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The Development of Decentralization in Indonesia and Timor-Leste: a Comparative Analysis, 2002–2025

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Abstract: Decentralization is an important instrument for strengthening local government, improving public services, and promoting balanced regional development. However, decentralization in Indonesia and Timor-Leste has developed within different historical and institutional contexts. This study aims to analyze the development of decentralization in both countries from 2002 to 2025 by comparing policy foundations, distribution of authority, local government capacity, central-local relations, and implementation challenges. The study employs a descriptive-comparative approach using interviews, observation, and documentary analysis of regulations, policies, and relevant literature. Data were analyzed through data condensation, data display, and conclusion drawing and verification. The findings indicate that Indonesia has a more mature decentralization system but continues to face disparities in local capacity, fiscal dependence, corruption, and central-local coordination. Timor-Leste remains in the process of strengthening local government, with major challenges related to institutional capacity, human resources, fiscal capacity, and coordination. The novelty of this study lies in its comparative analysis linking the design of authority, implementation capacity, and intergovernmental coordination to explain the different trajectories of decentralization in Indonesia and Timor-Leste.

Keywords: Decentralization, Regional Autonomy, Local Government, Indonesia, Timor-Leste

Abstrak: *Desentralisasi merupakan instrumen penting dalam memperkuat pemerintahan daerah, meningkatkan pelayanan publik, dan mendorong pemerataan pembangunan. Namun, perkembangan desentralisasi di Indonesia dan Timor-Leste berlangsung dalam konteks sejarah dan kelembagaan yang berbeda. Penelitian ini bertujuan menganalisis perkembangan desentralisasi di kedua negara selama periode 2002–2025, dengan membandingkan landasan kebijakan, pembagian kewenangan, kapasitas pemerintahan daerah, hubungan pusat-daerah, serta tantangan implementasinya. Penelitian menggunakan pendekatan deskriptif-komparatif*

dengan memanfaatkan wawancara, observasi, dan studi dokumentasi terhadap regulasi, kebijakan, serta literatur terkait. Analisis data dilakukan melalui kondensasi data, penyajian data, serta penarikan dan verifikasi kesimpulan. Hasil penelitian menunjukkan bahwa Indonesia memiliki pengalaman desentralisasi yang lebih matang, tetapi masih menghadapi ketimpangan kapasitas daerah, ketergantungan fiskal, korupsi, dan persoalan koordinasi pusat-daerah. Timor-Leste masih berada dalam tahap penguatan pemerintahan lokal dengan tantangan utama berupa keterbatasan kapasitas kelembagaan, sumber daya manusia, fiskal, dan koordinasi. Kebaruan penelitian terletak pada analisis komparatif yang menghubungkan desain kewenangan, kapasitas implementasi, dan koordinasi pemerintahan dalam menjelaskan perkembangan desentralisasi kedua negara.

Kata Kunci: *Desentralisasi, Otonomi Daerah, Pemerintahan Daerah, Indonesia, Timor-Leste*

INTRODUCTION

Decentralization is an important instrument for structuring relations between central and local governments because it is directly associated with the distribution of authority, governmental capacity, the quality of public services, and equitable development. In a unitary state, decentralization serves not only as an administrative mechanism for distributing governmental affairs but also as an instrument for bringing decision-making processes closer to society and adapting policies to the characteristics of each region. In Indonesia, the principles of local government and the division of governmental authority are constitutionally grounded in the 1945 Constitution of the Republic of Indonesia and subsequently elaborated through various regulations, including Law No. 23 of 2014 on Local Government (Republik Indonesia, 1945, 2014). These developments demonstrate that decentralization in Indonesia is a continuing process involving adjustments between the demands for regional autonomy and the need to maintain effective national coordination. From a historical perspective, the transition from a more centralized pattern of governance toward decentralization has also constituted an important part of the transformation of government administration following the reform era (Antlöv, 2003; Ardhana, 2005).

Indonesia's experience demonstrates that decentralization has provided local governments with greater space to manage public affairs; however, the expansion of authority has not automatically resulted in independent and effective local governments. Studies on fiscal decentralization indicate that increased local authority and resources may be associated with improvements in governance performance, although their effects vary according to regional characteristics and the type of local government (Astriana & Khoirunurrofik, 2024). Fiscal autonomy also remains a major challenge, as many local governments continue to depend heavily on transfers from the central government (Syafri et al., 2024; Undang et al., 2023). At the same time, decentralization is associated with the quality of public services and improvements in social welfare, although its outcomes are not uniform across regions (Ginting, 2025; Priscilla et al., 2025). Interregional disparities also remain a significant issue in the development of decentralization in Indonesia, particularly because the economic, institutional, and fiscal capacities of regions differ substantially (Mursalin & Irawan, 2025). These conditions indicate that the success of decentralization cannot be assessed solely based on the extent of authority transferred to local governments, but also on their capacity to exercise such authority effectively, accountably, and sustainably.

In addition to challenges related to capacity and fiscal dependence, the development of decentralization in Indonesia has also revealed dynamics in the distribution of authority between central and local governments. Regulatory changes, particularly through Law No. 23 of 2014, indicate a tendency toward the reorganization of concurrent governmental affairs that

had previously been more broadly assigned to local governments. Azhar (2022) demonstrates that these changes have implications for the meaning of regional autonomy, as several concurrent affairs have experienced strengthened control at the central level. On the other hand, decentralization may also create governance risks, including corruption and weak oversight, when increased authority is not accompanied by adequate institutional capacity (Syarif, 2023). Thus, Indonesia's experience reflects a tension between the need to provide local governments with sufficient autonomy and the need to maintain national coordination, policy consistency, and effective oversight. Recent studies further indicate that governance capacity and institutional quality play important roles in explaining variations in the fiscal performance of local governments within a decentralized system (Kristanto et al., 2026; Wahyudi et al., 2026).

Unlike Indonesia, which has experienced several decades of decentralization, Timor-Leste has pursued decentralization within the context of post-independence state formation. The Constitution of the Democratic Republic of Timor-Leste of 2002 provides a legal foundation for the organization of local government and the development of decentralization as part of the country's governance system (Democratic Republic of Timor-Leste, 2002). Several studies have shown that the decentralization process in Timor-Leste is closely associated with the development of local governmental capacity, relations between the central government and municipalities, and efforts to strengthen public participation. L. B. de Araujo et al. (2013) demonstrate that the decentralization policy-making process in Timor-Leste has been influenced by institutional dynamics and the interests of various actors. Meanwhile, a study of Dili Municipality indicates that the implementation of administrative policies still faces challenges related to institutional development and local governmental capacity (Barros & Ribeiro, 2024). Recent research in Bobonaro also shows that limited institutional capacity, fiscal dependence, human resource distribution, and public participation remain important obstacles to the implementation of decentralization (Santos et al., 2025). These conditions indicate that decentralization in Timor-Leste cannot be separated from the broader agenda of state capacity building and the strengthening of local government within the context of a relatively young state.

The development of governance in Timor-Leste also demonstrates that decentralization takes place within a more complex context involving regional planning, interinstitutional coordination, and interactions among different levels of government and local actors. de Mesquita Lima et al. (2026) highlight the importance of planning processes and governance in reconciling differing interests in the development of Timor-Leste's regions. Coordination challenges become even more significant in the context of cross-regional and cross-border relations between Indonesia and Timor-Leste. Fkun et al. (2026) show that intergovernmental cooperation in border governance continues to face challenges related to capacity, coordination, regulatory supervision, and government involvement. These findings demonstrate that the challenges of decentralization in Timor-Leste are not limited to the formal distribution of authority but also involve institutional capacity and the ability to establish effective intergovernmental relationships across different levels. In a broader context, the dynamics of Timor-Leste's governmental system also reveal the need for clearer arrangements regarding the distribution of authority and governmental structures in order to promote more effective governance (J. de Araujo et al., 2025).

Although studies on decentralization in Indonesia and Timor-Leste continue to develop, the existing literature tends to examine the two countries separately or focus on specific issues, such as fiscal decentralization and public services in Indonesia, or institutional capacity and municipal governance in Timor-Leste (Astriana & Khoirunurrofik, 2024; Santos et al., 2025; Syafri et al., 2024). Systematic comparative studies examining the development of decentralization in both countries over the same period remain relatively limited, particularly studies that integrate changes in policy design, the distribution of authority, local government

capacity, fiscal dependence, regional disparities, and intergovernmental coordination within a single analytical framework. Therefore, there is a need to understand decentralization not merely as an administrative policy implemented independently by each country, but as an institutional process shaped by the history of state formation, governmental structures, local capacity, and central–local relations. A comparative perspective is particularly important because Indonesia and Timor-Leste differ in their historical contexts, state-building experiences, and stages of decentralization implementation, while nevertheless facing several similar challenges.

Based on this research gap, this study aims to analyze the development of decentralization in Indonesia and Timor-Leste during the period 2002–2025 by comparing the policy foundations, the direction of authority distribution, local government implementation, governance challenges, and their implications for public services and regional development. The study places the experiences of both countries within a comparative framework to identify similarities, differences, and factors explaining variations in the development of decentralization. The novelty of this study lies in integrating historical, institutional, and governance perspectives to compare the trajectories of decentralization in Indonesia and Timor-Leste from 2002 to 2025. Accordingly, the analysis goes beyond differences in regulations and examines how local governmental capacity, central–local coordination, fiscal autonomy, regional disparities, and public participation have influenced the implementation of decentralization in both countries. The findings are expected to contribute academically to the study of government and public policy while also providing a basis for formulating decentralization policies that are more adaptive to the specific characteristics of each country.

METHODS

This study employed both qualitative and quantitative approaches with a descriptive-comparative design to analyze the development of decentralization in Indonesia and Timor-Leste during the period 2002–2025. A comparative approach was used to identify similarities and differences between the two countries in terms of legal foundations, the distribution of authority, the degree of regional autonomy, local governmental capacity, central–local government relations, and the implications of decentralization for public services and regional development. The selection of the 2002–2025 period was based on the significance of this period in examining Timor-Leste's institutional development following the enactment of the Constitution of the Democratic Republic of Timor-Leste in 2002, while simultaneously comparing it with the development of decentralization in Indonesia, which has continued to undergo regulatory adjustments, including through Law No. 23 of 2014 on Local Government.

The research data consisted of primary and secondary data. Primary data were obtained through interviews with individuals possessing relevant knowledge and experience regarding decentralization policies and local government, as well as through observations of governmental conditions and practices relevant to the research focus. Secondary data were obtained through an examination of legal and policy documents, including the 1945 Constitution of the Republic of Indonesia, Law No. 23 of 2014 on Local Government, the 2002 Constitution of the Democratic Republic of Timor-Leste, as well as various scientific articles, books, policy reports, and other documents concerning the development of local government in both countries. The use of legal documents was particularly important because changes in the distribution of authority between central and local governments constitute one of the key factors shaping the direction of decentralization. In Indonesia, for example, regulatory changes have affected the allocation of concurrent governmental affairs and the distribution of authority across levels of government (Azhar, 2022), while in Timor-Leste, the decentralization process has developed alongside the establishment of local government institutions and efforts to strengthen municipal capacity (L. B. de Araujo et al., 2013; Santos et al., 2025).

Data were collected through interviews, observations, and documentary analysis. Interviews were conducted to obtain information regarding the implementation of decentralization, perceptions of the distribution of authority, coordination barriers, local governmental capacity, and the development of relations between central and local governments. Observations served as supporting data to provide an empirical understanding of conditions related to government administration and public service delivery at the local level. Documentary analysis involved examining regulations, policy documents, government publications, journal articles, books, research reports, and academic sources addressing decentralization in Indonesia and Timor-Leste. These documents were subsequently compared to identify policy changes and implementation patterns during the study period. This documentary approach also enabled the study to connect normative developments in decentralization with empirical issues such as fiscal dependence, institutional capacity, and regional disparities (Astriana & Khoirunurrofik, 2024; Mursalin & Irawan, 2025; Syafri et al., 2024).

Data analysis employed the *Interactive Model of Data Analysis*, which consists of data condensation, data display, and conclusion drawing and verification as interconnected stages of analysis. Data obtained from interviews, observations, and documentation were first selected and categorized according to the research themes, namely the foundations and design of decentralization, the development of authority distribution, local governmental capacity, central–local relations, public services, fiscal dependence, regional disparities, and challenges related to coordination and oversight. The data were then presented in descriptive narratives and comparative tables to facilitate the identification of patterns and differences between Indonesia and Timor-Leste. The comparative approach was also used to relate the findings to recent literature on governance performance and fiscal decentralization in Indonesia (Ginting, 2025; Pabayo, 2025; Priscilla et al., 2025; Wahyudi et al., 2026), as well as local governmental capacity in Timor-Leste (Barros & Ribeiro, 2024; Santos et al., 2025).

To ensure the validity of the interpretations, data obtained from interviews, observations, and documents were compared through source and methodological triangulation. Information obtained from interviews was not analyzed in isolation but was compared with legal and policy documents as well as findings from previous studies. In the comparative analysis, findings concerning Indonesia and Timor-Leste were also cross-checked against literature specifically addressing governance, fiscal capacity, corruption, and intergovernmental coordination. Studies on Indonesia indicate that decentralization may improve governance performance while continuing to face challenges related to fiscal autonomy and corruption (Astriana & Khoirunurrofik, 2024; Kristanto et al., 2026; Syarif, 2023), whereas research on Timor-Leste shows that limited human resource capacity, institutional capacity, and coordination across levels of government remain significant challenges to decentralization implementation (de Mesquita Lima et al., 2026; Santos et al., 2025). The results of this triangulation were used as the basis for drawing conclusions concerning the development, similarities, differences, challenges, and prospects of decentralization in the two countries.

RESULTS AND DISCUSSION

The findings show that the development of decentralization in Indonesia and Timor-Leste during the period 2002–2025 exhibits a similar policy orientation, namely bringing government administration closer to society, improving the quality of public services, accelerating regional development, and strengthening social welfare. However, the two countries have followed different development trajectories, shaped by differences in state formation history, institutional design, the maturity of local government, and fiscal and administrative capacity. As indicated in the source manuscript, these developments are

reflected in shifts in central–local government relations, with Indonesia having undergone several regulatory changes since Law No. 22 of 1999, whereas Timor-Leste began developing its decentralization model following the constitutional foundation established in 2002 and the subsequent development of administrative policies since 2003.

Foundations and Design of Decentralization in Indonesia and Timor-Leste

In Indonesia, decentralization has a strong constitutional foundation and has developed through a series of regulatory changes. This trajectory can be traced from Law No. 22 of 1999, Law No. 32 of 2004, to Law No. 23 of 2014. These changes indicate that decentralization in Indonesia is not a static policy but rather a process of restructuring the distribution of authority between central and local governments. Its primary objectives are to provide local governments with greater space to manage governmental affairs, resources, and development according to regional characteristics, while simultaneously improving governmental effectiveness and social welfare.

In contrast, Timor-Leste has developed decentralization within the context of a relatively newly independent state. The 2002 Constitution of the Democratic Republic of Timor-Leste constitutes one of the principal foundations for the organization of local government, while subsequent administrative policy developments demonstrate a gradual process of building local governmental structures and capacity. Previous research indicates that the dynamics of decentralization policymaking in Timor-Leste involve various actors and interests, meaning that the process is not merely a transfer of administrative authority but also part of the broader process of state institution building (L. B. de Araujo et al., 2013). Studies on Timor-Leste's governmental system also indicate that clarifying the distribution of authority among institutions remains an important issue for governmental effectiveness (J. de Araujo et al., 2025).

Table 1. Comparison of the Foundations and Orientations of Decentralization in Indonesia and Timor-Leste

Aspect	Indonesia	Timor-Leste
Main legal foundation	The 1945 Constitution of the Republic of Indonesia and Local Government Laws	The 2002 Constitution of the Democratic Republic of Timor-Leste and administrative decentralization policies
Beginning of the analyzed period	Post-reform development; Law No. 22 of 1999 as a major milestone	Strengthening of the decentralization framework after 2002–2003
Orientation	Regional autonomy, governmental efficiency, public services, development, and welfare	Strengthening local government, participation, regional development, and state consolidation
Character of central–local relations	More mature but subject to continuous restructuring of authority	Still developing, with ongoing efforts to build local governmental capacity
Main challenges	Regional disparities, fiscal issues, corruption, and central–local coordination	Institutional capacity, human resources, fiscal capacity, coordination, and policy complexity
Main area of strengthening	Governance quality, regional fiscal autonomy, and service effectiveness	Local institutional capacity and strengthening municipal government

Source: Compiled from the research findings and relevant literature

The comparison shows that the principal difference does not lie in whether decentralization exists, but rather in the degree of maturity and implementation capacity. Indonesia has a longer history of decentralization and a more developed regulatory framework, but it continues to face challenges in restructuring the distribution of authority. Timor-Leste, by contrast, faces more fundamental challenges related to building local administrative capacity and establishing coordination across levels of government. This finding is consistent with Santos et al. (2025), who showed that institutional capacity, fiscal dependence, human

resource distribution, and public participation remain constraints on the implementation of decentralization in Bobonaro.

Development of Decentralization in Indonesia

The development of decentralization in Indonesia during the study period demonstrates a shift from granting relatively broad autonomy toward a restructuring of the distribution of authority. Law No. 22 of 1999 provided a major impetus for regional autonomy following the reform era. This period was characterized by increased local governmental authority and greater opportunities for local innovation. However, implementation also revealed several problems, including differences in regional capacity, central–local coordination challenges, and the potential misuse of authority. These conditions subsequently encouraged regulatory revisions through Law No. 32 of 2004 and, later, Law No. 23 of 2014. The research manuscript indicates that these changes were not merely administrative but also reflected shifts in the direction of central–local relations.

This finding is reinforced by Azhar (2022), who identified changes in the meaning of decentralization following the regulation of concurrent governmental affairs under Law No. 23 of 2014. Thus, the trajectory of decentralization in Indonesia has been dynamic: during one phase, local authority was expanded to strengthen autonomy, while in subsequent phases, some authority was restructured to improve consistency and national coordination. This pattern demonstrates that decentralization is not synonymous with the permanent relinquishment of central authority but rather represents an ongoing institutional negotiation between the need for autonomy and the need for national integration.

From the perspective of governmental performance, recent empirical evidence indicates that fiscal decentralization can contribute to local governance. Astriana & Khoirunurrofik (2024), for example, found a positive relationship between fiscal decentralization and governance performance at the district and municipal levels, although the magnitude of the effect varies according to regional characteristics and the type of local government. This finding indicates that the allocation of fiscal authority can serve as an instrument for improving government performance when supported by adequate institutional capacity.

The effects of decentralization are also evident in public service delivery. Ginting (2025) found that fiscal decentralization has a favorable effect on educational services and tends to have a positive effect on health services, although the magnitude of these effects is not uniform across regions. This suggests that decentralization has the potential to improve public services, but its effectiveness depends heavily on the ability of local governments to allocate resources appropriately.

In terms of equity, the findings indicate that the benefits of decentralization have not been distributed uniformly. Mursalin & Irawan (2025) found that interregional income disparities have persisted throughout Indonesia's decentralization process. This finding indicates that granting authority to local governments does not automatically produce convergence in development. Regions with stronger economic bases, greater fiscal resources, and stronger institutional capacity tend to have greater ability to utilize the authority available to them.

Table 2. Major Developments in Decentralization in Indonesia

Period/Policy	Main Characteristics	Implications
Law No. 22 of 1999	Expansion of regional autonomy	Increased authority and greater space for local government innovation
Law No. 32 of 2004	Restructuring of autonomy implementation	Strengthened coordination and control over implementation-related problems

Law No. 23 of 2014	Reconfiguration of the distribution of governmental affairs	Restructuring of authority between central and local governments
2015–2025	Strengthening governance quality and fiscal capacity	Focus shifted toward effectiveness, accountability, service delivery, and performance
Contemporary conditions	Decentralization continues amid disparities in capacity	Persistent challenges involving fiscal dependence, regional disparities, and coordination

Source: Compiled from the research documents; Azhar (2022) ; Astriana & Khoirunurrofik (2024) ; Syafri et al. (2024) ; Pabayo (2025) ; Mursalin & Irawan (2025)

Fiscal capacity is one of the most consistent findings. Syafri et al. (2024) showed that fiscal decentralization policies implemented for more than two decades have not fully eliminated local governments' dependence on central transfers. This finding is reinforced by Pabayo (2025), who showed that fiscal decentralization continues to face obstacles in achieving local fiscal autonomy. In the context of North Sumatra, Undang et al. (2023) found that 88.49% of the areas examined remained dependent on transfers from the central government. Thus, one of the paradoxes of decentralization in Indonesia is that greater administrative authority has not always been accompanied by commensurate fiscal autonomy.

Another issue concerns governance and corruption. Syarif (2023) showed that decentralization in Indonesia faces problems involving corruption and weak oversight, while Kristanto et al. (2026) identified the relationship between fiscal decentralization, governance, and corruption as an important issue at the local government level. This indicates that the expansion of authority must be accompanied by mechanisms for oversight, transparency, and institutional capacity so that decentralization does not become an expansion of opportunities for the abuse of power.

Development of Decentralization in Timor-Leste

Timor-Leste demonstrates a different pattern. The research manuscript explains that the decentralization process began to develop following the early period of independence by identifying a local government model within the constitutional framework. The stated objectives include strengthening local government capacity, increasing public participation, promoting equitable development, improving public services, and reducing disparities between regions. At the same time, however, institutional capacity, human resources, and coordination between central and local governments remain major challenges.

This process demonstrates that decentralization in Timor-Leste is closely linked to state-building. Unlike Indonesia, which has a long history of local government administration, Timor-Leste has had to build state capacity and strengthen local government simultaneously. Butterworth & Dale (2010) position local governance as an important component of local development in Timor-Leste, while L. B. de Araujo et al. (2013) demonstrate that the decentralization policymaking process involves complex dynamics among different actors and interests.

Research by Barros & Ribeiro (2024) in Dili Municipality also indicates that the implementation of local administrative development still requires further strengthening. More recent findings from Santos et al. (2025) show that these challenges include institutional weaknesses, fiscal dependence, suboptimal distribution of human resources, and limited public participation. Thus, the challenges of decentralization in Timor-Leste are not only concerned with "how much authority" is transferred to municipalities but, more importantly, with the capacity of local institutions to exercise such authority effectively.

The governance dimension also demonstrates that the decentralization process in Timor-Leste is closely related to regional planning and the coordination of diverse interests. de Mesquita Lima et al. (2026) highlight the importance of planning and governance processes in reconciling different development rationalities. This condition is consistent with the finding

that central–local coordination represents one of the major challenges of decentralization in Timor-Leste. Accordingly, strengthening decentralization requires not only the establishment of local structures but also effective mechanisms for coordination, planning, and public participation.

Comparison of Implementation Challenges

Although the maturity of decentralization differs between the two countries, the analysis identifies several common challenges. The first is local government capacity. Indonesia faces disparities in capacity across regions, whereas Timor-Leste faces institutional capacity that is still developing. The second is fiscal dependence. Local governments in Indonesia remain highly dependent on central government transfers, while Timor-Leste faces more fundamental fiscal challenges in strengthening municipal governments. The third is central–local coordination, which remains necessary even as the degree of autonomy increases. The fourth concerns oversight and accountability. The initial manuscript explicitly identifies competence, oversight, central–local synergy, local government capacity, and coordination as shared challenges faced by both countries.

Table 3. Major Challenges of Decentralization in Indonesia and Timor-Leste

Dimension	Indonesia	Timor-Leste
Local capacity	Disparities in capacity across regions	Limited institutional and human resource capacity
Fiscal	Dependence on central government transfers	Dependence and limited local fiscal space
Coordination	Central–provincial–district/municipal and interregional coordination	Central–municipal and inter-actor coordination
Oversight	Risks of corruption and abuse of authority	Further strengthening of local accountability is required
Disparities	Regional development disparities	Uneven development across municipalities
Participation	Increasing, but dependent on institutional capacity	Further strengthening of participation mechanisms is required
Borders	Particularly relevant to relations with Timor-Leste	An important issue in relations with Indonesia

Source: Compiled from the research findings and relevant literature

In Indonesia, disparities are more evident in differences in the ability of regions to generate revenue, provide services, and exercise their authority. In Timor-Leste, the challenges are more closely related to the development of the basic capacity of local government. This difference indicates that decentralization policies cannot be implemented through an entirely uniform approach. Regions with low capacity require institutional and human resource strengthening before they can effectively assume greater authority.

Coordination becomes increasingly important in Indonesia–Timor-Leste relations, particularly in border areas. Fkun et al. (2026) demonstrate that interregional cooperation in decentralized border governance continues to face challenges related to coordination, capacity, regulatory supervision, and stakeholder involvement. This finding broadens the perspective of the study by demonstrating that decentralization is not solely a matter of vertical relations between central and local governments but may also involve horizontal relations among regions and even cross-border relations between countries.

Impacts of Decentralization on Governance and Public Services

Based on the synthesis of the research findings, decentralization produces impacts that are both positive and conditional. Positive effects are reflected in increased opportunities for local innovation, community empowerment, greater political participation, and the development of public services that are more responsive to local needs. The research

manuscript also indicates that decentralization has provided local governments in Indonesia with greater opportunities to innovate in public service delivery and to increase community involvement in development.

However, these impacts depend on the quality of governance. Astriana & Khoirunurrofik (2024) demonstrate that fiscal decentralization can improve governance performance, while Wahyudi et al. (2026) emphasize the importance of governance capacity in explaining subnational fiscal performance. Thus, decentralization is more likely to be effective when the transfer of authority is accompanied by organizational capacity, fiscal capacity, competent personnel, and accountability mechanisms.

In public service delivery, Ginting (2025) shows that the effect of fiscal decentralization on educational services is more pronounced than its effect on the health sector. This finding demonstrates that fiscal transfers and authority do not automatically produce uniform improvements in service quality. The effectiveness of decentralization is influenced by how local governments convert available resources into public service programs.

In Timor-Leste, the benefits of decentralization are more closely associated with opportunities to strengthen local governance and increase public participation. However, these benefits have not yet been fully realized because of institutional capacity constraints. The findings of Santos et al. (2025) indicate that the quality of human resources, merit systems, technical and managerial competence, and public participation are important components for ensuring the sustainability of decentralization.

Table 4. Synthesis of the Impacts of Decentralization

Aspect	Indonesia	Timor-Leste
Governance	Greater space for innovation and improved performance in some regions	Strengthening of local governance capacity
Public services	Potential for improvement, particularly when supported by fiscal capacity and good governance	Still constrained by institutional and human resource limitations
Public participation	Increased through greater opportunities for local decision-making	Participation mechanisms still require strengthening
Local development	Promotes innovation and development of regional potential	Forms part of the broader state-building process
Equity	Remains inconsistent because of disparities in regional capacity	Continues to face disparities and differences in capacity
Autonomy	Still constrained by dependence on central transfers	Local fiscal space remains limited

Source: Compiled from the research findings and relevant literature

Prospects and Strategic Directions for Strengthening Decentralization

The findings indicate that the prospects for decentralization in both countries remain open, but its success depends on the ability of local governments to transform formal authority into effective governmental capacity. In Indonesia, decentralization provides opportunities to improve efficiency, strengthen participation, promote local innovation, and improve public service delivery. However, these opportunities must be accompanied by stronger fiscal capacity, oversight, coordination, and efforts to reduce development disparities. The research manuscript emphasizes that public participation, local economic potential, and more responsive public services represent important opportunities arising from decentralization.

Recent research supports this direction. Priscilla et al. (2025) demonstrate the relationship between fiscal decentralization, institutional performance, and inclusive growth, while Wahyudi et al. (2026) show that governance capacity plays an important role in local government fiscal performance. Therefore, the next phase of decentralization in Indonesia should not focus solely on the transfer of authority but also on improving the quality of the institutions responsible for exercising that authority.

In Timor-Leste, the prospects for decentralization are closely linked to economic development, education, health, agriculture, territorial integration, and the strengthening of local government. The research manuscript also identifies cooperation with Indonesia as an opportunity for strengthening border-related development, education, health, and infrastructure. In this context, decentralization in Timor-Leste can develop more effectively when the strengthening of municipal structures is accompanied by improvements in the capacity of public officials, participation mechanisms, regional planning, and coordination with the central government.

From a comparative perspective, the findings indicate that Indonesia and Timor-Leste are at different stages of decentralization development but face similar structural challenges. Indonesia faces the challenge of preserving the benefits of regional autonomy while improving coordination and equity, whereas Timor-Leste faces the challenge of building local capacity so that decentralized authority can be exercised effectively. These differences in developmental stages explain why policies that are appropriate for Indonesia may not necessarily be suitable for Timor-Leste.

Table 5. Strategic Directions for Strengthening Decentralization

Focus	Indonesia	Timor-Leste
Government capacity	Improving bureaucratic quality and governance capacity	Strengthening human resource and municipal institutional capacity
Fiscal	Strengthening local own-source revenue and reducing dependence on transfers	Strengthening the fiscal base and budget management capacity
Coordination	Restructuring central–local relations and strengthening interregional cooperation	Strengthening central–municipal coordination
Accountability	Strengthening oversight and corruption prevention	Strengthening transparency and local accountability
Equity	Policies based on regional characteristics	Reducing capacity disparities among municipalities
Participation	Strengthening participation in regional development	Strengthening participation in local decision-making
Cooperation	Strengthening interregional cooperation	Strengthening interregional and cross-border cooperation

Source: Synthesized from the research findings based on empirical findings and relevant literature

Overall, the findings confirm that decentralization is not merely a matter of distributing authority but fundamentally concerns the capacity to manage that authority. In Indonesia, longer experience has resulted in a relatively established decentralization structure, but the country continues to face challenges related to disparities, fiscal dependence, coordination, and corruption risks. In Timor-Leste, the main challenges concern the development of institutional capacity, human resources, participation, and local government coordination. These similarities demonstrate the importance of governance, local government capacity, and coordination as foundations for successful decentralization. At the same time, differences in historical and institutional contexts indicate the need for policy designs that are responsive to the specific characteristics of each country.

The main findings of this study also demonstrate a comparative novelty in that the development of decentralization in Indonesia and Timor-Leste can be understood through three interconnected layers: the design of authority, implementation capacity, and the quality of coordination across levels of government. Indonesia is relatively more advanced in terms of institutional design and experience but continues to face challenges related to equity and the control of authority, whereas Timor-Leste is still strengthening its institutional foundations and local governmental capacity. Accordingly, the effectiveness of decentralization in both countries is determined less by the extent of formal autonomy than by the capacity of local institutions, resource autonomy, the quality of oversight, and the ability to establish consistent

coordination among central government, local governments, communities, and cross-regional actors. These findings extend previous discussions that have tended to examine decentralization in Indonesia or Timor-Leste separately (Astriana & Khoirunurrofik, 2024; de Mesquita Lima et al., 2026; Fkun et al., 2026; Santos et al., 2025).

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

This study demonstrates that the development of decentralization in Indonesia and Timor-Leste during the period 2002–2025 has broadly similar objectives, namely improving government effectiveness, strengthening public services, promoting regional development, and enhancing social welfare, but has evolved within different institutional and historical contexts. Indonesia has a longer experience with decentralization, marked by regulatory changes from Law No. 22 of 1999, Law No. 32 of 2004, to Law No. 23 of 2014, whereas Timor-Leste has developed decentralization as part of efforts to strengthen local government and consolidate the state following independence. The comparison shows that the two countries face similar major challenges, particularly regarding local government capacity, fiscal dependence, central–local coordination, equitable development, and oversight. However, the severity and nature of these challenges differ. Indonesia is relatively more institutionally mature but continues to face disparities in local capacity and the need to restructure central–local relations, whereas Timor-Leste faces greater challenges in building institutional capacity, human resources, and local governmental capabilities. The findings confirm that the success of decentralization is determined not only by the extent of authority granted to local governments but also by the ability of local institutions to manage such authority effectively, accountably, and in a coordinated manner. In this context, strengthening local government capacity, fiscal autonomy, oversight mechanisms, intergovernmental coordination, and public participation are important factors in ensuring that decentralization produces tangible benefits for society. Thus, the experiences of Indonesia and Timor-Leste demonstrate that decentralization should be understood as an evolving institutional process rather than merely the transfer of authority from the central government to local governments.

Limitations

This study has several limitations. First, the analysis focuses on the development of decentralization in Indonesia and Timor-Leste during the period 2002–2025; therefore, the findings primarily reflect the contexts of these two countries and cannot be directly generalized to other countries with different institutional and historical characteristics. Second, the study uses a combination of interviews, observations, and documentary analysis, meaning that the depth of the analysis depends substantially on the availability and quality of information obtained from these sources. Third, the comparative approach places greater emphasis on institutional, policy, governance, governmental capacity, and central–local relations and therefore does not fully measure the effects of decentralization using standardized quantitative indicators across the two countries. Accordingly, the findings should be interpreted within the scope, period, and methodological approach of the study.

Recommendations

Future research should expand the analysis by employing quantitative indicators that can be consistently compared between Indonesia and Timor-Leste, such as local fiscal performance, public service quality, institutional capacity, and levels of development inequality. Subsequent studies could also broaden the geographical scope by comparing several provinces in Indonesia with several municipalities in Timor-Leste, allowing variations in the implementation of decentralization at the local level to be examined more clearly. In

addition, a longitudinal approach could be employed to identify changes in central–local relations and local government performance over time, while a mixed-methods approach could integrate statistical evidence with interviews and policy analysis to provide a more comprehensive understanding of the factors determining the success of decentralization.

Author Contributions

All authors made significant contributions to this study. Their contributions included research conceptualization, development of the theoretical framework, data collection and processing, analysis and interpretation of findings, manuscript preparation, substantial and editorial revisions, and approval of the final version of the article. All authors have read and approved the final manuscript for publication.

AI Disclosure Statement

During the preparation of this manuscript, the authors used ChatGPT (OpenAI) as an assistive tool for language editing, development of the writing structure, and refinement of the academic presentation. All content, data interpretation, scientific arguments, and final research-related decisions were reviewed, edited, and remain the full responsibility of the authors.

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