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Article

Regional financial potential after the enactment of the law on the financial relations between central government and regional governments in Indonesia

Faisal Akbar Nasution

Faculty of Law, Universitas Sumatera Utara, Medan 20155, Indonesia; faisal@usu.ac.id

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Abstract: The implementation of government decentralization in Indonesia is facing regulatory problems for autonomous regions' financing sources. Therefore, attention to regional finance is increasingly needed given that autonomous regions are required to carry out various central government interests in addition to their affairs. This leads to a split of power over financing development policy by the regional government. However, this does not mean that the local government's financial needs must be free from the central government's intervention. This study briefly compares financing regional autonomy in Indonesia, France, Germany and Thailand. The results show that the distribution of financial resources between the central government and regional governments is inconsistent with Article 18A section 2 of Law No.1/2022. The results also show that the provisions of various sources of taxation and levy have not met the financial needs of regions in Indonesia. Financial balance in the form of Natural Resources Production Sharing Fund from various natural resources owned by regions that only share unrenewable resources such as mining excavated materials remains unequally distributed between regions that have natural resources.

Keywords: regional finance; government decentralization; financial balance; natural resources

1. Introduction

Article 1 section 1 of the 1945 Constitution says that Indonesia is a unitary state in the form of a republic. This is different from provisions of previous Indonesian constitutions such as Article 1 section 1 of the Federal Constitution of 1949 under which Indonesia was referred to as a federated state. As well as Article 1 Section 1 of the Provisional Constitution of 1950 which says that Indonesia is a democratic and unitary state. From a constitutional history viewpoint, it seems that a republic and a unitary state were the best choices for the Indonesian nation despite a diverse population and a multi-ethnicity as illustrated in the national motto of Bhinneka Tunggal Ika (unity in diversity). Despite four amendments to the 1945 Constitution, the republican form of government and unitary state concept remain protected through Article 37 section 5. A unitary state provides for government authority to be shared between central and local governments. The original power is at the central level, while the regional power gets power from the center through the transfer of some of the power that is expressly determined (Asshiddiqie, 2008, p. 282). According to Soehino (1980), a unitary state is a state that is a state that is run as a single entity, as opposed to a federal state. This means that there is only one country where the governing authority lies in a centralized government that has supreme power. In this unitary state structure, according to Strong (1966), the power of the central government is unlimited as its constitution only identifies the

legislative branch as the sole law-making body (Strong, 1966, p. 84). If the central power argues, that it is better to delegate that power to additional bodies, then it can be done because the central authority has full power, for example in some states that have their own identity. As a logical consequence, the units of government formed must be subordinate to the central government. Without such a subordination based on applicable legislation, there might be overlapping of authority (Huda, 2014, p. 1).

The vast territory of Indonesia makes it almost impossible for government authority to be carried out by a centralized government. Consequently, the 1945 Constitution in its second amendment conducted in 2000, has arranged this part of government into two levels as stipulated in Article 18 sections 1 and 2 stipulate that the territory of Indonesia shall be divided into regions, provinces, and districts/cities each of which shall be run by a regional government. This is in line with the decentralization law. Because decentralization requires considerable financing, the central government also transferred financial authority to regions by providing sources of regional original income or Pendapat Anggaran Daerah (PAD) as well as financial balance or fund transfers. Thus, it can be said that regional finance is one of the factors that influence the decentralization process. According to Rondinelli (2001), the ability of regions to self-finance their households is at the core of decentralization. He argues that financial responsibility is at the center of decentralization. He claims that if decentralization is intended to enable local institutions to deliver public services and infrastructure effectively, they must have the power to increase their sources of income and their capacity to increase more sources of income which must be maintained (Rondinelli in Haris, 2001, p. 157).

Laode Ida (2003) argues that there are at least 3 essences of regional autonomy: the management of power centered at the local level based on the people; the ability of regions to explore and develop existing economic resources in their regions and to self-finance or at least reduces dependence on the central government; and the freedom of expression in developing local culture (Laode Ida in Saragih, 2003, p. 16). The second dimension of Laode Ida's view shows that every regional government should have creativity in developing its potential, both in terms of empowering natural resources owned by the region, as well as human resources who are the main actors in driving the development and economy of their respective regions, so that in the next action can make the region more independent in filling financial financing sources his area.

2. Results and discussion

2.1. Financial autonomy of decentralized regions in other parts of the world

The French Constitution specifies that to be able to freely administer themselves, local authorities must have extensive financial powers, according to Oliva (2022). Free administration also includes the administration of the community's finances. Oliva also claims that financial autonomy is part of the vertical separation of financial power and thus reveals the division of political

power between central and local governments. In developed nations, constitutional affirmation of local financial autonomy constitutes a normative guarantee. In France, for example, financial autonomy was included in 2003 in the new article 72-2 of the Constitution and was supplemented by the organic law of 29 July 2004 to place financial autonomy at a high level in the hierarchy of norms to protect it from the ordinary legislator and prevent the re-centralization of local finances (Olivia, 2022).

In Thailand, according to Varanyuwatana (2017), regional autonomy was introduced under the 1997 Constitution which requires central government to transfer authority and resources to regional governments. Varanyuwatana claims that fiscal decentralization is viewed as a key element in improving public governance in Thailand (Varayuntana, 2017).

Although some progress has been made in recent years, the fiscal autonomy of local governments remains a challenge. Local governments do not have adequate financial resources as they rely on transfers from the central government budget (Ministy of Finance of the Republic of Indonesia, 2023). In Thailand, the focus of decentralization reforms has been on the question of assignment and providing local governments access to a greater share of the central government's net revenues with little attention paid to strengthening taxation powers or increasing local tax autonomy (Thailand Public Financial Management Report, 2012). Provincial Administrative Organizations (PAOs) can levy taxes on businesses, hotels, petrol stations, liquor, and gambling and impose royalties on minerals and petroleum, parks and recreation fees/charges, groundwater taxes, fisheries taxes, and taxes on retail sales of tobacco. Local authorities below provinces can, subject to central legislation, levy land and housing taxes, land development taxes, local development taxes, signboard taxes, slaughter taxes, and swallow's nest duties. In addition, they can levy license and other fees and penalties, fines, and parking fees. Local tax autonomy remains very limited as central legislation usually determines the base and rate (or range) for most local taxes (Thailand Public Financial Management Report, 2012).

Meanwhile, in Germany, according to Schubert (2017), local authorities have good initiative capabilities. Schubert also argues that the principle of subsidiarity in Germany allows for finding more appropriate solutions to the various challenges encountered at the political and administrative levels. However, it should be noted that in Germany, the transfer of budgetary resources is not popular. This also explains why many Germans are rather opposed to this type of solution at the European level.

2.2. State financial relations with regional finance

The constitutional reform of 1998 is viewed to have brought democracy and decentralization to Indonesia, hence doing away with the period of authoritarian rule and centralization of power that occurred during the New Order period which had lasted for approximately 32 years during the President's regime. This reform brought about the division of power between the central government and local governments based on constitutional amendments (from 1999 to 2002) and the

People Consultative Assembly or Majelis Permusyawaratan Rakyat (MPR) Decree No. XV/MPR-RI/1998.

The MPR decree above has given birth to Law No. 22/1999 on Regional Government followed by Law No. 25/1999 on Financial Balance between the Central and Regional Governments. After the second amendment of the 1945 Constitution in 2000, the regulation on regional government became stronger with the enactment of Law No. 32/2004 on Regional Government and Law No. 33/2004 on Financial Balance between the Central Government and Regional Government, which further provides an equal position of the central government and local governments in sharing financial resources that obtained from the sources of wealth found in each region. There is also Law No. 22/2014 on Regional Government followed by Law No. 1/2022 on Financial Relations between the Central Government and Regional Government. According to Suparmoko (1991), intergovernmental financial relations refer to financial relations between various levels of government in a country about the distribution of state income and spending patterns (Suparmoko, 1991, p. 306).

Like Article 18A section 2 of the 1945 Constitution, Law No. 17/2003 on State Finance says that state finances also include regional revenues, regional expenditures, and regional wealth. In the General Explanation of Law No. 17/2003, state finance includes all objects in terms of objects owned by the state, and/or controlled by the central government, regional governments, state/regional companies, and other entities related to state finance. Arifin and Atmadja (2010) argues that Law No. 17/2003 is not only about state finance, but also the preparation of the Indonesian state budget, regional revenue, and expenditure budget, financial relations between the government and state and regional companies, private companies, and public fund management bodies.

Under the constitutional juridical foundation, several laws related to providing financial resources for regions to implement their autonomy were enacted including Law No. 33/2004 on Financial Balance between the Central and Regional Governments and Law No. 28/2009 on Regional Taxes and Regional Levies, which were later united into one law, namely Law No. 1/2022 on Financial Relations between the Central Government and Local Government. Thus, it is hoped that regions will be able to finance themselves independently with their resources. The granting of financial authority is carried out proportionally and rationally from the central government to the regions.

2.3. Local original revenue

One aspect of the financial relationship between the center and the regions can be seen from the provisions of the Law which submits several types of state taxes and levies to become regional taxes and levies which subsequently become sources of Regional Original Revenue (PAD). This is similar to the regulation in France where the Constitution specifies that local authorities may benefit from the proceeds of taxes of all kinds, the rate of which they may set, and certain elements of the tax base under the conditions set by law (Oliva, 2022). The Constitution validates the delegation of tax powers to local authorities. The French Constitution

also provides that the tax resources and other resources of the communities constitute the determining part of their resources (Oliva, 2022). In Indonesia, in general, the sources of taxation and levies handed over have the basis of imposition and objects and subjects of taxes and levies located and related to the area itself. Based on Law No. 1/2022, several types of local taxes are submitted:

1) At the Provincial Government level, it consists of Motor Vehicle Tax (PKB), Motor Vehicle Name Return Duty (BBNKB), Heavy Equipment Tax (PAB), Motor Vehicle Fuel Tax (PBBKB), Surface Water Tax (PAP), cigarette tax, and Non-Metal and Rock Mineral (MBLB) tax. The provincial government's local tax revenue is much higher than the amount specified in Law No. 28/2009 on Regional Taxes and Regional Levies. The increasing types of local taxes quoted by the provincial government will have implications for increasing sources of revenue from this regional tax. This creates discriminatory provisions because heavy equipment controlled by the Government, Regional Governments, National Army, and Police is not subject to tax collection. Even though government agencies that have heavy equipment can be rented and will get income from heavy equipment rental, for example by private parties. Meanwhile, if the private sector has heavy equipment, it can be subject to this Heavy Equipment Tax.
2) The types of regional taxes that can be collected by Regency and City governments based on Law No. 1/2022 are rural and urban land and building tax, Land and Building Rights Acquisition Duty, Certain Goods and Services Tax, billboard tax, underground water tax, non-metal and rock mineral tax, swallow's nest tax, motor vehicle tax, and motor vehicle name return duty. In contrast to the many types of regional tax levies of provincial governments, for the district and city governments based on Law No. 1/2022, there has been a decrease in the amount of regional taxes when compared to the authority to collect regional taxes based on Law No. 28/2009, which is as many as 11 types of regional taxes such as hotel tax, restaurant tax, entertainment tax, Billboard tax, street lighting tax, non-metallic mineral and rock tax, parking tax, groundwater tax, wallet bird's nest tax, rural and urban land and building tax, and land and building rights acquisition duties.

The 11 types of regional taxes for the district/city level as mentioned above have decreased due to the Constitutional Court Decision No. 15/PUU-XV/2017as follows: Motor Vehicle Tax (PKB) specifically for motorized vehicles that do not use public roads including heavy equipment and large equipment, as regulated in Article 5 section 2 and Article 6 section 4 of Law No. 28/2009, as well as motor vehicle name return duty specifically for motorized vehicles heavy equipment and large equipment that do not use public roads, as stipulated in Article 12 section 2 of Law No. 28/2009. These two types of taxes can no longer be levied by district and city governments based on the above Constitutional Court decision. Likewise, the special type of entertainment tax related to the object of tax in terms of billiards, golf, and bowling games cannot be quoted again based on Constitutional Court Decision No. 52/PUU-IX/2011, and in addition to street lighting tax, can no longer be quoted based on Constitutional Court Decision No. 80/PUU-XV/2017.

The decrease in the number of types of local taxes that can be quoted by the

district/city government consequently decreases the source of Locally generated revenue (PAD) from the regional tax sector, especially for large cities that can no longer enjoy taxation sources from the parking tax and street lighting tax sectors. Despite getting new sources of revenue from the regional tax sector in the form of PKB and BBNKB. On 2 November 2020, Law No. 11/2020 on Job Creation was established. Although this law has been challenged by judicial review to the Constitutional Court and based on Decision No. 91/PUU-XVIII/2020 which is declared conditional incremental because it does not meet the rules for the formation of laws as attached to Law No. 12/2011 on the Establishment of Laws and Regulations, which must be adjusted to the way the law is formed for two years. If no adjustments are made based on the annex to Law No. 12/2011, then the Constitutional Court decision will be permanent so that the job creation law will be repealed. However, on 3 November 2021, two years after the Constitutional Court decision, Government Regulation in-lieu of Law (Perppu) No. 2/2022 on Job Creation was enacted on 30 December 2022. Furthermore, this Perppu when later submitted by the President to the House of Representatives became law, namely Law No. 6/2023 on the Stipulation of Government Regulations in lieu of Law No. 2/2022 on Job Creation.

The provisions in this Job Creation law related to the position or role of local governments are quite widely regulated in almost all laws covered by this law, especially related to the role of the central government in issuing every policy in providing convenience in the licensing climate to do business or invest both for domestic and foreign entrepreneurs, Also included in the task of conducting guidance and supervision, which must also be carried out by local governments as representatives of the central government (principle of deconcentration). Regarding the potential source of PAD, especially in terms of quoting regional taxes and levies, this Job Creation Law has given authority to the Central Government to intervene in regional tax and regional levy quoting policies, such as in the form of determining tariffs applicable nationally, even though the potential of natural resources and human resources supporting the high and low PAD resources of these 2 sectors between regions can be different from each other so that regional diversity (local diversity) is completely excluded. This provision can be seen in Article 156A sections 1 and 2 of the Job Creation Law, which later the provisions of this article were repealed and replaced in Law No. 1/2022 which is regulated in Article 97 section 1 with the same article reading. Likewise, supervision and evaluation of local regulations regarding taxes and levies that hinder the investment ecosystem and ease of doing business. To secure national fiscal policies related to regional taxes and levies, as stipulated in Article 97 section 2 of Law No. 1/2022.

The provisions of Article 101 of Law No. 1/2022 can also reduce the source of PAD to the regions because, to improve the investment climate in the regions by providing ease of investment, regional heads can provide fiscal incentives to business actors in their regions in the form of reductions, reliefs, and exemptions or elimination of tax principal and/or sanctions which will be regulated in regional head regulations. If it is intended that the provision of tax incentives above can increase the amount of investment that can result in economic growth in the region,

and in addition can open up vast employment opportunities for the sons of the region, it will have implications for the progress of regional autonomy. However, if the opposite happens, the central government attracts central taxation sources in the regions without providing significant tax revenue sharing for the regions, then the regions tend to be used as cash cows for the center to expand sources of state revenue from the regions, as was the case during the New Order period which worked on all regional wealth products (such as oil and gas and mining goods) without one percent leaving it in the regions. Similarly, the consequences caused by the provisions of Article 35 sections 1 and 2 of Law No. 6/2023 on Job Creation which amend the provisions in Law No. 39/2009 on Special Economic Zones (SEZs), which states that taxpayers who do business in SEZs are given incentives in the form of exemptions or relief from regional taxes and regional levies in the form of BPHTB reductions and UN reductions. Even though these two types of regional taxes are very potential sources of PAD for districts/cities.

2.4. Financial balance

It is understood that the autonomy authority possessed by a regional government is to cover all authority in the implementation of the course of government and development in their respective regions by the provisions of local government laws and regulations, the latest of which is Law No. 23/2014 and several amendments. To carry out obligations in exercising their autonomy, and as part of distributing the implementation of state government power to the central government, the regions need adequate sources of financing, including in the form of local original income as the main source of financing, and are expected to be able to finance all financing for the implementation of regional autonomy. The implementation of the implementation of autonomy, by the central government of the regions has been given various sources of financing to support the implementation of autonomy, including in the form of local original income as the main source of financing, and is expected to be able to finance all financing for the implementation of regional autonomy. It is realized that due to limited resources that can be relied upon in each region to produce its PAD, the implementation of regional autonomy does not imply the necessity for each region to cover all financing for the running of the regional government in full must be financed from its PAD sources.

In these circumstances, the obligation of the central government to provide transfer of other sources of financing to the regions becomes a must. In this context, fiscal decentralization policy is a solution for the central and local governments to jointly utilize financial resources that can be explored within the boundaries of the Indonesian state to be utilized and divided proportionally and rationally between the two levels of government. According to M. Govinda Rao, one important reason for making transfers is to empower local governments to perform their functions satisfactorily, i.e., if the revenue assignments given to them are insufficient. This can happen because the central government has a comparative advantage in terms of collecting revenues, while local governments have a comparative advantage in spending, which then gives birth to vertical fiscal inequality that must be balanced

through a transfer system from the central government to the regional government (Bird and Vaillancourt, 1998, p. 95).

So that the provision of sources of financing from the central government should not be regarded as a mercy from the center to the regions, an awareness must be built that when the central government obtains its sources of revenue, it also comes from the sources found in each region. In this frame of mind, the arrangement of financial balance between the central government and regional governments is a necessity, so that the pendulum of continuity of the principle of the unitary state of the Republic of Indonesia is maintained and exists for all time. This is in line with the growing thinking that the principle of granting autonomy to regions in addition to authorizing regions to manage their regions by relying on most of the financing from their financial sources from PAD sources), also has the right to get assistance from the central government which derives its sources of revenue precisely from the regions, by the ability of the central government (the principle of a unitary state). Thus, the birth of this financial balance policy means that the regions will be given the authority to in addition to utilizing their financial resources (PAD) also support a proportional and fair financial balance between the two levels of government. The purpose of the financial balance policy carried out by the central government, according to Elmi (2002), is the context of empowering communities and local governments that have been lagging in the field of development, and to carry out regional autonomy democratically, effectively and efficiently, professional human resources are needed and have good morals. Therefore, fiscal decentralization implemented through financial balance will increase the ability of regions to develop and improve service delivery to regional communities, meaning not just the distribution of funds, but also moving corruption, collusion, and nepotism (KKN) from the center to the regions.

2.5. Transfer to regions: Financial balance based on law No. 1/2022

Transfer to the Regions (TKD) according to Article 1 Section 69 of Law No. 1/2022 is a fund sourced from the State Budget and is part of state expenditures allocated and distributed to the Regions to be managed by the Regions to fund the implementation of government affairs under the authority of the Regions.TKD consists of profit-sharing funds (DBH), general allocation funds (DAU), special allocation funds (DAK), special autonomy funds, privilege funds, and village funds. Meanwhile, when compared to the financial balance fund between the central government and regional governments based on Law No. 33/2004, which consists of profit-sharing funds (DBH), general allocation funds (DAU), and special allocation funds (DAK), there are more types of regional revenues from this balancing fund based on the provisions of Law No. 1/2022 than in Law No. 33/2004. The three types of TKD regulated in Law No. 1/2022, namely Special Autonomy Funds, Special Funds, and Village Funds, are not contained in Law No. 33/2004.

However, in practice, special and special regional governments have been regulated separately in the law on the establishment of special and special regions related to special autonomy funds and special funds. For example, the provision of

special autonomy funds for the Aceh government which is the Aceh Government's revenue aimed at financing development, especially the construction and maintenance of infrastructure, people's economic empowerment, poverty alleviation, and education, social, and health funding, which is valid for a period of 20 years with details for the first to fifteenth year which is equivalent to 2% of the ceiling of the National General Allocation Fund, and for the sixteenth to twentieth year which is equivalent to 1% of the ceiling of the National General Allocation Fund as stipulated in Article 183 sections 1 and 2 of Law No. 11/2006 on the Government of Aceh. For Papua Province, based on the provisions of Article 34 Section 3 letter e of Law No. 2/2021 on the Second Amendment to Law No. 21/2001 on Special Autonomy of Papua Province, special revenue is regulated in the context of implementing special autonomy which is equivalent to 2.25% of the National DAU ceiling, which is mainly intended for:

1) General revenue equivalent to 1% of the National General Allocation Fund ceiling is used for a) Construction, maintenance, and implementation of public services, b) Improving the welfare of indigenous Papuans and strengthening customary institutions, c) Other matters are based on regional needs and priorities by laws and regulations.

Meanwhile, the remaining 1.25% is intended for funding education, health, and community economic empowerment, with the least amount:

a) 30% for education spending.
b) 20% for health spending.

2) The receipt of this special autonomy fund is valid until 2026 and can be extended until 2041.

Concerning the special fund as stipulated in Article 42 of Law No. 13/2012 on the Privileges of the Special Region of Yogyakarta, the Government provides funding in the context of organizing the special affairs of the Special Region of Yogyakarta in the State Budget by the needs of the Special Region of Yogyakarta and the country's financial capacity, which is further discussed and determined by the Government based on the submission of the Government of the Special Region of Yogyakarta. Meanwhile, village funds are regulated in Law No. 6/2014 on Villages whose Article 72 section 1 point b, says that village funds come from the State Budget (APBN) which aims to streamline village-based programs evenly and equitably. The next provision regarding village funds is further regulated in Article 3 of PP No. 60/2014 on Village Funds Sourced from the State Budget, which states that the Government budgets Village Funds nationally in the State Budget every year. Village Funds are allocated by the Government for Villages where the allocation of Village Funds is calculated based on the number of villages and is allocated by considering the population, poverty rate, area, and geographical difficulty level. Village Funds in each district/city come from the State Budget and are determined by the Regent/Mayor and are calculated based on the population, poverty rate, area, and geographical difficulty level of each village.

The Profit-Sharing Funds consist of tax revenue sharing funds, and natural resource revenue sharing funds. In terms of revenue-sharing funds, this tax consists of income tax, land and building tax (PBB), and excise tax on tobacco products. According to the provisions of Article 113 of Law No. 1/2022, Property Tax and

the Profit-Sharing Funds are handed over to the Regions. Furthermore, the distribution of Property Tax and Profit-Sharing Funds are distributed to Provinces at 16.2%, while producing Districts and Municipalities at 73.8%, and the remaining 10% is given to districts/cities within the relevant province. Property tax is still a central tax originating from areas used for plantation, forestry, and mining business activities, as intended in the provisions of Article 77 of Law No. 28/2009 as well as stipulated in Article 38 section 1 of Law No. 1/2022. Because for the UN, rural and urban Sudan is the full authority (100%) for district and city governments and there is no longer any division between the provincial and central governments.

However, if the DBH from the tax sector is compared with Law No. 32/1956 on Financial Balance between the State and the Regions, it provides more prospects in terms of financial balance between the Center and the Regions. Because in Law No. 32/1956 submitted (based on percentages between 75% to 90%, and certain percentages) several state taxes such as Transitional Tax, Wage Tax, Stamp Tax, Wealth Tax, Company Tax, Import Duty, Exit Duty, and Excise. Although some of these types of taxes were not quoted by Iagi and replaced with several types of state taxes, the spirit or soul of Law No. 32/1956 can provide a strong enough basis to divide the results of several state taxes for central and local government revenues, such as VAT, Stamp Duty, export taxes, import taxes, and others. For the foreseeable future, it can be predicted that state revenue from the tax sector will be the main mainstay for state revenue compared to natural resources which for a certain period in the future cannot be the mainstay of state revenue anymore, because it will gradually decrease and run out altogether, then state revenue from several types of state taxes whose contribution should be divided based on a balanced percentage certain between the center and the region. The reason is that the object of the country's tax quotation is that it comes from every resident living in all regions that is unlikely to run out, it will only be affected by the economic growth rate of each region and the per capita income of each citizen as a tax subject.

The Profit-Sharing Funds of natural resources, as regulated in Article 111 Section 3 of Law No. 1/2022 consist of forestry, minerals and coal, oil and gas, geothermal, and fisheries. Profit-Sharing Funds of natural resources are not much different from Profit-Sharing Funds of natural resources as stipulated in Article 11 Section 3 of Law No. 33/2004 which consists of forestry, general mining, fisheries, petroleum mining, natural gas mining, and geothermal mining. The Profit-Sharing Funds from these natural resources only provide benefits to provinces districts and cities producing nonrenewable natural resources, in the sense that it cannot be reproduced because it will run out if the reserves of natural wealth are continuously exploited with a pattern of sharing results to regions based on the potential of natural resources owned such as Aceh Province, Riau Province, East Kalimantan Province, and Papua Province which are rich in petroleum, gas, forestry, and gold or tin mining goods as the basis for the balance division between the center and the regions so far. While other regions that do not have natural resources such as 4 (four) provinces practically only rely on balanced funds from the Profit-Sharing Funds tax sector.

Injustice will arise in several regions that have other renewable processed economic resources that can be continuously processed and produced to produce

state financial resources, such as hoarding and agricultural products (including livestock products) which have provided foreign exchange and income for state financial resources that cannot be underestimated or lightly, and in the future it can become the main support (pillar) of financial resources for the Republic of Indonesia which can set aside financial resources derived from natural resources as mentioned above, which are not regulated in Law No. 1/2022, which thus practically becomes a monopoly of central government financial resources, namely processed economic resources such as plantation products, agriculture, and also those derived from several other sources of taxation. Seeing that the potential for this renewable economic resource is not regulated in Law No. 1/2022, it can be a trigger for the potential disintegration of the nation in the future if it is not immediately anticipated.

3. Conclusion

Amendments to the 1945 Constitution have brought about certainty in the implementation of regional autonomy in contrast with the centralized government system in the New Order regime. This is comparable to the situation in France, Germany, and Thailand. This strengthening of regional autonomy is referred to in Article 18 sections 2 and 5 of the 1945 Constitution and is a constitutional guarantee for every regional government to implement its regional autonomy based on the characteristics of human resources and supporting natural resources so that they can be independent and not always depend on central government policies alone. Because implementing decentralization requires considerable financing, the central government should also delegate financial authority to regional governments to allow them to better serve their communities.

Although based on the latest law related to local government and the issue of sharing financial resources between the central government and regional governments based on Law No 1/2022, it does not yet reflect the implementation of the provisions of Article 18A section 2 which confirms the financial relationship between the central government and local governments to provide public services, the use of natural resources and other resources must be implemented fairly and harmoniously within the unitary state of the Republic of Indonesia. Despite the provision of various sources of taxation and retribution, the needs of the regions for these sources of revenue both in terms of amount and from the results of income have not yet been met. Therefore, it is necessary to include a profit-sharing scheme from some state taxes to be distributed between the central government and local governments based on proportional distribution that gives a sense of justice to the regions. The rationality for the revenue sharing of these state taxes is that it is also collected from every taxpayer living in all regions of Indonesia, where regional contributions can also be considered quite significant to the smooth administration of the country’s tax collection. For example, in terms of security and infrastructure, government administration services have been provided and maintained by local governments. Thus, it is necessary to expand the revenue sharing of various sources of central government revenue from some central taxes which have a very large source of revenue when compared to local tax revenues. The problem of financial

balance in the form of DBH natural resources from various natural resources owned by regions that only share unrenewable resources such as the results of some mining excavated materials is considered not to reflect justice for areas that have renewable resources continuously (renewable resources) such as the agricultural, plantation, and industrial sectors. Even though the results of these natural resources are very significant and very large contributions to the central government produced by various regions. Therefore, it is necessary to suggest that the results of renewable natural resources are also shared in the concept of financial balance in the future, considering that areas that have these resources contribute directly or indirectly to the continuity of the management of these renewable resources or processed economic resources. Seeing that the potential for this renewable economic resource is not regulated in Law No. 1/2022, it can be a trigger for the potential disintegration of the nation in the future if it is not properly handled.

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