

A Critique of DPR's APBN Policies

Article 23 of the 1945 Constitution of the Republic of Indonesia states that: “*The State Budget as the basis of the management of state funds shall be determined annually by law and shall be implemented in an open and accountable manner in order to best attain the prosperity of the people*”. The article suggests that APBN is not only a manifestation of the state's financial management, but also of popular sovereignty. Further explanations of Article 23 state that the State Budget is stipulated by law, in other words, by approval of the people's representatives, within whom the people's sovereignty is represented in DPR's approval of the State Budget.

In practice, APBN is fraught with the political interests of certain persons, groups and factions that have been brought about by DPR members who no longer concern themselves with the prosperity and welfare of the people they serve.

A number of important points have been noted by FITRA regarding DPR's work in implementing budget functions in APBN policies:

- **DPR has remained silent on and approved budget expenditure policies that aren't pro-people.** DPR hasn't been able to maximise budget functions by approving an APBN that's not in touch with the people, except to the extent of purely orienting it towards economic growth, as evidenced by the maintaining of stability of personnel expenditure and goods.
- **DPR doesn't utilise budget functions for the benefit of the people.** As a result, there have been a number of unequal allocations in APBN:
 - The healthcare budget accounted for only 2% of the total APBN in the last 5 years (keeping in mind that healthcare report cards remain code red). Indeed, DPR hasn't done anything to ensure that the healthcare budget makes up a minimum of 5% of APBN. Despite Law No. 36/2009, there has in fact been a decrease in allocations since then. Healthcare however is a constitutional right of the people that should be fought for and championed by DPR;
 - The agricultural sector only accounts for 3-4% (even though the sector absorbs at least 55% of Indonesia's workforce);
 - Infrastructure accounts for only 10%;
 - In terms of debt repayments, interest rates reached 20%. Every year, there's always a withdrawal of loan programs and projects (new debt), and no efforts are made by DPR to withhold or refuse new loans.
- **DPR isn't pro-people**, as it approves government policies that reduce energy subsidies, without offsetting the effects of such policies with an increase in the social welfare budget. DPR also permits the allocation of non-energy stagnant subsidies that tend to be downgraded, despite the fact that DPR approved the repeal of subsidies that directly concern the lives of the poor (i.e. soybean and cooking oil subsidies).
- **DPR budget functions in the struggle for regional autonomy development aren't optimal.** In the last 5 years, DPR approved regional transfers at a rate of only 31%, which fall under the long-overdue discussion of Local Government Laws on administrative affairs and the Law on Fiscal Balancing.
- **DPR hasn't taken discussions on the management of BUMN seriously**, but instead deliberately used BUMN as 'cash cows'. BUMN management retained earnings to the amount of

Rp 407.5 trillion; earnings which have the potential to be used by interested groups due to a lack of clear regulations on income management.

- **DPR should be able to put pressure on the government to ensure that the retained earnings of BUMN are used for the benefit of the people:**

- DPR should be interested in the Rp 407.5 trillion retained earnings of the 2012 Financial Year as they could be used to close the deficit of Rp 80 trillion in APBN-P 2013, meaning that it wouldn't need to justify a new debt of Rp 63.4 trillion.

- Retained earnings could cover the swell in fuel subsidies to the amount of Rp 16.1 trillion with Rp 30 trillion in compensation, without having to raise the price of fuel to Rp 6.500 in APBN-P 2013.

- Or, by drawing on retained earnings, DPR could reenact the soybean (Rp 225.7 trillion) and the cooking oil subsidies (Rp 103 trillion) that were scrapped in 2008.

- Or, by drawing on retained earnings, DPR could design a program that involves the expansion of farmers' fields from 500 – 1 million hectares, in order to decrease their dependency on imports and achieve food sovereignty.

- **The people's greatest disappointment is arguably DPR's approval of the government's proposed hike in fuel prices.** The fuel price increase in 2013 became a bargaining chip among political parties in DPR:

- DPR approved the government's wish to increase fuel prices to Rp 6.500. The government reasoned that fuel subsidies should be reduced so as not to break APBN, but such reasoning doesn't fit with reality. The burden of fuel subsidies only contributed 20% to the deficit, whilst a decrease in taxation contributed 66% towards the deficit.

- DPR consented to the government's sacrificing of the people's interest under the pretext of maintaining fiscal health (which didn't work anyhow, because the deficit actually swelled). Whilst fuel prices increased, economic growth only averaged 5% and inflation increased to around 8.5-9%.

- These circumstances happen when there's a deterioration in people's welfare and the DPR forces its people to stand alone without cutting K/L maximum expenditure (only Rp 7.1 trillion and Rp 1.4 trillion of personnel expenditure).

- **APBN uses programs and projects entrusted by DPR for political purposes.** There has been a high enough increase for fund optimisation to reach Rp 26.9 trillion from the previous Rp 13 trillion, and for adjustment funds to increase to Rp 87.9 trillion in 2014. The increase, however, hasn't been accompanied by an evaluation of K/L from the previous year and happened without any clear basis. Thus, it is purely in DPR's interest to find the sources of election-winning political parties "illicit funds".

With the legislative elections next April 2014, awareness of the role of DPR in ensuring people's welfare needs to be brought to the attention of prospective candidates. In this line of reasoning, FITRA appeals to all the people to "**not elect a legislative candidate that doesn't have the ability to carry out budget functions**". The people must instead elect a legislative candidate that has the ability and partiality to be able to formulate APBN policies that are pro-people.

Jakarta, 10 March 2014

Indonesian Forum for Budget Transparency
(Seknas FITRA, Pokja 30, FITRA East Java, FITRA Central Java, FITRA Sukabumi,
FITRA North Sumatra, FITRA South Sumatra, FAKTA West Kalimantan, Solud NTB,
FITRA West Nusa Tenggara, AWASI APBD Cilacap, FITRA Riau, Yasmib Southwest
Sulawesi, Formasi Kebumen)

Secretary General of FITRA
Yenny Sucipto
Phone: 081333111446