



# **Politics of Budgeting in Indonesia: A Quest for Transparency and Accountability**

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# Topics of Discussion

1. Indonesian budget profiles
2. Reforms and the changing budget politics
3. Fragmented power, fragmented policy?
4. Transparency: for whom?
5. The quest for budgeting accountability.



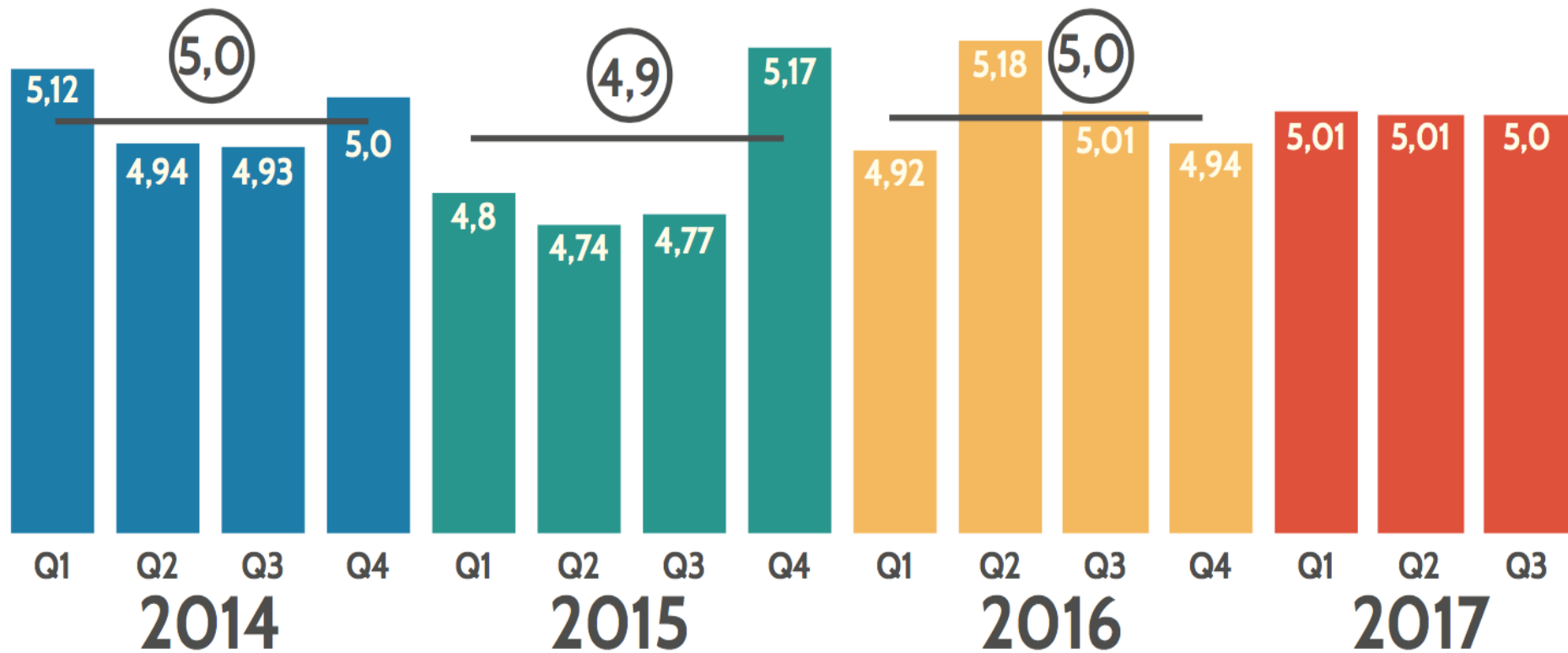
# Budget Volume (2018)

- Expenditure Outlays: Rp 2,220.7 trillion (\$US 165.7 bn). → 17.9 % of the GDP  
Note: GDP: Rp 12,406 T
- Revenues: Rp 1,894.7 trillion (\$US 141.4 bn)
- A deficit of 2.19%
- Financing: Rp 325.9 T from: borrowings (foreign & domestic) and investments.

US budget: \$ 4,352 bn; Australian budget: \$ 464.8 bn



# Economic Growth (%)





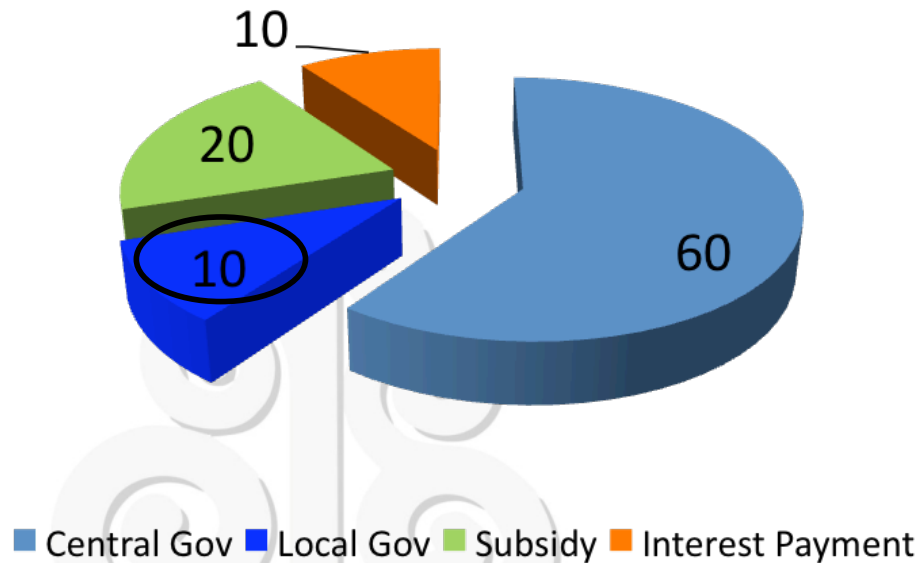
# What has been changed after Reformasi...

- Under a more "legislative heavy" and "semi-parliamentary" system, the role of legislatures on budget is more significant.
- Decentralized budgeting: around 30% of public budget appropriation is determined by local leaders.
- From T-account to I-account; much more transparent compared to the New Order regime.
- Incremental; Law No.17/2003 stipulates budget deficit maximum: 3% of domestic revenues.
- Challenge: expansionary? (By constitution: 20% of spending must go to education; subsidies on fuel; limited financial discretion).

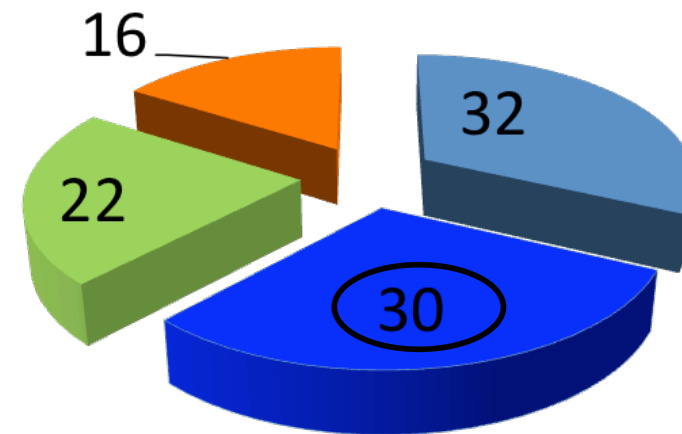
# Fiscal Decentralization: APBN vs. APBD



Significant portion transfer increased to Local Government in the state Budget



2010



# The Budget Cycles



Phase	Period	Substance
1	January	National policy and priority
2	March	Resource envelopes
3	May	Indicative plans & budget ceilings for ministries
4	July	Technical consultations among ministries
5	August	Budget ceilings appropriation
6	16th August	Presidential address on Budget Draft (RAPBN)
7	November	Legislative meetings on budget allotments
8	December	Budget documents ratification

# The Role of Badan Anggaran (Budgeting Board)



- Badan Anggaran (Banggar) has been intrusive in making strategic priorities in the ministries.
- Constitution Supreme Court (Mahkamah Konstitusi) No.35/2013 ruling: Banggar should not go into details of Satuan Tiga (budget detailing).
- Parliamentary endorsement on “pork-barrel” budget allocation: Dana Penyesuaian (*contingency fund*), Dana Transfer, etc.
- The public is generally skeptical on the role of Banggar in various government strategic projects.



# Criticisms During SBY Presidency:



## “Negeri Auto-Pilot”



[www.chappyhakim.com](http://www.chappyhakim.com)

1. The national budget (APBN) contributes little to people's prosperity; only about 8,9% is capital spending (Radhi, 2012)
2. Leakages and corruption at both sides; *revenues* and *expenditures*.
3. National (APBN) and sub-national budgets (APBD) are not synchronized.
4. Much of the state budgets are allocated for operational expenditures (salaries, routines).
5. Development priorities are not touched on people's basic needs.
6. Many allocated funds are simply undisbursed, too much mistargeted programs, accountability issues.

# Tax Mafia



Gayus



Bahasyim



Dhana

## Facts:

- ICW: Rp 300 trillion of potential taxes are leaked.
- Trials on taxation (2002-2009): 22,105 cases; tax payers won 61% of the trials. What does this mean?
- In the last 10 years, tax coverage means accounted only 65%, In 2011 the tax effort was 13.3% of GDP (the lowest among ASEAN five).

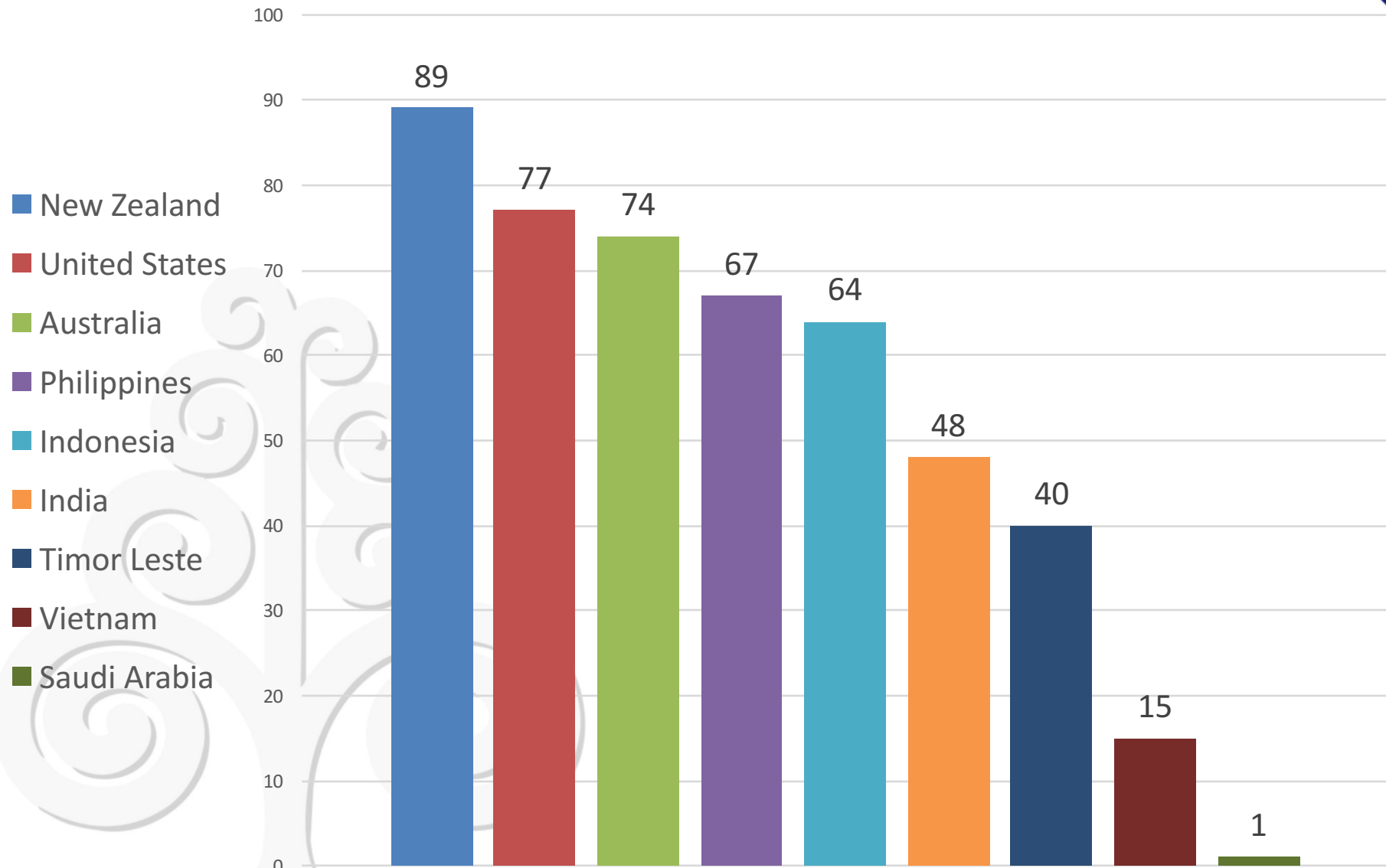
# Political and Bureaucratic Corruption



Gubernur Sumatera Utara, Syamsul Arifin

- The DPR members frequently ask for fee to private companies that would be given a contract.
- Governors and district heads uses a portion of the APBD for personal interest with a collaboration with the private “partners”.
- The DPRD members ask for kickbacks for any projects approved, ask for “success fee” to the candidates of governors, bupati and mayors.

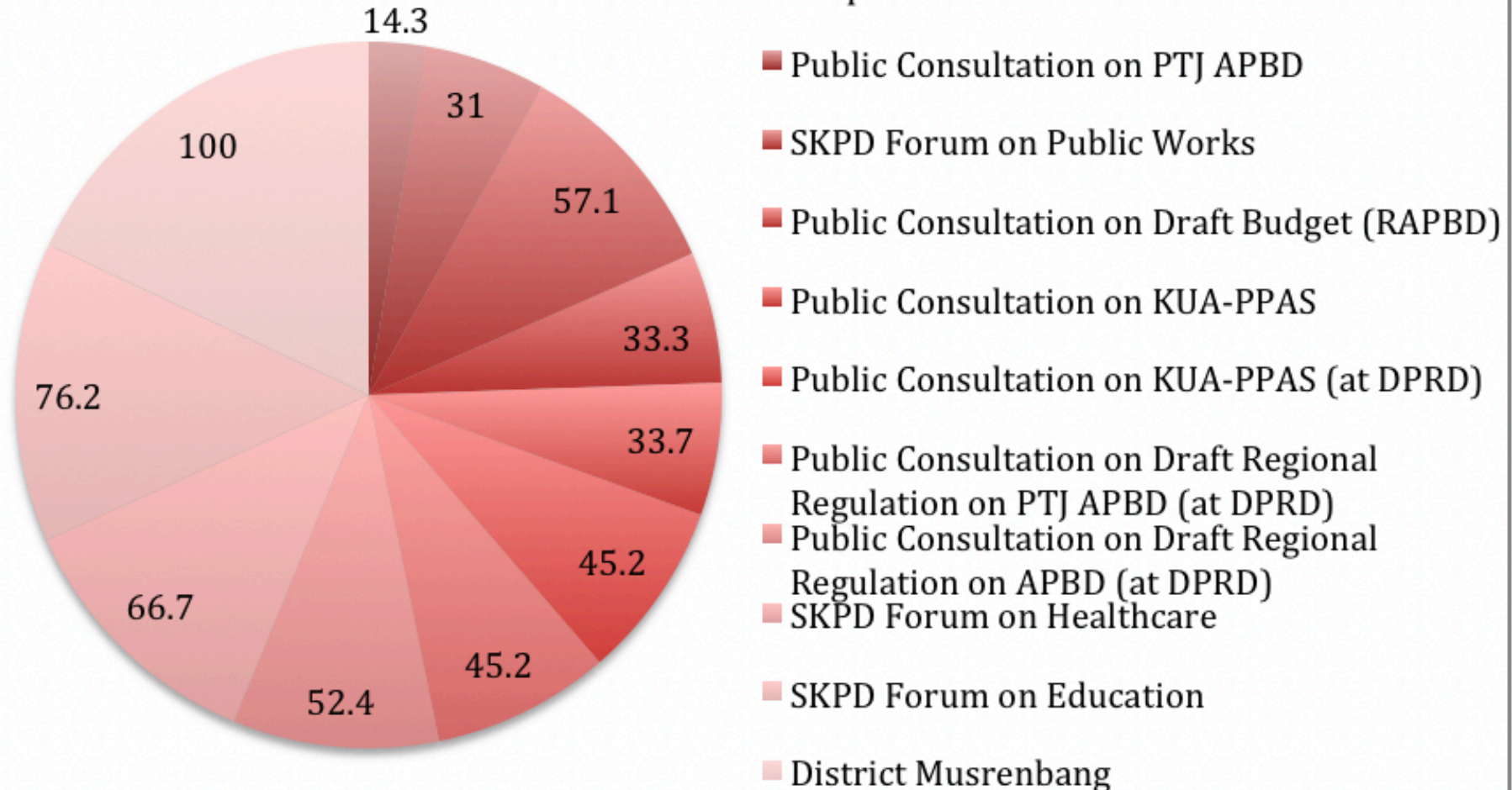
# Global Budget Transparency Index



# Local Budget Participatory Channels



**Figure 8. Percentage of Regions that Provide These Participation Channels**



Source: Putra & Farhan, 2011



# Concluding Remarks

- Although transparency has been relatively improved, the main issue is budgeting accountability. (Open budget survey 2017: transparency-64; oversight-85; public participation-22).
- A head start in performance budgeting, but various factors are hindering its full implementation. (Lack of enforcement on Government Regulation 90/2010; No common understandings between MoF and the Bappenas; Incremental paradigm in budgeting).
- Democratic governance has resulted in public scrutiny in budget misappropriation. However, more public engagement on budgeting process is needed for improving accountability and preventing various patterns of misappropriation in the future.



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**THANK YOU**

