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Regional Authority in the Shadow of Centralization: Reconfiguring Licensing Governance after the Job Creation Law

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Original Article

Abstract

Licensing reform under Law No. 6 of 2023 on Job Creation has reconfigured the institutional architecture of local government authority in licensing administration and raised questions about the future of decentralization. This study examines the concept of regional licensing authority within the framework of the Job Creation Law and identifies changes in the allocation of authority compared with Law No. 23 of 2014 on Regional Government. The study employs a normative legal research method using statutory, conceptual, historical, and comparative approaches. The findings indicate that regional licensing authority has not been eliminated but rather reconfigured through national standardization, integration into the Online Single Submission (OSS) system, and the adoption of a risk-based licensing framework. The allocation of authority has shifted from a model primarily structured around the division of governmental affairs and territorial jurisdiction toward one based on the risk, scale, location, and potential impact of business activities. Although these reforms strengthen regulatory certainty and administrative efficiency, they simultaneously narrow the scope of local governmental discretion. The study concludes that the reform constitutes a form of "recentralization through standardization and digital integration," thereby requiring a careful balance between national regulatory certainty and the preservation of meaningful regional autonomy.

Keywords: *Regional Authority, Risk-Based Licensing, Online Single Submission (OSS), Decentralization*

Abstrak

Reformasi perizinan melalui Undang-Undang Nomor 6 Tahun 2023 tentang Cipta Kerja mengubah arsitektur kewenangan pemerintah daerah dalam penyelenggaraan perizinan dan menimbulkan persoalan mengenai keberlanjutan desentralisasi. Penelitian ini bertujuan menganalisis konsep kewenangan perizinan daerah dalam kerangka Cipta Kerja serta mengidentifikasi perubahan kewenangan dibandingkan dengan Undang-Undang Nomor 23 Tahun 2014 tentang Pemerintahan Daerah. Penelitian menggunakan metode hukum normatif dengan pendekatan perundang-undangan, konseptual, historis, dan komparatif. kewenangan daerah tidak dihapus, tetapi direkonstruksi melalui standardisasi nasional, integrasi OSS, dan pendekatan berbasis risiko. Distribusi kewenangan bergeser dari model yang terutama berbasis pembagian urusan dan wilayah menuju model yang mempertimbangkan risiko, skala, lokasi, dan dampak kegiatan usaha. Perubahan tersebut meningkatkan kepastian dan efisiensi perizinan, tetapi mempersempit diskresi daerah. Penelitian menyimpulkan bahwa reformasi tersebut merepresentasikan recentralization by standardization and digital integration, sehingga diperlukan keseimbangan antara kepastian nasional dan otonomi daerah.

Kata kunci: *Kewenangan Daerah, Perizinan Berbasis Risiko, OSS, Desentralisasi*

1. INTRODUCTION

The government serves not only as an exercise of state authority but also as the primary institution responsible for advancing the public welfare through governance that is effective, accountable, and oriented toward the public interest (Ridwan 2009). This responsibility is constitutionally grounded in the Preamble to the 1945 Constitution of the Republic of Indonesia, which establishes the fundamental objectives of the state: protecting the entire Indonesian nation, promoting the general welfare, advancing national education, and contributing to the establishment of a world order based on freedom, lasting peace, and social justice.

The realization of these objectives requires adequate fiscal capacity, which is supported by diverse sources of state revenue, including taxes, user charges, profits from state-owned enterprises, fines, public contributions, currency issuance, lottery proceeds, and foreign borrowing.[1] These revenues are planned, administered, and allocated through the State Budget (Anggaran Pendapatan dan Belanja Negara—APBN) in accordance with the principles of economic efficiency, effectiveness, prioritization of domestic production, legal accountability, and expenditure ceilings.[2]

Economic and investment policies are therefore integral to the state's efforts to strengthen fiscal capacity while expanding employment opportunities and improving public welfare. During the administration of President Joko Widodo, infrastructure development received substantial policy attention. The infrastructure allocation in the 2020 State Budget reached IDR 423.3 trillion, representing an approximately 5.9% increase from the previous year.[3] The growing demand for development financing encouraged the government to establish a more conducive investment climate. These efforts, however, were accompanied by complex regulatory challenges. The government identified a condition commonly described as "hyper-regulation" or "regulatory obesity," referring to the proliferation and overlapping of regulations at both the central and regional levels, which were considered capable of delaying decision-making and constraining business activities.[4]

This regulatory condition became one of the principal rationales for the enactment of Law No. 11 of 2020 on Job Creation. The law was subsequently declared conditionally unconstitutional by Constitutional Court Decision No. 91/PUU-XVIII/2020. In response, the government issued Government Regulation in Lieu of Law No. 2 of 2022, which was subsequently enacted as Law No. 6 of 2023. Within this

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1 Atep Adya Barata et al., *Kekuasaan Pengelolaan Keuangan Negara/Daerah*, 1st ed. (Elex Media Komputindo, 2024).

2 Herry Kamaroesid, *Sistem Administrasi Anggaran Negara: Sistem Administrasi APBN Mulai T.A. 2013*, 1st ed. (Mitra Wacana Media, 2013).

3 Kementerian Keuangan Republik Indonesia, "APBN 2018," Kementerian Keuangan Republik Indonesia, 2018, https://www.kemenkeu.go.id/apbn2018.

4 Sigit Riyanto et al., *Kertas Kebijakan: Catatan Kritis Terhadap UU No 11 Tahun 2020 Tentang Cipta Kerja* (Universitas Gadjah Mada, 2020).

legal framework, licensing reform seeks to simplify administrative procedures, eliminate regulatory overlap, and strengthen legal certainty for investment through a Risk-Based Licensing framework integrated into the Online Single Submission Risk-Based Approach (OSS-RBA) system.

The simplification of licensing procedures, however, extends beyond administrative efficiency. Changes in licensing mechanisms also implicate fundamental questions concerning which governmental institutions possess the authority to regulate, administer, issue, supervise, and evaluate licenses. Accordingly, licensing reform under the Job Creation Law is closely connected to the broader constitutional and administrative-law principles of decentralization and regional autonomy.

Where licensing authority that was previously exercised by regional governments becomes increasingly structured and constrained by norms, standards, procedures, and criteria established by the central government, while licensing administration is simultaneously integrated into a nationally managed digital system, an important legal question arises: does this transformation represent a legitimate redistribution of governmental authority consistent with the principles of regional autonomy, or does it reflect an emerging pattern of recentralization? This question is particularly significant because licensing authority affects not only the effectiveness of public service delivery but also the ability of regional governments to manage local economic potential and strengthen Locally Generated Revenue (Pendapatan Asli Daerah—PAD).

A growing body of scholarship has examined changes in licensing authority following the enactment of the Job Creation Law from the perspectives of decentralization, administrative law, and public service effectiveness. For example, Iskatrinah et al. examine the constitutionality and implications of concentrating licensing authority at the central-government level through the OSS-RBA system. Their findings indicate a tension between the centralization of licensing functions and the principle of regional self-government. The study further demonstrates that changes in licensing authority may affect regional fiscal capacity, although differences in Locally Generated Revenue (PAD) among regions cannot be attributed exclusively to the centralization of licensing authority.[5]

These findings are consistent with those of Furqon and Arifianto, who argue that the Job Creation Law has reinforced a broader trend toward the recentralization of licensing authority. Their study indicates that the scope of regional governmental authority has become increasingly constrained, with local governments functioning primarily as administrative verifiers rather than as institutions exercising substantive

[5] Iskatrinah Iskatrinah et al., "Licensing Centralization under Indonesia's Job Creation Law: Constitutional Implications for Regional Autonomy and Fiscal Capacity," *Srivijaya Law Review* 10, no. 2 (2026): 335–54, https://doi.org/10.28946/slrev.v10i2.5554.

discretion over whether licenses should be granted or denied.[6] Similarly, Noerdin argues that changes in central–local government relations under the Job Creation Law have strengthened central government control over the implementation of regional licensing, potentially reducing the responsiveness of regulatory decisions to local conditions and interests.[7]

At the sectoral level, Muzakir, Chotib, and Nawas found that although regional governments retain normative authority to issue Building Approvals (Persetujuan Bangunan Gedung—PBG), the exercise of this authority has become increasingly administrative and technical within a more centralized regulatory framework. These findings suggest that changes in governmental authority do not necessarily occur through the formal elimination of regional powers.[8] Instead, they may take place through a transformation in the substantive character of that authority—from a decision-making function involving meaningful regulatory discretion to an implementation function centered on compliance with standards established by the central government. A comparable perspective emerges from Nursidi's study, which demonstrates that the digital transformation of licensing has altered the structure of administrative liability, particularly through a shift from ex ante to ex post mechanisms and greater reliance on digital administrative systems.[9]

Other studies have emphasized challenges concerning legal certainty and implementation. Nurhayati et al. found that the positive fictitious licensing mechanism within the OSS-RBA framework continues to face difficulties arising from normative ambiguity, uncertainty regarding the liability of administrative verifiers, and limited integration between central and regional licensing systems.[10] Lestari et al. emphasize that licensing reform is intended to reduce regulatory complexity and promote investment,[11] whereas Herawati demonstrates that effective administrative-law enforcement in regional licensing remains dependent on institutional capacity, inter-

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6 Eki Furqon and Rizky Arifianto, "Authority of Regional Governments in Implementing Licensing After the Job Creation Law Entitles," *International Journal of Society Services* 5, no. 1 (2025): 25–43, https://doi.org/10.26532/ijlss.v5i1.44526.

7 Watoni Noerdin, "Relationship for the Establishment of Local Regulations in the Job Creation Law," *Administrative and Environmental Law Review* 3, no. 2 (2022): 85–96, https://doi.org/10.25041/aelr.v3i2.2749.

8 Arief Chaer Muzakir et al., "Regional Government Authority in Granting Building Approval Permits Under Indonesia's Job Creation Law: Centralization, Digitalization, and Local Administrative Power," *Buletin Adalah* 10, no. 2 (2026): 51–89, https://doi.org/10.15408/adalah.v10i2.51273.

9 Didi Nursidi, "Transforming Licensing Regulations: Legal Implications for Administrative Governance in Indonesia," *International Journal of Science Education and Cultural Studies* 2, no. 2 (2023): 118–30, https://doi.org/10.58291/ijsecs.v2i2.562.

10 Nunik Nurhayati et al., "Legal Certainty of The Positive Fictive Policy In Business Licensing Through The Online Single Submission Risk-Based Approach System In Indonesia," *Jurnal Ius Constituendum* 10, no. 2 (2025): 224–41, https://doi.org/10.26623/jic.v10i2.12009.

11 Dwi Puji Lestari et al., "Implementation of Business License Services before and after The Job Creation Law Authors Dwi Puji Lestari," *Proceeding International Conference Restructuring and Transforming Law* (Surakarta), 2024, 2018–227, https://proceedings.ums.ac.id/icrtlaw/article/view/3628.

agency coordination, and adequate budgetary and infrastructural support.[12] Meanwhile, Aritonang and Nurhayati show that changes in licensing regulations also have implications for spatial planning governance, thereby requiring effective coordination between central and regional governments.[13]

Taken together, the existing literature reveals a significant gap: there remains no sufficiently integrated analysis that examines, within a comprehensive legal framework, the concept of regional licensing authority, the legal foundations for the attribution and delegation of such authority, and the changing position of regional governments following the enactment of the Job Creation Law. The originality of this study lies in its comparative examination of the construction of regional governmental authority under the Regional Government Law and the Job Creation Law. Through this comparison, the study seeks to determine whether the regulatory changes constitute a redistribution of authority within the framework of decentralization or instead reflect an emerging trend toward the recentralization of licensing authority.

Against this background, this study aims to provide a normative legal analysis of the concept of regional governmental licensing authority within the framework of the Job Creation Law. It further examines and explains changes in regional governmental authority following the enactment of Law No. 6 of 2023, particularly in comparison with the authority structure established under Law No. 23 of 2014 on Regional Government. The analysis goes beyond identifying textual changes in the allocation of authority by examining their implications for the principles of decentralization and regional autonomy, the distribution of governmental authority between central and regional governments, and the role of licensing as an instrument of public service delivery and regulatory governance.

2. RESEARCH METHODOLOGY

This study employs a normative legal research method to examine the legal norms, principles, and construction of regional governmental authority in the administration of licensing following the enactment of Law No. 6 of 2023 on Job Creation. Four analytical approaches are employed: statutory, conceptual, historical, and comparative. The statutory approach is used to examine the legal framework governing the division of governmental affairs, regional autonomy, and licensing authority. The conceptual approach analyzes the legal concepts of attribution, delegation, mandate, decentralization, and governmental authority. The historical approach traces the

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[12] Made Ayu Viska Herawati, "Administrative Law Enforcement in Business Licensing Governance: An Empirical Study of Kabupaten Buleleng," *Journal of Law Theory and Law Enforcement* 5, no. 2 (2026): 1–18, https://doi.org/10.56943/jlte.v5i2.986.

[13] Hanna Mariana Aritonang and Siti Nurhayati, "Legal Analysis of Licensing Authority in Space Utilization After The Work Copyright Law," *Literacy: International Scientific Journals of Social, Education, Humanities* 2, no. 3 (2023), https://jurnal-stiepari.ac.id/index.php/LITERACY/article/view/1021.

development of licensing regulations before and after the Job Creation reform, whereas the comparative approach examines differences in the construction of regional governmental authority under the two regulatory regimes.

The legal materials analyzed in this study consist of primary, secondary, and tertiary legal sources, selected through purposive sampling. Data were collected through library research and a systematic review of relevant legal literature. The materials were analyzed using a qualitative-prescriptive approach, incorporating grammatical, systematic, historical, and teleological methods of legal interpretation. In addition, normative comparative analysis was conducted to identify changes in the source, holder, scope, supervision, and discretion associated with regional licensing authority. The analysis proceeds deductively to determine the nature and direction of changes in regional licensing authority and to assess their implications for central–regional government relations within Indonesia's system of governance.

3. RESEARCH RESULT AND DISCUSSION

3.1. The Concept of Regional Government Licensing Authority under the Job Creation Law

The Job Creation Law does not eliminate the licensing authority of regional governments; rather, it reconfigures the sources, scope, procedures, and mechanisms through which such authority is exercised by introducing national standardization and integrating licensing administration into the Online Single Submission (OSS) system. The law adopts a risk-based approach that differentiates licensing requirements according to the level of risk associated with particular business activities. This framework is further reinforced by Government Regulation No. 28 of 2025, which is currently in force and supersedes Government Regulation No. 5 of 2021.

The regulation provides that risk-based business licensing is determined on the basis of a risk assessment for each business activity. The framework encompasses basic requirements, business licenses, business-activity support licenses, Norms, Standards, Procedures, and Criteria (NSPK), OSS services, supervision, evaluation, resolution of implementation barriers, and administrative sanctions. The principal transformation is therefore not limited to the digitization of licensing procedures. Rather, it reflects a broader shift in the paradigm of administrative law, whereby the intensity of governmental intervention is calibrated to the potential risks associated with a particular business activity.

The nature of regional licensing authority has consequently undergone a significant transformation. Under the previous licensing regime, regional governments generally possessed greater administrative discretion in processing applications and making licensing decisions, consistent with the prevailing division of governmental affairs. Under the new framework, however, regional authority operates within a more highly

standardized national regulatory structure. The central government establishes the risk-based framework, NSPK, and architecture of the licensing system, while regional governments exercise specific functions in accordance with the allocation of authority established by law. Accordingly, regional licensing authority under the Job Creation Law is more appropriately understood as integrated and standardized authority rather than as an autonomous power exercised independently of the national regulatory framework.

The OSS system should not, however, be construed as an institution that displaces regional governments as the holders of licensing authority. In legal terms, OSS primarily functions as an electronic administrative instrument for integrating licensing service processes.[14] Government Regulation No. 28 of 2025 expressly places OSS services within the implementation framework of risk-based business licensing, while central and regional governments retain regulatory, administrative, and supervisory functions within their respective jurisdictions. Moreover, the risk-assessment mechanism established under Government Regulation No. 28 of 2025 confirms that central and/or regional governmental authorities continue to verify compliance with applicable standards through supervisory mechanisms. Thus, digital integration should not be equated with the absolute centralization of licensing authority.

The concept of licensing authority under the Job Creation Law can further be characterized by three principal features. First, standardization requires regional licensing authority to be exercised in accordance with norms, standards, procedures, and criteria established within a nationally applicable regulatory framework. Second, integration means that the exercise of licensing authority is embedded within the OSS system, thereby reducing reliance on separate and independently operated regional administrative systems. Third, risk-based differentiation means that the intensity of governmental intervention varies according to the characteristics and potential risks associated with a particular business activity. Consequently, regional licensing authority cannot be defined solely by identifying the government entity that formally issues a license. It must also be assessed in terms of which authority establishes the applicable standards, verifies compliance, conducts supervision, monitors implementation, and imposes administrative sanctions.

Decentralization does not confer unlimited authority upon regional governments. The exercise of regional governmental power remains constitutionally and statutorily constrained. From this perspective, national standardization in the licensing sector may be justified insofar as it serves legitimate objectives, including establishing uniform minimum standards, ensuring legal certainty, protecting national interests, and strengthening effective regulatory oversight. The principal concern arises when standardization extends beyond these objectives and effectively appropriates the

[14] Najwa Aulia Rahmah et al., "Online Single Submission and Legal Certainty for Foreign Investors in Indonesia," *Libertica: Legal Insight on Business Enterprise Regulation and Advocacy* 1, no. 1 (2025): 34–47.

substantive dimension of regional licensing authority, thereby reducing regional governments to mere administrative implementers without meaningful capacity to account for local social, economic, geographical, and environmental conditions.

The central legal issue, therefore, is not whether the Job Creation Law formally removes licensing authority from regional governments, but how the substance and exercise of that authority have been reconfigured. The distinction is critical because authority may remain formally vested in regional institutions while its substantive discretion is progressively constrained by nationally determined standards, digitally integrated procedures, and centrally defined risk classifications. This transformation raises a broader question concerning whether the post-Job Creation licensing regime continues to provide meaningful space for regional autonomy or instead represents a form of recentralization through standardization, regulatory integration, and digital governance.

This perspective reinforces the findings of Furqon and Arifianto, who identify a trend toward the recentralization of licensing authority following the enactment of the Job Creation Law.[15] It also supports Noerdin's analysis, which demonstrates that the regulation of central–regional government relations in the licensing sector has strengthened central government control.[16] Similarly, Muzakir et al. found that although regional licensing authority remains legally recognized, its exercise has become increasingly focused on administrative and technical functions.[17] These developments, however, cannot be characterized as the complete elimination of regional authority, as Government Regulation No. 28 of 2025 continues to recognize both central and regional governments as authorities responsible for supervision and verification of compliance with applicable standards.

These findings further extend the analysis of Iskatrinah et al., who identify a constitutional tension between the centralization of licensing authority and the principle of regional self-government.[18] While the present study confirms the existence of this tension, it argues that the issue extends beyond a straightforward transfer of authority from regional to central government. More fundamentally, the reform reflects a structural transformation in the nature of governmental authority: a shift from a system centered on regional administrative decision-making toward one governed by nationally prescribed regulations, risk-based standards, and integrated digital systems. Centralization under the Job Creation regime therefore operates not only through the

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15 Furqon and Arifianto, "Authority of Regional Governments in Implementing Licensing After the Job Creation Law Entitles."

16 Noerdin, "Relationship for the Establishment of Local Regulations in the Job Creation Law."

17 Muzakir et al., "Regional Government Authority in Granting Building Approval Permits Under Indonesia's Job Creation Law: Centralization, Digitalization, and Local Administrative Power."

18 Iskatrinah et al., "Licensing Centralization under Indonesia's Job Creation Law."

formal reassignment of authority but also through regulatory standardization and procedural integration.

These reforms are supported by legitimate regulatory objectives. Government Regulation No. 28 of 2025 emphasizes the need for continuous improvement in licensing simplification to provide legal certainty for business actors, particularly with respect to business processes and the quality of public services. The adoption of a risk-based approach also enables low-risk business activities to be subject to simpler licensing requirements than high-risk activities. This represents a departure from a "one-size-fits-all" regulatory model toward a framework in which the intensity of regulatory intervention is proportionate to the level of risk associated with a particular business activity.

Nevertheless, administrative efficiency must be reconciled with the principle of regional autonomy. Regional governments should not be reduced to merely technical implementers of policies formulated by the central government. Regional autonomy has both democratic and substantive dimensions, particularly because regions differ in their social, economic, cultural, geographical, and ecological characteristics. Accordingly, the integration of the Online Single Submission (OSS) system and national licensing standards should function primarily as instruments of coordination and regulatory consistency, rather than as mechanisms for eliminating meaningful regional policy space. Manan's conception of regional autonomy as an instrument of democratization and the equitable distribution of welfare remains relevant in this context; effective governance requires not only administrative efficiency but also meaningful recognition of regional characteristics and interests.[19]

Within the framework of the Job Creation Law, regional licensing authority has therefore evolved from a relatively discretionary form of governmental power into an authority that is integrated, standardized, and risk-based. Regional governments continue to possess licensing-related authority, but its exercise is increasingly structured and constrained by national norms, standards, procedures, and criteria (NSPK), risk classifications, the OSS system, and nationally established allocations of governmental authority. The transformation is thus more accurately characterized as "recentralization through standardization and digital integration" rather than the complete abolition of regional licensing authority.

The principal challenge of licensing reform is consequently not to choose between centralization and decentralization as mutually exclusive alternatives. Rather, it is to develop an institutional framework for the allocation and exercise of authority that reconciles national regulatory certainty and uniformity with sufficient regional flexibility to accommodate diverse local conditions, needs, and characteristics. Such a framework would allow national standards to ensure consistency and legal certainty while preserving

[19] Bagir Manan, *Lembaga Kepresidenan*, 3rd ed. (FH UII Press, 2006).

the substantive capacity of regional governments to exercise meaningful regulatory judgment within their constitutionally and statutorily defined spheres of autonomy.

3.2. Changes in Regional Government Authority: From the Regional Government Law to the Job Creation Law

The changes introduced by the Job Creation Law do not amount to the wholesale abolition of regional governmental authority. Rather, they constitute a transformation in the structure, scope, and exercise of such authority, marked by a shift from a model of governmental affairs allocation based primarily on territorial jurisdiction toward a framework increasingly determined by the risk level of business activities, business scale, location, and nationally established standards. The most substantive transformation is therefore the movement from territorially allocated authority to risk-based and nationally standardized authority.

Under Law No. 23 of 2014 on Regional Government, regional governmental authority derives its constitutional foundation from Articles 18, 18A, and 18B of the 1945 Constitution of the Republic of Indonesia and is operationalized through the allocation of governmental affairs. Article 9 of the Regional Government Law classifies governmental affairs into absolute governmental affairs, concurrent governmental affairs, and general governmental affairs. Concurrent governmental affairs, which are distributed among the central government, provincial governments, and regency/city governments, constitute the principal foundation for the exercise of regional autonomy. This framework establishes that regional governmental authority is fundamentally constructed through the allocation of governmental affairs according to governmental level and territorial jurisdiction. Within this allocation, regional governments are authorized to administer affairs falling within their respective jurisdictions, including public service delivery, regulation, guidance, and supervision.

This framework has undergone significant modification following the regulatory changes introduced by the Job Creation Law. As a result of the amendments to the Regional Government Law, provisions governing licensing authority can no longer be interpreted exclusively through the matrix for the allocation of governmental affairs established under Law No. 23 of 2014. Instead, they must be read in conjunction with the risk-based licensing framework and the implementing regulations adopted pursuant to the Job Creation Law. Regional authority has consequently undergone a process of "recontextualization." Although its legal basis continues to derive from the allocation of governmental affairs, its exercise is now embedded within a national regulatory framework characterized by greater uniformity in standards, risk classifications, procedures, and licensing service systems.

A significant transformation has also occurred in the parameters used to determine which government institution or level of government is authorized to issue a license.

Under the previous framework, territorial jurisdiction constituted a primary basis for allocating licensing authority. Under the post-Job Creation framework, territorial jurisdiction remains relevant but is no longer the sole determinant. The allocation of authority is now influenced by a combination of factors, including risk level, business scale, location, the characteristics of the business activity, and the geographical scope of its potential impacts. In general, regency/city governments retain authority over business activities that are relatively low-risk, smaller in scale, and whose impacts are confined primarily to the relevant regency or city. By contrast, activities characterized by higher risks, larger scales, or cross-regional impacts are increasingly allocated to provincial or central government authorities.

This pattern is particularly evident in the tourism sector, where the allocation of licensing authority is determined not solely by administrative location but also by risk level, spatial scale, and business size. Certain low- to medium-risk activities involving areas of less than 6,000 hectares and falling within micro- to medium-scale business categories may be administered at the regency/city level. Activities involving larger spatial or business scales may fall within provincial authority, whereas high-risk or very large-scale activities are generally subject to central government authority. Comparable patterns can be observed in the industrial, trade, agricultural, fisheries, environmental, labor, and other sectors. Risk-based licensing therefore does more than modify the procedures through which licenses are obtained; it also functions as an institutional mechanism for redistributing licensing authority across different levels of government.

These changes are particularly pronounced in sectors characterized by high levels of risk or strategic national significance. Areas such as energy and mineral resources, nuclear energy, certain educational activities, telecommunications, defense and security, and selected transportation and health activities demonstrate a tendency toward greater concentration of regulatory and licensing authority at the central-government level. Conversely, regency/city governments continue to exercise authority over activities that are predominantly local in character, relatively small in scale, and associated with lower levels of risk.

The Job Creation Law thus establishes a differentiated model of governmental authority in which licensing competence is increasingly determined by the characteristics and potential impacts of business activities rather than by governmental hierarchy or territorial jurisdiction alone. This represents a fundamental departure from the traditional territorial model of authority allocation. The resulting framework does not necessarily eliminate regional autonomy; rather, it redefines the substantive boundaries within which regional governments may exercise licensing authority.

This shift represents a conceptual departure from the framework established under Law No. 23 of 2014 on Regional Government. Under the Regional Government Law, the allocation of concurrent governmental affairs primarily served as the legal basis for

distributing authority within a decentralized governance framework. Following the enactment of the Job Creation Law, this framework has acquired additional dimensions through national regulatory standardization and risk classification. The central government now plays a more influential role not only in defining the scope of governmental affairs but also in establishing the norms, standards, procedures, and criteria (NSPK) that govern the exercise of regional authority. Consequently, although regional governments remain integral to the licensing administration system, their discretion to independently determine the substantive requirements and procedural mechanisms of licensing has become increasingly constrained.

These findings are consistent with Furqon and Arifianto, who conclude that the implementation of the Job Creation Law has reinforced a trend toward the recentralization of licensing authority and narrowed the scope of regional governmental autonomy.[20] Noerdin similarly demonstrates that the reconfiguration of central–regional relations under the Job Creation Law has strengthened central government control over regional licensing.[21] Meanwhile, Muzakir et al. found that, in the context of Building Approvals (Persetujuan Bangunan Gedung—PBG), regional authority remains legally recognized but is exercised predominantly through technical and administrative functions governed by standards established at the central-government level.[22] The present study supports these findings while providing a more systematic explanation of the underlying transformation: the redistribution of licensing authority occurs primarily through changes in the parameters governing the allocation and exercise of authority, rather than through the formal transfer or abolition of regional powers.

The findings also add nuance to the analysis of Iskatrinah et al., who identify a tension between the centralization of licensing authority and the principle of regional self-government.[23] Although this tension is evident, the present study demonstrates that the mechanisms underlying this transformation are more complex than a straightforward transfer of authority. Centralization does not necessarily occur through the statutory revocation of regional powers. Instead, it operates through three interconnected mechanisms: regulatory standardization, digitalization of licensing services through the Online Single Submission (OSS) system, and the differentiation of authority according to risk levels and business scale. Thus, regional governments may continue to be formally designated as competent authorities, while the exercise of their authority increasingly occurs within a normative and technical framework defined by the central government.

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[20] Furqon and Arifianto, "Authority of Regional Governments in Implementing Licensing After the Job Creation Law Entitles."

[21] Noerdin, "Relationship for the Establishment of Local Regulations in the Job Creation Law."

[22] Muzakir et al., "Regional Government Authority in Granting Building Approval Permits Under Indonesia's Job Creation Law: Centralization, Digitalization, and Local Administrative Power."

[23] Iskatrinah et al., "Licensing Centralization under Indonesia's Job Creation Law."

These changes can be understood as part of a broader effort to simplify licensing procedures and strengthen legal certainty and investment efficiency. National standardization can reduce procedural disparities among regions, minimize regulatory overlap, and increase predictability for business actors.[24] The risk-based approach also enables the government to allocate regulatory and supervisory resources proportionately, ensuring that low-risk business activities are not subjected to requirements equivalent to those imposed on high-risk activities. From this perspective, the restructuring of licensing authority is supported by significant administrative and economic rationales.

Nevertheless, these reforms raise important questions concerning the substantive meaning of regional autonomy. When critical licensing parameters—including risk classifications, standards, procedures, criteria, and service systems—are predominantly determined at the national level, regional authority risks being transformed from a policy-formulation function into an implementation function. Although regional governments continue to perform licensing-related service and supervisory responsibilities, their discretion to formulate policies that respond to local circumstances may become increasingly limited. This concern is particularly significant because regions differ substantially in their social, economic, geographical, cultural, and ecological characteristics, as well as in the nature and potential of their local resources.

Accordingly, Law No. 6 of 2023 has transformed the architecture of regional licensing authority from a decentralization model based primarily on the distribution of governmental affairs and territorial jurisdiction into a framework increasingly structured around risk, scale, location, potential impact, national standardization, and digital integration. Regional governments have not been deprived of licensing authority altogether; rather, the character of that authority has shifted from a relatively autonomous form of administrative discretion toward an authority that is increasingly coordinated, standardized, and conditioned by a nationally determined regulatory framework. This restructuring has produced a form of decentralization that is more standardized and digitally integrated while simultaneously narrowing the scope of regional discretion.

The long-term effectiveness of licensing reform therefore depends not simply on the efficiency of centralized regulatory mechanisms but on the capacity of the legal framework to maintain an appropriate balance between national certainty and regulatory uniformity, on the one hand, and regional autonomy, responsiveness, and locally grounded interests, on the other. The sustainability of decentralization in the licensing sector will ultimately be determined by whether regional governments retain sufficient substantive policy space to address local conditions while remaining subject to nationally

[24] Jerónimo Da Cruz Neno Leus and Leonildo Alberto Araújo, "The Concept of Good Governance in The Perspective of Public Service: A Literature Review," *Journal of Public Policy and Society* 1, no. 1 (2025): 35–44, https://doi.org/10.54268/jpps.v1i1.28923.

established standards that protect legal certainty, regulatory consistency, and the broader public interest.

4. CONCLUSION

Regional governmental authority has not been eliminated but rather reconfigured through national regulatory standardization, integration with the Online Single Submission (OSS) system, and the adoption of a risk-based licensing framework. These reforms have transformed the allocation of authority from a model based primarily on the distribution of governmental affairs and territorial jurisdiction toward one that incorporates the risk level, scale, location, and potential impact of business activities. At the same time, stronger central coordination and regulatory standardization have narrowed the scope of discretion available to regional governments.

This transformation offers important implications for the development of administrative law and for designing a more balanced framework of central–regional relations. The principal limitation of this study is its reliance on a normative legal approach, without empirically examining how the reconfigured licensing authority is implemented at the regional level. Future policy design should therefore ensure that regulatory standardization and digitalization do not undermine the capacity of regional governments to respond effectively to local characteristics and needs. At the same time, institutional capacity and mechanisms for central–regional coordination should be strengthened to ensure consistent yet context-sensitive implementation.

Future research should employ empirical and mixed-method approaches to examine the practical consequences of these changes in licensing authority, particularly their effects on public service quality, investment performance, Locally Generated Revenue (PAD), and the effectiveness of regional autonomy. Such research would provide a more comprehensive assessment of whether the post-Job Creation licensing framework can reconcile the objectives of national regulatory consistency and administrative efficiency with the constitutional and substantive principles of regional autonomy.

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