

Sam Ratulangi Universitas– Manado

Implementing Regional Autonomy and Fiscal Federalism in Indonesia: A
North Sulawesi Case
(Pelaksanaan Otonomi Daerah dan Federalisme Fiskal di Indonesia: Kasus
dari Sulawesi Utara)

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Indonesia. A North Sulawesi Case.**

By

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The Rationale of Decentralization and Fiscal Federalism

The idea of decentralization is in fact not a new thing in Indonesia. The embryo had taken place during the struggle for independence and was born in the form of Act 18 of the 1945 Constitution (UUD 1945). As an archipelago of about 13 000 islands², with a population in year 2000 of nearly 207 million and administratively divided into 26 provinces and hundreds of lower level local governments, Indonesia is obviously too large to be governed centrally. The founding fathers of the Republic such as Drs. Moh. Hatta (the former first Vice President of the Republic), Dr. Sam Ratulangi, Mr. Moh. Syahrir, Mr. Syarifudin Prawiranegara and many others seemed to prefer a federal like Republic to the present unitary state. These founding fathers, who came mostly from the 'outer islands' were however relatively minority in number and therefore had only little influences. The euphoria of the independence combined with the very skillful speech of the late President Sukarno, an outstanding orator, seemed to dominate their views. Their idea of a more decentralized government failed to get majority support³, but the idea never dies.

There was however a time in 1949 when the idea of federalism gained majority support to be adopted in Indonesia. In 1949, Indonesia was a federal like state for only 9 months, up to August 1950. In August 1950, Indonesia adopted a unitary system on the basis of the temporary constitution 1950. This went on until President Sukarno declared a Presidential Decree on 5 July 1959 to get back into a Unitary State based on 1945 Constitution. From there on up to the end of 1980s, the idea of decentralization was in silence. However, the increasing interregional disparity in the 80s broke the silence. Stronger demand for a more decentralized state has revived since the early 1990s and continued more significantly until now.

At present, regardless of some of the shortcomings of decentralization (see Oates, 1999), decentralization (and federalism) has become a global trend. The wind of federalism has been blowing quite hardly all over the world especially in the third world

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² One source mentioned a figure of about 17 000 islands.

³ This is easily understood for the majority of the political elites at that time were Javanese who were strongly dominated by "paham kekeluargaan" of Prof. Dr. Supomo, one of the very influential architects of the unitary state.

and/or developing country, including Russia. (Oates, 1999, Tambunan, 1999). A World Bank study by Dillinger (1994) shows that out of 75 developing and transitional economies in the world with population greater than five millions, all but 12 claim to be embarked on some transfer of political power to local units of government.

Very recently, Parker (1995) shows three main features of the current trend of decentralization: *First*, democratic institutions have been established and their roles have been extended in many countries. *Second*, most of countries presently involved in decentralization initiatives recognize the importance of providing financial resources to decentralized institutions to permit them in carrying out their power and responsibilities. *Third*, there is a growing realization that many types of institutions can actively participate in decentralization efforts.

Indonesia in Transition: The Turbulent Environment

During Sukarno and Suharto era, fearful of the separatism movements and tendencies, the political elite of the post independent period has systematically adopted a centralist approach in governing the country. As a result, right from the beginning after the independence, the country has been ruled from the Center, Jakarta. In governance, the Center used the wealth of the countries' various regions to develop Jakarta, the island of Java, and selected other regions⁴. As a result, since independence, the Republic constantly faced with various insurgencies mostly in the "outer islands" (Harvey, 1984).⁵ Two main roots of the insurgencies: neglecting of local identities by the central government (Amal, 1987) and, as already described above, uneven development progress between the center and the regions (vertical disparity) and between the regions (horizontal disparity (Sondakh, 1995; Gracia and Sulistianingsih, 1997). The late 'new order government' accommodated the complain by introducing various kind of 'equity oriented programs' such as: Inpres Programs etc, but the program was based only on ad hoc basis not by Laws. Law No 5/1974 that regulates the central-regions relationship was a very centralist one. The collapse of Suharto Government in 1997 was partly a result of this centralist government system.

The last three years have witnessed the revival of demand for decentralization, which appeared hand in hand with the so-called "reformasi" (reformation). Under the pioneering struggles of students, NGOs (non-government organizations), press, academician, the public seems to have been caught into the stream of decentralization as an integral part of the mega project of democratization. A lot of hopes have recently been put on decentralization as a better alternative system than the centralized one. People generally believe in decentralization as a government system which is more democratic, respects more the local identity, concerns more with the livelihood of the people in the periphery; combat more effectively the root of the problem of regional disparity, lack of transparency and accountability in governance, distortion between the revenues and expenditures for local governments; and at the same time, decentralization is considered more effective in increasing the competitiveness of the local in the competitive - world market of the 21st century.

⁴ Numerous articles have been written showing how the Centre of the post independent history of Indonesia has systematically appropriated and squeezed the surplus of the "outer islands" (Sondakh, 1995, 1997, 1999).

⁵ Despite the weakness of the 'new order government' it was however during the period Indonesia enjoyed what is meant by 'development' and 'peace'

In the late 1980s there has been a stronger revival of complaint from the 'outer islands', particularly from the Eastern part to demand for a more autonomy. The regions believe that by having more autonomy, not only their local identity be more respected but also their economy would be made far better off. Very recently, they have demanded even more than just the more autonomy. Timor Timor has successfully opted for an independent state and Irian Jaya has been following suit. Very recently, in early June 2000, the so-called "Gerakan Papua Merdeka (GPM)" (Free Papua Movement) seems to have been successfully organized the so-called: "Congress of the People of Papua", a congress which fails to get acknowledgement from the Government of Indonesia.

A Move toward A More Decentralized System in Indonesia

Since the fall of Suharto in 1998, the central power becomes weaker. The weak central government has opened a room and opportunities for the regions to make their dream for more autonomy to come true. The weak central government has revived their long unfinished struggle for more autonomy. Some regions, especially Aceh and Irian Jaya (Papua) demanded not only for more autonomy but also for an independent state.

The current government has finally responded to the demands, and the DPR recently enacted legislation giving more governance and fiscal authority to local governments and allocating substantial percentages of income derived from local resources to remain in the regions where derived. The new regulations on "fiscal decentralization" or more precisely on "fiscal federalism"⁶, will potentially give numerous consequences to the regions, and to the center, and to the overall country as a whole. One obvious consequence is, some regions would likely to become better off other worse off and consequently, there would very likely be some disagreements, and possibly conflicts on the present laws.

The central government during the Presidency of Habib, accommodated the regional demands for more autonomy by issuing the new Law on Regional Government, which is Law No.22 1999 and the new Law on Fiscal Decentralization, which is Law No 25/1999. However, the demand for decentralization seems to have gone too far in several cases. In most provinces, the demand is simply limited to demand for more autonomy without changing and destroying the unitary frame of the Republic. For others, they have demanded as far as for a new independent country, separatism or a secessionism to disintegrate the nation-state. The remaining seems to demand for a federal like state, federalism. Indeed, the origins of the demands for federalism as described earlier, had its sensible roots from the thinking that federalism is the one, which may be a way out to solve the chronic central-regions disputes.

However, the idea itself is not only sufficient but also that there is no one hundred percent guarantee that decentralization will make a future better off. The one, which is no less important is whether the implementation of the idea into reality would be successfully and peacefully executed. A case in some other countries such as Russia and some other countries (Brazil, Argentine, Bangladesh etc) for example taught us a good lesson that the process, schedule, sequences and platform of implementation should be clearly designed, and must be fully understood, supported and accepted by the

⁶ See Oates (1999) for the definition of "fiscal federalism" from economics' standpoint. that is. the whole range of issues relating to the vertical structure of the public sector. From political sciences' stand point it refers to a political system with a constitution that guarantees some range of autonomy and power to both central and decentralized levels of government.

government, the people, the society. Otherwise, the implementation itself might inversely end up in a catastrophe.

Table 1
Indonesia: Proportion of Current Revenues of the
Provincial and Local Government
1985 - 1999

Sources of Revenues	1985/6- 1989/90	1990/91- 1992/93	1993/94	1994/95	1998/99
1st Level Local Government (Provinces)					
Own Sources (%)	21.4	25.1	26.2	31.0	
- User fees	4.6	6.7	7.7	7.8	
- Shares Revenues	2.5	4.4	4.9	4.8	
- Property Tax	0.3	0.5	0.5	0.5	
Loans (%)					
Central Grant (%)	66.8	60.0	60.8	54.7	
Surplus at t-1 (Rp bill)	6.9	7.6	4.8	6.0	
Sub-Total (%)	100.0	100.0	100.0	100.0	
Total Current Revenue	3,444.8	6,379.5	8,328.3	9,709.0	
2nd Level Local Government (Kabupaten/Kodya)					
Own Sources	18.2	13.0	11.2		
-User fees	.....	7.0	6.1		
-Shared Revenues	11.2	12.5	13.3		
-Property tax	9.2	10.2	10.4		
Loans	2.2	1.0	0.6		
Central Grant	64.8	70.9	70.9		
Surplus t-1	3.5	2.7	4.0		
Total	100.0	100.0	100.0		
Current Revenues (Rp.bill)	2,018.5	5,457.0	8,404		

Sources: Adapted from World Bank (1996, Table 4.1)

Despite the seemingly “euphoria” for decentralization, what people - including the majority of academic community - know and learn about the decentralization is yet very limited. Why? The centralized regime during the past 30 years, the era of Suharto, had systematically suppressed the people including academicians to not to ever think about the new re-emerging alternative of a federal system except the established unitary system. During the past 30 years there was not in fact an autonomous local government. At the time, Governors and *Bupati* are “*penguasa tunggal*” (‘the sole authority’ in local governments and society) in the provinces and districts (*Kabupaten/Kotamadya*) respectively.

The Reforms: Law No.22/1999 and Law No.25/1999

A necessary complement to the assignment of additional responsibilities to local governments is the enhancement of their financial capacities. In fact, Indonesia adopted a federal structure in fiscal. The structure, as shown in Table 1 and Table 2, positions the financial resources of the lower local government on highly dependence from the central government.

Table 2
Indonesia: Vertical Fiscal Disparity

		Revenues %	Expenditure %	Surplus/Defisit %
1.	Own Revenue			
	National	96.1	83.1	13.0
	Regions	3.9	16.9	-13.0
	▪ Dati I	2.8	9.3	-6.5
	▪ Dati II	1.1	7.6	-6.5
	Total	100	100	0
2.	Own and Shared Revenues			
	National	94.3	83.1	11.2
	Regions	5.7	16.9	-11.2
	▪ Dati I	3.5	9.3	-5.8
	▪ Dati II	2.2	7.6	-5.4
	Total	100	100	0.0
3.	Own, Shared and Grant Revenues			
	National			
	Regions	82.2	83.1	-0.9
	▪ Dati I	17.8	16.9	0.9
	▪ Dati II	9.9	9.3	0.6
	Total	7.9	7.6	0.3
		100	100	0.0

Sumber: Simanjuntak, R.A (1999) adopted from Anwar Shah and Zia Qureshi, *Intergovernmental Fiscal relations in Indonesia: Issues and Reform Options*, Washington D.C: World Bank Discussion Papers No 239, 1994.

Since the dependence is undesirable, how then the regional revenues can be increased?. Following the principles of fiscal federalism, some approach has been proposed for Indonesia. World Bank (1993) conventionally suggest three ways of improvement of fiscal federalism, which are: 1) to widen the tax base assignments, 2) to increase the revenue from existing local or shared taxes, 3) to make more effective use of local user charges. However, for a very diverse Indonesia with very diverse natural

endowments and financial capabilities, not all or even majority of the regions are considered poor and have to be subsidized by rich provinces. In 1973, Prof. H Arndt (1973) proposed an alternative approach in reconciling the imbalances between the center and the region, which he called it: "Center Matching Grants".

As shown in Table 3, there seems a considerable potential to increase tax revenues for Indonesia.⁷ In term of the ratio between tax collected and GDP (Gross Domestic Product), the ratio of Indonesia is the lowest, only 14.8 per cent in 1993 (more or less similar to that of India) compared to Kenya 21.1 per cent, Thailand 40.0 per cent, Australia 28.9 per cent and Poland 40.0 per cent (Simanjuntak, 1997). World Bank (1993) has suggested several ways in increasing revenues and own revenues in Indonesia. There is really nothing new suggested except from redesigning the conventional sources of revenues, that is by redesign of central-local transfers, local borrowing and better planning, budgeting and monitoring, and strengthening local government institutional capacities. The recent approaches adopted by the government is fiscal federalism that have been designed in the early 1990s at the time the central government issued PP 45/1992 (Government Regulation No. 45/1992).

The emergence of the new law of fiscal federalism, Law No.25/1999, rooted back in the early 90s. Regulation No.45/1992 promulgated in 1992 represents a major attempt to chart more clearly defined regulation, the focus of further devolution of responsibility is at the Level II governments (districts), and the devolution envisaged is from both central and Level I (provincial) governments. The center remained retaining the government functions on defense and security affairs, judicial affairs, foreign affairs, part of administrative affairs concerning Heads of Region, and other administrative affairs that can be more effectively and efficiently managed by the Center. All transfers are to be accompanied by the transfer of associated budgetary resources. It was envisaged that some functions could in part be transferred initially for a four-year period, with the transfer completed and made permanent upon assessment of the Level II. This regulation for a more decentralized approach was tested in few districts, including Minahasa. The results of the experiments show that the Level II local governments found it difficult for them to have an autonomous local government without having sufficient funds to meet their regional expenditure. The regions strongly expressed their views on difficulties to be an autonomous local government without having sufficient revenues to match the increased expenditure of a more autonomous local government.

⁷ This conclusion is however quite awkward. It is generally known that the proportion of "hidden tax" in term of unregistered contribution, unofficial fees, and 'pungli' (pungutan liar; unofficial retributions), in Indonesia is quite high.

Table 3.
Proportion of Taxes to Gross Domestic Products

Country	Tahun	% to GDP	% to GDP		
			Central	State	Local Government
<i>Industrial Country</i>					
<u>Federal</u>					
Australia					
Canada	1995	28.9	76.6	19.9	3.5
Germany	1993	38.7	53.5	36.5	10.0
USA	1995	41.1	73.0	21.0	6.0
	1994	27.0	65.7	20.6	13.7
<u>Unitary State</u>					
<u>Belgium</u>					
France	1994	45.7	94.8		5.2
Nederlands	1995	42.4	89.8		10.2
UK	1995	44.7	96.3		3.7
<u>Developing Country</u>					
<u>Federal</u>					
<u>India</u>					
Argentina	1993	14.9	61.8	38.2	2.6
Brazil	1992	19.8	57.2	42.8	
Mexico	1993	25.7	71.4	26.0	
<u>Unitary State</u>					
<u>Kenya</u>					
Poland	1994	21.1	97.8		2.2
Thailand	1995	40.0	92.1		7.9
Indonesia	1995	18.2	94.9		5.1
	1993	14.8	97.1		2.9

Sumber: Ter-Minassian (1997); IMF, 1996, *Government Finance Statistics Yearbook*; dan IMF, 1997, *International Financial Statistic (June)*

The economic crisis in Indonesia has recently weakened the Center and subsequently has revived the regional demands for more autonomy. The weak central government respond to these demands, and DPR on May 1999 enacted legislation giving more governance and fiscal authority to local governments and allocating substantial percentages of income derived from local resources to remain in the region where derived. The legislation enacted is the recently well known as Law No.22/1999 (on regional government) and Law No.25 1999 (on the fiscal balance between the Center and the regions).

The essences of Law No.22/1999 and Law No.25/1999 as already briefly summarized by Ann Booth (1999) are as follows:

First, Law No 22/1999

- Abolition of the hierarchical relationship between the center, the provinces (daerah tingkat satu) and the districts (daerah tingkat dua), known as kabupaten, or in the case of municipalities, (kotamadya).
- Regional heads (kepala daerah) at both province and district level will be elected by regional parliaments and will be accountable to parliaments, rather than to what in the past have been regarded as higher levels of government. While governors will continue to represent the center in the regions, district heads (bupati/walikota) will no longer act as representatives of the center, and will be accountable only to the local parliament and electorate.
- The Center will retain responsibility for international relations, defense, justice, monetary and fiscal affairs and religious affairs; in addition, it will retain overall control of national economic planning, national administration, high technology policy, and human resource development policy and natural resource conservation.
- Districts will assume responsibility for international implementation of programs in the following sectors: public works, health, education and culture, agriculture, communications, industry and trade, investment, environmental and land use affairs, cooperatives and labor.
- Regions that cannot carry out the functions devolved to them could be amalgamated with other regions; in addition, provinces might carry out functions that districts are unable to perform.

It can be noticed from above that Law No.22/1999 has indicated a quite significant change in degree of democratization and decentralization. The Law shows that Indonesia has committed to move into a more democratic and decentralized system.

Some problems are still being encountered with respect to the implementation of Law No.22/1999 Several problems already identified by Alm (1999) and Sondakh (1999) such as: problems relating to the process and goals, the implementation, the civil services, the accountability of the local government, assistance from the central government, revenue raising power for local governments, imposing a hard budget constraint for local government and the problem in producing the implementing regulations. Another more serious problem is the use of 2nd Level Local Government as the base of autonomy. The central government and many other foreign observers seem to be quite skeptical on the capability of the 2nd level local government to implement the autonomy. The government has anticipated such a problem. For if in few years, the 2nd level local government can not sustain then this 2nd level, local government can be amalgamated into the more reliable 2nd level local government. However, most local government we interviewed expresses their enthusiasm in facing the new task of more autonomy.

Alm (1999), Sondakh (1999) and (Syafudin, 1999) argued that the Law seem to be prepared in a hurry. A "white paper" that supposed to become the standard requirement in issuing a law or regulation seems to have not been followed accordingly. As a result, not only the regional governments know very little about the goals, objectives, procedure of implementation and the like but also the officials in the central government. There must be some implementing regulation to be referred to in

implementing the reform but so far the regulations have not been issued yet. In a real sense, the implementing regulations will define the structure of decentralization.

The coming election of several Governors in Indonesia for example is still encountered with a problem on which Laws to be referred to; Law No.5/1974 or Law No.22/199. The problem is that until now a PP (*Peraturan Pemerintah* or Government Regulation), as the guiding implementation of the Law has not been issued yet. Some region has been granted special treatments, that is, more autonomy than that defines in Law No.22/1999. The Aceh province seems to have been granted with a privilege of "special autonomy". This has however encouraged other provinces to follow suit to demand not only more autonomy but also a federal like state. The rapid shifting in the demand toward more autonomy seems to have influenced the present new parliament (DPR) to plan to make some amendment on the Law.

Second. Law No.25/1999

The substances of the provision according to Law No.25/1999 are shown in Table 1 and have been excellently summarized by Ann Booth (1999) as follows.

- The existing Center grants to the regions (province, *kabupaten* and village) from both the routine and development budgets will be abolished. They will be replaced by 'equalization grants' (*dana perimbangan*), which will comprise a general allocation (*dana alokasi umum*), a special allocation (*dana alokasi khusus*), receipts from the Land and Building Tax (*Pajak Bumi Bangunan*) and the Land and Building Titles Administration
- Fee (*Bea Perolehan Hak atas Tanah dan Bangunan*), and share of revenues from natural resource exploitation.
- The general allocation will amount to at least 25 per cent of Center domestic revenues as determined in the annual state budget (APBN). The provinces will retain 10 per cent of this allocation and the remaining 90 per cent will go to districts. There is, however, provision for a change in this allocation if provinces are forced to take over some expenditure responsibilities from the districts.
- The special allocations will be made from the central budget to selected regions, based on their special development needs.
- Regions will receive 15 per cent of revenues from oil exploitation carried out within their borders, and 30 per cent of revenues from natural gas exploitation. They will receive 80 per cent of the government revenues accruing from mining other than oil and gas, from forestry, and from fisheries. The act does not clarify whether 'regions' in this context is the province or district; stating that this remains to be determined in future regulations.
- Regions (again not clearly defined) may, with the permission of the regional parliament, borrow domestically to finance a part of the budget (how much is not specified), but may borrow abroad only through the Center.

- Regional heads will be responsible in all financial matters to regional parliaments, which must approve budgets and receive full reports on budget implementation from the relevant officials.

**Table 4. Balances on Revenues Sharing from Natural Resources
Between The Center and The Provinces
According to Law No.25/ 1999**

No.	Items	Center (%)	Local Govt. (%)
1	Land and Building Tax (<i>Pajak Bumi dan Bangunan</i> , PBB)*	90	10
2	Transfer of Land and Building Ownership Tax (<i>Biaya Perolehan Hak Atas Tanah dan Bangunan</i> (BPHTB))*	20	80
3	Natural Resources (Forest) Tax (<i>SDA- Kehutanan</i>) <ul style="list-style-type: none"> ▪ Levy on Forest Exploitation (<i>Juran Hak Pengusahaan Hutan</i>, IHPH) (Provinces 16 %, Producing Districts 32 %, Other Districts 32 %) ▪ Provision on Forest (Provisi Sumber Daya Hutan (Provinces 16 Producing Districts 32%, Other Districts 32 %) 	20	80
4	General Mining (<i>SDA- Pertambangan Umum</i>) <ul style="list-style-type: none"> ▪ <i>Juran Tetap (Land Rent)</i>: Provinces 16 %, Producing Districts 64 %) ▪ Royalty on Exploration and Exploitation: Provinces 16 %, Producing Districts 32 %, Other Districts 32 %) 	20	80
5	Fishery <ul style="list-style-type: none"> ▪ Fee from fishing business and products (<i>Pungutan Pengusahaan Perikanan</i> (PPP) dan <i>Pungutan Hasil Perikanan</i> (PHP):equally divided for districts all over Indonesia (<i>Dibagikan merata keseluruh Kabupaten/Kota se Indonesia</i>) 	20	80
6	• Oil. Provinces 3 %, Producing Districts 6 %, Other districts a 6 %.	85	15
7	• Natural gas: Provinces 6 %, Producing Districts 12 %, and Other Districts 12 %.	70	30

Note: *10% of the share of the Center of PBB and 20% of BPHTB is divided equally for the all districts throughout Indonesia. ** Share after taxes

It is apparent from the main provision of Law No.25/99 that the power of the central government in deciding the pattern of financial balances between the center and

the regions remains strong and detrimental. The argument is that the only possible way to serve the objective of regional is for the central government to continue having the right and authority to collect main taxes in the regions to be transferred to the other regions in the form of "interregional transfer". In the former time, during the period of Suharto, the functions of interregional transfer' was implemented in the form of *dana Inpres* (Inpres funds) and SDO. The former SDO (*sumbangan daerah otonom*), subsidy to the autonomous local government) has been replaced by DAU (*dana alokasi umum*, general purpose funds) and DAK (*dana alokasi khusus*, specific purpose funds).

As a result, one can easily see that under Law No.25/1999, the role of the Central remains powerful relative to the regions. It is the central government that finally determine the amount of 'general purpose funds' (*dana alokasi umum*) and 'specific purpose funds' (*dana alokasi khusus*). There has been a criticism that the present two laws may not do better in term of more autonomy. Law No.22/99 have allowed the regions to have more autonomy, but Law No.25 does not explicitly show how the autonomous regions can raise revenues to meet expenditures. The inconsistency of the laws seem to reflect a type of 'half hearted autonomy' (*pemberian otonomi setengah hati*) and the amount of the potential local revenues accrued to the center is considered too big to fund the DAU and DAK (Sarundayang, 1999) proposed a reformulation of the sharing system.

As shown in Table 4, the Center keeps having the major part of the revenues from oil and gas and fisheries. By so doing, the relatively "rich" regions tend to be unhappy with the formula and of Law No.25/1999. However, on the other side, if the surplus of Aceh, Riau, Irian Jaya, East Kalimantan retained by them, its consequence is that the amount of funds required by the central government to finance the DAU and DAK will be significantly reduced and therefore "poor" provinces, especially in Java would likely to suffer a lot⁸. A district in Java for example, Boyolali. Its personnel expenditure amounts to RP 5.5 billion per year compared to own revenues of only RP 4.5 billion.

Government Regulation No 25/2000: "Disguised Centralism"?

At last, the uncertainty in relation to Law No 22/1999 has been reduced by the very recent issue of Government Regulation No 25/2000, which regulates the authority of both the central, and the autonomous provincial governments. As stipulated in Law 22/1999 the authority of the central government is limited to only five main functions: foreign affairs, security and defense, justice, monetary and fiscal, religion and others. The term 'others' covers the other functions of national importance such as: macroeconomic policy and management, center-regional fiscal balances, system of public administration and economic institutions, management and empowerment of human resources, mobilization of natural resources and high technology, conservation and national standardization.

The 'other authority' is further specified into 25 fields covering: agriculture, marine, energy and mining, forestry and plantations, industry and trade, cooperatives, investments, tourism, manpower/labor force, health, education and culture, social, spatial plan, land use and rights, settlements, public works, transportation and communication, environment, domestic policy and public administration, improvement of regional

⁸ This is the reason why the Central Government is very reluctant to let the "rich provinces" to separate from the unitary state.

autonomy, fiscal balances, population, sports, law and regulations, information, and macroeconomic policies.

The provincial authority as regulated on article 3 is limited to interregional (kabupaten and kota) public services such as: regional development planning and management, training on specific fields, allocation of potential human resources, research, management of regional ports, management of environment, trade and tourism promotion, disease and pest control, and land use and spatial planning. The province is also assigned with those authorities which have not been assigned to the local governments which covers: agriculture, marine, mining and energy, forestry and plantation, industry and trade, cooperatives, investment, labor force, health, education and culture, social, land use planing, public works, transportation and communication, environment, domestic politics and public administration, improvement of regional autonomy, fiscal balances, law and regulations.

How is the view of the local government on this GR No 25/2000 ?. The local governments seem quite unhappy. One comment of a Bupati indicated that the substance of GR No. 25/2000 is in fact quite different from what he expected from Law No 22/99. The expectation that the local government to become the basis of regional autonomy does not seem to be realized under GR No 25/2000. It turns out that under GR No 25/2000 the authority of the local government is the residual of the authorities of the central and provincial government. The Bupati has expected in reverse: the authority of the central and provincial governments should have been the residual of the authorities which can not be functioned and exercised by the local governments. In fact, GR No 25/2000 indicates a type of 'disguised centralism', in contrast with Law No 22/1999 which indicates a type of 'disguised federalism'.

Lessons from North Sulawesi

Geography

North Sulawesi, one of the provinces in Indonesia with a population of nearly 3 million in 2000, occupies the eastern section of the long northern peninsula in the Pacific Rim. The total area of nearly 27 000 km² consisted of the mainland section, which is about 560 km and never more than 80 km wide; and the Sangir and Talaud Islands stretch to the north. The northern most islands lying closer to the Philippines than to Manado (Figure 2). By 1999, the province consisted of four kabupaten and three kotamadyas. In 1999, Kabupaten Gorontalo has recently been divided into two kabupaten consecutively. So, altogether there are now 6 kabupaten.

North Sulawesi is well known for at least six things: *First*, it's strategic position in the Pacific Rim, closer to the neighbouring countries than to Jakarta. *Second*, its is regarded as the most prosperous and spectacularly scenic areas in Indonesia. *Third*, it has four towering volcanoes: Sopotan (erupted in 1989), Lokon (erupted in 1986) and Mahawu (small eruption in the late 80s) in Minahasa and Karangetang big eruption in 1970s) in Sangir Talaud, which are in fact the sources of active volcanoes and consequently fertile soils. *Fourth*, it's scenic beauty of its nature and attractiveness as tourism objects. *Fourth*, its second to Jakarta in 'quality of live indices', relatively well educated, more open and adaptable, more egalitarian and one of the province with Christian majority. *Fifth*, for its ability to remain peaceful during the turmoil of Indonesia

in the past three years; but, *Sixth*, for its rebellious temperament (before, against Dutch) and later, on a three-year war against Jakarta in 1958,

The Regional Economy

The structure of the economy and the role of the economic sectors to GDRP (Gross Domestic Regional Bruto) are shown in Table 5. Agriculture remains the important source of income but tourism, trade and mining are catching up. Before the crisis, the per capita income has gone up to an equivalent of nearly \$ 1000 but drop dramatically to the equivalent of \$ 400 in 1999. Thought declining, the role of agriculture remains an important source of GDRP, and the main source of income and employment of approximately 60 per cent of the population. The remarkable increase in its contributions to the economy is construction, communication and transportation, services including mining. The increase in mining mostly attributable to the exploration and exploitation of gold mining in Ratatotok and other places.

**Table 5. North Sulawesi: Growth and Distribution of GDP,
1975, 1987, 1993, 1997 1999**

Sector	Distribution				
	1975	1987	1993	1997	1999
Agriculture	45.1		27.49	24.68	
Food Crops	23.0				
Estates and Smallholders	13.7				
Livestock	5.0				
Forestry	0.6				
Fisheries	2.8				
Mining	0.4		3.71	4.22	
Manufacturing	4.4		8.63	9.13	
Large and Medium	2.4				
Small and cottage	2.4				
Utilities	0.3		8.62	0.80	
Construction	3.5		14.00	15.94	
Transport and Communication	7.2		12.99	11.83	
Trade, Hotels and Restaurants	20.1		11.18	13.03	
Banking	0.5		5.45	4.58	
Housing	3.1				
Government	11.5				
Other services	4.0		18.19	14.05	
GDP Population			2806.95	5614.0	
GDRP/capita		101.2			
RP					
\$					
Gini Coefficients					
Poverty Level				23.14	

Source:

Notes: Distribution at current prices. Growth at constant 1975 prices (for 1975-82)

Judging from the transformation of the economic structure, from Table 5, one may assert that the economic transformation did take place, especially up to 1997, but fell back again to the same structure as those in the 70s, that is an economy mostly relied on the agricultural sector which fails to conform with the sustained economic growth expected (Kuznets, 1957).

However, though agriculture remains the important source of GDRP and the main source of income and employment of approximately 60 per cent of the population, its role tend to decline. The remarkable increase in its contributions to the economy is construction, communication and transportation, services including mining. The increase in mining mostly attributable to the exploration and exploitation of gold mining in Ratatotok and other places. During the recent economic crisis, the province did not suffer as hard as the other provinces for three reasons. Its rural agricultural sector is quite productive and competitive due to its high soil fertility. Second, the province was almost absent from insurgencies, and third, during the insurgencies in Java and some places such as in Ambon North Sulawesi has become a place for (relatively rich) refugees⁹ from Jakarta and Moluccas. The impact was good on the economy.

Revenue Sources: Tax and Non Tax Revenues

Law No 32/1956 and Law No 5/1974. The structure of fiscal system in Indonesia is basically a federal structure: central government, provincial government (first stage regions), Kabupaten (administratif area below the provincial level), Kotamadya (municipality) and desa or Kelurahan. The division of revenue sources between the different levels of government is governed by several regulations: particularly Law No 32/1956, Balance of Intergovernmental Fiscal relations, Law No.5/1974, Principles of Regional Government. These laws provide for allocation of some sources of revenues and subsidies to subnational levels of government. Beside their own sources, such as revenues from local taxes, services charges (retribution), profit from local enterprises, rental receipts, there are receipts from central government, which fall into two categories: assigned revenues and grants.

Assigned revenues such as taxes, royalties etc., levied by the central government but assigned wholly or in part to regional government, These, according to Law No 32/1956, consisted of Ipeda (Iuran Pembangunan Daerah): tax on property-land and buildings. 10 % of IPEDA may be defrayed in assessment of collection costs, 10 % of revenue net collection costs, is assigned to provincial governments, and the remaining 90 % is paid to Kodya and Kabupaten. From 1986-97 the Ipeda has been replaced by a new 'property tax' which also includes the wealth tax. Provinces also receive an allocation from duty charge on petrol sales at 1 Rp per liter sold to province. In addition regional authorities receive levies on 70 % of the royalties on timber extracted from their territories. Royalties and CESS (a kind of commodity tax) provide 3.7 % of provincial revenues and 2.6 % of regional government funds as a whole.

Grants (Subsidi daerah Otonom, SDO) constitute an important source of revenues from regional government. There were various types of grants which include: (1) SDO which covers the salaries and responsibility allowances plus 66 % of the food

⁹ At present, June 2000, there are about 20 000 refugees from Halmahera are in North Sulawesi.

allowances of civil servants in provincial, Kabupaten and Kotamadya governments; (ii) Provincial development Grant also known as Inpres propinsi; (iii) District Development Grants; (iv) Elementary Education Grants; (v) Public Health Grants; (vi) Village Grant.

There are two main revenue sources of North Sulawesi: Own revenues, shared revenues, subsidy from higher level governments, and borrowing and other sources. The own revenues consist of regional tax, retribution, public company profit and others. Shared revenues come from: shared tax revenues, shared non-tax revenues. Subsidy comes from central government in terms of routine as well as for development revenues.

Laws No 18/1997

In 1997, the government reformed the tax system under Law No. 32/1956 by issuing Law No 18/1997. The idea of Law No 18/1997 is to promote regional competitiveness in global market. A number of taxes imposed under Law No 32/1956 were abolished. As a result the regional revenues decline sharply. A quite extensive elaboration on the comparison between Law No 18/1997 and the former Law No 32/1956 can be found in Tan (1999) as shown in Appendix 1. The appendix show the number of taxes abolished and introduced as follows:

At the provincial levels, tax abolished 19, introduced 33. At the Kabupaten/Kotamadya level, tax abolished 54, introduced 37. Among those taxes abolished at the provincial level are: fish catch, air transportation, ownership transfer of water surface transportation, surcharge from fish ponds, surcharge from sand mining, etc. Among those introduced are: Taxes on motor vehicle, transfer of ownership of motor vehicles, retribution on health services etc. At the Kabupaten/Kotamadya level, among those abolished are: Taxes on dogs, selling taxes on alcohol etc.

In North Sulawesi for example the 'own revenues' declined from nearly Rp 40 billion in 1997 down to 21 billion 2000.

The Impact of Law 25 /1999 on Regional Finance

One immediate impact of the new Laws is on the revenue expenditure balance. The laws regulate that the amount of regional transfer comes from 25 per cent of the total domestic revenues plus a share of natural resources revenues. This 25 per cent allocation in 1999/2000, is projected equal to RP 35.6 trillion, or 25 per cent of RP 142.2 trillion (the total domestic revenues), which is roughly double projected regional routine expenditure of RP 19.5 trillion; also, revenue sharing is estimated at about RP 6 - 7 trillion, so that total local government transfers (aside from the specific allocations) are at approximately RP 43 trillion. However, here is the point. It is not known whether this amount is greater, equal to, or less than the target level of expenditure, either at the aggregate or at the dis-aggregate level.

DAU, which replaces the SDO, is mainly to finance the personnel expenditure. Due to the uncertainty of DAU (and also DAK) some local officials interviewed believed that there will be no problem in paying salaries of any new civil servants, in part because they mistakenly believe that SDO will continue, but there could be a problem in funding other routine expenditures because some new departments will be created that do not currently exist and funds must be found for these departments, especially for maintenance, transportation, utilities, electricity, papers, waters, phones, and the like. Some district officials also believe that their revenues will be lower under the new

Table 6
North Sulawesi: Comparison of Regional Government Revenue of North Sulawesi
Before and After Law No 25/1999

Before			After		
No	Items	Amount (RP 10 m)	No	Items	Amount (RP 10 m)
A.	Original Regional Revenue (P.A.D)	19,233.00	A.	Original Regional Revenue ((P.A.D)	20,883.00
	- Taxes	16,250.00		- Taxes	16,250.00
	- Retribution	1,613.00		- Retribution	3,213.00
	- Profit of BUMD	750.00		- Profit of BUMD	750.00
	- Others	620.00		- Others	620.00
B.	From The Center	47,695.41	B.	PKPD	303,100.00
	1. <i>Taxes Shares</i>	3,600.00		1. <i>Taxes</i>	3,600.00
	- PBB	3,500.00		- PBB	3,500.00
	- BPHTB	100.00		- BPHTB	100.00
	2. <i>Non Taxes Shares</i>	4,100.00		2. <i>Non Taxes</i>	3,100.00
	- IHH	2,500.00		- PSDH	1,000.00
	- PHAT	100.00		- PHAT	100.00
	- IHPH	xxxx		- IHPH	N/A
	- Landrent	500.00		- Landrent	N/A
	- Royalty (Mining)	1,000.00		- Royalty (Mines)	1,000.00
	- Royalty (Fishing)	N/A		- Royalty (Fishing)	N/A
	3. Subsidy	39,995.41		- Oil	350.00
				- Gas	650.00
C.	Reg. Dev. Budget	88,213.00	C.	Reg.Dev.Budget	1090,000.00 *
D.	Total Revenue (Prior to Law No.25)	155,141.00		Total Revenue (According to Law No.25/1999)	1413,933.00

Source: Regional Government of North Sulawesi (Bureau of Regional Finance, 1999).

Note: * This amount is the estimated "sectoral development budget" usually allocated by the central government (through APBN) via the 'deconcentrated agency', which under the new law is going to be allocated as a 'block grant' directly to the Governor to be further allocated at the 2nd level local government.

system. Others, at both the province and the district levels, estimate that revenues will increase substantially with the turn over of the deconcentrated central government agencies and their

The regional government of North Sulawesi has recently undertaken an exercise to see the likely impact of applying Law No.25, on the revenues and expenditure of the province as shown in Table 6. Table 6 shows the difference in revenues between the two situations, before and after the implementation of Law 25/99 in North Sulawesi. It reveals that before the implementation of the law, the revenues of the 'first level local government' (that is provincial government) of North Sulawesi are RP 155,14 billion.

Under the new law, the revenues increased to RP 1,413 trillion. Why increase? This is because, under the new law, the routine and development budget from the center is are longer allocated through its deconcentrated agencies in the province, but directly allocated to the provincial government in the form of 'block grant'. Under the assumption that the amount of the central handouts remain the same as that in 1998, then the revenues in 1999/2000 ends up at Rp 1,41 trillion. As shown in Table 4, the Law regulates that on the revenue side, the idea is to guarantee a transfer to local governments of 25 per cent of domestic revenues, plus a share of natural resources revenues, in the form of intergovernmental transfer. On the expenditure side, the goal seems to be the decentralization of responsibility for a broad range of expenditure functions. North Sulawesi revenues and expenditure, as shown in the table, are RP 155.1 billion in the 1999/2000, and officials estimate that revenues will increase to RP 1,413 billion in 2000/2001, given their estimates of their share of the general allocation funds (DAU), of specific grants (DAK) of revenue sharing, and of salaries and development budgets as deconcentrated agencies.

Of course, there will also be greater expenditure responsibilities, and the department estimates that expenditure will increase from RP 155.1 billion in 1999/2000 to RP 1,119.1 billion in next year. On balance then, the estimates are that revenues will exceed expenditures by RP 294.8 billion. Regardless, however, the local official always indicated that they simply do not know what will happen to their budgets in the new system. in large part because they have no knowledge of the formulae for grant distribution.

The amount of DAU and DAK depends on how many revenues the central government can collect. Providing that the budget allocated as regional transfer remain 25 % and then if the amount come at RP 43 trillion, the province of North Sulawesi with a population of 1.4 % of the total, might likely entitle to have 1.4 % of RP 43 trillion, that is only RP 650 billion, far less than the predicted RP 1 trillion in Appendix 2. But, to base the amount of DAU and DAK on population base may be practical but at the cost of loosing disenchantment in participating in development and maintenance of the unity.

One possible way to judge whether the amount of revenues and expenditure (balanced budget) is reasonable is to compare with GDRP (Gross domestic regional product of a province). The actual revenues of the province for the financial year 2000 is shown in Table 7. The tables shows a 'targeted revenues' of Rp 39.4 billion (which come from regional tax Rp 25.5 billion, retribution Rp 2.24 billion and other sources 11.8 billion) which is about 20 % of the total revenues. This means that under the new law, Law 25/1999 the dependency of the province on national subsidy remains quite strong.

**Table 7. Regional Revenues of North Sulawesi
From 1 April 1999 to 31 March 2000**
(Rp '000 000)

	Target	Realized Up to 29 February	Percentage realized
Own Revenues	39 356.7	25 569.0	65
Regional Tax	25 500.0	21 899.4	86
Retribution	2.243.0	1 064.9	85
Company Profit	750.0	600.0	80
Other sources	11 863.5	2 004.8	17
Shared Revenues	140 207.4	135 511.5	97
-Tax revenues	4 100	5 036.4	123
-Non tax revenues	7 600	8 143.5	107
-Routine expenditure	39 995.4	36 999.2	93
-Development exp.	88 512.0	85 332.5	97
Total revenues	179 564.1	161.080 5	90
Borrowing	4 621.0	-----	
Contra pos		208.0	
General total	184 185.1	162 099.6	88

Source: Dispenda Pro. Sulut (2000).

On the expenditure side, for the financial year 2000, development budget of the province of North Sulawesi as shown in Table 8 amounts to Rp 418.8; far less than the estimated amount shown in Table 3. Table 3 estimated a revenue of about Rp 1.1 trillion. In reality the actual amount for the 9 months budget is Rp 560 billion.

**Table 8. Summary
Regional Development Budget of North Sulawesi (Provinces
and Kabupaten)**

	Propinsi + Kab/Kota	Hanya Propinsi	Kab dan Kota
I. Village Development	14 826.8	200.0	
II. Urban Development	99 244.6	-	
A. General Allocation	34 929.1	-	
B. Specific Allocation	64 315.5	-	
III. JPS (SSN)	72 035,2	760.4	
IV. Provincial Development	88 557.0	47 043,5	
A. General Allocation	43 920.0	37 393.0	
B. Specific Allocation	44 637.0	9 650.5	
V. Sectoral Development	144 218.8	106 687,9	
Total	418 882,5	154 691,9	

Sumber: Bappeda Prop. Sulawesi Utara (2000).

Can North Sulawesi Sustain under Law 25/1999?

Recently, there has been a study released by Bappenas (Bappenas, 1999) that most of the provinces can not meet their planned expenditure. Local revenues raised by some provinces, especially those which do not have natural resources as a source of own revenues cannot meet their planned expenditure. These regions therefore, must be subsidized (through DAU and DAK). The problem is how much subsidy, the sources of funds to subsidy, who get the mandate to collect taxes and which tax instruments to employ, etc. To approach this problem, optimal central-regions relations is crucial and for that there is a need to examine the issue on revenue – expenditure balance of the regions, which is in this case, North Sulawesi.

Very recently the author and Indonesia Forum Foundation (2000) have conducted a more intensive study estimating the amount of DAU and DAK to be received by each

local government. The result is that the amount vary with the size of area, population, accessibility, proportion of 'own revenues', proportion of people living below poverty lines etc. The main determinant is however the size and the population. There is going to be a competition between the two variables. The size of area is preferred by regions such as Irian Jaya and Kalimantan, the population based allocation is to be preferred by more densely populated regions.

The recent studies of Bappenas and also of NRC (1999) show that under the new Law, there are many provinces that can not sustain. North Sulawesi is the one. The argument is that the own revenues under the new law (the calculation based on Table 1) would be insufficient to meet the expenditure. This argument seems to be confirmed in North Sulawesi by the fact shown in Table 3. The table shows that of the estimated revenues of Rp 1,19 trillion in the 1999/2000 financial budget, the total revenue that come from the shared revenues based on Table 1 are RP 303,1 billion, plus the owned revenues of RP 33,9 billion, a total of RP 334 billion

Table 9. North Sulawesi: Development Budget 1999/2000

No	Sumber Dana	Jumlah (Rp '000)
1	APBN	584,248,800.00
	▪ Direct APBN	268,034,600.00
	▪ Foreign Aid	316,112,200.00
	▪ Social Safety Net (SSN)	215,121,700.00
2	Provincial Development	85,437,400.00
	▪ General Allocation	31,518,800.00
	▪ Specific Allocation	53,919,400.00
	Districts Development	125,963,370.00
3	▪ General Allocation	3,679,926.00
	▪ Specific Allocation	92,283,444.00
	Village Development	17,781,600.00
4	Extension and Empowerment of SSN	51,130,570.00
5	Total	738,568,350.00

Source: Calculated from Bappeda Sulawesi Utara (1999),

In the expenditure side, the province estimated, as already described earlier, to have Rp 1,09 trillion. These have however been revised earlier, as shown in Appendix 5, the estimated development revenue has come down to RP 673 billion for development revenues and RP 427 billion for routine revenues, which both of them come from the center, that is from APBN and foreign aids. Table 8 shows an amount of RP 738 billion of development budget for North Sulawesi, far less than the expected RP 1,09 trillion as shown in Table 6. It is understandable under the present economic crisis,

Back to Bappenas's view that it seems quite hard for North Sulawesi to meet its annual expenditure without grants from the central government, can be seemingly further supported by the amount of tax collected as shown in Appendix 3. The appendix shows that in 1998/1999 the total amount of tax collected in the province are RP 291,105 billion, in which, the province get a share of about RP 20 billion. The amount of tax collected, in comparison with GDRP seem too small, which raises question on its soundness. In 1997 (before the crisis), GDRP of North Sulawesi, at current price, approximately RP 6 trillion, or approximately RP 2 million/per capita (\$ 900 per capita), saving was RP 1.5 trillion (25 % of GDRP), export of \$ 300 million (20 % of GDRP). Compared to the national average, in 1993, the proportion of tax to GDP of Indonesia was 18.2 per cent, Assuming that the proportion in North Sulawesi is around 15 per cent than, if the accounting of GDRP of North Sulawesi of RP 6 trillion is correct one can then expect an amount of tax around RP 900 billion. Why then the amount of tax collected in North Sulawesi only Rp 291 billion, or only 5 percent of GDRP is therefore an interesting question and the possible answer for that is the headquarters of most investments projects, especially those financed by FDI, are in Jakarta and paid the taxes directly to the central office in Jakarta and not in the regions.

From the above analysis, it shows that an analysis by Bappenas (1999) that the province of North Sulawesi will face financial deficit seems acceptable from the present practices of fiscal federalism but very unconvincing from the regional economy facts. However, in relation to the need for further improvement of Law No.25/1999, from the above analysis, one can assert that there are possibilities to increase the regional revenues from tax: either by widening tax bases (by providing a negative list on what sources of taxes a local government should not collect), intensifying tax collection, reducing tax evaders and adjusting the procedures and mechanism of the new tax policies.

Summary

Indonesia is in transition and in a process of reforming its governmental system from centralization to decentralization. The government has been responding to the reform by issuing two laws: Law No.22/1999 for regional government, and Law No.25/1999 for fiscal federalism. There remains so many problems in the process of implementation of the laws, commencing from the problem of vague specification of specific goals and objectives; sequences, procedures and mechanism of implementation; impact of the reform on perennial, civil services; and, law on regulating the procedures and mechanism of the reform, and last but not least, uncertainty on whether the base of autonomy is at the second level government (as now) or the first level government (province).

Some analyst suggests that that North Sulawesi can not sustain itself by being independent from central grant. This suggestion is yet unconvincing. Intuitively, from an economic standpoint, a potential benefit of decentralization may come from various kind of 'externalities', that have to be internalized. This kind of benefits tends to be ignored in the calculation of financial benefits. This paper manages to detect some lack of coordination in the design and also in the implementation of the two laws. Law No.25 seems to have been designed on the basis of the principles of fiscal federalism, but the process and procedure followed in finalizing and implementing the Law remain questionable. As a result, the soundness of the formula of revenues sharing system

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**Appendix 1. Bagi Hasil SDA untuk Setiap Daerah
Propinsi dan Kab/Kota (Rp.Milyar)**

No.	Propinsi	Migas			Tambahan	Hutan	Ikan	Total
		Minyak	Gas	Total				
1	Aceh	268.4	36.3	304.7	0	55.9	2.6	363.2
2	Sumut	32.8	4.4	37.3	0	32.7	4.5	74.5
3	Sumbar	0	0	0	11.4	24.1	3.7	39.2
4	Riau	974.9	131.6	1106.6	9.5	51.5	1.8	1169.4
5	Jambi	7.4	1.0	8.3	0	23.5	1.6	33.4
6	Sumsel	109.1	14.7	123.8	54.5	47.3	2.6	228.2
7	Bengkulu	0	0	0	4.6	6.5	1.1	120.9
8	Lampung	0	0	0	0.04	4.1	1.9	60.1
9	DKI	0	0	0	0	0	0	0
10	Jabar	266.2	36.0	302.1	0.3	15.0	6.9	323.7
11	Jateng	2.7	0.4	3.1	0	78.1	9.3	90.4
12	DIY	0	0	0	0	0.1	1.3	1.6
13	Jatim	3.4	0.5	3.9	0.2	23.3	9.8	37.2
14	Kalbar	0	0	0	2.2	80.0	1.8	83.9
15	Kalteng	0	0	0	9.2	129.6	1.6	140.4
16	Kalsel	2.1	0.3	2.4	45.7	19.7	2.6	70.5
17	Kaltim	513.4	69.3	582.3	140.2	194.6	1.8	919.0
18	Sulut	0	0	0	7.9	13.8	1.8	23.6
19	Sultengah	0	0	0	0	15.5	1.3	16.8
20	Sulsel	0	0	0	30.6	3.1	6.1	39.8
21	Sultengga	0	0	0	4.0	5.5	1.3	16.8
22	Bali	0	0	0	0	0.07	2.4	2.5
23	NTB	0	0	0	0	5.4	1.8	7.3
24	NTT	0	0	0	0	2.3	3.5	5.7
25	Maluku	1.6	0.2	1.9	13.0	26.5	1.3	42.7
26	IRJA	21.4	2.9	24.3	325.8	60.3	2.7	413.1
	Total	2203.2	297.6	2500.8	659.2	917.6	77.4	4155.1

Dikutip dari Simanjuntak, R (2000) yang disampaikan pada Workshop Keuangan Daerah,
Indonesia Forum, Hotel Cipta, 30-31 Maret 2000, Jakarta.

No	Kabupaten/Kota	Pendapatan		Belanja	
		Rutin	Pembangunan	Rutin	Pembangunan
1	Kabupaten:				
	Sangihe Talaud	3.524	17.500	47.022	19.247
	Bolmong	2.330	19.005	56.350	23.775
	Minahasa	5.754	25.932	124.346	29.908
2	Kota:				
	Manado	16.132	10.829	56.363	14.965
	Gorontalo	2.697	8.806	28.941	10.351
	Bitung	3.262	13.468	20.055	14.668

Cat: Kabupaten Gorontalo termasuk di dalamnya untuk Kabupaten Boalemo.

Kabupaten/Kota	PAD	Bagi Hasil Non Pajak	Bagi Hasil Pajak	Subsidi	Bantuan Daerah Otonom
Pemb.					
Kabupaten					
- Sangihe Talaud	6.92	0.48	4.06	90.74	37.22
- Bolmong	4.13	0.90	7.58	91.721	33.73
- Minahasa	3.47	2.71	2.87	57.05	13.36
- Gorontalo	4.24	1.75	8.70	90.05	19.76
Kota:					
- Manado	26.62	0.27	6.20	72.25	19.21
- Gorontalo	16.24	0.60	8.87	80.11	67.06
- Bitung	9.31	0.67	6.20	85.74	30.43

Anggaran	1998/1999	1999/2000	% (+/-)
Pendapatan			
- Rutin	23,475	39,356	67,66
- Pembangunan	68,056	88,312	29,76
Belanja			
- Rutin	64,970	64,668	(0,46)
- Pembangunan	68,056	98,132	44,19

Table 1

**Indonesia: Proportion of Current Revenues of the
Provincial and Local Government
1985 - 1999**

Sources of Revenues	1985/6- 1989/90	1990/91- 1992/93	1993/94	1994/95	1998/99
1st Level Local Government <i>(Provinces)</i>					
Own Sources (%)	21.4	25.1	26.2	31.0	
- User fees	.....	3.7	4.0	4.5	
- Shares Revenues	4.6	6.7	7.7	7.8	
- Property Tax	2.5	4.4	4.9	4.8	
Loans (%)	0.3	0.5	0.5	0.5	
Central Grant (%)	66.8	60.0	60.8	54.7	
Surplus at t-1 (Rp bill)	6.9	7.6	4.8	6.0	
Sub-Total (%)	100.0	100.0	100.0	100.0	
Total Current Revenue	3,444.8	6,379.5	8,3282.3	9,709.0	
2nd Level Local Government <i>(Kabupaten/Kodya)</i>					
Own Sources	18.2	13.0	11.2		
-User fees	.....	7.0	6.1		
-Shared Revenues	11.2	12.5	13.3		
-Property tax	9.2	10.2	10.4		
Loans	2.2	1.0	0.6		
Central Grant	64.8	70.9	70.9		
Surplus t-1	3.5	2.7	4.0		
Total	100.0	100.0	100.0		
Current Revenues (Rp.bill)	2,018.5	5,457.0	8,404		

Sources: Adapted from World Bank (1996, Table 4.1)

Tabel 2
Indonesia: Source of Expenditures of The First Level Local Governments

No	Source of Expenditure	1987/8	1990/1	1994/5	1998/9
	Central Govt. Transfers		67		
	Assigned share in central revenues		9		
	Own-source tax receipts		13		
	Own- source non tax receipts		8		
	Local borrowing		3		

Source: *Statistik Keuangan Indonesia* (Finical Statistical Yearbook), various issues

Table 3
Indonesia: Vertical Fiscal Disparity

		Revenues %	Expenditure %	Surplus/Defisit %
1.	Own Revenue			
	National	96.1	83.1	13.0
	Regions	3.9	16.9	-13.0
	▪ Dati I	2.8	9.3	-6.5
	▪ Dati II	1.1	7.6	-6.5
	Total	100	100	0
2.	Own and Shared Revenues			
	National	94.3	83.1	11.2
	Regions	5.7	16.9	-11.2
	▪ Dati I	3.5	9.3	-5.8
	▪ Dati II	2.2	7.6	-5.4
	Total	100	100	0.0
3	Own, Shared and Grant Revenues			
	National			
	Regions	82.2	83.1	-0.9
	▪ Dati I	17.8	16.9	0.9
	▪ Dati II	9.9	9.3	0.6
	Total	7.9	7.6	0.3
		100	100	0.0

Sumber: Simanjuntak, R.A (1999) adopted from Anwar Shah dan Zia Qureshi, *Intergovernmental Fiscal relations in Indonesia: Issues and Reform Options*, Washington D.C: World Bank Discussion Papers No 239, 1994.

Table 4
Coefficients of Fiscal Disparity between The Center and The Regions
In Various Selected Countries

No	Country	Period	Coefficient
1	INDONESIA	1990	0.19
2	Australia	1987	0.43
3	India	1982-86	0.45
4	Kolumbia	1979-83	0.50
5	Pakistan	1987-88	0.53
6	Malaysia	1984-88	0.65
7	Kanada	1988	0.79
8	Jerman (Eks Jerman Barat)	1988	0.79
9	Amerika Serikat	1988	0.88
	Brazil	1988	0.89

Catatan: A 0 (zero) coefficient indicates an absolute control by and dependency from the Central. A 1 coefficient indicates the reverse, an absolute independence of the regions. ,
 Coefficient of Vertical Fiscal Disparity (VFD) = $1 - \{(TR_{sp} + TR_{gp} + REV_{sh} + B) / EXP\}$,
 Where: TR_{sp} = Central subsidy for specific purposes; TR_{gp} = Central subsidy for
 general purposes; REV_{sh} = Shared Revenues; B = Loan of the local, and EXP =
 Regional expenditure