



# Unpacking the Effect of Decentralized Governance on Routine Violence: Lessons from Indonesia

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**Summary.** — We study the effect of decentralization on routine violence in Indonesia. We unpack decentralization along multiple dimensions and consider the individual effects of local elections, the creation of new administrative units, fiscal transfers, and local public service delivery. We use comprehensive data from Indonesia's National Violence Monitoring System (NVMS), a new dataset that records the incidence and impact of violence in Indonesia. We use these data to examine the relationship between the different dimensions of decentralization and different types of local violence in Indonesian districts during 2001–10. Our analyses suggest that there is a positive association between local service delivery and at least some forms of violence. We argue that the positive effect of service delivery on violence is due to newly generated distributive conflicts among local ethnic groups around the control over and access to services. By comparison, district splitting and the introduction of direct elections of district heads are negatively associated with some forms of violence. There is little evidence that fiscal transfers, in general, mitigate conflict.  
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## 1. INTRODUCTION

What is the effect of decentralized governance on local, routine violence?<sup>1</sup> A large literature in political science and economics has hypothesized links between formal decentralization reforms and, among other outcomes, political violence and conflict (see Treisman, 2007; Wibbels, 2006 for reviews). On the one hand, scholars have hypothesized that decentralization can reduce the risk of political violence, in particular separatism and ethnic conflict, by increasing local autonomy over allocative decisions, protecting minority rights, improving social service provision, or funneling fiscal resources to peripheral regions to assuage grievances (e.g., Brass, 1991; Gurr, 2000; Hechter, 2000; Horowitz, 1991). On the other hand, some scholars argue that decentralization can amplify the risk of conflict by strengthening ethnic identities (Hechter, 2000; Kymlicka, 1998), enabling discrimination against local minority groups (Duncan, 2007; Horowitz, 1991; Lijphart, Rogowski, & Weaver, 1993), or by providing local groups the necessary political and material wherewithal to challenge the central government (e.g., Bunce, 1999; Snyder, 2000). Cross-country tests of the effects of decentralization on conflict and violence have yielded conflicting evidence. While some find conflict-reducing effects of decentralization or federalism (Saideman, Lanoue, Campenni, & Stanton, 2002), others find no clear effects (Selway & Templeman, 2012) or evidence of conditional relationships (Brancati, 2006; Schneider & Wiesehomeier, 2008; Wibbels & Bakke, 2006).

We add to the existing literature by offering two innovations. First, we consider the effects of decentralized governance on more local, small-scale forms of violence. Second, we disaggregate decentralization into various dimensions. With respect to the first point, many studies of decentralization and violence narrowly focus on large-scale separatism or inter-communal violence (e.g., Brancati, 2006; Schneider & Wiesehomeier, 2008).<sup>2</sup> We consider the consequences of decentralized governance for different forms of small-scale vio-

lence in Indonesia. In Indonesia's recent history, political and social violence has played an important role at the national and local level (Aspinall, 2009; Bertrand, 2004; Purdey, 2006; Panggabean & Smith, 2011; Sidel, 2006). Although much attention has been paid to high-profile large-scale violence, such as separatism and high-intensity ethno-communal conflict (see Section 2), it has declined dramatically since 2003, while everyday or routine forms of violence remain prevalent in Indonesia (Barron, Jaffrey, & Varshney, 2014). Analyzing decentralization's effect on routine violence presents two opportunities. First, it broadens the analytical focus of the decentralization and violence debate, testing the extent to which arguments often developed with respect to separatist violence or large-scale ethnic conflict apply to other types of violence. Likely, decentralized governance structures play an important role in mediating and structuring the production of routine violence at the local level. Second, the massive human cost associated with Indonesia's ebb and flow in local violence during 2001–10 generates the need for a better understanding of its relationship with Indonesia's 'big-bang' decentralization program (World Bank, 2001).

With respect to the second innovation, we believe that the mixed findings in the large N cross-country literature are in part due to a lack of sufficient disaggregation in the

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measurement of decentralization. Existing work often treats decentralization as a compound treatment, failing to distinguish between the specific elements of large-scale decentralization reforms and ensuing changes in governance. Specifically, it is instructive to distinguish the effects of decentralized accountability mechanisms (i.e., local elections<sup>3</sup>) the decentralized responsibility for and delivery of public services by local governments, and the allocation of fiscal resources to the local level. Changes in the territorial structure of government, the re-drawing of administrative boundaries, which often ensues in the wake of decentralization, is also important (Grossman & Lewis, 2014). While many quantitative cross-country studies often lump these dimensions into one compound treatment of decentralization, others focus too narrowly on a single dimension, failing to consider that the effects of decentralized governance might operate through different channels.<sup>4</sup> Disentangling the interplay of the different dimensions of decentralized governance and routine violence in Indonesia presents a unique opportunity to add empirical insights to ongoing research and policy debates.

Focusing on Indonesia has a number of important advantages. For one, we are able to identify useful measures of Indonesia's decentralized governance along multiple dimensions, ranging from direct head elections, center-local fiscal transfers, public service delivery, to district splitting. Moreover, only studying within-country variation in violence allows us to hold constant a number of unmeasurable confounders that make cross-country comparisons problematic. With respect to measuring routine violence, Indonesia's National Violence Monitoring System (NVMS) records the incidence and impact of violence in Indonesia over a 15-year period beginning in 1998 at a sub-national level. These unique data allow us to examine the relationship between decentralized governance and different types of local violence. While an interesting and important case in it of itself, this case study of Indonesian districts should also be of interest to a broader audience and inform more general debates about the relationship between decentralized governance and violence in other multi-ethnic, post-authoritarian developing countries.

Our quantitative analysis relates the number of violent events in each district-year during 2001–10 to our main measures of decentralized governance.<sup>5</sup> Relying on observational data, standard concerns about causal identification exist. We implement a number of strategies to limit and mitigate problems of endogeneity—ranging from the inclusion of a large set of control variables, to models that account for unobserved, time-invariant heterogeneity, to instrumental variable estimations—to increase the confidence in our results. Our analysis reveals a number of noteworthy findings. Our results indicate a *positive* effect of decentralized service delivery on violence. We further substantiate this effect in a series of statistical tests ruling out reporting bias, reverse causality and other, alternative explanations. We also supply evidence that this positive association between service delivery and violence is reversed at very high levels of service delivery. We attribute this finding, in part, to grievances generated when groups are excluded from service delivery and to inequitable access to service delivery in localities with horizontal competition between ethnic groups. This finding is consistent with and expands prior work on horizontal inequalities and conflict from the Indonesian context (Diprose, 2009, 2008a).

By comparison, other dimensions of the decentralization reform program have had largely pacifying effects on violence. District splitting is negatively associated with most forms of violence. Newly created districts are much less likely to experience a large number of resource, identity, and popular

justice-related violent events, as well as crime. The introduction of direct elections at the district level, the timing of which was exogenously determined thus allowing for causal inference, is also negatively associated with the total number of violent events and crime. Yet, the introduction of direct head elections is positively associated with electoral violence, likely due to the violent contestation of results in some contexts. This finding suggests that improved accountability at the local level might mitigate some types of violence but also increase other types of violence, such as electoral violence. The effects of fiscal transfers on violence are largely non-significant for the whole sample.

This paper makes useful contributions to several ongoing scholarly debates. First, we add to the growing discourse on decentralization and violence by distinguishing different elements of decentralized governance and analyzing small-scale, local violence. Second, our finding on the positive association between service delivery and violence suggests that concerns of equitable access have to be taken seriously by governments and donors when designing and implementing service delivery projects. Third, our study also adds to the debate on the determinants of violence in Indonesia. Prior empirical analyses of violence in Indonesia have studied related issues, but largely relied on qualitative accounts of specific events or regions (e.g., Bertrand, 2004; Davidson, 2008; van Klinken, 2007; McRae, 2013; Sidel, 2006; Wilson, 2008) or on fairly aggregated units of analysis (Varshney, Tadjoeidin, & Panggabean, 2008). Other analyses have not focused on the specific role of decentralization reforms (Barron, Kaiser, & Pradhan, 2009; Tajima, 2013). Our paper extends prior work on small-scale violence (Østby, Urdal, Tadjoeidin, Murshed, & Strand, 2011; Tadjoeidin & Murshed, 2007) and decentralization (Diprose, 2009; Murshed, Tadjoeidin, & Chowdhury, 2009) by allowing for a broader analysis of the relationship between decentralized governance and local violence in Indonesia, while unpacking the effect of decentralization along multiple dimensions.

## 2. THE INDONESIAN CONTEXT

Taking effect in 2001, Indonesia's 'big bang' decentralization is one of the most ambitious decentralization reforms to date and has dramatically re-shaped the allocation of authority across levels of government (Hofman & Kaiser, 2004; Turner, Podger, Sumarjono, & Tirthayasa, 2003; World Bank, 2001). Reforms were passed in 1999 in an environment of political upheaval and uncertainty in the wake of the fall of the Suharto regime (Crouch, 2010).<sup>6</sup> Triggered by a massive financial crisis, Indonesian elites had to manage an unexpected political transition while trying to resolve an economic crisis. Relying on the advice from a technical expert panel, with support and influence by international donors like the World Bank, the government and parliament opted for wide-ranging decentralization reforms in expectation of reaping electoral rewards in a newly competitive, democratic environment (Smith, 2008; Turner *et al.*, 2003). The unexpected extent of the decentralization reforms radically empowered district governments, as opposed to the central or provincial levels of government.

As a consequence of the reforms, a new system of decentralized governance was created with wide-ranging consequences for local accountability, the allocation of fiscal resources across levels of government, and service delivery. Four aspects of this decentralized governance system are of particular importance. First, district governments were assigned the

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