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主　論　文　の　要　旨

論文題目	Institutional Change and the Challenge for Industrial Upgrading in Indonesia （インドネシアの制度改革と産業高度化への課題）
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論 文 内 容 の 要 旨

One of the most important institutional changes that occurred in the past four decades is decentralization reform. We have seen many countries underwent decentralization reforms due to strong support from international organizations or through their own socio-political changes. This dissertation studies different impacts of decentralization on the industrial sector from multiple perspectives, with a particular focus on Indonesia. The country has been employing a nationwide decentralization policy since 2001, with subsequent policy changes to improve the efficiency of public service provisions. However since then, industrial growth has been faltering, in contrast with the remarkable growth during the pre-Asian crisis decade, with significant growth of the higher value-added industrial activities. This dissertation addresses four main issues which are: (1) cross country-level impact of local government expenditure on industrial development and upgrading, (2) the role of local capital spending on industrial growth in Indonesia, (3) the impact of local tax policy on productivity across industrial sectors, and (4) productivity impact of political dynamics due to policy change under a decentralized regime. In answering the problems, I use dynamic panel data estimation (Chapter 3 and 4) and a quasi-experimental design (Chapter 5 and 6) with additional robustness tests employing multiple methods.

As a global consensus, the impact of fiscal decentralization reform has been widely discussed from multiple perspectives. I extend the discussion by looking at the impact on the industrial sector in Chapter 3. I found that expenditure decentralization in the previous year is negatively correlated with industrial growth. However, the result is different between developed and developing countries, with the former showing a positive and significant relationship in the main result. In the group of developing countries, the estimation showed a consistent negative result. This would suggest that the decentralization program in developing countries has not been able to provide the fiscal efficiency that is needed to push industrialization. The absence of a significant relationship with the institutional variable, signifying a weak institutional setting, could be an important factor that affects the relationship. This result for developing countries confirmed the pessimistic view of decentralization raised by second-generation, that weak local institution retards development. My findings are robust to different measurements of decentralization, particularly for developing countries, as I also tested the revenue side.

Departing from the cross country finding, I delved into a more specific country case of Indonesia. Using province and district-aggregated data, I found that larger local capital spending correlates positively with the growth in the industrial sector. This finding is robust across different specifications. However, we fail to find positive and significant interactions between local capital spending and investment. If anything, the result showed a negligible negative tendency. This suggests that with every percentage increase of local governments' capital spending, the positive impact of foreign and domestic investment is marginally decreasing. It is suspected that the larger positive impact that channelled investment on industrial growth is coming from the central government's expenditure. To improve this condition, I argue that the central government needs to formulate a new institutional strategy that allows for stronger central-local collaboration, stressing a more direct role for the local governments. The current model gives too dominant role for the central government in economic-related affairs i.e. infrastructure development, and the function is carried out separately between central and local. The collaborative strategy is also meant to improve local governments' capacity through budget reallocation and Jakarta's assistance in development projects.

I further examine the finding in Chapter 4 above by designing a policy evaluation method to check if the negative tendency on the industry sector was indeed correlated with this fundamental institutional change of increasing local government autonomy. I targeted a specific policy that was specifically related to the local governments' role, the 2009 Local Tax Law. The policy was principally allowing the local governments to impose larger taxes on the business sector. I found that in general, the policy has been negatively affecting industrial firms' productivity, especially when comparing the deeply decentralized provinces with Jakarta, as the less decentralized unit in Indonesia. The initial result suggests that there is a 0.3 percentage loss of productivity in the treated provinces. I also found that the effect is larger for large firms than for medium ones, and the policy does not affect low-technology firms negatively. On the other hand, I found that the impact tends to be negative for the medium and high technology industries, and especially stronger for the large firms. This confirms a long-concern issue that industries are sensitive to a major policy change.

In the last analytical part of the study, I investigate institutional change due to the central government' s policy in 2016 where they recentralize the administration of the Batam Free Trade zone. This policy was received poorly by the local government, resulting in a declining business environment. In this chapter, I too found a negative impact of the policy change on firms' productivity. The initial result suggests that being located in the zone after the policy change contributed to more than a 30% loss of relative productivity. Two important things stand out from my exercise in this chapter. First, FDI exporting firms are shown to be more resilient towards policy change. Secondly, industrial parks have been instrumental in shielding firms against bad policy.

Throughout the different analytical chapters and econometric model, I come to a piece of convincing evidence that decentralization reform has not been very efficient in promoting industrial growth for developing countries. Lack of institutional quality was the key reason behind this problem. Despite its increasingly larger responsibility under a decentralized regime, in general the local government has seemingly failed to capitalize it for the benefit of industrial growth. I suggest four important things for the government: (1) provide fiscal incentives to the local government for promoting industrial growth through the use of Specialized Allocation Grant (DAK), (2) provide larger tax as well as non-tax incentives for the export-oriented industries, (3) promote the development and modernization of industrial parks, and (4) forge a strong central - local collaboration to improve public service provision. These will not only benefiting industrial growth but could also promote diversification towards the higher value-added activities.