



RETNO WINARNI & RATNA ENDANG WIDUATIE

## Local Autonomy with its Problems in the Past and Present: Focused Study in Jember Regency, East Java, Indonesia

**ABSTRACT:** This study focuses on the matters appearing due to local autonomy. It purposes to answer specifically problems faced by Level II Government of Jember, when local autonomy applied. Furthermore, the goals of the study are what innovations done by the government to solve the matters and what the results are. This study uses qualitative approach and historical method, these are four steps: heuristic, critic, interpretation, and historiography. The results of the study showed that the matters appearing are about human resources and finance. The local government's innovations are exploring local potentials from taxes, local companies' management, and tourism. From the analysis, it can be concluded that human resources matters are crucial, because there are too many employees but their skills are not suitable with their job descriptions. Meanwhile, in financial problems, either the national and local companies or BUMN (Badan Usaha Milik Negara/State Owned Company) and BUMD (Badan Usaha Milik Daerah/Regional Owned Company), or taxes for property and other taxes sectors are managed by central government. In this context, local government of Jember in East Java, Indonesia, through DIPENDA (Dinas Pendapatan Daerah or Regional Income Office) committed to arise original local income. DIPENDA had specific strategies without burdening society. The strategies were extensification and intensification by issuing new object of taxes.

**KEY WORDS:** Local Autonomy; Jember Regency; Human Resource; Financial Resource; Innovation.

### INTRODUCTION

Local autonomy is something urgent in globalization era. After its trial in 26 Middle Cities and Regencies (Level II Region) for three years, the government of the Republic of Indonesia held it for all Level II Regions. Minister of Internal Affair, Yogie S. Memed (1995), said by applying local autonomy, Local Governments had authority to control economics.

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Furthermore, they also took role local, regional, national, and global economic development (*cf* Memed, 1995; Imron, 2011; and Nurcholis & Kridasakti, 2018).

Yogie S. Memed (1995), and other scholars, emphasized that Local Governments might not be silent and only wait for the chance. They had to actively understand and explore their local potentials to create superior products. Therefore, to fill in autonomy outlines, Local Governments hopefully took advantages. They should have tried in order to make local businessmen know international market chances, enlarge activities, and think globally. In another side, Local Governments had to intensively promote their potentials and any opportunities available in their areas (Memed, 1995; Imron, 2011; and Mahi, 2016).

Coordinating Minister for Supervision of Development and Control of State Apparatus, Hartarto Sastrosoenarto, argued that the government would realize Level II Local Autonomy in 2000. Determination of the year was 2000, because it was a year of trial run towards ASEAN (Association of South East Asian Nations) of 2003 free trade and beyond. The realization of local autonomy was focused on Level II Regions, which were the spearhead of the State apparatus in efforts to service and empower the community (Wirajuda, 2014; Rudy *et al.*, 2017; and Fatoni, 2020).<sup>1</sup>

Besides preparing the apparatus, Local Autonomy would also be supported by economic policies, such as the delegation of licenses to Level II Regions. Local Governments might also be involved in fiscal policy, so that education of Mayors and Regents would be needed in order to succeed autonomy program. Hartarto Sastrosoenarto, then, explained that the regional autonomy program had been prepared by the MENPAN (*Menteri Penertiban Aparatur Negara* or Minister of State Apparatus Order), who designated the areas of autonomous model. Based on the Decree of the Minister of Internal Affairs No.178/1996, 68 Districts/Municipalities of Level II Regions were established as models for autonomous regions. Finally, 36 role models of local autonomy were implemented (Butt, 2010; Rudy *et al.*, 2017; and *ibidem* with footnote 1).

Regional autonomy eventually became the choice of President B.J. (Bacharuddin Jusuf) Habibie, who led the transitional government since President Soeharto was demoted from power in May 1998. The breakthrough in obtaining DPR (*Dewan Perwakilan Rakyat* or People's Representative Council) approval, in May 1999, was an anticipation of the various possibilities, these are various centrifugal forces for a federal system, or those who wish to separate themselves from the NKRI (*Negara Kesatuan Republik Indonesia* or Unitary State of the Republic of

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<sup>1</sup>See also, for example, "Otonomi Seluruh Daerah Diwujudkan pada Tahun 2000" in newspaper of *Bisnis Indonesia*. Jakarta: 8 May 1998.

Indonesia). Local elites seemed to be quite convinced by the government that the regional autonomy offered was actually not much different from the federal system (Smith, 2008; Farisi, 2019; and Fatoni, 2020).

Even so, regional autonomy was substantially independent, because local elites were politically entitled to take care of their own areas, except for five authorities still maintained in Jakarta. These are foreign affairs, defense and security, fiscal and monetary, justice, and religious affairs. From the trials of the implementation of regional autonomy, various problems had emerged, concerning political, bureaucratic, and financial (economic) issues in each region. Therefore, local autonomy is one of the topics of discussion that always be attractive in study of history and government (Pramusinto, 2002:4; Usman, 2002; and Imron, 2011).

Regional autonomy is an actual problem today, but it is not a new problem. The issue of regional autonomy has been a public discussion, political and governmental science practitioners since the 1870s, both in Netherlands and its colonies. A new jargon labeled “decentralization” has become an important issue along with the development of liberalism. When Indonesia became independent, in August 1945, since the beginning, the idea of regional autonomy had become a formal reference for relations between the Central and Regional Governments. Various laws were created to regulate the implementation of those local autonomy, such as UU (*Undang-Undang* or Law) No.1 of Year 1945, UU No.22 of Year 1948, UU No.1 of Year 1957, UU No.18 of Year 1965, UU No.5 of Year 1974, and UU No.22 of Year 1999 (Kertapradja, 2003; Purwanto, 2004:130; and Legge, 2019).

Several studies on local autonomy have been carried out, for example by Bambang Purwanto (2004) and other scholars. Those studies highlight the impact of the implementing regional autonomy during the Dutch East Indies era. The results of those studies indicated that local autonomy has led to antagonistic economic behavior. Economic progress and integration were achieved by the Dutch East Indies. This was due to the extraordinary increase in capital investment, both belonging to Dutch businessmen and other foreign businessmen (Usman, 2002; Purwanto, 2004; and Legge, 2019).

However, the increase in capital investment through colonial lobbies of big businessmen managed to get out of the tax burden and be free from production restrictions. Hence, the government lost many opportunities to fill in the state treasury from taxes. The state treasury will actually come from lean taxes, such as gambling, liquor, building taxes, and so on, especially those deposited by the Chinese community. The central government and local governments, then, mutually demanded their rights

to taxes whose nominal amount was limited (Purwanto, 2004; Nurcholis & Kridasakti, 2018; and Legge, 2019).

The separation of the financial authority from the parent country to the colony did not eliminate the complaints of the Dutch East Indies government about the always empty state treasury. The limitations of the central government budget led to the acceleration of the enactment of the Regional Autonomy Law in 1922, so that the essence of regional autonomy was the distribution of the burden of expenditure in the administration of each region rather than as an element to trigger regional economic growth (*cf* Purwanto, 2004:130; Junus *et al.*, 2018; and Legge, 2019).

Another studies were conducted by Budi Agustono (2005) and other scholars. Those studies highlight the implementation of regional autonomy in Deli Serdang, North Sumatra, Indonesia, and other regions. The results of the studies showed that after three years the implementation of regional autonomy has caused political change at the local level. This can be seen from the high expectations of the people to be involved in making regulations, making decisions, and overseeing the implementation of local power. However, the political behavior of local elites and village elites has not changed much. The old regime's inheritance mentality still affects them. Village officials, for example, still treat their citizens as before the Reform era and the era of Local Autonomy (Usman, 2002; Agustono, 2005:161-176; and Tarigan *et al.*, 2017).

A similar study was also conducted by Joko J. Prihatmoko (1998), and other scholars. The focus of studies was the possibilities occurring when regional autonomy was implemented in 2000. This was based on the experience of local autonomy trials in several Level II Regions. From the results of the trial, there was an illustration focusing of autonomy on the Level II Region was very strategic, both viewed from political considerations, administrative considerations, and development considerations. Nevertheless, in this context, various abilities such as regional finance, personnel, community participation, regional economy, demography, organization, and administration should be used as a reference for policies in such a way that they can realize local autonomy well (Prihatmoko, 1998; Usman, 2002; and Gultom, 2017).

From the studies above, we may draw the red thread implementing local autonomy. Political factors (bureaucracy) and funding are the two pillars of the establishment in Level II Region, which carries out local autonomy. Based on the description, this study focuses on the problems that arise as a result of the implementation of the local autonomy policy. Specific problems were formulated, these are: "*What problems faced by the government of the Second Regional Government of Jember, East Java,*

*Indonesia, as local autonomy was implemented; and what efforts made by the local government in overcoming these problems?."*

## RESEARCH METHOD

This research uses qualitative approach, historical method, and literature study; these are selecting topic, searching the source (*heuristics*), criticizing, interpreting, and historiography (Kartodirdjo, 1992; Kuntowijoyo, 1995:89-105; Zed, 2008; Creswell, 2010; and Sjamsuddin, 2016).

About the *heuristics*, it is the process of searching and finding the source, which is relevant to the topic. The main source needed is the primary source. The primary source is the source coming from person or tool (recorder) that witness the researched occurrence. This source is called as eyewitness source, because it comes both from the eyewitness and the recorder, when the historical event happens (Kuntowijoyo, 1995; Howell & Prevenier, 2001; and Sjamsuddin, 2016).

This research uses the source, both primary and secondary. The primary sources consist of *Staatsblad* and *Regering Calendar*. The secondary sources function as the primary sources. They come from books and journals discussing elite bureaucracy in Besuki Residence, East Java, Indonesia (Howell & Prevenier, 2001; Zed, 2008; and Sjamsuddin, 2016).

The data analysis is through historical methods by selecting the found sources, external and internal criticizing, and defining the authenticity and credibility of the sources. After criticizing, there will be a statement about the event, which is called as historical fact in history science. The historical fact is used as the half-done source for being the basics in the next steps. The third step is interpreting, that is the process of correlating the separated historical facts for getting the more meaningful history understanding (Garraghan, 1940:99-101; McCullagh, 1984; and Sjamsuddin, 2016).

## RESULTS AND DISCUSSION

***Regional Autonomy in Collective Memory.*** The kingdom of Mataram in Central Java was the center of all power. The palace was located in the middle of all locations and the center was surrounded by directly governed areas, bordered by provinces led by Regents in the name of the King. The Regents outside Mataram had more autonomy than the regional heads, who were closer to the capital city (Sutherland, 1973; Kartodirdjo & Suryo, 1991; and Breman, 2014:16).

One of the characteristics of the state government order was simply by forming an administrative unit. It was very autonomous and self-

sufficient in its finances for district level. This order showed the nature of the simplicity of the organization. Here, the leader was given unanimous responsibility and undivided full power, within the limits of his functions needed to carry out his duties covering all things, including *njaga tentreming praja* (guarding the peace of the kingdom). It was not only in important matters, but also in everyday wisdom (Moertono, 1985:103-105; Usman, 2002; and Nurcholis & Kridasakti, 2018).

The principle of self-sufficiency seemed to be a basic principle also in state financing. While the benefits received as *lungguh*, an employee was expected to pay all costs, including the implementation of his duties. Employees could finance their work, because the king had given him full power allowing him to request donations and mobilize labor from his district (Kartodirdjo, 1974; Moertono, 1985:106; and Suhartono, 1991).

The state management model, as mentioned above, did not change when various regions fell into the foreign authorities. They were VOC (*Vereenigde Oost-Indische Compagnie* or Association of Dutch East-India Companies), the Kingdom of Holand, England, and the Dutch East Indies. The main purpose of the VOC, for example, was to pursue economic benefits derived from the monopoly of trade in materials. Therefore, VOC chose the government's political policy indirectly against the areas under its influence. The VOC did not want to take care of indigenous government directly, because it needed a large bureaucratic personnel (Gaastra, 2003; Widodo, 2006; and Winarni & Widuatie, 2018).

Moreover, the orientation of its political policy was more emphasized in mastering the benefits of the trade economy. Hence, VOC tent to give indigenous government affairs to local indigenous heads, according to the local tradition system. It made the provision of personnel and costs more efficiently (Kartodirdjo & Suryo, 1991:28; Gaastra, 2003; and Winarni & Widuatie, 2018).

H.W. Daendels and S. Raffles tried to modernize the government by paying Regents with cash and abolishing feudal rights. However, the modernization efforts of the two reformers were only idealism on paper. For various reasons, the policy was unsuccessful, the Regents remained full ruler in their respective regions, autonomously managed their territory feudally. They remained as "Little Kings" in their respective regions (Widodo, 2006; Breman, 2014:101-113; and Meer, 2014).

In managing the Dutch East Indies as a colony, the Dutch East Indies government applied indirect government. On the one hand, there were European officials called *Europeese BB (Binnenlands Bestuur)* consisting of Europeans, most of whom are held by the Dutch only. On the other hand, there was a device called the IB (*Inlands Bestuur*), or popularly called

PP (*Pangreh Praja*), consisting of indigenous people only (Sutherland, 1973; Kartodirdjo, 1974; Gaastra, 2003; Widodo, 2006; and Winarni & Widuatie, 2018).<sup>2</sup>

In the dualism of government, even though the Regents were accompanied by BB, in fact, the Regents were autonomous, because of the limited personnel in BB. Therefore, they were unable to reach too deeply into indigenous government (Widodo, 2006; Luong, 2012; and Winarni & Widuatie, 2018).

**Issues of Government Bureaucracy and Human Resources.** Jember Regency is a District in East Java Province, Indonesia, whose capital city is Jember. The District is bordered by Probolinggo Regency and Bondowoso Regency in the North, Banyuwangi Regency in the East, Indian Ocean in the South, and Lumajang Regency in the West. Jember Regency was formed based on the *Staatblad van Nederlandsche Indie*, No.322 dated 9<sup>th</sup> August 1928, and legally established on 1<sup>st</sup> January 1929. At that time, Jember Regency consisted of 7 Districts, these were: Jember District, Kalisat District, Mayang District, Rambipuji District, Tanggul District, Puger District, and Wuluhan District (Meer, 2014; Winarni, 2018; and Winarni & Widuatie, 2018).<sup>3</sup>

Based on Law No.12/1950, concerning the Regional Government of the Regency in East Java, the establishment of a district area within the East Java Province, with a PERDA (*Peraturan Daerah* or Regional Regulation), was established. Jember Region was formed as Jember Regency. Then, based on Government Regulation, No.14 of 1976, dated 19<sup>th</sup> April 1976, Jember City was formed with the arrangement of new areas, as follows: Jember Sub-District was removed and three new Sub-Districts were formed, these were: Sumbersari, Patrang, and Kaliwates. Wirolegi Sub-District became Pakusari District, and Mangli Sub-District became Sukorambi District. Three Sub-Districts were included as the Administrative City of Jember (Winarni, 2018; Winarni & Widuatie, 2018; and Legge, 2019).

The enactment of Local Autonomy since 1<sup>st</sup> January 2001, in response to the demands of Law No.22/1999 on Local Government, the Government of Jember Regency had made institutional arrangements and organizational structures, including the removal of the Assistant District Head, who is now the District Head Coordinating Office. In running the government in the era of local autonomy, Government of Jember was assisted by four Sub-District Coordination Offices, these were: the West Jember Sub-

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<sup>2</sup>See also "Besoeiki, 2a5: Algemeen Verslag der Residentie Bezoeki en Banjoewangie over den Jare 1832". *Unpublished Archives*. Jakarta: ANRI [Arsip Nasional Republik Indonesia], pp.14-15.

<sup>3</sup>See also "Staadblad van Nederlandsche Indie, No.322, Dated 9<sup>th</sup> Augustus 1928". *Unpublished Archives*. Jakarta: ANRI [Arsip Nasional Republik Indonesia].

District Coordination Office in the Tanggul; South Jember Sub-District Coordination Office in Balung; Central Jember Sub-District Coordination Office in Rambipuji; and East Jember Sub-District Coordination Office in Kalisat (Purwanto, 2004; Winarni, 2018; and Winarni & Widuatie, 2018).

The restructuring of these regional government institutions caused a change in the number of Sub-Districts; thus, administratively, Jember Regency was divided into 31 Sub-Districts, 226 Villages, 22 Urban Villages, 966 Hamlets/Neighborhoods, 4,127 RW (*Rukun Warga* or Citizens Association), and 14,166 RT (*Rukun Tetangga* or Neighborhoods Association). For more details, see the table 1.

In addition, in Jember there has been an increase in services from the delegation of central government. In July 2000, for example, Jember received four agencies from the central government. The four agencies were the DISDIK (*Dinas Pendidikan* or Education Authorities), DINSOS (*Dinas Sosial* or Social Service), DISPEN (*Dinas Penerangan* or Information Agency) and DISPERTRANS (*Dinas Pertanian dan Transmigrasi* or Agency of Agriculture and Transmigration). The four offices were handed over by the Minister of Home Affairs to the Government of Jember (USAID, 2007; Pambudhi & Ramage, 2008; and Ekatjahjana, Heilmann & Hauerstein eds., 2019).

In this case the government was represented by Regent Samsul Hadi Siswoyo, 2000-2005, and Deputy Chairperson of the Jember DPRD (*Dewan Perwakilan Rakyat Daerah* or Regional People's Representative Assembly), Mahmud Sardjuno, at the East Java Governor's Office, as the trials since September 2000. Regent Samsul Hadi Siswoyo submitted a proposal for five working days in Jember to the MENPAN (*Menteri Pendayagunaan Aparatur Negara* or Minister of State Apparatus Empowerment) through an official letter, and began testing in the local government. The new rules were welcomed enthusiastically by employees, because in addition to alleviating the workload, it also led to performance efficiency, which was one of Samsul Hadi Siswoyo's government visions, in 2000 to 2005 (Witton, 2003; Yaqin, 2007; and Aspinall & Fealy eds., 2010).<sup>4</sup>

Jember actually applied five working days in 1994, but only for trials. In 2000, with the permission of DPRD, the Local Government again conducted the trial. The difference is that trials in Reform era would be increased to five permanent working days. Hopefully, besides having a positive impact on the performance of the Regional Government and related agencies, the implementation of the five-days work system also gave benefits for employees from an economic perspective. This can be

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<sup>4</sup>See also, for example, "Pemda Jember Terima Empat Dinas" in newspaper of *Radar Jember*. Jember: 8 July 2000; and "Usul Lima Hari Kerja" in newspaper of *Radar Jember*. Jember: 12 September 2000.

**Table 1:**  
The Total of Sub-District, Village, Urban Village, Hamlet, RW, RT, and  
Their Width of Area

No.	Sub-District	Village/ Urban Village	Hamlet	RW	RT	Width (Km <sup>2</sup> )
01.	Kencong	5	24	123	526	65.92
02.	Gemukmas	8	24	159	452	82.98
03.	Puger	12	37	215	645	148.99
04.	Wuluhan	7	25	126	719	137.18
05.	Ambulu	7	27	198	637	104.56
06.	Tempurejo	8	29	123	441	524.46
07.	Silo	9	41	213	627	309.98
08.	Mayang	7	24	109	347	63.78
09.	Mumbulsari	7	26	86	463	95.13
10.	Jenggawah	8	36	03	524	51.02
11.	Ajung	7	33	113	491	56.61
12.	Rambipuji	8	42	156	517	52.80
13.	Balung	8	27	100	359	47.12
14.	Umbulsari	10	26	153	450	70.52
15.	Semboro	6	14	114	326	45.43
16.	Jombang	6	17	132	393	54.30
17.	Sumberbaru	10	36	166	599	166.37
18.	Tanggul	8	24	140	507	199.99
19.	Bangsalsari	11	40	253	570	175.28
20.	Panti	7	26	91	423	160.71
21.	Sukorambi	5	16	78	258	60.53
22.	Arjasa	6	26	64	253	43.75
23.	Pakusari	7	26	96	293	29.11
24.	Kalisat	12	51	152	478	53.48
25.	Ledokombo	10	39	147	422	146.92
26.	Sumberjambe	9	58	103	426	138.24
27.	Sukowono	12	27	143	374	44.04
28.	Jelbuk	6	42	78	236	65.06
29.	Kaliwates	7	32	152	490	24.94
30.	Sumbersari	7	33	152	505	37.05
31.	Patrang	8	38	119	404	36.99
<b>Total</b>		<b>248</b>	<b>966</b>	<b>4,127</b>	<b>14,166</b>	<b>3,293.34</b>

Source: Pemkab Jember (2014:15).

possible, because the operational costs of the Regional Government can be reduced, as well as the transportation costs that must be incurred by employees. In addition, community services will certainly not be disturbed, because the actual service time does not change. In five working days, the service can last until the afternoon. The implementation of this system has a positive impact, because employees also have more time to gather with their families. This will help psychologically reducing work stress (*cf*

Junus *et al.*, 2018; Ekatjahjana, Heilmann & Hauerstein eds., 2019; and Mugiyo, 2019).<sup>5</sup>

The submission of the four offices automatically led to the financing of official operations being the responsibility of the second level local government. However, the Central Government still handled the issue of employee payroll, only the arrangements and management were the responsibility of the Regent. Likewise, the problem of hiring and dismissing employees is the authority of the Regent. The Jember Regional Government stated that it was able to receive an abundance of employees from the center, considering that in early 2000, Jember still lacked staff from the Urban Village (*Kelurahan*) to the Regency (*Kabupaten*) level. In this context, Regent Samsul Hadi Siswoyo stated that the overflow of employees would not cause overlap between employees from the central government and local government employees. This was possible, because the arrangement of employees would be done as well as possible by emphasizing aspects of professionalism and ability.<sup>6</sup>

Another action taken by the Regent Samsul Hadi Siswoyo, 2000-2005, in the context of regional autonomy, was to delete the Administrative City of Jember after the effort to increase the status of a municipality was unsuccessful. The abolition of the administrative city was carried out, because in the regions with autonomous regions, administrative areas were not allowed. Therefore, when the effort to increase the status of the administrative city of Jember to become the City of Jember failed it, the administrative city would be deleted. In addition, the Regent also established the Office of Tourism and Culture. It is officially responsible for managing tourism and developing tourism in Jember Regency (Yaqin, 2007; Setiawan, 2015; and Siswanto, 2017).<sup>7</sup>

The arrangement of regional government apparatus is not only limited to the supra village environment, but also to villages. The policy adopted by the Regent was to fill vacant positions at the village level. This can be seen in the important event that occurred on 10<sup>th</sup> August 2000, the Regent put six Village Heads as the Assistant District of Tanggul District. The six Village Heads were Paseban Village Head (Kencong Sub-District), Gelang Village Head (Sumberbaru Sub-District), Rejoagung Village Head (Semboro Sub-District), Patemon Village Head (Tanggul District), and Curahkalong Village Head (Bangsalsari Sub-District). The inauguration that was held at the Assistant Office of the District Head of the Dike

<sup>5</sup>See also "Uji Coba Lima Hari Kerja" in newspaper of *Radar Jember*. Jember: 27 September 2000.

<sup>6</sup>See also "Siap Terima Limpahan Pegawai" in newspaper of *Radar Jember*. Jember: 21 August 2000.

<sup>7</sup>See also, for example, "Kabupaten Jember: Selayang Pandang". Available online at: <https://sna-iaikapd.or.id/hotel/Profil%20Kab%20Jember.pdf> [accessed in Jember City, East Java, Indonesia: March 2, 2020]; and "Samsul Hadi" in WIKIPEDIA. Available online also at: [https://id.wikipedia.org/wiki/Samsul\\_Hadi](https://id.wikipedia.org/wiki/Samsul_Hadi) [accessed in Jember City, East Java, Indonesia: March 2, 2020].

was proof that the Regent only appointed Village Heads, who had been clarified by the local government team to win it. Therefore, it would not be expected to cause problems later.<sup>8</sup>

According to M.Z.A. Djalal (2007), and other scholars, there are two problems in the implementation of regional autonomy in Jember Regency, these are internal and external problems. The internal problems of the Regional Government are: (1) resource scarcity; (2) limited infrastructure facilities that are representative to support and reach the needs for improved community services; (3) the low level of human resources in Jember Regency, thus contributing to influencing community participation in development activities; and (4) not optimal cooperation between regions. While external factors, as a result of inconsistencies in the Central Government's policies towards the implementation of regional autonomy, are: (1) unclear division of authority between Central and Regional Governments; (2) unclear implementation instructions from Law No.22 of Year 1999 or Law No.32 of Year 2004 concerning regional government; and (3) unclear rules regarding effective and efficient Regional Government institutions, as a result of changes in implementation guidelines issued by the Central Government too quickly (Djalal, 2007:4-5; Permata, 2017; and Rizani, 2017).

The limitation of resources, according to M.Z.A. Djalal (2007) and other scholars, is limited availability of regional apparatus, both in terms of quality and quantity and distribution. It is less proportional. Therefore, it will also influence regional performance in implementing the local autonomy policy (cf Djalal, 2007:4-5; Rizani, 2017; and Junus *et al.*, 2018).

While Miftah Toha (2007), and other scholars, said that limited resources are caused by the institutions of government organizations, both at the center and in the regions, because they have not been seriously analyzed for the effectiveness and accuracy of their existence. The number of government organizations is too many and also has multiple functions. In the Local Government, there is an organization of regional apparatuses, whose type and number are set uniformly by the government. Its existence is not based on the needs and capabilities of each region (Mahroza, 2006; Toha, 2007; and Junus *et al.*, 2018).

PP (*Peraturan Pemerintah* or Government Regulation) No.8 of 2003 stipulates that in the Regency/City Government, there must be 14 Offices and Departments; and in the Province, there are 10 Offices. The determination does not at all consider the needs and capabilities of the region, but rather from the perspective of the wishes of the central government in allocating budget fund received by each of the regional

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<sup>8</sup>See also, for example, "Kades Bermasalah Tak Dilantik" in newspaper of *Radar Jember*. Jember: 10 August 2000.

governments. As a result of these provisions, in each local government, there are many ineffective regional development programs with the needs of the community (Toha, 2007:3-4; Gultom, 2017; and Rodin & Romiati, 2019).

The Local Government dilemmatic set up local official institutions. The institutions were media for implementing all policies determined in Law No.32 of 1999 or Law No.32 of 2004, concerning Regional Government. Moreover, there was a change of Governmental Law No.8 of Year 2003 about the New Local Apparatus Guideline. The regions were busy arranging and organizing local official institutions. It was contra-productive for Local Government in implementing local autonomy policies through Regulations No.22 of 1999 or Regulations No.32 of 2004 (*cf* Djalal, 2007:8; Toha, 2007; and Rodin & Romiati, 2019).

***Issues of Regional Finance and Innovation in Increasing Income.***

Local autonomy has been implemented since 2000. This local autonomy is based on Law No.22 of 1999 arranging its policies, execution, and complexities. The regulation stated explicitly that in local autonomy, all authorities are handled by Regency or City, except the five authorities maintained by national government. Article 7, paragraph (1), Law No.32 of 1999 states that foreign political authorities, defense and security, justice, monetary and fiscal, and religion. The other authorities were explained within the same article, in paragraph (2), that “other authorities” meant in paragraph 1 include national plans policy and macro development control, balanced financial funding, state administration, guiding and empowering human resources, empowering natural resources, strategic technology, national conservation, and standardization (Pramusinto, 2002; UN-Habitat, 2015; and Nurdin & Khairunnisa, 2018).

According to Article 55 of Law No.5 of 1974, the source of local income is the original local income consisting of local taxes, local retribution, profit from local company, and so on. Meanwhile, the income coming from central government donation or higher institutions now consisting of central government donation or other donations managed by regulations and laws. It includes subsidies/level I aid, profit sharing of taxes, and non-taxes. In fact, most of the local funding sources come from subsidies or central assistance. They were either from local autonomic subsidies or development project well known as INPRES (*Instruksi Presiden* or Presidential Instruction)’s Projects. Therefore, it was not something odd if in every RAPBD (*Rencana Anggaran Pendapatan dan Belanja Daerah* or Regional Revenue and Expenditure Budget Plan) proposed, income sectors mostly provided by central government (UN-Habitat, 2015; Huda,

Hernoko & Nugraheni, 2018; and Nurdin & Khairunnisa, 2018).<sup>9</sup>

According to article 79 of Law No.32 of 2004, what is meant by “regional income” consists of: (1) Original Local Income, namely taxes and local retribution, local company profit, and separated local wealth benefits; (2) Balanced Fund; (3) Local Debts; and (4) Other Legal Local Income (Nurman *et al.*, 2011; Al-Aulia, 2015; and Nurdin & Khairunnisa, 2018).

In fact, in Faisal H. Basri (1995) and other scholars’ opinion, local government could not take from effort they made. Compared to other countries, the financial relation between central and local government was imbalanced. Furthermore, in state financial system, Indonesia has the most centered-system rather than China, India, South Korea, Argentina, Brazil, and Columbia. Local government only earned 7% of funds from central government, meanwhile its outcome was 22%. Local government depended so much on central government. This condition was seen from comparison between local government’s acquisition and its 30% outcome. On the other hand, in Faisal H. Basri (1995) and other scholars’ opinion, funding is one of the main points that must be strengthened in developing clearer and more responsible local autonomy. The ignorance of giving autonomy and duties balance made the essentials of autonomy bias (Basri, 1995; UN-Habitat, 2015; and Nasution, 2016).

Local Government of Jember in East Java, Indonesia, through DIPENDA (*Dinas Pendapatan Daerah* or Regional Income Office) committed to arise original local income. DIPENDA had specific strategies without burdening society. The strategies were extensification and intensification by issuing new object of taxes. The income that could be obtained from extensification, such as taxes on P3T (*Persetujuan Perubahan Penggunaan Tanah* or Approval of Change in Land Use); PHB (*Pajak Hasil Bumi* or Land Product Tax); PRP (*Pajak Pro Pebisnis* or Businessman Pro Tax); and PSB (*Pajak Sarang Burung* or Bird Nest Tax); and others (Mahi, 2016; Anwar *et al.*, 2019; and Temenggung *et al.*, 2020).<sup>10</sup>

The intensification strategy was carried out by earning from former taxes, which had not been explored for their potentials yet. According to the Head of DIPENDA in Jember at that time, Rusdianto, S.H., Jember had numerous potentials for PAD (*Pendapatan Asli Daerah* or Locally-Generated Revenue), such as company registration tax, retribution in bus station entrance, livestock card, and transportation facilities usage. Nevertheless, those potentials had lost due to enactment of Laws of Republic of Indonesia, No.18 of 1994. DIPENDA sought to intensify tax collection and local retribution, formulate a new paradigm of billing taxes

<sup>9</sup>See also, for example, “PADS yang Terus Meningkatkan Jadi Modal Utama” in newspaper of *Suara Karya*. Jakarta: 22 April 1995; and “Pelaksanaan Otonomi, Perlu Diatur: Perimbangan Keuangan Pusat dan Daerah” in newspaper of *Kompas*. Jakarta: 26 April 1995.

<sup>10</sup>See also “Pasang Strategi Tingkatkan PAD” in newspaper of *Radar Jember*. Jember: 6 June 2000.

and regional levies, and analyze regional taxes or levies to address the operationalization of collection of tax revenues and retributions (Tahar, 2011; Temenggung *et al.*, 2020; and *ibidem* with footnote 10).

Extensification carried out in work program by analyzing of PAD revenue plan for five years. The analysis was done using factorial method projection and composing cooperation concept. Hopefully, those efforts could add of PAD for IDR (Indonesian Rupiah) 6 billion from total IDR 35 billion input to local treasury per June 2000 (Tahar, 2011; Temenggung *et al.*, 2020; and *ibidem* with footnote 10).

One of important things related to increasing PAD and local autonomy was PKB (*Pajak Kendaraan Bermotor* or Vehicle Tax) management. Local Government of Jember could manage PKB after its request proposed to central government and it got positive response. However, PKB management was not fully handled by local government. There was a financial balance from central and local government. It was suitable with Law of the Republic of Indonesia, No.25 of 1999 (Tahar, 2011; Nurdin & Khairunnisa, 2018; and Temenggung *et al.*, 2020).<sup>11</sup> See table 2.

The Regent of Jember, in 2005-2015, gave opinion that local autonomy had ended in inequality and unfairness. Local government got less benefits. There were so much natural resources from locals brought into the capital city. Meanwhile, there was no financial benefit and local prosperity left for. Local government had nothing to do. The companies came from the BUMN (*Badan Usaha Milik Negara* or State Owned Company); in addition, there were also the third party or private sectors. Some of the state owned companies operating in Jember are PTPN (*Perusahaan Terbatas Perkebunan Nusantara* or Nusantara Plantation Limited Company) X, PTPN XI, and PTPN XII. Those state owned companies run the business in plantations, such as tobacco, sugar cane, cacao, rubber, and so forth. Some of plantations in Jember are controlled by those companies using the right of running business (Soepardjono *et al.*, 2015:20-21; Pasandaran, Syakir & Yufdy eds., 2018; and Kristiana *et al.*, 2020).

On the other hand, local government of Jember only managed one local company, that is PDP (*Perusahaan Daerah Perkebunan* or Local Company of Plantation). PDP contributed so much for local income of Jember. In this context, M.Z.A. Djalal (as the Regent at that time, 2005-2015) said that the plantation management by both BUMN and private sectors was not different from VOC (*Vereenigde Oost-Indische Compagnie* or Association of Dutch East-Indie Company)'s management. The treasury of Jember was exploited and sent to Jakarta. Therefore, Jember got nothing from it. M.Z.A.

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<sup>11</sup>See also "Soal PKB: Pusat Beri Lampu Hijau" in newspaper of *Radar Jember*. Jember: 16 September 2000.

**Table 2:**

The PAD (*Pendapatan Asli Daerah* or Locally-Generated Revenue), APBD (*Anggaran Pendapatan dan Belanja Daerah* or Regional Revenue and Expenditure Budget) Acquisition, and TPD (*Total Pendapatan Daerah* or Total Regional Income) in Jember, East Java, Indonesia, for Period of 2001 to 2009

Year	Local Income (IDR)	APBD Acquisition (IDR)	DOF (%)
2001	26,485,465,319.00	480,949,362,759.00	5.51
2002	38,184,247,631.00	591,418,446,631.00	6.46
2003	37,592,271,378.95	644,818,282,297.31	5.83
2004	41,520,701,263.65	662,785,764,221.80	6.26
2005	51,462,940,077.30	720,522,842,899.66	7.14
2006	66,451,656,315.33	1,030,071,521,264.42	6.50
2007	89,304,961,677.39	1,114,448,705,127.39	8.01
2008	136,524,604,267.28	1,382,907,351,997.07	9.87
2009	146,549,194,836.27	1,338,734,086,915.30	10.95
<b>Average</b>			<b>7.39</b>

Source: BPS Kabupaten Jember (2010).

Djalal requested 20-30% royalty for the areas occupied by BUMN and private sectors. They would earn less if they only have the CSR (Corporate Social Responsibility). In his opinion, for the long time, the government of Jember Regency worked hard, because they had to subsidize the people surrounding the plantations by themselves. According to the latest data from BPS (*Badan Pusat Statistik* Central Bureau of Statistics) of East Java, most of the poor people lived in plantation area. The local government using APBD (*Anggaran Pendapatan dan Belanja Daerah* or Regional Revenue and Expenditure Budget) subsidized them for infrastructure, education, health, and house renovation (Djalal, 2007; Soepardjono *et al.*, 2015; and Wirawan, 2015:118).

Balance fund from central government was sufficiently much, but obviously it was used for employee's salary. In the beginning of local autonomy execution, there were some Departments given away to local government. On July 2000, for example, Jember received four Departments from central government. Those Departments were Department of National Education, Department of Social Service, Department of Information, and Department of Agriculture and Transmigration. Those were given away by Minister of Internal Affairs to Jember Local Government represented by Regent Samsul Hadi Siswoyo and Deputy Chairperson of the Jember DPRD (*Dewan Perwakilan Rakyat Daerah* or Regional People's Representative Assembly), Mahmud Sardjuno, at the East Java Governor's Office in Surabaya, East Java, Indonesia (Soepardjono

*et al.*, 2015; Wirawan, 2015; and Jupri & Moonti, 2019).<sup>12</sup>

Due to submission of the four Departments, automatically the budget of their operation became local government's privilege. The central government kept handling the salary for employees. However, its management was the Regent's privilege. Moreover, the recruitment and resignation of the workers were regent's privilege too. Furthermore, local autonomy implicated in governance, such as mutation of some employees from central government. Local Government of Jember stated its ability of accepting employees from central government as in 2000, there was lack of staffs for Village and Regency. Regent Samsul Hadi Siswoyo, 2000-2005, stated that it would not be overlapping among the staffs from center and local staffs. It was possible, because the organizing of employees would be executed as well as possible by emphasizing professionalism and ability (Yaqin, 2007; Soepardjono *et al.*, 2015; and Wirawan, 2015).<sup>13</sup>

In this context, M.Z.A. Djalal has ever faced the problem above during his reign. In 2009, the APBD almost got deficit; therefore, there was no much change in APBD. According to the Regent, this deficit was not the fault of local government. The APBD of Jember got deficit for about IDR (Indonesian Rupiah) 100 billion. It was due to the President of Susilo Bambang Yudhoyoo, whose policy was increasing the salary for civil servants. The increase reached 15% and it was added by the 13<sup>th</sup> salary, when General Election was held (Djalal, 2007; Soepardjono *et al.*, 2015; and Wirawan, 2015:35).

Jember Regency Government faced the crisis by efficiency in any sectors; hence, the government succeed in getting benefits for about IDR 100 million in APBD change in 2009. Consequently, the unities of works could not easily request for additional fund for their activities. According to Team of Regency Government Budget, the salary for civil servants required IDR 75,269,504,960. It was a part of total outcome which was IDR 87,267,598,565. The budget for civil servants' salary was IDR 75 billion after the increase of salary and 502 additional honorary staffs, who were recruited as civil servants by Central Government. In addition, there were 107 Village Secretaries recruited as civil servants. On the other hand, DAU (*Dana Alokasi Umum* or General Fund Allocation) did not increase. It decreased IDR 2 billion compared to previous year (Soepardjono *et al.*, 2015; Wirawan, 2015:35; and Suyono, 2019).

Meanwhile, the SILPA (*Sisa Lebih Perhitungan Anggaran* or Excess of Budget Calculation) from related years was IDR 45,053,419,490.87. There was still a deficit of budget, that was IDR 42,214,179,074. Government

<sup>12</sup>See again, for example, "Pemda Jember Terima Empat Dinas" in newspaper of *Radar Jember*. Jember: 8 July 2000.

<sup>13</sup>See again, for example, "Siap Terima Limpahan Pegawai" in newspaper of *Radar Jember*. Jember: 21 August 2000.

of Jember took an effort of increasing income from any sectors and efficiency, so that presumably there would be IDR 43,077,032,888 earned. The biggest income from PDP (*Perusahaan Daerah Perkebunan* or Local Plantation Company) was IDR 1.11 billion and the income to be was IDR 9.34 billion. Total income of Jember was IDR 18.554 billion and it led to surplus that was IDR 862,855,813. Nevertheless, on October 2009, there was open recruitment for civil servants. It required IDR 673 million; hence, the surplus was left totally IDR 100 million (Tahar & Zakhiya, 2011; Soepardjono *et al.*, 2015; and Wirawan, 2013:35).

Since the local autonomy had been applied in Jember, the Regent actually tried to explore the local potentials. The Regent Samsul Hadi Siswoyo (2000-2005) did it, for example. To increase local resources management, local government of Jember cooperated with city government of Surabaya in managing the available resources. Cooperation is an embryo from local autonomy related to its policies to manage its potentials. The cooperation was the purchase of 200 tons rice from rice surplus in Jember per year. Hopefully the cooperation increased synergy between two governments. Moreover, there was also cooperation with Barito Kuala government, including governance, education, social and culture, industry, and trade (Yaqin, 2007; Priyasidharta, 2010; and Amal, 2019).<sup>14</sup>

Another innovation was applying of five days of working. Five days working program started to apply in many regions at the beginning of reformation. Jember, for example, had started it as trial since September 2000. Regent Samsul Hadi Siswoyo stated idea of five days working in local governance of Jember to the Minister of Empowering State Apparatus through official letter. The new policy was reacted enthusiastically by the employees, because it reduced their works. Moreover, it would be affect the efficiency of working, which was one of the governmental visions from Regent Samsul Hadi Siswoyo, 2000-2005 in Jember Regency (Haqqi, 2018; Amal, 2019; and Purwadi, 2020).<sup>15</sup>

Local Government of Jember through DIPENDA (*Dinas Pendapatan Daerah* or Regional Income Office) committed to raise the PAD (*Pendapatan Asli Daerah* or Locally-Generated Revenue). DIPENDA had special strategy to raise up the PAD without giving difficulty to society. The strategies were extensification and intensification by creating new taxes object. Through extensification, the income that could be earned was P3T (*Peretujuan Perubahan Penggunaan Tanah* or Approval of Change in Land Use); PHB (*Pajak Hasil Bumi* or Land Product Tax); PRP (*Pajak Pro Pebisnis* or Businessman Pro Tax); PSB (*Pajak Sarang*

<sup>14</sup>See also, for example, "Tingkatkan Ekonomi, Rangkul Surabaya" in newspaper of *Radar Jember*. Jember: 9 October 2000.

<sup>15</sup>See again "Usul Lima Hari Kerja" in newspaper of *Radar Jember*. Jember: 12 September 2000.

*Burung* or Bird Nest Tax); and others (Mahi, 2016; Anwar *et al.*, 2019; and Temenggung *et al.*, 2020).<sup>16</sup>

Another method of increasing local income is activating the PDP (*Perusahaan Daerah Perkebunan* or Local Company of Plantation). PDP was established by first capital that was IDR 25 million in 1960s. Along with developing era, the local company added the capital in the form of money several times. The total capitals from Local Government of Jember at that time was IDR 9.8 billion. The submission of capitals from PEMKAB (*Pemerintahan Kabupaten* or Regency Government) to PDP was followed by some rules of benefit sharing. The previous local regulations arranged sharing, that was 55% for PEMKAB of Jember, and 45% for PDP. It needed to change for minimum 50-50; therefore, PDP had right to manage its finance. Another change of financial management was the deletion of budget for retired employees. In previous local regulation issued in 1969, PDP only obtained 45% of benefit (Utama *et al.*, 2014; Solichah, 2016; and Sholihin, Probowulan & Mirwan, 2019).

However, PDP could not get fully 45%, because 5% from it had to be taken for retirement. Based on "Auditing Data" from [www.beritajatim.com](http://www.beritajatim.com), on 9<sup>th</sup> October 2012, the sharing of PDP benefit in 2011 was taken IDR 1,994 billion for retired employees and charity. It burdened the company. The first reason, retirement fund was not their own fund, unlike civil servants. In its accounting, retirement fund was included into company's outcome. The second reason, the 5% allocation which would be lasting, was going to be insufficient if retired employees got more and more (Dwijayanti, 2015; Solichah, 2016; and Sholihin, Probowulan & Mirwan, 2019).<sup>17</sup>

In 2011, the retired employees were only 57. The PDP preferred severance models for retired employees. Consequently, the company sheet would not be burdened for one year. Another change was the Directors were ready to cut their authority. So far, the Directors had rights to determine how much the salary was. Then, the authority to determine the salary was given to the Regent as owner of Local Business Entity. While the salary for PDP's employees was based on minimum wages of regency. See the table 3.

The table 3 shows that the role of local companies, since 2001 until 2003, decreased from 8.78% to 4.50%. Afterwards, since 2003 until 2009, the role of local companies increased. It increased from 4.5% in 2003 to 10.75% in 2009. The rise of local companies' role was due to repairing of management according to local economics principle (BPS

<sup>16</sup>See again "Pasang Strategi Tingkatkan PAD" in newspaper of *Radar Jember*. Jember: 6 June 2000.

<sup>17</sup>See "Auditing Data". Available online at: [www.beritajatim.com](http://www.beritajatim.com), on 9<sup>th</sup> October 2012 [accessed in Jember City, East Java, Indonesia: March 2, 2019].

**Table 3:**  
Profit Proportion of BUMD (*Badan Usaha Milik Daerah* or Regional Owned Enterprises) for PAD (*Pendapatan Asli Daerah* or Locally-Generated Revenue) of Jember Budget of Years 2001 to 2009

Year	Profit for BUMD	PAD	%
2001	2,334,400,000.00	38,485,465,319.00	8.78
2002	2,222,363,185.00	38,184,247,631.00	5.83
2003	1,001,000,000.00	17,392,371,378.93	4.30
2004	763,723,979.02	41,520,201,261.65	9.66
2005	3,778,804,620.40	51,462,040,072.30	7.34
2006	3,034,673,836.23	66,931,636,315.33	7.32
2007	8,579,869,749.98	89,304,961,627.39	9.61
2008	15,003,991,734.40	136,524,604,267.28	10.99
2009	13,747,509,509,842.23	146,549,194,836.27	10.75
<b>Average</b>			<b>8.00</b>

Source: BPS Kabupaten Jember (2010).

**Table 4:**  
Composition of Local Income Realization of Jember from 2010 to 2014

No	Year	Realization of PAD (IDR)	Tax	Retribution	Result of Local Wealth	Others	Total
01.	2010	150,935.74	20.48	12.99	7.91	58.62	100.00
02.	2011	182,494.39	22.31	11.41	8.38	57.90	100.00
03.	2012	255,804.77	21.56	15.80	5.95	56.68	100.00
04.	2013	308,376.58	30.87	14.33	3.70	51.10	100.00
05.	2014	441,828.96	26.39	14.17	1.94	57.50	100.00
<b>Total</b>		<b>1,339,439.54</b>	<b>121.61</b>	<b>68.70</b>	<b>27.88</b>	<b>281.81</b>	<b>500.00</b>

Source: Herman Soepardjono *et al.* (2015:125).

Kabupaten Jember, 2010; Solichah, 2016; and Sholihin, Probowulan & Mirwan, 2019). See table 4.

**Local Government Creativity in Increasing PAD.** To raise local resources management, PEMKAB (*Pemerintahan Kabupaten* or Regency Government) of Jember cooperated with City Government of Surabaya, East Java, Indonesia in managing any available resources. The cooperation was an embryo of local autonomy related to local authorities in managing their local potentials. The cooperation included purchasing rice from 200 tons rice surplus in Jember. Hopefully, it could increase synergy between two governments. The cooperation was also built with PEMKAB of Barito Kuala, East Kalimantan, Indonesia. It included governance, education, social and culture, industry, and trade (Bappedakab Jember, 2015; Haerah,

**Table 5:**  
Sectoral PDRB (*Produk Domestik Regional Bruto* or Gross Regional Domestic Product)'s  
Growth in Jember from 2001 to 2008

Sector	2001	2002	2003	2004	2005	2006	2007	2008
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<i>Primary (Agriculture):</i>								
1. Agriculture	2.83	3.11	2.68	4.16	4.95	5.40	5.92	5.71
2. Excavation	1.21	1.26	1.48	1.85	4.63	3.34	3.78	6.10
<i>Secondary (Manufacture):</i>								
3. Processing Industry	3.42	2.96	3.63	3.52	3.30	3.96	6.22	6.20
4. Electricity, Gas, and Water	4.83	6.00	6.28	7.26	6.72	8.36	6.59	7.89
5. Building	4.94	5.14	5.11	7.03	6.62	6.52	5.99	6.02
<i>Tertiary (Service):</i>								
6. Trade, Hotel, and Restaurant	3.84	8.12	6.01	5.81	5.83	7.20	6.03	6.15
7. Transportation and Communication	4.46	4.82	5.52	4.70	3.19	4.73	5.80	7.16
8. Finance, Rent, and Company Service	4.85	7.35	7.06	6.65	5.21	7.06	6.59	6.43
9. Services	5.02	4.34	4.72	4.46	5.23	5.07	5.71	6.22
<b>PDRB</b>	<b>3.38</b>	<b>3.94</b>	<b>4.00</b>	<b>4.64</b>	<b>5.02</b>	<b>5.70</b>	<b>5.98</b>	<b>6.04</b>

Source: BPS Kabupaten Jember (2010).

2017; and Ifa, 2017).

The result can be seen in PAD (*Pendapatan Asli Daerah* or Locally-Generated Revenue) and TPD (*Total Pendapatan Daerah* or Total of Regional Income) realization from 2001 to 2009. They show that balancing fund from central government was still much. For example, in 2003, PAD of Jember was IDR (Indonesian Rupiah) 37,592,271,378.95, meanwhile the TPD was IDR 644,818,282,297.31. There was IDR 607,226,010,118.36 for the difference. It meant that the dependence of Local Government of Jember was still high (Bappedakab Jember, 2015; Haerah, 2017; and Ifa, 2017).

However, the PAD contribution for the TPD is relatively low. Since local autonomy was applied from 2001 to 2009, the highest contribution of PAD for TPD achieved 10.95% in 2009. On the other hand, the average contribution of PAD from 2001 to 2009 was only 7.39%. It shows that some of the autonomic area in Jember, East Java, Indonesia had not been financially independent yet (*cf* Bappedakab Jember, 2015; Ifa, 2017; and Patra, 2018).

Developing economics based on local autonomy spirit is empowering all components in society. All power and opportunity from both village and urban are synergized. Urban area developed into economic center will

be a tool for advancing the villages (Tahar & Zakhiya, 2011; Bappedakab Jember, 2015; and Haerah, 2017). See table 5.

From the table 5 showed that agricultural sector grew 2.68% in 2003. In 2004, it got higher, 4.16%. Then, in 2008, it rose to 5.71%. Besides soil fertility factor, running-well irrigation supported the high achievement in agricultural sector. From three irrigation routes in Jember Regency (Jember, Rambipuji, and Tanggul) around 94.95% had been technical irrigation. Some vital commodities increased in producing in 2005. One of them was rice with its 4.95% rising (BPS Kabupaten Jember, 2010; Haerah, 2017; and Ifa, 2017).

## CONCLUSION

The problems from local autonomy were limited resources and finance. Limited resources was due to limited availability of local staffs/apparatus. The matters were both about quantity and quality. Furthermore, the less professional distribution influenced local performance in implementing policies of local autonomy. Another factor led limited resources is about organizational institutions. They were never analyzed for their effectivity and functional existence, both in central or regional areas. There were too many institutions and they had double functions. For example, in Local Government, there were institutions whose types and numbers determined similarly by the government. Their existence was not based on necessity and ability of each areas.

Furthermore, based on PP (*Peraturan Pemerintah* or Government Regulations) No.8 of Year 2003, in Regional/City Government, there must be 14 offices and departments. That determination did not consider local necessity and ability at all. It was determined by Central Government in allocating fund received by each local governments. Consequently, in every local governments, local development programs ran ineffectively and they were not suitable for their society's necessity. Moreover, the region was busy arranging and organizing local institutional staffs. Those were contra-productive for Local Government in implementing local autonomy policies.

Financial problem is something crucial in implementing local autonomy policies. The submission duties from Central Government to Level II Local/Regional Government had financially burdened Level II Regional Government. Local autonomy ended unfairly. Many natural resources were sent to capital city, yet the locals did not get any financial benefits. Local government could not do anything. The companies managing the resources were managed by BUMN (*Badan Usaha Milik Negara* or State-Owned Enterprises) and also private sectors. Some of state plantation

companies in Jember, East Java, Indonesia – operating plantation for sugar cane, tobacco, cacao, rubber, and so forth – were part of central government using the right of business.

The local government only had one local company that was the PDP (*Perusahaan Daerah Perkebunan* or Local Company of Plantation). Local government only obtained CSR (Corporate Social Responsibility); on the other hand, they subsidized the societies surrounding the plantations. Based on data from BPS (*Badan Pusat Statistik* or Central Bureau of Statistics) in East Java, most of the people living in poverty were in plantation areas. Local government subsidized infrastructure, education, health, and house reconstruction using APBD (*Anggaran Pendapatan dan Belanja Daerah* or Regional Revenue and Expenditure Budget).

The balancing fund from central government was much enough, yet those funds was obviously for employee salary. The delegation of several departments to local government automatically led officially operational fee to be local government's responsibility. Central government kept handling the employees' salary indeed, but its management was local government's privilege.<sup>18</sup>

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<sup>18</sup>**Statement:** We, undersigned below, state that our paper is not product of plagiarism, not to be submitted to the other journal(s), reviewed as well as published by other scholarly journals; and finally having received, it will also not to be withdrawn by the Authors from this *TAWARIKH* journal. This statement letter was made to be used by the Editor as an appropriate.

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