

## 論文審査の結果の要旨および担当者

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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)

論文審査担当者

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# 論文審査の結果の要旨

## 1. 論文の概要と構成

Understanding the impact of decentralization reforms has long been a challenge in economics. Their enormous costs as well as disagreement over their benefits are subject of ongoing debate. This dissertation examines the decentralization reform in Indonesia that started in the early 2000s to shed light on the fundamental mechanisms that promote industrial development through efficient bureaucracy and better allocation of resources. While the government of Indonesia has been proactive in promoting decentralization, industrial growth has been faltering in contrast with the remarkable growth during the pre-Asian crisis decade. The analysis of decentralization in Indonesia can thus be instrumental in understanding the economic consequences of a major institutional change that affects the efficiency of the public sector and the balance of power in other countries, particularly in low and lower-middle-income countries.

The dissertation is organized into two policy-oriented parts. The first part includes two chapters that conduct a theoretical and empirical cross-country analysis on the impact of decentralization on industrial development. The second part consists of three chapters based on case studies of decentralization in Indonesia. The overall structure of the dissertation takes the form of seven chapters. Chapter One describes the background for the study and sets out the research objectives and questions. Chapter Two presents a theoretical framework of an endogenous growth model with a decentralized government. Chapter Three uses rich cross-sectional data on local government revenue and expenditure to assess the impact of fiscal decentralization reform on industrial growth in 74 countries. The findings show a negative effect of fiscal decentralization for developing countries and a positive effect for developed countries. This Chapter provides a significant opportunity to advance the understanding of how the control for corruption can help maximize the benefit of fiscal decentralization on industrial growth in both developed and developing countries. Chapter Four examines the role of local capital spending on industrial development in a decentralized Indonesia. This Chapter's strength is that it uses highly disaggregated data on public expenditure at the province and district level to shed more light on an under-researched topic in public economics. The findings highlight the importance of central-local government collaboration and efficient resources allocation to maximize the effects of public capital expenditure on industrialization. Chapter Five builds on the 2009 local tax policy reform—that allowed the local governments to impose taxes on the business sector—in Indonesia to study the effect of overregulation on firms' productivity. The study applies a differences-in-difference method with matching and finds that overregulation led to a 0.3 percentage loss in firms' productivity. The analysis

## 論文審査の結果の要旨

points that rapid decentralization can heighten the incentives to overproduce laws and shift the economy towards a low productive equilibrium. Chapter Six investigates institutional change from the lens of the Indonesian government policy to recentralize the administration of the Batam Free Trade zone in 2016. The researcher employs a differences-in-difference approach to compare the change in productivity between firms exposed to the recentralization reform in the Batam Free Trade zone with its closest neighboring province. While recentralization negatively affects firms' productivity, the findings highlight the importance of modern industrial parks in protecting firms against inefficient bureaucratic institutions. The Final Chapter, Chapter 7, draws upon the entire dissertation, tying up between the research questions and empirical findings. It discusses the limitation of the study and includes a discussion on the implication of the findings to improve the effectiveness and efficiency of decentralization policy for industrial development. This Chapter ends the dissertation with possible extensions for future research.

The content of Chapter 3 is forthcoming in a peer-reviewed academic journal (*Forum of International Development Studies*, 52 (9), September 2021). In addition, the researcher submitted the content of Chapters Four, Five, and Six for publication in peer-reviewed academic journals (under review).

### 2. 評価

In recent years, the persistence of within-country inequalities has reinforced the use of decentralization to increase public service effectiveness and promote inclusive growth: almost every country is implementing a decentralization reform, from administrative decentralization to fiscal, political, and market decentralization. This dissertation uses a unique data and methodological approach to assess the effectiveness of decentralization in Indonesia and to design complementary policies to accelerate changes in institution and promote industrialization. To increase the external validity of the findings, the dissertation also analyzes decentralization reforms in 74 countries. The dissertation makes several contributions to the literature. It contributes to the debates that go back to at least to the 1990s about whether to incorporate the quality of institutions in a growth model. This dissertation serves as the reference as it shows how a decentralized government can be represented in a growth model. The dissertation collects unique data on revenue decentralization that will expand our knowledge on the multifaceted decentralization. There is a long tradition in economics of studying decentralization using expenditure data because it is easy to collect. This dissertation took a challenging step to assemble decentralization data based on revenue. The findings provide important

## 論文審査の結果の要旨

implications to improve the quality of data on government revenue, especially in developing countries. The dissertation also extends our knowledge on the mechanisms through which decentralization affects development. It demonstrates that rapid decentralization can heighten the incentives to overproduce laws and shift the economy towards a low productive equilibrium.

The dissertation committee members noted that the impact of decentralization in Batam Free Trade Zone could be confounded with the implementation of the ASEAN Economic Community. Future research should collect more data to investigate these effects.

### 3. 判定

Based on the results of the above examination, this paper is judged to be worthy of a Ph.D. (International Development) degree.