



## بحوث المؤتمر العلمي الدولي الثاني لكلية الاقتصاد - جامعة سرت

المركزية وانعكاساتها على التنمية المكانية في ليبيا  
( الواقع والتطلعات )

سرت 09 مارس 2023م

تحرير

أ. د. حسين مسعود أبومدينة

أ. د. الطيب محمد القبلي

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الطبعة الأولى 2023م

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سنة 09 مارس 2023م

الوكالة الليبية للترقيم الدولي الموحد للكتاب  
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جميع البحوث والآراء المنشورة في هذا المؤتمر لا تعبر إلا عن وجهة نظر أصحابها،  
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## كلمة رئيس الجامعة

بسم الله الرحمن الرحيم

تُعَدُّ المؤتمرات العلمية من أهم المناشط التي تهتم بها الجامعة وتدعمها منذ تأسيسها، حيث ترى أنّها من أهم مهامها الرئيسة التي تسعى إلى استمرارها؛ نظراً لما تقدمه هذه المؤتمرات من بحوث علمية تسهم في تحسين الكثير من جوانب الحياة المختلفة، كما أنّها تلعب دوراً كبيراً في خلق الجو المناسب وتأمين اللقاءات الأكاديمية والبحثية التي تجمع نشطاء المجتمع العلمي لتقديم ومناقشة أفضل ما توصلوا إليه، وتقديمه لمصلحة المجتمع وخدمة مستقبله.

وحرصاً من الجامعة على انعقاد هذه التجمعات العلمية؛ فقد عقدت عدداً من المؤتمرات التخصصية برعايتها؛ وها هي اليوم تعقد المؤتمر العلمي الدولي الثاني، والذي تنظمه وتشرف عليه كلية الاقتصاد تحت عنوان (المركزية وانعكاساتها على التنمية المكانية في ليبيا) الواقع والتطلعات".

لقد أصبحت التنمية المكانية محط أنظار العديد من دول العالم ومختلف المجتمعات، لكونها أحد أركان الأنشطة الأساسية الهادفة في تقدم الدول والمجتمعات، حيث تحتل عمليات التخطيط والتطوير للتنمية الشاملة؛ إذ أنّها تساعد في تطوير البنى التحتية، وخلق فرص العمل، وتوفير التعليم والرعاية الصحية.

كما تُعَدُّ المركزية إحدى أهم التوجهات التنظيمية التي تتبعها الدول، والحكومات، والمؤسسات في العملية الإدارية، حيث يُمكن من خلالها تحقيق العملية التنسيقية بين مختلف الوحدات ذات العلاقة بذلك الكيان المؤسسي إذا طُبِّق بالطريقة المثلى.



وختاماً.. نتقدم بجزيل الشكر والعرفان إلى كل من أسهم في إنجاح هذا المؤتمر، من  
بُحَّاثٍ ومحكِّمين ولمان علمية وتحضيرية، كما لا يفوتنا أن نتقدم بالشكر وفائق التقدير إلى  
اللجنة الإعلامية التي أخرجت هذا العمل إلى النور من خلال نشره في هذا الكتاب الذي  
نضعه بين أيديكم للاستفادة منه، ولنضعه أيضاً بين أيدي المختصين للعمل بتوصياته.

آملين من الله العلي القدير التوفيق  
والسلام عليكم ورحمة الله وبركاته

**د. سليمان مفتاح الشاطر**

رئيس جامعة سرت

## كلمة وكيل الجامعة للشؤون العلمية ورئيس اللجنة العلمية

بسم الله الرحمن الرحيم

الحمد لله، والصلاة والسلام على أشرف خلق الله، محمد بن عبد الله عليه أفضل الصلاة وأزكى التسليم.. أمّا بعد :

في سبيل السعي للارتقاء بنشر الإنتاج العلمي ودعمه، يسرنا أن نضع بين أيدي الباحثين والقراء الكرام كتاب المؤتمر العلمي الثاني لكلية الاقتصاد بجامعة سرت، والذي يناقش موضوعاً مهماً يُمثل رافداً من روافد تطور وازدهار الدولة، وهو (المركزية وانعكاساتها على التنمية المكانية في ليبيا). حيث يُعدّ هذا المؤتمر من أهم المؤتمرات التي أقامتها الجامعة، من حيث العنوان، فمناقشة أثر المركزية على التنمية المكانية، يُمكننا من معرفة أثر المركزية السلبي على تنمية الأماكن النائية والبعيدة عن مركز الدولة، ويبين لنا الأثر الإيجابي للنظام اللامركزي الذي يحقق نتائج جيدة في حالة تطبيقه بالشكل الصحيح.

ويحظى هذا المؤتمر بمشاركة نخبة متميزة من الباحثين، ينتمون إلى عدة جامعات ومعاهد عليا، واستعانت اللجنة العلمية بنخبة من خيرة الأساتذة المختصين من مختلف الجامعات الليبية في سبيل تقييم الأوراق العلمية التي تصلها وتحكيمها، حيث كان لهم الدور الفاعل في الارتقاء بجودتها، من خلال تبيان جوانب القصور وإجراء بعض التعديلات المطلوبة إن وجدت وفي الختام لا يسعني إلا أن أشكر جميع اللجان التي أسهمت في إنجاح هذا المؤتمر، وبارك الجهد المبذول والتفاني والإخلاص الصادق في العمل في ظل التسهيلات المقدمة من إدارة الجامعة. سائلين الله عز وجل أن يُعيننا ويجعل السداد والنجاح حليفنا في إقامة هذا المؤتمر العلمي، والخروج من خلاله بنتائج علمية مميزة تصب في خدمة المجتمع في كل مجالاته، وتوصيات مهمة تثري المكتبات العلمية، وتساعد في وضع الحلول المناسبة.

نتمنى للجميع التوفيق في هذا المؤتمر

والسلام عليكم

أ.د. الطيب محمد القبي

رئيس اللجنة العلمية للمؤتمر



## كلمة رئيس المؤتمر

بسم الله الرحمن الرحيم، والصلاة والسلام على سيدنا محمد الصادق الأمين.  
أما بعد..

انطلاقاً من الدور المناط بكلية الاقتصاد جامعة سرت لدعم الملتقيات العلمية والنشاط العلمي، وتحقيقاً لأهدافها الاستراتيجية ورسالتها السامية في هذا المجال، ودعماً للبيئة المجتمعية؛ فقد اسدل الستار على فعاليات المؤتمر العلمي الدولي الثاني لكلية الاقتصاد، تحت عنوان ( المركزية وانعكاساتها على التنمية المكانية في ليبيا، وبالأصالة عن نفسي، وبالنيابة عن كل الزملاء بلجان المؤتمر يسرني ويشرفني أن أقدم هذا الإصدار والمتضمن للمحتوى العلمي للمؤتمر ومخرجاته، وندعو الله أن نكون قد وقَّعنا في هذا العمل، وأن يجوز على رضى القارئ العزيز، وأن يحقق المرجو منه.

وأخيراً يسرني أن أتقدم بخالص الشكر والتقدير إلى إدارة جامعة سرت؛ لدعمها فعاليات هذا المؤتمر، وكل الشكر والتقدير للجنة العلمية واللجنة التحضيرية بالمؤتمر، ولكل من بذل أذى جهده في تنفيذه، ولا يفوتني أن أشكر كل الزملاء الذين ساعدوا وأسهموا في إعداد هذا الكتاب وإخراجه بالشكل اللائق والمشرف.

ختاماً أتمنى كل التوفيق لجميع زملائي بكلية الاقتصاد، وكل الزملاء بالقلعة العلمية جامعة سرت، وأتمنى أن تكون دائماً وأبداً منارة للعلم يهتدي بها الجميع...  
والسلام عليكم ورحمة الله وبركاته

## د. على مفتاح التائب

### رئيس المؤتمر وعميد كلية الاقتصاد

## كلمة رئيس اللجنة التحضيرية

بسم الله الرحمن الرحيم

الحمد لله الذي بنعمته تتم الصالحات، وبفضله تنزل الخيرات، وتوفيقه تتحقق المقاصد والغايات، والصلاة والسلام على نبينا محمد الموصوف بأحسن الصفات:  
أما بعد:

إنه وفي هذا المقام، وباختتام فعاليات المؤتمر العلمي الدولي الثاني لكلية الاقتصاد جامعة سرت، والذي حمل عنوان (المركزية وانعكاساتها على التنمية المكانية في ليبيا- الواقع والتطلعات)، يسعدني أن أهنئ نفسي أولاً وكل زملائي بكلية الاقتصاد وجامعة سرت بنجاح هذا المحفل العلمي، وظهوره بالصورة التي تليق بمؤسستنا العريقة، كما يسعدني أيضاً أن أقدم هذا الكتاب\_ الذي يحتوي على كل الجهود العلمية القيمة التي تدارست وتناولت محاور هذا المؤتمر\_ لكل الأكاديميين المتخصصين والمهتمين وكل المؤسسات ذات العلاقة، وآمل أن يجدوا فيه الفائدة المرجوة.

وتقديرًا لكل الجهود المبذولة في سبيل نجاح هذا المؤتمر؛ لا يسعني إلا أن أتقدم بجزيل الشكر والعرفان لجميع أعضاء اللجنة التحضيرية على جميل التزامهم والإخلاص في عملهم، وكل الشكر والتقدير لرئيس وأعضاء اللجنة العلمية على مهنتهم وتعاونهم في إتمام العديد من مهام اللجنة التحضيرية، كما أثنى على الجهود الكبيرة التي بذلها رئيس المؤتمر ومساندته لنا يدًا بيد لإنجاز كل ما هو مطلوب، والشكر أيضاً موصولاً للمشرف العام للمؤتمر على دعمه اللا محدود وتذليله الصعاب لتسهيل أعمال اللجنة وقيامها بواجبها على أكمل وجه.  
وأخيراً لا يفوتني أن أشكر كل من أسهم في إصدار هذا الكتاب، والحمد لله وما توفيقنا إلاَّ به.

والسلام عليكم ورحمة الله وبركاته.

أ. إبراهيم محمد عبد الكريم

رئيس اللجنة التحضيرية

## Implementation of the fiscal decentralization policy in Indonesia

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- Abdul Hamid Habbe / Hasanuddin University- Indonesia
- Mediaty / Hasanuddin University- Indonesia
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### الملخص:

لا يمكن فصل اللامركزية المالية في إندونيسيا عن تنفيذ الحكم الذاتي الإقليمي الذي يتميز بوجود القانون رقم 22 لعام 1999 بشأن الحكومة الإقليمية، بالإضافة إلى ذلك فإن القانون رقم 25 لعام 1999 بشأن التوازن المالي بين الحكومة المركزية والحكومات الإقليمية يوفر الأساس القانوني لتطبيق اللامركزية المالية في إندونيسيا. تهدف هذه الدراسة إلى وصف تنفيذ سياسات اللامركزية المالية في إندونيسيا المتعلقة بمواءمة السياسات المالية المركزية والإقليمية في إندونيسيا، واللامركزية المالية، وتطوير الخدمات الاقتصادية والاجتماعية والعامه في إندونيسيا وانعكاسات ذلك على السياسات الضريبية المستقبلية وتوقعات اللامركزية في إندونيسيا.

اعتمدت هذه الدراسة على طريقة مراجعة الأدبيات واللوائح والقوانين مع مناقشة وصفية نوعية. تظهر نتائج البحث أن: (1) مواءمة السياسات المالية والإقليمية تبدأ بالتأخر في عملية التخطيط الإنمائي كأساس لإعداد السياسة المالية، والتي تُترجم بعد ذلك إلى APBN (ميزانية الإيرادات والنفقات الحكومية) و APBD (ميزانية الإيرادات والنفقات الإقليمية) كأدوات مالية في تمويل التنمية. وتمثل الأطر المتضاربة الرئيسية في هذا الصدد في الأطر التمويلية والتنظيمية ومجالات الخدمة العامة، ويتم التعاون في عملية التخطيط التنظيمي من خلال تسهيل وتشجيع وتنظيم سلوك الناس. (2) منذ عصر اللامركزية المالية، تم تعزيز إدارة الضرائب الإقليمية في جهود المجتمع من خلال الرسوم الجارية، ولم يصاحب الزيادة في الاقتصاد انخفاض في عدم المساواة في الدخل، لذلك تم تشديد سياسات التخصيص والتوزيع والاستخدام منذ عام 2015 لجميع القرى في إندونيسيا. (3) في المستقبل، ينبغي أن تدعم اللامركزية المالية بشكل أكبر تعزيز القوة المالية المحلية مع الاستمرار في تشجيع الاستثمار وتسهيل النشاط التجاري والمساهمة بشكل إيجابي في التنمية الاقتصادية للمناطق.

الكلمات المفتاحية: التنفيذ، السياسة، اللامركزية المالية.



### **Abstract:**

*Fiscal decentralization in Indonesia cannot be separated from the implementation of regional autonomy which is marked by the presence of Law Number 22 of 1999 on Regional Government. In addition, Law No. 25 of 1999 concerning the financial balance between central and regional governments provides the legal basis for the implementation of fiscal decentralization in Indonesia. This study aims to describe the implementation of fiscal decentralization policies in Indonesia related to the harmonization of central and regional fiscal policies in Indonesia, fiscal decentralization, and the development of economic, social, and public services in Indonesia, as well as reflections on future taxation policies and expectations. decentralization in Indonesia.*

*The method used is a review of the literature and regulations with a qualitative descriptive discussion. The research findings show that: (1) Harmonization of fiscal and regional policies begins with synergy in the development planning process as the basis for the preparation of fiscal policy, which is then translated into the APBN and the APBD as fiscal instruments in financing development. The main synergized frameworks in this regard are the financing, regulatory, and public service frameworks. The synergy of the regulatory planning process takes place within the framework of facilitating, encouraging, and regulating the behaviour of people. (2) Since the era of fiscal decentralization, the management of regional taxation has been strengthened in the effort of the community through ongoing levies. The increase in the economy has not been accompanied by a decrease in income inequality, so allocation, distribution, and use policies have been tightened since 2015 for all villages in Indonesia. (3) In the future, fiscal decentralization should further support the strengthening of local fiscal power while continuing to encourage investment, facilitate commercial activity and contribute positively to the economic development of regions.*

**Keywords:** *Implementation, Policy, Fiscal Decentralization.*

## **1. Introduction**

As the world's fourth most populous country with diverse cultures covering a vast geographic area, Indonesia must manage regional resources efficiently and effectively to improve public services delivery, thus requiring an adequate fiscal decentralization policy. Fiscal decentralization in Indonesia cannot be separated from the implementation of regional autonomy which is marked by the presence of Law Number 22 of 1999 on Regional Government. In addition, Law No. 25 of 1999 concerning the financial balance between central and regional governments provides the legal basis for the implementation of fiscal decentralization in Indonesia. The



presence of this law brings the hope of improving the lives of people through the establishment of maximum public services, increased well-being, empowerment, and community participation in the regions. As a manifestation of the government's commitment to implement fiscal decentralization, the central government allocates sources of funding to the regions of the APBN through transfer expenditures to the regions as part of the execution of business that falls under the jurisdiction of the regions by laws and regulations. In addition, the regional government is also empowered to collect local revenue sources, in particular regional taxes and regional retribution (PDRD), as well as to improve their governance. The regional government as an autonomous region has the power to manage the regional revenue and expenditure budget (APBD) within the context of providing optimal public services to the people of the regions to realize the welfare of all Indonesians.

Puspita dkk (2022), in the book *Two Decades of Fiscal Decentralization in Indonesia*, states that The implementation of fiscal decentralization which started in 2001 has become one of the most important fiscal policies in Indonesia which has been marked by the allocation of transfer funds to APBN regions which have increased dramatically. significant to reach 145.06% compared to 2000. Moreover, in parallel with the increase in transfer funds to the regions, the Government is making continuous efforts to improve the implementation of fiscal decentralization which is stipulated in the various regulatory levels. Until 2020, the fiscal decentralization policy in Indonesia has been ongoing for two decades and has produced a lot of progress. However, the results of the evaluation indicate that the quality of policy implementation still needs to be improved. The various obstacles encountered and the very diverse characteristics of the regions of Indonesia pose a challenge in efforts to formulate appropriate fiscal decentralization policies for all regions of Indonesia.

The publication of law number 1 of 2022 concerning the financial relations between the central government and the regional governments on January 5, 2022, is an impetus for the reform of the policy of fiscal decentralization to improve the quality of fiscal decentralization which is more fair, transparent, accountable and efficient in achieving an equitable distribution of people's well-being. The strategy for implementing the fiscal





decentralization policy involves strengthening the regional tax system, reducing vertical and horizontal inequalities, improving the quality of regional spending, and harmonizing central and regional spending.

Since 2001, the government has very significantly increased the transfer funds into the APBN i.e. 145.06% from IDR 33.07 trillion (2000) to IDR 81.05 trillion (2001). In two decades, the amount of remittance funds has steadily increased from IDR 81.05 trillion (2001) to IDR 812.97 trillion (2019) and slightly decreased in 2020 to IDR 762.54 trillion. 'IDR due to the Covid-19 pandemic (Puspita, dkk 2022). Transfer funds should reduce the fiscal gap between central and regional governments (vertical gap) and between regional governments (horizontal gap) to accelerate development and increase the well-being of people in the regions.

Transfer funds from the APBN then become the main source of revenue for the regional income and expenditure budget (APBD), which for two decades averaged 66.81% of total regional revenue. In addition, the role of PAD as a source of revenue for the APBD continues to increase, as indicated by an increase in the ratio of PAD to total regional revenue from 14.69% (2001) to 23.67 % (2020) (Dewi, dkk 2022). The development of an improved PAD should motivate regions to increase their ability to explore their regional revenue potential. The quality of APBD expenditure and funding management is an important factor in the effective and efficient use of resources. Regional governments should continue to improve their capacity to manage the PDDBA as a fiscal instrument for the implementation of regional development and the well-being of their populations.

Decentralization can be explained from two perspectives, namely positive and negative perspectives. From a positive perspective, it is explained that decentralization is a strategy to improve public sector efficiency, and good governance and increase government accountability. This can be achieved because local governments know better the needs of their people to achieve prosperity. Decentralization is seen as a policy and a solution to economic and political problems (Bahl and Linn, 1992; Gramlich, 1993). Furthermore, decentralization can be used as a means of encouraging regional economic development performance and reducing poverty and inequalities between regions (Akai and



Sakata, 2002; Akai, Sakata, and Ma, 2003; Galasso and Ravallion, 2005).

On the negative side, decentralization is not suited to areas where the institutional capacity of local governments is weak and budgets are limited to meet people's preferences (West and Wong, 1995; Prud'homme, 1995; and Ravallion, 1998). Furthermore, Prud'homme (1995); Ravallion (1998); Tanzi (2001); and Azfar and Livingston (2002) suggest that decentralization tends to increase the costs and opportunities for corruption and abuse of power, reduces the efficiency of government services, distorts the economy, and can lead to more serious inequalities between regions and macroeconomic instability.

Demands for democracy and agitation for reform after the fall of the New Order era in 1998 wanted an increased role for the regions and greater empowerment of the communities. The government responded to this by enacting Law Number 22 of 1999 on Regional Government and Law Number 25 of 1999 on Financial Balance between Central and Regional Governments. The stipulation of these two laws marked the beginning of a new era of regional autonomy through the transfer of broader competencies to the regions as well as the transfer of funding, infrastructure, and human resources. The delegation of funding sources and financial management authority to support the implementation of development in the regions under the decentralization regulated in the two laws is a "big bang" in the implementation of decentralization tax in Indonesia.

Until 2020, fiscal decentralization in Indonesia has come a long way in two decades. Various studies on the implementation of fiscal decentralization in Indonesia have produced several important findings that can be viewed from a positive or negative point of view. The research results of Suwanan and Sulistiani (2009) in 33 provinces during the period 2001-2008 through a dynamic panel analysis showed that a high degree of fiscal decentralization had a positive effect on the improvement of regional disparities. However, fiscal decentralization has not had a significant impact on areas with limited resources. Research by Setiawan and Aritonang (2019) using spatial regression analysis of district/city data for the period 2008-2011 showed that fiscal decentralization had a positive and significant impact on the economy. On the other hand, regions with good economic



performance have a spatial dependence on the surrounding areas. Giting et al. (2019) conducted research using panel data regression and quadrant analysis for 2013-2018 in districts/cities that linked fiscal decentralization to economic growth. The results of his research show that fiscal decentralization has a positive and significant effect on economic growth in all quadrants. However, the relatively low regression coefficient of the fiscal decentralization variable indicates that increasing regional economic growth is not enough to rely solely on fiscal decentralization.

Various research findings that show the dynamics of the implementation journey of fiscal decentralization in Indonesia over these two decades have become important things as lessons learned for central and regional governments as well as the community in at broad sense to continue working to achieve just, prosperous and equitable social welfare in all corners of the country. Monitoring and evaluation are also always carried out by the government on the implementation of policies, challenges, and their impact on the improvement of public services and the well-being of people. In addition, central and regional governments also continue to make policy improvements stipulated at different regulatory levels as the legal basis for the implementation of fiscal decentralization.

Fiscal decentralization aims essentially to respond to regional aspirations in terms of control of the financial resources of the State, to encourage the accountability and transparency of regional governments, to increase community participation in regional development processes, to reduce inequalities between regions, to ensure the implementation of minimum public services in each region and, ultimately, is expected to increase the welfare of society in general (Nurhemi and Suryani 2015). This argument is inseparable from the belief that development cannot be achieved through market mechanisms alone but requires the role of government through its fiscal policies. Based on the description above, it is important to research “*Policy Implementation Fiscal Decentralization In Indonesia*”.



## 2. Research Problems

Based on what was mentioned in the introduction to the research above, we can formulate the research problem in the following question:

1. How is central and regional fiscal policy harmonized in Indonesia?
2. How are fiscal decentralization and the development of economic, social, and public services going in Indonesia?
3. What are the policy thoughts and hopes for future fiscal decentralization in Indonesia?

## 3. Research Objectives

Referring to the context of the problem and previous empirical reviews, this study aims to identify the following:

1. Central and regional fiscal policy harmonized in Indonesia.
2. Fiscal decentralization and the development of economic, social, and public services going in Indonesia.
3. The policy thoughts and hopes for future fiscal decentralization in Indonesia.

## 4. Method

This research belongs to the study of literature and regulation with a qualitative descriptive discussion that explains the fiscal decentralization policy in Indonesia. The discussion focuses on the fiscal decentralization policy in Indonesia. Meanwhile, the data collection technique is to conduct a literature survey of books, literature, notes, and reports that have something to do with the problem to be solved. Library sources can be obtained from books, journals, magazines, research results (theses and dissertations), and other appropriate sources (internet, newspapers, etc.).

## 5. Result and Discussion

### Harmonization of Central and Regional Fiscal Policy in Indonesia

In the era of decentralization in Indonesia, which currently consists of 542 autonomous regions, harmonization in



the implementation of development is a necessity to achieve optimal public services. This harmonization starts with synergy in the development planning process as the basis for the preparation of the budgetary policy, which is then translated into the APBN and the APBD as fiscal instruments for financing development. The APBN and APBD budgeting processes form an integrated system and cannot be separated from the development planning system.

The development planning and budgeting process was also reformed along with demands for the implementation of decentralization following the turmoil of reforms in 1998. The turmoil of reforms that occurred in 1998 resulted in the constitution of 1945 undergoing four amendments from 1999 to 2002. Amendments to the Constitution of 1945 in addition to having an impact on the evolution of the system of governance Decentralized management also makes it possible to improve the provisions for managing the finances of the State to that they are more in phase with the evolution of the institutional system of the State. In 2003, Law No. 17 of 2003 on State Finances was enacted. It regulates the management of state finances/fiscal management, including the budgeting process at the central (APBN) and regional (APBD) levels. This law supersedes the legislation on the implementation of state financial management, which still uses until now the legal provisions developed under the colonial administration of the Dutch East Indies.

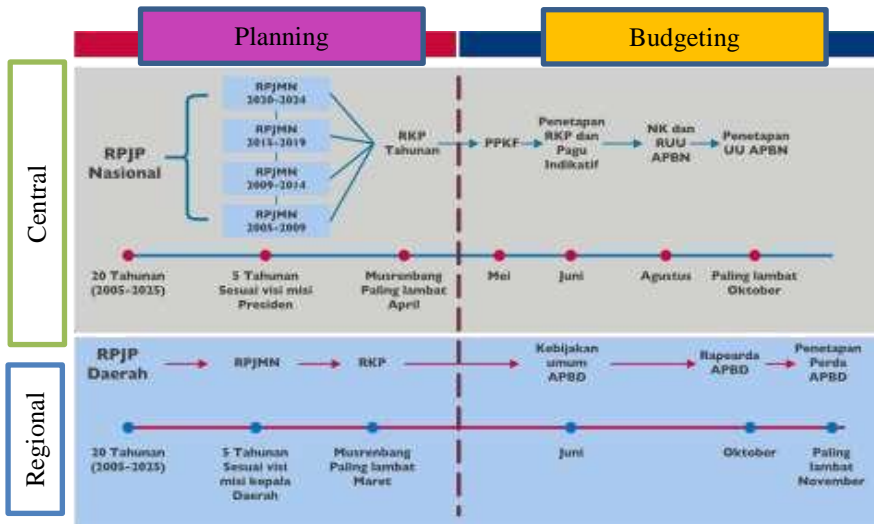
Following the amendments made to the law on state finances by strengthening the position of the legislative power in the preparation of the APBN, the strengthening of regional autonomy through the implementation of broader decentralization and the elimination of the Outline of State Policy (GBHN) as guidelines for the preparation of national development plans, other provisions are needed for the planning process. In 2004, the government and the People's Representative

Council (DPR) also stipulated a law regarding the National Development Planning System through Law Number 25 of 2004 regarding the National Planning and Development System.

The flow and relationship between the development planning and budgeting processes governed by Law Number 25 of 2004 and Law Number 17 of 2003 are illustrated in Figure 1. The following elements:

Picture 1.

Central and regional government planning and budgeting flows



Source: Dua Dekade Implementasi Desentralisasi Fiskal di Indonesia

In replacement of the GBHN, long-term development plans are determined every 20 years through the establishment of the National Long-Term Development Plan (RPJP) and the Regional RPJP. The national RPJP is stipulated by law and the regional RPJP is stipulated by regional regulations. Currently, the current national RPJP regulates the development plans for the period 2005-2025. This national RPJP is used as a reference in the preparation of the RPJP for each autonomous region (provincial, district, municipal government) which also contains regional development plans for the same period (2005-2025).



This RPJP is then translated into the National Medium-Term Development Plan (RPJMN) and Regions (RPJMD) which contains a development plan for 5 years. The RPJMN is an elaboration of the vision, mission, and program of the president, while the RPJMD is an elaboration of the vision, mission, and program of the regional leader. The preparation of the RPJMD should be guided by the regional RPJP and pay attention to the RPJMN so that national and regional development plans remain aligned. The RPJMN and the RPJMD are stipulated by the Presidential Regulations and the Regulations of the Regional Chief no later than three months after the inauguration of the President and the Regional Chief.

This development plan is then translated into a central government work plan (RKP) and a regional government work plan (RKPD) which contains the development priorities, macroeconomic framework, and fiscal policy direction for the year. a budget exercise. The preparation of the RKPD must be aligned with the RKP. It is this development plan in the RKP and RKPD that then becomes the basis for the preparation of the APBN and APBD. The process of preparing RPJP, RJPM, and RKP at national and regional levels is carried out through a Development Planning Meeting (Musrenbang) which is attended by elements of state administrators and involves community participation. The RKP Musrenbang is to be held no later than April, while the RKPD Musrenbang is to be held no later than March.

Once the RKP preparation process is completed, the budgeting process begins. The RKP is used as a reference in the preparation of the Macroeconomic Framework and Fiscal Policy Principles (KEM-PPKF). KEM-PPKF is submitted to the DPR no later than May. The RKP and PPKF were then discussed at the APBN Preliminary Talks (RAPBN) the following year. This preliminary discussion focused on the RKP proposal as well as the indicative ceiling in the RAPBN. This RKP and this indicative ceiling must be stipulated at the latest in June with a presidential regulation. In August, the government submitted the APBN Bill (RUU) to the DPR, and no later than two months before the start of the next fiscal year, the APBN Act must be enacted. Simultaneously with the central budgeting process, the regional budgeting process also began. The regional government must





submit the draft general policy of the APBD to the DPRD at the latest in June, followed by the submission of the draft regional regulations concerning the APBD in October. The publication of the regional budgetary regulations is carried out no later than one month before the beginning of the following financial year.

About laws and regulations regarding planning and budgeting that are regulated separately and implemented by different institutions, the synergy and synchronization of their implementation should be enhanced so that together they can be aligned in the achievement of national goals. The preparation of annual work plans and budgets (RKP and APBN) is the responsibility of the Minister of National Development Planning/Bappenas (planning) and the Minister of Finance (budgeting). This regulation aims to synergize the planning process in law number 25 of 2004 and the budgeting process in law number 17 of 2003. This regulation contains further provisions for the process of planning and budgeting for the development, implementation, monitoring, and evaluation of the information system used. . This regulation re-emphasizes the program-based budgeting approach (money follow program) and performance-based budgeting.

Puspita dkk (2022) Three main frameworks are synergized in this regulation, namely the framework of financing, regulation, and public services. The process of integrating funding sources from both governmental and non-governmental sources is conducted within the framework of achieving national development goals. The synergy of the regulatory planning process takes place within the framework of facilitating, encouraging, and regulating the behavior of public and state administrators in the achievement of national development objectives. Moreover, the integration of activities is carried out by all the relevant stakeholders to provide the necessary public goods and services to the community. Meanwhile, the planning and budgeting process in the regions has been strengthened with the enactment of the Regional Government Law No. 23 of 2014, which comprehensively regulates the planning and budgeting process in the regions. The regulations for the implementation of the regional development planning process from the RPJPD preparation to the RKP are set out in Permendagri number 86 of 2017. number 23 of 2014 is regulated in Government Regulation number 12 of 2019



regarding regional financial management instead of PP number 58 2005 regarding regional financial management.

In addition, in 2019, Permendagri issue 70 of 2019 regarding regional government information systems was also stipulated. This regulation is one of the cornerstones of the implementation of the territorial synchronization of planning and budgeting which should be able to:

- a. improve the quality of regional development planning, budgeting, monitoring, and evaluation, supporting the availability of accurate, timely, and accountable data and information on regional development,
- b. optimize the availability, filling, and evaluation as well as the use of data and information on regional development,
- c. become a tool for administering long-term, medium-term and annual development plans, as well as synchronization between plans, as well as planning information with budget information and other local government information
- d. become a tool to support the implementation, monitoring, and evaluation of regional development planning in a hierarchical manner to ensure that objectives and targets are well-targeted.

Looking at the flow of the development planning and budgeting process above, several potential obstacles have been identified in the process of synchronizing central and regional planning and budgeting.

First, planning regulations are stipulated in different regulations than budgeting regulations and are administered by different institutions. This has the potential for disharmony in planning and budgeting institutions.

Second, there is potential for inconsistency in the preparation stages of the RPJMN and the RPJMD due to the different mandates of the president and the regional heads. An example that happened in 2018, no less than 171 regions held simultaneous regional elections (Pilkada) in 2018, while the next presidential election was held in 2019. Regions that held regional elections in 2019 must immediately prepare a five-year RPJMD. in the future which of course refers to the RPJMN in force at that



time (2015-2019). It is this determination of the RPJMD that does not coincide with the period of the RPJMN that can lead to inconsistencies between regional and national development planning.

Third, the simultaneous period of the APBN and APBD exercises may make regional fiscal policies incompatible with central government fiscal policies. The RKP planning process is performed simultaneously, and even the RKPD Musrenbang is performed faster. Furthermore, the general policy on the APBD is carried out in June, which coincides with the time for discussion and determination of the RKP and the indicative ceiling of the APBN. RKP information and indicative caps are needed by regions to prepare future development plans, especially information regarding the certainty of allocation of transfer funds since most of the regional income comes from transfer funds. The certainty of the amount of transfer funds will greatly affect regional development priorities for the following year. The discussion of the draft APBN law and the draft regional regulation (Raperda) APBD which is only two months apart is also a very short period to make adjustments in the event of a discrepancy between the APBN and APBD policies.

Apart from the harmonization of planning and budgeting processes between the central government and regional governments, the synchronization between planning and budgeting processes in the regions themselves is still weak. Several studies have been conducted to examine the alignment between development planning and budgeting in the regions. Rasyid (2013) analyzed the factors that influenced the synchronization of RKPD documents with APBD documents in the province of Papua in 2009. Based on this research, it was found that the consistency between regional planning and budgeting in the provincial government of Papua had a very low degree. In addition, this study also found that HR capacity, planning and budgeting instruments, and policy budgeting instruments positively and significantly influence RKPD timing, either partially or simultaneously. This means that the better quality of human resources, planning and budgeting instruments, and policy instruments will have an impact on improving the synchronization of the RKPD

Furthermore, Arwin (2016), in an analysis of planning and budgeting coherence in the Central Sulawesi provincial



government, found that the highest level of planning and budgeting coherence in the province of Central Sulawesi central was in the document RPJMD-RKPD-PPAS (Priorities and temporary budget ceilings), while inconsistencies emerge from the PPAS with the APBD which has decreased over the last three years. Factors causing inconsistencies between planning and budgeting are changes in organizational structure, adjustments to central government policies regarding transfer funds, and weak capacity of planning and budgeting staff.

Idris (2019) conducted an analysis of planning and budgeting coherence in the Depok municipal government. The results of the study show that consistency between the planning and budgeting documents for FY 2017 is still weak and needs further improvement. However, the level of coherence from a political point of view is very good. This indicates that the preparation of planning and budgeting took into account the policies that were prepared.

### **Fiscal Decentralization And The Development Of Economic, Social, And Public Services In Indonesia**

The stipulation of Law Number 22 of 1999 is an important step in the implementation of decentralization in Indonesia through the transfer of broader and more tangible governmental authority to regional governments to manage certain governmental affairs within the framework of the Unitary state of the Republic of Indonesia. Along with the transfer of government authority comes the transfer of authority in the financial sector (fiscal decentralization) to carry out delegated government business (money tracking function) which includes management of revenue, expenditures, and regional financing. Through fiscal decentralization, regional governments have more flexibility to regulate PDDB according to the region's development needs and priorities.

The implementation of this decentralization aims to accelerate the achievement of community well-being through improved services, community empowerment, participation, and increased regional competitiveness. Fiscal decentralization and the other three pillars of decentralization, namely political, administrative, and economic decentralization, have been carried out jointly to support the achievement of decentralization



objectives. After two decades of its implementation, it is hoped that the implementation of decentralization has been able to improve welfare in the regions.

Discussions on the impact of fiscal decentralization on the welfare of the people in Indonesia have been conducted by various groups to provide insight into the effectiveness of fiscal decentralization in Indonesia so far with mixed results.

Empirical studies on the impact of fiscal decentralization in Indonesia on economic development have yielded mixed results. Several researchers have found that fiscal decentralization increases economic growth in regions (Ginting, et al., 2019; Aulia, 2014; Rakanita and Sasana, 2012). Aulia (2014) also found that in addition to increasing economic growth in regions, fiscal decentralization also reduces poverty and income inequality in regions. Syamsul (2020), who used the balancing fund and PAD variables as proxies for fiscal decentralization, found that fiscal decentralization reduced the poverty rate.

On the other hand, several studies show different results, such as Cahyadi (2019) who claims that fiscal decentralization has a negative and significant correlation with economic growth. Furthermore, Khamdana (2016) found that fiscal decentralization did not contribute significantly to regional economic growth. Furthermore, the impact of fiscal decentralization on regional economic development may differ between developed and developing countries, as well as between countries. Zhang and Zao (2001) examined the effect of fiscal decentralization on economic growth at the provincial level in China and India. The results of this study concluded that fiscal decentralization hurts economic growth in China, while for India, fiscal decentralization has a positive effect on economic growth.

Similar to economic development, the dynamics of the relationship between decentralization and public services are also supported by previous literature that has not found a clear direction for the relationship between decentralization and public services in various countries. Gupta and Gumber (1999) have empirically proven that the existence of decentralization down to village government in India has been successful in making health services more efficient and increasing accountability in the management of health services. Peterson and Munzini (2005) also found that the cost of constructing new classrooms for schools increased from



305,000 pesos to 180,000-235,000 pesos in the post-decentralization Philippines. Additionally, Liberman et al. (2005) observed improvements in the quality of health services in Indonesia, Vietnam, and the Philippines due to decentralization. Capuno (2008) also argues that decentralization policies have improved health services in the Philippines. He believes that the increase in childhood vaccination coverage and the increase in literacy rates are due to regional innovations. In contrast, Layug's (2009) study in the Philippines denies the positive impact of decentralization on health care. He said that by delegating authority to local governments, the quality of health services was worse because local governments were spending budgets for government administration compared to capital expenditures for health. Simatupang (2009) found that greater allocation of transfer funds after decentralization was associated with increased education and health outcomes in Indonesia.

## **Policy Reflections and Hopes for Future Fiscal Decentralization in Indonesia**

### **1. Political reflection**

The turmoil of reforms in 1998 opened a new chapter in the administration of a more democratic, transparent, and the accountable Indonesian government. The implementation of broader, real, and regionally accountable regional autonomy was one of the biggest reform policies undertaken by Indonesia at that time. The stipulation of Law Number 22 of 1999 regarding regional government is the beginning of hopes for better Indonesian governance in the future. Through the implementation of regional autonomy, it is hoped that the achievement of community well-being can be accelerated by improving services, community empowerment, and participation, as well as increasing regional competitiveness. The implementation of regional autonomy is carried out based on the principle of decentralization by delegating part of the power to administer governmental affairs to the regions.

Along with the transfer of authority, budgetary management was also decentralized, which was emphasized in the stipulation of law number 25 of 1999 concerning the financial balance between the central and regional governments. The regional government receives funding sources to carry out the



## Implementation of the fiscal decentralization policy in Indonesia



delegated authority. The regional government, as an autonomous region, has the possibility of managing these revenues as a source of financing the priority expenditures of the regional government so that it can provide optimal public services to the inhabitants of the region, which, in turn, can create prosperity for all. Indonesians wherever they are.

The implementation of fiscal decentralization was one of the biggest reforms carried out by Indonesia, which was marked by the transfer of transfer funds from the APBN which increased a lot in 2001. Not to mention that the government's regions have also been given the power to collect regional funds. sources of income, in particular Regional Taxes and Levies (PDRD). Since the era of fiscal decentralization, the management of regional taxation has been strengthened to increase the responsibility of local authorities towards the public through the levies made. As explained earlier, during the two decades of implementation of fiscal decentralization, the achievements of various development indicators in terms of economic, social, and public services have mostly shown improvement. The scale of the economy in each region has increased as shown by the increase in GDP and GDP per capita. However, we must be aware that the growth of the economy has not been accompanied by a reduction in income inequality.

The implementation of decentralization in Indonesia in 542 autonomous regions (2020), is one of the largest decentralizations in the world. Indonesia's courage in implementing the decentralization policy is to be commended. Formulating the right policy to implement in all regions (one size fits all) with all its diversity is not easy. Various weaknesses and challenges encountered become an assessment for self-improvement, both from refining the policy design to its implementation. In addition, the quality of human resources, in this case, state employees as state administrators, continues to improve their integrity and competence so that transparent, effective, efficient, and accountable governance can be carried out. For example, the policy for allocating village funds.

The Village Fund's allocation policy since 2015 for all villages in Indonesia is a major step forward. Since 2015, the fund allocation has steadily increased in line with the mandate to fulfill the village fund allocation of 10% and excluding transfer funds. In





addition, to optimize the management of the Village Funds, the allocation, distribution, and use policies are continuously reinforced. The Village Fund's allocation formula is gradually being designed to be more equitable and fair, while the distribution policy is also being strengthened with the performance-based distribution. Meanwhile, the policy of using village funds has so far been prioritized for the development and empowerment of rural communities, as well as being used as social assistance for rural communities during the Covid-19 pandemic.

Since its implementation in 2015, significant improvements have been made to the village's public infrastructure. In addition, the achievements of several well-being indicators in the village show improvement, poverty, and the rural Gini index are slowly decreasing. Even so, managing this big budget in nearly 75,000 villages is not easy. Therefore, the management of village funds in the villages is always done with the assistance either of village assistants appointed by the government or directly from the local government of the district or the central government. During its 6 years of implementation (2015-2020), the policy of the Village Fund has undergone many changes in a short time. One of the reasons for this is that the government continues to seek the most appropriate form of policy to implement in all villages. This constantly evolving policy certainly has an impact on its implementation in the village. The village government must understand the politics in a short time and it is not easy. The policy must be implemented before it can be fully understood, so the implementation of development in the village is hindered. Village readiness, both in terms of the quantity and quality of the village government apparatus, remains a challenge to this day. The quality and intensity of assistance to villages also need to be improved. In addition, the large number of village programs or activities from various funding sources, whether central, regional, or private, can lead to duplication of activity implementation and funding if not accompanied by good synchronization and coordination of all parties involved.

## 2. Hope for The Future

Dewi at. al (2022) After two decades of implementing fiscal decentralization, many lessons can be drawn as a basis for continuing to make improvements in the future. Fiscal decentralization is yet to continue the process of improving day by



day to create prosperity for all Indonesians, without exception, for anyone and anywhere. Two decades is still a short time in the process of maturing fiscal decentralization in Indonesia.

Based on experience, fiscal decentralization, which is an important tool in government administration, has done its job quite well. Obstacles and challenges are resolved one by one so that fiscal decentralization can work according to its purpose. Even so, of course, we cannot be satisfied with the current state of fiscal decentralization. There are still many challenges to be faced and solutions to be found if Indonesia's vision of becoming a sovereign, advanced, just, and prosperous country by 2045 can truly be realized.

Fiscal decentralization is very closely linked to the management of fiscal resources which are shared between the central government and the regional governments through a system of financial equilibrium. Resources are conceptually limited assets, so a strategy is needed to manage them so that they can be used effectively, efficiently, and optimally in implementing development and providing public services for the community. Therefore, in the future, the financial relationship between the central government and the regional governments can be further strengthened, more transparent, and more accountable so that the management of these financial resources is more effective and efficient.

To achieve this, all elements of fiscal decentralization, starting with the transfer of funds, the management of the PBD, the harmonization of central and regional fiscal policies, as well as interregional cooperation, must improve their performance. The management of transfer funds should further reduce disparities in financial capacity between levels of government (vertical) and between regions (horizontal) and can encourage improvements in the quality of regional spending. By minimizing vertical and horizontal inequalities, all local governments can optimally exercise their authority, and the central government can exercise its functions as the government of the Republic of Indonesia. Therefore, the role of transfer funds must continue to be supported by the formulation of appropriate policies, capable of adapting to regional specificities and in line with national priorities.

Minimal vertical inequality means that the central government recognizes the regions as producers of resources (state





revenue), therefore a balance in the financing of these resources is necessary between the central government and the regional governments. So far, the DHP allocation policy aimed at minimizing vertical inequalities has worked well and fairly. However, since DBH is one of the main sources of the regional revenue, the DBH allowance should ensure regional revenue certainty. In the future, it is hoped that the DBH allowance will not be based on actual state revenues for the current year, but on the realization of revenues from previous years. In this way, local governments can better plan their spending. In addition, the DBH should also encourage the improvement of the quality of spending in the regions through earmarking policies. Even so, the allocation policy should still pay attention to local government fiscal space so that the principle of decentralization that gives discretion in expenditure management continues to be realized.

At the same time, minimal horizontal inequality means that transfer funds can create a relatively balanced fiscal capacity between regions in carrying out government business under their jurisdiction to deliver optimal public services. The current instruments of the transfer fund to tackle horizontal inequalities are the DAU, the physical DAK, the non-physical DAK, the Special Fund for Autonomy, and the Privileges Fund. In the future, it is hoped that the DAU allocation can be used as an incentive for regions to encourage increased regional revenues (rather than being a deterrent as hitherto, so that regions are reluctant to explore the potential of their PAD), as well as being able to encourage an increase in the quality of public services in the regions. In addition, the DAU formula, which currently still uses PNSD salaries, needs to be reviewed in terms of effectiveness and efficiency so as not to cause a moral hazard. The management of the DAK, both physical and non-physical, should be more in line with national priorities, more accountable, and emphasize the principle of implementation performance, to produce quality results and lasting benefits. Meanwhile, the management of the Special Self-Reliance Fund and the Privileges Fund should be more accountable and transparent so that the benefits can be seen more clearly by the community. Compared to other regions, the specialties and privileges granted to certain regions should accelerate the acceleration of the development of these regions.

The role of DID as an instrument for rewarding the performance of



local authorities must be continually improved, in particular by refocusing the criteria for evaluating the performance of local authorities which reflect the quality of financial management and regional public services, increasing the validity of data and information used in assessments and the use of information systems to increase the allocative efficiency, governance, and accountability of DID use.

In particular, the Village Fund is a transfer fund that has a different nature from other types of transfer funds because the Village Fund is directed directly to the village to become a source of income in the APBDesa. It is hoped that in the future the management of village funds will further improve the quality of life of village communities through the increase in the capacity of the village apparatus and village assistance, the synergy and coordination of all the actors concerned, and the simplification of the regulations which facilitate the implementation in the villages but always responsible for the implementation.

In addition, fiscal decentralization in the future should further support the strengthening of local fiscal power while continuing to encourage investment, facilitate business and contribute positively to the economic development of regions. In line with developments in technology, the economy, and global competition, the types of regional taxes and levies that are levied also need to be reviewed so that they are better able to capture the growth potential of the economy. . Nevertheless, optimal tax revenues can certainly be obtained if the existing revenue potential can be properly projected, if the quality and capacity of human resources to manage taxation increases, and if public awareness as taxpayers improves.

With a sufficient fiscal capacity from both transfer funds and PAD to meet development spending needs in the regions, regional governments should be able to spend more optimally. Regional expenditure, which has so far been dominated by personnel expenditure, should be allocated more to productive expenditure which will have a multiplier effect on the economy in the future and is geared towards meeting optimal standards of public service. . The discretion in expenditure management that has so far been granted under fiscal decentralization needs to be implemented in a more accountable and transparent manner.



Regarding the regional budgetary conditions, in the future, the regional financial management, especially on the planning side, needs to be improved to avoid surpluses that lead to an increase in the regional SiLPA. Moreover, SiLPA, which is currently very high, requires a regulatory basis that establishes the authority to use it by the local government so that the presence of SiLPA in the APBD is more effective. One way to do this is to clarify the rules regarding the ability to use SiLPA to cover the budget shortfall, both in terms of size and purpose. If the performance of budget planning in the regions is good, and the use and management of the SiLPA are more clearly regulated, then the regions should also be encouraged to be able to take advantage of regional financing instruments, in particular, regional loans to accelerate the development in the regions.

The last and no less important thing to improve the implementation of fiscal decentralization is the increasingly strong harmonization of fiscal policy between the center and the regions. In addition, there is a need to strengthen understanding at different levels of government on the importance of tax cooperation to accelerate the realization of basic public services. A good harmonization of policies supported by strong fiscal cooperation can create a great impetus for the creation of massive and quality basic public services for the community.

From all the above, each step of the policy, from planning to implementation, supervision, monitoring, and evaluation, must be carried out on an ongoing basis. Because it is from the results of supervision, monitoring, and evaluation that implementation performance can be known (based on evidence) as a basis for improving future policies. It must be realized together that supervision, monitoring, and evaluation are not only carried out by the parties who have authority in this field but can be carried out by all levels of society as a check on the implementation of the development. From the people for the people!

## 6. Conclusion

Harmonization in the implementation of development is a necessity to achieve optimal public services. The reform turmoil that occurred in 1998 resulted in four amendments to the 1945 Constitution. The current National Long-Term Development Plan



(RPJP) sets out development plans for the period 2005-2025. This RPJP becomes a reference in the development of the RPJP of each autonomous region. The National Medium-Term Development Plan (RPJMN) is an elaboration of the President's vision, mission, and programs. The draft law (RUU) on the APBN is submitted to the general policies of the DPRD in June, followed by the submission of the draft regional regulations on the APBD in October. The main synergistic frameworks in this regulation are the financing, regulatory, and public service frameworks. The synergy of the regulatory planning process takes place within the framework of facilitating, encouraging, and regulating the behavior of people.

Fiscal decentralization has more flexibility to regulate PDDBA according to development needs and priorities. Several studies show different results, such as Cahyadi (2019) who claims that fiscal decentralization has a negative and significant correlation with economic growth. The community in the implementation of regional autonomy is broader, real, and responsible. Stipulation of law number 25 of 1999 concerning the financial balance between central and regional governments. Since the era of fiscal decentralization, regional fiscal management has been increasingly strengthened in its efforts. The company through the direct debits made. The economic improvement has not been accompanied by a reduction in income inequality. Allocation, distribution, and use policies have been continuously strengthened since 2015 for all villages in Indonesia. Fiscal decentralization, which is one of the important instruments of governance, has done its job rather well. There are still many challenges to overcome and solutions sought for Indonesia's vision to become a sovereign, developed, just, and prosperous country.

Minimal vertical inequality means that the central government recognizes the regions as producers of resources (state revenue). Therefore, the role of transferring funds must be supported by appropriate policy formulations. The DAU allocation, which currently still uses the salaries of civil servants, needs to be reviewed to verify its effectiveness and efficiency. Given to certain regions should be able to accelerate the acceleration of development.

In the future, fiscal decentralization should further support the strengthening of local fiscal power while continuing to

encourage investment, facilitate business activities and make a positive contribution to the economic development of regions. In line with developments in technology, the economy, and global competition, the types of regional taxes and levies that are levied also need to be reviewed so that they are better able to capture the growth potential of the economy. By improving the implementation of fiscal decentralization, the harmonization of fiscal policy between the center and the regions is strengthened. In addition, there is a need to strengthen understanding at different levels of government on the importance of tax cooperation to accelerate the realization of basic public services. A good harmonization of policies supported by strong fiscal cooperation can create a great impetus for the creation of massive and quality basic public services for the community.

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