

The Role In Making A Fiscal Decentralization Inclusive To The Development In North Sulawesi

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ABSTRACT: *Fiscal decentralization is expected to trigger a positive impact on the quality of public services as well as realizing inclusive economic development in North Sulawesi. This study aims to determine how the role of fiscal decentralization on inclusive economic development in North Sulawesi, namely in encouraging quality economic growth, reduce poverty, reduce inequality in household incomes and improve employment in North Sulawesi. The estimation results by using path analysis confirmed that, 1). Fiscal decentralization directly contribution to increased economic growth, people's income inequality and employment, but it does not have a direct impact on reducing poverty in North Sulawesi. 2) Indirectly through fiscal decentralization of economic growth contributes to poverty and employment, but does not impact on the people's income inequality in North Sulawesi. This finding suggests that the role of fiscal decentralization has not been fully optimized to realize inclusive development in northern Sulawesi, because it is still accompanied by various assumptions and conditions. Fiscal decentralization rated will be able to contribute to achieve inclusive development when the application of fiscal decentralization is better targeted.*

Keywords: *fiscal decentralization, economic growth, people's income inequality, poverty, employment, inclusive development.*

I. INTRODUCTION

Facts show that Indonesia with such a large population, poverty and inequality in Indonesia is contrary to the achievement of economic growth in Indonesia. Indonesia's economic growth in the period 1981 to 2013 shows that Indonesia has a relatively high economic growth is almost reached 5 percent (4.82 percent). This condition is associated with the concept of development trickledown effect adopted by the new order of government. Development strategies implemented by the government at that time centered on high economic growth. Again, the belief in the assumption of a trickledown effect need to be reviewed, in order to avoid repeating mistakes. Wherein, the growing impact never to provide benefits to improving the welfare of society, especially the poor. The above description suggests that the economic development that began in Indonesia with a belief in the process of trickledown effect has not given satisfactory results. Development is meant to improve the welfare of the peoples, it produces poverty rates are still above the desired target. This phenomenon also occurs in almost all provinces in Indonesia one in North Sulawesi province.

The province is experiencing economic growth continues to increase significantly, which in 2008 reached 7.1 percent, and by 2013 could break the 8 per cent, exceeding the average growth of the national economy. However, BPS data showed the number of poor people in 2013 amounted to 185.52 thousand people (7.88 per cent) and in 2014 rose to 208.23 thousand people (8.75 per cent) and the number of North Sulawesi gini ratio tends to increase 0.28. in 2010 to 0.35. 2013. From the facts of poverty and income inequality data is in North Sulawesi, noticeably the increase of poor population in North Sulawesi from year to year, not as bright as compared with the growth performance achieved. Friedman (2005) states that economic growth should have moral consequences. Growth is expected beneficial not only economically, but also morally beneficial. This means that if the moral role of growth cannot be realized in reality, then we can conclude that growth is losing the true meaning. Moral role of growth where the growth to reduce poverty. However, according to Tambunan (2009), the high economic growth atunya not the determinant factor for poverty reduction. Klassen (2007) also supports this, in his research on economic growth and poverty reduction in Bolivia found that the development of infrastructure in underdeveloped areas (rural areas), public investment, fiscal decentralization contributes to the reduction of income inequality and poverty. This suggests an important factor fiscal decentralization to explore its role in economic growth, the reduction of income inequality and poverty.

The argument that the role of fiscal decentralization will improve the efficiency and ultimately will encourage inclusive economic development tend to be more widely accepted. It can be seen from the growing practice of fiscal decentralization in various countries including in Indonesia. Harjowiryo (2012), suggests that fiscal decentralization can trigger a positive impact on the quality of public services and create economic development and growth becomes more inclusive. This means that the application of appropriate fiscal decentralization policy by local governments could encourage quality economic growth, reduce poverty,

inequality and unemployment in the region. This is in line with the policy of inclusive economic development that relies on three strategic pillars (triple track strategy) programmed by President Yudhoyono in the period 2009-2014. Triple-track strategy is defined as an inclusive development that take into account the growth (pro-growth), employment (pro-job), and reduce poverty (pro-poor). The concept of inclusiveness is at once be anti-thesis of exclusive growth paradigm that only the pursuit of economic growth simply by denying aspects of equity and sustainability. Siregar (2007) suggests that economic growth should be effective in reducing poverty. That is, directly regional economic growth let spread in every income groups, including the group of poor population (growth with equity), while indirectly, this means the necessary role of government in redistributing the benefits of economic growth, for example with the implementation of fiscal decentralization effective. Based on the description above, this study was designed to understand the main issues, namely, the role of fiscal decentralization on inclusive development in North Sulawesi, namely in encouraging quality economic growth (pro-growth), reduce poverty and inequality of income people (pro-poor) and promote employment (pro-job), either directly or indirectly through economic growth in North Sulawesi.

II. METHODOLOGY

This study uses secondary data from the Central Bureau of Statistics. This research covers all counties and cities in North Sulawesi (15 districts / cities) and this research using descriptive analysis and Model Path Analysis, Descriptive analysis is used to give an idea about the description of fiscal decentralization, economic growth, income distribution, poverty and the amount of absorption labor through the presentation table. Further studies with econometric model analysis path that uses the data cross section and data time series aim to analyze how the role of fiscal decentralization towards inclusive development (improvement of quality economic growth, reduce income inequality of society, poverty and promote employment) either directly or indirectly directly through economic growth. The conclusion of these results can be used to justify whether fiscal decentralization can play a role to encourage inclusive economic development in North Sulawesi.

In the path analyze can be drawn conclusions about which variables that have a strong influence on the response variable. There are some things in influence in the path analysis, such as:

1. Direct Impact is the effect of explanatory variables on the response variables influence directly without going through other variables.
 2. Indirect Influence is the effect of explanatory variables on the response variable through another variable.
- The path coefficients indicate how much influence change in one variable to another variable. Step-by-step path analysis (Riduwan and Kuncoro, 2008) are as follows:

1. Develop Causal Model

The equation for the hypothetical model lines are:

$$P11 X1 + X2 = e1$$

$$Y1 = P21 P22 X1 + X2 + e2$$

$$Y2 = P31 P32 X1 + X2 + e2$$

$$Y3 = P41 P42 X1 + X2 + e2$$

Where:

X1 = Variable Fiscal Decentralization (X1) which has been standardized

X2 = Variable Economic Growth (X2) were standardized

Y1 = Variable Income Inequality (Y1) standardized

Y2 = Variable Poverty (Y2) standardized

Y3 = Variable Labor Absorption (Y3) standardized

P11 = coefficient Path direct influence of Fiscal Decentralization (X1) to Economic Growth (X2)

P21 = coefficient Path direct influence of Fiscal Decentralization (X1) of the Income Inequality (Y1)

P22 = coefficient Path direct influence of Economic Growth (X2) on Income Inequality (Y1)

P31 = coefficient Path direct influence of Fiscal Decentralization (X1) against Poverty (Y2)

P32 = coefficient Path direct influence of Economic Growth (X2) against Poverty (Y2)

P41 = coefficient Path direct influence of Fiscal Decentralization (X1) of the Labor Absorption (Y3)

P42 = coefficient Path direct influence of Economic Growth (X2) of the Labor Absorption (Y3)

e1 = Error (error) the first equation

e2 = Error (error) the second equation

e3 = Error (error) the third equation

e4 = Error (error) fourth equation

III. RESULTS AND DISCUSSION

H1: Role of Fiscal Decentralization directly to the Economic Growth in North Sulawesi.

Fiscal decentralization correlation coefficient to the Economic Growth of 0.394 with 0.000 p-value of <0.05 . Because p-value <0.05 then it can be said that fiscal decentralization significant effect on economic growth. With the coefficient is positive, meaning that the higher the value of fiscal decentralization, will have an effect on increasing economic growth.

The results of this study indicate that fiscal decentralization that occurred in the period 2009-2013 in the province of North Sulawesi can play a role to increase economic growth at that time. This condition indicates that the fiscal decentralization policy by local governments play a role in encouraging economic growth in North Sulawesi. That is, fiscal decentralization is able to provide a positive impact because it could create a level of efficiency in various areas of development, especially related to the provision of better services to the community. With the provision of better services, other development activities were also affected, to grow and develop, so it will indirectly encourage the growth of local economy, which in turn is expected to improve the welfare of society. But from the description of the research also shows that the high economic growth in North Sulawesi in 2012 (BPS Sulawesi) is dominated by household consumption amounted to 57.56 percent. This means that most of the growth is mainly driven by household consumption, compared for instance with exports. This shows that that fiscal decentralization has not fully maximized in realizing the role of quality growth in North Sulawesi.

Implementation of fiscal decentralization has not been effective to economic growth can also be seen in the results of the Martinez-Vasques and Rider (2005), by comparing the implementation of fiscal decentralization in India and China, there is no one country that fully use the potential of fiscal decentralization to improve the allocation of resources and the arena was to achieve economic growth. Although in both countries are experiencing high economic growth, the quality and level of this growth will be better with the reform of the fiscal system. This is supported by the finding that, on the accountability of local governments in both countries are very low, because the local government does not have effective control over the budget. This happens because the whole responsibility and expenditure on the local government is decided by the central government.

The Indonesian government began to realize this and revise the structure of local budget (APBD) through Regulation No. 13 Year 2006 on Regional Financial Management, by providing the largest proportion in direct spending earlier in indirect expenditures. It is intended to create a system that better public services and encourage regional economic performance, while providing a solution for local governments to be entirely free to manage the potential fiscal decentralization to improve resource allocation and matters related to achieving quality economic growth. In the implementation of the government is still difficult implementation means that the role of fiscal decentralization in northern Sulawesi has not managed to drive up the quality of economic growth in northern Sulawesi. Indicated shopping areas larger to shopping indirect (see Table 5), this indicates an imbalance of spending that could lead to the inefficiency of government spending, hence the need to evaluate and re-composition of government spending more efficient and effective in achieving quality growth that is growth factors that contribute to well-being and social justice for the people. However, although less than the maximum role of fiscal decentralization considered able to contribute in the form of public service governance that have an impact on economic growth in the province of North Sulawesi.

H2: The Role of Fiscal Decentralization directly to the Community Income Inequality in North Sulawesi.

Fiscal decentralization correlation coefficient on income inequality at -0.398 to 0.001 p-value of <0.05 . Because p-value <0.05 then it can be said that fiscal decentralization significant effect on people's income inequality. With the coefficient is negative, meaning that the higher the value of fiscal decentralization, will affect more and more low income inequality.

The results of this study indicate that fiscal decentralization affect income inequality decreased. The results of this study indicate that fiscal decentralization that occurred in the period 2009-2013 in the province of North Sulawesi is able to reduce the inequality of income at that time. However, according to data released BPS Flammable reflected in the description of the variables of income inequality, where the number of North Sulawesi by gini ratio is likely to increase from 0.28, in 2010 to 0.35, 2013. This condition indicates that the fiscal decentralization policy by local governments is not enough to push up income inequality North Sulawesi's population more evenly. This means that the role of fiscal decentralization has not been fully optimized to reduce income inequality community in North Sulawesi. Rodriques Pose and Ezcurra (2009) says that decentralization could be a catalyst or encourage the lowering of income inequality.

However, Bonet (2006), the research suggests that the implementation of the fiscal decentralization in Colombia actually increase income inequality. This happens because, resource allocation more portions to finance regular expenses (wages and salaries) than for capital formation or investment in infrastructure, the absence of aspects of redistributive on the transfer of funds the central government, a lack of incentives from the

central government to spur the use of these funds efficiently, and the lack of institutional capacity of local government officials. Rindayati, (2009), reinforces this view and suggested that fiscal decentralization to give the extension of freedom to innovate and be creative to local governments in order to optimize its role as executor of the functions of initiator, facilitator and regulator in managing local government budget both in terms of revenue and expenditure to increase food security and reducing poverty and income inequality in the region. It can be concluded that the role of fiscal decentralization can result in a decrease income inequality community in North Sulawesi. However, the role of fiscal decentralization that is shown by the local government to be more responsive to the aspirations and needs of the community preference.

H3: The Role of Fiscal Decentralization directly on Poverty in North Sulawesi.

Fiscal decentralization correlation coefficient on Poverty at -0.050 to 0.499 $p\text{-value} > 0.05$. Because $p\text{-value} > 0.05$ then it can be said that fiscal decentralization does not significantly influence the amount of poverty. This means that the intensity of the fiscal decentralization, will have no effect on the high and low levels of poverty.

The results of this study indicate fiscal decentralization has not been able to influence the reduction in poverty. Hoesada, (2013) points out, a decentralized planned, programmed and executed well result in increased fairness, transparency, accountability, effectiveness and efficiency of bureaucracy, improve public services, to accelerate development and reduce poverty. Ebel and Yilmaz, (2002), revealed that the fiscal decentralization to make the government more responsive to the aspirations and preferences of the people's needs than centralized government in order to create a welfare society. Local Government is required to be careful in defining and implementing development policies in the region without having to rule out one of the factors, so it does not have a negative impact on the sustainable development of the region in the long term. This is the main core of the decentralization theorem says Oates (1977.2007).

According to Oates (1977.2007) that any consumption of public goods is defined as a set geographic part of the whole population, and every sacrifice yield benefits in any jurisdiction that is equal to the central government and the or each local government will strive always more efficient (or least efficient) so that it can reach the level of Pareto-efficient output for each jurisdiction which in turn will have an impact on all aspects evenly. This means that fiscal decentralization can have a positive impact because it could create a level of efficiency in a variety of development, especially related to the provision of better services to the public, hoping to support the activities of other development co affected, to grow and develop, so it will indirectly encourage growth local economy, which in turn is expected to improve the welfare of society. But, it is not enough just to create a level of efficiency to better service to the public of fiscal decentralization should also be able to stimulate local development, for example, the government needs to increase the share of capital expenditure on infrastructure development, for example in road infrastructure or the provision of maritime transport in the regions lagging behind, so the path created or ship goods transportation between islands can give poor farmers greater access to the market economy. Capital expenditures were used for construction of roads, bridges, and other infrastructure would create jobs for residents in the area. It can improve people's purchasing power and also accommodates the workforce who are unemployed as a result of efficiencies achieved by some companies.

Infrastructure development can also encourage investors to invest. Streamline spending areas to be effected in Capex will improve the welfare of the community and strengthen the fundamentals of the regional economy, so the area can be protected from external impacts, such as the global financial crisis. Policies expand distribution and stabilization functions of government. The distribution function, among others, the local government can do to increase the allocation of social assistance spending quality (right target, the right amount, on time, and precise calculations). Although, basically has no functional assignment in tackling poor people between the central government and local governments, but expenditure for the implementation of this function should also be enhanced by regional governments, given the decline in the level of poverty does not only have an impact on the achievement of national targets, but also certainly have an impact on government performance areas concerned.

The development program for poverty reduction should not focus across sectors and ministries / agencies but will also need to pay attention to the characteristics of each region. While the stabilization function can be performed by government subsidies to businesses that produce goods that people's basic needs basic needs to be affordable, especially for the poor and the vulnerable poor. It can be concluded that fiscal decentralization has not been able to have a direct impact on reducing poverty in North Sulawesi. This may be caused by the fiscal decentralization policy that has not been planned, programmed and executed well, perhaps also the composition of expenditure or revenue less precise determination by the local government, as local governments assume that the affairs of the central government poverty alleviation domain.

H4: The Impact of Fiscal Decentralization directly to the absorption of labor in North Sulawesi.

Fiscal decentralization correlation coefficient against Labor Absorption of 0.732 with 0.000 $p\text{-value} < 0.05$. Because $p\text{-value} < 0.05$ then it can be said that fiscal decentralization significantly influence the

absorption of Labor. With the coefficient is positive, meaning that the higher the value of fiscal decentralization, will have an effect on increasing uptake of Labor. The findings of this study indicate fiscal decentralization capable of affecting employment. This means that fiscal decentralization policy by local governments has an impact on community employment opportunities. Welfare precondition for local governments to be able to provide public services to local communities economically, appropriate and as needed, the fund balance is expected to be a stimulus for employment opportunities. It can be concluded that the fiscal decentralization able to have an impact on employment in North Sulawesi. Efforts to increase the employment undertaken through fiscal decentralization policy by setting the budgets of local government should reflect the direction of regional development is more appropriate and according to the needs of each town and district, so that the fund balance is expected to be a stimulus for creating opportunities work.

H5: Role of fiscal decentralization through economic growth on income inequality community in North Sulawesi.

The indirect effect between Fiscal Decentralization against income inequality through economic growth indirectly coefficient of $0.394 \times 0.159 = 0.063$. Due to the direct influence that shape one of them was not significant (direct effect of fiscal decentralization on economic growth significantly, the direct influence of economic growth on income inequality is not significant), then the indirect effect between Fiscal Decentralization against income inequality through economic growth is not significant. This shows that irrespective of the level of Fiscal Decentralization, will have no effect on the high and low income inequality, even though economic growth is changing.

Based on these results, fiscal decentralization through economic growth have not been able to contribute to reduction of income inequality community in North Sulawesi during the years 2009-2013. The results of this study indicate that the fiscal decentralization policy of the government in promoting economic growth has not been fully optimized to contribute to the reduction of incomes. The occurrence of this condition indicates that there are inefficiencies in government spending. According Davoodi and Zou (1998), there are several factors that lead to fiscal decentralization in some it is becoming less favorable for development. These factors include the composition of government expenditure, revenue is less precise determination by the local government, fiscal decentralization, and the benefits are less materially in developing countries, and incompetent local officials. It is also disclosed by Bonet (2006), that the cause of inefficiency in government spending is a budget allocation which has a large portion on wages and salaries than the share of capital investment and infrastructure.

Regulation No. 13 Year 2006 on Regional Financial Management, have set about the largest proportion in direct spending earlier in indirect expenditures. It is intended to create a system that better public services and encourage regional economic performance. However, expectations or just a slogan such purposes, for hope or purpose cannot be achieved fully and the interests and basic needs of the people as it should. Data CPM and BI regional economic assessments of North Sulawesi, (2013) showed the largest North Sulawesi Government spending far more used to subsidies, personnel expenditures, and debt interest payments. Third expenditure budget is already spent Government of North Sulawesi on average about 63 per cent of the total expenditure during 2009-2013, and typically the majority of spending in addition is only used to pay salaries and employee benefits are also many improvements are only used government offices do exist which is still decent, but because of certain interests with the reasons for the efficiency and effectiveness of public services repair the buildings were needed. As a result, the posture of the budget is largely hostage to the routine budgets create fiscal space is not optimal.

Therefore, required a fundamental change in the structure of the budget so that the fiscal space (fiscal space) can be enlarged. Need of reformulating the budget so that the use of fiscal decentralization can increase prosperity for all people of North Sulawesi. Budgets should be able to stimulate the economy through government spending re-composition that far more is spent on items that are less productive. Thus, the need for open discussion on price adjustment as an option rationalization of salaries of employees and infrastructure priorities in the budget. However, the discussion should be comprehensive and complete consideration all the options and possible distortion will occur. Too many government policies related to the operationalization of employees ultimately it is not implementable, not operational as well as lead to new problems. If the issue of regional spending is able to be solved, the future budget is able to perform the role in promoting quality and sustainable growth in North Sulawesi optimally. Thus, it can be concluded for a while, that the implementation of fiscal decentralization through government spending is essential for optimal the quality of economic growth so that it can be optimized to reduce poverty, especially against the equity of public income inequality and unemployment in all districts / cities in North Sulawesi.

This suggests that the decision between the legislative and executive areas in budgeting is not yet succeeded in realizing economic growth that can contribute to a reduction of income inequality community in North Sulawesi. In fact, local governments generally know, and responsive to, the needs of local residents

choice than the central government. It is easier for them to identify and reach the poor for local politics allow this.

H6: Fiscal decentralization through economic growth on poverty in North Sulawesi.

The indirect effect between Fiscal Decentralization on Poverty through Economic Growth indirect coefficient of $0.394 \times -0.0596 = -0.0234824$. Due to the direct influence that shape both significant (direct effect of fiscal decentralization on economic growth significantly, the direct influence of Economic Growth on Poverty significantly), then the indirect effect between Fiscal Decentralization on Poverty through Economic Growth is significant. The coefficient is negative shows that the higher the Fiscal Decentralization, will result in lower poverty if economic growth is also higher.

Based on these results, fiscal decentralization through economic growth is able to contribute to poverty alleviation in North Sulawesi during the years 2009-2013. The results of this study indicate that the role of fiscal decentralization policy of the government in promoting economic growth to contribute to poverty reduction though not quite optimal because of the high economic growth in North Sulawesi in 2012 (BPS Sulawesi) to be dominated by domestic consumption. That is, fiscal decentralization is able to provide a positive impact because it could create a level of efficiency in various areas of development, especially related to the provision of better services to the community. With the provision of better services, other development activities were also affected, to grow and develop, so it will indirectly encourage local economic growth which in turn is expected to reduce poverty in North Sulawesi. This shows that that fiscal decentralization, although not fully maximized in acting to achieve growth that is pro poor in North Sulawesi, but is considered to be able to contribute in the form of the effectiveness of the provision of government services in the policies fiscal decentralization so that the impact on economic growth and the effect on poverty reduction province in North Sulawesi.

H7: Fiscal decentralization through economic growth impact on employment in North Sulawesi.

The indirect effect between Fiscal Decentralization against Labor Absorption through Economic Growth indirect coefficient of $0.394 \times 0.185 = 0.073$. Due to the direct influence that shape both significant (direct effect of fiscal decentralization on economic growth significantly, a direct influence on the Economic Growth Labor Absorption significant), then the indirect effect between Fiscal Decentralization against Labor Absorption through Economic Growth is significant. With a marked positive coefficient indicates that the higher the Fiscal Decentralization, will result in the higher manpower absorption, if the economic growth is also higher. Based on these results, fiscal decentralization through economic growth capable of acting boost employment in North Sulawesi during the years 2009-2013. The results of this study indicate that the fiscal decentralization policy of the government in promoting economic growth contributed to the increase in employment in North Sulawesi. This means that the government has been quite optimal in the financing of the real economy sectors are formulated in fiscal decentralization policy, through regulation of local government spending so that the budget can become a positive stimulant to the economy of the region to increase economic growth and ultimately employment opportunities. The local government spending will also be an investment in infrastructure that support productive investment. Efforts to increase regional economic growth and employment to boost the role of the government through fiscal decentralization policy is an economic phenomenon that is interconnected. Again, the aim of welfare precondition for local governments to be able to provide public services to local communities economically, appropriate and as needed, the fund balance is expected to be a stimulus for employment opportunities.

IV. CONCLUSIONS AND RECOMMENDATIONS

Description of the average annual economic growth of the 2009-2013 period, in whole district / province of North Sulawesi has a tendency to rise to the trend of poverty decreased tendency to slow but the trend of income inequality of society has a tendency to increase, while employment trends to fluctuate year 2009- 2011 decline in 2011-2013 has increased.

The results of this study demonstrate the role of fiscal decentralization can directly increase economic growth, although it indicated also that the increase in the high economic growth in North Sulawesi is not entirely of investments are reflected in the fiscal decentralization but of power household consumption by the communities of north Sulawesi, research this also shows the direct influence of fiscal decentralization proved instrumental reduce the inequality of household incomes and create employment, but it does not contribute to reduction of the number of poor people in North Sulawesi during the years 2009-2013. This means that the role of fiscal decentralization can be implemented directly to boost economic growth, reduce income inequality community and promote employment but less capable in reducing the number of poor people in North Sulawesi.

Furthermore, other findings indicate a role of fiscal decentralization indirectly through economic growth could play a role in reducing poverty and increasing employment, but not optimal impact on income inequality of society, which means that the role of fiscal decentralization capable of fostering growth and impact

on the reduction of poverty and employment but less capable in reducing income inequality community in North Sulawesi.

It can be concluded that although not optimum but the role of fiscal decentralization can be implemented in realizing economic development inclusive which takes into account the growth (pro-growth), employment (pro-job), reducing poverty and reducing inequality of income people (pro-poor) in North Sulawesi.

Things that could be advised of this study is

1. Governments across North Sulawesi are expected not only oriented to the pursuit of high growth alone but also pay attention to the impact of these policies in reducing poverty and reducing inequality of income people (pro-poor) and to increase employment (pro-job). Therefore, the government should be moving the real sector which can create employment opportunities. In addition, it should be observed and studied the sources of growth that can reduce poverty, income inequality community and promote employment.
2. The development program for poverty reduction should not focus across sectors and ministries / agencies but will also need to pay attention to the characteristics of each region. Thus, poverty programs through fiscal decentralization policy more effective.
3. Posture budget that most have been held hostage by the budgets routinely create fiscal space is not optimal. Therefore, required a fundamental change in the structure of the budget so that the fiscal space (fiscal space) can be enlarged. Need of reformulating the budget so that the use of fiscal decentralization can increase prosperity for all people of North Sulawesi. Budgets should be able to stimulate the economy through government spending re-composition that far more is spent on items that are less productive.
4. The government should include targets for the decline in unemployment, poverty and inequality (Gini ratio) explicitly in the macro assumptions the budget, so that the impact of the use of fiscal decentralization in the budget to the improvement of people's welfare is more measured. Indicators decline in unemployment and poverty are used to see the effectiveness of using the budget to reduce poverty and unemployment in North Sulawesi. Meanwhile, indicators Gini Index or Gini ratio is used to ensure that growth is happening in North Sulawesi run fairly.
5. Increasing the complexity of the fiscal decentralization might enhance the implementation of good, but also increases the chance of misuse of funds (corruption). However, a general conclusion about the relationship between fiscal decentralization and corruption, and in particular how the (decentralized) related to the service of the poor cannot be described, therefore it needs further study.

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