INDONESIA consists of 6 Big Islands, with the total land area is 1,811,570 Km$^2$ and the number of population is 260 million.

- **34** Provinces
- **415** Districts
- **93** Municipalities
- **74,954** Villages
1999

After Economic and Financial Crises, Indonesia moved from centralistic nation.....

towards more decentralized country.....

Regional governments have the discretion to manage governmental affairs, except for 6 affairs include:
LAW, RELIGION, POLITICS, DEFENCE, NATIONAL SECURITY, MONETARY AND FINANCE,

“Regional Autonomy and Fiscal Decentralization policy is conducted through the transfer of authority followed by the submission of funding sources, based on Money Follows Functions and Money Follows Program principle”

ULTIMATE OBJECTIVE
To support the regional government in improving public services delivery and increasing social welfare

INTERMEDIATE OBJECTIVE
- To accelerate poverty alleviation
- To overcome the welfare gaps among social group
- To reduce disparity of public services among regions
In order to implement regional autonomy, the assignment, delegation and/or assignment of government affairs to the regions must be followed by the regulation, distribution, and utilization of national resources fairly, including the relationship and fiscal balance between the Central Government and Regional Government. Based on Law 33/2004
IMPLEMENTATION OF FISCAL DECENTRALIZATION POLICY IN INDONESIA AND INTERNATIONAL PRACTICE

- Fiscal Decentralization in Indonesia emphasis on expenditure side.
- Local revenue mostly supported by transfer from central government.
TRANSFER TO REGIONS FUND #1: Transfer to Regions as part of National Budget (APBN)

STATE REVENUE 2.233,2 T

STATE EXPENDITURE 2.540,4 T

TRANSFER TO REGIONS FUND #1: 856,9 T (33,73%)
The size or nominal amount of Transfer to Regions Fund has increased significantly from only IDR 33.1 trillion in 2000 to IDR 856.9 trillion in 2020.

### Block Grant:
- Revenue Sharing Fund
- General Allocation Fund

### Specific Grant:
Accelerating regional infrastructure development mainly on national priority

### Incentive Grant
orderly to stimulate local government performances in budget management, public services, and welfare

### Village Fund
Enhancing development from rural area
Local Government has authority to collect their own local taxes and charges to increase their local budget revenue.

### Type of Local Taxes and Charges

#### TAXES

<table>
<thead>
<tr>
<th>Province</th>
<th>Local Gov.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Vehicle Tax</td>
<td>1. Hotel Tax</td>
</tr>
<tr>
<td>2. Vehicle Transfer Tax</td>
<td>2. Restaurant Tax</td>
</tr>
<tr>
<td>4. Surface Water Tax</td>
<td>4. Advertisement Tax</td>
</tr>
<tr>
<td>7. Parking Tax</td>
<td>7. Parking Tax</td>
</tr>
<tr>
<td>11. Land and Building Transfer Tax</td>
<td>11. Land and Building Transfer Tax</td>
</tr>
</tbody>
</table>

#### CHARGES

- **Charges on business licensing**
  - Charge for building license
  - Charge for Selling Alcoholic Drinks, etc.

- **Charges on general services**
  - Charge for Healthcare Services
  - Charge for Garbage
  - Charge for Funeral and Cremation Services, etc.

- **Charges on special licensing**
  - Charge for cattle slaughterhouse
  - Charge for sport center and tourism, etc.
Regional Loan Policy: Potention and Eligibility (1)

Feasibility Assessment:
(1) Opinion from audit Board; (2) No Debt arrears; (3) DSCR

<table>
<thead>
<tr>
<th>KALIMANTAN</th>
<th>Rp46.9 Triliun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daerah</td>
<td>Jumlah</td>
</tr>
<tr>
<td>Layak</td>
<td>59 daerah</td>
</tr>
<tr>
<td>Tidak Layak</td>
<td>2 daerah</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SULAWESI</th>
<th>Rp31.9 Triliun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daerah</td>
<td>Jumlah</td>
</tr>
<tr>
<td>Layak</td>
<td>75 daerah</td>
</tr>
<tr>
<td>Tidak Layak</td>
<td>12 daerah</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MALUKU DAN PAPUA</th>
<th>Rp35.68 Triliun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daerah</td>
<td>Jumlah</td>
</tr>
<tr>
<td>Layak</td>
<td>43 daerah</td>
</tr>
<tr>
<td>Tidak Layak</td>
<td>24 daerah</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SUMATERA</th>
<th>Rp75.61 Triliun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daerah</td>
<td>Jumlah</td>
</tr>
<tr>
<td>Layak</td>
<td>142 daerah</td>
</tr>
<tr>
<td>Tidak Layak</td>
<td>22 daerah</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>JAWA</th>
<th>Rp150.59 Triliun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daerah</td>
<td>Jumlah</td>
</tr>
<tr>
<td>Layak</td>
<td>116 daerah</td>
</tr>
<tr>
<td>Tidak Layak</td>
<td>3 daerah</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BALI &amp; NUSRA</th>
<th>Rp21.28 Triliun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daerah</td>
<td>Jumlah</td>
</tr>
<tr>
<td>Layak</td>
<td>41 daerah</td>
</tr>
<tr>
<td>Tidak Layak</td>
<td>3 daerah</td>
</tr>
</tbody>
</table>
Regional Loan Policy: Potention and Eligibility (2)

“Regional Loan is an alternative to Regional Budget (APBD) funding to cover the APBD deficit, financing expenditure, and cash flow shortage”

There are 476 Regions eligible for regional loan. Of these areas, there are 57 regions that utilized regional loan.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Regional Loans Realization</th>
<th>Regions</th>
<th>Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>IDR 478.4 billion</td>
<td>7 regions</td>
<td>Roads Hospital</td>
</tr>
<tr>
<td>2016</td>
<td>IDR 373.1 billion</td>
<td>3 regions</td>
<td>Roads Hospital</td>
</tr>
<tr>
<td>2017</td>
<td>IDR 2.09 trillion</td>
<td>11 regions</td>
<td>Roads Hospital</td>
</tr>
<tr>
<td>2018</td>
<td>IDR 6.07 trillion</td>
<td>29 regions</td>
<td>Roads Hospital Market SPAM</td>
</tr>
<tr>
<td>2019*</td>
<td>IDR 1.1 billion</td>
<td>7 regions</td>
<td>Roads Hospital Market</td>
</tr>
</tbody>
</table>

* Data per May 3rd 2019
Since its implementation in 2001, Fiscal Decentralization has in the improvement of public service delivery and social welfare.

These conditions still need to be improved with better policy also effective and efficient strategy in to support Regional Government’s in achieving Fiscal Decentralization objectives.
DATA & NATIONAL FACT: Challenge

**Education:**
- Participate rate – Junior High School
  - 2010: 67.62%
  - 2018: 78.75%

**Health:**
- Prevalence of Stunting
  - 2010: 35.6%
  - 2018: 30.8%

**Infrastructure:**
- Drinking Water Akses
  - 2010: 63.48%
  - 2018: 73.12%

**Social Economy:**
- Poverty
  - 2010: 13.33%
  - 2018: 9.66%

**ASIA**

**2016**
- Singapore: 99.5%
- Vietnam: 82.1%
- Rata-rata*: 71.4%

**2018**
- Myanmar: 29.2%
- Vietnam: 24.6%
- Rata-rata*: 25.0%

**2017**
- Malaysia: 96.5%
- Vietnam: 98.0%
- Rata-rata*: 84%

- Thailand: 7.9%
- Vietnam**: 5.8%
- Rata-rata**: 14.3%

* Rata-rata Negara ASEAN
** Th. 2016
*** Asian Average excludes Singapore and Brunei

* Rata-rata means average
PROBLEMS AND CHALLENGES

APBD SPENDING BY TYPE

BELANJA LAINNYA 249,12 (22%)
Belanja Lainnya diantaranya Belanja Bagi Hasil kepada Kab/Kota dan Desa, Belanja Bunga, Belanja Hibah, serta Belanja Bantuan Keuangan.

EMPLOYEE EXPENDITURE 410,57 (36%)

GOODS AND SERVICE EXPENDITURE 270,6, (23%)

Belanja Jasa Kantor 17,52% 47,41
Belanja Perjalanan Dinas 13,41% 36,30
Belanja Barang dan Jasa BLUD 7,13% 19,30
Belanja Bahan Pakai Habis 4,98% 13,48
Belanja Pemeliharaan 4,98% 13,47

5 Terbesar

Gaji dan Tunjangan
Tambahan Penghasilan
Honorarium
Belanja Pegawai
Insentif Pemungutan PDRD

- Regional spending is less focused on completing priority programs (many programs: 150-600 programs), while mandatory expenditure has not been optimally fulfilled.
- National programs and regional programs have not been synergized optimally, due to differences in the Standard Account Chart.

The Quantity and Quality of Regional Government Human Resources Is Not Yet Adequate

- SD, SMP, SMA: 17,9%
- Diploma: 20,6%
- S1: 52%
- S2: 9%
- S3: 0,5%
Change the formulation of transfer funds from one size fits for all to performance based (asymmetric)

Restructuring local taxes and simplifying local user fees to encourage investment

Create new government regulations on reforming the local financial management, such as standardization of chart of accounts, unit cost, and remuneration

Synchronization of programs and activities between levels of government, including funding sources

Standardization of the capacity of local government human resources through competency certification

Strengthening governance through the implementation of e-government integrated budget management

Accelerating the implementation of bureaucratic reform in regional governments
Thank You