of government, which aims to improve the efficiency and quality of public service delivery. Political decentralization empowers citizens and their elected representatives at the local level, ensuring that political decisions reflect local needs (Agrawal & Ribot, 1999). Fiscal decentralization allows local governments to raise revenues and make expenditures, enabling budgetary discretion and responsiveness (Smoke, 2015). Market decentralization, on the other hand, includes the privatization of certain government functions, allowing the private sector to take a more active role in public service provision (Litvack, Ahmad, & Bird, 1998).

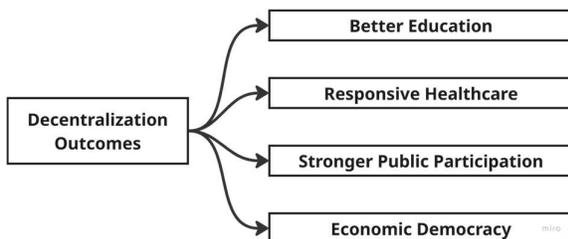


Figure 1. Decentralization outcomes

One of the core arguments in favor of decentralization is that it brings government closer to the people. This proximity is expected to enhance accountability and increase citizens' trust in

government institutions (Faguet, 2014). Studies in Latin America and South Asia have shown that when implemented effectively, decentralization contributes to better education outcomes, more responsive healthcare, and stronger community development (Brosio & Ahmad, 2008; Crook & Manor, 1998). Decentralization also allows for policy experimentation and innovation, as local governments can act as laboratories of economic democracy (Oates, 1999).

However, decentralization is not without its risks. Weak institutional capacity at the local level can lead to elite capture, where political and economic elites dominate the policy process for their interests. (Hadiz, 2004) cautioned that in the Indonesian context, decentralization sometimes reproduces centralized patterns of power at the local level. In the absence of transparency and civic oversight, local corruption may flourish more easily than in centralized systems, where national institutions tend to have more checks and balances (Smoke, 2003).

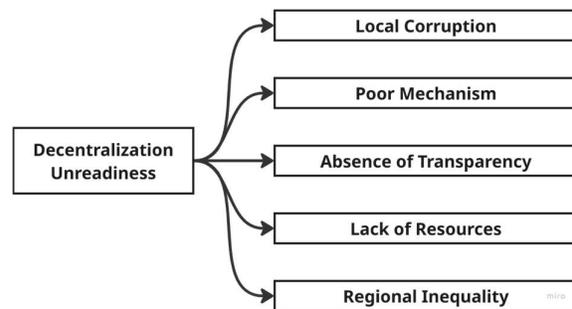


Figure 2. Decentralization unreadiness

Another critical concern is inequality. Decentralization can exacerbate regional disparities if richer areas are better equipped to leverage local autonomy, while poorer regions lag due to a lack of resources or human capital (Hariyati, Holidin, & Mulia, 2021; Rodden, 2004). The phenomenon of asymmetric decentralization may further complicate the landscape, especially in countries with diverse cultural, political, and geographic features like Indonesia (Fish & Brooks, 2004; K. S. Green, 2021; Suharyo, 2003). The risks of uneven development, social fragmentation, and political instability remain unless proactive mechanisms of equalization and support for weaker regions are introduced. Decentralization is highly context-dependent. What works in one country may not translate to another due to differences in institutional history, civil society engagement, or political culture (Smoke, 2015). Comparative

research shows that decentralization succeeds only when embedded in broader institutional reforms, including judicial accountability, electoral reform, and civil service professionalism (Faguet & Pöschl, 2015). Without these, decentralization risks becoming a facade that masks inefficient or corrupt local governance.

Despite the criticisms, decentralization remains an attractive model for reform, especially in the post-pandemic era. COVID-19 highlighted the importance of agile, locally informed responses to crisis. The effective local governance is tested with global pandemic issues. Countries with more decentralized health and welfare systems were able to respond more swiftly and effectively (Dzigbede, Gehl, & Willoughby, 2020). This provides new momentum for reinvesting in decentralized governance that is resilient, inclusive, and locally adaptive.

The literature on sustainable development, circular economics increasingly aligns with the decentralization concept. Regional governments, empowered by autonomy, are better suited to implement circular economic policies, manage localized climate change strategies, and harness community-based resource governance (Skvarciany, Lapinskaite, & Volskyte, 2021). In this context, decentralization becomes not just a governance model but a vital enabler for achieving long-term sustainability goals.

3.2. Indonesia's decentralization trajectory

Indonesia's transition from a centralized authoritarian regime to a more democratic and decentralized state is one of the most ambitious experiments in the developing world. The decentralization process formally began with Laws No. 22 and 25 of 1999, which transferred significant powers to district (*kabupaten*) and municipal (*kota*) governments. This was motivated by both practical and normative imperatives, ensuring better public service delivery, responding to regional unrest, and deepening democratic participation (Turner, Podger, Sumardjono, & Tirthayasa, 2003).

These reforms marked a turning point in Indonesian governance. The powers devolved included authority over education, health, public works, and local economic planning. Local governments were also granted authority to raise revenues and manage local budgets (Andrews & Shah, 2003). This shift enabled up to 500 local jurisdictions to develop their own policies and administrative frameworks. In some cases, it spurred innovative practices in participatory

budgeting, public transparency, and local entrepreneurship (Antlöv, 2003; Chandra, 2024; Fitriani, Hofman, & Kaiser, 2005).

However, the progress has not been linear as expected. Law No. 23 of 2014 significantly recentralized key sectors, such as education and natural resources, to the provincial and national levels. This was a reaction to concerns over fragmentation, uneven service quality, and allegations of mismanagement at the local level (Chandra, 2024; Fitriani et al., 2005). The tug-of-war between centralization and decentralization continues to shape Indonesia's administrative landscape. One major challenge is fiscal dependency. Despite having budgetary authority, many local governments rely heavily on transfers from the central government through the Dana Alokasi Umum (General Allocation Fund) and Dana Alokasi Khusus (Special Allocation Fund). This dependency weakens local accountability and limits their policy autonomy (Lewis, 2005). Some scholars argue that fiscal decentralization in Indonesia is rather symbolic than substantive.

Elite capture remains a persistent issue. Local political elites, often connected to old centralized power structures, dominate local elections and policymaking. Instead of empowering citizens, decentralization has sometimes entrenched oligarchic governance at the subnational level (Hadiz, 2010). This undermines the potential of decentralization to produce democratic shares.

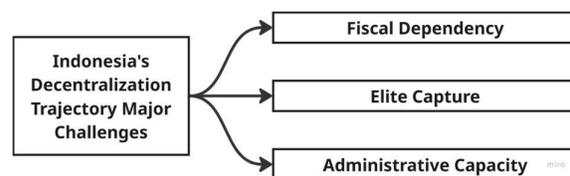


Figure 3. Indonesia's decentralization trajectory challenges

Another issue is administrative capacity. Many districts, particularly in remote or resource-poor regions, lack the skilled personnel, infrastructure, and institutions needed to effectively manage autonomy. This gap creates stark disparities between regions and reinforces a geography of inequality (Setiawan, Tjiptoherijanto, Mahi, & Khoirunurrofik, 2022; Smoke & Lewis, 1996). Some regions have become local success stories, while others continue to struggle with basic governance functions.

Nevertheless, decentralization has opened space for local experimentation. Initiatives like participatory budgeting in Solo, education reforms

in Yogyakarta, and green economic planning in Bali showcase the transformative potential of local governance (Antlöv, Wetterberg, & Dharmawan, 2016; Eliza, Afifi, Arifin, & Azami, 2024). These examples underline the importance of not retreating from decentralization, but rather improving its design and support mechanisms, which in some situations may vary and be dynamic. The COVID-19 situation brought new challenges but also reaffirmed the value of the practicality of decentralized systems. While the central government played a leading role, several local governments developed effective pandemic responses tailored to their local contexts. This flexibility demonstrated the need for empowered, competent, and accountable local governance (Bovaird & Löffler, 2002; Hlepas, 2013).

Furthermore, the decentralization agenda must now align with broader global goals. Indonesia's commitments to the SDGs, green economy, and digital transformation cannot succeed without robust local leadership. Strengthening subnational governments, improving intergovernmental coordination, and investing in local capacity are crucial to making decentralization not just a political reform but a development strategy for the future (Afifi, Adrian, et al., 2024; IsDB, 2018; World Bank, 2022).

3.3. *Decentralization and regional development*

Despite its mixed implementation, decentralization holds strategic potential for Indonesia's regional development in the face of global and domestic pressures, such as post-pandemic recovery, climate challenges, and global economic shifts (Afifi, Adrian, et al., 2024). Empirical studies show that effective fiscal and administrative decentralization can stimulate local economic growth, especially when accompanied by capacity-building, participatory planning, and interregional cooperation (Bahl & Bird, 2008; Boex & Martinez-Vazquez, 2004). For instance, decentralization enables experimentation with circular economy models, sustainable agriculture, co-creation, and renewable energy adoption tailored to regional needs. It also strengthens resilience against crises and pandemics by empowering local governments to respond flexibly and contextually (Afifi, Adrian, et al., 2024; D. Green & Loualiche, 2021; Olivia, Gibson, & Nasrudin, 2020). Ultimately, Indonesia's success in harnessing decentralization lies in aligning local autonomy with national development priorities, institutional integrity, and inclusive governance.

4. Discussion

4.1. *Decentralization as a path to democratic justice: early republican thinkers*

The foundations of Indonesian decentralization were laid by early nationalist leaders who viewed local autonomy as essential for democratic justice and economic equity. Mohammad Hatta, for instance, envisioned a cooperative-based economy rooted in village self-governance (Hatta, 1966; Latif, 2006). His emphasis on the village as the base of sovereignty (*desa sebagai basis kedaulatan*) aligns closely with participatory decentralization, where power is shared with the people at the lowest level. Hatta's federalist leanings embraced deliberative governance at the *desa* (*nagari*) level.

Sutan Sjahrir, Indonesia's first prime minister, also viewed decentralization as a necessary condition for avoiding authoritarian centralism. His writings advocate pluralism and modern liberal values in which local identities must be respected for the Republic to function effectively (Sjahrir, 1995). For Sjahrir, decentralization was not just administrative but philosophical (Vickers, 2005). By respect for local realities would foster genuine democratic citizenship. In contrast, Tan Malaka offered a more revolutionary but still locally grounded view. In his *Madilog* (*Materialism, Dialectics, and Logic*), he critiques central elite domination and argues that true education and liberation must be decentralized to empower the masses (Malaka, 1951). His notion of 'people's sovereignty' is conceptually aligned with political decentralization, albeit framed through Marxist ideology, which is relevant on that day.

Also, other cannot be forgotten are Muslim modernist views like Haji Agus Salim, Hasyim Asyari, Natsir, and even Hamka. More like them emphasized ethical governance that transcends administrative systems. The views of ethical governance on Islam and statehood suggested that justice could only be fulfilled when local communities are not disenfranchised by central dominance (Afifi, 2024; Noer, 1985). His nuanced understanding of decentralization relates to moral decentralism, where accountability is not only institutional quality but also individual spiritual accountability. The early generation of Indonesian thinkers provided rich philosophical support for decentralization, not only as policy but as a moral and political ideal for nation-building. Their contributions laid the intellectual groundwork that would later inspire the Reformasi-era transformations.

Table 1. Key figures of early thinkers of decentralization

Thinker Name	Key characteristic	Main ideas	Legacy
Mohammad Hatta	Initial idea of Indonesian cooperatives, anti-feudal, anti-centralist, socio-democratic	Advocated village autonomy, cooperativism, and federalism. Supported bottom-up governance, like from Nagari (Minangkabau).	The influence of Article 18 of the Constitution shaped rural decentralization policy.
Sutan Sjahrir	A democratic socialist, nationalist modernist, believed in civic participation.	Emphasized intellectual decentralization, autonomous regions, and grassroots mobilization for democratic governance.	Advocated for education and political literacy in local regions.
Tan Malaka	Radical leftist, revolutionary educator, internationalist, people's movement (massa aksi)	Called for economic decentralization through worker councils, people's sovereignty, and self-managed units.	Inspired socialist movements, strong influence in early independence, ideas revived in post-authoritarian local empowerment debates.

4.2. *Developmentalism and controlled autonomy: new order perspectives*

During the Orde Baru regime, decentralization was heavily restructured under the ideology of national unity and economic growth. President Soeharto maintained a de facto centralized system even while formally implementing administrative decentralization. Soeharto's development model relied on top-down control to ensure stability, suppress dissent, and facilitate technocratic governance. Regional governments existed but operated under tight oversight from Jakarta (Berger, 1997; MacIntyre, 1999).

Sumitro Djojohadikusumo, a key economic planner in the Soeharto era, supported this developmentalist model with an emphasis on centralized investment planning. While he recognized regional disparities, his solutions often leaned toward redistributive mechanisms from the center, rather than giving full fiscal autonomy to the regions (Afifi, Adrian, et al., 2024; Hill, 2000). This approach led to increased dependence of regions on central transfers and limited local innovation.

B.J. Habibie, who succeeded Soeharto, began shifting the paradigm. As Minister of Research and Technology, and later as President, he emphasized technological decentralization, promoting the idea that knowledge economies needed local autonomy to thrive (Matsui, 2000; Rasyid, 2004). His administration initiated the key decentralization laws (No. 22 and 25/1999) that later took full effect post-Reformasi, making him a transitional figure toward a more open and pluralistic governance structure.

The New Order's paradox lies in its simultaneous acknowledgment of local development needs and its reluctance to transfer meaningful decision-making authority. This tension created a decentralization model that was administratively shallow and politically centralized, often described as pseudo-decentralization (Turner et al., 2003). This transformation is something that historical progress, which is contextual within that era. As a country, Indonesia is not just facing internal issues but also regional and global challenges.

4.3. *Reformasi and the struggle for equitable decentralization*

Following the fall of Soeharto in 1998, Indonesia entered an era of aggressive political and fiscal decentralization. The Reformasi movement prompted a redefinition of center–region relations through Laws No. 22 and 25 of 1999, later replaced by Law No. 23/2014. These reforms aimed to democratize governance, increase local service delivery efficiency, and foster local accountability (Smoke, 2015). Habibie played it well in his position as transitional president.

Scholars have noted that these decentralization reforms marked one of the most ambitious and rapid transfers of authority to local governments in the developing world (Hofman & Kaiser, 2004). The situation was forced by the reformation agenda. However, the outcome has been mixed. On one hand, it enabled innovations in local governance and citizen participation (Antlöv, 2003). On the other hand, it also opened up opportunities for elite capture, rent-seeking behavior, and governance fragmentation (Hadiz, 2004).

A particular concern is the fiscal dependency of many kabupaten/kota on central government transfers, especially through the Dana Alokasi Umum (DAU). Despite having authority over local budgeting, many regions lack sufficient own-source revenue (PAD), creating asymmetries in autonomy (Fitriani et al., 2005). This undermines the core goals of fiscal decentralization, which are efficiency, accountability, and responsiveness. Moreover, local election practices (Pilkada) have revealed some scary facts, both gains in democratization, vulnerabilities to money politics, and administration inefficiency. While direct local elections have enhanced political participation, they have also entrenched political dynasties and transactional leadership (Mietzner, 2011). Something that we see commonly nowadays in Indonesian politics.

4.4. Today's reflections: decentralization as an unfinished agenda

Recent discussion suggests that decentralization in Indonesia remains a governance dilemma, caught between normative ideals and institutional realities. While the ideas are agreed upon, technically, there is still a lot to explore. For example, digitalization has not yet been implemented to facilitate public access and efficiency. Good governance has also become a major issue in many departments, local and national. While decentralization was intended to bring the state closer to the people, in terms of public services and welfare. But in fact, the quality of local governance varies significantly across regions. In some provinces, it has led to meaningful reforms in education, health, and service delivery. Many practical issues are related to the basic problem, like education, basic economy, and digital literacy (Afifi, Adrian, et al., 2024; Rosser, 2018). In others, it has replicated central-level corruption and inefficiency at the local level.

The re-centralizing tendencies seen in Law No. 23/2014, which brought several authorities (e.g., education, energy) back to the provincial or central level, suggest that the state is grappling with uneven decentralization outcomes. Some argue this is a pragmatic response to ensure service standards and regulatory coherence; others view it as a retreat from democratic localism (Kimura, 2013).

At the normative level, decentralization is also a debate about citizenship and belonging. Who decides what services are needed? Who holds the power to plan the community's future? These are not just technical questions but political and ethical ones. Hence, decentralization policy must be paired with institution-building, civic education, and local

media empowerment to achieve its transformative potential.

5. Conclusion

Indonesia's long journey toward decentralization reflects both the resilience and complexity of its governance structure. As traced from the thoughts of foundational thinkers like Mohammad Hatta, Sutan Sjahrir, and Tan Malaka, decentralization was never just an administrative tool. It was deeply understood as connected to ideals of justice, equity, and empowerment. These early figures envisioned local autonomy as a mechanism for democratic engagement and socio-economic transformation, especially in a country as geographically and culturally diverse as Indonesia. Hatta's idea of the "desa" as the nucleus of economic democracy remains particularly relevant, indicating how decentralization is rooted in historical aspirations rather than simply modern technocratic reforms.

The post-independence centralization that peaked under Soeharto undermined much of these early visions. The concentration of power in Jakarta and the over-reliance on top-down development models resulted in inefficiencies, corruption, and regional marginalization. Something that can be argued nowadays with issues that are most likely the same. Is it about the centralization of power or the lack of technicality to support and facilitate good governance? However, even during this era, figures like B.J. Habibie and Sumitro Djojohadikusumo acknowledged the necessity of regional capacity-building and technological empowerment, which would later serve as foundational arguments for Reformasi-era decentralization.

The post-1998 Reformasi period ushered in rapid decentralization through Laws No. 22 and 25 of 1999. These legal frameworks fundamentally shifted the governance paradigm, granting significant power and responsibilities to kabupaten and kota governments. Yet, challenges quickly emerged, including elite capture, uneven fiscal transfers, limited local capacity, and inconsistent decentralization policies persisted. The subsequent revision in Law No. 23 of 2014 signaled partial recentralization, exposing the fragility of the decentralization process and the unresolved tension between central authority and local autonomy.

Despite the setbacks, the decentralization era also witnessed numerous regional successes. Local governments that developed innovative policies in health, education, infrastructure, and environmental sustainability became beacons of good governance.

Some regions adopted circular economy principles, enhanced community-based health systems, or improved education quality through locally-driven digital tools. These case studies reflect decentralization's potential to unlock region-specific growth and resilience, especially in a post-covid economic landscape characterized by global supply chain disruptions and shifting resource dependencies.

Globalization, climate change, and technological transformation offer both challenges and opportunities for Indonesia's decentralized governance. Regions must now not only compete with one another for investment and innovation but also collaborate across jurisdictions to tackle transboundary issues such as environmental degradation and food security. Decentralization can serve as a platform for adaptive, localized policy-making, provided that local governments are empowered with sufficient authority, capacity, and fiscal resources.

Moving forward, the success of decentralization in Indonesia hinges on three key pillars: institutional

strengthening at the local level, meaningful civic participation to counter elite dominance, and consistent national policy direction that respects regional diversity. There must be a clear roadmap linking decentralization to Indonesia's long-term development visions, including the Sustainable Development Goals (SDGs) and the national vision for 2045. Decentralization is not a panacea, but it remains a critical strategy for inclusive and resilient development (Afifi, Adrian, et al., 2024; Afifi, Andriyaldi, et al., 2024).

Go forward, Indonesia should reaffirm its commitment to decentralization, not as a static policy, but as a dynamic development process rooted in democratic ideals and adaptive governance. By revisiting the intellectual legacies of past statesmen and learning from current regional experiences, Indonesia can strengthen its decentralization trajectory to foster innovation, equity, and sustainable development in a rapidly changing global order.

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