

LoGICA Intergovernmental Profile

The Republic of Indonesia, 2023

1. Country description and state of decentralization

The Unitary State of the Republic of Indonesia, or The Republic of Indonesia, is the world's largest archipelagic state that spans Southeast Asia and Oceania between the Indian and Pacific oceans. With over 270 million people, Indonesia is the world's fourth-most populous country. Java, the most populated island, accounts more than half of the country's population. While remaining a unitary state, most of the public sector's functional responsibilities (or authorities) are assigned to provincial and local governments except for a number of absolute authorities reserved for the central government: foreign policy, security, defense, judiciary, monetary, and religion. Other than these national-level functions, the public services enjoyed by Indonesians are mostly provided by the provincial and local governments.

The Unitary State of the Republic of Indonesia, or The Republic of Indonesia, is the world's largest archipelagic state in Southeast Asia and Oceania and between the Indian and Pacific oceans. It consists of over 17,000 islands, including five main islands, Sumatra, Java, Kalimantan, Sulawesi, and Papua. According to the most recent population census (2020), Indonesia has 270.2 million inhabitants. 56.1% of residents live in Java, the most populous island. 56.7% of the population live in urban areas, mainly within Java and Sumatra.

Endowed with land area of 1.9 million square kilometers, most Indonesians interact more with local governments than national government ministries. The local governments act as the frontline of public services, for example, in the delivery of education, health, transportation, clean water, sanitation, and other public services. The national government provides strategic services of national scope and importance, such as defense, security, the national power grid, and religion.

The 1945 Constitution serves as the supreme law that forms the basis of the state. The constitution not only defines the structure and powers of national and local government but also governs the direction of administrative, political, fiscal, and asymmetric decentralization.

Under the New Order (*orde baru*) regime of President Suharto (1966-1998), Indonesia had a highly centralized political and economic system. Under the New Order, provincial and local administrations were a hierarchical integral part of central government and did not have their own political leadership. Decentralization of power was thus one of the central demands of the reform movement in 1998 (NDI 2000). The transitional administration of President B.J. Habibie responded to these demands with a policy of wide-ranging subnational autonomy. This policy resulted in the passage in May 1999 of Law 22/1999 "On regional governments" and Law 25/1999 "On the financial balance between the central and regional governments".¹¹ A constitutional amendment adopted in 2000 enshrined the autonomous status of Indonesian subnational governments and provided a constitutional basis for the direct election for subnational leaders. The implementation of these laws under the Wahid administration, starting on January 1, 2001, is sometime referred to as Indonesia's "big bang" decentralization reform.

¹¹ The Constitution (Article 18) states that to provinces, regencies (kabupaten) and cities (kota) each shall have regional (i.e., subnational) authorities and shall administer and manage their own affairs according to the principles of regional (i.e., subnational) autonomy.

Subsequent legislative reforms have further refined the legislative framework for subnational governance.² Law 23/2014 defines the specific structure, authority division, and organization of central and local government. The fiscal relation of central and local government is arranged by Law 1/2022 on fiscal relation between national and subnational governments. The mentioned law became the law package of Indonesia's decentralization policy, which aims to create an inclusive government, effective public service deliveries, and sustainable localized development.

This intergovernmental profile covers the multilevel arrangements in Indonesia. Currently, Indonesia has 38 provinces, up from eight provinces in 1945. Below the provincial level is the local government level, which is formed by regencies (*kabupaten*) and cities (*kota*), along with 5 administrative units under the control of Jakarta's capital city. The local government level also incorporates 7,266 district administrations, which—as part of their respective regencies and cities—serve as a coordinator of the lowest level of government structure. The lowest level of the territorial-administrative structure is formed by the village level, which incorporates 74,961 rural villages and 8,506 urban village entities, respectively.

2. Subnational governance structure of Indonesia

The Republic of Indonesia is a unitary state comprising five tiers of governance and administration: one central government, 38 provincial governments (including special provincial-level entities), 514 local (regency and city) governments, 7,266 district administrations, and 83,467 village-level governance institutions. At the provincial level, Indonesia has an asymmetric decentralization framework, with 9 entities being designed as special (autonomy) regions. Under the Constitution (as revised in 2000) and the legal framework, provincial and local governments have independence in terms of political, administrative, fiscal and public service provision responsibilities. Rather than forming an autonomous local government level, the local district administration tier only act as an administrative extension of the local government level. In contrast, rural village governments have a greater degree of autonomy, including rights to raise revenues, elect their own local leaders, and exercise spending authority.

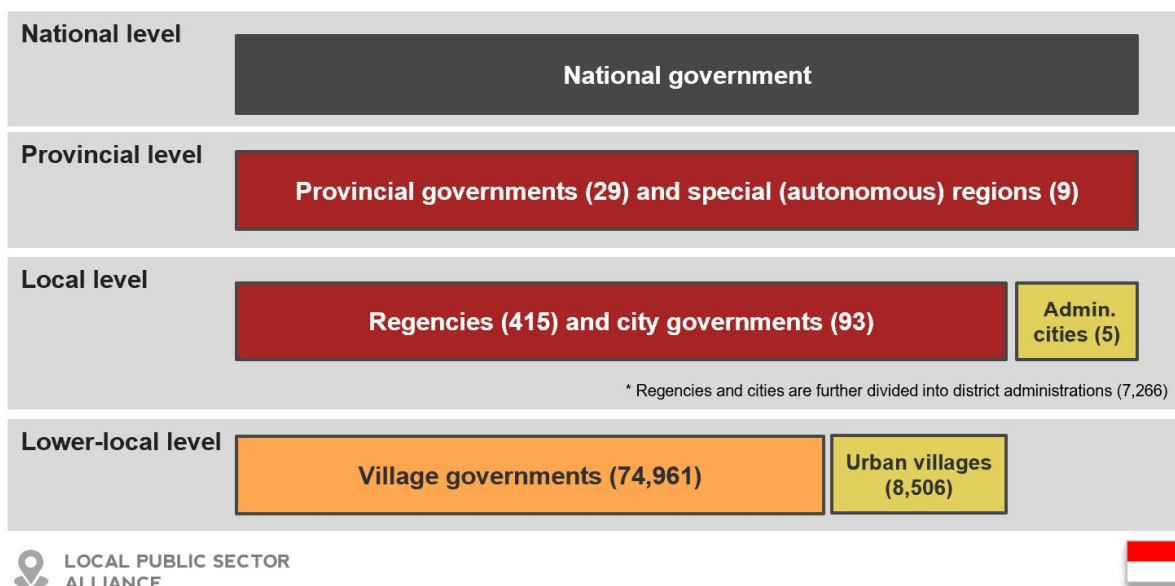
Indonesia's government structure is comprised of four levels of government: province (*provinsi*); regencies and cities (*kabupaten* and *kota*), district administrations (*kecamatan* or *distrik*), and village-level governance institutions (e.g., *desa* and *kelurahan*).

The province is the first territorial-administrative subdivision of Indonesia, which is led by a governor and a provincial legislature. Powers have been devolved to the provincial level in Indonesia in an asymmetric manner, with several parts of the country having a higher degree of subnational autonomy. The secondary territorial-administrative division of Indonesia is formed by the local (regency and city) government level.³ The third territorial-administrative level of Indonesia is formed by districts administrations, which are part and parcel of the local (regency and city) governments. The lowest territorial-administrative government level is the village level, which encompasses rural as well as urban village-level bodies.

² There are three legislative milestones of decentralization reforms in Indonesia. Law 22/1999 was the first legislative framework which provided wide autonomy for subnational government. After five years of implementation, the law was revised by Law 32/2004. The revision emphasizes the role of provincial government and division of authority between central and local governments. Law 22/2014 was the latest revision and provides the basis for current decentralization arrangements. The law includes not only a clear division of authority between government level, but also introduces minimum standard of services (MSS).

³ Only the capital region / province of Jakarta (*DKI Jakarta*) has administrative cities. The administrative cities under DKI Jakarta do not have similar authority, power, and function with other common cities/municipalities.

Figure 1. Subnational governance structure of Indonesia, 2022



Source: Prepared by author. Note: Dark red signifies devolved subnational government institutions with extensive powers and functional responsibilities; orange signifies hybrid subnational government institutions (which combine features of devolution and deconcentration), while yellow indicates subnational institutions that lack autonomy and authority.

Historically, the multilevel governance structure of Indonesia has evolved over time. After its independence in 1945, Indonesia had three tiers of government; the first-tier was Residence (*Keresidenan*), the second tier was city/municipal, and the third was the village level. From the mid-1950 to 1999, the authoritarian regime reduced the power of subnational government and vertical delegation of power. During that period, the government tiers were the *Daerah Tingkat I/ DAT I* (Regional level) and the *Daerah Tingkat II* (Local level). After the fall of Soeharto's regime in 1999, there was a massive reform in the Indonesian government, which created the current decentralized structure of the public sector: (1) Provinces; (2) Regencies and cities; (3) District administrations; and (4) Villages. The current assignment and division of functions, authority, power, and fiscal powers to the local level are described explicitly in Law 23/2014 on Local Government.

Table 1 presents an overview of Indonesia's current subnational administrative-territorial or governance structure, as per the latest count of the Ministry of Home Affairs (2022). The number of provincial and local governments has significantly changed since the effective decentralization regime in 2000.

Table 1. Subnational governance institutions, 2022

	Number of units	Complete territorial coverage?	Uniform structure	Territorial Level
National government	1	Yes	Yes	Central
Provincial government (<i>Provinsi</i>) and Special Provinces	38	Yes	No	Regional
Local government (<i>/Kabupaten/ Kota</i>)	514	Yes	Yes	Local
Local district administration (<i>Kecamatan/Distrik</i>)	1,266	Yes	Yes	Local
Village level institutions (<i>Desa/Kampung/ Kelurahan</i>)	83,467	Yes	No	Local

Source: Ministry of Home Affairs (2022).

In aggregate, for the year 2022, the Ministry of Home Affairs has administered 38 provincial-level governments (*provinsi*), 514 cities/municipalities (*kota/kabupaten*), 1,266 districts (*Kecamatan*), 8,506 urban villages (*kelurahan*), and 74,961 villages (*Desa*).

Provincial governments (and special autonomous provinces). The number of provinces in Indonesia has significantly increased over the past quarter-century from 26 in 1999 to 38 in 2023. In addition to 29 ordinary provinces, there are nine provinces which have special or privileged status.

The Constitution acknowledges the existence of regions of special or privileged status, as regulated by law. These include the province of the capital region of Jakarta (*Daerah Khusus Ibukota Jakarta/DKI Jakarta*), the Special Region of Province Yogyakarta (*Daerah Istimewa Yogyakarta*), Aceh Province, and six provinces with special autonomy Papua (Papua province, West Papua province, Central Papua province, Highland Papua province, South Papua province, and Southwest Papua province).

Special or privileged provinces receive different treatment from central in different ways. For example, they may have additional fiscal transfer schemes, rights on promoting local values on government structure and administration, more access on raising revenue, and promoting local culture on election contest. The province's leader, the governor, may have greater authority not only to supervise the city/municipal governments within their jurisdiction, but also as the representative of central government in the region, for example, coordinating and evaluating vertical organization from line ministry in the region.

Local (regency and city) governments. The second tier of government structures forms the frontline of public service delivery. This territorial-administrative governance level consists of 415 regencies (*kabupaten*) and 93 cities (*kota*), in addition to 6 administrative units in the capital city. The term *kota* (or "city") refers to a jurisdiction that is smaller than a *kabupaten* (regency), which often --but not always has more urban functional characteristics. There is no uniform standard for distinguishing between the two types of local governments, and their constitutional and legal status is identical. The leader of city is mayor (*walikota*), and the leader of regency is a regent (*bupati*). Each leader is elected through fair local democracy. Authoritative decision-making power at the local level is held by an elected local government council (Regional People's Representative Council or *Dewan Perwakilan Rakyat Daerah*, DPRD).

Residents mostly interact with the government at this tier of the public sector since the central government delegates most of public service provisions to local government level. Local governments have rights with respect to exercising spending, raising own revenues, and executing their authority which had been delegated from the central. The role, authority, finance, and power of city/municipal are regulated on Law 23/2014, except for the 6 administrative units within the province of Jakarta, which has a specific asymmetric law.

District administration. Given the vast population and area of local governments in Indonesia (with an average population size of close to 500,000 residents), the regent or mayor is not able not ensure the provision of public services without the assistance of district administrations. According to in Law 23/2014, each local government is divided into several districts—named *Kecamatan* or *Distrik*—to reach all the residents within their jurisdiction. District administrations act as an extension of the regency/city office, therefore, the district government leaders are appointed by regent/mayor and the budget is included as part of the local governments' accounts.

Village level (village governments and urban villages). As the smallest entities of government, villages (in rural areas) and urban villages (in urban areas) provide basic community level services, such as rural roads, but also community centers, early childhood education, and other local community development activities. Urban villages are a mere deconcentrated part of their respective local government and district, but rural villages are different.

Law 6/2014 on Villages governs the authority, political structure, organizational structure, and finance of rural village governments. Rural villages are largely self-governing local self-governments, as villagers elect village government leaders through community level elections, thus ensuring political accountability. Village

governments receive intergovernmental grants from the central and local governments for developing the communities within the village. At the same time, however, villages are staffed by staff from their respective local governments. This 'micro-autonomous government' prioritizes the development based on local values, community culture, and social norms in a way that is closely coordinated with the higher levels.

While the formal legal authority of the village is almost the same as that of the local government, but the scope of service is at local community level, and while the role of the village as an autonomous region is guaranteed, in practice, there is a close relationship between the local government and the village. The village government carries out its functions in close coordination with municipal officials, including the provision of sanitation, health, education, and agricultural infrastructure using the village government budget. Village government also have the option to hand over some of their implementation responsibilities to the local government on a partnership principle, which is formalized in the official agreement. Arrangements regarding the authority of district/city governments that can be exercised by village governments are regulated in Government Regulation No. 6 year 2014.

3. Nature of subnational governance institutions in Indonesia

Provincial governments and local governments in Indonesia should be considered autonomous subnational governments with their own elected leadership, autonomous decision-making power and administration, and extensive functional responsibilities. Rural village governments should be considered hybrid local governance entities, while districts and urban villages are a deconcentrated part of their respective local governments.

Provincial governments, city/municipal governments, and village governments meet the key criteria of devolved local governments, but district governments and urban village governments do not. The cities under the administration of province Jakarta also do not meet the textbook definition of local government. Table 2 describes the characteristics of each tier of government: (i) have corporate status, and engage in subnational governance functions; (ii) have their own (elected) political leadership; (iii) Prepare, adopt, and manage their own budgets; own assets and raise funds in own name; and incur liabilities by borrowing on their own account; and (iv) appoint own officers and staff.

Table 2. Characteristics of Subnational governance institutions					
	Provincial government	Local government	District administration	Urban village government	Village government
Corporate status	Yes. Powers provided by Law 23/2014.	Yes. Powers provided by Law 23/2014.	No. Powers provided by Law 23/2014.	No. Powers provided by Law 23/2014.	Yes. Powers provided by Law 6/2014.
Engages in governance functions	Provides region-wide public services	Provides local public services	Administers and oversees district-wide public services	Provides local/community public services	Provides local/community public services
Own assets and raise funds in own name	Yes	Yes	No	No	Yes
Own (elected) political leadership	Yes. Elected Governor and Prov. Legislature	Yes. Elected Regent/Mayor and Local Legislature	No (appointed by local government)	No (appointed by local government)	Yes. Village Head is directly elected
Prepare, adopt, and manage their own budgets	Yes	Yes	No	No	Yes
Appoint own officers and staff	Yes; but should consult with central government	Yes; but should consult with central government	No	No	No. Officers/staff provided by municipal/city.

Provincial and local governments. Based on Indonesia constitution, as well as based on Law 23/2014, provincial and local governments are corporate entities with a high degree of decision-making power and operational autonomy, including their own elected political leadership, the ability to prepare, adopt, and manage their own budget, and the ability to appoint and employ their own officers and staff. Both provincial and local governments are led by a directly elected subnational executive and an elected subnational council. Even though their level of autonomy and decision-making power is high, central government officials provide guidance and advice to subnational government on a range of issues, including about how to achieve national development targets, to ensure transparency and good governance at the subnational level, and to control excessive unnecessary spending, taxing, and over-recruitment of staff. Rather than direct central intervention in subnational decisions, different mechanisms are used to achieve balance between national interest and local interests, including (but not limited to) increases or reductions in intergovernmental fiscal transfers, administrative incentives or sanctions, and announcements in the mass media.

As a result, all provincial governments (including special provinces) as well as all local (regency and city) governments should be considered **devolved subnational government institutions with extensive powers and functional responsibilities**.⁴ Both provincial governments as well as local governments meet all the textbook conditions of subnational government entities

District administrations and urban village administrations. District administrations (*Kecamatan*) and urban village governments (*Kelurahan*)—are part and parcel of their respective local governments and should generally be considered **horizontally deconcentrated entities**.

Rural village governments. Rural village governments are community-level corporate entities that have territorial boundaries that are authorized to regulate and manage government affairs, local community interests based on community initiatives, origin rights, and/or traditional rights that are recognized and respected within the government system of the Unitary State of the Republic of Indonesia (Law 6/2014). Village have elected political leadership and high government decision-making power. However, the appointment of officers and staff is under the control of local government and limited resources to raise their revenue. Therefore, village government may be considered as **hybrid subnational government institutions**.

4. Assignment of functions and responsibilities in Indonesia

The Constitution (as revised most recently in 2000) and Law 23/2014 on local government assigns the functions and responsibilities of the central, provincial, and local governments. Even though most frontline public services are delivered by local governments (including public education, primary health services, solid waste management, and so on), some public services that have considerable externalities, that are cross-regional in nature, or that reflect national priorities, are carried out directly by the central government. For example, while the responsibility for public housing legally falls under the authority of local governments, in practice, housing for the poor is managed by the central government. The same is true for highway infrastructure, electricity provision, social protection and tertiary education. While the legal assignment of functional authority provides considerable discretion to provincial and local government, the de facto autonomy of subnational governments is not absolute: for instance, their ability to deliver public services is limited by the availability of grant resources and their limited discretion to raising subnational revenues.

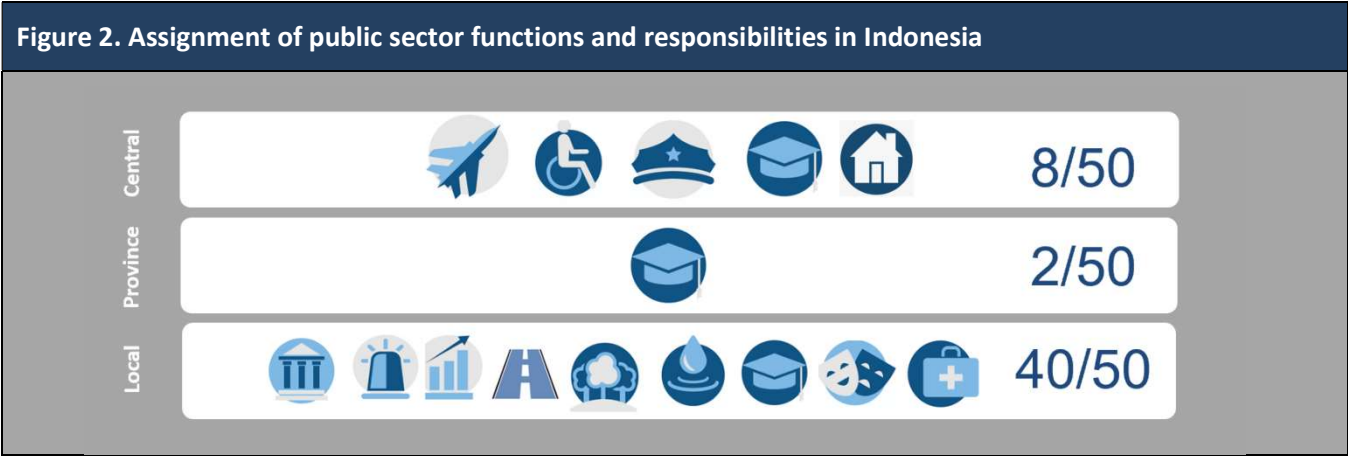
The assignment of province, city/municipality, district, village and urban village is divided in the Indonesia constitution (Law 23/2014 and Law 6/2014). The division of power has been evolved from the rapid

⁴ This is true except for the 6 cities/municipalities under the administration of Province Jakarta: Central Jakarta, East Jakarta, West Jakarta, South Jakarta, and Kepulauan Seribu, which are categorized as territorial deconcentration. Law 29/2007 (*On the government of Jakarta Province*) describes the status, power, and administration of Jakarta and its subnational entities.

decentralization in 2001, which most scholars refer to 'a big bang decentralization'. The power and function rapidly delegated to the local government except 6 absolute powers, and the later gradually balance.

The central government provides public services that have significant impact for the nation as a whole, for example, leveraging the resources on providing national health insurance, electric plant, toll roads, housing for extreme poor, national security, defense, disaster management, tertiary education, and other national interest. The regional and local governments should assist the central government by aligning their development plans along national policies and targets. The government affairs that required synergy and cooperation among national, regional, and local are called *concurrent government affairs*. Concurrent government affairs include the provision of basic service mandatory affairs (education, health, public works and spatial planning, housing, social and social protection. The central government set minimum standards of basic service mandatory affairs and required the local to achieve the minimum standards.

Based on the exercise of LoGICA's assessment table, Indonesia places most of the public services on local government (city/municipal level), which *de facto* is the frontline of government. An overview of the de facto assignment of functions and responsibilities in the U.S. is captured in Figure 2, with each icon reflecting significant responsibility in one of the main categories of government functions as defined by the IMF (2001).



National government functions. National government is responsible for a specific list of public sector functions, including foreign policy, defense, national security (police service), justice, fiscal and monetary policy, and religion affairs. National government also responsible on providing frontline service to affairs that become national priority, such as tertiary education, energy, communication, and social services. Other than that, the role of national government in direct frontline provision involved on set national standard of public services, provide guidance, collaborate, and supervise public service provision in the local level.

Provincial government functions. The role of provincial government in the frontline of public service is limited on providing vocational (postsecondary, nontertiary) education. Other than that, the role of provincial government is like national level, which is providing guidance, financial support, and supervise public service provision in city/municipal level. Provincial government could provide the concurrent affairs that become their responsibility, which has been described on Law 23/2014. The provincial government can be involved into public affairs if the function meet the following conditions: (1) It causes externality that beyond the local government’s jurisdiction; (2) It been tasked by national government through presidential decree or ministry regulations. For example, the river management for irrigation and clean water that pass across multiple local governments is under the purview of provincial governments.

Local (regency / city) government functions. All other frontline public services considered as part of the LoGICA assessment (i.e., not noted above as central or provincial functions) are generally provided by local governments in Indonesia. It should be noted that at some case, concurrent assignment of functions result on overlap in function of national, provincial, and local governments. In other cases, particularly as it relates to local economic development and local infrastructure, village governments play a role. As such, local government functions in Indonesia include:

- **Public order and safety.** With the exception of police (which is a national function), public order and safety functions—such as fire protection—are provided by local governments.
- **Economic affairs,** including investments in agricultural/livestock development (the capital spending under villages and urban villages management), irrigation (within the jurisdiction), local road construction and maintenance, public transit, as well as the management and promotion of local markets, local economic development (LED) and labor development.
- **Environmental protection,** including waste management, wastewater management, and protection of biodiversity and landscape.
- **Housing and community amenities.** Housing other than housing for the poor are managed at the city/municipal level. Community development activities are under city/municipal, but oftenly executed by urban villages/villages. Water supply are under city/municipal, but electricity and street lighting are managed by central through National Electricity Enterprise (*Perusahaan Listrik Negara/PLN*).
- **Health.** Hospital services are considered a concurrent function for which central, province, and local governments each have roles. The vast majority of basic (outpatient) health services as well as basic hospital services are provided at the local government level. If the hospital only responsible on specific disease (i.e. cancer, diabetes, heart disease) and required advance technology that can not be provided in local level, then the central or provincial government takes the responsibility. The classification of hospital services is regulated by national law and health ministry decree.
- **Recreation and culture,** including parks, recreation and sporting services as well as other cultural and other community services are generally provided by local governments. National government responsible on religion affairs and delegate religion affairs in local territory through vertical organization.
- **Pre-primary, Primary Education, and Secondary Education.** It is clearly mentioned on Law 23/2014 that pre-primary, primary, and secondary education are under the provision of local government and the lower governments beneath them.

Selected references

- [Act of The Republic of Indonesia No. 23 of 2014 on the Local Government](#)
- [Two Decades of Fiscal Decentralization Implementation in Indonesia](#) (Fiscal Policy Agency, Ministry of Finance Republic of Indonesia)
- Indonesia's Road To Constitutional Reform: The 2000 MPR Annual Session (National Democratic Institute, 2000)