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The Political Economy of Adopting Public Management Reforms: Patterns in Twenty Indonesian Districts

Anna Wetterberg and Derick W. Brinkerhoff

A working paper of the
Governance and Economic Development Division,
International Development Group,
RTI International

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ABBREVIATIONS

CSO	civil society organization
DAU	Dana Alokasi Umum [general revenue allocations]
DPR	Dewan Perwakilan Rakyat [national-level legislative assembly]
DPRD	Dewan Perwakilan Rakyat Daerah [provincial- and district-level legislative assemblies]
GDP	gross domestic product
HDI	Human Development Index
IDG	International Development Group, RTI International
LBA	[Kinerja] Local Budget Analysis
LBI	[Kinerja] Local Budget Index
NPM	New Public Management
NU	Nahdlatul Ulama [one of Indonesia's largest Muslim organizations]
OSS	[subnational government] one-stop shop
Rp	rupiah
RTI	RTI International [trade name of Research Triangle Institute]
USAID	United States Agency for International Development

ABSTRACT

New Public Management (NPM) reforms tend to be conceived of as technical, with little attention to political and institutional factors. By comparing choices in 20 Indonesian districts, we explore which of four political economic factors influenced uptake of NPM-based efforts to improve service delivery. We find that *democratic political competition* laid the groundwork for new political alliances, patterns of patronage, and party provision of benefits that conditioned reform choices. *State-led policy entrepreneurship* was evident from technocrats in the education agency. *Public sector modernization* may have increased orientation toward performance, with education reforms adopted by districts that were already achieving relatively good results in the sector. Health reforms were more common in districts that provided more opportunities for *citizen participation*. The complex interactions among the four categories of political economy factors argue for working within these realities, rather than seeing them as impediments to be avoided in a drive for reforms.

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INTRODUCTION

Prescriptions and related reform programs to address performance weaknesses have long had their foundations in the principles and practices of the New Public Management (NPM) (see Kettl et al. 2006). Broadly conceived, NPM combines elements of a governance ideology that values limited government, an economic foundation grounded in institutional economics and public choice theory, and a managerial reform agenda with associated tools that apply market principles to governments' fulfillment of their responsibilities, in particular their public service delivery tasks (see Barzelay 2001). The core perspective of NPM on performance problems is that they derive from ineffective principal-agent relationships, which create weak incentives for performance and limited government responsiveness to citizens. NPM's primary remedies for public sector performance failings and flawed principal-agent relationships include sharpened accountability, contracting in and contracting out, clearly specified objectives and measures, performance-based budgeting, and close monitoring and evaluation.

In developing countries, NPM reforms have been central to the public sector modernization and "good governance" programs of international donors since the 1980s (see Batley and Larbi 2004; Manning 2001). Thirty years of experience with reform efforts across a wide range of countries have produced a vast literature documenting progress and problems; exploring causal explanations; evaluating successes; and offering remedies to address failures, constraints, and unanticipated consequences (Brinkerhoff 2008). Among the common findings across a wide variety of both reforms and countries is that, while reforms tend to be conceived of as largely technical in content, successful implementation requires attention to political and institutional forces. These factors have come to be grouped under the broad rubric of political economy.

Indonesia is among the countries that have pursued performance-enhancing public sector reforms that embody NPM principles. In a previous study, we analyzed the range of performance-based reforms to improve service delivery that Indonesia has implemented (Brinkerhoff and Wetterberg 2013). We found that, while many of the reforms are in place, they have not been implemented as designed, often due to complex political relations between central and district actors. In this paper we build on that work to focus on reform choices among decentralized local municipalities. We seek to answer the question, which political economic factors influence the uptake of NPM-based efforts to improve service delivery? Our aim is to enhance understanding of how these factors can be taken into account so that reforms avoid derailment and can achieve intended results. This investigation is exploratory, drawing upon the early experience of the Kinerja program, which is funded by the U.S. Agency for International Development (USAID) and works in twenty districts in four provinces: Aceh, East Java, South Sulawesi, and West Kalimantan. The analysis is complemented by other studies that have investigated the political and institutional dynamics of governance and reforms in Indonesia.

The paper proceeds as follows. After introducing four key elements of political economy analysis, we briefly and selectively overview the literature on explanations for performance-enhancing behaviors, with a focus on decentralized, local-level public officials. We then turn to the Indonesian experience and examine how the political economy factors identified in the literature apply to the Kinerja

project's target municipalities' adoption of public service improvement. We then discuss key findings, and offer some concluding thoughts on interventions to enhance public service delivery performance.

POLITICAL ECONOMY OF SERVICE DELIVERY REFORM

Political economy combines politics with economics to examine the underlying dynamics of the relationships among states, markets, and society; and to explain outcomes. Politics concerns the contestations, bargaining, and power distributions among these three that determine “who gets what” in order to achieve some set of goals. Economics focuses on exchange relations in terms of resources, transaction costs, information, efficiencies, and incentives. Political economy analysis, then, focuses on actors and institutions operating within a particular structural context (Fritz, Kaiser, and Levy 2009). Actors pursue their interests, operating within the rules and roles that institutions (formal and informal) establish, subject to a range of structural variables (e.g., level of development, natural resource endowments, urban-rural/center-periphery relations, historical legacies, and so on).

Such analysis can lead to the identification of drivers of change, as well as constraints and obstacles (Bunse and Fritz 2012). In a review of the political economy of service delivery, Wild et al. (2012), for example, examined how what they called political market imperfections—various types of dysfunctional relationships between citizens and politicians—could have negative impacts on access, quality, and equitable availability of public services. Mcloughlin and Batley (2012) explored the connection between positive political economic factors and service delivery, identifying, for example, favorable institutional conditions (e.g., political settlements and a social contract that create positive incentives) and political circumstances (e.g., the dynamics of national and local competition, and electoral cycles) that can lead to improved service delivery. Batley, McCourt, and Mcloughlin (2012) highlighted emerging research on causal chains in the opposite direction, focusing on the feedback effects of service delivery on politics, which suggests the possibility of the emergence of virtuous cycles.

With regard to decentralized local governments' decisions to improve provision of public services, four main explanations have been advanced: democratic political competition, state-led policy entrepreneurship, public sector modernization, and citizen participation (see Grindle 2007b). Each of these is associated with an active stream of investigation and debate, which we touch on only briefly here.

Democratic political competition

A large cohort of scholars identify political competition at multiple levels as the key contributor to responsive government, arguing that, in truly democratic circumstances, officials have compelling incentives to provide the policies and services that citizens want or face electoral ouster (Hecock 2006; Ponce-Rodríguez et al. 2012). Competition among political parties, and across local jurisdictions, is posited to create pressures on elected officials to perform effectively. Major analytic threads focus on how democratic decentralization improves allocative efficiency through matching services with citizen preferences, increases service production efficiency and cost recovery, and affects intergovernmental fiscal relations (see, for example, Lockwood 2009; Shah and Thompson 2004; Faguet 2004; Tiebout 1956).

However, various analysts have noted the gap between theory and practice. For example, in a comparative study of Uganda and the Philippines, Azfar, Kahkonen, and Meahger (2001) found little evidence of local election voting being driven by service-delivery concerns. Boulding and Brown (2012), in a study of Brazilian municipalities, noted the intervening role of financial resources on political competition and social spending. They found that municipalities with few resources had low voter turnout and incumbents consistently failed to win reelection, whereas in well-resourced municipalities, incumbents were able to mobilize substantial numbers of voters and tended to win by wide margins. Cleary's (2007) study of Mexican municipalities also found a weak to nonexistent link between elections and government performance, and identified institutional barriers to performance, such as term limits and the dynamics of national party politics, that created perverse incentives for elected officials to focus on citizens' demands and needs. Thus, as an explanation for responsive service delivery, political competition is mediated by a number of structural and institutional variables that affect public officials' behaviors (e.g., financial resources and national party politics).

State-led policy entrepreneurship

Reformist technocrats pursuing change agendas can stimulate adoption of performance-enhancing policies and programs. A growing literature on leadership and individual change agents frames the elements of policy entrepreneurship. Andrews, McConnell, and Wescott (2010), for example, characterized leadership for development as creating "change space" by fostering acceptance of new policies and practices, granting authority for change, and building capacity. Leonard (2010) demonstrated that within almost any institutional context, committed leaders can create and/or expand space for change. Among the well-known examples of performance-enhancing innovation that derived from reform-oriented actors is the participatory budgeting process that emerged from the Brazilian city of Porto Alegre, and has been widely applied in other countries (Baiocchi 2003). This explanation focuses on the interests of public-sector actors in positions of power and authority, their perspectives on and commitment to reform, the incentives they face, and their ability to build coalitions to move their agendas from plans to action.

Central–local relations play an important role in influencing whether centrally driven policy reforms are implemented as intended, particularly the configuration of power relationships between central and regional/local elites (Manor 1999; Crook 2003). As Das Gupta, Grandvoinnet, and Romani (2004) noted, central governments can exercise their power over subnational levels to support the achievement of national development objectives, such as poverty alleviation or reduction in maternal deaths. Booth (2011a), drawing on findings from a research program on African politics and power, noted that local service delivery success was linked to top-down discipline and motivation. In Indonesia, where general revenue allocations (*Dana Alokasi Umum* or DAU)¹ on average cover over a third of provincial budgets and two thirds of district budgets (Lewis and Smoke 2011), Olken (2005) found that increasing the likelihood of audits by a central government agency reduced corruption in local governments.

¹ In addition to the DAU, districts receive varying combinations of sectoral and special-purpose transfers from the central government.

Public sector modernization

Decisions to restructure public organizations, adopt new management tools and accountability systems, privatize selected services, and so on, can create conditions and incentives that lead to enhanced performance. This is the premise driving politicians and other public officials to seek to modernize their public sectors. In many developing countries, these actors look to international donors for help and advice. Donor-supported public sector reform programs are largely based on NPM principles and toolkits (see Manning 2001). These programs provide technical inputs to build capacity, along with associated training and resource transfers. In addition, access to capacity, training opportunities, and resources can serve as incentives to local officials to pursue modernization reforms. These incentives are likely to be particularly strong in countries with higher levels of aid dependence.

A large literature has debated the pitfalls of the “one best way/best practices” conceptualizations of policies, organizational structures, and processes that have been associated with public sector modernization, particularly as operationalized by international donor-funded programs (see Evans 2004; Pritchett and Woolcock 2004; Brinkerhoff 2008). One aspect of the debate has to do with whether the reform agenda associated with public sector modernization exceeds the capacities of countries undertaking reforms to carry through with them, which has fueled the “good enough governance” discourse (see Grindle 2007a). The political economy perspective goes beyond the technical capacity explanation. The extent to which modernization leads to enhanced public sector performance and better service delivery relies fundamentally on whether reforms align or are at odds with the objectives, interests, and incentives of political actors in the country.

Citizen participation

A robust analytic stream has explored how the participation of citizens and their cooperation, or confrontation, with political leaders are primary drivers of improved performance. NPM market-driven reform metaphors recast citizens from passive recipients of public services doled out by government to individual consumers/customers—“users and choosers” (Cornwall and Gaventa 2001). Good governance and public sector modernization reforms have expanded the customer idiom to incorporate citizens as rights-bearers, which reframes accountability (see Joshi and Houtzager 2012). Such changes have created space for citizens, individually and/or collectively, to engage with local authorities as empowered “makers and shapers” of services-related decision-making (Cornwall and Gaventa 2001). Cleary (2007) has identified several drivers by which increased participation by activist citizens can stimulate more local government responsiveness. He cites the influence of participation via shared social networks among government officials and their constituents, expanded information availability concerning citizens’ needs and demands, and incentives for responsiveness to avoid the stress of interaction with angry citizens (Ibid.).

Debates around the effectiveness of participation in encouraging responsive and accountable service delivery signal the importance of mechanisms that enable citizens to have access to the decentralized decision-making space already populated by politicians, technocrats, and providers. As Ribot (2004) has pointed out, an important question is whether or not decentralized structures and processes put in place accountability mechanisms and incentives for local governments to enfranchise communities. Another question is whether citizens and communities have the capacity and the motivation

to exercise an accountability role given the information asymmetries and power differentials between them and service delivery professionals. In a range of countries, citizens have been engaged in monitoring service delivery performance in one way or another, using tools such as citizen report cards, absenteeism tracking, community “contracts,” and membership on boards and committees (e.g., hospitals and schools). Some studies have shown that community monitoring can have a measurable impact on services (see, for example, Björkman and Svensson 2009). Which citizens have access to, and influence on, decisions also matters. The political landscape shapes patterns of participation, and importantly influences the extent to which citizen–politician/service provider relations are clientelist or patronage-based (see Kitschelt and Wilkinson 2007). For example, as Bardhan and Mookherjee (2006) show, the effectiveness of decentralizing service delivery depends critically on the degree to which local elites capture benefits.

NPM REFORM ADOPTION AND IMPLEMENTATION IN INDONESIA

With the fall of the Soeharto regime, in the wake of the 1997–98 Asian financial crisis and widespread public dissatisfaction, Indonesia began a transition period of ambitious and far-reaching democratic governance reforms. Among them was a rapid decentralization program, beginning in 1999, that progressively transferred the bulk of authority for fiscal and legislative decisions, as well as service delivery, to the district level. Public sector reform programs, funded by international donors, supported the country’s ambitious decentralization, and sought to increase administrative efficiency and effectiveness, and to reorient the public administration toward citizen responsiveness. These reforms were grounded in NPM principles of shortening routes of accountability, increasing efficiency of public service delivery, and improving effectiveness through performance standard-setting and measurement (see Brinkerhoff and Wetterberg 2013).

In parallel to decentralization, Indonesia undertook electoral reforms. Freedom House has classified the country as an “electoral democracy” since 1999, but electoral scope and practice have changed substantially since then (Mietzner and Aspinall 2010). By 2009, voters could directly elect their president, governor, and district head, as well as vote for legislative representatives at each level.²

Progress with decentralization has been substantial, but not without problems, as would be expected with change of such a magnitude (see Rapp et al. 2006). Among the issues that observers have identified are: both gaps and overlaps in the legal framework, unclear amounts and timing of intergovernmental transfers, muddled service expectations and responsibilities, and weak information and feedback flows, all of which affect the principal–agent relationships among various levels of government, service providers, and citizens (see Lewis and Smoke 2011).

While local officials have gained experience with decision-making since the late 1990s, their orientation toward performance has varied. Declines in the quality of some public services, such as health care, are evident, while performance has improved in others, such as education (Kristiansen and Santoso 2006; Suryadarma 2012). Some researchers have attributed service delivery drops in availability and

² The national-level legislative assembly is the *Dewan Perwakilan Rakyat* (DPR), while the corresponding bodies at provincial and district levels are *Dewan Perwakilan Rakyat Daerah* (DPRD) I and II, respectively. In the rest of the paper, discussion of the DPRD refers to district legislators.

quality to problems of elite capture and corruption, and tend to be pessimistic about prospects for the success of NPM-based public sector reforms (Blunt, Turner, and Lindroth 2012; Rosser, Wilson, and Sulistiyanto 2011). Others have expressed guarded optimism, indicating the growth of grassroots challenges to entrenched interests, and more willingness to experiment with governance innovations (Antlöv and Wetterberg 2011). Eckardt (2008, 6) noted the role of local decision-makers in influencing paths to improvement or to remaining in the thrall of ingrained clientelism and elite domination:

Local government performance increasingly varies depending on the extent to which local government took advantage of the opportunities offered by decentralization. A significant number of local governments have forged ahead with reforms and became the locus for innovative forms of governance and better public services. Elsewhere, however, local political contexts became charged with malfeasance, fraud, lack of accountability and failure to respond to the needs of local residents.

The categories of political economy factors reviewed above offer four possible explanations for the variation that Eckardt and others have noted in local government adoption of reforms and pursuit of improved performance. To explore the contours of these four explanations, in the next section we examine a subset of district governments participating in USAID's Kinerja program.

THE KINERJA PROGRAM

Kinerja,³ whose period of performance is March 2010–September 2014, works in twenty districts in four provinces (Aceh, East Java, South Sulawesi, and West Kalimantan⁴) to “solidify the links between stimulation of demand for good services through active civil society engagement and improved local government response” (RTI International 2010, 2). To allow for a rigorous impact evaluation, treatment and control districts within each province were chosen at random. The executive in each district led a consultative process to select a set of services to target for improvement in the first year of reforms.⁵ Additional sectors were chosen for the second year of Kinerja participation.

Reform sectors include health, education, and local economic development. Specific reforms that have been addressed to date in the treatment districts are: exclusive and immediate breastfeeding and safe delivery; school-based management, teacher distribution, and school unit cost analysis; and one-stop shops (OSS) for business licensing. While health and education were possible reform choices in all districts, OSS selection was limited to those that had not previously received similar support.

Within each sector, the project works with local governments, civil society, and service delivery units (schools, clinics, and business licensing offices) on specific interventions, chosen for their alignment with national policy priorities and/or demonstrated effectiveness. Kinerja also includes a series of cross-sectoral interventions designed to create incentives for improved local service delivery performance, by

³ In Bahasa Indonesia, *kinerja* means performance.

⁴ In 2012, the program's scope was expanded to include West Papua, but districts from that province are not considered here.

⁵ Indonesian districts include *kabupaten* (rural regencies) and *kotamadya* (urban municipalities). Kabupaten are led by a *bupati* (regent), while kotamadya executives are called *walikota* (mayors).

giving citizens a more effective voice in public service delivery, supporting performance management systems in local governments, and increasing competition, through benchmarking, competitive awards, and public information (RTI International 2011).

DATA AND METHODS

We take as our starting point the reform package chosen for year 1 in each district. Grouping districts by program choice, we then assess the extent to which the four explanations of reform adoption align with patterns of Kinerja reforms, drawing on data collected under the project's purview and on Indonesian government statistics. We benefit from Kinerja's program design, which specified random selection of twenty districts in four provinces. The randomized selection, in some cases, "resulted in selected treatment districts with low political will, low capacity, major pending corruption cases, or resulted in the selection of [newly established] regions ... that may hamper achievement of service delivery outcomes" (RTI International 2011, 4–5). While site selection presented challenges for program implementation, it bolsters our analysis through variation on the explanatory variables of interest, as well as on other characteristics (see Table 1 in the section that follows, on patterns observed).

We relied on a comparative case analysis of these twenty randomly selected districts to identify which of the hypothesized variables would relate to the choice of sectoral reforms. In Gerring's (2004, 343) typology of case studies, our analysis can be characterized as Type II, as it breaks the primary unit (Indonesia) into subunits (districts) that are subjected to synchronic covariational analysis. Limiting a comparative analysis to a single country holds constant national policies, including decentralization; but cross-district analysis allows for local variation in the factors of interest. Given that the data came from only four provinces, however, the findings are not representative of Indonesia as a whole.

The dependent variable was the first-year package of sectoral reforms selected in each district, whether education, health, or business licensing. For data on the explanatory factors, we relied on three studies⁶ commissioned by Kinerja and carried out during February–June 2011 (see below), the same period during which districts were selecting reform packages (RTI International 2011, 6). Observations reflect either the same time period as the program choice (Stakeholder Analysis), or the time leading up to it (Local Budget Analysis and Local Budget Index.) The observed values on the explanatory factors therefore were not a subsequent result of the districts' program choice. There were, of course, innumerable other factors that could have affected program choice independently or in combination with those emphasized here. Unable to control for and/or gather information on all alternative explanations, we focused on those identified in the literature summarized above.

Data on the explanatory factors were drawn from the following studies:

1. Kinerja Local Budget Analysis (LBA) (SekNas Fitra and The Asia Foundation 2012a)

The LBA collects a series of district budget and planning documents to identify trends in local governments' policy and planning choices in the health, education, and public works sectors. The methodology, which also assesses the efficiency and effectiveness of budget choices, was used in 42

⁶ Neither of the authors was involved in these studies.

Indonesian districts in 2009 and 2010 before its 2011 application in the 20 Kinerja districts. We drew on secondary data collected for the LBA to present contextual data on the Kinerja districts (Table 1) and relative levels of sectoral expenditures (Table 4).

2. Kinerja Local Budget Index (LBI) (SekNas Fitra and The Asia Foundation 2012b)

The LBI (companion research to the LBA) gauges the extent to which principles of transparency, participation, accountability, and gender equality have been integrated into four stages of local budget processes (planning, discussion, implementation, and public accountability). The methodology relies on scoring 101 items (44 for transparency, 15 for participation, 20 for accountability, 22 for gender equality) based on the availability, adequacy, and quality of key budgeting documents and activities in the health, education, and public works sectors. Each item is given equal weight in calculation of an overall index, as well as a separate index for each of the four domains of interest. We used the LBI indexes created for transparency, participation, and accountability to gauge the level of public sector modernization in each district (Figure 1 in next section); we also examined the indicator for the number of budget planning meetings held (Table 5). For Figure 1, note that we categorized degree of adoption relative to the distribution of index scores across the Kinerja districts, whereas the original LBI analysis assessed progress relative to the maximum possible score on each index.

3. Kinerja Stakeholder Analysis (Faculty of Social and Political Sciences 2011; Kemitraan 2011)

Tables 2 and 5 are based on Kinerja stakeholder assessments, carried out in 2011 using a qualitative research methodology combining focus groups and interviews with key informants in ten districts in Aceh and East Java. Researchers from the political science department at Universitas Gadjah Mada developed the methodology. It gauges stakeholder *power* (defined as capacity to influence success/failure of programs through relevant policy authority, funding, and networks) and *interest* (based on stated policy priorities and past activities) in the education, health, and business licensing sectors. While the methodology rated power and interest for each of Kinerja's distinct health and education reforms (i.e., unit cost analysis, teacher redistribution, and school-based management in education; and safe delivery and exclusive breastfeeding in health) in some districts, combined ratings for each sector are presented here.

PATTERNS OBSERVED IN KINERJA DISTRICTS

Before considering the range of explanations for reforms proposed in the literature, we present economic and demographic characteristics that could underlie program choices (Table 1). Few consistent patterns are apparent in these data. Districts in Aceh were overrepresented among districts choosing health-care reforms, while no districts in South Sulawesi chose the health package. Several of the districts choosing health reforms also had higher population growth rates than those choosing education; so it is possible that Kinerja's maternal and child health interventions were particularly salient in such districts (but note that two high-population-growth districts chose OSS). On average, poorer districts chose education reforms, while the richest selected the business licensing package. However, the districts opting for health-care reforms had the lowest average Human Development Index (HDI) scores.

Table 1. Characteristics of Kinerja treatment districts, by program choice, 2011

District	Province	Program choice	Population 2011	Pop. growth 2009–10 (%)	HDI 2008	GDP per capita, 2008 (Rp)	Poverty index
Kota Probolinggo	E. Java	education	216,967	(5.86)	73.29	16,624,884	0.47
Luwu	S. Sulawesi	education	332,863	1.43	72.96	8,316,081	0.94
Bulukumba	S. Sulawesi	education	394,757	0.00	69.87	6,941,865	0.92
Sekadau	W. Kalimantan	education	181,377	0.40	66.13	5,626,878	1.75
Bengkayang	W. Kalimantan	education	214,785	2.31	66.81	9,396,527	1.73
Jember	E. Java	education	2,346,498	0.80	63.71	8,277,226	1.04
Barru	S. Sulawesi	education	165,900	1.79	69.54	7,578,582	0.67
Simeulue	Aceh	education	80,279	(2.51)	68.6	5,079,591	1.61
Luwu Utara	S. Sulawesi	education	287,606	(10.68)	73.15	7,423,320	0.91
Aceh Tenggara	Aceh	education	178,852	1.03	70.99	6,711,370	1.21
Melawi	W. Kalimantan	education	179,586	4.80	67.91	4,714,035	2.01
<i>AVERAGE FOR DISTRICTS CHOOSING EDUCATION</i>			<i>416,315</i>	<i>(0.59)</i>	<i>69.36</i>	<i>7,880,942</i>	<i>1.21</i>
Sambas	W. Kalimantan	health	496,116	(0.07)	63.73	9,554,534	1.85
Bondowoso	E. Java	health	736,530	3.90	61.26	5,863,871	1.28
Bener Meriah	Aceh	health	121,870	6.47	69.77	10,939,707	1.06
Aceh Singkil	Aceh	health	102,213	(0.28)	68.12	5,785,169	1.12
Kota Singkawang	W. Kalimantan	health	186,306	4.84	68.02	11,568,122	0.97
Kota Banda Aceh	Aceh	health	224,209	5.64	76.74	16,956,137	0.34
<i>AVERAGE FOR DISTRICTS CHOOSING HEALTH</i>			<i>311,207</i>	<i>3.42</i>	<i>67.94</i>	<i>10,111,257</i>	<i>1.10</i>
Kota Makassar	S. Sulawesi	one-stop shop	1,339,374	5.31	77.92	20,793,760	0.32
Probolinggo	E. Java	one-stop shop	1,095,370	4.90	61.44	11,450,917	1.25
Tulungagung	E. Java	one-stop shop	989,821	(0.22)	72.45	13,124,066	0.40
<i>AVERAGE FOR DISTRICTS CHOOSING LICENSING</i>			<i>1,141,522</i>	<i>3.33</i>	<i>70.60</i>	<i>15,122,914</i>	<i>0.66</i>

Source: Adapted from background data for Kinerja Local Budget Analysis (SekNas Fitra and The Asia Foundation, 2012a).

Democratic political competition

Finding reliable information on electoral competition is challenging in many countries (Boulding and Brown 2012); consistent and current data for the Kinerja districts have also proved elusive.⁷ Case studies from across Indonesia have offered conflicting accounts of the competitiveness of local elections (Mietzner and Aspinall 2010). While there is a fertile landscape of political parties—especially compared to the effectively single-party system of the New Order—and electoral reforms have created opportunities for independent candidates, educational requirements and substantial campaign costs favor entrenched elites (Buehler 2010).

Statistical analysis does not point to a prominent role for political competition as an explanation for Indonesian reforms. While the direct election of district officials has been shown to increase district expenditures overall, there has been no discernible effect on responsiveness to objective local needs in the health and education sectors (Skoufias et al. 2011).⁸ These authors suggest that increases in expenditures are driven by preexisting conditions, reinforcing inequalities in wealth and service provisions across districts. Also, higher expenditures are particularly likely before the next election and after the election of non-incumbents.

At least at this early stage of Indonesian democracy, the degree of electoral competition may matter less for reforms than the new opportunities for political alliances, bases of legitimacy, and constituent lobbying created by elections (Rosser et al. 2011). Anecdotal data from the Kinerja districts suggest how these political openings may have affected reforms. In one poor, devout district in East Java, for example, *kyai* (religious leaders) are essential to mobilizing voters affiliated with mosques and religious schools. The current *bupati* has cultivated these ties, establishing a quarterly discussion forum for 300 *kyai* to provide input to district technical agencies. Due to the local religious community's greater interest in Kinerja's health package (compared to education or licensing), maternal and child health reforms were chosen in this district, in spite of persistent problems with uneven teacher distribution and the *bupati*'s demonstrated interest in education reforms.

State actors' bases of legitimacy have also changed with democratic elections. Alliances among elected executives, legislators, and heads of agencies from the same party were noted in several districts as underlying reforms. In such contexts, officials without an electoral base are at a substantial disadvantage, as noted in Jember district, where the *bupati* and his deputy were forced from office to face corruption charges shortly after their reelection. The head of the provincial audit agency was named as a replacement, but was unable to enact desired reforms due to lack of political alliances with the DPRD and heads of the planning and technical agencies (Faculty of Social and Political Sciences 2011). Prior to 2005, all *bupatis* based their authority on gubernatorial appointments but the advent of local democracy has undermined this source of political legitimacy.

⁷ For efforts at measurement, see, for example, Tadjoeddin (2011) and Toha (2009). Neither of these provided data with appropriate time frames or sufficient variation for use in analysis of Kinerja districts.

⁸ At the national level, Toha (2009) found that electoral competitiveness of districts did not account for increases in central transfers for public goods.

The basis of political competition may also vary. Palmer (2010) has argued that much Indonesian voting behavior is motivated by short-term benefits provided by candidates. He distinguished benefits motivating 2009 voters in Aceh from other provinces, however, in that they rewarded parties (*Partai Aceh* and *Partai Demokrat*) for providing collective benefits (autonomy and peace), rather than individual candidates supplying private benefits (i.e., patronage.) Whether this tendency has carried over to subsequent elections is an open question, but it may motivate officials to shift toward providing public goods as a means of gaining reelection.

In summary, democratic elections have affected reform choices in the Kinerja districts. Rather than the straightforward relationship between competitiveness and responsiveness posited in some parts of the literature, however, elections have likely had less direct effects. New constituencies, alliances, and means of patronage resulting from electoral reforms produced varied, and possibly contradictory, effects across districts.

State-led policy entrepreneurship

To proxy for policy entrepreneurship, Tables 2a–2c show state actors' interest and power to affect reforms in the education, health, and business licensing sectors.⁹ In terms of these actors' interest in the reforms introduced by Kinerja, executives showed consistently high interest in education (Table 2a) and in establishing OSS (Table 2c), with more varied attention paid to health (Table 2b). Technical agencies generally were quite interested in relevant sectoral reforms. In contrast, legislative actors (DPRD members) had widely varying levels of interest in education and OSS reforms, but almost all appeared to be indifferent to health-care reforms. Particularly in the education sector (Table 2a), legislators had different levels of interest in the reform options offered by Kinerja; for example, in Bener Meriah, the relevant DPRD commissioners showed high interest in establishing standard costs, but low interest in school-based management and balancing of teacher distributions.

For the executives in each district, power generally covaried with their level of interest in the sector. Technical agencies, however, had sharp distinctions between the health and education sectors. The education technical agency (*Dinas Pendidikan*) stands out as powerful even in districts where non-education reforms were chosen (Table 2a), and as having more power than the corresponding health agency (*Dinas Kesehatan*) in many districts (comparing technical agencies' power across Tables 2a–2b).

In terms of differences in packages chosen, districts choosing education reforms appear to have had both high interest and power from the education technical agency (Table 2a). While interest and power were generally high for this type of actor, districts with medium interest and/or power tended to choose reforms in other sectors. For example, in spite of high commitment to education from the executive and legislative branches, Bondowoso district chose health reforms. This outcome may be explained by the relatively low interest shown by *Dinas Pendidikan* in Kinerja reforms. A similar pattern is observed in Probolinggo, where the education agency was relatively weak, and in Bener Meriah, where it was rated medium/high on both power and interest.

⁹ Power is defined as capacity to influence success /failure of programs through relevant policy authority, funding, and networks; interest is gauged through stated policy priorities and past activities (Faculty of Social and Political Sciences 2011).

Kabupaten Jember would appear to counter this pattern, as education reforms were chosen in spite of only medium/high interest from *Dinas Pendidikan*. The technical agency in this district was distinct from its counterparts, however, for being the most powerful actor in the sector, due to the lower legitimacy of the appointed executive and political ties to the DPRD (see above). Also important to the program choice were recent cuts in district funding for education. The agency's prominent position, combined with a need to maintain programs in the face of shrinking budgets, may explain both the ability and motivation of *Dinas Pendidikan* to sway program choice in its favor (and away from a weaker health agency) despite relatively low interest in the specific reforms offered by Kinerja (Faculty of Social and Political Sciences 2011).

As noted above, legislators showed highly variable interest in Kinerja reforms; their power also varied widely. The DPRD may have been largely irrelevant to program choice. Districts with high DPRD interest in education tended to choose non-education packages, while those with lower interest from legislators selected education reforms (Table 2a). Although DPRD power was generally higher in the health sector (Table 2b), interest was low across all districts.

Finally, for licensing reforms, little information was available for comparing state entrepreneurship (Table 2c). The two districts with information, however, manifested fairly consistent interest and power to enact licensing reforms from all state actors.

In summary, the technical agency appears to have been the critical policy entrepreneur pushing for reforms in the education sector. High interest from powerful *bupatis* also mattered, but did not vary greatly (across districts for which information was available). Therefore, the entrepreneurship shown by the education agency seems to explain the choice of education reforms, given high executive interest in Kinerja's reforms.

In contrast, no such pattern emerged in the health sector (Table 2b). Here, there was more varied interest from the executive, a less powerful technical agency than in education, and generally low interest from the DPRD. In the Kinerja districts, some examples could be found of innovative *Dinas Kesehatan*, such as paying for malnutrition programs with corporate social responsibility funds from local firms (Kota Probolinggo) and collaborating closely with a reproductive health nongovernmental organization, Kota Banda Aceh (Faculty of Social and Political Sciences 2011; Kemitraan 2011). In spite of innovative activities, however, state-led entrepreneurship does not provide a consistent explanation for districts that chose health reforms.

These patterns call attention to the role of national policy in facilitating state-led entrepreneurship at the district level. In general, education was a more popular program choice than health or licensing reforms in Kinerja districts, and *Dinas Pendidikan* was consistently more powerful than its health counterpart. Part of the explanation behind these outcomes may be the national government's attention to the sector. Since 2003, national legislation has required 20% of both national and district budgets to be allocated to education (Suryadarma 2012). While a substantial portion of these funds goes to wages for

Table 2a. State actors' interest in and power to enact *education* reforms, by district and program choice, 2011

District	Program choice	EXECUTIVE		TECH AGENCY		LEGISLATIVE	
		Interest	Power	Interest	Power	Interest	Power
Kota Probolinggo	education	high	high	high	high	medium	high
Jember	education	high	medium	med/high	high	med/low	med/low
Simeulue	education	–	–	high	high	low/med	low/med
Aceh Tenggara	education	high	med/high	high	high	low	low
Bondowoso	health	high	high	medium	high	high	high
Bener Meriah	health	–	–	med/high	med/high	low/high	low/high
Aceh Singkil	health	–	–	high	high	med/high	med/high
Kota Banda Aceh	health	–	–	high	high	med/low	med/low
Probolinggo	one-stop shop	high	med/high	high	medium	high/low	high/medium
Tulungagung	one-stop shop	–	–	–	–	–	–

Table 2b. State actors' interest in and power to enact *health* reforms, by district and program choice, 2011

District	Program choice	EXECUTIVE		TECH AGENCY		LEGISLATIVE	
		Interest	Power	Interest	Power	Interest	Power
Kota Probolinggo	education	high	high	high	high	low	high
Jember	education	medium	medium	high	medium	medium	high
Simeulue	education	–	–	low	high	low	med
Aceh Tenggara	education	high	high	high	med	low	high
Bondowoso	health	medium	high	high	high	low	high
Bener Meriah	health	high	high	high	med	low	high
Aceh Singkil	health	low	high	med/high	med	low	high
Kota Banda Aceh	health	–	–	med/low	high	med	high
Probolinggo	one-stop shop	low	low	high	low	low	low
Tulungagung	one-stop shop	high	high	high	high	medium	medium

Table 2c. State actors' interest in and power to enact *licensing* reforms, by district and program choice, 2011

District	Program choice	EXECUTIVE		TECH AGENCY		LEGISLATIVE	
		Interest	Power	Interest	Power	Interest	Power
Kota Probolinggo	education	–	–	–	–	–	–
Jember	education	–	–	–	–	–	–
Simeulue	education	–	–	–	–	–	–
Aceh Tenggara	education	–	–	–	–	–	–
Bondowoso	health	–	–	–	–	–	–
Bener Meriah	health	–	–	–	–	–	–
Aceh Singkil	health	–	–	–	–	–	–
Kota Banda Aceh	health	–	–	–	–	–	–
Probolinggo	one-stop shop	high	medium	high	medium	medium	high
Tulungagung	one-stop shop	high	high	high	high	high	high

Source: Adapted from Kinerja Stakeholder Analysis (Faculty of Social and Political Sciences, 2011; Kemitraan, 2011)

teachers and agency staff, large allocations to the education sector have likely strengthened *Dinas Pendidikan*'s relative position and given programs in the sector additional legitimacy.¹⁰

While an interested education agency supported by national policy appears to have pushed program choice toward reforms in this sector, the Kinerja program choices were not uncontroversial (particularly teacher redistribution programs) and may not be enacted as intended. In several districts in East Java, local elites have since successfully lobbied elected officials (both DPRD and *bupatis*) to block efforts of education agencies to move well-connected teachers to less desirable rural posts (Faculty of Social and Political Sciences 2011). In these cases, the entrepreneurship of empowered technocrats was thwarted by the electoral leverage that organized elites held over elected officials.

Also, higher-level policies' ability to empower state entrepreneurs should not be overstated. For example, the province of South Sulawesi passed a 2010 law that promoted immediate and exclusive breastfeeding by prohibiting and sanctioning promotion of formula by health staff, as well as requiring lactation rooms in all public workplaces (Initiatives for Governance Innovation 2012). Notably, none of the South Sulawesi districts adopted Kinerja's health reforms, designed to address the same issues as the provincial legislation.

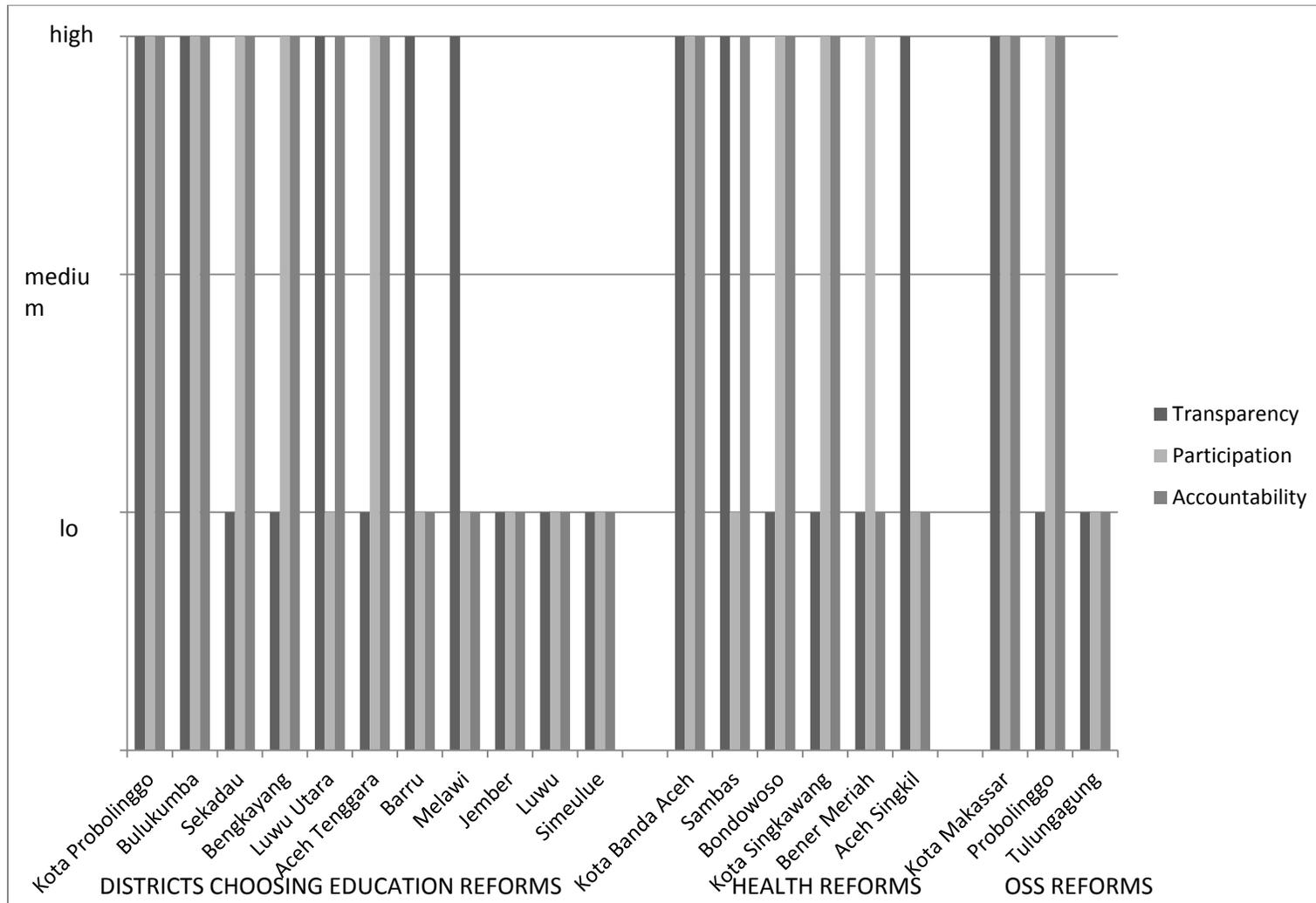
Policy attention from higher levels of government is not sufficient; it is likely that funding is also needed. No funding was provided for enacting the reforms in the South Sulawesi regulation, in contrast to the national education policy. A recent national law covers the same ground as the South Sulawesi regulation, adding sanctions for formula producers found to impede exclusive breastfeeding but no oversight of implementation or enforcement. This law also provides funding, which may increase state actors' interest in reforms and the health technical agency's power to enact them (Initiatives for Governance Innovation 2012).

Public sector modernization

General governance reforms to encourage transparency, responsiveness, and accountability of government officials are expected to improve service performance by empowering citizens with information on state decisions and performance, opportunities to make their needs heard, and means of correcting shortcomings. Figure 1 reports on indices combining each district's past adoption of modernizing reforms (such as pro-reform regulations, meeting procedures, and information-sharing mechanisms) to enhance these general governance principles. For the Kinerja districts adopting the education program, there were no clear relationships across the three categories of modernization reforms, as these districts included high performers on all three measures (such as Kota Probolinggo and Bulukumba), as well as others that consistently ranked at the bottom (for example, Luwu and Jember). In contrast, all districts choosing health reforms made high levels of progress in at least one of the governance categories.

¹⁰ Sectoral transfers are also available from the Ministry of Health to fund operational costs for preventive care and health promotion, but are generally smaller than grants for education. For example, in 2011, health transfers were, on average, one third the size of those for education in the Kinerja districts (SekNas Fitra & The Asia Foundation 2012, 9). There are also no nationally mandated minimum allocations for district health budgets.

Figure 1. Degree of adoption of transparency, participation, and accountability reforms, by Kinerja district and program choice, 2011



Source: Adapted from Kinerja Local Budget Index (SekNas Fitra and The Asia Foundation, 2012b)

Sectoral differences also emerged in patterns of past performance. Counter to technical explanations, program choice does not appear to have been motivated by poor performance. In fact, districts tended to choose reforms that reinforced relatively good past performance, at least in education (Table 3). Of the eleven districts that selected education reforms, seven were performing relatively better in this sector than in the health sector. The same pattern is not seen in the health sector. Performance by districts electing these reform packages was mixed. These patterns likely reflect districts' performance management systems' tendency to use input indicators for decision-making (Mimba et al. 2013). Performance data collected on outcomes and outputs were being passed on to higher levels of government, but were not used in routine reporting at the local level.

Past funding allocations followed a pattern somewhat similar to past performance (Table 4).¹¹ While relative expenditures on education and health tended to co-vary (i.e., districts spending above/below the average in one sector tended to do the same in the other sector), districts choosing education reforms appear to have been reinforcing past investment patterns. Of eleven districts selecting education packages, seven were already spending more than the provincial per capita average on education. Three of them also were spending below the provincial per capita average on health. In only one district (Melawi) were expenditures on health higher than the provincial average, while lower on education. Instead of choosing reform packages to compensate for relatively low past investments, education reforms appear to have gone to areas that were already favoring this sector.

As for technical performance, the pattern was less clear for health. Although fewer districts overall chose these reforms, there were some signs that those opting for safe delivery and exclusive breastfeeding programs had lower past investments in the health sector. None of the districts selecting health reforms was spending more than average on health while at the same time spending less on education (that is, all were either below average on health and above on education, or above/below in both sectors).

For districts choosing licensing reforms, at least two of them had established OSS independently, before Kinerja began (Probolinggo and Tulungagung, both in 2008). In each district, the OSS was noted as "not working optimally," due to continuing problems of overlapping regulations and jurisdictions across agencies, resulting in substantial wait times and continued back-and-forth between agencies to obtain permits (Faculty of Social and Political Sciences 2011, 11 [Tulungagung]). State actors may thus have been pushing for continued improvement in their already established OSS, seeking to build on prior policy choices rather than undertaking new reforms. Notably, these choices could override any concerns about poor performance in health and education. For example, the Probolinggo *bupati* explained that health and education had received a lot of attention in the past; he asserted that current priorities thus needed to reflect a focus on the previously neglected economic sector (Faculty of Social and Political Sciences 2011) (in spite of consistently below-average performance on all health and education indicators in Table 3).

¹¹ Note that Table 4 shows overall health and education expenditures, rather than specific allocations relevant to Kinerja reforms (for example, antenatal care). If such expenditures were available, they might show patterns different from those observed in the general data.

Table 3. Performance on education and health indicators relative to district average, by district and program choice, 2011

District name	Program choice	EDUCATION		HEALTH	
		Net enrollment rate	Dropout rate	% excl. breastfeeding	% assisted delivery
Kota Probolinggo	education	+	+	-	+
Luwu	education	+	+	-	-
Bulukumba	education	+	-	-	-
Sekadau	education	-	-	+	-
Bengkayang	education	+	+	-	+
Jember	education	+	+	+	-
Barru	education	-	-	-	-
Simeulue	education	-	+	-	-
Luwu Utara	education	+	+	-	-
Aceh Tenggara	education	+	-	+	-
Melawi	education	+	-	+	-
Sambas	health	+	+	+	-
Bondowoso	health	-	-	-	-
Bener Meriah	health	+	-	-	+
Aceh Singkil	health	+	-	+	-
Kota Singkawang	health	-	-	-	+
Kota Banda Aceh	health	-	+	-	+
Kota Makassar	one-stop shop	-	-	+	+
Probolinggo	one-stop shop	-	-	-	-
Tulungagung	one-stop shop	+	+	+	+

Notes:

+ indicates performance better than province average for Kinerja treatment districts

- indicates performance worse than province average for Kinerja treatment districts

Source: Susenas (Biro Pusat Statistik, 2011)

At least in the Kinerja districts, progress on general modernization reforms appears to have had little to do with education reform choices. In this sector, where reforms aligned with national budget priorities, reforms were instead reinforcing past improvements and investments. Similarly, districts choosing licensing reforms were building on prior investments in OSSs.

In contrast, health reforms may have been attempting to compensate for past underinvestment in the sector. Selection of these reforms could have been driven by greater responsiveness to citizens, rather than alignment with national policies (see next section). Progress on modernization reforms, particularly in establishing a more open planning process, may thus contribute to later reform choices.

Table 4. Per capita expenditure by education and health technical agencies relative to province average, by district and program choice, 2011

District	Program choice	Education	Health
Kota Probolinggo	education	+	+
Luwu	education	+	-
Bulukumba	education	-	-
Sekadau	education	+	-
Bengkayang	education	+	-
Jember	education	-	-
Barro	education	+	+
Simeulue	education	+	+
Luwu Utara	education	+	+
Aceh Tenggara	education	-	-
Melawi	education	-	+
Sambas	health	+	-
Bondowoso	health	-	-
Bener Meriah	health	+	+
Aceh Singkil	health	+	+
Kota Singkawang	health	+	+
Kota Banda Aceh	health	+	-
Kota Makassar	one-stop shop	-	-
Probolinggo	one-stop shop	-	-
Tulungagung	one-stop shop	+	-

Notes:

+ indicates expenditure higher than province average for Kinerja treatment districts

- indicates expenditure lower than province average for Kinerja treatment districts

Source: Adapted from background data for Kinerja Local Budget Analysis (SekNas Fitra and The Asia Foundation, 2012a)

Citizen participation

On average, districts choosing health packages held more meetings to gather input to the planning process; four of these six districts held the highest number of planning meetings (Table 5b). Across the Kinerja districts, there were also reports of executives establishing regular meetings for input and to encourage dialogue between state actors and citizens. In addition to the Bondowoso *bupati's* quarterly *kyai* meeting, both Kabupaten Probolinggo and Kota Probolinggo held weekly “coffee mornings” at the district executive’s office. The latter district also had formed a Healthy City Forum to improve waste and sanitation (Faculty of Social and Political Sciences 2011).

Although such meetings created space for interactions between officials and civil society, their existence did not necessarily result in citizen influence over decisions. Greater openness at early stages of the planning process rarely extended to participation in decisions regarding budgets and legislation (Antlöv and Wetterberg 2011). Among the Kinerja districts, Jember had a School Committee Communication Forum that had been invited to preliminary meetings in the education sector planning process, but its members were not privy to substantive decisions. Education-sector civil society organizations (CSOs) in Kota Probolinggo voiced similar complaints, as did medical professionals' organizations in Bondowoso (Faculty of Social and Political Sciences 2011). In these cases, decisions remained in government hands and participation failed to empower citizen groups.

Some evidence suggests, however, that nonstate actors in districts choosing health packages had both relatively higher interest in the sector and more power in driving reforms than their counterparts in other sectors. Whereas CSOs generally held little sway (see power columns across Tables 5a–5c), health organizations in several of the districts selecting health-care packages stood out as having consistently medium or high levels of authority in the sector (Table 5b). This research cannot assess whether stronger nonstate actors pushed for more participatory planning meetings, or whether the existence of the meetings strengthened CSOs. Whichever the case, stronger health advocates and more planning meetings were associated with choosing Kinerja's health reform packages.

In districts where the education agency showed less interest in reforms, or had less power to enforce them, there may have been opportunities for nonstate actors to push for other reforms. For example, in Bondowoso, CSOs, the media, and religious leaders all showed interest and had some say in the health sector. The high number of planning meetings held in the district may have complemented the relatively strong position of nonstate actors in pushing for health reforms (Faculty of Social and Political Sciences 2011).

As noted above, health program choice aligned with past underinvestment, in contrast to education and OSS reforms, which reinforced past performance and expenditures. Through increased interactions with officials during planning meetings and in other fora, interested and empowered citizens might have been calling the state's attention to health services' shortcomings and holding them accountable for improvements.

Table 5a. Number of planning meetings held and nonstate actors' interest in and power to enact education reforms, by district and program choice, 2011

District	Program choice	# planning meetings	EDUCATION CSOs		MEDIA		RELIGIOUS LEADERS	
			Interest	Power	Interest	Power	Interest	Power
Kota Probolinggo	education	1	high/low	low	–	–	–	–
Jember	education	0	high/low	medium/low	low	high/low	–	–
Simeulue	education	1	–	–	–	–	–	–
Aceh Tenggara	education	5	med/low	low	low	high	–	–
Bondowoso	health	8	medium	low	low/med	high/med	medium	high
Bener Meriah	health	8	low	low	–	–	–	–
Aceh Singkil	health	1	high	medium	–	–	–	–
Kota Banda Aceh	health	8	medium	low/high	med/high	med/low	–	–
Probolinggo	one-stop shop	1	low	low	–	–	high/low	high/low
Tulungagung	one-stop shop	1	–	–	–	–	–	–

Table 5b. Number of planning meetings held and nonstate actors' interest in and power to enact health reforms, by district and program choice, 2011

District	Program choice	# planning meetings	HEALTH CSOs		MEDIA		RELIGIOUS LEADERS	
			Interest	Power	Interest	Power	Interest	Power
Kota Probolinggo	education	1	low	low	low	medium	–	–
Jember	education	0	low	low	medium	medium	–	–
Simeulue	education	1	–	–	low	low	–	–
Aceh Tenggara	education	5	high	med/low	high	med	low	high
Bondowoso	health	8	med/high	low/high	medium	medium	high	high
Bener Meriah	health	8	–	–	–	–	low	low
Aceh Singkil	health	1	high	med/low	high	high	–	–
Kota Banda Aceh	health	8	low/high	med/low	low	low	–	–
Probolinggo	one-stop shop	1	high	medium	low	medium	–	–
Tulungagung	one-stop shop	1	med/high	med/high	medium	medium	–	–

Table 5c. Number of planning meetings held and nonstate actors' interest in and power to enact licensing reforms, by district and program choice, 2011

District	Program choice	# planning meetings	BUSINESS ORGS		MEDIA	
			Interest	Power	Interest	Power
Kota Probolinggo	education	1	–	–	–	–
Jember	education	0	–	–	–	–
Simeulue	education	1	–	–	–	–
Aceh Tenggara	education	5	–	–	–	–
Bondowoso	health	8	–	–	–	–
Bener Meriah	health	8	–	–	–	–
Aceh Singkil	health	1	–	–	–	–
Kota Banda Aceh	health	8	–	–	–	–
Probolinggo	one-stop shop	1	high	low	–	–
Tulungagung	one-stop shop	1	high	low	medium	low

Sources: Kinerja Local Budget Index (SekNas Fitra and The Asia Foundation, 2012b) and Stakeholder Analysis 2011 (Faculty of Social and Political Sciences, 2011; Kemitraan, 2011)

KEY FINDINGS

Patterns across Kinerja districts show that factors associated with all four political economy explanations can contribute to understanding which reforms were adopted. The introduction of democratic political competition laid the groundwork for new political alliances, patterns of patronage, and party provision of benefits that conditioned reform choices. State-led policy entrepreneurship was evident from technocrats in the education agency. Public sector modernization may have increased orientation toward performance, with education reforms adopted by districts that were already achieving relatively good results in the sector. Citizen participation was associated with health reforms in districts that provided more opportunities for civil society to attend planning meetings.

Interactions among several of the political economy elements show that it mattered not just *whether* districts took advantage of opportunities offered by decentralization (Eckardt 2008), but also *which* aspects of democratic decentralization dominated. Where local technocrats' entrepreneurship had been strengthened by supportive national policies and alliances with elected officials (e.g., education and OSS), reform choices and performance orientation differed from those in districts where decentralization reforms had increased opportunities for citizen participation.

Patterns in the Kinerja districts also call attention to the continued, but perhaps unintended, effects of national policy choices on decentralized reforms. While mandated budget allocations, such as those for education, are an important tool for communicating central priorities to the local level, national actors need to integrate financing, policies, and enforcement to create additional incentives to address local needs. In a context such as Indonesia, with a history of top-down policies and programs implemented by largely unaccountable and nonresponsive technocrats, such countervailing policies are especially important. Decentralization reforms were in part designed to increase responsiveness, but, as the Kinerja analysis implies, national policy priorities may fortify technical actors who tend to use their strengthened position to reinforce past performance and expenditures rather than assessing local circumstances and changing course to address areas of greatest local need.

Where technical agencies' power to steer reforms is buttressed by national budget choices, the strong leadership provided by the local agency may improve implementation and increase likelihood of achieving particular reform objectives (Di Mascio and Natalini 2013, 163). However, the agency's dominance also runs the risk of marginalizing citizens' influence over service delivery to sectors or issues where state actors show low interest. Rather than increased state responsiveness and collaboration with citizens that was envisioned with decentralization, such outcomes reflect continued state dominance of local priorities. In Jember, for example, one education CSO representative explained that his organization had shifted focus away from advocacy, toward developing their own model of service delivery. In his view, there was little to be gained from continuing to criticize government policy and budgeting in this district, where the education technical agency dominated local decision-making (Faculty of Social and Political Sciences 2011). In the Kinerja districts, some indications emerged that technocratic reforms can be stymied by elected leaders intervening on behalf of organized constituencies, but such (patronage-based) actions are far from the ideal of efficient state-society interactions envisioned in public sector modernization efforts.

We offer the following summary observations on the reform patterns in the districts studied. Pursuit of public sector modernization is enhanced when (a) local officials are disposed to support reforms, and (b) decentralized sectoral technical agencies have the power and motivation to adopt reforms. *Bupatis* and the leaders of sectoral technical agencies had significant leeway to decide which reforms to pursue in the absence of strong institutional constraints imposed by central-level authorities, although central policy priorities were used on occasion to advance the agendas of the leadership of the local technical agencies. Grindle (2007b), citing Hirschman (1981), distinguished between policy problems and their solutions that were “chosen” by officials and their agents versus those that were “pressing,” where decision-makers perceived that they must take them on as a high priority. This distinction is helpful in interpreting the patterns across the Kinerja districts, where there did not seem to be a strong relationship between poor prior performance—which would suggest a pressing problem—and selection of a sectoral reform. The menu of reforms offered through Kinerja may not have extended to districts’ highest priorities. For example, in the project’s midterm evaluation, some officials pointed out that teacher distribution was important, but the most concerning issue was the availability of qualified teachers (Social Impact 2013). Most reforms, then, were chosen based on political economy factors other than an urgent need to address performance issues.

In a decentralized system, it can be expected that citizens will have a role in determining which problems are pressing, and in motivating government to respond. However, in the Kinerja districts, there was little evidence that citizen participation had strongly motivated local officials or agencies to pursue reforms. While CSOs appeared to be able to inject their views on needs and preferences into service delivery planning, their views were rarely reflected in budgets or policies, particularly in the face of a dominant technical agency. Where there was more balance between agencies, there may have been more space for both citizen participation and progress on governance reforms. CSO advocacy influenced the choice of Kinerja health reforms, such as in Bondowoso, where there were more planning meetings, the health agency had close ties to a local CSO, and the *bupati* was connected to the organization Nahdlatul Ulama (NU), which favored maternal and child health interventions over education reforms (Faculty of Social and Political Sciences 2011). Creating a culture of democratic accountability remains in its early stages in Indonesia, where patronage relationships between government and citizens continue to prevail, and ones based on citizens’ rights to demand good performance are emergent at best. The election of more district officials who owe their victories to a broad base of rank-and-file citizens rather than local elites (Rosser et al. 2011), combined with local performance management systems that collect and use outcome data (Mimba et al. 2013), could bolster civil society’s power to push for needed services.

CONCLUSION

Our analysis reinforces the findings of other studies regarding the political economy of service delivery in Indonesia (Blunt et al. 2012; Rosser et al. 2011). Our exploration of the interactions among the four categories of political-economy factors demonstrates the complexity of service delivery reform decisions made by local governments. That complexity leads us to conclude that, just as no single category of factors can adequately capture actors’ reform decision-making calculus, successful intervention strategies to enhance performance-based service delivery and ensure efficient and effective use of public resources will be multifaceted as well. The conception of the political economy of service

delivery solely in terms of constraints and impediments to reform that need to be eliminated or skirted needs to shift. The focus needs to incorporate the realities of political economy in ways that seek to align reforms “with the grain,” as Booth (2011a) has termed it, to identify local sources of commitment to, and incentives for, change and mobilize them to move forward.

This study also sheds light on the political economy of decentralization. The objectives of decentralization in Indonesia, following the classic rationale, are twofold: to increase administrative efficiency and effectiveness, and to enhance accountability and responsiveness to citizens (see Faguet 2004; Lockwood 2009). Our findings point to incompatibilities and tensions between these two objectives. Under conditions of partial decentralization—that is, where local governments do not have full autonomy regarding service delivery and revenue raising and spending—entrepreneurial elected and appointed local officials have incentives to exploit the available policy and operational space to pursue their interests under the aegis of centrally mandated efficiency and effectiveness measures. Such incentives, however, can accord a “back seat” to citizen accountability and responsiveness. Thus, achieving these twin decentralization objectives calls for multiple and varied levers for change to bring about improved performance.

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