



## SEKRETARIAT NASIONAL

### Forum Indonesia untuk Transparansi Anggaran

#### *National Secretariat - Indonesian Forum for Budget Transparency*

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### **10 Reasons for Rejecting RAPBN-P 2013**

#### **“Laden with Politics Ahead of the Election and Causing Misery for the People”**

On 17<sup>th</sup> May 2013, the government finally submitted RAPBN-P 2013 for discussion to the DPR. In FITRA's opinion, the proposed RAPBN-P 2013 is laden with political interests ahead of the 2014 election, based on the following observations:

- 1.** The government reasoned that the subsidy burden is incriminating and could cause the APBN to burst, and go into a deficit. With an increase in the price of fuel to Rp 6.500, the government stated that it will save Rp 30 trillion in the budget. The fact is though, that rather than decreasing subsidies, the fuel subsidy proposed by the government in RAPBN instead swelled to Rp 16.1 trillion.
- 2.** The fuel subsidy isn't the ultimate cause of the swelling of deficit. A deficit increase of Rp 80 trillion in RAPBN-P 2013 is more due to the lowering of the tax revenue target by Rp 53.6 trillion, meaning that additions to the fuel subsidy only contributed 20% to the deficit whilst a reduction in tax revenue contributed 66%.
- 3.** Based on the above point, it's obviously not fuel subsidies that are the reason for proposing APBN-P 2013, but more likely the anticipation of APBN-P 2013 including populist programs, in order to attract public sympathy for the sake of the 2014 election. Indeed, fuel compensation has risen (as have BLSM, rice subsidies and PKH, grants for the poor and basic infrastructure) to Rp 30.1 trillion, almost double the amount of the fuel subsidy increase of Rp 16.1 trillion.
- 4.** Since APBNP 2012 and 2013, the government has given more discretion to adjusting the price of subsidised fuel, but it's not making the most of this momentum. The government just isn't brave enough to blame poor policies, throw in the DPR, and open bargaining opportunities between political parties in the DPR.
- 5.** In terms of the Rp 56.1 trillion remaining of the 2012 budget (SAL), the government didn't actually need to submit amendments to the APBN as SAL is able to cover the swelling of the fuel subsidy by Rp 16 trillion, and compensation of Rp 30 trillion. Thus, it doesn't need to justify the addition of a new debt of Rp 63.4 trillion. The government also doesn't need to add an additional Rp 7.5 trillion to the education budget as a consequence of additional expenditure.

The structure of APBN-P 2013 confirms the nature of the election year budget cycle in various countries, whereby there is usually a decline in revenue receipts and an increase in expenditure, followed by a large deficit. Such politicisation of the budget for election interests causes misery for the people and only serves the interests of the political and bureaucratic elite, according to the following reasons:

- 6.** The government doesn't want to fundamentally change the macroeconomic assumptions related to public welfare and equitable distribution of income. For example, it doesn't want to include assumptions on the decline of the Gini Index and employment generation. But then what is the APBN modified for if it only sympathises with government interests?



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**7.** The target for economic growth and inflation isn't realistic. If fuel prices increase, economic growth will only be in the range of 5.9% and inflation at 8.5-9%. Of course, if this happens then public welfare will decline. The government has sacrificed the public under the pretext of fiscal health (which isn't true because the deficit swelled and the primary balance was negative).

**8.** The government doesn't have a valid argument as to why tax revenue has declined. The government forced an increase in the price of oil, but spoilt the bureaucracy by agreeing to a decrease in tax revenue. It's clear that these actions are unfair and moreover, due to the realities of tax corruption and untapped potential income (such as low taxpayer compliance), the tax ratio is still far from its actual potential.

**9.** The increase in the price of fuel and the subsequent impacts borne by the people haven't been followed by sacrifices on the part of the government. Ministerial expenditure was only cut by Rp 7.1 trillion and personnel expenditure by Rp 1.4 trillion. However, reflecting on APBN 2012, the government wasn't actually able to absorb the budget of Rp 56.1 trillion (SAL) and 35% of personnel expenditure in fact was used to fund pensions.

**10.** There weren't significant cuts to goods expenditure, which is a current source of budget inefficiency. If the government increases the price of oil, we at FITRA will demand that all ministerial cars are privately funded by the user, especially oil (shouldn't be charged to APBN). The swelling of the fuel subsidy also demonstrates the government's failure to exercise control over fuel subsidies i.e. the lack of enforcement requiring ministerial cars to use non-subsidised fuel.

Based on the 10 reasons above, FITRA asks the DPR to reject the RAPBN-P 2013 submitted by the government, and restore discretion to the government's hike in fuel prices.

**Jakarta, 2<sup>nd</sup> June 2013**

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