

**Increasing the salaries of *Kepala Daerah*:
President is bankrupting the regions**

At the opening of the 9th National Working Meeting of the Association of Indonesian Local Governments (APKASI) on 20th February, President Susilo Bambang Yudhoyono announced his plan to increase the salaries of *kepala daerah*, in response to a request from the Head of APKASI. **Seknas FITRA, along with fifteen local members of FITRA, rejects the plan to increase the salaries of *kepala daerah* for the following reasons:**

1. The minimum wage for *kepala daerah* has been miscalculated. To date, it's been public knowledge that the income of *kepala daerah* is small, in that they only receive base salaries and small office allowances. Governors receive Rp8.4 million (base salary of Rp3 million + office allowances of Rp5.4 million), whilst *walikota/bupati* receive Rp5.8 million (base salary of Rp2.1 million + office allowances of Rp3.7 million). In actual fact, however, *kepala daerah* also receive incentives from tax collection and levies of six or even up to ten times the amount of their base salary + office allowances, depending on the relevant local taxes and levies as regulated in Presidential Regulation No.69/2010. Consequently, in poor regions, the minimum a Governor can gain from local taxes and levies for their monthly income is Rp58.8 million (before tax), and for *bupati/walikota*, Rp41.1 million. In response to FITRA's press release on the income of *kepala daerah* at the end of last year, the province of Central Java responded by officially setting the Governor's salary at Rp79.1 million, whilst the salary for the Governor of East Java was set at Rp79.8 million. However, their income wasn't included in operational support costs (the amount depends on local revenue). Operational support costs are paid for in one lump sum and managed by the district secretary. For example in DKI Jakarta, the quarterly operational support cost amounted to Rp4.4 billion; the Governor receives Rp2.4 billion, the Deputy Governor receives Rp1 billion and the Treasurer manages Rp900 million. That is to say that, **the President's plan to increase the salaries of *kepala daerah* isn't feasible when compared with their responsibilities and performance levels.**

2. An increase in the salaries of *kepala daerah* will undoubtedly be followed by an increase in the salaries of 15,000 DPR members throughout Indonesia. DPR income limits use a base salary calculation for *kepala daerah*. In accordance with Presidential Regulation No. 37/2006 and amended Presidential Regulation No. 21/2007, various types of DPRD income are determined based on the base salary amount of *kepala daerah* i.e. 100% of *kepala daerah* base salaries is cash, whilst office and other allowances represent 145%.

3. An increase in the salaries of *kepala daerah* will bankrupt the regions. Based on an analysis by FITRA, local expenditure is being 'held hostage' by the bureaucracy. In 2011, 298 regions allocated 50% of their budget for personnel expenditure. By 2012, 302 regions had allocated half of their budget for personnel expenditure. From 2008-2012, about half of Indonesia's

regions had allocated half of their budget for personnel expenditure; 11 of which allocated up to a startling 70% of their budget for employees in 2011-2012. An increase in the salaries of *kepala daerah* will surely be followed by an increase in DPRD salaries, which would only serve to drain local budgets purely for the interests of the elite and bureaucracy. Such increases will also cause regions to become bankrupt, because they won't be able to provide public services of sufficient quality in line with the requirements of regional autonomy. As the majority of local expenditure goes towards the bureaucracy, such practices have revealed the inconsistencies of SBY's government policies.

Based on the above reasons, FITRA would like to request President SBY to forgo any increase in the salaries of *kepala daerah*.

In the name of transparency,

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