

## Implementation of Regional Autonomy in Riau Province

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### ABSTRACT

This study aims to analyze the existing implementation of regional autonomy and decentralization in Riau province, based on the law number 32 year 2004 about "local government" and the law number 33 year 2004 about "Fiscal Balance between central and local governments" which began effective date of January 1, 2001. To carry out autonomous and decentralized, autonomous region given financial support by the central government, in existence: (1) Balanced Funds, comprising: (a) the general allocation fund, and (b) specific allocation of funds, (2) Funds for Yield (DBH) tax and DBH original source. The main goal of financial aid is to reduce the degree of difference between rich region (producers of natural resources) and poor districts (non-producing natural resources). The impact of the policy is causing dissatisfaction for natural resource-producing region, because of the financial support received is too small, so Riau Province and some other areas (such as: the province Darussalam and Papua province), was able to claim the status of "autonomous region specific". Funds to support childhood Riau provincial administration can be seen through: (1) the degree of fiscal decentralizations small, between 30.86 percent to 43.66 percent (less than 50 percent), (2) the level of financial dependence, between 56.32 percent to 69.17 percent (over 50 percent) and (3) Regional self-sufficiency rate is relatively small. Especially during the years 2004-2007 of 40.51 percent. Based on the above facts, Riau province has been treated unfairly and demanded that the variables used to determine the amount of general fund allocation changes, such as by removing the factor of "revenue sharing" as a variable to determine the magnitude of fiscal capacity. Because of revenue sharing is "compensation" for damages to natural resources as a result of mining activities (oil and gas) will be borne by the Riau province.

**Key words:** regional autonomy, financial distribution, prosperity.

### INTRODUCTION

The era of regional autonomy and decentralization announced by the government of Indonesia, has resulted in an important change relates to the systems of governance in Indonesia from the centralized to a decentralized system, starting on January 1<sup>st</sup>, 2001.

In general, the goals of Regional autonomy and decentralization accord the law number 22/1999 which has been in change to the law number 32/2004 are: to give an arbitrarily large, real and responsible to the autonomous regions to carry out all domestic affairs of government in a region in an effort to better increase public welfare for all people, accordance with the provisions of applicable laws.

Principle operation of Government, Regulation and Budget used, according to Act. No.32 year of 2004 The principle of governance in Indonesia is current in accordance with Law No 32 year of 2004 about Regional autonomy there are four principles of local government, namely: (1) the principle of centralization, (2) the principle of deconcentration, (3) the principle of Duty assistance, and (4) the principle of decentralization.

- 1) **The principle of centralization**, meaning that all administrative matters and the management is carried out by the central government, and used disposable budget comes from central government, through the State Budget (APBN).
- 2) **Deconcentration principle**, meaning that all affairs and arrangements implemented by the central government, while the management of the implementation of policies implemented by the agency as a representative of the vertical center in the region, at a cost that comes from the central government budget , through the State Budget (APBN).
- 3) **The principle duty of assistance**, government affairs held by the central government, setting teamed undertaken between central and local governments while the management of the implementation of policies implemented by local governments with costs derived from the central government budget (APBN).
- 4) **The principle of Decentralization**, meaning that the affairs of government, regulation, management of the implementation of all policies implemented by the autonomous regional government, with the cost of the budget comes from regional income and expenditure budget (see Table 1) as follows:

Table 1. Principle of operation of Government, Regulation an Budgets are use, According to the Law No. 32 of 2004.

Governance implementation basis	Government affairs		Arrangement		Arrangements (policy implementation)			Used Budgets	
	Central Gov.	Autonomous region	Center	Autonomous Region	Aparatur Central Government	Agenc Vertical /Vice central Gov.	Aparatur region	National Budget	Regional Budget
Centralization	X	-	X	-	X	-	-	X	-
Deconcentration	X	-	X	-	-	X	-	X	-
Task Assistance	X	-	X	X	-	-	X	X	-
Decentralization	-	X	-	X	-	-	X	-	X

## DESCRIPTION

1. In the table 1 shows that the principle of governance in Indonesia is current in accordance with Law No 32 of 2004 on local government, there are four principles, namely: (1) the principle of centralization, (2) the principle of deconcentration, (3) the principle of Duty assistance, and (4) the principle of decentralization.
2. **The principle of centralization**, meaning that all administrative matters and the management is carried out by the central government, and used disposable budget comes from central government, through the State Budget (APBN).
3. **Deconcentration principle**, meaning that all affairs and arrangements implemented by the central government, while the management of the implementation of policies implemented by the agency as a representative of the vertical center in the region, at a cost that comes from the central government budget.
4. **The principle duty of assistance**, government affairs held by the central government, setting teamed undertaken between central and local governments while the management of the implementation of policies implemented by local governments with costs derived from the central government budget (APBN).
5. **Decentralization**, meaning that the affairs of government, regulation, management of the implementation of all policies implemented by the autonomous regional government, with the cost of the budget comes from income and expenditure budget (APBD).

In fact of Financial Distribution (based on Law No. 33 year of 2004) are: In fact, a valid distinction of financial distribution between the producing region of natural resources and region that are not producing natural resources. For rich region natural resources (petroleum and natural gas) will receive the distribution of "revenue sharing" and resource taxes larger compared with non-contributing resources nature, to can cause jealousy and territorial ego that could lead to less territorial lovingly relationships among the autonomous regions and between central and the local government.

To deduct level income inequality among natural resource-producing regions (the rich regions) and the non-producing natural resources (disadvantaged region), the central government have take a pretty impressive policy, through distribution of General Allocation Fund and Special Allocation Fund to regions instead of producing a more natural resources, with the purpose of subtracting the regional income disparities between rich and poor region.

## ISSUES RELATING TO REGIONAL AUTONOMY

Since the time of independence (1945) to the present, the distribution of power from the central government to local governments in Indonesia always moving at a different point of balances. This means that in a period of weight authority located on the central government, and at other times there are also weight authority on local government. This condition is valid for two reasons, namely:

*Firstly*, the law governing of local government, since Indonesia's independence (in 1945) until 2004, Indonesia has carried out some kinds of laws on local government.

Every law on the local government has different styles and characteristics, especially about how much weight distribution transmitting and authorities between central and local governments.

*Secondly*, the difference in interpretation and implementation of local government legislation, which is caused by the various interests of the ruling or the officials at central and local government levels during the implementation of these laws.

*In general*, it can be divided into three periods, namely: *first period*, the old order (the Enactment of Law No 1 of 1945 through Law No. 18 of 1965), the government of President Sukarno era. At that time, the central government authority (in all aspects of life, something like: political, economic, financial and socio-cultural) to local governments is still very strong; *second period*, the New Order era, (in 1974) during the era of President Suharto. At that time, autonomy is realistic and responsible government through decentralization have been, but in reality, the central government authority in the region is still very strong; and *third period*, the reform era (years 1999 to 2004), which under President Abdul Rahman Wahid (Gus Dur), President Megawati Sukarnoputri, President BJ. Habibie and now is the government under President Susilo Bambang Yudhoyono (two period); 2004 – 2009 and the second period 2009 – 2014).

The Problem of Studies (implementation of Regional Autonomy in Riau Province): The problems are: *firstly*, is there any form of regional autonomy as in the Law no. 32 of 2004 has been implemented with the fair, and transparency? *Secondly*, is there inequality distribution among financial autonomous regions will be increased or decreased in accordance with the regional autonomy? through: General Allocation Funds (DAU); Special Allocation Funds (DAK) and Sharing Budget Funds; *Thirdly*, factors be employed to determine the amount distribution of financial assistance to the autonomous region is now in accordance with the planned? As ordered by the Law no. 33 of 2004 (Government of RI. Law No. 32/2004 and Law No. 33/2004).

Table 1. The Distribution of General Allocation Fund Province and Regency/ City at Riau Province, 2005-2010

Region	Y E A R S					
	2005	2006	2007	2008	2009	2010
Riau Province	92,157,000,000	92,158,000,000	277,659,000,000	198,375,199,000	171,850,958,000	58,869,157,000
Bengkalis	206,723,000,000	206,723,000,000	206,723,000,000	0	0	19,210,131,600
Ind. Hilir	203,823,000,000	277,277,000,000	368,790,000,000	389,699,955,000	399,637,979,000	378,481,235,800
Ind. Hulu	162,264,000,000	171,520,000,000	235,911,000,000	250,954,258,000	269,231,826,000	236,426,908,600
Kampar	105,100,000,000	105,100,000,000	241,050,000,000	244,703,703,000	217,210,055,000	150,044,400,200
Kuansing	118,228,000,000	205,117,000,000	272,524,000,000	291,388,945,000	273,037,374,000	263,602,236,200
Pelalawan	109,947,000,000	112,312,000,000	188,874,000,000	195,626,393,000	215,631,126,000	191,671,267,800
Rokan Hilir	91,848,000,000	91,848,000,000	91,848,000,000	0	0	0
Rokan hulu	104,146,000,000	128,296,000,000	198,579,000,000	201,064,732,000	239,214,656,000	8,956,879,200
Siak	95,609,000,000	95,479,000,000	95,609,000,000	0	0	11,135,464,800
Kota Dumai	93,479,000,000	93,479,000,000	327,161,000,000	94,441,796,000	113,529,596,000	98,760,161,800
Pekanbaru	171,345,000,000	217,387,000,000	327,161,000,000	344,111,454,000	340,970,891,000	319,722,094,000
Kep. Meranti	0	92,158,000,000	0	0	0	4,968,880,800

Table 2. The Distribution of Special Allocation Fund Province and Regency/City at Riau Province, 2005-2010

Region	Y E A R S					
	2005	2006	2007	2008	2009	2010
Riau Province	0	0	0	0	0	22,368,500,000
Bengkalis	0	11,610,000,000	9,899,000,000	9,899,000,000	26,046,000,000	13,554,300,000
Ind. Hilir	0	20,525,000,000	10,604,000,000	10,604,000,000	22,783,000,000	32,306,700,000
Ind. Hulu	0	18,855,000,000	9,690,000,000	9,690,000,000	11,279,000,000	14,392,600,000
Kampar	0	19,800,000,000	10,153,000,000	10,153,000,000	18,128,000,000	39,596,000,000
Kuansing	0	9,650,000,000	38,429,000,000	40,896,000,000	42,594,000,000	33,794,300,000
Pelalawan	8,330,000,000	18,395,000,000	13,329,000,000	8,490,000,000	37,229,000,000	15,088,900,000
Rokan Hilir	0	17,075,000,000	48,166,000,000	39,969,000,000	32,436,000,000	21,642,700,000
Rokan hulu	0	10,660,000,000	38,194,000,000	39,927,000,000	42,902,000,000	44,189,400,000
Siak	0	10,140,000,000	11,453,000,000	7,749,000,000	19,702,000,000	14,628,300,000
Kota Dumai	0	8,470,000,000	13,423,000,000	8,220,000,000	32,054,000,000	33,460,400,000
Kota Pekanbaru	0	16,395,000,000	8,029,000,000	8,029,000,000	8,137,000,000	11,516,600,000
Kep. Meranti	0	0	0	0	0	8,032,100,000



## RESULTS AND DISCUSSION

To find a form of regional autonomy that its truth can be known in Riau province through:

1. Redefined formulas and variables to calculate General allocation funds (DAU)
2. Degree of fiscal decentralization, obtained by comparing the local government original receipt with a total income of the region
3. Degree to the regional financial dependency, is obtained by comparing total revenue transfers to local revenues; and
4. Degree of local financial independency, is obtained by comparing the local original receipt with direct spending.
5. A number (in percentage) of Riau Province in year of 2004-2009 shown as like in Table 1 as follows:

Table 3. Level of Decentralization, Level of Financial Dependency, and Level of Financial Independency, Riau Province, in 2004–2009

Year	Level of Desentralization	Level of Dependency (%)	Level of Financial Independency (%)
2004	34.53	56.32	40.51
2005	30.85	64.08	41.91
2006	31.30	67.72	41.92
2007	34.36	68.48	45.13
2008	43.10	69.17	61.39
2009	43.66	58.31	60.68

## RESULTS AND CONCLUTIONS

Since the region autonomy implemented chronicle January 1<sup>st</sup>, 2001 by Law No 22 of 1999 about Regional autonomy on enhanced by law number 32 year 2004 and Law No 25 of 1999 about Fiscal balance between central government and local enhanced by Law No 33 of 2004, has undergone a change from the centralized system of government to decentralized, which mark the division of authority in the field of local government administration, which is accompanied by the division help finance of a central government to autonomous region, through: (1) fund balances (general allocation funds and special allocation funds), (2) sharing budget funds (taxes and natural resources) and (3) deconcentration funds and

In fact, formulas and variables are used to determine of distribution balance funds from central government to the rich autonomous regions (producing natural resources i.e oil and gas) as the Riau province and other provinces outside Java, there is not fair thing still characterized by the small level of local fiscal capacity; still amount to the level of local financial dependency from central government assistance, and still low degree of financial independency of the Riau province, from the year of 2004 until 2009.

### CONCLUSIONS

- 1) Based on the calculation above, the region of Riau Province is to order formulas and the variables used to determine the General Allocation Funds (DAU) should be changed, one of them there is by eliminating the variable "revenue sharing" taxes and natural resources as the deciding factor in calculating fiscal capacity, as well as factor "poor people" as a determinant of the magnitude of fiscal needs. Because some of the regency in Riau Province such as Bengkalis and Siak just a little or even doesn't accept of General Allocation Funds (DAU).
- 2) Degree of decentralization fiscal Regional of Riau Province still low (less than 20%)
- 3) Level of financial dependency Regional of Riau Province still high (more than 50%)
- 4) Level of financial independency Regional of Riau Province is fluctuatif (about 40.51% in the year of 2004 and 61.39 % in 2008).