MUNICIPAL BOND LAW CONSTRUCTION AS AN ALTERNATIVE STRATEGY FOR REGIONAL DEVELOPMENT FINANCING IN INDONESIA

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ABSTRACT

Municipal bonds are a type of regional loan sourced from Article 14 paragraph (3) and (5) Government Regulation of the Republic of Indonesia No. 30 of 2011 on Regional Loans. Municipal bonds are be seen as a regional financing strategy that is proclaimed to increase financing for regional development outside the Regional Income and Expenditure Budget (APBD) budget items. In the implementation there is not yet a single regional government that dares to issue municipal bonds due to the complexity of the procedures for issuance municipal bonds, differences in the application of the principle of investment for investors, unclear rules regarding if the occurrence of default or default conditions by the government is also a tax on coupons. These problems are caused by normative factors and empirical factors.

Keywords :municipal bond, Regional Government, Capital Market, Strategic of Regional Financing

Introduction

National development is an effort which is meant to improve the welfare of the people, nation and country. The development includes physical and non-physical development which is a series of developing processes of the state administration entire system in order to achieve the goals of Indonesia which is written on the fourth paragraph of The 1945 Constitution ofthe Republic of Indonesia (UUD NRI Tahun 1945). In order to achieve the goals of Indonesia, national development is carried out structurally and systematically from the central to the regional levels based on the reference of the five-year the National Mid-Term Development Plan (RPJMN). RPJMN is the basis for budgeting the development fund which has been planned by the central government and regional governments.

One of the functions of the government is the function of the development. The development function aims to create the welfare of its people through various fields, especially the provision of infrastructure. In terms of development in the era of regional autonomy, the regional government is required to be able to build and finance the development of public infrastructure among the needs and funding of regional development which continues to increase. On the other hand, regional financial capacity which comes from PAD, profit sharing funds, and balance funds is very limited. This condition requires the local government to be more creative and innovative in finding funding sources. Sources of funding outside APBD according to Law No.33 of 2004 on Regional Financial Balance, could be sourced from municipal bond which is issued through the capital market. Regions could issue municipal bond in rupiah in the domestic capital market.

Municipal bond is included in the type of long-term regional loans. Long-term Regional Loan is regional loans which are conducted within a period of more than one year. Municipal bond is issued by the Regional Government with the approval of the DPRD, the Governor, the Ministry of Finance c. Q the Directorate General of Fiscal Balance and general offer rules package from the Financial Services Authority (OJK) before being issued through the capital market. The usage of municipal bond as a source of funding for local governments is a new thing. The opportunity to utilize municipal bond as an alternative source of financing for development is very likely to be realized soon. However, as of November 2016 there are only two regions which have fulfilled administrative requirements to issue municipal bond, they are DKI Jakarta and West Java.[1]

There are some factors which cause the region to have not issued bonds. They are: First, procedure for issuing municipal bond involves many sections and a lot of time. Second is the lack of regional preparation in the framework of managing municipal bond. Third, there is a disharmonizationof regulations which is related to the provisions of municipal bond issuance, where municipal bond could only issued in domestic capital market and should be transactioning in Rupiah. The provision has regulated in Article 39 of Government Regulation No.30 of 2011 on Regional Loans, Government has drawn the line for only domestic investment who can join this municipal bond transaction.[2] But according toArticle 3 paragraph (1) letter d of Law No.25 of 2007 on Capital Invesment, Government has provided the same level of chance in Indonesia investment projects for both domestic investor and foreign investor.

[1]Sumber data diperoleh dari artikel *Bank Indonesia Dorong Pemda terbitkan Obligasi Daerah* diakses di www.tempo.co. 24 Novembe 2016 pada 10 Januari pukul 10.58 WIB.

[2]Nando Narendra, *Mengupas Kesulitan Penerbitan Obligasi Daerah artikel yang diakses diwww.hukumonline.com/berita/mengupas-kesulitan-penerbitan-obligasi-daerah diterbitkanpada Minggu, 22 November 2015 diakses pada Selasa, 10 Januari 2017 pukul 14.49 WIB*

Problem Statement

Based on the description of the aforementioned problems, the legal issues raised are as follows:

1. How is the legal construction of municipal bond as regional financing based on the provisions in the Regulation of the Minister of Finance of the Republic of Indonesia Number 180 / PMK.07 / 2015 on the Amendments to PMK Number 111 / PMK.07 / 2012 on the Procedures for Issuance and Accountability of Municipal Bonds?
2. What is the factor which cause the construction of the municipal bond law does not work well in terms of the issuance and trading of municipal bond in the capital market?

Methodology

This paper is a doctrinal legal research which analysed by using normative-sociological approach. This approach is used to study the municipal bond law construction in Indonesia based on the Regulation of the Minister of Finance of the Republic of Indonesia No.180/PMK.07/2015 on the Amendments to PMK No/111/ PMK.07/2012 on the Procedures for Issuance and Accountability of Municipal Bonds.Meanwhile sociological studies were added to support the analysis of the factors that influence the implementation of municipal bond issuance in Indonesia.

Discussion

A. The Law Construction of Municipal bond in Indonesia

1. The Issuance Procedure of Municipal bond

Municipal bond is a form of regional loans which are regulated in the Regulation of the Minister of Finance of the Republic of Indonesia Number 180 / PMK.07 / 2015 on the Amendments to PMK Number 111 / PMK.07 / 2012 on Procedures for Issuance and Accountability of Municipal Bonds. The existence of municipal bond provides an opportunity for the Regional Government to carry out regional development without being constrained by nominal development financing. The process of development financing through the issuance of municipal bond is carried out through the capital market so that the implementation of the procedure for issuance of municipal bond is a combined authority between the central and regional governments along with the capital market management agencies. Therefore, the municipal bond issuance procedure is explained as follows:[3]

a. Executive

1) Head of Regional Government

Regional Head as the head executive officer is authorized to: a) determine activities; b) make reference frame of activities; c) make a calculation of the cumulative limit of the loan; d) make a calculation of the regional financial capability ratio to return loan or Debt Service Coverage Ratio (DSCR); e) submit an application for principle approval to the DPRD; f) prepare the organizational structure, working tools and human resources of the municipal bond management unit. In addition to the preparatory agenda, the regents also has an obligation to maintain the network activities of municipal bond rotation by being transparent to all information regarding to the bonds.

2) Central Government

The Central Governmenthas two authorities in municipal bond release namely acessor and regulator. The authority of the Central Government as an acessor is represented by the Minister of Finance of The Republic of Indonesia c.q Directorate General of Fiscal Balance. On the release of municipal bond, the Central Government does not give warranty to the risk caused by it. Thus, approvement is a way to evaluate and control the financial capacity and the risk probability of filing the municipal bond by the Regency Government. One of the examples from another country in terms of default is LAT program in Japan. It is a financial aid program or grants from the tax income given by the Central Government to the Regency Government which has a financial difficulty in paying the debts.[4]

3) The Financial Services Authority

The Financial Services Authority (OJK) officially replace the position and authority of the Capital Market Supervisory Agency (BAPEPAM)with Law No. 21 of 2011 on the Financial Services Authority. Article 6b claims that the FinancialServices Authority do the regulation and supervision duty to the activities of financial services in the capital market.

b. Legislative

The authority of legislative council, namely regional legislative councils regarding the preparation of obligation release is giving the recommendation or approvement filed by the regents. It is based on a) the maximum net value of the municipal bond which will be released on the Regional Government Budget (APBD) implementation; b) the willingness to the principal payment and interest as a result of the municipal bond release; and c) the willingness to pay all of the cost as a result of the municipal bond release. The regional legislative councils and the central government role as accesor to test the qualifications and abilities of the regions in gaining the residents' loans

[3]Regulation of the Minister of Finance of the Republic of Indonesia Number 180 / PMK.07 / 2015 on the Amendments to PMK Number 111 / PMK.07 / 2012 on Procedures for Issuance and Accountability of Municipal Bonds and SaptoRahardjo, *Obligasi Daerah,* (Jakarta : PT GramediaPustakaUtama, 2004), hlm.120-124

[4]Darien Aldiano, *PerlindunganHukumterhadapPemegangObligasiDaerah atasTidakTerpenuhinyaKewajibanPembayaranolehPemerintah Daerah.,*JurnalSkripsi: FakultasHukumUniversitasIndonesia, 2012, pg.9.

through the obligation release. Besides, together with the regional head, the regional legislative councils make regional regulations on the municipal bond release and give the information to the residents that there is municipal bond release.

2. Municipal Bond Issuance Problems

The issue of municipal bond issuance is reviewed based on two points of view. First, related to the legal gap that occurs due to disharmony of laws and regulations related to the issuance of municipal bond.The legal gap description in the issuance of municipal bond is as follows: (a) The principal substance of the trusteeship contract has not been regulated in the sale of debt securities of municipal bonds between the issuer and the trustee.That is because The Regulation of Capital Market Supervisory Agency No.VI.C/4 on The General Provision and Trustee Contract on Bond Effect only regulating the general provisions that should be written in the contract. Beside due to of its general information, it often creating differences in substance writing.

That condition absolutely don't give any legal certainty for investors.[5]Furthermore, the trustee contract must be submitted in the registration of municipal bond as referred to Article 6 letter I of Regulation of Head The Financial Services Authority No. 61/PJOK.04/2017 on Registration Statement Documents in the Framework of Municipal Bond and/or Municipal Sukuk (Sharia Bond); (b) The substance of the coupon tax imposed on investors has not been regulated. Based on Article 4 Paragraph 2 letter a of Law No.36 of 2008 on Income Tax, the income tax is imposed on bond coupon payments which are paid in total at the end of the year. In case of coupon payments, municipal bond has not been determined at all; (c) There is no regulation regarding the default conditions which due to a reason for example force major[6], the regional government projects funded by municipal bonds are nor completed at a predetermined time and the regional government experiences a default condition. Eventhough a very selective administrative test has been carried out on the registration of municipal bond issuance, its necessary to regulate payment arrangements in the event of default condition; and (d) Futhermore, based on Article 39 of The Government Regulation No. 30 of 2011 on Regional Loans, the issuance of municipal bond can only be done in the domestic capital market and transactioningin rupiah. This implies that only domestic investors who able to buy the municipal bonds. The above provisions are contrary to the spirit of investment voiced by the Central Government as stated in Article 3 Paragraph 1 letter d of Law No.25 of 2007 on Investment which prioritizes the principle of equal chance and does not distinguish national origin.

*Secondly,*based on the practice of testing the submission of muncipal bonds issued by DKI Jakarta Province and West Java Province. The practice of submitting municipal bond issuance in DKI Jakarta Province failed to proceed after the results of the regional financial report (LKPD) audit obtained an opinion disclaimer (adverse opinion) by the Audit Board of The Republic of Indonesia (BPK). Meanwhile pursuant to Article 2 paragraph (1) of the Regulation of the Minister of Finance of the Republic of Indonesia No.111/PMK.07/2012 concerning Procedures for Issuance and Accountability of Municipal Bonds, the issuance of municipal bonds can only be carried out by the Regional Government that receives a Qualified Opinion or Unqualified opinion from BPK.

The process of submitting municipal bond issued by the Provincial Government of DKI Jakarta has been carefully prepared. This can be seen from the enthusiasm of the Regional Legislative Council of DKI Jakarta Province(DPRD DKI Jakarta) to discuss the plan to issue municipal bonds and provide the required principle approval. In addition, in order to realize the municipal bond issuance plan, DKI Jakarta Provincial Government has collaborated with the World Bank and International Financial Corporation (IFC). The process was passed to secure the DPRD DKI Jakarta and give approval to the municipal bond issuance plan. In addition, the administration registration phase of the proposed DKI Jakarta Provincial Government has passed the municipal bond issuance by coordinating with DKI Jakarta Regional Development Planning Agency, DKI Jakarta Provincial Financial Management Agency, DKI Jakarta Provincial Economic Bureau, Capital Investment and Regional Investment Agency of DKI Jakarta Province, plan for the formation of a preparatory team or special work unit for the issuance of municipal bonds.[7]

Meanwhile, the problems that occur in West Java Province are precisely the opposite of the problems that occur in DKI Jakarta Province. Where the municipal bond issuance plan by the Regional Government of West Java Province in general has fulfilled two administrative requirements namely financial requirements and non-financial requirements. Financial requirements consist of: (1) the remaining amount of regional loans plus the number of loans to be withdrawn not exceeding 75% of the total APBD general revenue in the previous year; (2) fulfill the ratio of regional financial capacity to repay loans (DSCR) as determined by the Government; (3) The final audit of the Regional Government Financial Report receives a Fair With Exception (WDP) opinion or Unqualified (WTP). The West Java Provincial Government fulfills all the financial requirements specified above.

[5]Elvira FitriyaniPakpahan, *RekonstruksiPengaturanObligasi di Pasar Modal Indonesia BerbasisNilaiKeadilan,* (Semarang: FakultasHukum, Unversitas Islam Sultan Agung, Disertasi, 2017), hlm.340-341.

[6]SaptoRahardjo, *PanduanInvestasiObligasi,* (Jakarta : PT. GramediaPustakaUtama, 2004), hlm.135

[7]Anthony Pratama Chandra, AspekHukumObligasi Daerah di Pemerintah Daerah Provinsi DKI Jakarta, (UniversitasIndonesia : Thesis, 2011), hlm. 47

The non-financial requirements consist of: (1) the establishment of a municipal bond issuance preparation team; (2) determination of activities to be financed from: municipal bonds; (3) making reference frames for activities; (4) DPRD principle approval; (5) organizational structure, working tools, and human resources. The requirements that have not been fulfilled by the West Java Provincial Government when the municipal bond issuance permit is granted to the Ministry of Finance is that the DPRD's principle approval is not in accordance with the regulatory provisions and the organizational structure of the work device has not been established.[8]

The obstacles that occur in the two cases above show that whether or not the application for administrative requirements for issuing municipal bonds is highly determined by other state agencies. This problem is as result of the length of the bureaucratic procedure for submitting registration for municipal bond issuance which must involve the approval of state agencies. By continuing to implement the registration path in such a way that it takes a long time to just prepare for the issuance of municipal bonds. The ineffectiveness of this time is feared to have an impact on the completion of regional development and accountability for the use of municipal bond funds that exceed the working period of regional heads. This certainly has an impact on the responsibility for the settlement of municipal bonds by the head of the region for the next period.

B. Factors That Influence Municipal Bond Practice

Based on those problems, municipal bond practice has proven its whole practice still not working on the right path. It means, there are factors that influence its practice. According tothe explanation above, factors that are influencing its practice can be classified into two main factors. They are, normative and empirical factors.

1. Normative Factor

The main problem on this factor is disharmonized content among regulationsconstructing municipal bond practice. *First,* as mentioned on the first problem discussion the dishamonization content occurs in providing the same level of chance for both domestic investor and foreign investor in Indonesian investment project. This provision has regulated in Article 3 paragraph (1) letter d of Law No.25 of 2007 on Capital Invesment.But, according to Article 39 of Government Regulation No.30 of 2011 on Regional Loans, Government has drawn the line for only domestic investment who can join this municipal bond transaction. It’s issued by regional government for domestic capital market and should betransactioning in rupiah.Therefore, both regulations are showing the unconsistency investment principle.[9]

Beside of the unconsistency principle problem, Government only being focus on regulating the preventive efforts by listing the major administration that need to be fulfilled by regional government who is willing to issue their municipal bond. The preventive efforts is addressed to prevent the happening of default because of the regional government un-ability to pay the debt and its coupon. Eventhough preventive effort has been regulated to anticipate default condition, it requires repressive efforts to create conducive conditions by regulating default as well as the preventive effort.That condition will lead onto legal vacuum where investors don’t have legal certainty. That is, government only interest inhow to start the issuance municipal bond without preparing the worst condition since the municipal bond is not guaranteed by the Government.

Therefore, default regulation should be written on due diligence contract between trustee(WaliAmanat) and issuer (Regional Government). Nowadays, the due diligence contract between trustee and issuer has been regulated on Paragraph 4 letter r point 2 of the Attachment on Decree of the Head of Capital Market Supervisory Agency and Financial Institution (BAPEPAM) No.Kep-412/BL/2010 on The General Provisions and Trustee Contract on Debt Effect.So that, default must be written on the due diligence contract based on the Decree of the Head of Capital Market Supervisory Agency and Financial Institution above.

2. Empirical Factor

First, administrations condition as primary conditions to submit the issuance municipal bonds is bringing connections between national state bureaucracies. That is, Regional Government should get permission from other state bureaucracies. This process needs to provide good quality communications among the institutions.If reviewed using the Working Theory of Law byChamblish and Seidman, the role of political and cultural relations has a great role in determining the harmony relations and coordination between government agencies. Given the authority structure created is a political product that is born of a regulatory order legislation. In this case will be described one by one linkages between state institutions that influence bond issuance area. The linkages will be analyzed into three domains they are:

a. Government and Regional Government

Government representatives for municipal bond issuance are Ministry of Finance and Ministry of Home Affairs Republic Indonesia. Both of the ministry are having the role to select and control the municipal bond issuance related to its submission. Based on Article 9 *jo.* Article 9A of The Regulation of Minister of

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[8]AyuNurRohmawati, MenilikKeputusanBeraniPemprovJabarTerbitkanObligasiuntukBiayaInfrastruktur, diakses melaluihttps://www.kompasiana.com/ayurahma/menilikkeputusan-berani-pemprov-jabar-terbitkan-obligasi-untuk biayainfrastruktur_56836f82d37a61261283ec25 tanggal 30 Desember 2015, dikutippadatanggal 10September 2017.

[9]Analysing by Asshidiqie, Jimmlydan Ali Safa’at, *Teori Hans KelsententangHukum,* Jakarta : Konstitusi Press, 2012, pg 20.

Finance of Republic Indonesia No.180/PMK.07/2015 and Article 18 The Regulation of Minister of Finance of Republic Indonesia No.111/PMK.07/2012, Government will delay the disbursement of the fiscal balance transfer from central to regional for regional government who don't report their used municipal bond finance.

In addition, during preparation process Government doesn't carry out to socialize the technical guidance on how issuing municipal bond. The socialization and technical guidance will help Regional Government to be able measuring their capability to issue the municipal bond. Especially to support the Regional Government on how importance issuing municipal bond as their alternative development funding. Once Regional Government can issue their municipal bond, both of the parties (Government and Regional Government) will get benefit especially tax revenue.Where transactions occur due to buying and selling bondsthe region will provide additional state income in the form of taxesbond interest of 15% for domestic taxpayers and20% for foreign taxpayers. Especially for municipal bondswill only involve domestic taxpayers.[10]

With the existence of municipal bonds, both Regional Governments and the Government will get benefit in terms of tax and revenue regional development. This will certainly harmonize the vision and the mission of the Government to encourage national development. However, there still seems to be an egosectoral form from the Government in carrying out the municipal bond policy for regional government.

b. **Head of Regional Government and Regional Legislative Council**

Head of Regional Government and DPRD have roles and positions which are equally important in determining municipal bond issuance area. Where the Head of Regional Government needs to show electability and financial management skills to be able convincing the DPRD so that the DPRD gives principle permission to issue municipal bond. Head of Regional Government and DPRD relations are basically colored by a number of political and economic interest. Where political relation is showed by the relationship of structural authority for both sides party. Head of Regional Government as regional executive and DPRD as regional legislator.

That political interest can be seen fromthe pattern of discussion of the Head of Regional Government and DPRD on regional finances in the design of the annual APBD. This has the impact of coordination between the two institutions considering that the discussion on the payment of municipal bond funds must be included in the APBD discussion.[11] Therefore, the harmony of political relations between the Head of Regional Government and DPRD will have an impact on the approval of the municipal bond issuance by DPRD.[12]

The next factor are the differences in leadership style, background of interests, political experiences, and administration of the government when discussing APBD draft, arranging regional regulations, and Head of Regional Government accountability reports.[13] The relationship between the executive and the legislative will be strong if leadership style among both figures dominating both institutions and compatible one to another especially related to leadership style and substance. Difference leadership styles will tend to trigger conflict.[14]

c. **Regional Government and Citizen**

Discussing about Regional Government relations with society means discussing bureaucratic relations between Regional Government with their society. Nowadays, the indicator of good relationship between those parties can be seen from how Regional Government serves its public service especially in serving public information access and data transparency. Public information access and data transparency then being so important to society to control Regional Government. It is because nowadays, the role of public services by Regional Governmentsconsidered negatively by the society because of the lots corruption cases conducted by Head of Regional Government and members of the DPRD. Even within 6 (six) months from January to July 2017 has recorded 226 cases of corruption found by ICW (Indonesia Corruption Watch) with the

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[10]Based on The Regulation of Minister of Finance of Republic Indonesia No.07/PMK.11/2012 on the amendment of The Regulation of Minister of Finance of Republic Indonesia No. 85/PMK.03/2011 on Procedures for Cutting, Depositing, and Reporting Income Tax in Interest Bond.

[11]Affandi, NurAchmad. A*PBD danProlema DPRD dalamAnalisis APBD untukAnggota DPRD Seri PenguatanLegislatif.* Jakarta :United States Agency for International Development USAID, pg.5-6.

[12]National Law Development Agency, accessed from http://www.bphn.go.id/data/documents/naskah_akademik_ruu_tentang_hubungan_kewenangan_pemerintah_pusat_dan_daerah.pdf, page 5.

[13]Gaffar, *Politik Indonesia: TransisiMenujuDemokrasi*(Yogyakarta: Pustaa, 2000), pg.41.

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number of suspects up to 587 people and harm the state of Rp 1.83 trillion. Fifty five cases include cases with the most mode many are illegal fees.[15]

Regional Government has proven to be the epicentre of corruption cases. ICW had recorded that on the first semester on 2016 there were 205 (97%) corruption cases in Regional Government. Meanwhile, in national scope there were only 5 corruption cases (2%). Around 2010-2015, there were 110 Regents and/or Mayor be corruption suspects.In the early of 2016, there were 16 Vice Regents, 34 Mayors, 7 Vice Mayors, 14 Governors, and 2 Vice Governors were being arrested due to corruption cases.[16] This corruption cases reduce public trust to the government. So there, transparency and public information access be that important to increase public trust.[17]

Second, the empirical factor can be seen from the Regional Government's preparation quality of municipal bond issuance. Before Regional Government submits their municipal bond issuance, the Head of the Regional Government should prepare their municipal bond agency that will hold the responsibility to prepare the municipal bond issuance till report the used municipal bond fund. Here, Regional Government need to set up the professional team majoring in economic, law, municipal bond, and capital market. Meanwhile, Regional Government should be able to mapping the potential municipal bond's demand that will be issued.

Furthermore, The Regional Government must ensure the clarity of the projects preparation that will be funded by municipal bond. The clarity of the projects included: (a) The purpose of the constructed project. The project must be built in accordance with the allocation of public function based on Regional Short Term Development Plan (RPJPD); (b) The project must be able to provide revenue that serves as a reserve fund for debt payment and coupon payment; and (c) Clarity in the designation of the land use plan and related permits. Licensing is an important aspect because of there lots of permits issuance problem in the Regional Government.[18]

Conclusion

Based on the previous description, it can be emphasized that basically the municipal bond issuance practice don't work properly as it is regulated in its law construction. Municipal bonds issuance procedure in Indonesia as regulated in the Regulation of the Minister of Finance of the Republic of Indonesia No. 180 / PMK.07 / 2015 on the Amendments to the Minister of Finace of the Republic of Indonesia No. 111 / PMK.07 / 2012 on Procedures for Issuance and Accountability of Municipal Bonds places the involvement of executive and legislative rooms in municipal bond issuance plans. Every Regional Government that plans to issue municipal bonds must obtain principle approval from the DPRD, the Ministry of Finance, and Ministry of Home Affairs of Republic Indonesia. Analysing from the municipal law's construction, the construction was colored by disharmony between the laws and regulations. This can be seen from the existence of a legal vacuum that has not regulated several important aspects in the issuance of municipal bonds, such as debt repayments under default conditions, coupon taxes, and differences in investment principles.

The problems above are caused by two main factors, namely normative factors and empirical factors. The normative factor can be seen from the differences in the preparation of norms between laws and regulations that cause legal vacuum for investors. While empirical factors can be seen in terms of: (a) Coordination between government bureaucracies regarding the granting of principle approval for the issuance of municipal bonds. The authority between bureaucracies tend to slow down the process of submitting municipal bond issuance plans; (b) Relationship between the government and regional governments that are not harmonious due to egosectoral in each government sector; (c) The influence of the different leadership styles between Head of Regional Government and DPRD in the preparation of municipal bond issuance plans; and (d) Regional Government and community relations that are not harmonious because of tcorruption cases carried out by local government officials.

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[15]IbnuHariyanto, *ICW : Dalam 6 Bulan, 226 KasusKorupsiRugikan Negara Rp 1,83 T,* diaksesmelaluihttps://news.detik.com/berita/d-3621894/icw-dalam-6-bulan-226-kasus-korupsirugikan- negara-rp-183-t, pada 13 Desember 2017 pukul 15.00 WIB.

[16] Rudy Polycarpus, *Pemerintah Daerah JadiEpisentrumKasusKorupsi,* diaksesmelaluihttp://mediaindonesia.com/news/read/63966/pemerintah-daerah-jadi-episentrum-kasuskorupsi/ 2016-08-29, pada 13 Desember 2017 pukul 15.50 WIB.

[17] Rose-Ackerman (1978), Shleifer and Wishny (1993), Mauro (1995), La Porta et al (1999) and Wei (2000) dalam Butler A,Fauver L, *Mortal Review of Financial Studies, Vol. 22, Issue 7*(2009) pp. 2873-2905 Published by Oxford University Press, hlm.1.

[18]The seven problems include: a) Perizina services that are not good; b) Lack of transparency in the cost of obtaining permits so that the status quo of licenses is uncertain; c) The high level of local elitist culture that prioritizes the closeness of power; d) Inequality of competence in business licensing services in terms of the quality and quantity of regional labor HR; e) Moral Hazard which is very strong in the licensing service process; f) The absence of a grand design for licensing operations that often hinders the investment in the region; and g) The principle of good governance has not been implemented in the practice of licensing in the regions.Delly Mustafa, PotretPelayananPerizinanpada Era Otonomi Daerah*, JurnalKebijakanPublik Volume 3 Nomor 1*, Maret 2012Universitas Veteran Makassar , hlm.44-45.

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