

INDONESIAN PARTICIPATORY BUDGETING EFFORTS

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I. Background and Objectives

Five years after the financial crisis and three years into decentralization, participatory budgeting concept remains unclear in the practice of public finance transformation on macroeconomic stability, actual spending and the management of public resources. This concept is mostly assumed as an integral part of an *Initiative for Public Engagement in Budgeting Process* which has been recognized in 2000 in Jakarta with the establishment of *Forum Indonesia untuk Transparansi Anggaran-FITRA or Indonesia Forum for Budget Transparency* that consist of several research institutions and non-government organizations. Those Indonesia NGOs supported by the Ford Foundations- Jakarta are embarking on a multi-year exercise of public involvement in budgeting process at national as well as local level. This program has been established seven focal points of FITRA network around the country that include, Medan, Pekanbaru, Palembang, Jakarta, Tuban, Kendari, and Luwu. The program has also been driven more local research institutions and NGOs to engage in the public budgeting management.

FITRA initially has three objectives:

- (i) Build capacity to carry out expenditure analysis on a regular basis. The audience would be general public and NGOs as well as policy makers in government and parliament at central and local and other key stakeholders.
- (ii) Provide a better understanding of budget allocations and expenditures across administrative levels and sectors including extra-budgetary activities;
- (iii) Encourage transparency practices to support the process towards a more accountable and service oriented provision of public services through public campaign.

II. Factors Encourage Citizen Participation in the Budget: Indonesia Context

Decentralization as a part of Local Government Reform is expected to provide many political and economic advantages in the areas of expenditure and service delivery. It also opens the window of opportunity for citizen to critically engage in the decision making process. The lesson learned from FITRA experiences depict existing situation in terms of encouragement the participatory budgeting along with performance budgeting framework. This brief report will discuss the challenge and opportunity in regencies that had conducted for people engagement in budgeting process.

The Regulatory Frame works and The Rights to Participate in Budget

Since the stipulation of law 22 /1999 (Local Government) , law 25/1999 (Fiscal Relations) and law 28/1999 (Clean and Good Governance Practice) , each regency and city have set their own regulatory frameworks that deal with implementation the law at their jurisdiction. The local regulatory framework also complied with Governmental Decrees (PP) and Ministry of Home Affairs (MOHA) and Ministry of Finance (MOF) decrees such as PP 104/2000 on *Fiscal Transfer*, PP 105/2000 on *Local Financial Management and Accountability*, PP 108 on *Report Procedure of District Head*, PP 20/2001 on *Procedure and Control of Local Administration*. The most influential regulation that determine of local budget practices is Ministry decree number 29/2002 on *Procedure of Financial management and controlling, and Budget accounting*.

No	Type of Regulations	Number and Year	Subject
1	Law	22 year 1999	The Local Government
		25 year 1999	The Fiscal Balance between National and Local Government
		28 year 1999	The Clean Governance and Free from Corruption. Collusion, Nepotism
2	Governmental Decree (PP)	104 year 2000	Fiscal Transfer
		105 year 2000	Local Financial Management and Accountability
		108 year 2000	Report Procedure of District Head
		20 year 2001	Procedure and Control of Local Administration
3	MOHA Decree	29 year 2002	Procedure of Financial management and controlling, and Budget accounting

Those regulations have mentioned explicitly that people have rights to participate in budgeting process along with they comply with some rules and procedures. Some of articles in the law that can be a legal base for participating in budgeting process mention as follows:

General description of Law no. 25/1999 mentions that one of the main goal of Fiscal Balance is to create fair, proportional, rational, transparent, **participative**, accountable and certain local expenditure system.

The *raison d'être* of PP no. 104/ 2000 is that “.....in harmony with the main goal of fiscal balance that empowerment and increase the local economy capacity, it is established a fair, proportional, rational, transparent, **participative**, accountable and ensuring local financial sources that supported by local capacity.”

In considering of PP nb.105/2000 mentions that ” *local financial management system nowadays is able to provide local financial nuances that more fair, rational, transparent, **participative** and accountable as underlined by law no. 22/1999 and law no. 25/1999*”.

Moreover in article number 18 PP no. 20/2001, explains that:

People as individual or group can control the local government management.

The control as mention above can be conducted directly or indirectly in oral or written in form of inquiry, providing information, suggestion and recommendation to government or local government, local parliament and other agencies by complying with procedures in the law or regulations.

MOHA Decree no. 29 /2002 explains the performance budget system. It also mentions about the bottom – up planning procedures in which every steps should involve public. Since the decree enactment, most local governments adopt the system and claim that they have followed the guideline of the decree and comply with the regulations. Though the decree does not mention explicitly about the participatory budgeting approach.

Civic Engagement on Resource: The FITRA Experiences

Civic engagement refers to policies and budgeting process will create opportunities for citizens to get directly involved in local policy making and implementation. In collaborative decision-making the broad range of interest and voices in a community are represented and different perspectives are integrated into collective decisions. Collective decision making, however, can be difficult, complicated, time consuming and sometime unsatisfied for all. But when consensus-based decisions are made, the results are often more legitimate and widely accepted.

There are a variety of reasons for encouraging and facilitating citizen participation and collaboration. Perhaps the most fundamentally, participation is intrinsic to the core meaning of democracy. It is essential for local government that fully committed to comply with good governance practices to improve information flow, accountability, and due process and allow different voices to say in any steps of planning and budgeting process. This should be underlined since by practice the implementation of local regulation is very weak and only become just legal paper.

The most common constraint for citizen involve in local budgeting process is the specific legal bases that ensuring people to engage. Though some local government enacted their regulatory to allow people to involve in planning process as Musbangdes or Muscam scenario that so-called P5D mechanism but it is still some procedures that prevent people involve actively in setting budget agenda. In some degree, Village Allocation Fund (DAD) and in kind will promote people voices from grass roots, but in practice, it limits the involvement in few occasions of meeting. Village representative body (BPD) and the village chief may discuss the priorities of each village along with the platform budget that allocated to village level for twice or three times a years. Those village proposals will be merged in Kecamatan level and discuss with various branches of local government office (cabang Dinas). The reprioritizing process, sometime ignore the rational choice procedures that should be share all information. People in the village are rarely to know about the rationale of decision at Kecamatan level. In some extreme, all decisions are relying on Bupati's policy. People are never know reason behind the decisions because there is no legal framework that guarantee people file their complain if the decision is irrational.

FITRA public campaign on various aspect of transparency, participation and accountability that introduced since the beginning may become an important step for broader base participation in budget and public awareness. This effort is supposed to be recognized as a voicing of silent and incapable citizen in budget process. The campaigning through various activities include announcement of public expenditure mismatch, potential misuse of public money, and more further in a litigation on power abuse in budget implementation. This effort is incrementally build the public trust and confidence that FITRA doing the right thing and struggle for people interest.

FITRA also together with other NGOs pursued community common interest by introducing various issues around budget that include gender budget, pro poor budget, budget for better public services and rational budget allocation. Basically, FITRA efforts is supporting the democratization and legitimacy of government in terms of to maintain the effective, efficient, and rational decisions in budget process. As communities become increasingly aware and diverse, participatory decision making through budget framework are providing for preventing mismatch budget, and realigning budget expenditures that direct for people needs. Hence, FITRA attempt to set a common understanding among civil society component as well as government agencies to work together in forms of civic participation space in budget making..

III. Challenge and Opportunity in the Engagement on Resource Issues.

Free Information and the Rights to Know

More and more officials in the local government recognize that good governance practices become their political commitment. Along with this commitment, they suppose to realize that improve information flow can strengthen their accountability. The experience under authoritarian regime in Indonesia making budgeting information to the public tend to be restricted particularly when budget agenda debates in the local parliament. Less officials and political leaders aware that people have their rights to know about budgetary process.

For years, budget debate becomes an instrument for bargaining between local parliament members and Bupati (the regent). Sharing information about budget allocation is very limited for CSOs to access in the almost all municipals and cities in Indonesia. In many cases, budget documents are uneasy to obtain and recognized as highly classified documents. The calendar for budgeting debate in local parliament is very limited and restraint for people to join the debates. FITRA in several areas attempts to make a breakthrough by sharing publicly the schedule of budget debates in the local parliament in the local media. In some cases, the local legislation debates on budget is only less a week.

Although some local regulations that cope with MOHA decree no. 29 year 2002 have adopted participatory budgeting principles, but there is no regulation that encourages the publications of budgeting process through media. The schedule of budget debate in the parliament that publicly

informed is an entry point for opening the fiscal space for people. Actually, local media can support to publish or broadcast the budgeting agenda and its schedules.

Changing the Accounting base: an half window opportunity

The most difficult task is to measure the commitment of local government reforms and apply participatory budgeting practice. Legislation alone cannot ensure local government reforms adopting participatory budgeting process. From any cases, we learn that government “good will” becomes one of important factor for changing in public administration practices. Some local government has claimed that they have highly responded to the MOHA decree in adjusting the budget system from cash bases to performance budget accounting by enacting local regulation on local public finance principles. However, the changes in regulations are not guarantee that old practices in bureaucracy will follow. The violation of the rules and code of conduct that prohibit any expenditures without approval by local parliament. Even the local parliament member manipulated the medical insurance and traveling cost as happened in Southwest Sulawesi. Some corruption cases are in the court and other waiting in judicial investigation. The idiom expenditure for public purposes are easily manipulated by public officials. Though the changes of accounting measures are changes but paradigm in public management remains.

Political and Social Climates: the real stumbling block

The style of leadership becomes the stumbling block for the budget reforms in practice. Feudalistic attitudes are the most influential values that determine the style of leadership in the decision making process and making the allocation efficiency is far from reality. In many areas, the circle of power is still adopted the values of feudalism. The disputes around excessive top management budget or emergency spending in many municipals are easily isolated especially from common peoples, but FITRA through various research and analysis succeed to attract people attention and really count by local parliament as happened in Jakarta. If the officers from the noble family, all his/her decision is more likely to be unchallenged. Establishing participatory budgeting, in this context, should be strongly supported by prominent figures and mass media.

To maintain a critical perspective from outside of government may become an important effort to ensure that participatory budgeting idea lively. At the very beginning in FITRA focal points areas, the voices from opposition are almost unheard because of many reasons. The most significant reason is intimidation or cooptation by government apparatus or other forces. The instrument keeps opposition voices by a militia or other groups that close link with the authority. The most effective tools to silent the opposition voices by co-opted them in various local projects or program include rice distribution for the poor. Practically, there are systematic efforts to repress the different perspectives. But FITRA keep the alternative voice remain exist although it may be relatively limited. The participatory budget practices will fail to produce more fiscal space in democratic terms, if the opposition voices are powerless and insignificant. Democracy also means political opponent and minorities have a right to express their views and have influence in the policy making process.

In legislation debates on budget, the individual and small group interest of local parliament member is rampant. It becomes common that each members of parliament particularly from who has business by their own or their family will pressure the budgeting allocation process in a manner to get higher gaining in local project financed by government budget. In this context, some Bupati uses “stick and carrot” strategy to pass the government budget. On one hand, they raise the budget allocation to parliament operational expenditures for bribing the “vocal” opposition voice. On the other hand, they also use a political pressure to individuals in parliament especially persons who have “black records”. Therefore the combination of money politics and political “black mail” are more common practices. It is clear that since the members of parliament fail to show their commitment to the people by using the rational choice, they become easily a part of power and money game. The lack of rational choice in local parliament will prevent the participatory budgeting process in the future.

The participatory budgeting also has a challenge from political patronage practice. This practice remains practically in the current local politics practices. The political leader maintains his/her influence of power by giving economic or financial advantages to his/her fellows who support the power. In some cases, political patronage becomes one of important instruments to reduce political opposition and critical voices from CSOs. Corruption cases and money politics have closed relation with political patronage practices. It is common that Bupati keeps her patronage with contractor association to get their relations lively. Some contractors will pre-finance the Bupati’s emergency project in return. This political condition will directly or indirectly determine the level of acceptance of governmental reforms that also deals with participatory budgeting framework.

IV. Breakthroughs and Accomplishments: Civil Society Awareness in Budget

The budget is the most important economic and political policy instrument for government. The budget reflects a government’s priorities and commitment to drive social and economic change. Budget translate policies, political preference, and priorities into decisions on where spending should be used and how these funds should be collected. Hence budget is not merely an instrument of public finance but also an arena where people express their needs politically.

A government’s budget directly or indirectly affects the activities of citizen. In most cases, people with less concern and little political influence who are more advantage by budget decisions. In Indonesia, for instance, social safety net and oil subsidies are particularly benefited to their economic well being and that spending in areas of health is significant for their future vitality. For same reason, most NGOs and research institutes who have recently become interested in the budget analysis, has an emphasis on scrutinizing the impact of budget allocation and corruption case.

The engagement of independent NGOs and other CSO in budgetary decision making is crucial in constructing more transparent, democratic and participatory societies. FITRA always attempt to find a breakthrough in opening the lack of information on budget. This issues has seriously hindered the effort of national and local NGOs to participate in the debate on the budget allocation. This shortage includes the limitation of information on budgeting documents or

attending budget commission meeting in the parliament. Hence, budget process more often are designed in a manner that prevents public debates. Strengthening budget analysis and improving budget process are inevitable become and embedded in FITRA commitment in budget transparency in Indonesia.

NGOs can be more effective in budgeting participation if they are also knowledgeable about the formulation of budget include the rationale behind the allocation in expenditures. The involvement of people through various CSOs can help improve decisions by making policy takers more sensitive to public needs. A broad-base analysis, by making more transparent the priorities expressed through budget and tax or levy policies, can also assist break through the all-too-familiar refrain that certain ideas might have merit but are unaffordable. If people are to be informed since the planning process about the choices made by their local government, there is an important role for FITRA to play in scrutinizing the budget and providing information to public about it. Another important task is to inform the public about limitation of government financial source to fulfill people needs. There is more common in practice so far that people put too much hope for government pays their needs when they discuss the community need at the village level.

Most people realize the source of local budget, thought they know local taxes and levies go to the local budget. But they absolutely do not know exactly how much money government can collect for the local budget, because the information is very limited and it is rare for the local government sharing the information publicly. The scale of budget and how government calculates the projection of revenue annually become more sophisticated issues for people. People do not realize that the main source of local budget revenues, though in general they mention tax but never know what kind of taxes provide the most revenue for the local budget.

Since the budgeting process is very exclusive matter, the public knowledge on budget allocation is very limited. In the area where FITRA works, budgeting process is not transparent and government apparatus especially in financial and economic section exclusively knows it. In the business community especially contractors only concern with money goes to their own projects; other than contractors, less community member know about budget information. Most of CSOs has never get involved with budgeting process .

Small Steps of Accomplishment

FITRA in the four year try to provide some values and practices to the public. The basic driving values for encouraging people to know are including:

- To understand process budget plan and the scale of local budget in annual bases and various sectors.
- To understand process budget management in governmental agencies.
- To monitor the budget allocation process in government agencies.
- To provide tools for transparency and enable public control on budget spending.

In fact the incentive to drive public to know the budget differs among CSOs due to the political and social climates as well as capabilities. We identify that some group in society have spirit to engage in budgeting process.

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- The contractors are eagerly getting more contracts from the local government.
- Local NGO mostly concern with local government subsidy to their own projects. In some extreme, only few NGOs really concerns with the participation process in budgeting plan.
- Most legislators have their own interests for their financial advantages, although a small part of them have a concern how budget can benefit to the people in large.

FITRA has introduced the budget debates before and after the legislation process. The media can use FITRA works in context to scrutinize the corruption cases in different areas. The budget manipulating cases in local parliament can be exposed through various public campaign. Some high or low profile corruption cases have been in the court since people more interesting to talk money politics and power abuse in budgeting process.

FITRA realize since the beginning that most people have no knowledge to analyze, examine, advocate and control in each local budgetary process. Even political parties are less active to disseminate the public awareness in budgeting process. The big problem to begin with budget work is an access to local budget information . The budget documents are circulating in limited audience . Because there are no regulation to allow people access the budget document. To provide brief information on budget spending and allocation is an important step that taken by FITRA in the most recent.

FITRA also work with other institution that concern with budgeting process promote the linkage between budget and people interest that include quality of public service to the poor. Promoting to provide an appropriate work to local NGOs to improve their capacity in budget. Using a score card as an instrument to evaluate and knowing people preferences will enhance the participation of people in budget work. Through publication of their own adjustment, people will know how to link between how much they pay and what they get from the government. The score card combining with budget analysis will improve the well being at the grass roots.

In some place, FITRA focal point institution works together with local parliament for increase the knowledge of new local parliament member. Although the level of concern depends partly on incentive to each group. Incentive for prevent more budget mismatch and corruption are more significant than other issues hence people are more enthusiastic to take a look budgeting process and allocation.

V. Lessons Learned and Future Challenges

The Openness and Bill of Free of Information

As the effort to share knowledge on budget process, efforts to proceed the bill of free information is the major step in FITRA activities in the future. The most problem to make budget

issues recognized by common people is the lack of documents. For months various NGOs have driven the parliament member to pass the bill. Some backlash is just happened when the Ministry of Home Affairs from newly administration issued the circulation notice (Surat Edaran Menteri no 24/ 2004) to prevent any action or discretion of MOHA officials to share the public documents include local budget to the public. This practice will prevent the spirit of openness and the rights to know. Hence the bill of free information will become a benchmark for people participation especially in budgeting work.

Direct Elections

The most crucial in participatory framework is leadership. Policy change efforts are not likely to be successful without deep and abiding motivations for change systematically on the part of public leader. The self-ability to change is one important principle for the leader to face the challenge ahead. The bureaucrat commitment for change is one important issue in assessing the participatory budget acceptance. Bureaucrats make implementation of policy decision severely constrained since they may reluctant to change voluntarily. The elite circulation is important to impose a new procedure in budget making that allowing more voices join in the decision process as democratic values principles. Most bureaucrats show their resistance when they know that participatory budgeting framework will allow people to scrutinize the process of choice in budget allocation. The direct election of local parliament member as well as governor, mayor and regent will change the perception of budget. In the direct election, the candidates supposed to introduce their commitment and programmatic issues, in turn budget will become a hot issues in their campaign. A narrow perspective and lack of understanding of budget priorities make them uneasy to get more votes. It is also means open more room for people concern on budget in political competition. In this context, the strong commitment of leadership to change is one important step for participatory budgeting framework in the future. For they who accept the concept instantly, participatory budget techniques will be used as instruments for improving their political bargaining. In this sense, introducing the framework to the local parliament will easy, but it is in the wrong direction. It is very few of them understand that participatory budgeting is a part of democratic process when the lawmakers have to hear more voice from people. By contrast for they who refuse the concept, introducing the framework is time consuming and exhausted. In this category, the individuals will calculate the incentives that he/she can get politically or economically

Improving CSO Capacity and Collaboration

The significant factor that hindering participation for NGOs is financial dependency local government budget. First factor to measure capacity of NGO is its financial sources. Money can talk much in political participation. It can force massively the mobilization of people to express the willingness to participate. But it can trap them into political cooptation process. In general, local NGO have limitation to access the source outside government institution. They will become a “quasi” subsidiary organization of local government. Both information and fund are two important elements to determine the independency of NGO.

Again, independency of financial sources will become important issue for improving CSO capacity in terms of establishing a effective stakeholder in participatory budgeting frameworks. Some of them work under pressure or intimidating by a certain group that strongly obtains an economic advantage from various government projects. Intimidation and pressure are more common to reduce voices from critical opposition groups.

Unions such as labor, fishermen, and farmers may become potential parties in monitoring the budgeting process but the knowledge to the budgeting process is weak. The important step to improving their concern is by introducing the score card that related into their daily activity and how the budget influence their well being. Some community base organization have enough concern on quality of public services and budget allocation.

The most promising organization that may support forward the participatory budgeting is local media include radio and newspaper. Several radio stations and local TV station that potentially become a center for disseminating budget awareness. Community TV station has shown their interest to disseminate the budget debate and allocation in the local parliament. Local newspaper become a good partner for budget transparency movement though limited in several areas. The editorial independency becomes an important factor to measure the capacity of newspaper as agent of change. For most or regional newspapers that relatively independent, public campaign on participatory budgeting is very possible. The limitation of newspaper is only their knowledge to budget matters. The critical viewpoints of regional newspaper become a determinant factor to drive more attention to participatory budgeting practices as a part of democratization and freedom of expression.