

**End of Year Report:
10 Budget Policy Findings from 2013,
Politicisation and the Tormenting of Society**

The budget is one economic instrument of the government that functions to create justice and distribution. The state's obligation to provide social welfare can only be realised when the budget is planned through APBN each year, and policies which favour the people are reflected upon. To date, the planned budget is yet to satisfactorily provide social welfare and remains a mere annual ritual that is inefficient, ineffective and has low absorption rates. The budget is still only prepared for a handful of elite interests and doesn't touch on the fundamental issues of society.

FITRA has found 10 issues in the budget policies of 2013 that were set by the government, including:

1. The role of PNBPN in APBN 2013 tended to decrease, especially in its acceptance from the natural resources sector.

PNBPN's target in the mining sector was valued at Rp 16.6 trillion (in APBNPN 2012, it was valued at Rp 15.3 trillion). However, when based on existing potential the target was very low, bearing in the mind that the mining sector's regulations are still unstable after the introduction of the mineral export tax. A number of outcomes resulted from this low acceptance;

- Business practices in the oil and gas, mining, agricultural, forestry and fishery sectors.
- Unjust contracts of cooperation in the form of rights management, profit sharing, royalties or sale of natural resources resulted in state losses due to the loss of the potential use of the natural wealth of Indonesia.

2. Optimisation of BUMN's performance, wherein BUMN profits aren't comparable with deposits to the state (only 20%).

There was an increase in the value of state capital investments in BUMN, totalling Rp 154 trillion (2010–2012). By 31 December 2012, these investments had reached Rp 677.3 trillion. However, dividend payments to APBN only reached Rp 89 trillion (24% of BUMN's total profits, amounting to Rp 358.4 trillion in less than 3 weeks). This means that BUMN didn't make any contributions to APBN, but ironically experienced retained profits as large as Rp 407.3 trillion. Furthermore, 15 BUMN were found to not have deposited any income in 3 years (according to records though, there was no loss of accumulated capital). If observed closely, privatisation and its profits didn't greatly contribute to APBN, and contributions from BUMN to APBN had a total range of only 6%.

3. Central government expenditure was oriented towards the interests of the government (personnel expenditure and goods), due to relatively stable growth.

In less than 7 years (2006 – 2013), the personnel expenditure growth rate was as large as 16% (Rp 22.18 trillion), exceeding the average growth rate of 12%. The allocation of personnel expenditure increased three-fold, or by Rp 232.9 trillion, showing that the government plays on budget policies that aren't in touch with the people and instead orients them towards economic growth. Without wanting to sacrifice its own interests, stability in personnel expenditures and goods has been maintained.

4. The growth of central government expenditure meant that more goods expenditure could be enjoyed, although capital expenditure wasn't made a priority in APBN 2013.

5. The government reasoned that fuel subsidies had to be decreased so that they wouldn't break APBN 2013, although this didn't correspond with reality.

The government's wish to increase the price of BBM to Rp 6.500 in order to save as much as Rp 30 trillion in the budget turned out to actually increase the subsidy by as much as Rp 16.1 trillion. The government even took steps to reduce state revenue policies in the mid-year, from the planned Rp 1,529.6 trillion to Rp 1,488.3 trillion. Ironically, state expenditure policies went up from Rp 1,154.3 trillion to Rp 1,193.3 trillion, resulting in a deficiency as large as Rp 233.7 trillion in APBNP 2013, from the planned Rp 153.3 trillion (Rp 80.4 trillion increase in the deficit or 2.5% from PDB). The increased deficit reached Rp 80 trillion, and was caused by a decline in the tax revenue target to the amount of Rp 53.6 trillion. This means that the additional burden of the fuel subsidy only contributed 20% towards the deficit, whilst the reduction in taxation contributed 66%.

6. APBN-P 2013 was circumvented by shelving populist programs, with an allocation of Rp 30.1 trillion

Programs including "Rice subsidies for the poor" increased from Rp 17.2 trillion to Rp 21.5 trillion, with 12 times the distribution for 15.5 million people. There was an increase in the PKH unit cost from Rp 1.28 million to Rp 1.8 million, with a participant target of 2.4 million RTSM (1,516,000 RTSM old participants and 884,000 RTSM new participants). Subsequently, there was an increase in the unit cost of "Assistance for poor students" (with an additional budget of Rp 7.5 trillion, BSM's scope increased from 8.74 million to 15.43 million for those in SD/MI-SMA/MA, and additional benefits of Rp 200,000 per student were given at the beginning of the new school year in 2013/2013 to 15.4 million students). Direct Community Assistance (BLSM) to the value of Rp 11.6 trillion was given to 15.5 million RTSM, totalling Rp 150,000 per month over 5 months, whilst additional funds for infrastructure development (clean water, irrigation, dams, and PPIP) totalled Rp 6 trillion.

7. The government didn't use SAL 2012 to the value of Rp 56.1 trillion in 2013.

The government only used SAL to close a deficit of Rp 30 trillion, and also took measures to finance through debt. Whereas SAL 2012 was valued at Rp 56.1 trillion, the government shouldn't have needed to submit APBN Amendments because SAL can cover expanding BBM subsidies to the amount of Rp 16.1 trillion and compensation of Rp 30 trillion. This also means that the government didn't need to justify adding new debts of Rp 63.4 trillion.

8. Regional transfers haven't increased from 2006 – 2013.

More than half of the regions allocated 50% more budget for personnel expenditure in 2013, causing almost 70% of their budget and the balance from the central government to be in the form of personnel expenditure. The government allocated DAU to the amount of Rp 306.2 trillion (59%), with Rp 43.1 trillion set aside for teacher's professional allowances (8%) and an additional Rp 2.4 trillion (1%) for teacher's incomes. Consequently, a large part of the regional budget will be drained for personnel expenditure, as the average region relies 80% on sources of local revenue from balanced funds.

9. The budget allocation for poverty reduction was high, however rates of poverty didn't decrease.

SBY's government had already budgeted Rp 402.4 trillion for poverty reduction from 2006-2012; however they have failed to decrease rates of poverty. The average rate was only a 0.9% decrease in less than 6 years and APBN 2013 wasn't even gender responsive, nor was it favourable towards women.



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10. The government's total debt in 2013 reached Rp 2,137 trillion.

The burden of large debt repayments caused unequal allocations in APBN.

Upon reviewing the above issues, FITRA concludes that the budget policies of 2013 were politicised and tormented society. This isn't in line with the constitutional mandate, as stipulated in Article 23, Paragraph 1 which states that "*The state budget as the materialisation of the state's financial management shall be determined annually in the form of a law and be implemented in an open and accountable way in order to achieve maximum prosperity for the people*".

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