



Title	FISCAL GRANTS AND GOVERNMENT EXPENDITURES IN POST INDONESIA BIG-BANG DECENTRALIZATION
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Abstract of Thesis

Name (TENGKU MUNAWAR CHALIL)	
Title	FISCAL GRANTS AND GOVERNMENT EXPENDITURES IN POST INDONESIA BIG-BANG DECENTRALIZATION (インドネシアにおける大規模な地方分権後の財政補助金と政府支出)
<p>Abstract of Thesis</p> <p>Decentralization policy demanded the central government to aid the local governments for executing their authorities through fiscal grants. The past literature of public finance has discussed the impacts of fiscal grants on the local government's provision and concluded that the fiscal grants have direct and indirect effects on government provision.</p> <p>The fiscal grants effects on government provision consists of three major effects. First, grants should create income effects on government expenditures, vis-à-vis, to citizen income indirectly. However, the problem arises if the grants stimulation effects on government expenditures are far greater than the citizen income. This problem will lead to the over dependency on grants, where the local government expects to receive grants from central than the rise of citizen income tax. The second chapter of this dissertation investigates the problem of grants over dependency in Indonesia municipalities. Indonesia has a unique case of decentralization since the municipal revenues are dominated by fiscal grants. By utilizing municipal level data and controlling the spillover restraint, the study found that the stimulation effects of fiscal grants are 6.9 times greater than per-unit citizen income. This fashion is ubiquitous in the developing countries where fiscal grants are applied as subsidies, which well known as the "Flypaper Effects." Moreover, the study revealed that the lump-sum grants stick to its use. Lump-sum grants affect the administration spending more than capital/investment spending; in contrast, the matching grants have more impacts on capital/investment spending. The chapter also maps the spatial distribution of the flypaper effects using Geographically Weighted Regression (GWR). The map of the flypaper effects is remarkably similar to the distribution of fiscal grant's shares domination in municipal budgets. The policy implication in this chapter advises the central government on designing the lump-sum grants that can overcome the moral hazard problems.</p> <p>The second effect of fiscal grants is the grants caused the fiscal competition. The rationale departs from the model of yardstick competition; that is where the voters in a jurisdiction compare the performance of their government with the neighboring governments and punish their government if their government does not perform better than the neighboring governments, by not vote for the incumbent in the upcoming election. The mechanism of yardstick competition through grants is plausible if the municipal governments must compete again each other to obtain the grants. The second chapter of this dissertation investigates the effects of the special allocation grants (DAK) in Indonesian municipalities to the municipal competition. The special allocation grants require the efforts of the local governments, such as grant proposals and supporting budget. The third chapter examined whether the endowed special allocation grants (DAK) to neighborhood affects the spending allocation and voter satisfaction in a municipal. By utilizing the spatial approach and various concepts of neighborhood, the chapter suggests that the neighboring grants act as substitution goods for public provision, which can be seen as the competitive grants in the neighbors decrease the capital expenditures in a jurisdiction by 0.2% However, neighboring grants do not affect voter's satisfaction. Voter's satisfaction in a jurisdiction is parallel with the endowed competitive grants in that jurisdiction. The only neighboring factor that has impacts on voters' satisfaction is the neighbor's welfare (relative service to tax paid), which negatively affect voter's satisfaction in a jurisdiction.</p> <p>Finally, the third effect of fiscal grants is the grants' influence to government efficiency. The theory of hard-budget has demonstrated that the problem of the lump-sum grants is moral hazards; that is, when the sub-central governments received risk-free unconditional transfers, the expenditures will be ineffective and inefficient. The fourth chapter challenged the theory by examining the impacts of lump-sum type "village</p>	

transfers" to the sub-municipal governments so-called "village governments" spending efficiency. The study used a unique dataset of village government spending items. Firstly, the study evaluated the village government efficiency using a meta-cost frontier analysis. Secondly, the created efficiency scores are regressed with the shares of village transfers and other factors that may explain the efficiency, such as bureaucracy size and capacity. The results found that the villages could efficiently spend their expenditures with efficiency scores above 68%, and they perform better if they have autonomous status and have full control of village transfer funds.

Moreover, increasing a unit of bureaucrats diminishes village spending efficiency by 20.57 points of inefficiency. In contrast, increasing the bureaucratic capacity appears to improve the spending efficiency even though the statistical results are only convincing for the group of autonomous villages. Chapter Four suggests a straightforward policy implication that is creating a lean government structure in the village government and focusing expenditures on capital and physical infrastructure. Expanding decentralization to the village level and increasing village transfer are appropriate policies; nevertheless, strengthening regulation, capacity, and institution is indispensable.

Chapter five of this dissertation speaks the extension of grants to individuals and how the grants are related to election motives. The chapter looked at the dynamic of grant expenditures with the association to the election timeline. The grant expenditures are one of the expenditure items in Indonesian municipals, which have the purpose of helping the community development and have a non-binding characteristic. The incumbent often used these expenditures as a campaign tool. Chapter five showed there is not enough evidence of shifts on grant expenditures during election years; however, it becomes significant for the incumbent who contests the election. By controlling the endogeneity of incumbent, the study shows that incumbent who seek for reelection increases grant expenditures in the election time 2.8% higher than incumbent who retires from election. The chapter further expands the impact of reelection to the grant expenditures by categorizing the incumbent that is exalted by the dominant (or coalition) of parties and those who does not, via utilizing the party's concentration. The results found a negative slope of electoral cycle effects to grant expenses by the parallel increase of political parties' domination. Chapter Five finally delivered a clear-cut policy for relaxing the vote-seeking behavior in the incumbent that is placing the incumbent and the challenger at the same position, for example forcing the incumbent step down from the office one year before the election and delegate higher officials as the top decision-maker on deciding budget at the election period.

論文審査の結果の要旨及び担当者

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論文審査の結果の要旨

本論文は、インドネシアにおける大規模な地方分権後の財政補助金が政府支出に与えた効果についての定量的な分析を行い、分析結果から、望ましい財政補助金のあり方を検討するものであり、第2章から第5章までの4本の学術論文で構成されている。

第1章では、インドネシアにおける中央政府から地方自治体への大規模な財政分権化について概観し、補助金の種類と特徴をまとめている。また、この分権化後の補助金が政府支出に影響を与えており、その効果についての分析をする意義を述べている。

第2章では、インドネシアにおけるフライペーパー効果（補助金が地方自治体に入ると減税などで住民に還元されることなく、ハエ取り紙のように、財政支出という形で地方政府に張り付いてしまう現象）に着目し、2000年から2014年までの市町レベルのデータを用いて、空間的要素を考慮したアプローチにより分析し、補助金が地方政府による過剰支出を促していることを見出している。この結果から、真に望ましい資源配分が行われていない可能性を指摘している。

第3章では、地方自治体間の財政競争（税、支出、支出構成）に着目し、2000年から2014年までの市町レベルのデータを用いて、空間的要素を考慮したアプローチにより分析し、補完的な相互依存関係が存在することを見出している。また、他地域への助成金は、自地域の支出を減らすことも導出されている。この結果は、分権化後の望ましい競争の在り方を考える上での有益な情報を提供している。

第4章では、村の財政移転に着目し、2014年の村レベルのデータを用いて、コストフロンティアアプローチにより分析し、裁量性のある財政移転割合の拡大や、能力のある官僚の存在が効率性を上昇させることを見出している。この結果から、財政移転における裁量性の拡大、および官僚的能力に関わる村のガバナンス体制の再構築の必要性を指摘している。

第5章では、政治サイクルと歳出の関係に着目し、2008年から2013年の市町レベルのデータを用いて、内生性を考慮した操作変数法により分析し、現職者が選挙に参加する場合に住民への助成としての財政支出が拡大すること、また、現職の政治家が厳しい立場にあるほど、その効果はより高いことを導出している。この結果から、選挙時には、予算策定への透明性を高める必要性を指摘している。

以上のとおり、本論文は、インドネシアにおける大規模な地方分権後の財政補助金が、政府支出に与えた効果についての実証分析を行い、望ましい財政補助金のあり方について検討した興味深い研究論文であり、この分野の先行研究を十分消化したうえで、適切かつ高度な計量経済分析によって信頼できる結果を得ており、この分野の研究に新たな知見を加え、重要な学術的貢献をしているものと評価することができる。よって、審査委員会は一致して、この学位申請論文が、博士（国際公共政策）の学位を授与するに十分値するものであると判断する。