



## National Secretariat Indonesian Forum for Budget Transparency

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<b>Document Type</b>	<b>Press Release</b>	<b>Ref No.</b>	<b>PR.11.04/11</b>
<b>Title</b>	<b>Parliamentary Budget Committee Offers Rich Pickings for Budget Thieves</b>	<b>Date</b>	18 September
<b>Sub-title</b>		<b>Year</b>	2011
<b>Related Event</b>		<b>Author</b>	Yuna Farhan
<b>Key Words</b>	<b>Activities of Budget Thieves</b>		

### Parliamentary Budget Committee Offers Rich Pickings for Budget Thieves

The uncovering of cases of bribery within the Ministry of Labor and Transmigrations confirms the existence of people intent on embezzling State funds. Seknas FITRA assesses that the following factors have been at play in this situation:

**1. The Fund for Accelerated Development of Local Infrastructure (DPPID) doubles up on other funding:** DPPID funding for transmigration settlements made its first appearance in Section 27 paragraph 11 of the 2011 budget law. That law allocated Rp 6.31 trillion for the purpose, broken down as follows: Rp 613 billion for educational infrastructure; Rp 500 billion for transmigration settlements infrastructure; and Rp 5.2 trillion for other infrastructure. The problem was, however, that the Ministry of Labor and Transmigration also allocated—via a route other than the DPPID—Rp 460.4 billion for the same sorts of programs. The Ministry’s funding was channeled through a program for the development of transmigration sites co-administered with regional officials.

Ten regions receiving “co-administration” funding from the Ministry were also allocated DPPID funding. And both sets of funding were allocated for the same purposes: infrastructure within and between transmigration settlements and transmigration-related public facilities. The question arises: why should the same activities be funded twice via two different channels—the DPPID (a component of regional fiscal transfers) and direct Ministry funding placed under the recipient region’s control? Clearly double budgeting is a possibility here. The situation also offers rich pickings for budget thieves—not least because the project areas are located in regions with differing mechanisms for accountability.

**2. The Budget Committee of the House of Representatives (DPR) (known as Banggar DPR) has exceeded its mandate:** and in so doing it has given rise to these incidents of misappropriation. The fact that DPR sectoral Commission No. IX was unaware of these allocations and queried them confirmed that Banggar had exceeded the powers accorded it in Section 107 paragraph 2 of Law No 27/2009 on Indonesia’s parliamentary institutions. That paragraph reads: “Banggar shall only discuss allocations already agreed upon by sectoral commissions”. In this case, Banggar discussed allocation details direct with Ministry of Labor and Transmigration counterparts, without going through Committee IX. The DPR’s Standing Orders also make clear that allocations under the Special Allocation Fund (DAK) should

be based on suggestions from regions and on technical criteria received from relevant DPR sectoral commissions.

**3. The desire to spend money in DPR electorates has surreptitiously egged on would-be budget thieves.** In the case of both the DPID (Fund for Strengthening of Local Infrastructure) established by Minister of Finance regulation (PMK) 25/2011 and the DPPID (Fund for Accelerated Development of Local Infrastructure) put in place by PMK 140/2011, it was the DPR's Budget Committee which divided up the funds and decided which areas they should go to, without any set criteria being used. Thus money distributed under these two funds was susceptible to payment of kickbacks to Banggar members and to abuse as a source of pork-barreling. The two funding sources not only overlapped with each other but also with the DAK, given that all three were directed at the same 10 areas of activity. This triple budgeting was evident, for example, in infrastructure funding: 189 regions received allocations for roads totaling Rp 6.2 trillion from each funding source (the DPID, the DPPID and the DAK). So the question naturally arises: why are not these sources of funding brought together within the DAK and allocated on the basis of specified technical criteria?

**4. In fact, both the DPID and the DPPID are not only illegal but are also in violation of the Constitution.** Thus there is no reference to them in Law No. 33/2004 concerning Fiscal Balance between the Center and Regions. That law specifies that transfers to regions shall consist of fiscal balance funding (via the General Allocation Fund, the Revenue Sharing Fund and the Special Allocation Fund); funding for tasks delegated to regions; and funds for tasks co-administered by the center and regions. Accordingly, the DPID and the DPPID have no basis in law. As for the Constitution, it states—at Article 18A paragraph 2—that fiscal links between the Center and regions shall be established in a just way and in accordance with law. Given that DPID and DPPID allocations are not based on specific criteria and are not in accord with law No. 33/2004, both funds infringe the Constitution. Both of them were also the subject of Audit Board findings in 2010. Because of all this, on 25 August 2011, a coalition of Indonesian NGOs committed to welfare-directed budgeting—namely, Seknas FITRA, IHCS, the Initiative Group, PWYP, KAU, ASPPUK and P3M—made jointly filed a request for a judicial review by the Constitutional Court of the law on the revised 2011 budget with specific reference to its DPID and DPPID-related provisions.

The occurrence of these cases of bribery in transmigration settlements indicates that the opportunity for misappropriation of funds exists in other DPID/DPPID-funded infrastructure projects. Banggar's exceeding the bounds of its authority is the root cause of the problem and has turned the DPID and the DPPID into little more than feeding troughs for budget thieves. Those thieves can work not only on Banggar itself (which after all determines both allocation levels and recipients) but also Banggar's staff, government ministry staff, contractors, regional governments and other players with access to money originating from these two funds.

In light of all the above, Seknas FITRA believes it important that the following corrective action be taken. In particular, it:

1. requests the national Audit Board (BPK) to trace Ministry of Labor and Transmigration abuses back to Banggar, the source of the problem;
2. requests the BPK to conduct investigative audits of the Ministry of Labor and Transmigration, looking particularly at the possibility of overlap of transmigration settlements infrastructure funding provided in 10 regions by both the DPPID and the Ministry (as "co-administration" funds); and the possibility of triple budgeting in fields of activity other than infrastructure.
3. requests the DPR to amend its Standing Orders particularly on discussion of budgets within Banggar. The amendments should define Banggar's power to discuss budgets and require that its discussions be transparent. They should also streamline the composition and membership of Banggar.

4. requests the Constitutional Court to give priority consideration to a judicial review of the revised 2011 budget law filed by a coalition of NGOs, so that the Court's findings can become a watershed for efforts to prevent future repetitions of similar abuses.
5. requests the Ministry of Finance to be steadfast in not acceding to DPR wishes when it seeks to determine DPID and DPPID allocation levels; and to conduct an investigation of Ministry of Finance staff who have taken part in underhand action on these funds.

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**23 October 2011**  
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