

REFORMULATION OF LEGAL POLICIES TO INCREASE THE EFFECTIVENESS OF LOCAL REVENUES OF JAMBI PROVINCE

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Abstract

The purpose of this study is to analyze; (1) How effective is the current legal policy formulation to increase local revenues?; (2) How to reformulate policies to increase local original income in the future? The research method used is empirical juridical with a statutory approach, concept approach, and case studies. The results showed that; (1) the effectiveness of legal policy formulation to increase local original income currently in Development in Jambi Province can be said to be quite good. This can be seen from the very controlled inflation, GDP that is growing again, the Gini Ratio that is getting closer to the target, and the Farmer Exchange Rate is getting better. Macroeconomic indicators in Jambi Province are quite encouraging. The economy grew 3.66% from last year which shows the recovery is going well although slightly slower than last quarter. The inflation rate is also very well maintained while interest rates are still set low to boost the wheels of the economy so that consumption levels can increase further. The performance of the rupiah this year is very good and even far outperforms other countries in the Southeast Asian region; Well-being indicators have also improved. (2) Policy reformulation to increase local original income in the future, including; a) Increase in Gross Domestic Product, b) Control of Interest Rates, Inflation, Exchange Rate, c) Improvement of Infrastructure, d) Employment Development and Unemployment Reduction, e) Improvement of leading and potential sectors in the regions. The government should be more serious about developing leading and potential sectors in the regions. The leading sectors are the Agriculture, Forestry & Fisheries sector, the Mining & Quarrying Sector and the Education Services Sector. Meanwhile, the Water Procurement, Waste Management, Waste and Recycling Business Sector and Information and Communication Sector are potential sectors to be developed in Jambi Province. By having a map of the potential and leading sectors, of course, it is expected that future fiscal spending will be directed to support infrastructure and related infrastructure facilities that can further encourage the sector to grow. Even if planned well, it is not impossible that this superior sector will become a distinctive sector of Jambi Province so as to further enlarge the role of Jambi Province in the Sumatra region in the future.

Keywords: Reformulation, Policy, Law, Effectiveness, Local Original Revenue, Jambi Province

A. INTRODUCTION

Indonesia is a unitary state that applies the concept of decentralization as a government system with a form of regional autonomy. Since the beginning of independence until now there have been several laws and regulations governing regional autonomy policies. Law of the Republic of Indonesia Number 1 of 1945 adheres to the formal household system. Law of the Republic of Indonesia Number 22 of 1948 which gives the widest possible

autonomy rights to the regions. Furthermore, Law of the Republic of Indonesia Number 1 of 1957 which adheres to the widest possible real autonomy followed by Law of the Republic of Indonesia Number 5 of 1974 which regulates a real and responsible regional autonomy system. Then Law of the Republic of Indonesia Number 2 of 1999 which adheres to the principle of broad, real and responsible regional autonomy has been amended by Law of the Republic of Indonesia Number 32 of 2004 with a fiscal decentralization policy on central and regional financial balance, until the last is Law of the Republic of Indonesia Number 23 of 2014.

In line with the granting of authority to local governments (Pemda), local governments are expected to be better able to explore financial resources, manage, and be able to use their own finances that are adequate enough to finance the implementation of their local governments, especially those sourced from Regional Original Revenue (PAD). Regional financial factors are indispensable for implementing autonomy. In order to finance regional expenditures, local governments must increase sources of income, especially PAD.

The ability of local governments to administer government in the implementation of regional autonomy is basically strongly influenced by regional financial capabilities. This forces the regions, either provinces or districts / cities to be able to manage finances well. Local governments, both provincial and district/city, must be able to maximize regional revenues. Regional revenue comes from Regional Original Revenue which is divided into four parts, namely the results of regional taxes, the results of regional levies, the results of Regional Owned Enterprises (BUMD), and other legitimate local original revenues. Basically, local taxes and levies contribute greatly to PAD when compared to other sources of income. Given the importance of PAD in supporting regional finances, local governments, both provincial and district/city, continue to make improvements in maximizing the absorption of PAD. One of the efforts of local governments to explore sources of Local Original Revenue in this discussion is through retribution. As stipulated in the Law of the Republic of Indonesia Number 28 of 2009 concerning Regional Taxes and Retribution, it is explained that retribution is divided into three groups, namely general service retribution, business service retribution, and certain licensing levies.

Another important source of local revenue is the Regional Levy. Regional Retribution has the following characteristics: ¹

- a. The levy is levied by the Local Government.
- b. In the levy there are achievements given to regions that can be directly appointed
- c. Levies are imposed on anyone who utilizes the services provided by the Regional Government.

Regionallevy is a regional levy as payment for certain services or permits specifically provided and/or granted by local governments for the benefit of private persons or entities. There are several levels of levy imposed by the government on the community, namely levies on public services for direct use, levies for public services that require different levels of direct cost reimbursement and levies² based on certain government authorities

for receiving the levy. To be able to determine the basis for the imposition of a levy or object of retribution on regional revenue potential, it is necessary to assess the potential income of the region. There are several criteria that must be met in order for potential regional revenues to be subject to retribution, namely: adequacy and elasticity, fairness, administrative ability, political agreement and levy assessment by local governments, among others; coverage and elasticity, fairness, administrative ability, political agreement, and assessment of levies by the government.^{3 4}

The negative impact of the levy has not been optimal, directly affecting regional development based on the consideration that basically retribution is a method of transferring economic resources of the community (*private*) to regional income. Levies can be levied from the flow of economic resources (flow of resources, in the form of receipts of income and expenditure) and stock of *resources*, all of which have thirteen points of imposition, levied from individuals, legal entities and other subjects, and collected directly to the taxpayer (*tax payer*) and indirectly through other parties (*with holding agent*) as tax collector.

In general, taxes can be interpreted as levies imposed by the government on income, wealth and capital gains of individuals and companies, as well as immovable property rights. In the context of state revenues and expenditures, it is certain that the tax levy has a direct impact on the financial system and the national economy, which in turn affects all aspects of state life. Regional retribution based on Law of the Republic of Indonesia Number 28 of 2009 concerning Regional Tax and Regional Retribution formulates regional retribution as payment for certain services or permits specifically provided and/or granted by local governments for personal or corporate interests.⁵

The sources of Regional Revenue according to Law of the Republic of Indonesia Number 33 of 2004 are: (1) Local Original Revenue, (2) Balancing Fund, (3) Regional Loan, and (4) Other Legal Revenue. Meanwhile, the sources of Regional Original Revenue in accordance with Article 6 of Law of the Republic of Indonesia Number 33 of 2004 are: (1) Regional Taxes, (2) Regional Levies, (3) Results of Separated Regional Wealth Management, and (4) Other Legal Local Original Revenues. Based on the sources of Regional Original Revenue mentioned above, the most potential and provide the largest input to the regional treasury is regional taxes and levies.

Regional levies are basically managed by each region, meaning that the management of these regional levies between one region and another region is different. Based on Government Regulation Number 66 of 2001 concerning Regional Retribution, one of the regional levies is the parking levy. This parking levy is included in the general service levy which contributes quite potentially to the Local Original Revenue. For this reason, the Regional Government must really use the results of Local Original Revenue as well as possible.

B. REGIONAL REVENUE THEORY

1. Local Native Revenue

In Article 1 paragraph (13) of Law Number 33 of 2004 concerning Financial Balance between the Center and the Regions, what is meant by Regional Revenue is a matter of local governments that are recognized as adding to the value of net worth in the relevant year period. Finally, with the issuance of Law Number 32 of 2004 and Law Number 33 of 2004, it has given new hope regarding broad autonomy for district regions, delegation of duties to regional governments in broad autonomy accompanied by delegation of authority in the financial sector. One important indicator of authority in the financial sector is the amount of Regional Original Revenue (PAD). In any state system in the world, there are hardly any conditions where regional expenditures are financed entirely by local revenues. In the case of fund transfers from the center is a very important source of regional revenue.

Regional Original Revenue (PAD) is one of the sources of regional revenue that supports regional financial capabilities. Regional original revenue is very important, especially in supporting the implementation of regional autonomy, where financial capabilities derived from regional original income are used as one of the variables to measure the ability of regions to carry out autonomy tasks handed over or that have been handed over by the central government to the regions. In order for local governments to have their own household affairs, local governments need to increase their regional revenues through the empowerment of State-Owned Enterprises (SOEs) and Local Original Revenue (PAD) derived from taxes, levies, and others.⁶

Regional Original Revenue (PAD) according to Law No. 33 of 2004 concerning the Balance of Power between the Center and Regional Government Article 6 Paragraph (1) of PAD comes from:

- a. Local Taxes;
- b. Regional levies;
- c. The results of the management of separated regional wealth; and
- d. Miscellaneous valid PAD.

Paragraph (2) other valid PAD as referred to in paragraph (1) point d includes:

- a. Sales proceeds of unseparated areas;
- b. Current account services;
- c. Interest income;
- d. Profit on rupiah exchange rate difference against foreign currencies; and
- e. Commissions, deductions, or other forms as a result of the sale and/or procurement of goods and/or services by the regions.

To realize this, all existing government organizations play an important role and are fully responsible in seeking to increase local government revenue. However, the organization or government agency that is directly related to it is the local regional revenue office which has the main task of organizing regional revenue collection and coordinating with other agencies in planning, implementing, and controlling regional revenue collection.⁷

The existence of local native income becomes very essential with the establishment of autonomous regions. Regarding the position of local original income, it is very strategic in the implementation of regional autonomy. Regional finance is the ability of local governments to manage starting from planning, implementing, supervising, controlling and evaluating various financial resources in accordance with their authority in the context of implementing the principles of decentralization, deconcentration, and assistance tasks in the regions embodied in the APBD.⁸

From the description of revenue stated above, it shows that regional original income occupies a basic and important position in the implementation of regional autonomy. This shows that carrying out its duties, the Regional Revenue Office as a government agency that is directly related to regional revenue collection, needs to cooperate with various other government agencies or agencies.

In accordance with Article 18 of Government Regulation Number 105 of 2000, the central government is physically implemented in the regions, so there are several central government projects implemented in the regions that are financed by the central government through the APBN but the funds are also included in the Regional Revenue and Expenditure Budget (APBD). Local government financing in conjunction with financing from the central government is regulated as a matter that is the duty of the Central Government in the regions in the context of deconcentration financed at the expense of the state budget.

Affairs that are the duties of the Central Government or Regional Government at its top level, which are carried out in the framework of assistance duties, are financed by the central government at the expense of the State Budget or by the local government above it at the expense of the APBD of the assigning party. As long as the potential of regional financial resources is insufficient, the central government provides a number of donations. Thus, for the District Government, in addition to receiving assistance from the Central Government, it also gets an abundance from the province, also from the Central Government through the State Budget. In accordance with Government Regulation Number 105 of 2000 concerning the Handover or Delegation of Central Government Authority to the Governor or the transfer of authority or assignment of the Central Government to the Regent followed by financing.

Based on the legal provisions of Article 23 of Government Regulation Number 105 of 2000 concerning the Handover or Delegation of Central Government Authority to the Governor or Regent can be carried out in the context of decentralization. Deconcentration and assistance tasks. Any transfer or delegation of authority from the Central Government to the regions in the context of decentralization and deconcentration is accompanied by

the transfer of human resources and facilities as well as the allocation of the budget needed for the smooth implementation of the handover and delegation of authority.

Meanwhile, assignments from the central government to regions in the framework of assistance tasks are accompanied by budget allocation. Based on Law Number 32 of 2004 concerning Regional Government and Law Number 33 of 2004 concerning Financial Balance between Central and Regional Governments, the central and regional governments are a unit that can be separated in efforts to administer government and community services. The main mission of the two laws is not only the desire to delegate authority, more importantly the desire to improve the efficiency and effectiveness of regional financial resource management in order to improve welfare and services to the community. For this reason, the spirit of decentralization, democratization, transparency and accountability has become very dominant in coloring the process of governance in general in the process of regional financial management, in particular.

In particular, Law Number 33 of 2004 concerning Financial Balance between the Central and Regional Governments has established a clear foundation in structuring regional financial management and accountability, among others, providing flexibility in determining regulatory products, namely provisions on the principles of regional financial management regulated by Regional Regulations. Regional financial management systems and procedures are regulated by decree of the regional head in accordance with regional regulations. Regional heads submit accountability reports to the DPRD regarding regional financial management and regional financial performance in terms of financial efficiency and effectiveness. The regional financial accountability report is a regional document so that it can be known by the community.

2. Sumber-Source of Local Original Income

In the framework of the implementation of State government and national development to achieve a just, prosperous and equitable society based on Pancasila and the 1945 Constitution, Article 1 of the 1945 Constitution stipulates that the Indonesian state is a unitary state in the form of a Republic. Furthermore, Article 18 of the Fourth Amendment to the 1945 Constitution, stated from paragraphs (1) and (2) is:

- a. The Unitary State of the Republic of Indonesia is divided into provinces and the provinces are divided into regencies and cities, each of which has a local government, which is regulated by law
- b. The local governments of provinces, districts and cities regulate and manage their own government affairs according to the principle of autonomy and assistance duties.

The sources of financing for the implementation of decentralization consist of Regional Original Revenue, equalization funds, regional loans and other legitimate revenues. Regional Original Revenue Source is a regional financial source extracted from within the relevant area consisting of local tax proceeds, regional levy proceeds, separated regional wealth management results, and other legitimate Regional Original Revenue.

One of the important factors that influence the success of the implementation of the decentralization principle is the handover of adequate human resources and physical equipment to support the efforts handed over to the regions. The problem is not the adequate amount of funds but how far the regions are in determining the use of funding sources and digging into sources of funds in the regions.

In this connection, Tjanya Supriatna emphasized that effective financial policy is needed which covers several aspects, namely:⁹

1. Financing in the framework of the principle of decentralization and deconcentration and assistance duties.
2. Local Original Source of Income
3. Regional financial management and improving the ability of regional apparatus in managing regional finances and revenues.

Adequate funding or financial resources for organizations that are delegated responsibility are attractive regional financial policy issues in the framework of regional financial management and are efficient and effective. Regional financial mobilization is closely related to the structure of financial improvement directed at extracting potential, investment and assistance.

Regional finance is the ability of local governments to manage starting from planning, implementing, supervising, controlling and evaluating various financial resources in accordance with their authority in the context of implementing the principles of decentralization, deconcentration, and assistance tasks in the regions embodied in the APBD.¹⁰

Based on the principle of decentralization, all local government affairs both regarding expenditure of personnel expenditures and regional operations as well as regarding regional development projects must be financed from the APBD. This does not mean that local governments must have sufficient local revenues for all these expenditures, but can also be from regional revenues in the form of revenue sharing from the central government or subsidies. It's just that if the central government provides subsidies to regions in the context of implementing this principle, then these subsidies must be black grants, where the use is fully handed over to regional governments in the regional budget.

Law Number 33 of 2004 concerning Financial Balance between the Central and Regional Governments, has stipulated the basics of local government financing as follows. First, in accordance with Article 4 of Law No. 33 of 2004 concerning Financial Balance between the Central and Regional Governments, the implementation of regional tasks in the context of implementing decentralization is financed at the expense of the Regional Budget. Second, the implementation of the duties of the Central Government carried out by the provincial apparatus in the context of implementing deconcentration is financed at the expense of the State Budget. Third, the implementation of the duties of the Central Government carried out by regional and village officials in the framework of assistance tasks is financed at the expense of the State Budget.

Handover or delegation of authority of the Central Government to the Governor or Regent / Mayor can be carried out in the context of decentralization, deconcentration, and assistance duties. Every transfer or delegation of authority from the central government to the regions in the context of decentralization and deconcentration is accompanied by the transfer of human resources, and the means and budget allocation needed for the smooth implementation of the handover and delegation of authority. Meanwhile, control from the Central Government to the regions in the framework of assistance tasks is accompanied by budget allocation.

As an autonomous region that has the rights, authority and obligation to regulate and manage its own household, regional revenue is very important in the context of financing regional household affairs. Regions can explore local sources of native income from:

1. Local Taxes
2. Regional Retribution
3. Regional Company Results
4. Other legitimate undertakings.

Further explanation of the original sources of income of the region is as follows:

1. Local Taxes

The definition of Law Number 34 of 2000 and Government Regulation Number 66 of 2001 that regional tax is a mandatory contribution made by an individual or entity to the region without a balanced direct reward, which can be implemented based on applicable laws and regulations, which is used to finance the implementation of local government and regional development.¹¹

Regional tax, as one of the Regional Original Revenues, is expected to be one of the sources of financing for the administration of government and regional assistance, to improve and equalize community welfare. Thus, regions are able to exercise autonomy, namely being able to regulate and manage their own households even though several types of regional taxes have been stipulated in Law No. 34 of 2000, districts / cities are given the opportunity to explore the potential of their financial resources by determining types of taxes other than those that have been determined as long as they meet the criteria that have been determined and are in accordance with the aspirations of the community. Local tax criteria other than those set by the District/City:

- a. Tax and not levy
- b. The tax object is located or located in the area of the Regency / City concerned and has a fairly low mobility and only serves the community in the Regency / City area concerned.
- c. The object and basis of imposition of taxes do not conflict with the public interest.
- d. The tax object is not a provincial tax object and/or a central tax object.
- e. The potential is adequate.

According to Article 2 paragraph (1) of Law Number 34 of 2000 the types of provincial taxes consist of:

- a. Motor vehicle tax and vehicles on water Namely taxes on the ownership and / or control of motor vehicles are all two-wheeled or more vehicles and their couplings used on all types of land roads, and are driven by technical equipment in the form of motors and other equipment that functions to convert a certain energy resource into the motion power of the motor vehicle concerned including large moving tools. Vehicles on water are all vehicles driven by engineering equipment in the form of motors or other equipment that serves to convert a certain energy resource into the motion power of the motor vehicle concerned used on water.
- b. Duty on the return of the name of motor vehicles and vehicles on water Tax fees on the transfer of title to motor vehicles and vehicles on water as a result of a two-party agreement or unilateral action or circumstances that occur due to buying and selling, exchanging, inheritance or income into a business entity.
- c. Motor vehicle fuel tax namely taxes on fuel provided or considered to be used for motor vehicles, including fuel used for vehicles on water.
- d. Taxes on the extraction and utilization of underground and surface water. That is a tax on the extraction and utilization of underground water and/or surface water for use for private persons or entities except for basic household and agricultural purposes of the people. Underground water is water that is in the bowels of the earth, including springs that appear automatically on the ground surface

According to Article 2 paragraph (2) of Law Number 34 of 2000 the types of Regency / City taxes consist of:

- a. Hotel tax
- b. Restaurant tax
- c. Entertainment tax
- d. Billboard tax
- e. Street lighting tax
- f. Group C excavation tax
- g. Parking tax

According to Article 3 of Government Regulation Number 65 of 2001 tax subjects and taxpayers are:

- a. Subjects of motor vehicle and vehicle on water tax are private persons or entities that own and/or control motor vehicles and vehicles on water. The taxpayer is an individual or entity that owns motor vehicles and vehicles on water.

- b. The subject of duty on the return of the name of the motor vehicle and the vehicle on the water of the taxpayer is a natural person or entity accepting the delivery of motor vehicles and vehicles on water
- c. The subject of motor vehicle fuel tax is an individual or entity that uses a motor vehicle
- d. The tax subject of the collection and utilization of underground and surface water is the taxpayer an individual or entity that takes or utilizes underground or surface water
- e. The subject of the hotel tax of the taxpayer is the hotelier
- f. The taxpayer's restaurant tax subject is the restaurant owner
- g. The subject of the taxpayer's entertainment tax is an individual or entity that organizes entertainment
- h. The subject of the taxpayer billboard tax is an individual or entity that organizes the billboard
- i. The taxpayer's street lighting tax subject is an individual or entity that is a customer of electricity and/or a user of electric power
- j. The taxpayer is an individual or entity that organizes the collection of class C excavated materials
- k. The subject of the parking tax of the taxpayer is a natural person or entity that organizes the parking lot.

According to Article 30 of Government Regulation Number 65 of 2001 local tax objects include:

- a. Objects of motor vehicle tax and vehicles on the water
- b. Object of duty tax on the return of the names of motor vehicles and vehicles on water
- c. Object of motor vehicle fuel tax
- d. Tax objects of extraction and utilization of underground and surface water
- e. Hotel tax objects
- f. Restaurant tax objects
- g. Objects of entertainment tax
- h. Billboard tax objects
- i. Street lighting tax object
- j. Tax objects for the collection of excavated materials of group C
- k. Parking tax objects

2. Regional Retribution

According to Law Number 34 of 2000, the definition of regional levy is a regional levy as payment for certain services or permits specifically provided and/or granted by local governments for the benefit of private persons or entities. Regional retribution as expected to be one of the Regional Original Revenues is expected to be one of the sources of financing for the implementation of government and regional development, to improve and utilize the welfare of the people of the Regency / City Region is given the opportunity to explore the potential of its financial sources by determining the type of levy other than what has been determined, as long as it meets the criteria that have been determined and in accordance with the aspirations of the community.¹²

Based on Article 18 of Law Number 34 of 2000 consists of:

- a. The subject of the general levy is a private person or entity that uses or enjoys the services of the public service concerned. The subject of this general services levy can be a general service levy taxpayer.
- b. The subject of the business services levy is an individual or entity that uses or enjoys the services of the business concerned. This subject may constitute a mandatory business services levy.
- c. The subject of a particular licensing levy is an individual or entity that obtains a certain permit from the Local Government, this subject may constitute a mandatory levy for certain licensing services.

According to Article 18 of Law Number 34 of 2000, the object of retribution is various types of certain services provided by local governments. Not everything provided by local governments can be levied, but only certain types of services that according to socioeconomic development are eligible to be the object of retribution for certain services are grouped into three groups, namely general services, business services, and certain permits.

3. Regional Company Results

In a general explanation based on Law Number 5 of 1962, Regional Companies are all companies or entities whose capital, either wholly or in part, is a separate regional activity. Thus, the local government can act as the full owner of the company or as the owner of part of the shares in the company. The purpose of regional companies is to participate in implementing regional development in particular and national economic development in general to meet the needs of the people by prioritizing peace and tranquility of work in the company to lead to a just and prosperous society.

Based on the provisions above, although regional companies are one of the components that are expected to contribute to regional revenues, the main nature of regional companies is not profit-oriented but instead provides services and organizes public benefits or in other words, regional companies carry out dual functions that must be guaranteed balance, namely social functions and economic functions.

In addition to regional companies that are the original source of regional income, there are also agencies which are one of the important sectors that generate many sources of local original income. Although the main task and function of the regional office is to provide services to the community without taking profit and loss into account, within certain limits it can be aired and act as an economic organization that can provide services in return.

Thus, in addition to carrying out part of the duties and authorities of local governments, namely providing basic services and public services, regional companies should be able to generate income or profits that can be contributed to Regional Original Revenue. Regional enterprises cover a wide range of economic activities, not only in providing the basic needs of local communities.

The types of Regional Companies in Indonesia include the following activities:

- 1) Types of drinking water
- 2) Waste management
- 3) Dirty water management
- 4) Market management
- 5) Provision of transportation
- 6) Banking and credit
- 7) Slaughterhouses
- 8) Attraction management
- 9) Management of tourist facilities
- 10) Other industries
- 11) Other Services

4. Other Legal Regional Business Results

Legitimate regional business results are regional results obtained from the efforts of local government officials and are not the results of the activities and authorities of the relevant local government apparatus matters concerning legitimate regional businesses are:

1. Regional business can be carried out by a local government apparatus which in its activities produces a good or service that can be used by the community with compensation.
2. Regional businesses as a source of regional income must be included in the regional treasury. The results of such legitimate regional business may include, among others, services in the fields of:
 - a. The proceeds of the sale belong to the region
 - b. Reimbursement of prequalification costs

- c. Reimbursement of auction document costs
- d. Current Account Services
- e. Rent an official house/rent buy a house
- f. Heavy administrative money
- g. Fixed dues and production dues
- h. Factory warehouse rental
- i. Miscellaneous acceptance

3. Local Original Revenue Management

Based on Law Number 32 of 2004 concerning Regional Government and Law Number 33 of 2004 concerning Financial Balance between Central and Regional Governments, Central and Regional Governments are an inseparable unit in efforts to administer government and community services. The main mission of the two laws is not only the desire to delegate authority and financing from the Central Government to the Regional Government, but more importantly the desire to improve the efficiency and effectiveness of regional financial resource management in order to improve welfare and services to the community. For this reason, the spirit of decentralization, democratization, transparency and accountability has become very dominant in coloring the process of governance in general and the process of regional financial management in particular.

Within the framework of the governance system, it can be seen that the financial management system is basically a sub-system of the government system itself. As the state financial system mandated in Article 23 paragraph (5) of the 1945 Constitution, aspects of regional financial management are also sub-systems regulated in Law Number 32 of 2004 concerning Regional Government. Article 80 stipulates that the financial balance of the central and regional governments is regulated by law. With this regulation, it is hoped that there will be a more transparent and accountable balance in distribution, authority, financing and better structuring of the financial management system in realizing the implementation of regional autonomy optimally according to the dynamics and demands of the developing community.

C. DISCUSSION

a. Effectiveness of Legal Policy Formulation to Increase Current Local Original Revenue

Economic development is a series of efforts and policies aimed at improving people's living standards, expanding employment, equalizing people's income sharing, improving regional economic relations. The direction of economic development strives for people's income to rise steadily and with the best possible level of equity. Development is a positive change, which includes resource management activities in an area that are carried out and their results, and will be reflected in regional income and the level of welfare of its population.

Optimization of Local Original Revenue of Jambi Province, among others: optimizing leading sectors and regional potential. Among others: tourism sector in Kerinci District, agricultural sector: in Sungai Penuh, Batanghari, Bungo, Tebo, and Merangin trade sector in Muaro Jambi, forestry sector in West and East Tanjung Jabung, mining sector in Sarolangun District. Another strategic step is to digitize economic transactions in the regions (example: levy payments, local taxes, vehicle taxes). Jambi Province's regional revenue rose 7.39% or IDR 18,212.97 billion. One of the increases was due to an increase in PAD which grew by 23.64% or to 3,268.26 billion Rupiah. Meanwhile, the lower income is other income due to the considerable reduction in grant receipts for handling COVID-19.

In the last 3 years, PAD has again shown growth in terms of achievement. This growth cannot be separated from the efforts of the local government to continue to maximize the revenue potential in the regions. Regional Tax still dominates PAD with a portion of 72% and grows by 15%. While other legitimate PAD ranks second with a share of 20% with a growth of 12%.

Table 1: Jambi Province's Original Revenue in 2021

No.	Kind	Total (billions)
1.	PAD	3.268,26
2.	P. Transfer	14.626,86
3.	LLPDyS	317,84
Total Regional Revenue		18.212,97

Table 2: Jambi Province Regional Shopping in 2021

No.	Kind	Total (billions)
1.	Operating Expenses	11.426,83
2.	Capital Expenditure	3.133,77
3.	Unexpected Shopping	90,09
4.	Transfer Shopping	2.757,48
Total Regional Expenditure		17.408,17

Source: Jambi Provincial APBD (Data processed)

One of the factors supporting this growth is the recovery of community activities. This is marked by the increase in community activities visiting recreation places and entertainment venues. One source of revenue that reflects this is from the increasing Motor Vehicle Fuel Tax and Street Lighting Tax. Both of these taxes have a fairly large portion with a portion of 20% and 10% of the PAD, respectively.

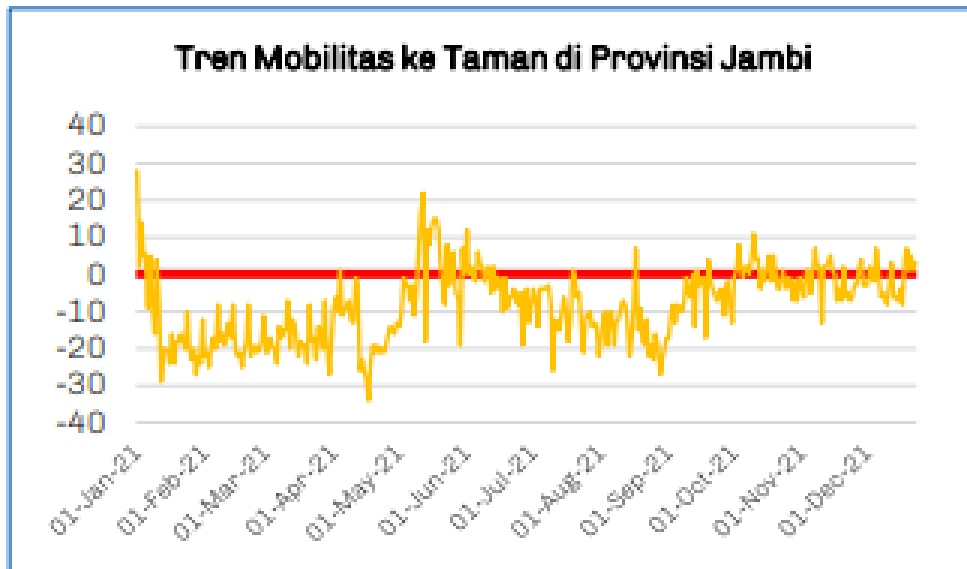


Figure 1: Mobility Trends to Parks in Jambi Province in 2021

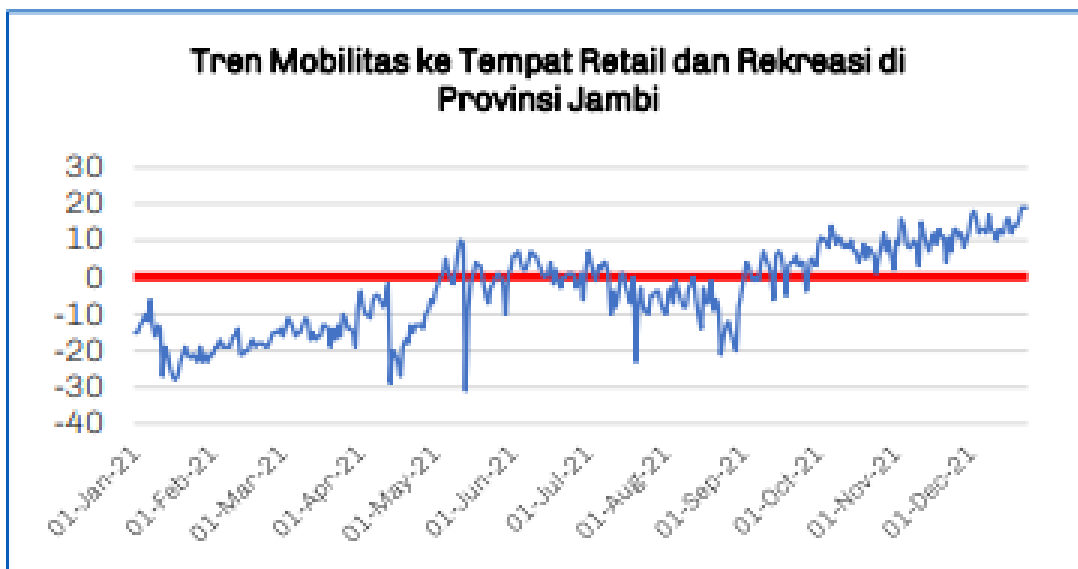


Figure 2: Mobility Trends to Retail & Recreation Places in Jambi Province in 2021

In line with the decline in COVID-19 cases in Jambi Province, the increase in community activities also has a further impact. The further impact of the increase in activity is the growth of hotel occupancy rates. The high hotel occupancy rate will also have a direct impact because hotel tax is one of the PAD in Jambi Province.

Meanwhile, the largest source of PAD is still dominated by Vehicle Tax and Motor Vehicle Name Return Duty. These two taxes each have a portion of 25% and 20% of PAD. The amount of this vehicle tax shows the level of ability of the Jambi people who are slowly

recovering along with the improving economy. When compared to the GRDP of Jambi Province, PAD is still very far from what was expected.

This is because in the last 3 years, the ratio of PAD to GDP is no more than 10%. The low level of PAD is due to the high level of dependence of the local government on transfer funds from the Central Government. So that the role of PAD even to finance the APBD itself is still very low.

1) Analysis of the level of fiscal independence

The level of Fiscal Independence is the main indicator in measuring the ability of local governments to self-finance their activities without relying on outside assistance including the central government. The level of Fiscal Independence can be measured using the Hunter Formula (1977) which is adjusted to the structure of the regional budget in Indonesia. To measure the index using the following formula:

$$IKF = 1 - \frac{TrGP + TrSP + B + REVSH}{REVOR + TrGP + TrSP + B + REVSH}$$

Where:

REVOR is PAD

TrGP is DAU, Otsus, Village Fund and Inter-Regional Transfer

TrSP is Physical DAK and Non-Physical DAK

B is Regional Loan Receipt

REVSH is DBH

The results of the IKF calculations will then be categorized. The classification of IKF results uses the following categories:

Nilai IKF	Kategori
$\geq 0,75$	Sangat Mandiri
$0,50 \leq IKF < 0,75$	Mandiri
$0,25 \leq IKF < 0,50$	Menuju Kemandirian
$< 0,25$	Belum Mandiri

Using these indicators, the calculation of the IKF is obtained as follows:

Indikator	2019	2020	2021
REV_{on}	2.800,03	2.843,43	2.824,73
PAD	2.800,03	2.843,43	2.824,73
TR_{reg}	9.801,59	9.065,99	9.587,03
DAU	8.301,92	7.502,96	7.402,17
DID	223,87	358,08	261,84
DD	1.275,80	1.204,35	1.219,05
Transfer Antar Daerah	0,00 ¹⁾	0,00 ¹⁾	683,97
TR_{reg}	3.088,28	3.040,78	3.097,94
DAK Fisik	1.162,04	1.049,89	1.113,88
DAK Non Fisik	1.904,22	1.990,89	1.984,06
B	0,00¹⁾	0,00¹⁾	203,89
REV_{SH}	2.227,91	1.781,65	2.276,75
DBH	2.227,91	1.781,65	2.276,75
IKF	0,16	0,16	0,16
Kategori	Belum Mandiri	Belum Mandiri	Belum Mandiri

If we look at the development in the last 3 years, it can be seen that the level of independence of the local government has not changed much. This consistency in the category of not yet independent further shows that the level of dependence of local governments on transfers from the center is still very high. The IKF rate is still in the range of 16%, this also means that the PAD is only enough to finance 16% of the total regional expenditure, while the rest still has to rely on funds from the center. This result further believes that the potential of PAD, both taxes and regional levies, is still not optimally managed by local governments. The main problem is that local governments do not have exact data on existing potential so that in making achievement targets are still below potential.

On the other hand, the achievement indicator between target and realization is always a measure of the performance of the head of the relevant OPD. Even though the target made is still far from the available potential. Therefore, it is important to strengthen synergy between the central and regional governments so that every rupiah of funds transferred from the center can be utilized properly and used according to the appropriate designation according to development targets and targets and development priorities both nationally and regionally. Although it is still possible that there are errors or biases in the results of this analysis, these results are in line with the BPK Examination Results for Review Results on Local Government Fiscal Independence for 2019 and 2020 (LKPP Year 2021 has not been published at the time this study was made). In the results of the fiscal independence review, it was stated that more than 90% of the Regency / City Government is still included in the category of not being independent. While for the

Provincial Government there are only 7 provincial governments that are already independent, but the remaining 79% or 26 provincial governments are still categorized as not independent or still heading towards independence. Even based on the results of the same review, for 2020 there was a decrease in the level of independence from several local governments that previously had very independent status (category 4) to independent status (category 3). This decline shows a tremendous structural change due to the impact of the COVID-19 pandemic which began to spread in 2020. Increasing the level of regional fiscal independence must certainly be followed by improvements in various lines.¹³

Besides improving good governance, it is certainly very important to build a good reputation in the community. Moreover, based on the results of the audit in 2020, many local governments have received the WTP title for 5 consecutive years even. This good achievement should also be followed by improvements not only in terms of financial accountability but also manifested in the form of tangible development results that can be felt by the community according to development needs in their respective regions.

2) Transfer Revenue

Compared to 2020, there was a growth of 19.31% in transfer revenue in 2021. This growth is strongly influenced by the large revenue sharing provided as a result of increased tax revenue on mining products such as coal. As for other transfer receipts, it is almost no different from last year.

One of the things that needs attention this year is the delay in the distribution of DAU to the Jambi Provincial Government. The delay occurred because the Jambi Provincial Government had not met the distribution requirements because it had not allocated 8% earmark to DAU/DBH so that DAU could not be distributed. The hampered distribution is also coupled with the transition conditions of the leadership, namely the newly inaugurated Governor of Jambi Province in July 2021.

Despite the pressure of political conditions due to the change of leadership, fortunately the provincial government was still able to pursue the DAU distribution in the third and fourth quarters. In addition, in that period, the world was shocked again by the emergence of the Delta and Omicron variants which were able to disrupt the ongoing recovery process.

Table 3: Central Government Transfer Comparison 2020 – 2021

Transfer Pempus	2020	Porsi 20	2021	Porsi 21
DBH	1.784,17	15%	2.240,42	18%
DAU	7.502,96	61%	7.788,25	62%
DAK	2.972,15	24%	2.609,55	21%
Total	12.259,28		12.638,22	

Source: SIKD, SIMTRADA (data processed)

If we compare transfers from the Central Government for 2020 and 2021, we can see that there was an increase in DBH and DAU, but there was a decrease in DAK. This increase resulted in an increased portion change in DBH and DAU. The declining portion of DAK is due to less than optimal DAK realization for both Physical DAK and Non-Physical DAK. In Physical DAK, there are several subfields that fail to be channeled so that they are not optimal. Meanwhile, for Non-Physical DAK, there are also several funds that are not distributed, including the Women and Children Protection Service Fund which has the lowest realization.¹⁴

3) Other Legitimate Local Revenue (LLPDyS)

LLPDyS is the only source of income that did not experience growth this year. This is because this year there was a decrease in the number of grants which are the main source of this income. A considerable grant occurred in 2020 because a lot of assistance was provided through the grant mechanism for handling COVID-19 both in the form of antigen test kits, swab kits, etc. Although this income has experienced a very large decline, but because the portion is relatively small does not affect the income significantly. Vice versa, when this revenue increased significantly in 2020, it also did not provide significant growth in revenue. We can see that most of these revenue sources are derived from grant income for policies that are strategic for certain handling.¹⁵

b. RefOrmulation of Legal Policies to Increase Local Original Revenue in the Future

The performance of the regional budget in 2021 decreased again compared to 2020. One of the things that is often used as an obstacle is the problem of changing regulations from the Central Government. Given that the dependence of the APBD is still very high on the Central Government, any policy changes will affect the speed of APBD receipts. This requires regional financial managers to be more alert and responsive to policy changes that occur at the central level. One of the real impacts felt in this regard is when there is a change in DAU/DBH distribution policy for 2021. When the local government is slow to respond to changes in requirements, it will immediately have an impact on the non-distribution of the DAU/DBH. This delay will certainly hamper the distribution of future spending which will then also affect the speed of economic recovery in the region.¹⁶

One of the things that also needs attention is the high SILPA from year to year. This high SILPA is not sourced from a large increase in income but minimal spending. This is always repeated every year so that SILPA tends to continue to grow without being followed by optimization of spending. Of course, for recovery conditions like today, this is not right because regional spending should be a driving engine for the economy. Another thing that is also worth considering is data harmonization between the Center and the Regions.¹⁷

Some APBD revenues which are TKDD funds from the Central Government sometimes experience data lag that is too long so that the monitoring process becomes hampered. One example that often occurs is that there is too long a time lag between the distribution of Physical DAK and the absorption of SP2D BUD in the Regions. In fact, clerical

processes like this should have been authorized through an integrated system. The existence of this pause will make it seem as if the performance of the Regional Government seems to be bad even though maybe the problem that occurs is only data that has not been inputted in the application while for implementation in the field has been implemented. The implementation of the regional budget in the future will be even more challenging in the ongoing pandemic era.

Legal Policy Formulation to Increase Local Original Revenue in the Future includes the following:

1) Increase in Gross Domestic Product

The government as a regulatory holder to be able to continue to create a conducive market situation, provide support for supporting facilities both distribution, storage and transportation as well as regulations that are able to ensure bureaucratic certainty so as to create a conducive economic climate and supervision of the quality of goods, especially for those to be exported. In addition, it is also necessary to consider the development of marketing buffer agencies. The main objective of this institution is to stabilize commodity prices, which ultimately has an impact on people's welfare.

This is very important to be prioritized, for example in the form of developing special economic zones, supporting distribution or road access, warehousing and in the form of commodity buffer institutions. This is necessary to maintain the availability of goods and prices so that oligarchy does not occur against certain commodities. And finally, to encourage economic growth, it cannot be separated from the role of the APBN and APBD to encourage investment in the regions. The proposed spending allocation should focus more on spending that is able to encourage the development of this leading sector. Not only that, government spending must also be able to create a conducive social and economic situation in order to attract domestic and foreign investors to invest in the region so as to optimize existing potential.

The government must also be more serious about providing the necessary infrastructure support. This is very important to be prioritized, for example in the form of developing special economic zones, supporting distribution or road access, warehousing and in the form of commodity buffer institutions. This is necessary to maintain the availability of goods and prices so that oligarchy does not occur against certain commodities. And finally, to encourage economic growth, it cannot be separated from the role of the APBN and APBD to encourage investment in the regions. The proposed spending allocation should focus more on spending that is able to encourage the development of this leading sector. Not only that, government spending must also be able to create a conducive social and economic situation in order to attract domestic and foreign investors to invest in the region so as to optimize existing potential.

2) Interest Rate Control, Inflation, Exchange Rate

This policy to reduce interest rates is expected to encourage business actors to be more enthusiastic to return so that the wheels of the economy can continue to run and economic growth can be maintained

The Government through the Regional Inflation Control Team has made 4 main policies to maintain the inflation rate, namely: 1. Price affordability by establishing TPID Shops in collaboration with BULOG to maintain rice price stability; 2. Availability of Supply by optimizing the assistance of production facilities, repairing/improving agricultural infrastructure, and encouraging the use of Cold Storage Atmospheric System (CAS) to store chili commodities to make them more durable; 3. Smooth distribution by coordinating with the police and transportation agencies to ensure smooth distribution during the PPKM period and the initiation of Inter-Regional Cooperation (KAD) to increase the supply of strategic commodities; 4. Effective Communication by delivering public service advertisements and education not to overspend.

3) Infrastructure Improvement

The problems faced by Jambi Province are related to limited infrastructure, basic services and the economy. Jambi Province is currently still facing the problem of limited basic service infrastructure. In the field of education, for example, the achievement of the minimum B accreditation target by education providers proves that there is still a need to improve this basic service infrastructure for the community. In the health sector, additional doctors are still needed, equitable placement of other medical personnel (nurses and midwives) and additional puskesmas and auxiliary health centers.¹⁸

In the areas of settlements and housing, access to drinking water and proper sanitation is also still limited, and this condition can have an impact on public health problems. Related to economic infrastructure, limited transportation infrastructure that supports smooth industrial supply chain activities and limitations of manufacturing industries based on commodity raw materials resulting from land resource management, especially plantations, are also still problems for the development of Jambi Province.

Limited communication and information infrastructure is also a problem related to the increasing public need for these infrastructure functions during the COVID-19 pandemic which limits human movement within and between regions. Another challenge that also needs to be considered is related to the development of local commodity potential.

Low support for promotion and branding for local products results in weak competitiveness in the market. Not to mention the level of price certainty which is also still a concern for every entrepreneur who certainly requires comprehensive handling so that it can be more guaranteed in the future. The potential for export activities is also still not optimal. This is due to high costs, lack of infrastructure, lack of added value and weak market information networks so that it is not enough to boost superior commodities. The downstream process of products that should be carried out in the local area is forced to be carried out elsewhere because of the absence of supporting facilities so that almost the form of production and export is still in the form of raw materials that have no added value and relatively low selling prices which are very dependent on global demand conditions. Meanwhile, if we look upstream, it also still has various complex challenges.¹⁹

The agricultural and plantation sectors, which are the largest contributors to economic growth, still show fluctuating levels of farmer welfare. Land productivity is also still not optimal because it still uses traditional technology. Including the weak distribution of agricultural products which costs quite a lot because of the difficulty and distance of access. Not to mention taking into account the existence of illegal brokers who sometimes monopolize certain commodities and play with prices by buying cheaply from farmers and selling them at many times the price.

Therefore, infrastructure improvement is needed in Jambi Province. It is possible to support Jambi's geographical location is very strategic in the ASEAN and Interregional Sumatra regions (South Sumatra, West Sumatra, Riau, Riau Islands, and Bengkulu Provinces) because it can be a gateway for the exit and entry of goods, services and people from and to Batam, Malaysia and Singapore as well as from other provinces. Jambi's role in the future will be more strategic as part of the world maritime axis, the implementation of the Asean (AFTA) and Asean-China (ACFTA) free markets and the implementation of the Asean Economic Community (AEC).²⁰

Jambi Province as an area located in the middle of the island of Sumatra also has a very strategic position to develop the interregional economy of the Sumatra region. Jambi Province is directly adjacent to 6 other provinces, namely: 1. Riau in the North; 2. Kepri in the North and East; 3. South Sumatra to the south; 4. West Sumatra; 5. Bengkulu to the West; 6. Babylon to the East.

With a very strategic position, it provides extraordinary potential as a distribution axis between provinces in Sumatra. Not only that, Jambi Province also has the potential to become the axis of goods transportation from and out of Sumatra because it is in the Indonesian Archipelago Sea Channel (ALKI) I and international traffic. This strategic position is further strengthened because Jambi Province is also dealing with an economic growth area, namely IMS-GT (Indonesia-MalaysiaSingapore Growth Triangle).

Not only a strategic position, Jambi Province is also supported by a tropical climate, rich in natural resources, biodiversity and moderate category rainfall which is very supportive for the development of future economic potential. In terms of topology, the area is also very supportive with complete altitude variations ranging from lowlands (0-100 m) on the east coast, medium plains (100-500 m) in the central region and highlands (>500 m) in the western region.²¹

This overall potential is very supportive for the development of the economic sector in the future. However, these potentials have not been optimally utilized. This is due to several factors, including: a. Availability of inadequate infrastructure to support land, sea and air distribution channels; b. the difficulty of expanding roads is related to conservation area boundaries, hilly contours, and difficult soil conditions (peat soil).²²

Employment Development and Unemployment Reduction

Attention to agriculture is needed because Jambi Province has several horticultural commodities that are seeded both from vegetables and fruits. The government must further support the development of this subsector so that in the future the welfare of these

farmers can increase, no longer only depends on the level of welfare of the community plantation sector which has always been the prima donna. Another thing that also needs attention is the fluctuation of world CPO prices in 2022. Price uncertainty will certainly greatly affect agricultural products, especially for smallholder plantation farmers such as oil palm. The government needs to take preventive measures so that large enough price changes can still be mitigated properly so that there is no too large a decrease in welfare levels later.

Furthermore, NTN's development in 2021 is very good. After previously in the last 5 years only stayed below the 110 index, this year for the first time the NTN index was able to break the 110 mark or precisely 111.62. This increase was influenced by price improvements in captured fish commodities so that the NTN index for the sub-sector was even able to penetrate 115.08. But what is no less encouraging is that aquaculture can now smile. Because finally the welfare level of these farmers can increase again above 100 points or precisely 100.06 points. Although this increase is only slightly above the prosperity index, it is certainly much better than previous months where the exchange rate was not even able to break the 100-point mark.

Despite these various increases, unfortunately the marine and fisheries sector only contributes not too much in Jambi Province. The impact of this is the lack of government assistance and attention to this sector. Moreover, geographically Jambi Province does not have great potential for capture fisheries. Then the opportunity that can be utilized properly should be aquaculture that has a large market share. More attention to this sector can certainly then encourage Jambi's economy in the future which is not only known for its plantation products but also from existing aquaculture fisheries. This should be put to good use because one of the large enough nursery sources is already available in Muaro Jambi Regency. By utilizing these existing facilities, the Government should be better able to develop this sector so that it can provide more added value for the community.

There are at least 4 key factors that must be considered if the Government is really serious about tackling poverty in Jambi Province. The first factor is how to improve accessibility and connectivity. To make this happen, it is necessary to build the right infrastructure to connect production centers with markets so as to facilitate distribution. The second factor is to focus on building downstream so that superior commodities have added value for the community. The third factor is the intermediation of financial institutions that is more inclusive as a buffer for commodity prices. The fourth factor is the link and match of education so that the provision of education is in accordance with the demand of the existing labor market and of course efforts are made to support existing local potential. By being serious and focusing on these four things, it is believed that it will be more effective in overcoming poverty and improving welfare

4) Increasing Regional Leading and Potential Sectors

The government should be more serious about developing leading and potential sectors in the regions. Based on the GRDP in 2021, it can be seen that the Agriculture, Forestry & Fisheries sector, Mining & Quarrying Sector and Education Service Sector are the leading sectors in Jambi Province. Meanwhile, the Water Procurement, Waste

Management, Waste and Recycling Business Sector and Information and Communication Sector are potential sectors to be developed in Jambi Province. This map of potential and leading sectors is very important. And it is expected that future fiscal spending will be directed to support infrastructure and related infrastructure that can further encourage the sector to grow. Even if planned well, it is not impossible that this superior sector will become a distinctive sector of Jambi Province so as to further enlarge the role of Jambi Province in the Sumatra region in the future.

Economic development is a series of efforts and policies aimed at improving people's living standards, expanding employment, equalizing people's income sharing, improving regional economic relations. The direction of economic development strives for people's income to rise steadily and with the best possible level of equity. Development is a positive change, which includes resource management activities in an area that are carried out and their results, and will be reflected in regional income and the level of welfare of its population.

The COVID-19 pandemic has affected economic development tremendously. The economy is paralyzed as a consequence of suppressing cases of contagion. APBN-APBD is the only instrument relied on to support the economy. In order for economic development to continue, currently local governments are required to innovate to utilize and develop the potentials owned in the regions. Regional economic planning becomes very important to estimate or determine the leading sectors and potential sectors in the region. The leading sector is a sector that has high resilience and capability so that it can be used as a fulcrum of hope for economic development.

The leading sector is the backbone and driver of the economy, so it can also be referred to as the key sector or the leading sector of the economy of a region. Thus, the leading sector is a reflection of an economic structure. So it can also be seen as one of the distinctive aspects or characteristics of a sustainable economic development. Economic policy development is currently directed at leading sectors that are closely related to the interests of the wider community and are related to community potential as well as in accordance with local economic resources. The role of the leading sector is increasingly strategic as a sector that makes a meaningful contribution to foreign exchange earnings and regional GDP receipts. While the potential sector in one region is a sector that has a higher production capability compared to the ability of the same sector in other regions.

Thus, products and services from these potential economic sectors, in addition to being able to meet their own needs, can also be sold outside so that the region earns income. This revenue will encourage the utilization of local resources and drive potential sectors while increasing the utilization of resources of non-potential economic sectors, so that the overall economy will develop which in the end each economic sector is a market for other sectors. These conditions can create new business and employment opportunities for the community.

To analyze the leading sectors and potential sectors in Jambi Province in this chapter using *Location Quotient* (LQ) Analysis, the results of this analysis are useful for identifying the economic base (base sector) of an area. With this analysis, it can be known how much

the level of specialization of the base or leading sector in a region, by comparing its role in the regional economy with the role of similar economic activities in a wider scope (regional or national);

Four sectors can be determined that are the basis and have a large contribution to economic growth and regional development in Jambi Province, namely: Agriculture, Forestry & Fisheries Sector, Mining & Quarrying Sector, Water Procurement Sector, Waste Management, Waste & Recycling and Education Services Sector. These four sectors have a positive surplus value of income and income multipliers and tend to increase.

With an LQ value of > 1 , it means that the sector is a source of growth. The commodities produced have a comparative advantage, not only can meet the needs in the region concerned but can also be exported outside the region. The value of $LQ = 1$ sector is classified as non-base, has no comparative advantage only enough to meet the needs of its own region and cannot afford to be exported. While the LQ value < 1 this sector is also non-base, it cannot meet its own needs so it needs supply or imports from outside.

Table 4: LQ Analysis Results 2017 – 2021

Sektor Lapangan Usaha	2017	2018	2019	2020	2021	Nilai LQ	Ket
Pertanian, Kehutanan, dan Perikanan	2,04	2,04	2,04	2,01	2,04	2,03	LQ > 1 Basis
Pertambangan dan Penggalian	2,88	3,00	3,12	3,08	3,01	3,02	LQ > 1 Basis
Industri Pengolahan	0,49	0,48	0,48	0,49	0,48	0,48	LQ < 1 Non Basis
Pengadaan Listrik dan Gas	0,05	0,05	0,05	0,05	0,05	0,05	LQ < 1 Non Basis
Pengadaan Air, Pengelolaan Sampah, Limbah dan Daur Ulang	1,60	1,59	1,55	1,49	1,49	1,54	LQ > 1 Basis
Konstruksi	0,69	0,69	0,70	0,72	0,76	0,71	LQ < 1 Non Basis
Perdagangan Besar dan Eceran; Reparasi Mobil dan Sepeda Motor	0,70	0,71	0,72	0,71	0,72	0,71	LQ < 1 Non Basis
Transportasi dan Pergudangan	0,77	0,76	0,74	0,74	0,75	0,75	LQ < 1 Non Basis
Penyediaan Akomodasi dan Makan Minum	0,36	0,36	0,36	0,37	0,37	0,36	LQ < 1 Non Basis
Informasi dan Komunikasi	0,68	0,69	0,67	0,65	0,63	0,66	LQ < 1 Non Basis
Jasa Keuangan dan Asuransi	0,56	0,54	0,52	0,53	0,55	0,54	LQ < 1 Non Basis
Real Estate	0,47	0,48	0,49	0,47	0,47	0,48	LQ < 1 Non Basis
Jasa Perusahaan	0,58	0,56	0,53	0,52	0,54	0,55	LQ < 1 Non Basis
Administrasi Pemerintahan, Pertahanan dan Jaminan Sosial Wajib	1,00	0,98	0,99	0,96	0,97	0,98	LQ < 1 Non Basis
Jasa Pendidikan	1,02	1,02	1,03	1,02	1,02	1,02	LQ > 1 Basis
Jasa Kesehatan dan Kegiatan Sosial	1,00	0,99	0,98	0,93	0,96	0,97	LQ < 1 Non Basis
Jasa lainnya	0,58	0,56	0,53	0,53	0,52	0,54	LQ < 1 Non Basis

Source: BPS Jambi Province, (Data processed)

Based on the Proportional Growth Component (KPP), positive means that the economy in Jambi specializes in the same sectors growing fast at the national level, namely: Agriculture, Forestry, Mining, Construction, Trade, Accommodation, Real Estate and Education sectors. Conversely, if the KPP value is negative, it means that the economy in Jambi specializes in the same sector and grows slowly at the national level. The positive Regional Share Growth Component (KPPW) shows that there is an economic sector in Jambi that is growing faster than the same sector at the national level. A negative KPPW indicates that the sector is growing more slowly than the same sector at the national level. There are three sectors where the value of KPP and KPPW is positive, namely: Electricity & Gas Procurement Sector, Real Estate and Education Services.

The criteria for leading economic sectors are to be able to support and accelerate regional economic development and growth based on their role in: (1) the level of the sector's ability to contribute to regional GDP revenues, (2) the level of ability to absorb labor, (3) the potential to produce export commodities and (4) the level of strong linkages with other sectors. Based on the results of the analysis and criteria above, the Agriculture, Forestry & Fisheries Sector, Mining & Quarrying Sector and Education Service Sector are the leading economic sectors in Jambi Province in the last four years. These three sectors can progress and grow rapidly compared to national. While other leading sectors, namely the Water Procurement, Waste Management, Waste & Recycling Sector are advanced sectors but the growth rate has not been as high as the growth of the same sector nationally.

Regional Leading Sectors Based on Business Field

The agriculture, forestry, fisheries and mining sectors are still the leading economic sectors that continuously from 2017 - 2021 contribute greatly to economic growth in Jambi Province. The leading agricultural products in Jambi Province: are: areca nut, coffee, tea, spices, as well as plantation crops namely: rubber, palm oil, deep coconut, coffee, chocolate, tea, sugarcane and tobacco.

Table 5: Export Value of Agricultural and Industrial Commodities of Jambi 2021

Komoditi Ekapor	Jan	Feb	Mar	Apr	Mei	Jun	Jul	Agt	Sep	Okt	Nov	Dee
Pertanian	18,08	18,32	21,58	18,38	11,82	17,21	11,98	14,30	18,88	10,41	12,81	14,10
1. Pinang	12,20	14,85	16,89	15,61	10,34	13,76	9,62	11,27	14,97	5,67	7,84	8,77
2. Kopi, Teh, rempah-rempah	3,59	3,07	4,04	2,23	1,00	3,01	1,91	2,28	2,73	3,23	3,77	3,87
3. Lainnya	0,24	0,40	0,63	0,54	0,48	0,43	0,44	0,77	0,98	1,51	1,00	1,46

Source: BPS Jambi Province, 2021 (data processed)

The positive performance of the agriculture and forestry sector at the end of 2021 was supported by a bumper harvest of horticultural crops such as duku, durian, rambutan and watermelon in several districts, as well as an increase in areca nut seed exports by 40% compared to 2020. This contributed the most, namely 31.56% of the value of GDP (c to

c) in the fourth quarter of 2021 in Jambi Province. Although several sectors experienced contractions, among others: a decrease in production of oil palm plantations (FFB), rubber plants, and a decrease in rice production (GKG) by 301 thousand tons or by 22% compared to 2020.

The productivity of leading plantation commodities in Jambi Province such as rubber and palm oil fluctuates every year and tends to stagnate. This is due to the age of plants that are getting old so that production decreases. Land expansion efforts have been made for these commodities, so it is expected that in a few years the production of this superior commodity will improve again. Meanwhile, from data from the Food Crops, Horticulture and Plantations Office, rice crop productivity continues to increase during 2016 – 2018. Increased productivity not only in rice plants, but also occurs in corn and soybean crops. This increase must continue to be increased to support the realization of food sovereignty through improved irrigation systems, extension services and technical assistance to farmers.

Other leading sectors that experienced positive performance were oil and gas production and coal exports which increased by more than 300% compared to 2020. Exports from Jambi Province are divided into oil and gas and non-oil and gas commodities. In 2016-2020, the export value structure of Jambi Province is still dominated by oil and gas commodity exports. Non-oil and gas export commodities of Jambi Province are still dominated by Processed Rubber, Vegetable Oil (CPO etc.) and Paper / Pulp and areca nut, while mining is dominated by oil and gas commodities.

Table 6. Export Value of Jambi Province Mining Commodities (Million US\$) 2021

Komoditi Ekspor	Jan	Feb	Mar	Apr	Mei	Jun	Jul	Agt	Sep	Okt	Nov	Des
Pertambangan	88,01	81,47	88,03	82,61	109,74	88,08	121,20	128,00	132,11	138,80	136,26	137,41
1 Migas	84,35	76,19	84,35	81,63	103,25	81,63	114,67	114,67	110,97	114,67	110,97	131,86
2 Batubara	3,66	5,28	1,68	0,99	6,49	6,46	6,53	13,33	21,14	24,13	24,28	5,55

The destination countries for commodity exports from Jambi Province during this period reached 80 countries, with the main export destination countries of Thailand, Japan, China, Singapore, Malaysia, India and the United States. The existing performance is inseparable from the development of economic problems that occur in the US and the European Region as well as the declining economic growth prospects of Indonesia's main trading partner countries, which has implications for the export and import performance of Jambi Province. The problems faced include that there is still a lot of basic infrastructure that has not been fulfilled, so that investors are still not much interested. For this reason, it is necessary to provide incentives to investors and quality licensing services and optimize the use of existing road and port facilities.

The recovery of the world economy, especially in trading partner countries for export destinations in the plantation sector from Jambi Province, adds to the contribution to state and regional revenues. International Trade Tax in 2021 was recorded at 571.67 billion or grew by 291.62% (yoy) compared to the 2020 period. The largest component of international trade tax came from export duty/levy revenue of 563.49 billion or grew by 311.05% (yoy). The increase in export duties was driven by an increase in exports of palm oil and coconut plantation products to Malaysia. This increase was also influenced by the increase in CPO selling prices in the world market.

In addition to palm products, an increase in exports also occurred in rubber products with the destination countries of India and Japan. Furthermore, foreign exchange receipts for exports in the agriculture & forestry sector, namely from exports of palm oil shells to Thailand and Japan, coconuts to Malaysia and areca nut to Bangladesh with a value of US\$ 20.01 million, experienced positive growth despite a decrease compared to 2020. Meanwhile, from the tax sector, VAT, PPH, UN revenues from the Agriculture, Forestry & Fisheries sector contributed from the total revenue of 14.06%, namely 751.82 M. While from the Mining & Quarrying sector had a contribution of 14.02% or 749.20 M.

There are three strategies of the Jambi Provincial Government to advance the agricultural sector. The three strategies are:

- (1) Increased productivity of superior commodities;
- (2) Stabilization and Development of Roads to Regions and Production Roads;
- (3) Stabilization of Irrigation and JITUT (Farmer-Level Irrigation Network). These three strategies are manifested in various activities sourced from the Deconcentration Fund, State Budget, and Physical DAK.

Regional Potential Sectors in Jambi Province

Potential regional sectors in Jambi Province. This sector has fast growth criteria with a Proportional Growth Component greater than the National Growth Component ($KPP > 0$). The next criterion is that this sector does not have competitiveness with the Regional Share Growth Component smaller than the Proportional Growth Component ($KPPW < 0$). These potential sectors are:

Table 7: Regional Potential Sectors Based on Shift Share Classification in Jambi Province

Sektor Lapangan Usaha	KPN	KPP	KPPW
Pengadaan Air, Pengelolaan Sampah, Limbah dan Daur Ulang	11,94	12,28	-7,77
Informasi dan Komunikasi	11,94	26,41	-9,69
Jasa Kesehatan dan Kegiatan Sosial	11,94	31,54	-4,80

The Water Procurement, Waste Management, Waste and Recycling Business Sector grew 8.19% (yoy) in the fourth quarter of 2021. Ice crystal factories, which are included in this potential sector business field, experienced an increase in production compared to the previous quarter. This is related to LU accommodation, eating and drinking which is experiencing growth as well. The increase in public mobility to recreation areas, cafes, restaurants, and restaurants indicates that economic conditions are starting to recover after PPKM level 4 conditions in the previous quarter. Infrastructure development carried out by PDAM Tirta Mayang Jambi City, which is to meet the target of 100 connections in 2023, also contributes to the growth of GDP in this sector.

Furthermore, the Information and Communication Sector grew 5.56% (yoy). Online work and study activities, online shopping that increased during the COVID 19 pandemic drove improved performance in this sector. In the Health Services and Social Activities sector, the construction of St. Theresia Hospital, A Sayoeti Hospital, Olak Kemang Puskesmas in Jambi City, Sultan Thaha Syaifudin Hospital in Tebo Regency, contributed to the growth of this sector of 20.76% (yoy), the largest growth compared to other sectors in the fourth quarter of 2021.

Regional revenue revenue in this potential sector comes from: surface water tax, groundwater tax, motor vehicle parking levy, garbage levy and liquid waste management, latrine water suction levy, communication tower control levy. Meanwhile, health services at the hospital are included as BLUD's income. In Jambi Province, the BLUD pattern has developed quite well in 2021 (as many as 60 BLUD) and is increasingly in demand by related agencies, especially those engaged in the health sector because of the characteristics and flexibility possessed by BLUD

Footnotes:

- 1) Kaho, Josef, Riwo. *Prospects of Regional Autonomy in the Republic of Indonesia*. Raja Grafindo Persada, Jakarta 2003, p. 170.
- 2) Yani, Ahmad, *Financial Relations between Central and Local Governments in Indonesia*. RajaGrafindo Persada, Jakarta 2002, p. 17.
- 3) Xylophone Prakoso, Kesit. *Local taxes and levies*, UII Press, Yogyakarta, 2005, p. 43.
- 4) *Ibid*.
- 5) <http://www.susnoduadji.com/tulisan-susno/penggelapan-pajak-kejahatan-asal-praktik-pencucian-uang>, *Tax Evasion*, retrieved 8 September 2021.
- 6) D. Rianto Nugroho, *Regional Autonomy*, Yogyakarta, Student Library, 2000, p 65
- 7) *Ibid*, p 34
- 8) The question Supriatna, *Local Government Administration System*, Bumi Aksara, Jakarta, 2001, p. 74.
- 9) *Ibid* p. 173.
- 10) *Ibid* hml 174.
- 11) Deddy Supriady Bratakusumah, 2002, *Autonomy of Local Government Administration..* PT Gramedia Pustaka Utama Jakarta, p. 265.
- 12) *Ibid* p. 266.

- 13) Directorate General Treasury Province Jambi *Study Fiscal Regional Year 2021*Jambi: Ministry of Finance RI Directorate General Treasury Regional Office DJPb Prov. Jambi
- 14) Directorate General Treasury Province Jambi *Study Fiscal Regional Year 2021*Jambi: Ministry of Finance RI Directorate General Treasury Regional Office DJPb Prov. Jambi
- 15) Directorate General Treasury Province Jambi *Study Fiscal Regional Year 2021*Jambi: Ministry of Finance RI Directorate General Treasury Regional Office DJPb Prov. Jambi
- 16) *Ibid*
- 17) Directorate General Treasury Province Jambi *Study Fiscal Regional Year 2021*Jambi: Ministry of Finance RI Directorate General Treasury Regional Office DJPb Prov. Jambi
- 18) Directorate General of Treasury of Jambi Province , *Regional Fiscal Review 2021*Jambi: Ministry of Finance RI Directorate General Treasury Regional Office DJPb Prov. Jambi
- 19) Directorate General of Treasury of Jambi Province , *Regional Fiscal Review 2021*Jambi: Ministry of Finance RI Directorate General Treasury Regional Office DJPb Prov. Jambi
- 20) Location Geographic Province Jambi Government Province Jambi, 2022
- 21) *Ibid*
- 22) *Ibid*

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