THE IMPORTANCE OF REGIONAL REGULATIONS SUPERVISION IN FINANCIAL SECTOR AFTER REGIONAL DEVELOPMENT

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Abstract

Autonomous regional administration may say 80% fail, even many violations in governance can be seen from the many local regulations canceled by the government. The problem of this study is how the regulatory supervision of the financial sector among local parent with a new autonomous regions. Methods used in this research is to examine the normative Law 23 of 2014 and Act No. 17 of 2003. From the results, that local governments still have to master to supervise all local regulations and regulatory policies that made the district/city, especially in the field of finance. An obligation on the parent region to assist funding over three years for new autonomous regions interfere with the delivery system of local governance parent, therefore before autonomy, candidates should be prepared to be autonomous administrative regions that after autonomy not interfere execution dependent and parent local government.

Keywords: finance, authority, local government, supervision

Preface

Regional development undertaken by the government aims to provide welfare to the people who are in the area development, as mandated in the Constitution 1945. After more than a decade of regional autonomy still cause problems such as social conflicts in society, rampant corruption of the political elite, jealousy between regions, almost threatening the integrity of the country.

In this regard, Djohermansyah Djohan, Dirjend Otda said from the number 220 new autonomous region by 2013 as much as 80% in the category of failed or poor performance, whereas only about 20% successful. The new autonomous regions that fail are highly dependent on funding from central government. The funds are mostly used to pay the salaries of government employ-
yees and complementary equipment, not to improve the public service. Improved service to the people who were subjected to the final of regional autonomy it is not met.

Head of the region failed to apply the pattern-based development needs of local communities. Infrastructure development is done only to pursue the image through mercusuar projects. People's basic needs are often neglected. Regional development should be done gradually. The area should undergo a transition process before the administrative city declared autonomous region. If during the determination of the status of being the administrative city area is fai, then the government should not raise its status to the autonomous region.

In this regard, Emil Salim said fiscal space area is considered too narrow because it is still dominated by routine expenditure or expenditure employees and goods. This causes inefficient local government budgets in encouraging regional development funding, so that the slower economic growth in the region. Furthermore, Emil Salim said for the average expenditure goods are allocated by 24 percent or 50 trillion, while capital spending 20 percent or 43 trillion, for other spending an average of 37 percent but more to build office buildings. The usage APBD budget for this are inefficient and wasteful. He said if the government can make the budget efficiently it can open space development financing. Before the advent of decentralization in 1993-1996, the region's economy could reach 8.13 percent per year, but after the 2001-2007 fiscal decentralization on economic growth eroded area instead of 4.88 percent annually. The point of this decentralization makes the budget more wasteful and slows the development of regional and national development.

One of the causes of the failure of the implementation of regional development is the absence of a clear arrangement that can provide legal certainty for governance in the area of how they should work and carry out its functions and responsibilities. For example, how percent of funds transfers from the center may be spent on salaries, how percent for infrastructure development, how percent for the allocation of education, how percent for social activities and so on. So that the transfer of funds from the central and regional bail from the main area is not spent on physical development and purchase of official vehicles only, but also preferred for jobs that can directly touch the community and improve the welfare of the community.

The new autonomous regional governments still need to be supervised in all aspects of the organization of government, especially in the supervision of local regulations and other policy regulations relating with finance. Results of research conducted by Ni’matul Huda shows that local regulations are canceled by the government (Minister of Home Affairs) since May 10, 2002 to October 9, 2006 found there were 554 local regulations with the following details, local tax regulations as many as 64 pieces, local levy regulations as many as 461 pieces, regulation which governing besides local levy regulations were 14 pieces and decision of the head regional as much as 15 pieces.

It shows that the ability of a new autonomous region to govern mainly in the manufacture of local regulations governing finance is still very noteworthy. Caution is needed it can be in the form of supervision could be in the form of guidance or training and others which are technically able to enhance the ability of administrators in the new autonomous region.

Research Problem

Based on this background, the problem of this research is the supervision of the financial sector after regional development.

Research Method

This legal research using normative ap-
proach with the aim to assess the positive law, in the sense of collecting, describing, systematized, analyze, interpret and assess the positive legal norms regulating the financial sector supervision after the regional development. Primary legal materials in this study is Law 32 of 2004 on Local Government and Law 17 of 2003 on State Finance. Secondary legal materials that are used in the form of literature, the results of previous studies and scientific journals. The approach used in this study is the approach of legislation. The analytical method used to solve the problem is juridical qualitative.

Discussion
Paradigm Friction Centralization to Decentralization

Discussion on the development of science cannot be separated from a paradigm friction. The term paradigm popularized by Thomas S. Kuhn in his book The Structure of Scientific Revolution in 1962. According to Kuhn’s scientific paradigm is the constellation results of the study which consists of concepts, values, and other techniques, which are used together same by the scientific community and they use to determine the validity of the problems and solutions. In sum paradigm can be defined as a way of thinking or way of understanding something shared by a group of people (world view). Paradigm has its own day, and slowly but surely will be replaced by a new paradigm. This is generally caused because the old paradigm no longer adequate to use to understand the nature and or social phenomena that were previously unknown. Thus the presence of a paradigm friction during the New Order era adopts a centralized, post-reform of 1998, the paradigm moved into a decentralized system. Each of the central government viewpoint and local government changes the system has its own advantages.

Jimly Asshiddiqie argued that in order to reform the direction of the embodiment of the ideals of the paradigm or insightful state law, then the law and the legal system itself also needs to be reformed first. Simultaneously, followed by political reform, economic reform, social and cultural reforms. Legal reforms fact instrumental in the framework of realizing the idea of political, social, and economic reform as well. That is, actions and efforts undertaken in the sector of political, social, and economic is essentially in the forms of new norms of new law, so the idea of creating the desired improvements outlined formally in the form of law that can be used normative grip in the future.7

Elita Rahmi said since the political changes in local government law, as stipulated in Article 18 the Constitution 1945, from centralization to decentralization system, many fundamental constitutional changes which must be synchronized, both legislation and institutional. But in reality the legislation and institutional have not correlated each other, giving the impression of “autonomy half-hearted”, if it is allowed to drag on, will have an impact on the legal uncertainty that ultimately much-sense of justice and welfare.8

Regardless of the half-hearted autonomy by the government, Syarif Hidayat believes both the government and the local government, decentralization implemented still have the advantage. When viewed from the side of the interest central government, there are at least three main purposes of decentralization. First, political education. The second is to provide training in political leadership (to exercise leadership). The third is to create political stability (to create political stability). From the interests of local governments: first decentralization is to achieve political equality, decentralization is expected to further open up opportunities for people to participate in political activities at the local level; second is local accountability, decen-

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7 Jazim Hamidi, “Paradigma Baru Pembentukan Dan Analisis Peraturan Daerah (Studi Atas Perda Pelayanan Publik dan Perda Keterbukaan Informasi Publik)”, Jurnal Hu

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kum, Vo. 18, No. 3, July 2011,Yogyakarta; FH UII, page 37.
8 Elita Rahmi, “Tarik Menarik antara desentralisasi dan sentralisasi Kewenangan Pemerintah Daerah dalam urusan Pertanahan”, Jurnal Hukum, Vol 16, No. Special Edi-

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tion, October 2009, Yogyakarta, FH UII, page 145.
Centralization is expected to increase local government ability to pay attention to the rights of the community. The third is a local responsiveness, decentralization would be the best way to tackle the problem and improve the acceleration of social and economic development in the region. The purpose of the paradigm changing from centralization system to decentralization is to make a closer services to community, but should be remembered that decentralization is given within the remit of the Homeland.

Local Authority and Supervision of Local Regulations

Tahir Azhary stated that good governance can be realized in a system of government that reflects responsive legal order in accordance with the will of the people. Assumptions Plato refers to a concept known as "nomoi" which states that good governance based on the rule of good law. This assumption shows that good governance can only be realized in a state of law. In connection with the Tahir opinion, if associated with the implementation of decentralization concept to implement in the government in making local regulations and other policies regulations, government and local governments should be able to think out a responsive law, in accordance with society needs while in the process of manufacture must involve active participation of the community.

In this regard, Muntoha quoting the opinion of Ridwan said state law should be supported by the democratic system because there is a clear correlation between the state law which is based on the constitution, with the sovereignty of the people who run through a democratic system. In a democratic system, community participation is the essence of this system. But democracy without the rule of law will lose shape and direction, while the law without democracy would lose meaning.11

Law No. 32 of 200412 on Local Government regulates that autonomy is a right and authority, as well as the obligations of the autonomous regions to organize and manage their own affairs and interests of the community, including in the field of manufacturing of local regulations relating to finance. The existence of local government, causes the relationship between central and local governments. These relationships have consequences on affair dividing in a decentralized way.

This decentralized implementation makes the dynamics of the relationship between central and local governments. As illustrated by Mackie that ideal relationship between central and local actually always slant the nation and state in Indonesia. Mackie further argued that the very broad regional autonomy has led to a higher political nuances of the effort to improve public services.13 Political nuances that arise because of the affair dividing that must be done by the government to local government and the local government to the district/city is in the working area. That relationship will be more complex if in the working area of the province there is a new autonomous regions, because the main area’s obligation is to help the regional facilities and financial help for new autonomous regions for at least 3 years from the newly formed autonomous regions. It is as stipulated in Government Regulation No. 78 of 2007 on Procedures for the Establishment, Abolition and Regional Merger.

Local governments have the authority to manage all the potential in the region for the implementation of development that aims to improve the welfare of their local communities. Because of the authority quite big possessed an area, the government still had to supervise all local government policies in the administration.

12 Law No. 32 of 2004 on Local Government now has been replaced with Law No. 23 of 2014 on Local Government.
of government in order to prevent any conflict with the national interest and violate the legislation.

Jawahir quoting the opinion of SF. Marbun said authority (authority, gezag) is a formalized kind of power against a certain group of people, as well as power to a government sector unanimously emanating from the legislative power or the government power. While the authority (competence, bevoegdheid) only on a particular field. Authority is a collection of authority (rechtsbevoegdheiten). In addition, the authority may also constitute an ability to act given by the law that apply to legal relations.  

Policy of local autonomy and authority decentralization not only involves the transfer of authority from top to bottom, but in principle also needs to be realized on the basis of the authority from bottom to encourage the growth of local government autonomy itself as a factor that determines the success of the regional autonomy policy. In a paternalistic culture of our community, decentralization policy and local autonomy will not work unless there is a conscious effort to build initiative and independence of their own area. Any registration authority possessed by the new autonomous regional government to manage all of the potential that exists in the region, will not be successful if the area does not dare to be independent and still rely on helping local government and main area in government implementation. It is required innovation and creativity in government implementation while aligning with the applicable positive law.

The Importance of Local Regulations Supervision in New Autonomous Region in Financial Sector by the Main Area

Such a big authority owned by the region often make local disregard the laws regulation in the region. Eny Nurbaningsih said on behalf of the whole decentralization, often the process of policy formation, either in the form of local regulations and its derivatives (decision or regulation from the head of regional) barely do not notice of potential impacts and policy consistency is concerned with legislation higher. The principle known as the adage lex specialis derogate legi inferiori, disregarded in the name of autonomy.  

Many violation to the local regulations mainly related to money such as taxes, levies and licensing as well as business. Main area government should continue to supervise the district/city in the working area, especially the new autonomous region in order not to make mistakes in enacting local legislation and other policies in the government, even though the main purpose is to increase the community's welfare.

Indonesian constitution should be the guidance of the state implementation. So that every legal norms that are made to be implemented in the country which the final purpose is to create a welfare society should not be disregarded and contrary to other legal norms. The consequences of Indonesia as a unitary state, which has a local government that continues to grow because of the opening of the regional development valves resulting the supervision system that oversees all the activities of local government activities at all levels, especially for new autonomous regions. Supervision is not only the duty of the government but also the duty of the main area.

Indonesia as a democratic state law, adhere the sovereignty of the people and law. As a state law, all actions of state officials and citizens must be in accordance with applicable laws. Law in this case is the order of the norm hierarchy culminating in the constitution, namely the Constitution 1945. As such, the implementation of democracy must also accordance with the rule of law culminating in the 1945 Constitution. As the implementation of the conception of

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15 Jazim Hamidi, op.cit, page 338.
a democratic state, applied the principle of mutual balance and supervise between the state institutions (checks and balances system).\textsuperscript{17}

The importance of the principle of mutual balance and supervise is not only important between state institutions, but also important to do by the main area government with the district/city local government in the working area, especially for region with the status of a new autonomous region. It is need to be done to improve the efficiency and effectiveness of governance for increasing the prosperity. Untung said should be noted also the opportunities and challenges of global competition by utilizing the development of science and technology.\textsuperscript{18}

The scope of state finances stipulated in Law No. 17 of 2003, which include: The state right’s are to collect taxes, issue and circulate money, and make loans; The state’s obligation are to execute the public services state government and the paid the bill of third party; State Revenue; State Expenditures; Regional Revenue; Regional Expenditure; Wealth of the country/regional assets managed by ourselves or by other parties in the form of cash, valuable letter, accounts receivable, goods, and other rights that can be valued in money, including the wealth of the company separated by the state or region; Wealth of other parties controlled by the government with implementation of governmental tasks and/or the public interest; Wealth of other parties obtained by using the facilities from the government.

Approaches to understand the scope of regional finance can be seen from the side of the object, the subject, the process and the purpose, namely: First, from the side of the object, which is the financial region is all the rights and obligations in local government that can be valued in money including all forms of wealth relating to the rights and obligations of the region, within the plan of APBD. This understanding is in line with the understanding that given in the explanation of Article 156 paragraph (1) of Law No. 22 of 1999 which been replaced by Law No. 32 of 2004 and the last was replaced by Law No. 12 of 2008 on Regional Government. Second, in terms of the subject, the subject of their local financial is the party which involved in the financial management in the local government and its apparatus, regional companies, and other agencies that are related to the financial area, such as DPRD and the Supreme Audit Agency (furthermore called BPK). Third, from the side of process, the financial area includes all activities related to the management of objects from policy formulation to accountability. Fourth, the side of the purpose, financial region covers all the policies, activities and legal relationships relating with the ownership and/or control of the object within the regional administration.\textsuperscript{19}

From the description of the object, the subject, the process and the purpose is basically one activity called financial region management. In Article 6 paragraph (2) of Law No. 17 of 2003, Management referred include the overall activities of planning, controlling, usage, supervision and accountability. In carrying out the management there is the existence of the power manager. The authority to manage financial in the region is the governor/regent or mayor as the head of regional. In Article 10 paragraph (1) of Law No. 17 of 2003 said that the Implementation of power over financial region management is then carried out by two components, namely the Head of Financial Region Management as officials APBN and head of SKPD as Acting Head of Budget User SKPDs / Goods State.

From the scope of local finance, it will always be attached to the budget draft mainly related to APBD is an annual financial plan area specified by local regulations. Local government plans as written in the APBD is one of the economic policy instruments, which has its own function, namely: first, the authorization function. Implies that the budget becomes the basis


\textsuperscript{18} Untung Dwi Hananto, “Asas Desentralisasi dan Tugas Pembantuan dalam UU No. 32 Tahun 2004 Tentang Pe-

for implementing the revenue and expenditure for the year. Second, the planning function. Implies that the budget becomes the guidance for the management and planning of activities for the year. Third, the supervision function. Implies that the budget becomes the guideline to assess whether the activities of government administration is in accordance with conditions determined. Fourth, the allocation function. Implies that the budget should be directed to reduce unemployment and wastefulness of resources and to improve the efficiency and effectiveness of the economy. Fifth, the distribution function. Implies that budget policy should pay attention to the sense of justice and propriety. Sixth, the stabilization function. Implies that the government’s budget becomes the tool to maintain and strive the balance economic fundamentals. Besides closely related to the APBD, in the area of financial attached 4 (four) dimensions: (1) The dimensions of the rights and obligations; (2) The dimensions of purposes and planning; (3) The dimensions of the organization and public services; and (4) The dimensions of the value of money and goods (investment and inventory).

The enactment of Law No. 32 of 2004, the local government including the new autonomous regional governments have great authority to formulate policies that will be taken to carry out development must be consistent with the national interest and should not interfere and conflict with other legislation. Autonomous regions have the right and obligation to take care and manage his own household, including in terms of financial management region.

Implementation of local government functions will run up if the implementation of government affairs in the area provided by the central government to the regions followed by the sources of revenue sufficient for the region. Implementation of referring to the law on financial balance between the central government and local governments in the amount adjusted and aligned with the division of authority between the central and local governments to pay attention to the needs of the area.

The enactment of Law No. 32 of 2004, the government began to make corrections to the Law No. 22 of 1999 by applying the four models of supervision over regional regulations including supervision to regional regulations financial sector. First, the executive preview, which is against the draft Regional Regulations governing local taxes, levies, APBD, and RUTR before endorsed by the regional head, evaluated first by the Minister of Home Affairs to Raperda province, and by the Governor to Raperda district/city.

Second, executive review (limited), that is, if the results of the evaluation of Raperda and the draft Regulation of the Governor/Regulations Regent/Mayor of the explanation of APBD is declared contrary to the public interest and higher legislation is not acted upon by the Governor/Regent/Mayor together with DPRD and the Governor/Regent/Mayor remains set into law Raperda to be Perda and Regulation of the Governor/Regent/Mayor, Minister of Home Affairs for the province and Governor for the district/city cancel Perda and Governor/Regent/Mayor regulation.

Third, repressive supervision, such as canceling (executive review) against all Local Regulations done by the President through Presidential Decree. Fourth, preventive supervision, is on the draft Regulations of Head of the Regional on the new APBD can be implemented after obtaining approval from the Minister of Home Affairs of the province and the Governor for district/city. Supervision as mentioned above is important to intensively avoid a number of local regulations especially financial sector in local regulations which are canceled, although the reasons or considerations of the regulation are made to improve the welfare of the people in the region.

Freedom in autonomy is not without supervision. Decentralization which given as wide to the region does not negate the supervision. Supervision not only be done by the central go-


government but also can be done by local governments to the region in the working area, especially for the region with new status of a new autonomous region. Freedom owned by local governments in managing all the potential in the region still have to adjust with the national interest and another region interest so that the integrity of the country within the framework of unity is maintained.

Limitation of power in the implementation of state power is one of the characteristics of a state law. Therefore, in addition to supervise such a big authority granted to the region, also need to be considered to limit the power of the local government are directly regulated by the Law on local government.

Closing

Conclusion

As big as the authority owned by the region to manage all potential that exists in the region in the state administration has purpose to improve the welfare of the people still have to get control of the government and parent local governments, supervision is necessary in all sectors especially supervision of local regulations and other regulation policies in the financial sector, because of the local regulations is the most problematic in the financial sector. An obligation for the government and parent local governments to help the new autonomous regions for helping the fiscal and non-fiscal influences and disturbing administrators and parent local governments.

Suggestion

Pay attention to the readiness of new candidate autonomous regions before becoming the autonomous to be drafted as administrative region, which being administrative region cannot be able to be independent then do not be forced become autonomous regions. It is should be done thus after becoming autonomous region does not become dependant autonomous region and expect the help to local governments and parent. Fiscal and non-fiscal assistance should be given to candidate autonomous regions when the status still as administrative region, so that when the status has been changed into autonomous region is truly ready to be independent region, that do not rely on and intrude to the government and parent local governments.

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