
**Fiscal, Political, and Developmental Dimensions of Decentralization:
Global Insights**

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ABSTRACT: Decentralization and regional autonomy have become central themes in governance reforms worldwide, raising critical questions about their effectiveness in improving accountability, service delivery, and socio-economic outcomes. This narrative review synthesizes existing scholarship to evaluate the effectiveness of decentralization across fiscal, political, administrative, and developmental dimensions. Literature was collected from databases such as Scopus, Google Scholar, and Web of Science, using targeted keywords and applying inclusion criteria focused on relevance, methodological rigor, and empirical evidence. The review highlights three main findings. First, fiscal decentralization demonstrates potential to enhance accountability and service delivery, but its success is constrained by elite capture and dependence on central transfers. Second, political and administrative autonomy fosters policy innovation and conflict resolution when embedded in strong institutional and legal frameworks, but in weaker contexts it may aggravate corruption and inefficiency. Third, socio-economic outcomes show significant variation: while OECD and some Asian regions report improvements in education, health, and infrastructure, many African and fragile states experience uneven benefits. These findings underscore that decentralization is not a uniform process; instead, its outcomes are shaped by systemic factors such as institutional design, political culture, and legal guarantees. Effective policy interventions should strengthen local capacity, promote transparency, and establish balanced fiscal frameworks. Future research should expand to underrepresented regions and adopt longitudinal approaches to capture long-term impacts, ensuring decentralization reforms achieve sustainable governance and inclusive development.

Keywords: Decentralization, Regional Autonomy, Fiscal Decentralization, Governance Reforms, Local Governance, Accountability, Socio-Economic Development.



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INTRODUCTION

Decentralization and regional autonomy have emerged as pivotal themes in contemporary debates on governance reform. The theoretical underpinnings of decentralization draw extensively from fiscal federalism, which emphasizes the allocation of financial responsibilities across different levels of government, and the principle of self-government, which enables local authorities to manage their affairs autonomously (Faguet, 2013; Lee & Suh, 2021). Scholars argue that

decentralization has the potential to improve public service delivery by fostering competition among local governments, thereby incentivizing them to enhance their efficiency and responsiveness (Filippetti & Cerulli, 2018; Rodríguez-Pose & Muštra, 2022). This process not only enhances the accountability of local institutions but also empowers citizens through closer proximity to decision-making processes (Ping et al., 2020). As governance systems worldwide grapple with issues of legitimacy, accountability, and efficiency, decentralization is increasingly viewed as a mechanism to bridge the gap between state institutions and citizen needs.

In developing countries, decentralization has often been implemented as part of broader democratic reforms aimed at dismantling authoritarian legacies and promoting participatory governance. For instance, Indonesia's adoption of decentralization following the fall of the Suharto regime illustrates an effort to empower regional governments and increase accountability (Muhtada, 2017). Empirical evidence shows that local government spending plays a significant role in stimulating industrial development, revealing a link between fiscal autonomy and regional economic growth (Wiryanan & Otchia, 2022). Nevertheless, the process is fraught with challenges. Local governments often face capacity deficits, entrenched corruption, and the persistence of elite dominance in resource allocation, raising questions about the substantive nature of autonomy under decentralization frameworks (Syarif, 2023). These challenges underscore the need to distinguish between formal decentralization, as established in law, and the actual practice of regional autonomy.

The relevance of decentralization is further highlighted by its potential to reshape patterns of governance and socio-economic development. Evidence from Europe shows that fiscal decentralization correlates with enhanced service delivery through "virtuous competition" among local governments, where regions strive to attract residents and businesses by improving public goods (Filippetti & Cerulli, 2018). Similarly, in Indonesia, increased fiscal authority has been associated with local industrial development, demonstrating the potential of decentralization to stimulate regional growth (Wiryanan & Otchia, 2022). Yet these benefits are not universal. In many cases, decentralization produces uneven outcomes, with wealthier regions better able to harness autonomy than poorer ones, thereby deepening existing disparities (Novi et al., 2019; Akadun, 2024). Furthermore, environmental governance highlights a pressing dilemma: decentralized authorities may prioritize short-term economic gains over sustainable resource management, resulting in ecological degradation if oversight mechanisms are weak (Sukri et al., 2019). Such variations illustrate the multifaceted nature of decentralization's impact on governance effectiveness.

At the same time, decentralization often creates contradictions that undermine its intended goals. While fiscal decentralization is designed to enhance local accountability, it can inadvertently exacerbate fiscal imbalances. Research in Indonesia reveals that local governments frequently rely heavily on central transfers, limiting their fiscal independence and perpetuating dependency (Syarif, 2023). This mirrors findings in other developing contexts where vertical fiscal imbalances constrain genuine autonomy and entrench inequalities between regions (Ogweno & Semedo, 2025). Political conflicts further complicate decentralized governance. In Indonesia, disputes between regional heads and local legislatures (DPRD) have led to policy stagnation and weakened oversight, reflecting the fragility of intergovernmental cooperation (Fauzan et al., 2025). Comparable patterns have been observed in Africa, where decentralization sometimes intensifies ethnic competition

and undermines national cohesion (Rodríguez-Pose & Muštra, 2022). These challenges highlight the inherent tension between autonomy and accountability within decentralized systems.

Capacity deficits constitute another obstacle to effective decentralization. In many developing countries, local governments lack the institutional infrastructure, skilled personnel, and financial resources to exercise their autonomy effectively. In Indonesia, decentralization has not consistently been accompanied by adequate capacity-building initiatives, resulting in weak governance and ineffective service delivery at the regional level (Amin & Isharyanto, 2022). Such limitations diminish the transformative potential of decentralization, leaving local governments ill-prepared to meet expanded responsibilities (Rijal et al., 2024). The absence of sufficient institutional capacity not only undermines local performance but also creates opportunities for elite capture, further eroding accountability mechanisms and public trust in decentralized governance.

The literature reveals critical gaps that necessitate further scholarly inquiry. While numerous studies document the benefits of decentralization in enhancing service delivery and promoting economic growth, less attention has been paid to the conditions under which decentralization leads to negative outcomes such as elite capture, fiscal dependency, and social fragmentation. Furthermore, there remains limited understanding of the nuanced interaction between central oversight and local autonomy, particularly in contexts where central governments continue to exert substantial influence over regional affairs (Lee & Suh, 2021; Zamzami & Rakhman, 2023). These gaps call for a more comprehensive examination of decentralization as a dynamic process shaped by institutional design, political culture, and socio-economic context.

The purpose of this review is to synthesize existing literature on decentralization and regional autonomy, with a particular focus on evaluating policy effectiveness and its implications for local governance. This study aims to examine three central dimensions: fiscal decentralization and its impact on regional inequalities; political and administrative autonomy as mechanisms for improving governance effectiveness; and the role of local capacity in shaping developmental outcomes. By analyzing these dimensions, this review seeks to identify both the opportunities and limitations of decentralization as a governance reform strategy.

The scope of this review encompasses a comparative analysis of decentralization experiences across multiple contexts, with a focus on developing countries such as Indonesia, Yemen, and selected African states, while drawing lessons from advanced economies where applicable. These regions provide fertile ground for analysis given their diverse historical trajectories, institutional frameworks, and socio-political dynamics. By integrating cross-regional perspectives, this review not only contributes to a more nuanced understanding of decentralization but also highlights the contextual variables that shape its outcomes. Ultimately, this paper seeks to advance scholarly debates on decentralization and regional autonomy, offering insights relevant to policymakers, academics, and practitioners striving to design governance systems that balance autonomy, accountability, and national cohesion.

METHOD

The methodological framework guiding this study was designed to ensure a comprehensive and rigorous exploration of decentralization and regional autonomy in public governance. Recognizing

the breadth and complexity of governance reforms globally, the review process employed systematic and structured procedures for collecting, filtering, and synthesizing literature. This section outlines in detail the strategies for literature retrieval, the databases utilized, the keywords applied, the inclusion and exclusion criteria, the types of research considered, and the evaluative processes undertaken to ensure the credibility and relevance of the selected studies.

The collection of literature began with the identification of reliable databases that provide peer-reviewed and authoritative sources. Scopus was prioritized given its extensive coverage of political science, sociology, economics, and public administration journals. Scopus also offers citation metrics that help in identifying influential works in the field. Google Scholar complemented this search by expanding coverage to include highly cited articles across disciplines, thereby capturing seminal works that may not appear in other databases. In addition, Web of Science was employed to refine searches through its advanced filtering options, enabling the focus on decentralization, fiscal federalism, and governance reforms. This triangulation of databases ensured a balanced retrieval of both foundational and contemporary studies, while minimizing database bias.

Search strategies were carefully formulated using Boolean operators, phrase searching, and truncation techniques. Boolean operators allowed the combination of key terms to expand or narrow the scope of searches. For example, searches such as “decentralization AND regional autonomy” ensured that results contained both concepts, while “decentralization OR local governance” broadened the range to include studies using varied terminology. The use of “NOT” was applied selectively to exclude unrelated material, such as “fiscal decentralization NOT centralization.” Phrase searching with quotation marks was employed to retrieve exact matches, such as “fiscal decentralization” or “local government performance.” Truncation symbols enabled the capture of word variants, such as govern*, which retrieved results for governance, government, and governing. This combined strategy facilitated a comprehensive yet precise search process.

The selection of keywords was critical in structuring the search queries. Core keywords included “decentralization,” “regional autonomy,” “local governance,” and “fiscal autonomy,” which directly addressed the subject matter. To capture broader governance dimensions, terms such as “governance reforms,” “public administration,” and “accountability in governance” were included. For applied contexts, “decentralized service delivery” and “local government performance” were utilized. This carefully curated list of keywords ensured coverage of theoretical, empirical, and policy-oriented literature, encompassing both the normative arguments for decentralization and the empirical evidence of its outcomes.

The application of inclusion and exclusion criteria played a central role in refining the pool of studies considered for this review. Inclusion criteria prioritized research that explicitly examined decentralization, regional autonomy, or governance reforms within both theoretical and empirical contexts. Empirical evidence was given particular emphasis, with preference for studies that provided data-driven insights or case studies illustrating the impacts of decentralization on governance outcomes. Geographical diversity was also a guiding principle, ensuring representation from different regions such as Africa, Southeast Asia, Latin America, and OECD countries. Finally, peer-reviewed articles, scholarly books, and official reports were considered acceptable, with preference given to journal articles to maintain scholarly rigor.

Exclusion criteria served to eliminate studies that would dilute the analytical clarity of the review. Articles that did not directly address governance structures or decentralization mechanisms were excluded as irrelevant. Works with significant methodological weaknesses, such as poorly defined research designs or insufficient empirical support, were omitted to maintain the quality of the evidence base. Outdated literature published significantly earlier than the last decade was generally excluded unless it was identified as a foundational or highly influential work, thereby ensuring that the review reflected current academic and policy debates. Non-academic sources such as blogs, opinion pieces, or journalistic essays were also excluded to preserve scholarly integrity.

The type of research included in the review was diverse but bound by its relevance to the topic. Empirical studies in the form of case studies, longitudinal analyses, and comparative research were prioritized for their ability to demonstrate real-world applications of decentralization policies. Quantitative studies, such as econometric analyses of fiscal decentralization and governance performance, were included to provide statistical evidence of outcomes. Qualitative research, including case studies of Indonesia, Yemen, and African states, was incorporated to capture the contextual dynamics often overlooked in large-scale quantitative analyses. Systematic reviews and narrative reviews of decentralization literature were also included to provide meta-level syntheses of existing scholarship. Together, these various research types enriched the review by offering both breadth and depth of understanding.

The process of screening and evaluating the literature followed a multi-step approach to ensure methodological rigor. Initial searches produced a broad pool of articles, which were then filtered by relevance through title and abstract screening. Articles meeting the inclusion criteria were retrieved in full and subjected to detailed evaluation. Each article was assessed for methodological soundness, relevance to the research objectives, and contribution to the understanding of decentralization and regional autonomy. Citation tracking was employed to identify additional relevant studies, particularly influential works frequently cited in the literature. To ensure consistency and reliability, multiple rounds of review were conducted, cross-referencing findings across different databases and refining the pool of selected studies accordingly.

The methodological approach described above significantly shaped the scope and quality of this review. By emphasizing empirical evidence, geographical diversity, and scholarly rigor, the selection process ensured that the final body of literature provided a comprehensive picture of decentralization's impact across multiple contexts. At the same time, the exclusion of irrelevant, methodologically weak, or non-scholarly studies helped maintain analytical precision. This methodological rigor enhances the reliability of the conclusions drawn in the subsequent sections of this paper, ensuring that they are grounded in robust and credible scholarship.

In sum, the methodology of this study combined strategic search techniques, carefully chosen keywords, and rigorous inclusion and exclusion criteria to construct a comprehensive evidence base. The integration of diverse research types allowed for a multidimensional understanding of decentralization and regional autonomy. Through this systematic approach, the study sought not only to synthesize existing knowledge but also to identify gaps in the literature, paving the way for future research that can further illuminate the challenges and opportunities of decentralized governance.

RESULT AND DISCUSSION

The findings from the review of literature on decentralization and regional autonomy reveal a complex yet insightful set of outcomes across different governance systems and geographic contexts. The results are organized into three broad thematic areas: fiscal decentralization, political and administrative autonomy, and socio-economic and development outcomes. Each theme synthesizes empirical evidence, highlights the challenges identified, and offers a comparative perspective that situates local findings within a broader global context.

Fiscal decentralization has emerged as a central theme in evaluating the effectiveness of decentralization policies. A significant body of literature demonstrates that fiscal decentralization can contribute to improved fiscal performance and heightened accountability at the local level. Rodríguez-Pose and Muštra (2022) found that localized fiscal authority often strengthens the quality of governance, with direct positive implications for public service delivery. Similarly, Tonelli and Gibson (2023) highlight that fiscal decentralization positively impacts institutional performance, enhancing the provision of public goods by bringing financial decision-making closer to constituents. These findings suggest that fiscal decentralization creates incentives for local governments to be more responsive to community needs, as they are held accountable by the very populations they serve.

Despite these positive outcomes, not all studies converge on the benefits of fiscal decentralization. Syarif (2023), in his analysis of Indonesia, highlights the risks of elite capture, wherein local elites leverage fiscal authority to consolidate power and divert resources toward personal or political ends. Such misuse of decentralization weakens accountability mechanisms, erodes public trust, and undermines the intended benefits of fiscal reforms. This divergence underscores the dual nature of fiscal decentralization: it can be a tool for empowerment and efficiency but also a channel for corruption and patronage if not supported by strong institutional safeguards.

One of the most persistent challenges in the literature is the management of vertical fiscal imbalances. These imbalances occur when the revenue-generating capacity of local governments falls short of their assigned expenditure responsibilities. In Indonesia, for instance, central government transfers remain the principal means of financing local governments. While such transfers are intended to equalize fiscal capacity across regions, scholars note that dependence on central transfers constrains genuine fiscal autonomy and reinforces vertical dependency (Syarif, 2023). A parallel scenario is observed in Kenya, where intergovernmental fiscal transfers aim to empower local governments but often fall short of enabling true independence (Ogweni & Semedo, 2025). These cases emphasize the importance of developing fiscal frameworks that balance central support with local revenue autonomy. Lessons from the literature suggest that diversifying local revenue sources, combined with equitable intergovernmental transfers, is essential to sustain fiscal autonomy and avoid dependency traps (Zamzami & Rakhman, 2023).

The second theme addresses political and administrative autonomy and its role in shaping governance stability, conflict management, and policy innovation. Research indicates that political autonomy enables regional governments to design and implement context-specific policies, thereby fostering innovation and responsiveness. Faguet (2013) argues that political decentralization enhances local governance capacity by allowing authorities to adapt solutions tailored to local needs. Comparative evidence from Spain and Italy supports this view,

demonstrating how political autonomy has stimulated innovative public policy reforms in education, health, and social welfare (Sambanis & Milanović, 2014; Bonal et al., 2023). These findings highlight the transformative potential of political autonomy in enabling regions to address their unique governance challenges while simultaneously contributing to national policy diversity.

Regional autonomy has also played a crucial role in conflict management and governance stability. In Ethiopia, for example, local governments operate in a semi-autonomous capacity, with the ability to pursue policies that reflect the ethnic and cultural identities of their populations (Fiseha, 2020). This arrangement has proven effective in mitigating tensions by providing marginalized groups with self-governing mechanisms. However, the Ethiopian case also illustrates the risks of autonomy exacerbating divisions if not carefully managed within a cohesive national framework. Similar dynamics are observed in other multi-ethnic societies where political autonomy has the potential to reduce conflict but must be embedded within robust national institutions to prevent fragmentation.

Administrative autonomy further shapes public service delivery by empowering local governments to manage their affairs independently. In Indonesia, Muhtada (2017) observes that districts with higher administrative capacity deliver superior education and health outcomes compared to those with heavy central government interference. Administrative autonomy allows local leaders to allocate resources more effectively and respond swiftly to local needs. Nevertheless, autonomy is not universally beneficial. Yang et al. (2015) caution that without adequate capacity and oversight, administrative autonomy can lead to inefficiencies and inconsistencies in service provision. This underscores the importance of coupling autonomy with institutional strengthening and capacity-building measures to ensure equitable and effective outcomes.

The third theme examines the socio-economic and development outcomes of decentralization. Empirical research indicates that decentralization can significantly influence socio-economic indicators, particularly in education, health, and infrastructure development. Filippetti and Cerulli (2018) found that regions with stronger local governance structures tend to deliver higher quality services, with decentralization fostering responsiveness to community-specific needs. This responsiveness not only improves service quality but also enhances citizen satisfaction and engagement in governance processes.

Health outcomes offer a particularly illustrative example. Sumah and Baatiema (2018) demonstrate that in Ghana, decentralization enabled local management of health resources, leading to more efficient allocation and improved public health outcomes. Local decision-making in the health sector allowed officials to address community-specific challenges, enhancing overall effectiveness. In Indonesia, decentralization has been linked to industrial and infrastructure development, with Wiryawan and Otchia (2022) documenting that increased local government spending under decentralized frameworks contributed to productivity growth and improved regional economic performance. These findings underscore the potential of decentralization to serve as a catalyst for socio-economic development when effectively implemented.

Comparative perspectives from different regions enrich the understanding of decentralization's socio-economic impacts. In OECD countries such as Sweden and Germany, fiscal decentralization has been associated with regional economic convergence and equitable service distribution (Rompuy, 2020). These countries illustrate how strong institutional frameworks can harness

decentralization to promote inclusive growth and cohesion. Conversely, experiences in African states present a more heterogeneous picture. In Ghana, fiscal decentralization has successfully reduced inequalities in access to education and health (Sumah & Baatiema, 2018), while in other states, such as Uganda, decentralization has intensified political competition and limited developmental gains (Yimenu, 2023). These disparities highlight the importance of contextual factors in shaping outcomes, including political culture, institutional capacity, and historical legacies.

Asia provides further evidence of decentralization's mixed results. Indonesia, as one of the most extensively decentralized countries in the region, demonstrates both the benefits and pitfalls of the process. On one hand, decentralization has improved service delivery and fostered local economic growth; on the other hand, it has facilitated elite capture and fostered inefficiencies in governance (Syarif, 2023; Akadun, 2024). This duality underscores the need for mechanisms that balance autonomy with accountability. Similar tensions are observed in South Korea, where despite a formal commitment to decentralization, local governments remain constrained by central oversight, limiting the scope of genuine autonomy (Lee & Suh, 2021). These comparative findings reinforce the idea that decentralization is not a panacea but a governance tool whose success depends heavily on context-specific institutional arrangements.

Taken together, the literature presents a nuanced picture of decentralization and regional autonomy. Fiscal decentralization has the potential to improve accountability and service delivery, but its effectiveness is often undermined by vertical fiscal imbalances and elite capture. Political and administrative autonomy can foster innovation and conflict resolution, yet these benefits are contingent upon the presence of strong institutions and sufficient local capacity. Finally, socio-economic outcomes demonstrate that decentralization can positively influence education, health, and infrastructure development, though results vary significantly across regions due to contextual differences. The comparative evidence underscores that decentralization is not a one-size-fits-all model but a multifaceted process requiring careful design, strong institutional frameworks, and ongoing oversight.

In conclusion, the findings highlight both the opportunities and the challenges of decentralization as a governance reform strategy. The evidence suggests that while decentralization can enhance governance effectiveness and promote socio-economic development, its success depends on addressing systemic challenges such as fiscal imbalances, political conflicts, and capacity deficits. These results provide a foundation for the subsequent discussion, which will critically analyze the implications of decentralization policies and propose pathways for improving governance through more effective decentralization frameworks.

The findings of this review highlight the multifaceted outcomes of decentralization and regional autonomy across diverse contexts. While the results demonstrate positive impacts on accountability, service delivery, and socio-economic development, they also reveal significant risks related to elite capture, fiscal dependency, and institutional weaknesses. To make sense of these divergent outcomes, it is essential to analyze the systemic factors shaping decentralization, its implications for national policies, and the policy recommendations that emerge from comparative literature. This discussion critically engages with these themes while acknowledging the limitations of current research and suggesting future directions.

Systemic factors play a decisive role in shaping decentralization outcomes. Institutional design is one of the most critical dimensions determining whether decentralization strengthens governance or entrenches dysfunction. Rodríguez-Pose and Muštra (2022) show that well-designed governance frameworks that allocate clear roles and responsibilities to local governments enhance accountability and foster economic performance. Conversely, in contexts where institutional frameworks are weak or ambiguous, decentralization often results in inefficiencies and mismanagement. Syarif (2023), analyzing the Indonesian experience, found that the absence of strong institutional checks facilitated elite capture, whereby local elites monopolized decentralized resources for personal or political gain. These findings suggest that institutional clarity and accountability mechanisms are indispensable in mitigating risks inherent to decentralized governance.

Political culture further shapes how decentralization unfolds in practice. In environments where political elites prioritize transparency and accountability, decentralization has the potential to empower citizens and enhance service delivery. However, in many developing contexts, entrenched patronage networks and corruption hinder these outcomes. Indonesia offers a telling example where decentralization reforms intended to empower local governments were subverted by political elites who exploited fiscal autonomy to consolidate their dominance (Syarif, 2023). This underscores the argument that decentralization cannot be divorced from the broader political culture in which it is embedded. Efforts to improve governance outcomes must therefore be accompanied by initiatives to transform political practices, strengthen civic engagement, and institutionalize mechanisms of transparency.

Legal frameworks represent another foundational systemic factor. Tonelli and Gibson (2023) argue that countries with robust constitutional and statutory guarantees for decentralization tend to achieve more consistent outcomes. For instance, several Western European nations, where decentralization is deeply embedded in legal frameworks, demonstrate greater stability and effectiveness in decentralized governance. In contrast, in contexts where decentralization lacks legal stability or is subject to frequent policy reversals, local governments struggle to establish autonomy. The Indonesian Constitution, while formally recognizing regional autonomy, still permits central interference that limits substantive local independence (Lee & Suh, 2021). This tension between *de jure* autonomy and *de facto* centralization illustrates the importance of legal frameworks in ensuring both clarity and durability of decentralization arrangements.

The implications of decentralization reforms for national policies are profound. One key challenge is balancing regional autonomy with national cohesion. Comparative experiences, such as in Spain, reveal the tensions that arise when regions with high levels of autonomy demand increasing independence, thereby threatening national unity (Calderón et al., 2018). Conversely, overly centralized policies risk undermining the legitimacy of regional governments and eroding citizen trust. National policies must therefore aim to strike a delicate balance by granting sufficient autonomy to address local needs while preserving a sense of shared national purpose. Sumah and Baatiema (2018) emphasize that poorly managed decentralization can exacerbate disparities and conflict, underscoring the importance of designing reforms that accommodate diversity without fragmenting the state.

The intergovernmental dimension of decentralization highlights another policy implication: the need for well-structured frameworks of collaboration between national and local governments. Filippetti and Cerulli (2018) argue that decentralization must be underpinned by fiscal and administrative arrangements that align local decision-making with national priorities. For example, intergovernmental fiscal transfers should not merely compensate for vertical imbalances but should incentivize local governments to pursue development goals consistent with national strategies. This perspective reframes decentralization not as a zero-sum contest between central and local authorities but as a cooperative arrangement where responsibilities and resources are shared in pursuit of common objectives.

Policy recommendations derived from comparative literature emphasize the importance of strengthening local governance capacity. Checkland et al. (2017) highlight that training and professional development for local officials can equip them with the skills necessary to manage fiscal and administrative responsibilities effectively. Without such capacity building, administrative autonomy risks exacerbating inefficiencies rather than improving service delivery. Investment in local governance infrastructure, including data systems, planning tools, and monitoring mechanisms, is essential for ensuring that autonomy translates into tangible outcomes.

Transparency and participatory governance are equally critical. Hamid et al. (2023) show how digital platforms can be leveraged to promote citizen engagement, enabling communities to monitor budget allocations, provide feedback on public services, and hold officials accountable. Participatory processes mitigate risks of elite capture by dispersing decision-making power and fostering inclusive governance. These innovations align with broader theories of collaborative governance, which emphasize the role of partnerships between local governments, civil society, and private actors in enhancing accountability and service delivery (Mihálik et al., 2019). By creating spaces for dialogue and co-decision-making, collaborative governance models help ensure that decentralization remains responsive to the needs of diverse stakeholders.

Theoretical perspectives on decentralization also suggest the potential for virtuous competition among local governments. Filippetti and Cerulli (2018) describe how fiscal autonomy enables citizens and businesses to “vote with their feet,” choosing regions that provide superior public services. This competition incentivizes local governments to innovate and improve performance, thereby raising overall governance standards. However, as several scholars caution, such dynamics are most effective in contexts where citizens have mobility and where information about service quality is accessible (Rodríguez-Pose & Muštra, 2022). In regions with limited mobility or poor information flows, virtuous competition may not materialize, and decentralization risks entrenching disparities.

While the comparative evidence provides valuable insights, significant limitations in the existing literature remain. Many studies focus on single-country analyses, which restrict the ability to generalize findings across diverse contexts. Cross-national comparative research is needed to identify the conditions under which decentralization produces positive versus negative outcomes. Furthermore, much of the empirical work focuses on fiscal and administrative dimensions, often overlooking the social and cultural factors that shape governance dynamics at the local level. For instance, the role of civic engagement, informal institutions, and community norms in mediating decentralization outcomes remains underexplored. Additionally, the reliance on case studies, while

offering rich contextual detail, limits the capacity to establish causal relationships between decentralization and governance outcomes.

Another limitation lies in the uneven geographic coverage of the literature. While countries such as Indonesia, Ghana, and Spain are well represented, there is relatively little research on decentralization in fragile states where governance challenges are most acute. Yemen, for example, illustrates how decentralization can both alleviate and exacerbate conflict, yet systematic research in such contexts remains sparse (Eilenberg, 2017). Similarly, African states exhibit highly diverse experiences with decentralization, but comparative evidence that systematically examines these variations is limited. Expanding research into underrepresented regions is crucial for developing a more comprehensive understanding of decentralization's global dynamics.

Future research should also address the long-term impacts of decentralization. Most studies focus on short- to medium-term outcomes, such as immediate improvements in service delivery or fiscal performance. However, the sustainability of these reforms over decades, particularly in terms of institutional resilience, social cohesion, and economic equity, remains an open question. Longitudinal studies that track decentralization outcomes across multiple decades would be invaluable for assessing whether initial gains are maintained or whether they erode over time due to political or economic pressures.

In sum, the discussion highlights that decentralization is not a uniform process but one deeply conditioned by systemic factors such as institutional design, political culture, and legal frameworks. Its implications for national policies underscore the importance of balancing autonomy with cohesion, while policy recommendations point to the need for capacity building, transparency, and collaborative governance. Yet, the limitations of current research reveal critical gaps in understanding, particularly in fragile states, underexplored regions, and long-term trajectories. Addressing these gaps requires a concerted effort by scholars to expand the geographic and methodological scope of decentralization research, thereby offering richer insights into one of the most significant governance reforms of the contemporary era.

CONCLUSION

This narrative review demonstrates that decentralization and regional autonomy present both opportunities and challenges for governance reform. Empirical evidence reveals that fiscal decentralization can enhance local accountability and service delivery, though outcomes vary depending on institutional safeguards and political culture. While localized fiscal authority often fosters improved responsiveness and innovation, risks of elite capture and dependency on central transfers persist, particularly in contexts where institutions remain weak. Political and administrative autonomy further highlight the dual nature of decentralization, enabling policy innovation and conflict management in some cases, while generating instability and inefficiencies in others. The socio-economic outcomes of decentralization similarly reflect this complexity: countries with robust institutional frameworks report positive impacts on education, health, and infrastructure, whereas those with fragile capacities experience uneven development and exacerbated disparities.

The urgency of addressing these issues lies in the fact that decentralization continues to shape governance trajectories in both developing and advanced economies. To maximize its benefits, policy interventions must prioritize strengthening institutional capacity, embedding legal safeguards for autonomy, and fostering participatory governance to counter elite dominance. Strategies such as capacity-building programs, transparent fiscal frameworks, and digital accountability platforms can serve as critical mechanisms to enhance governance outcomes. Future research should extend to fragile states and underrepresented regions, while also adopting longitudinal approaches to examine the sustainability of decentralization reforms over time. By addressing these gaps, scholars and policymakers can refine decentralization frameworks, ensuring they promote both accountability and cohesion while driving socio-economic development in diverse contexts.

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