

## THE APPLICATION OF THE PRINCIPLE OF DECENTRALISATION IN REGIONAL AUTONOMY

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### *Abstract*

*The transformation of Indonesia's governance system through decentralization has granted extensive authority to local governments to manage administrative affairs based on their unique potentials and needs. The principle of decentralization aims to accelerate development and enhance community welfare through improved public services. However, the implementation of this principle faces numerous challenges, including regional development disparities, abuse of power, and suboptimal budget management. This study employs a juridical-normative approach to analyze the effectiveness of decentralization in regional autonomy, focusing on supervision, budget allocation, and the administrative capacity of local governments. The findings reveal that while decentralization has the potential to accelerate development, fiscal imbalances and weak supervision remain significant obstacles. Consequently, reforms in oversight systems and more transparent budget management, alongside enhanced local government capacity, are necessary to maximize the benefits of decentralization. The study recommends strengthening supervision, improving central-local coordination, and adjusting budget allocations to reduce regional development disparities. These measures are expected to help achieve the goals of decentralization in fostering equitable development and enhancing community welfare.*

**Keywords:** decentralization, regional autonomy, equitable development

### INTRODUCTION

The development of the government system in Indonesia has undergone a significant transformation in recent decades. This change aims to create a just and prosperous society, as well as to ensure equitable development throughout the country. One of the important policies implemented to realise these goals is the implementation of regional autonomy, which is based on the principle of decentralisation. This principle gives local governments the authority to regulate and manage their government affairs, according to the potential and needs of each region, within the framework of the Unitary State of the Republic of Indonesia (NKRI). Therefore, the implementation of the principle of decentralisation is an important instrument in achieving equitable development goals.

According to Law No. 23/2014 on Regional Government, the implementation of regional government in Indonesia aims to accelerate the realisation of community welfare through improved public services, community empowerment, and community participation in development. This is in line with the basic principles of regional autonomy that emphasise equitable development and regional empowerment, by prioritising the principles of democracy, justice, and regional distinctiveness within the framework of the Republic of Indonesia. The 1945 Constitution of the Republic of Indonesia, particularly Articles 18, 18A, and 18B, also affirm the authority of regions to regulate and manage government affairs according to the principles of autonomy and assistance.

However, although the principle of decentralisation provides broad authority to local governments, its implementation often encounters various challenges. Development inequalities between regions, abuse of power by local officials, and imbalances in budget distribution are inevitable problems. Although the main objective of decentralisation is to bring public services closer to the people and improve their welfare, in practice, not all regions benefit equally from this policy. Many regions are still lagging behind in terms of basic infrastructure development, public services, and access to social facilities.

In addition, one of the major challenges in implementing the principle of decentralisation is the weak supervision of local governments (Syamsudin, 2023; Mansien, 2020; Arifin & Sasongko, 2024). Ineffective supervision often results in the allocated development budget not being utilised optimally, and even being misused by those with power at the local level. This phenomenon exacerbates social and economic inequalities between regions and, in turn, hinders the achievement of the main objective of regional autonomy, which is equitable welfare for all Indonesians.

Effective implementation of the principle of decentralisation in regional autonomy requires an evaluation of the supervisory mechanism, budget allocation, and the effectiveness of policies implemented by local governments. Therefore, this study aims to examine the implementation of the principle of decentralisation in regional autonomy and to evaluate how effectively the principles contained in the principle can be applied to achieve the goal of equitable development throughout Indonesia. The study also aims to provide recommendations on steps that can be taken to improve the implementation of regional autonomy in order to provide greater benefits to the community, especially in regions that are still lagging behind.

The main objective of this study is to examine the implementation of the principle of decentralisation in Indonesia's regional autonomy system. This research aims to evaluate the extent to which the principles of decentralisation have been implemented in local government, as well as to identify the challenges and obstacles faced by local governments in implementing autonomy policies. In addition, this study aims to explore the factors that influence the effectiveness of regional autonomy in realising equitable development and community welfare throughout Indonesia, by considering the role of supervision, budget allocation, and administrative capacity of local governments.

The hypothesis proposed in this study is that the implementation of the principle of decentralisation in regional autonomy in Indonesia still faces significant obstacles, both in terms of supervision, budget utilisation, and the capacity of local governments to respond to community needs. Although theoretically the principle of decentralisation aims to accelerate development and improve public welfare, in reality many regions have not fully benefited from this policy, due to weak supervisory systems, abuse of authority, and inequality in resource allocation. Therefore, we hypothesise that without significant reforms in budget management and stricter oversight, the objectives of regional autonomy will not be fully achieved.

This research is expected to make a significant contribution to the field of constitutional law, particularly in understanding the implementation of the principle of

decentralisation in regional autonomy. In addition, the results of this research can provide new insights into the challenges faced by local governments in implementing autonomy, as well as solutions that can be applied to improve these policies. By critically analysing the decentralisation mechanism, this research is also expected to provide practical recommendations to policy makers, both at the central and local government levels, in order to improve the effectiveness of regional autonomy and accelerate the achievement of fair and equitable development goals throughout Indonesia.

The conceptual framework of this study focuses on analysing the relationship between the principle of decentralisation, local government authority, and equitable development. Decentralisation is understood as a transfer of authority from the central government to local governments that aims to increase the capacity of regions to manage government affairs independently. In this context, local governments are expected to respond more effectively to community needs. However, this study also considers external factors such as weak oversight, inequitable budget allocations, and the potential for abuse of power that may hinder the achievement of regional autonomy goals. Using an analytical approach to existing regulations, this research will delve deeper into the relationship between regional autonomy, budget management, and oversight, to produce a more comprehensive understanding of the effectiveness of the principle of decentralisation in realising equitable development and welfare in Indonesia.

## LITERATURE REVIEW

Decentralisation is the process of delegating authority and responsibility from the central government to local governments or other lower entities to manage government affairs independently. Smith (in Ernita, 2024) states that decentralisation includes the granting of administrative authority to officials at the local level to the transfer of power to non-governmental institutions. Hendratno (in Taqiyyah & Muljaningsih, 2024) adds that decentralisation in Indonesia aims to provide autonomy for regions, in order to manage government affairs and accelerate community welfare. Decentralisation has the potential to improve the quality of governance by expanding public participation, transparency, accountability, and local government capacity. Fiscal decentralisation also supports public sector efficiency and economic growth by providing financial authority to local governments.

Decentralisation can be differentiated based on the level of authority granted to local governments and the areas of authority delegated. Based on the level of authority, *decentralisation* consists of *deconcentration* (delegation of administrative authority to the lower level), delegation (handing over responsibility for certain functions to non-bureaucratic organisations), devolution (granting substantial authority to local governments), and privatization (transfer of functions to the private sector) (Febriandiela, et al. 2024). Meanwhile, based on the field of authority, decentralisation is divided into political decentralisation (increasing the political power of the community), administrative (delegation of public service authority), fiscal (autonomisation of regional financial management), and economic (creation of a better environment for businesses) (Jaya, 2021).

These types of decentralisation are interrelated and must be implemented simultaneously to achieve effective regional autonomy and create regional independence in development.

## **METHOD**

This research uses an analytical descriptive method with a juridical-normative approach to examine the application of the principle of decentralisation in regional autonomy. The data used consists of primary legal materials (relevant laws and regulations), secondary legal materials (expert views, books, and other literature), and tertiary legal materials (legal dictionaries, encyclopedias, and journals). Data collection is conducted through literature study, while data analysis uses a qualitative approach that produces a systematic and in-depth description of the application of decentralisation in local government practice. This research focuses on the analysis of legal norms governing decentralisation to provide solutions to problems faced by regions in implementing regional autonomy, with the aim of improving public welfare and inter-regional cooperation.

## **RESULT AND DISCUSSION**

Based on the research findings, although the principle of decentralisation has been implemented in various policies and laws, effective implementation still faces a number of significant obstacles, both in terms of supervision, budget management, and administrative capacity of local governments. Theoretically, decentralisation aims to accelerate development and improve public welfare by delegating authority to local governments. In this case, local governments are given the space to manage natural resources, collect taxes, and conduct local levies in accordance with local needs. Article 18A Paragraph (2) of the 1945 Constitution of the Republic of Indonesia affirms the importance of a fair and harmonious financial relationship between the central and regional governments, which is regulated through legislation. In practice, decentralisation provides opportunities for regions to optimally utilise local potential and increase fiscal independence. However, although decentralisation is theoretically expected to accelerate development, the reality is that there are still disparities between more developed regions and lagging regions, especially in terms of fiscal capacity and resource management.

One of the main challenges in the implementation of decentralisation is the disparity between rich and poor regions. Some regions, especially those with large natural resource potential, are able to manage their finances independently and implement relatively faster development. In contrast, regions with limited fiscal capacity rely heavily on allocation funds from the central government. This dependency leads to disparities in development between regions, where richer regions can obtain more funds and undertake better development, while poorer regions struggle to address the basic needs of their people (Rohima, 2017; Haryanto, 2018). This shows that although the principle of decentralisation gives more authority to regions, the inequality in fiscal capacity between regions is a major obstacle in achieving the goal of equitable development.

Another aspect that affects the effectiveness of decentralisation is the management of the Balance Fund, which consists of Revenue Sharing Fund (DBH), General Allocation

Fund (DAU), and Special Allocation Fund (DAK). These funds are designed to reduce fiscal imbalances between regions and support development in less developed regions. However, the implementation of the management of these balancing funds has been problematic in terms of poorly targeted allocations and weak oversight. Despite efforts to improve the management of these funds, some regions still experience difficulties in managing their budgets effectively, resulting in suboptimal use of funds (Saputra, 2023; Trisakti & Djajasinga, 2021). In addition, lack of clarity in regulations and lack of transparency in budget management are other factors that exacerbate inequality in the distribution of balancing funds.

The importance of oversight in the implementation of decentralisation is also a key finding in this study. Weak oversight of local budget management and abuse of authority are significant obstacles in ensuring that decentralisation is fit for purpose. Overlapping regulations, misalignment between central and local policies, and the low capacity of local governments to plan and manage budgets transparently often lead to misuse of funds and inefficiencies in policy implementation (Pradana, 2021; Rahayu & Badrudin, 2019). Therefore, strengthening oversight and improving administrative capacity at the local level are key to realising the effectiveness of regional autonomy.

The reforms introduced in Law No. 1 of 2022 on Financial Relations between the Central and Local Governments (HKPD Law) seek to address some of these challenges. One of the significant changes in the HKPD Law is the calculation of the General Allocation Fund (DAU), which now takes into account the economic conditions and specific needs of the regions, instead of being based on the same standard for all regions. This is expected to create equity in the quality of public services across regions. In addition, the HKPD Law also introduces restructuring in the local tax system with the aim of improving the ability of regions to collect taxes and manage resources more efficiently (Hidayat & Herlin, 2019). However, despite improvements in terms of fiscal policy and fund allocation, challenges related to uneven supervision and implementation remain major obstacles that need to be resolved.

Based on the research findings, the proposed hypothesis can be concluded that the implementation of the principle of decentralisation in regional autonomy in Indonesia still faces significant obstacles. Without deeper reforms in budget management and stricter supervision, the goal of regional autonomy to accelerate development and create equitable distribution of public welfare will not be achieved optimally. This research reveals that while decentralisation can provide benefits in terms of increased development and welfare at the local level, administrative capacity imbalances, inefficient financial management, and weak oversight are the main constraining factors in the optimal implementation of this policy (Lessmann, 2011; Lecuna, 2012).

Overall, this study concludes that in order to achieve the goal of more effective decentralisation, it is necessary to increase the capacity of local governments, strengthen the supervisory system, and improve budget management in a more transparent and efficient manner. Without these measures, decentralisation will only create further inequalities

between regions, and will not succeed in achieving equitable development and overall public welfare in Indonesia.

## **CLOSING**

### **Conclusion**

The implementation of the principle of decentralisation in Indonesia's regional autonomy system shows that despite significant progress in granting authority to local governments, the implementation still faces various obstacles. The main constraints identified in this study include fiscal imbalances between regions, limited administrative capacity, and weak oversight. Although the main objective of decentralisation is to accelerate development and improve people's welfare through resource management that is more responsive to local needs, the reality is that many regions have not yet experienced optimal benefits due to dependence on central funds, inefficient budget management, and abuse of authority. Therefore, the implementation of the principle of decentralisation in Indonesia still requires improvements in the aspects of budget management, supervision, and capacity building of local governments.

### **Suggestion and Recommendation**

Based on the findings of this study, it is recommended that the central government increase its support for strengthening the capacity of local governments, especially in terms of budget management and a more effective supervisory system. Strengthening supervision can be done through the establishment of more transparent and accountable mechanisms in the management of balancing funds and local taxes, as well as improving administrative capabilities at the local level. In addition, there needs to be adjustments in budget allocations that pay more attention to the economic conditions of each region to reduce inequality in development between regions. Reforms in the decentralisation system must be accompanied by increased coordination between the central and local governments so that the goal of equitable development and public welfare can be achieved to the fullest. Strict supervision and transparent financial management will be key in realising effective regional autonomy.

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