



Enhancing Local Tax Governance through Regulatory Impact Assessment (RIA): A Study on Edible Bird's Nest Tax Regulation in Kolaka Regency, Indonesia

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ABSTRACT

This study examines the application of the Regulatory Impact Assessment (RIA) methodology in the formulation of local tax regulations, using the edible bird's nest (EBN) tax policy in Kolaka Regency, Indonesia, as a case study. Despite the region's significant fiscal potential from EBN, the 2024 Regional Regulation on EBN taxation was enacted without a formal impact assessment, resulting in policy shortcomings such as low compliance, weak stakeholder engagement, and minimal revenue realization. Employing a normative-empirical legal research method, this study integrates statutory analysis with qualitative data collected through interviews with government officials, parliamentarians, and EBN producers. Findings reveal a mismatch between the legal design and the socio-economic realities on the ground, underscoring the absence of behavioral insights, participatory mechanisms, and implementation planning. The study argues that institutionalizing RIA in subnational governance can enhance regulatory legitimacy, transparency, and policy effectiveness, particularly in resource-based rural economies. It concludes by recommending the adoption of RIA as a standard practice in regional tax lawmaking, supported by capacity-building and inclusive stakeholder processes.

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1. Introduction

Indonesia's transition from a centralized to a decentralized governance system, which was initiated through Law No. 22 of 1999 and subsequently revised by Laws No. 32 of 2004 and No. 23 of 2014, constitutes a foundational reform aimed at strengthening democracy, enhancing local participation, and expanding regional autonomy.¹ A key feature of this decentralization is the delegation of broad regulatory authority to local governments, including the power to enact regional ordinances (Peraturan Daerah/Perda) concerning taxation and user charges.² This authority is constitutionally anchored in Article 18(6) of the 1945 Constitution, which affirms that “*regional governments shall have the right to establish regional regulations and other regulations to implement regional autonomy and co-administrative tasks.*” Further operationalized by Article 236 of Law No. 23 of 2014, this legal framework underscores the strategic intent of enabling local governments to optimize local resources, enhance public service delivery, and increase locally generated revenue (Pendapatan Asli Daerah, PAD).³

However, the implementation of this regulatory discretion has frequently been marred by weak institutional capacity and the absence of evidence-based policymaking.⁴ In many cases, regional governments, driven by urgent fiscal needs, have issued taxation regulations without adequate socio-economic assessment. These regulations often result from elitist decision-making processes, neglect stakeholder participation, and lack evaluation of viable policy alternatives. As a consequence, numerous Perda have proven to be ineffective, counterproductive, or even regressive. In 2016 alone, the Ministry of Home Affairs annulled 3,143 regional ordinances across the country,⁵ 52 of which originated from Southeast Sulawesi, most of them concerning taxation and levies.⁶

From a theoretical standpoint, the formulation of local regulations can be approached through both a juridical-normative lens and a socio-political perspective. The

¹ Rodiyah, Ridwan Arifin, dan Steven, “Local Autonomy and Federalism: How Indonesia Deal With Democracy in The Global Governance?,” *Pandecta Research Law Journal* 15, no. 2 (2020): 432–358, <http://journal.unnes.ac.id/nju/index.php/pandecta>.

² Muhammad Sattuo, Maskawati, dan Nahi Hashim Fathi Aboalela, “Evaluation of Regional Policy Regarding Street Vendors : A Case Study of Bone Regency from the Perspective of Siyasaah Syar’iyyah,” *Constitutional Law Review* 4, no. 1 (2025): 32–53.

³ Fernando Hariandja, “Pajak Daerah dan Restribusi Daerah (PDRD) Dikaitkan dengan Pertumbuhan Investasi,” *Jurnal Suara Hukum* 2, no. 2 (2020): 154–83, <https://doi.org/10.26740/jsh.v2n2.p154-183>.

⁴ M.Y.F. Hafidz Nasution, Ira Thania Rasjidi, dan Dwi Sartika Paramyta, “Kebijakan Pajak Dan Restribusi Daerah Terhadap Peranan Umkm Dalam Pembangunan Perekonomian Daerah,” *Legal Standing : Jurnal Ilmu Hukum* 8, no. 2 (2024): 504–22, <https://doi.org/10.24269/lis.v8i2.9560>.

⁵ Hukumonline, “3 . 143 Perda Bermasalah Dibatalkan , Ini Penjelasan Presiden,” *hukumonline.com*, 2016.

⁶ “52 perda bermasalah di sultra dicabut, biro hukum: jumlahnya masih bisa bertambah,” 2016, <https://sultra.bpk.go.id/wp-content/uploads/2016/07/Perda-sultra-dicabut.pdf>.

former emphasizes compliance with formal legal standards and procedural legitimacy, as outlined in Law No. 12 of 2011⁷ and Ministry of Home Affairs Regulation No. 1 of 2014.⁸ In contrast, the socio-political approach views regulatory outputs as products of competing interests and institutional power asymmetries.⁹ Supplementing these frameworks, Bentham's utilitarianism advocates that laws should serve to maximize collective welfare, thus offering a normative benchmark for evaluating the societal impact of legal instruments.¹⁰

Within this context, Regulatory Impact Assessment (RIA) emerges as a key instrument to enhance regulatory quality. As an evidence-based policy tool, RIA systematically evaluates the potential benefits, costs, and consequences of proposed regulations.¹¹ It fosters transparency, promotes stakeholder engagement, and supports proportional decision-making. Since 2003, international organizations such as the Asian Development Bank have encouraged Indonesia to institutionalize RIA as part of its regulatory governance. A growing body of literature has reinforced the role of RIA in streamlining regulations, minimizing administrative burdens, and aligning legal instruments with broader development objectives, including economic growth, social welfare, and environmental sustainability.¹²

Despite the growing recognition of RIA's potential, its practical application, particularly in local government regulatory processes, remains limited. This study therefore focuses on the application of RIA in the formulation of local tax regulations, an area that

⁷ Republik Indonesia, "Undang-Undang Republik Indonesia Nomor 13 Tahun 2022 Tentang Perubahan Kedua Atas Undang-Undang Nomor 12 Tahun 2011 Tentang Pembentukan Peraturan Perundang-Undangan" (2022).

⁸ Kementerian Dalam Negeri, "Peraturan Kementerian Dalam Negeri Nomor 1 Tahun 2014 tentang Pembentukan Produk Hukum Daerah" (2014).

⁹ Rahmad Satria, "Konfigurasi Politik Dan Keberpihakan Regulasi Daerah Bidang Hak Ekonomi, Sosial Dan Budaya Pada Masyarakat Marjinal Di Kalimantan Barat," *Jurnal Media Hukum* 22, no. 2 (2015), <https://doi.org/10.18196/jmh.2015.0063.209-324>.

¹⁰ Kementerian Dalam Negeri, Peraturan Kementerian Dalam Negeri Nomor 1 Tahun 2014 tentang Pembentukan Produk Hukum Daerah.

¹¹ James R. Drummond dan Claudio M. Radaelli, "Behavioural Analysis and Regulatory Impact Assessment," *European Journal of Risk Regulation* 15, no. August 2023 (2024): 950–65, <https://doi.org/10.1017/err.2024.1>.

¹² Adnan Karataş, "The Role of Regulatory Impact Analysis in Public Administration: Assessments with a Governance Approach," *Journal Of Social Humanities and Administrative Sciences* 58, no. 58 (2022): 1505–19, <https://doi.org/10.29228/joshas.66269>; John F Morrall dan James Broughel, "The Role of Regulatory Impact Analysis in Federal Rulemaking," *SSRN Electronic Journal*, 2014, <https://doi.org/10.2139/ssrn.2501096>; Colin Kirkpatrick, David Parker, dan Yin Fang Zhang, "Regulatory impact assessment in developing and transition economies: A survey of current practice," *Public Money and Management* 24, no. 5 (2004): 291–96, <https://doi.org/10.1111/j.1467-9302.2004.00436.x>; Marco Antônio Da Cunha et al., "Contribuição do método sistema especialista fuzzy na análise de impacto regulatório," *Revista Produção Online* 15, no. 3 (2015): 859–85, <https://doi.org/10.14488/1676-1901.v15i3.1823>; Kati Rantala, "Regulatory impact assessment and policymaking Kati Rantala , Research Director at the Faculty of Social Sciences ," no. December (2024): 1–4; OECD, *Government at a Glance: Latin America and the Caribbean 2020*, *Government at a Glance: Latin America and the Caribbean 2020*, 2020.

has received relatively little attention in academic and policy discourses. It specifically examines the case of Kolaka Regency in Southeast Sulawesi, where a local ordinance was enacted to impose a tax on the harvesting of edible bird's nests (EBN), a key source of income for the local population. The regulation was developed without any formal impact assessment, raising critical concerns about its fairness, effectiveness, and long-term sustainability.

Accordingly, this article seeks to answer the following question: How can RIA be applied to improve the design and legitimacy of local tax regulations in resource-based rural economies? It aims to demonstrate the relevance of RIA in promoting regulatory proportionality, enhancing policy participation, and bridging the gap between legal legitimacy and policy effectiveness.

The academic contribution of this study lies in its novel application of RIA as a normative-evaluative framework in the domain of local tax regulation, particularly within the under-studied setting of decentralized governance in rural Indonesia. On a practical level, the study offers actionable recommendations for local governments to institutionalize RIA as a routine component of their regulatory toolkit.

Kolaka is selected not only due to the strategic role of EBN in its regional economy, but also because its regulatory experience reflects broader structural challenges in decentralization: namely, how to translate formal legal autonomy into responsive, accountable, and evidence-based regulatory practice.

2. Legal Material and Methods (bold, 12 pt)

This study adopts a normative-empirical legal research approach by integrating doctrinal legal analysis with qualitative field investigation.¹³ The normative dimension centers on the examination of statutory and regulatory instruments that govern local taxation policy, with a particular focus on the edible bird's nest (EBN) sector in Kolaka Regency. Legal sources analyzed include national legislation such as Law No. 12 of 2011 on Lawmaking (as amended by Law No. 13 of 2022), Regional Regulation of Kolaka Regency No. 3 of 2011 concerning Local Taxes in Kolaka Regency¹⁴ and Regent Regulation No. 5 of 2019.¹⁵ These legal instruments are examined through systematic and comparative interpretation to assess their internal coherence, legal reasoning, and alignment with the principles of legality, proportionality, and regulatory consistency

¹³ Hanoch Dagan, Roy Kreitner, dan Tamar Kricheli-Katz, "Legal Theory for Legal Empiricists," *Law and Social Inquiry* 43, no. 2 (2018): 292–318, <https://doi.org/10.1111/lsi.12357>.

¹⁴ "Peraturan Daerah Kabupaten Kolaka Nomor 3 Tahun 2011 tentang Pajak Daerah Kabupaten Kolaka" (2011).

¹⁵ "Peraturan Bupati Kolaka Nomor 05 Tahun 2019 tentang Pedoman Teknis Pelaksanaan Pemungutan Pajak Sarang Burung Walet" (2019).

Empirical data were collected through semi-structured interviews with key stakeholders involved in local tax policy formulation. These include representatives from the Legal Bureau of the Kolaka Regional Secretariat, the local revenue agency (Bapenda), members of the District Parliament (DPRD), and EBN producers. Participants were selected purposively based on their institutional relevance, and interviews were conducted in accordance with ethical research standards, ensuring informed consent, confidentiality, and voluntary participation. The qualitative data gathered reflect institutional perspectives, political dynamics, and implementation challenges surrounding local tax regulations in a decentralized governance setting.

The study further applies a comparative analytical framework by juxtaposing the existing legislative process with an alternative model informed by Regulatory Impact Assessment (RIA) principles. This comparison enables an evaluation of how RIA could enhance the legitimacy, transparency, and effectiveness of local tax regulations. Legal and empirical findings are integrated using descriptive-qualitative methods to provide a holistic understanding of regulatory quality and the institutional feasibility of implementing RIA within subnational governance contexts.

3. Results and Discussion

3.1. Regulatory Impact Assessment (RIA): Theoretical Framework and Preliminary Evaluation of Its Application in Kolaka Regency

Regulatory Impact Assessment (RIA) is a widely recognized evidence-based policymaking tool designed to evaluate the potential consequences of regulatory proposals prior to their enactment. As defined by the OECD, “*RIA’s most important contribution to the quality of decisions is not the precision of the calculations used, but the action of analyzing - questioning, understanding real-world impacts and exploring assumptions*”¹⁶. Thus, RIA functions not only as a technical tool but also as a systemic approach that requires openness, policy logic, and meaningful public engagement.

RIA comprises six key components that must be comprehensively implemented: problem identification and goal setting; the development and evaluation of policy alternatives, including a “do nothing” baseline scenario; cost-benefit analysis (CBA) incorporating both direct and indirect impacts; active and systematic stakeholder involvement; assessment of distributional effects to ensure social equity; and the integration of behavioral insights to understand how policy actors respond to regulatory

¹⁶ Susan Dudley et al., “Consumer’s Guide to Regulatory Impact Analysis: Ten Tips for Being an Informed Policymaker,” *Journal of Benefit-Cost Analysis* 8, no. 2 (27 Juli 2017): 187–204, <https://doi.org/10.1017/bca.2017.11>.

interventions.¹⁷ Failure to incorporate these elements may lead to policies lacking legitimacy, effectiveness, and accountability.

Beyond its technical structure, RIA emphasizes a reflective inquiry guided by key policy questions:¹⁸ Has the problem been accurately defined? Is government intervention necessary? Is regulation the best course of action? Are the anticipated benefits proportionate to the costs? Have stakeholders been adequately consulted? How will the regulation be implemented and monitored?. Addressing these questions systematically enables policy designers to produce solutions that are both equitable and feasible in practice.

In the case of Kolaka Regency, the RIA approach was not evidently applied during the formulation of the 2024 Regional Regulation (Perda) on local taxes, which includes the tax on edible bird's nest (EBN) production. No documentation suggests that RIA-informed policy stages, such as problem mapping, consideration of alternatives, or cost-benefit analyses were undertaken. Despite the government's projection of Rp 50,033,333 in potential EBN tax revenue, actual collection for the year amounted to only Rp 700,000 from a single taxpayer, indicating structural deficiencies in both regulatory design and implementation.¹⁹

The absence of RIA processes is also reflected in the limited meaningful public participation. Field interviews revealed that EBN producers and business associations were not actively engaged in structured consultation forums during the policymaking process. In RIA, stakeholder engagement is pivotal to informing alternative design choices, understanding the distribution of burdens, and identifying collaborative opportunities for policy execution.²⁰ This limited engagement in Kolaka has contributed to public dissatisfaction with a policy perceived as non-transparent, burdensome, and disconnected from grassroots concerns.

Additionally, the omission of behavioral considerations further weakened the regulatory impact. Contemporary RIA encourages policymakers to account for behavioral

¹⁷ Dudley et al.; Kai P.- Purnhagen dan Peter H. Feindt, "Better Regulatory Impact Assessment," *European Journal of Risk Regulation* 6, no. 3 (2015): 361–68, <https://doi.org/10.1017/s1867299x00004761>; Drummond dan Radaelli, "Behavioural Analysis and Regulatory Impact Assessment."

¹⁸ Suska Suska, "Prinsip Regulatory Impact Assessment dalam Proses Penyusunan Peraturan Perundang-Undangan Sesuai UU Nomor 12 Tahun 2011," *Jurnal Konstitusi* 9, no. 2 (20 Mei 2016): 357, <https://doi.org/10.31078/jk926>.

¹⁹ Data on the Potential Revenue from Edible Bird's Nest Tax in Kolaka Regency for the Year 2024. Source: Regional Revenue Agency of Kolaka Regency

²⁰ Joel D. Scheraga dan John Furlow, "From Assessment to Policy: Lessons Learned from the U.S. National Assessment," *Human and Ecological Risk Assessment: An International Journal* 7, no. 5 (3 September 2001): 1227–46, <https://doi.org/10.1080/20018091094961>.

responses from regulated communities, beyond mere economic rationality.²¹ In Kolaka's context, resistance to the five percent tax rate stemmed more from a lack of perceived benefits than from the nominal amount itself. Field interviews revealed that local EBN farmers do not inherently reject taxation; rather, they question its fairness in the absence of visible state benefits.²² One farmer emphasized that while operational costs such as pest control, security, and maintenance are already burdensome, the government has yet to offer tangible support or reinvestment from collected taxes.²³ Another respondent noted that he would be more willing to pay if the government used the tax revenue to improve infrastructure or provide marketing and technical support for EBN production.²⁴ A behaviorally informed policy might have employed strategies such as phased implementation, benefit-linked incentives, or targeted communication to enhance public acceptance and compliance.

Beyond regulatory substance, gaps were also evident in implementation planning. Although Kolaka had previously issued Regent Regulation No. 05 of 2019 as a derivative of the earlier Perda No. 3 of 2011, the 2024 Perda has yet to be followed by an updated implementing regulation. This regulatory vacuum hampers field execution and illustrates the absence of RIA's final step - developing enforcement strategies and monitoring mechanisms aligned with the goals of regulatory responsiveness and adaptability.²⁵

In conclusion, the failure to incorporate RIA into the formulation of Kolaka's 2024 tax regulation on EBN undermined its effectiveness, legitimacy, and fiscal yield. Reducing the tax rate from ten percent to five percent, though well-intentioned, was insufficient in the absence of systematic evaluation, participatory design, and robust implementation planning. The institutionalization of RIA should therefore be viewed not as a procedural requirement but as a governance philosophy rooted in rationality, transparency, and equity - principles essential for crafting responsive and sustainable public policy at the local level.

3.2. Legal Framework of Edible Bird's Nest Taxation under Law Number 1 of 2022: Normative Foundations for Fiscal Decentralization and Local Tax Reform

Building on the challenges and gaps identified in the application of Regulatory Impact Assessment (RIA) in Kolaka Regency (see section 3.1), this section turns to the legal framework governing the taxation of edible bird's nest (EBN). The regulation of

²¹ Drummond dan Radaelli, "Behavioural Analysis and Regulatory Impact Assessment."

²² Interview with HM, edible bird's nest farmer, Peoho Village, Watubangga District, Kolaka Regency, October 2024.

²³ Interview with HM, edible bird's nest farmer, Peoho Village, Watubangga District, Kolaka Regency, October 2024.

²⁴ Interview with US, edible bird's nest farmer, Tandebura Village, Watubangga District, Kolaka Regency, October 2024

²⁵ *OECD Regulatory Policy Outlook 2018*, *OECD Regulatory Policy Outlook 2018*, 2018, <https://doi.org/10.1787/9789264303072-en>.

EBN taxation is explicitly stipulated in Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (UU HKPD). This statute serves as the primary legal framework that affirms the authority of regency/municipal governments to mobilize local revenue through regional taxes. Article 4 paragraph (2) explicitly lists EBN tax as one of the types of local taxes under the jurisdiction of regency/municipality governments, alongside other taxes such as Rural and Urban Land and Building Tax (PBB-P2), Acquisition of Land and Building Rights Duty (BPHTB), and Advertisement Tax. This inclusion demonstrates the central government's commitment to strengthening local fiscal autonomy through the legal recognition of high-value commodities such as edible bird's nest.

Further normative provisions related to the EBN tax are articulated in Articles 76 to 80 of the same law. Article 76 paragraph (1) designates the object of the tax as the collection and/or exploitation of EBN, while paragraph (2) provides exceptions, including collections already subject to non-tax state revenues (PNBP) and other activities as determined by regional regulations. Article 77 establishes both the subject and the taxpayer of the EBN tax as any individual or legal entity engaged in the collection and/or exploitation of EBN, thereby creating a definitive legal base for business actors operating in this sector.

Article 78 stipulates that the taxable base is the market value of EBN, calculated by multiplying the prevailing market price in the respective region with the volume of nests collected. Article 79 sets the maximum tax rate at ten percent, while empowering regional regulations (Perda) to determine the applicable rate within that ceiling. Article 80 concludes the framework by specifying that the payable tax is calculated as the product of the taxable base and the tariff established by the Perda. Collectively, these articles provide a coherent and systematic structure for local governments to develop transparent, fair, and enforceable tax regimes tailored to regional economic contexts.

These normative provisions not only guarantee legal certainty but also operationalize the broader objectives of fiscal decentralization, which aims to foster financial independence among local governments. By leveraging this statutory framework, subnational entities are encouraged to construct adaptive tax systems that align with local socio-economic realities, uphold fiscal accountability, and optimize local revenue generation without disproportionately burdening citizens. The realization of these objectives, however, hinges on the institutional capacity of local governments to effectively translate national mandates into operational regulations such as regional bylaws and implementing decrees.

Additionally, the EBN taxation framework under Law Number 1 of 2022 exemplifies the balancing act between national oversight and local autonomy in Indonesia's evolving fiscal architecture. The central government, through performance-

based incentives and expenditure mandates, seeks to standardize fiscal practices across regions, enhancing coherence and accountability in tax governance.²⁶ At the same time, regions are encouraged to maximize their own-source revenue, particularly from high-value local commodities such as EBN, which Indonesia dominates in global supply.²⁷

EBN itself is often described as the "caviar of the East" for its luxury status and health benefits, which include immune regulation and anti-aging properties.²⁸ However, the economic potential of this commodity is tempered by challenges such as quality control, adulteration, and sustainability issues. Methods such as NMR technology are increasingly used to authenticate product integrity and mitigate market distortions.²⁹ These realities necessitate a regulatory posture that is not only legally precise but also responsive to industrial and environmental dynamics.

In this regard, the taxation of EBN becomes more than a fiscal tool—it is a strategic instrument for local development. The revenue generated can support essential public services and infrastructure investment, provided that local governments also address regulatory enforcement, taxpayer compliance, and long-term sustainability.³⁰ Moreover, critiques of Law Number 1 of 2022 caution against overlooking systemic issues such as corruption and clientelism, which may erode the integrity of fiscal decentralization if not adequately mitigated.³¹

Given the economic and social dynamics surrounding the EBN industry, the implementation of Law Number 1 of 2022 must be both context-sensitive and data-driven. Local governments are therefore expected to formulate derivative regulations that go beyond formal compliance, incorporating evidence-based policymaking approaches such

²⁶ B D Lewis, "Indonesia's New Fiscal Decentralisation Law: A Critical Assessment," *Bulletin of Indonesian Economic Studies* 59, no. 1 (2023): 1–28, <https://doi.org/10.1080/00074918.2023.2180838>.

²⁷ Craig Carpenter Thorburn, "The Edible Nest Swiftlet Industry in Southeast Asia: Capitalism Meets Commensalism," *Human Ecology* 43, no. 1 (10 Februari 2015): 179–84, <https://doi.org/10.1007/s10745-014-9713-1>.

²⁸ Wei Zhang et al., "Edible bird's nest regulates glucose and lipid metabolic disorders via the gut-liver axis in obese mice," *Food and Function* 15, no. 14 (2024): 7577–91, <https://doi.org/10.1039/d4fo00563e>; Kian Chung Chok et al., "Edible Bird's Nest: Recent Updates and Industry Insights Based On Laboratory Findings," *Frontiers in Pharmacology* 12, no. October (2021): 1–19, <https://doi.org/10.3389/fphar.2021.746656>.

²⁹ Chok et al., "Edible Bird's Nest: Recent Updates and Industry Insights Based On Laboratory Findings"; Wen-jie Wu et al., "Qualitative and Quantitative Analysis of Edible Bird's Nest Based on Peptide Markers by LC-QTOF-MS/MS," *Molecules* 27, no. 9 (5 Mei 2022): 2945, <https://doi.org/10.3390/molecules27092945>.

³⁰ J W Hatfield, "Revenue decentralization, the local income tax deduction, and the provision of public goods," *National Tax Journal* 66, no. 1 (2013): 97–116, <https://doi.org/10.17310/ntj.2013.1.04>; Soottawat Benjakul dan Kasidate Chantakun, "Sustainability challenges in edible bird's nest: Full exploitation and health benefit," in *Future Foods* (Elsevier, 2022), 315–30, <https://doi.org/10.1016/B978-0-323-91001-9.00029-3>.

³¹ Lewis, "Indonesia's New Fiscal Decentralisation Law: A Critical Assessment."

as Regulatory Impact Assessment (RIA). This ensures that tax policies are not only legally sound but also attuned to grassroots conditions, economically viable, and broadly accepted by stakeholders. In doing so, the normative values enshrined in the law can be transformed into actionable governance instruments that tangibly contribute to local welfare and sustainable fiscal development.

3.3. Regional Regulation on Edible Bird's Nest Taxation in Kolaka Regency: Design, Implementation, and Public Response

The Kolaka Regency government, in response to the mandates of Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, enacted Regional Regulation (Perda) Number 1 of 2024 on Regional Taxes and Levies. This regulation replaces the previous Perda Number 3 of 2011 and Regent Regulation Number 05 of 2019, aiming to align local fiscal policy with the updated national legal framework. A significant revision in the 2024 regulation is the recalibration of the edible bird's nest (EBN) tax rate, which was reduced from 10% - as stipulated in Article 46 of Perda Number 3 of 2011 - to 5%, as stipulated in Article 55 of Perda Number 1 of 2024. The reduction was ostensibly intended to ease the financial burden on small and medium-scale EBN producers while maintaining compliance with national tax mandates.

The regulatory basis for the imposition of the EBN tax in Kolaka is rooted in Law Number 1 of 2022. Article 4 paragraph (2) explicitly includes edible bird's nest taxation as one of the taxes under district and municipal authority. Articles 76 to 80 further define the object (extraction and/or cultivation), the subject (individuals or entities), the taxable base (market value multiplied by volume), and the maximum tax rate of 10%, with the applicable rate to be set by local regulation (Perda). The 2024 Perda of Kolaka adheres to this legal framework by reducing the tax rate to 5%, although implementation challenges remain.

Despite the normative compliance with national mandates, empirical findings suggest a gap between regulatory design and implementation outcomes. Interviews with stakeholders—including regional revenue authorities (Bapenda) and EBN producers—revealed that the lower tax rate has not fully addressed public dissatisfaction. Many producers consider the 5% rate still excessive in light of operational costs, declining market prices, and perceived lack of government support.³² Concerns were also raised

³² Interview with HM (initials), edible bird's nest farmer in Peoho Village, Watubangga District, Kolaka Regency, October 2024

regarding the absence of transparent communication on how tax revenues are allocated, further weakening public trust and voluntary compliance.³³

Field data show that although Kolaka's estimated potential EBN tax revenue for 2024 was Rp. 50,033,333, actual collections amounted to only Rp. 700,000 from a single taxpayer by year's end. This stark discrepancy underscores a structural disconnect between fiscal policy and socio-economic realities. Stakeholders cited issues such as inadequate taxpayer outreach, lack of technical assistance, and the absence of benefit-linked incentives as major contributors to low compliance. These findings affirm the need for regulatory designs that incorporate behavioral economics and participatory planning.³⁴

The non-issuance of a follow-up Regent Regulation (Peraturan Bupati) to operationalize the 2024 Perda further exacerbates implementation challenges. Without clear technical guidelines, field officers lack legal certainty, and taxpayers remain confused about procedural obligations. This regulatory vacuum illustrates the importance of continuity in policy instruments, where the enactment of a Perda must be followed by enforceable administrative mechanisms to ensure effective execution.

Furthermore, the formulation of the 2024 Perda did not incorporate a Regulatory Impact Assessment (RIA), as confirmed in interviews with the Regional Secretariat's Legal Bureau.³⁵ Although some level of public participation occurred during the drafting of the academic manuscript, it fell short of the structured and evidence-based engagement expected under RIA principles. This omission is critical given that RIA offers tools for mapping policy impacts, optimizing alternatives, and enhancing the legitimacy of regulations through stakeholder inclusion.³⁶ Without it, local tax policies risk being perceived as top-down impositions rather than collaborative governance outcomes.

Interview excerpts illustrate these concerns. A producer emphasized that operational burdens—such as pest control, theft prevention, and maintenance—are already high, making even a 5% tax a considerable strain. Another respondent expressed willingness to pay taxes if the proceeds were visibly reinvested into infrastructure or EBN

³³ Interview with US (initial), edible bird's nest farmer in Tandebura Subdistrict, Watubangga District, Kolaka Regency, October 2024

³⁴ Drummond dan Radaelli, "Behavioural Analysis and Regulatory Impact Assessment."

³⁵ Interview with Erwin Wirawan, Legal Drafting Officer, Legal Bureau of the Regional Secretariat of Kolaka Regency, October 2024

³⁶ Monnapule Matlhare, "Regulatory Impact Assessment in Policy-Making," 2024, 1–2; OECD, *Regulatory Impact Assessment (OECD Best Practice Principles for Regulatory Policy)*, OECD Publishing, 2020, <https://www.oecd.org/gov/regulatory-policy/regulatory-impact-assessment-7a9638cb-en.htm>.

industry development. Such perspectives highlight the significance of aligning taxation with tangible public benefits, a core tenet of modern fiscal governance.³⁷

Moreover, the EBN taxation policy in Kolaka must be contextualized within broader fiscal decentralization dynamics. Under Indonesia's decentralization framework, local governments have the authority to impose taxes to meet regional financial needs. However, studies show that such autonomy is not always exercised based on fiscal necessity but sometimes driven by political or administrative convenience.³⁸ This reflects the need for more coordinated oversight and alignment with national development priorities.

From a regulatory perspective, EBN as a high-value commodity is an attractive target for local taxation, but the industry also grapples with quality control and authenticity concerns. Failure to maintain standards can harm the product's international marketability, ultimately undermining revenue targets.³⁹ Public reaction to EBN taxation also encompasses socio-cultural considerations, as EBN is prized not only for its economic value but for traditional health benefits, amplifying sensitivity to pricing policies.⁴⁰

These findings underscore the necessity for Kolaka Regency to adopt a more integrated and participatory regulatory approach. This entails revisiting the current tax design using RIA methodology, updating implementing regulations, and enhancing communication strategies. By doing so, the local government can rebuild trust, boost compliance, and harness EBN taxation as a driver for sustainable regional development. Ultimately, the legitimacy and effectiveness of local fiscal instruments depend not merely on formal legality, but on their responsiveness to local economic structures and community expectations

4. Conclusion

This study finds that the implementation of the edible bird's nest (EBN) taxation policy in Kolaka Regency, as codified in Regional Regulation Number 1 of 2024,

³⁷ Erica Reeve et al., "Scaling up food pricing policies in the Pacific: A guide to action," *BMJ Global Health* 8 (2023): 8–10, <https://doi.org/10.1136/bmjgh-2023-012041>.

³⁸ Blane D. Lewis, "Local Government Form in Indonesia: Tax, Expenditure, and Efficiency Effects," *Studies in Comparative International Development* 53, no. 1 (2018): 25–46, <https://doi.org/10.1007/s12116-017-9236-z>.

³⁹ Chok et al., "Edible Bird's Nest: Recent Updates and Industry Insights Based On Laboratory Findings"; Meijun Xing et al., "Origin tracing and adulteration identification of bird's nest by high- and low-field NMR combined with pattern recognition," *Food Research International* 175, no. November 2023 (2024): 113780, <https://doi.org/10.1016/j.foodres.2023.113780>.

⁴⁰ Thorburn, "The Edible Nest Swiftlet Industry in Southeast Asia: Capitalism Meets Commensalism"; Benjakul dan Chantakun, "Sustainability challenges in edible bird's nest: Full exploitation and health benefit."

demonstrates a pronounced disconnect between regulatory design and on-the-ground effectiveness. While the regulation conforms to the normative directives of Law Number 1 of 2022—most notably in reducing the tax rate from 10% to 5%—empirical evidence reveals persistent issues of public dissatisfaction and low taxpayer compliance. The stark contrast between projected revenues (Rp 50 million) and actual collection (Rp 700,000) highlights shortcomings in policy communication, stakeholder engagement, and alignment of fiscal benefits. These findings underscore the critical absence of a Regulatory Impact Assessment (RIA) approach, which, if implemented, could have strengthened the regulation's legitimacy, responsiveness, and public acceptance.

Nevertheless, this research is bounded by methodological and contextual limitations. Its qualitative approach, though insightful, limits the generalizability of findings across regions with differing institutional capacities. The lack of disaggregated fiscal data on the EBN trade and the absence of an updated implementing regulation (Peraturan Bupati) constrain comprehensive evaluation. Furthermore, institutional insights from sectoral actors beyond Bapenda and the Legal Bureau remain underexplored, leaving a gap in understanding how inter-agency dynamics shape regulatory outcomes.

In response, the study recommends a phased institutionalization of RIA within local regulatory frameworks, supported by targeted capacity-building, transparent data systems, and participatory mechanisms. Local governments must design tax regimes that integrate behavioral insights and ensure that revenue reinvestment is both visible and impactful. For academic advancement, future inquiries should adopt mixed-method approaches and comparative regional analyses to deepen understanding of how decentralized tax instruments—particularly on high-value commodities such as EBN—can be refined to achieve both fiscal resilience and inclusive development. Advancing this research agenda will help bridge the gap between legal formalism and adaptive governance, offering replicable models for equitable and sustainable local tax regulation.

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