REGULATION OF THE MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA NUMBER 162/PMK.07/2011

CONCERNING

PROCEDURES FOR DEDUCTION OF GENERAL ALLOCATION FUND AND / OR REVENUE SHARING FUND FOR PARENT REGIONS / PROVINCES THAT DO NOT MEET AN OBLIGATION OF GRANTS / FUNDING ASSISTANCE TO NEW AUTONOMOUS REGIONS

BY THE GRACE OF GOD ALMIGHTY

THE MINISTER OF FINANCE OF REPUBLIC OF INDONESIA,

Considering:

a. that under the provisions of Article 24 of Government Regulation Number 78 of 2007 on Procedures for Formation, Removal and Merger of Regions, the Government facilitates New Autonomous Regions in the form of grants from the parent regions and assistance from provinces;

b. that under the Act governing the establishment of new autonomous regions, the Government imposes a sanction of Deduction of General Allocation Fund and / or Revenue Sharing Fund for Parent Regions / Provinces that do not carry an obligation of grants / funding assistance to New Autonomous Regions;

c. that based on the considerations set forth in paragraphs a and b, it is necessary to stipulate a Regulation of the Minister of Finance on Procedures for Deduction of General Allocation Fund and / or Revenue Sharing Fund for Parent Regions / Provinces that do not Meet an Obligation of Grants / Funding Assistance to New Autonomous Regions;

In View of:

1. Law Number 33 of 2004 on Financial Balance between Central Government and Regional Government (State Gazette of the Republic of Indonesia Year 2004 Number 126, Supplement to State Gazette of the Republic of Indonesia Number 4438);

2. Government Regulation Number 55 of 2005 on Fund Balance (State Gazette of the Republic of Indonesia of 2005 Number 138, Supplement to State Gazette of the Republic of Indonesia Number 4576);

3. Government Regulation Number 78 of 2007 on Procedures for Formation, Removal and Merger (State Gazette of the Republic of Indonesia of 2007 Number 162, Supplement to State Gazette of the Republic of
Indonesia Number 4791);

4. Presidential Decree Number 56/P of 2010;

DECIDES:

To stipulate: REGULATION OF THE MINISTER OF FINANCE CONCERNING PROCEDURES FOR DEDUCTION OF GENERAL ALLOCATION FUND AND / OR REVENUE SHARING FUND FOR PARENT REGIONS / PROVINCES THAT DO NOT MEET AN OBLIGATION OF GRANTS / FUNDING ASSISTANCE TO NEW AUTONOMOUS REGIONS.

CHAPTER I
GENERAL PROVISIONS

Article 1

In this Regulation of the Minister Of Finance:

1. Autonomous Region, hereinafter referred to as the Region, is a legal community unit that has regional boundaries, which is authorized to administer and manage government affairs and public interests at their own initiatives based on the aspirations of the people within the Unitary of the Republic of Indonesia.

2. Parent Province / Regency / City, hereinafter referred to as the Parent Region, is an Autonomous Region that establishes a New Autonomous Region.

3. New Autonomous Region is an autonomous region aged up to 5 (five) years from the official inauguration.

4. Minister of Finance is a Minister responsible for financial management and the State General Treasurer.

5. Minister of Home Affairs is a minister in charge of domestic governance.

6. General Allocation Fund or Dana Alokasi Umum, hereinafter referred to as DAU, is a fund sourced from revenues of the State Revenue and Expenditure Budget allocated for the purpose of inter-region financial capacity distribution to fund local needs in the context of decentralization.

7. Revenue Sharing Fund or Dana Bagi Hasil, hereinafter referred to as DBH, is a fund sourced from revenues of the State Revenue and Expenditure Budget allocated to the Regions based on a percentage rate to fund the needs of the Regions in the implementation of decentralization.

8. Grants / Funding Assistance are financial assistance from the Parent Regions / Provinces granted to New
Autonomous Regions as defined in the Act formation.

9. Transfer Budget User to Region, hereinafter referred to as Transfer PA to Region, is a competent authority responsible for the use of the budget to the Ministry of Finance.

10. Proxy of Transfer Budget User to Region, hereinafter referred to as Transfer KPA to Region, is the Director General of Fiscal Balance under the power from the Minister of Finance, responsible for the management of the Transfer Budget to Region.

11. Regional Head refers to a governor for provincial region or a regent for regency region or mayor for city region.

12. Payment Request or Surat Permintaan Pembayaran, hereinafter referred to as SPP, is a document issued by an official responsible for the implementation of transfer and submitted to a testing official of the Payment Request / a signing official of the Payment Order.

13. Payment Order or Surat Perintah Membayar, hereinafter referred to as SPM, is a document issued by the PA / KPA or other official appointed to disburse the fund allocation from the Budget Implementation Checklist or other equivalent documents.

14. Fund Disbursement Order or Surat Perintah Pencairan Dana, hereinafter referred to as SP2D, is an order issued by the Proxy of State General Treasurer for the expense of the State Revenue and Expenditure Budget under the SPM.

CHAPTER II
SCOPE

Article 2

(1) Deduction of DAU can be imposed on the Parent Region and / or Province that do not fulfill their obligation of grants and / or to funding assistance to the New Autonomous Region.

(2) Deduction of DAU as referred to in paragraph (1) shall apply if mandated by the Act on the establishment of relevant New Autonomous Region.

Article 3

In case the DAU of the Parent Region and / or Province as referred to in Article 2 paragraph (1) is insufficient, a deduction is made to the DBH.

CHAPTER III
DEDUCTION RATE OF GENERAL ALLOCATION FUND
AND / OR REVENUE SHARING FUND

Article 4

(1) The deduction rate of DAU and / or DBH shall be calculated at the amount of unpaid grant / funding assistance obligation.

(2) The deduction rate of DAU and / or DBH per year is set at a certain percentage of DAU and / or DBH to be distributed in the relevant year.

Article 5

(1) The deduction rate of DAU and / or DBH per year as referred to in Article 4 paragraph (2) is at a maximum of 10% (ten percent) of the DAU and / or DBH to be distributed to the relevant Region in the relevant fiscal year.

(2) The percentage of deduction of DAU and / or DBH as referred to in Article 4 paragraph (2) shall consider the Local Fiscal Capacity.

(3) The Local Fiscal Capacity as referred to in paragraph (2) shall be determined periodically by the Minister of Finance in a Regulation of the Minister of Finance on the Local Fiscal Capacity Map.

Article 6

(1) In case the amount payable is more than the deduction rate of DAU and / or DBH per year calculated based on the provisions of Article 5, the deduction of DAU and / or DBH shall be done gradually for several years until the entire obligation is settled.

(2) Deduction of DAU and / or DBH as referred to in paragraph (1) for the following year is calculated based on the Local Fiscal Capacity index and the amount of DAU and / or DBH to be distributed to the relevant Region in the relevant fiscal year.

CHAPTER IV
DEDUCTION OF GENERAL ALLOCATION FUND
AND / OR REVENUE SHARING FUND

Part One
Request for Deduction of DAU and / or DBH

Article 7
(1) Head of New Autonomous Region shall submit a Request for Settlement of Grant / Funding Assistance Obligation of the Parent Region and / or Province to the Minister of Finance in this case the Director General of Fiscal Balance with a copy to the Minister of Home Affairs in this case the Director General of Regional Autonomy.

(2) The request as referred to in paragraph (1) shall at least contain the following matters:
   a. amount of unpaid Grant / Funding Assistance obligation;
   b. evidence of realized payment of Grant / Funding Assistance made, and
   c. a request for deduction of DAU / or DBH of the Parent Region and / or Province.

(3) Based on the request as referred to in paragraph (1), the Minister of Finance shall ask for considerations for settlement of Grant / Funding Assistance obligation to the Minister of Home Affairs in this case the Director General of Regional Autonomy.

(4) The considerations as referred to in paragraph (3) shall contain at least the following matters:
   a. amount of Grant / Funding Assistance obligation to be settled, and
   b. approval / rejection to the request for deduction of DAU and / or DBH of the Parent Region and / or Province.

(5) The Minister of Finance in this case the Director General of Fiscal Balance shall make a deduction of DAU and / or DBH with due regard to the considerations of the Minister of Home Affairs.

Article 8

(1) The Minister of Home Affairs shall deliver the considerations of settlement of Grant / Funding Assistance Obligation to the Ministry of Finance within a period of 15 (fifteen) working days from receipt of the consideration request.

(2) If the Minister of Home Affairs does not deliver the considerations within the period as referred to in paragraph (1), the Minister of Finance may deduct the DAU and / or DBH.

Part Two

Procedures for Deduction of DAU and / or DBH
Article 9

(1) Based on a Request for Settlement of Grant / Funding Assistance Obligation and considerations of the Minister of Home Affairs, the Director General of Fiscal Balance in this case the Director of Regional Financing and Capacity shall calculate the deduction rate of DAU and / or DBH.

(2) The deduction rate of DAU and / or DBH as referred to in paragraph (1) shall be carried out per transfer period with respect to the maximum deduction rate of DAU and / or DBH as referred to in Article 5.

(3) Based on the calculation as referred to in paragraph (1), the Director General of Fiscal Balance on behalf of the Minister of Finance shall issue a Decree of Deduction of DAU and / or DBH.

(4) A Decree of Deduction of DAU and / or DBH as referred to in paragraph (3) shall be a deduction basis of DAU and / or DBH.

Article 10

(1) Based on a decree on deduction of DAU and / or DBH, Transfer KPA to Region or an SPP issuing official shall make a deduction of DAU and / or DBH by enclosing in Appendix to SPP of DAU and / or DBH.

(2) Based on the SPP as referred to in paragraph (1), KPA Transfer to Region or an SPP issuing official and an SPM signing official shall make a deduction of DAU and / or DBH by enclosing in Appendix to SPM of DAU and / or DBH.

(3) SPM as referred to in paragraph (2) shall be submitted to the State Treasury Service Office of Jakarta II.

Article 11

(1) Based on the SPM as referred to in Article 10 paragraph (3), the State Treasury Service Office of Jakarta II issues SP2D as basis of transfer from the State General Treasury Account to the Regional General Treasury Account.

(2) Procedures for issuing SP2D, fund accounting of deduction of DAU and / or DBH and distribution mechanism to a New Autonomous Region shall be done in accordance with the provisions of legislation.

(3) The Director General of Fiscal Balance, the Director General of Treasury and Head of New Autonomous Region reconcile the data of 1 (one) month after SP2D issuance of the Deduction of DAU and / or DBH.
CHAPTER V
ADMINISTRATION, ACCOUNTING, AND REPORTING

Article 12
For each of deduction of DAU and / or DBH, the Director General of Fiscal Balance on behalf of the Minister of Finance delivers a copy of a decree on deduction of DAU and / or DBH to the Minister of Home Affairs, Head of New Autonomous Region, and Head of Parent Region and / or Province.

Article 13
(1) Based on a decree on deduction of DAU and / or DBH, SPM, and SP2D, the Director General of Fiscal Balance as the Transfer KPA to Regions performs administration, accounting, and reporting of deduction of DAU and / or DBH.
(2) Administration and accounting procedures of transfer to regions shall be done in accordance with the provisions of legislation.

CHAPTER VI
CLOSING

Article 14
This Regulation of the Minister of Finance shall come into force on the date of its promulgation.
For public cognizance, this Regulation of the Minister of Finance shall be promulgated by placing it in State Gazette of the Republic of Indonesia.

Stipulated in Jakarta on October 5, 2011
MINISTER OF FINANCE
Signed,
AGUS D.W. MARTOWARDOJO
Promulgated in Jakarta
on October 5, 2011
MINISTER OF LAW AND HUMAN RIGHTS
Signed
PATRIALIS AKBAR

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2011 NUMBER 620