

Decentralization Politics in Southeast Asia: A Narrative Literature Review of Institutional, Political, and Economic Dimensions (2014–2024)

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ABSTRACT

This study examines the trends, patterns, and challenges of decentralization politics in Indonesia, Thailand, Philippines, and Malaysia during the period 2014–2024 using a Narrative Literature Review (NLR) approach. By reviewing 50 scholarly publications, the study maps how the three core dimensions institutional, political, and economic shape the dynamics of decentralization in Southeast Asia. The findings reveal that each country follows a distinct trajectory of decentralization, influenced by bureaucratic capacity, authority structures, and the quality of oversight mechanisms. In the institutional dimension, key challenges include overlapping authorities and weak coordination between central and local governments. In the political dimension, local democratization is constrained by elite dominance, patronage networks, and tendencies toward recentralization. In the economic dimension, fiscal decentralization contributes to regional growth but has not yet achieved equitable welfare outcomes due to fiscal disparities and dependence on central transfers. The study concludes that the success of decentralization requires synergy among institutional reforms, political accountability, and fiscal capacity to build local governance that is effective, responsive, and sustainable.

Keywords: *Decentralization Politics, Southeast Asia, Institutional Dimension, Political Dimension, Economic Dimension, Narrative Literature Review.*

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INTRODUCTION

Over the past two decades, decentralization has become a significant phenomenon in the political and governance landscape of Southeast Asia. Governance reforms across the region have not only focused on the redistribution of authority between central and local governments, but also on strengthening local institutions, enhancing political participation, and optimizing region-based economic development. According to findings by Hadpakdee (2025), decentralization in Southeast Asia has the potential to improve democratic governance by granting autonomy to local governments and encouraging citizen participation. However, challenges such as corruption, weak institutional capacity, and unequal resource distribution must be addressed to achieve effective outcomes. This indicates that the effectiveness of decentralization in Southeast Asia is heavily influenced by political contexts, institutional capacity, and socio-economic conditions in each country, making the region an important case for comparative analysis.

Southeast Asia's diverse political and social characteristics position it as a natural laboratory for studying decentralization. While some countries have made significant progress in managing central local relations, others face persistent structural challenges such as corruption, fiscal inequality, and limited institutional capacity at the local level. This diversity warrants systematic examination to obtain a comparative understanding of the direction and effectiveness of decentralization in the region. In a cross-country comparison, Anantanatorn et al. (2025) highlight that Thailand has adopted a more gradual and centralized approach to decentralization, whereas Indonesia moved rapidly and extensively following the 1998 reform. Both nations face challenges related to coordination, resource allocation, and corruption risks. These dynamics demonstrate that the relationship between institutional design and local practices is a key determinant of decentralization outcomes. Beyond Thailand and Indonesia, decentralization in the Philippines also reveals its own complexities, especially within institutional and political dimensions.

The implementation of decentralization in the Philippines reveals significant challenges in local political governance, including power imbalances, a lack of transparency in decision-making, and entrenched political patronage that undermines public trust. These conditions impede fair political representation and weaken the effectiveness of local policy (Tendero et al., 2023). Financial capacity also plays a critical role, as wealthier local governments perform better in environmental management. Strong intergovernmental collaboration and private sector financial support enhance performance, whereas assistance from central government departments may reduce efficiency by increasing administrative burdens (Nishimura, 2022). Overall, decentralization in the Philippines continues to face institutional and political challenges that significantly affect public trust and decision-making transparency.

Another Southeast Asian country of interest is Malaysia, which implements decentralization within a federal system. Malaysia is the only federal state in Southeast Asia; however, in practice, the federal government retains substantial dominance. Approximately 91% of financial resources are controlled by the federal level, limiting the autonomy of states and local governments. Major barriers to decentralization include federal and state intervention in local affairs, limited authority and financial resources for local governments due to standardized national policies, and the appointment of local officials by the federal government rather than through direct elections. As a result, federalism does not necessarily translate into substantive decentralization, as local autonomy remains structurally and financially constrained (Ghafari & Afshari, 2016). In the economic dimension, Ghani et al. (2021) found that fiscal decentralization has a significant positive impact on state level economic growth, while budget deficits negatively affect economic performance, indicating state dependence on intergovernmental grants and loans. Fiscal autonomy, however, shows no significant impact on economic growth, suggesting that Malaysia's fiscal decentralization system remains highly centralized.

This study specifically examines four countries Indonesia, Thailand, the Philippines, and Malaysia which together represent a broad spectrum of decentralization practices. Indonesia stands out with its relatively extensive post-reform regional autonomy; Thailand displays fluctuating decentralization influenced by military intervention; the Philippines continues to grapple with transparency-related institutional and political issues; and Malaysia demonstrates a unique federal system with pronounced inter-state disparities. These differing

political and institutional contexts form a strong comparative foundation for analyzing the institutional, political, and economic dimensions of decentralization in Southeast Asia. The diversity of these cases provides an essential basis for formulating research questions regarding the trends, patterns, and challenges of decentralization in the region over the past decade.

The central research questions addressed in this study are: (1) What are the trends, patterns, and challenges of decentralization politics in four Southeast Asian countries over the last decade (2014–2024)? and (2) How do the institutional, political, and economic dimensions interact to shape decentralization policies? The objectives of the study are to identify cross-country trends and patterns of decentralization and examine how these three dimensions intersect in influencing decentralization dynamics. Theoretically, this study contributes to the development of comparative decentralization research in developing-country contexts. Practically, the findings provide recommendations for policymakers and researchers in designing strategies to strengthen local governance in Southeast Asia. These questions and objectives guide the literature review, which aims to determine the extent to which existing studies have examined decentralization in the region in a comprehensive and multidimensional manner.

The literature review reveals that much of the decentralization scholarship in Southeast Asia remains partial, focusing either on single-country cases or on limited policy dimensions. Studies by Faguet (2014), Smoke (2015), and Buehler (2020) underscored the importance of political context in shaping decentralization outcomes. However, there remains a lack of comprehensive comparative studies analyzing decentralization dynamics across the four countries using a multidimensional framework encompassing institutional, political, and economic dimensions. Therefore, this study fills this gap by conducting a Narrative Literature Review of publications from 2014–2024, mapping research trends and the direction of decentralization politics in the selected countries. The review enhances understanding of how these three dimensions collectively shape decentralization effectiveness in developing countries, particularly within Southeast Asia.

METHOD

This study employs a Narrative Literature Review (NLR) approach to analyze the dynamics of decentralization politics in Southeast Asia during the period 2014–2024. According to Yam (2024), the Narrative Literature Review is an independent research method equivalent to quantitative, qualitative, and mixed-method approaches. NLR aims to critically examine and synthesize scientific literature in order to understand a phenomenon comprehensively. Through narrative analysis, this method produces new theoretical, thematic, methodological, and chronological syntheses, making it an objective and reliable tool for advancing knowledge through literature-based inquiry.

The NLR approach is used because of its flexibility and its ability to facilitate both conceptual and interpretive synthesis of diverse academic studies and policy documents. As a method that emphasizes the integration of previous research findings, NLR is not only suitable for understanding academic contexts but is also effective for analyzing the complex dynamics of decentralization politics in Southeast Asia, particularly in Indonesia, Thailand, the Philippines, and Malaysia. Each of these countries exhibits distinct institutional, political, and economic characteristics. This approach thus enables the researcher to compare decentralization patterns across the three dimensions in the four countries.

Methodologically, NLR draws on narrative analysis that highlights linkages among

concepts, political contexts, and cross-country findings, enabling the identification of general patterns and distinctive characteristics of decentralization in the selected countries. This approach follows Snyder (2019), who emphasizes the role of NLR in addressing the fragmentation of scientific knowledge, especially in interdisciplinary fields. NLR allows researchers to comprehensively assess dispersed scientific evidence while strengthening the quality and credibility of research synthesis through systematic and methodological procedures. Consequently, NLR functions not only as a means of summarizing existing knowledge but also as a scientific instrument that ensures coherence, rigor, and relevance in the development of scholarly understanding. Overall, the use of NLR in this study provides a comprehensive, systematic, and flexible analytical framework for interpreting and synthesizing diverse academic and policy findings on the political dynamics of decentralization in Southeast Asia, both conceptually and contextually.

The data for this study are drawn from scholarly journal articles, academic books, and policy reports published between 2014 and 2024. The literature was selected based on its relevance to the study's three main analytical dimensions, namely:

1. **Institutional dimension**, encompassing institutional structures and the ways in which institutions are reformed (Faguet & Shami, 2022).
2. **Political dimension**, covering local democratization, participation, and elite dynamics (Chandra, 2024).
3. **Economic dimension**, including fiscal decentralization, financial transfers, and regional welfare (Yusuf, 2020).

The literature was selected purposively, taking into account the academic quality and conceptual contribution of each publication (Campbell et al., 2020). Empirical, theoretical, and analytical articles were included insofar as they support cross-country discussions and enrich the understanding of decentralization variations in Southeast Asia (Anantanatorn et al., 2025). Based on this targeted selection process, the subsequent stage focused on a systematic analytical procedure to interpret the main findings across national contexts in a comparative manner.

The analysis was conducted using narrative and thematic approaches, as this dual method enables a comprehensive exploration of context, meaning, and cross-country dynamics (Braun & Clarke, 2021; Nowell et al., 2017). Each source was examined in depth to identify patterns, differences, and conceptual linkages across countries and practices, in accordance with the principles of reflexive thematic analysis that emphasize sensitivity to social and political contexts (Terry & Hayfield, 2021). From this process, thematic categorization was carried out into three overarching frameworks: institutional, political, and economic. This approach facilitated both inductive and deductive reasoning to derive general conclusions from specific evidence while also testing the relevance of existing theories (Booth et al., 2021). With this methodological foundation, the subsequent analytical stages were systematically structured to ensure consistency between empirical findings and theoretical constructs within studies of decentralization in Southeast Asia. The analysis proceeded through three stages, as follows:

1. Description, in which each country (Indonesia, Thailand, the Philippines, and Malaysia) was analyzed based on institutional, political, and economic contexts to identify variations and patterns;
2. Interpretation, to contextualize the findings within governance and democratization theories;
3. Conceptual synthesis, to integrate diverse perspectives and generate a conceptual model of Decentralization Politics in Southeast Asia.

This approach enhances analytical validity by balancing conceptual reflection with empirical findings across national contexts. To maintain validity, cross-country comparisons of findings were undertaken to ensure thematic consistency. Nevertheless, the limitations of NLR lie in the potential for selection bias and subjective interpretation by researchers. However, cross-source and cross-country validation processes were employed to minimize these biases. These methodological stages constitute the analytical basis for mapping the trends, patterns, and challenges of decentralization in Southeast Asia, particularly in Indonesia, Thailand, the Philippines, and Malaysia.

RESULTS AND DISCUSSION

This section presents the main findings from the 40 articles reviewed and analyzed using the NLR approach across four countries: Indonesia, Thailand, the Philippines, and Malaysia. The analysis focuses on three core dimensions institutional, political, and economic that shape decentralization dynamics in Southeast Asia over the past decade (2014–2024).

A. Institutional Dimension

The institutional dimension encompasses institutional structures and the ways in which institutions are reformed (Faguet & Shami, 2022). The analysis reveals that the institutional architecture of decentralization across the four countries demonstrates divergent reform trajectories. Political decentralization can enhance local government accountability, yet it also carries the risk of reinforcing local elite dominance, particularly in regions characterized by high social inequality. To understand the effects of decentralization, comparative assessments with other governmental arrangements such as centralization or privatization are necessary (Mookherjee, 2015). The review of reform trajectories serves as the basis for examining how the institutional design of decentralization has been implemented in the Indonesian context.

Institutionally, the politics of decentralization in Indonesia is governed by Law No. 23/2014 on Regional Government, which stipulates the division of authority between the national, provincial, and district/municipal governments. Strengthening decentralization particularly in institutionalizing regional autonomy and improving public service delivery requires systematic institutional reforms. However, implementation continues to face structural barriers, including overlapping authorities and weak intergovernmental coordination. Decentralization has also reshaped local political structures: on one hand, expanding civic participation and governmental accountability, but on the other hand, enabling corruption and money politics as a result of insufficient institutional oversight (Kirana, 2014). These conditions indicate that Indonesia's post-decentralization institutional structures have not yet fully succeeded in regulating local bureaucratic behavior or ensuring transparent and accountable governance.

Institutional reforms within Indonesia's decentralization framework require strengthening local institutional capacities so that subnational governments can exercise their authority effectively and respond to societal needs. Yakub et al. (2018) and Nasution (2016) emphasize that decentralization should reinforce the ability of regions to manage resources and formulate adaptive public policies, including through asymmetric decentralization models that acknowledge disparities in local capacities. Yet, weak institutional capacity, low bureaucratic professionalism, and limited regional coordination often remain key constraints. In this regard, research by Das & Luthfi (2017) and Arif et al. (2022) highlights the importance of clarifying institutional roles, enhancing managerial capacity, and limiting the discretionary authority of local leaders to strengthen local bureaucracies and improve public policy quality—for example, in the education and disaster management sectors. Thus, the

effectiveness of decentralization in Indonesia depends heavily on institutional reforms that foster professional, collaborative, and adaptive governance. This framework provides a comparative basis for understanding how other countries, such as Thailand, confront decentralization challenges within distinct contexts.

Findings on decentralization in Thailand indicate that substantial structural challenges persist despite political and fiscal reforms implemented since the late 1990s through the establishment of the National Decentralization Committee and the Decentralization Master Plan. Although Thailand has approximately 8,000 local government bodies, the country retains strong centralizing tendencies due to the dominant influence of the Ministry of Interior and the weak capacity of political parties and civil society (Unger & Mahakanjana, 2016). These conditions often allow policy processes to be dominated by actors skeptical of decentralization. However, Benchakhan & Techaniyom (2024) reveal that the central administrative structures and political decentralization institutions can complement each other in strengthening local government accountability. Practices implemented in Japan such as stronger local autonomy, enhanced civic participation, and innovations in public service provision offer valuable reference points for Thailand to improve the efficiency and responsiveness of its local governance. Ultimately, the success of Thailand's decentralization depends on balancing structural reforms with institutional capacity building, a lesson that resonates with the experiences of other countries, including Malaysia.

Research on decentralization in Malaysia shows that public satisfaction with local government services is relatively high, although significant weaknesses remain in accountability. Three key challenges were identified: low citizen participation in planning and implementation of public programs, ineffective complaint-handling mechanisms, and slow responses to basic infrastructure improvements. The findings emphasize that improving public service quality must be accompanied by more active citizen engagement in decision-making processes to ensure that transparency and accountability are achieved substantively (Manaf et al., 2022). Furthermore, research on the interplay between public spending and political characteristics of decentralization indicates that Malaysia experienced fiscal alignment across states during 2005–2019, particularly in the health sector (Yusof & Zaman, 2023). Thus, the success of decentralization depends not only on public service quality but also on institutional management and accountability an insight that is also reflected in the experience of the Philippines.

Studies on decentralization in the Philippines show that although all Local Government Units (LGUs) operate under the same legal framework, substantial disparities in performance and development persist across regions. Contributing factors include political and socioeconomic diversity, the influence of patronage and political dynasties on service quality, and LGUs' financial dependence on the central government, particularly the Internal Revenue Allotment (IRA). Decentralization indices suggest that LGUs hold approximately 72% discretionary authority over budget expenditure, yet such autonomy does not always translate into improved governance quality or public accountability (Diokno & Maddawin, 2018). In natural resource governance, decentralization has produced institutional uncertainty, triggering conflict between local governments, large and small mining companies, and indigenous communities advocating for territorial rights and royalties. This situation reflects the risks of local elite intervention in decentralization processes, particularly in the absence of transparency and adequate oversight mechanisms (Verbrugge, 2015). The core challenge of decentralization in the Philippines lies in unstable institutional capacity and local accountability, which directly affects governance effectiveness across sectors.

Fiscal capacity has proven to be a key determinant of successful decentralization implementation across sectors. Local governments with strong financial resources tend to perform better in environmental management, especially when capable of fostering interjurisdictional collaboration and engaging the private sector as development partners. Conversely, excessive central government support can create administrative burdens that undermine bureaucratic efficiency (Nishimura, 2022). In the health sector, the effectiveness of decentralization depends on LGUs' ability to integrate participatory planning, adaptive financing, and policy innovation at the local level while remaining aligned with national goals. Harmonious relationships between elected officials and technical personnel on the ground are essential for sustaining responsive, data-driven health governance (Liwanag & Wyss, 2018). In the Philippine context, the success of decentralization is therefore shaped by the strength of local fiscal capacity and the ability of local governments to build collaborative, adaptive governance aligned with national priorities.

Overall, the analysis of the institutional dimension shows that the politics of decentralization in Indonesia, Thailand, Malaysia, and the Philippines is profoundly shaped by institutional structures and the reform trajectories pursued by each country. Indonesia faces challenges of overlapping authorities, weak bureaucratic capacity, and the need for more adaptive institutional reforms to ensure effective accountability and interregional coordination. Thailand, despite longstanding political and fiscal reforms, remains constrained by centralizing tendencies stemming from ministerial intervention and weak political parties, making its decentralization success dependent on balancing central administrative structures with local capacity. Malaysia has generally achieved higher public satisfaction with local government services, but continues to face issues of accountability and citizen participation, underscoring the importance of strong oversight and participatory mechanisms. Meanwhile, the Philippines illustrates that a uniform legal framework does not guarantee equal LGU performance, as fiscal capacity, political patronage, and elite influence contribute to wide disparities in governance quality. Collectively, these experiences affirm that the success of decentralization depends greatly on the extent to which institutional reforms can strengthen local capacity, transparency, and accountability.

B. Political Dimension

The political dimension encompasses local democratization, participation, and elite dynamics (Chandra, 2024). Political decentralization in Indonesia from 2014–2024 reflects complex dynamics in the process of local democratization. Various studies reveal that although decentralization expands participatory spaces and strengthens procedural democracy, the quality of substantive democracy continues to face structural and political constraints. Findings from Jember, Aceh, and Papua indicate that decentralization does not automatically translate into improved public service performance, as local political parties often fail to capture citizen aspirations and accountability mechanisms function suboptimally (Nasution, 2016; Hidayat, 2017; Yakub et al., 2018). This results in formalistic political participation, where citizens are present during elections but have limited influence over policy direction. Baidhowah (2022) shows that even constitutional amendments providing the legal foundation for decentralization were shaped through informal political networks, demonstrating that elite dynamics continue to influence the institutionalization of local democracy. In several regions, weak transparency enables corruption, vote buying, and power fragmentation, thereby constraining the capacity of local democratic institutions to produce responsive and inclusive

public policies (Kirana, 2014). Thus, while decentralization broadens participatory opportunities, the quality of local democracy remains heavily shaped by local elite dynamics, which play a decisive role in determining the direction and outcomes of political decentralization.

Elite dynamics constitute the most dominant factor shaping the direction and quality of political decentralization in Indonesia. The emergence of new local elites through direct regional elections has generated a hybrid power structure combining electoral democracy with patron–client relations, as demonstrated by Prasetyo et al. (2021). Patronage, political dynasties, and the co-optation of regional resources have become common patterns that not only weaken accountability but also restrict meaningful participation for socially and economically marginalized groups. Recent research (Chandra, 2024) affirms that decentralization strengthens local identity and opens participatory spaces, yet it can also reinforce exclusion of minorities and exacerbate interregional inequalities. In resource-rich regions such as Papua, non-accommodative decentralization has increased grievances and prolonged conflict (Lele, 2023), whereas Aceh was able to reduce separatism through the integration of local elites. Policy studies in the education sector by Arif et al. (2022) reveal that extensive discretionary authority vested in local elites can result in either progressive or regressive outcomes, depending on the political commitment of local leaders. Overall, political decentralization in Indonesia cannot be understood merely as a redistribution of authority; it is an arena of elite competition where the quality of local democratization and participation is strongly determined by local power structures. This dynamic contrasts with, yet is also comparable to, the implementation of decentralization in other countries such as Thailand.

Political decentralization in Thailand exhibits a strong divergence between policy design and political practice, particularly regarding local democratization and civic participation. The establishment of Tambon Administration Organizations (TAO) and post-1997 legal frameworks were intended to expand accountability and local autonomy. However, national political dynamics have triggered persistent recentralization over the past two decades (Dufhues et al., 2015). Analyses of policy documents reveal a formal commitment to local autonomy, yet implementation is often distorted by central bureaucratic dominance and political intervention (Sriram & Sajjarax, 2017; Sudhipongprach & Wongpredee, 2016). The tension between normative commitments and actual practice has resulted in stagnant or even declining local participation, as citizens perceive limited incentives to engage in political processes that provide little real decision-making power to local institutions. These conditions indicate that decentralization in Thailand is primarily administrative rather than political, and thus fails to foster substantive local democratization.

Elite dynamics in Thailand also reveal that decentralization often reinforces local oligarchic control rather than expanding public accountability. The dominance of influential political families at the provincial level, particularly through Provincial Administrative Organizations (PAO), illustrates how local elites utilize state resources to maintain and expand their power (Nishizaki, 2023). This phenomenon highlights the hybrid nature of Thailand's local politics, where decentralization coexists with strong patrimonial traditions, turning public office into a personal or familial asset. Meanwhile, Unger & Mahakanjana (2016) show that strong central administrative structures do not necessarily conflict with decentralized institutions; under certain conditions, they can complement each other in strengthening accountability. However, weak political parties and civil society limit the potential for meaningful political participation, allowing traditional elites to maintain control

over local politics. This configuration suggests that political decentralization in Thailand has yet to foster substantive local democratization, as elite dynamics and central bureaucratic control continue to dominate decision-making processes. Thailand's experience underscores how elite dominance and central control restrict local democratization a political pattern that, while distinct, is also relevant when examining decentralization politics in other countries such as the Philippines.

The political dimension of decentralization in the Philippines illustrates tensions between expanded local authority and elite dominance, which shape the trajectory of local democratization, participation, and regional political dynamics. Although Local Government Units (LGUs) operate under the same legal framework, their performance varies widely due to political and socioeconomic disparities, patronage networks, and entrenched political dynasties that weaken accountability and constrain meaningful citizen participation in decision-making (Diokno & Maddawin, 2018). Strong dependence on central transfers such as the Internal Revenue Allotment (IRA) demonstrates that fiscal autonomy does not necessarily translate into political independence, even though decentralization indices indicate that around 72% of local spending falls within LGUs' discretionary authority. In the natural resource sector, decentralization has produced institutional uncertainty, triggering conflict among local governments, large and small mining companies, and indigenous communities highlighting elite capture in local governance (Verbrugge, 2015). These complexities demonstrate that decentralization in the Philippines expands formal avenues for participation, yet elite dynamics and patronage remain decisive factors limiting substantive democratization and effective local governance. Thus, while decentralization provides participatory openings, elite dominance, patronage, and fiscal dependence collectively constrain democratic deepening a pattern similarly observable in countries such as Malaysia.

Malaysia is the only Southeast Asian country with a federal system, yet its decentralization practices reveal significant central government dominance. Approximately 91% of financial resources are controlled by the federal government, severely limiting provincial and local autonomy. Major constraints on decentralization in Malaysia include federal intervention in local affairs, limited subnational authority and fiscal resources, uniform national policy implementation, and the appointment of local officials by the central government rather than through direct elections. These conditions indicate that federalism on paper does not necessarily translate into substantive decentralization, as local autonomy remains structurally and financially restricted, thereby constraining political participation and accountability in local decision-making (Ghafari & Afshari, 2016). Central government dominance demonstrates that federalism does not inherently ensure meaningful decentralization; instead, it can reinforce local political control through centralized power structures.

There are, however, notable similarities between Malaysia's asymmetric political decentralization and Indonesia's special autonomy model. The distribution of sovereignty from the federal government to Malaysian states resembles Indonesia's delegation of authority to special autonomous regions (Sulaiman et al., 2025). Despite Indonesia's movement toward deeper decentralization and Malaysia's trend toward stronger centralization, both countries experience a reduction of meso-level power, indicating limitations in the effectiveness of decentralization within local political contexts. These findings underscore the need to strengthen conceptual tools in decentralization studies to better capture the complex political dynamics and power structures that operate at local and regional levels (Hutchinson, 2017). Central control and limited autonomy in Malaysia suggest

that federalism does not necessarily produce effective or meaningful decentralization at the local level.

Across Indonesia, Thailand, the Philippines, and Malaysia, the political dimension of decentralization illustrates that while decentralization has the potential to expand local democratization and citizen participation, the quality of substantive democracy is deeply shaped by elite dynamics and local power structures. In Indonesia, the rise of new local elites and entrenched patronage networks constrain meaningful participation. Thailand demonstrates a similar pattern, where local oligarchies and central bureaucratic control inhibit deep democratization. The Philippines faces elite intervention, patronage, and fiscal dependence that limit effective local governance, while Malaysia exhibits strong central dominance that restricts local autonomy despite its federal structure. These findings affirm that the success of political decentralization depends not only on legal design and formal authority, but also on institutional capacity, power distribution, and elite influence at the local level.

D. Economic Dimension

The economic dimension encompasses fiscal decentralization, financial transfers, and regional welfare (Yusuf, 2020). Fiscal decentralization in Indonesia has provided local governments with greater discretion to manage resources and allocate budgets based on local needs, producing positive effects on economic growth in several regions. Studies demonstrate that areas endowed with abundant natural resources and adequate infrastructure tend to experience higher economic growth, while less-advantaged regions continue to face capacity constraints and territorial fragmentation resulting from the proliferation of new autonomous regions (Talitha et al., 2020; Roberts, 2024). Financial transfers from the central government, including the Special Allocation Fund (DAK), also play a critical role; however, local governments' ability to access and utilize these funds is influenced by the strength of local political lobbying, leading to slow and uneven economic integration across regions (Aritenang & Sonn, 2018). Moreover, informal political networks and pressures from political parties shape patterns of resource allocation, indicating that the effectiveness of fiscal decentralization in improving societal welfare continues to confront structural and political challenges (Baidhowah, 2022). Thus, Indonesia's economic decentralization continues to grapple with disparities in natural resource wealth, dependency on fiscal transfers from the central government, and structural political challenges emerging from informal political networks and party influence.

Decentralization creates opportunities for local economic growth, yet its impact on regional equality and overall societal welfare remains limited. Interregional disparities tend to persist, with economic dominance concentrated in specific regions such as Jakarta and Java, while Papua, Maluku, and Aceh continue to face poverty as well as the lingering impacts of conflict and natural disasters (Hill & Widyattama, 2016). In addition, decentralization has opened spaces for corruption and money politics that may hinder socio-economic development at the local level (Kirana, 2014). Therefore, while fiscal decentralization and financial transfers create opportunities for local economic development, achieving equitable welfare requires strengthened local government capacity, sound governance, and transparent oversight of public spending. Indonesia's economic decentralization continues to confront structural and political challenges, making it analytically relevant to compare with similar issues experienced by other countries such as Thailand.

Research on decentralization in Thailand shows that revenue decentralization, dependency on fiscal transfers, and vertical fiscal imbalance exert a significantly positive

influence on regional economic growth, although expenditure decentralization has a negative and less significant effect. Public investment has stagnated due to rising metropolitan government expenditures following political shifts in 2006 and 2014 (Nantharath et al., 2020). However, national political dynamics over the past two decades reveal that decentralization does not automatically enhance local political participation. The establishment of the Tambon Administration Organizations (TAOs), originally intended to expand accountability, has been undermined by the resurgence of centralization tendencies since the early 2000s. These centralizing policies inhibit deepening of local democracy and restrict public participation, demonstrating that fiscal decentralization and political decentralization in Thailand do not necessarily move in tandem (Dufhues et al., 2015). Economic decentralization in Thailand positively contributes to regional economic growth, but centralistic policy directions continue to constrain local democratic spaces. It is therefore useful to compare these challenges with those in other countries, such as the Philippines.

Studies on decentralization in the Philippines show that although Local Government Units (LGUs) operate under the same legal foundations and mandates, performance and development across regions vary considerably due to political, socio-economic, and patronage-based dynamics, including the persistence of political dynasties affecting the quality of public service delivery. High dependency on the Internal Revenue Allotment (IRA) keeps many LGUs reliant on the central government, even though decentralization indices indicate that approximately 72% of local expenditures fall under LGU discretion (Diokno & Maddawin, 2018). These variations demonstrate that a uniform legal structure cannot fully address disparities in fiscal capacity and governance quality; thus, the effectiveness of decentralization is shaped by local political contexts and institutional strengths.

Furthermore, research indicates that fiscal decentralization contributes to poverty reduction, particularly in poorer regions, with a negative correlation observed between fiscal autonomy and poverty levels, although the benefits decline at higher levels of decentralization (Canare & Francisco, 2019). Yet, these positive effects are tempered by institutional uncertainties in mineral resource governance, where conflicts arise among government agencies, large corporations, small-scale miners, and indigenous communities over land claims and royalties. The involvement of local politicians as intermediaries in the mining sector increases the risk of elite intervention, meaning that despite its potential to improve welfare, decentralization simultaneously creates new arenas of contestation that may undermine accountability and worsen inequality (Verbrugge, 2015). Economic decentralization in the Philippines generates positive impacts, yet it leaves unresolved issues such as intergovernmental conflicts, disputes between mining companies and indigenous groups, and elite intervention that undermines local government accountability. Malaysia represents another interesting case for comparative analysis of economic decentralization.

Research on the economic dimension of Malaysia's decentralization reveals that fiscal decentralization has a positive and significant relationship with state-level economic growth, primarily through strengthened fiscal capacity and improved efficiency of local spending (Ghani et al., 2019). Nevertheless, state fiscal autonomy remains limited due to a highly centralized fiscal system. Empirical findings show that fiscal autonomy does not significantly influence economic growth, while budget deficits suppress economic performance due to heavy dependence on federal grants and intergovernmental loans (Ghani et al., 2021). State fiscal behavior is influenced by fiscal decentralization indicators such as per capita income and federal transfers, contributing to short- and long-term convergence in development expenditures. These findings indicate that despite strong centralization, fiscal decentralization

still plays an important role in promoting stability and development across Malaysian states (Yusof et al., 2022). Malaysia's economic decentralization thus provides a unique perspective: although the country adopts a federal system, economic gains from decentralization are moderate due to centralistic policy constraints.

The economic dimension of decentralization in Indonesia, Thailand, the Philippines, and Malaysia demonstrates both converging and diverging patterns in fiscal structures, financial transfers, and regional welfare. In Indonesia, fiscal decentralization enables local governments to manage local resources and utilize central transfers, yet disparities in capacity, territorial fragmentation, and informal political interventions restrict its overall effectiveness. Thailand shows that fiscal decentralization can foster regional economic growth, but centralizing policy tendencies and bureaucratic dominance diminish the effectiveness of public expenditures and local participation. In the Philippines, despite identical legal mandates for LGUs, dependency on central fiscal transfers and elite influence create disparities in performance and welfare, alongside conflicts in mineral resource management. Meanwhile, in Malaysia, fiscal decentralization within a federal system promotes state-level economic growth and development stability, though limited fiscal autonomy and centralistic policymaking weaken its overall impact. Collectively, while fiscal decentralization and financial transfers hold potential to enhance welfare and local economic growth, their effectiveness is significantly shaped by local institutional capacity, political structures, and accountability mechanisms in each country.

Decentralization politics in Indonesia, Thailand, the Philippines, and Malaysia illustrate complex dynamics involving interactions among institutions, politics, and economics (see Figure 1). These three dimensions demonstrate that the direction of reform, the strength of local political actors, and institutional capacity are central to determining the success of local governance in each country. Although the legal frameworks of

decentralization appear relatively similar, each country encounters distinct challenges related to administrative capacity, central–local relations, and the influence of local elites, all of which shape the implementation of autonomy and the quality of public service delivery.

Figure 1.

Comparative Politics of Decentralization in Indonesia, Thailand, the Philippines, and Malaysia Across Institutional, Political, and Economic Dimensions (2014–2024)

Dimension	Indonesia	Thailand	Philippines	Malaysia
Institutional	1. Overlapping governmental authority; 2. Uneven administrative capacity among local government; 3. Ongoing efforts toward institutional reform and strengthening	1. Institutional reforms have been introduced, yet centralization remains dominant; 2. Persistent intervention by central ministries constrains local autonomy; 3. Weak development of local institutional structures.	1. Varied performance among Local Government Units (LGUs); 2. Service quality is heavily influenced by fiscal and managerial capacity; 3. Patronage and local elite dynamics significantly shape governance effectiveness.	1. Local public services are relatively strong; 2. Accountability and citizen participation remain limited; 3. Effectiveness of governance is determined by oversight quality and the scope for public participation.

Dimension	Indonesia	Thailand	Philippines	Malaysia
Politic	1. Emergence of new local elites and continued patronage practice; 2. Meaningful public participation remains limited; 3. Local democracy is shaped by regional power structures.	1. Local oligarchies and strong control by the central bureaucracy constrain local democratization; 2. Political centralization reduces opportunities for healthy political competition.	1. Dominance of local elites and patronage limits political autonomy; 2. Political competition does not consistently translate into effective governance.	1. The central government maintains dominance despite federal arrangements enabling autonomy; 2. Local democratization remains limited due to hierarchical political structures.
Economy	1. Fiscal decentralization expands local resource management, yet disparities in capacity remain high; 2. Substantial central transfers exist, but implementation across regions is uneven; 3. Welfare outcomes are constrained by fragmentation and informal political dynamics.	1. Fiscal decentralization supports regional economic growth; 2. Centralized policymaking reduces the effectiveness of local expenditure; 3. Low levels of local political participation influence the quality of budget allocation.	1. Heavy reliance on central transfers reinforces interregional disparities; 2. Local elites influence budget use and access to economic service; 3. Resource-related conflicts undermine regional welfare.	1. Federalism supports economic growth at the state level; 2. Fiscal autonomy remains limited due to dominant central policies; 3. Positive fiscal outcomes exist but are not always significant for reducing inequality.

Overall, the indicators across the three dimensions in the table above demonstrate that the success of decentralization requires the strengthening of local institutions so they possess adequate technical and administrative capacity, the improvement of local democratization through enhanced citizen participation and constraints on local elite intervention, and the refinement of fiscal governance, including the effectiveness of financial transfers and the ability of local governments to manage resources to enhance public welfare. In the institutional dimension, effectiveness is shaped by the clarity of authority, bureaucratic capacity, and accountability mechanisms. In the political dimension, the quality of democratization is largely determined by citizen participation, elite dynamics, and the distribution of power. Meanwhile, in the economic dimension, fiscal decentralization, financial transfers, and welfare improvements depend significantly on local fiscal capacity and oversight systems that ensure transparency and accountability. It is the combination of these three dimensions that ultimately determines the extent to which decentralization can promote effective, responsive, and equitable local governance.

CONCLUSION

The findings of this study indicate that between 2014 and 2024, the politics of decentralization in Indonesia, Thailand, the Philippines, and Malaysia evolved in patterns

shaped by each country's institutional, political, and economic contexts. Overall trends suggest that decentralization across the region has progressed within broader governance reforms aimed at expanding accountability, enhancing participation, and strengthening local government capacity. However, each country faces distinct challenges. Indonesia continues to struggle with overlapping authorities and uneven bureaucratic capacity; Thailand is constrained by recentralization driven by central bureaucratic control and military dominance; the Philippines is marked by entrenched political patronage, fiscal dependence, and disparities among local governments; while Malaysia exhibits limited subnational autonomy under a highly centralized federal system. The patterns observed across these four countries underscore that uniform legal frameworks are insufficient to ensure effective decentralization without robust institutional capacity and strong oversight mechanisms.

The interaction between institutional, political, and economic dimensions serves as a key determinant of the trajectory of decentralization policies in the region. Institutionally, governance effectiveness is shaped by the clarity of authority distribution, bureaucratic professionalism, and the quality of accountability mechanisms. Politically, elite dynamics and patronage networks heavily constrain substantive local democratization and hinder meaningful citizen participation. Economically, subnational fiscal capacity, the effectiveness of financial transfers, and the ability to manage resources constitute critical factors for promoting regional welfare. This study affirms that successful decentralization requires synergy among institutional reforms, balanced redistribution of power, and transparent fiscal governance. Accordingly, the answer to the research question demonstrates that decentralization trends and patterns in Southeast Asia have developed asymmetrically, with the principal challenge lying in harmonizing these three dimensions so that decentralization may function as an instrument for improving governance and fostering sustainable regional development.

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