

**SUB NATIONAL BUDGET INDEX:
Measuring the Performance of 42 Local Governments in
Indonesia in Budget Management Processes**

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Paper Presented at 1st Global Conference on Transparency Research,
Rutgers University-Newark, May 19-20, 2011

This version edition : April 15, 2011

ABSTRACT

The government budget is a reflection of political decisions between the executive and the legislature, which reflect what the government does each year. These political decisions have a broad impact on the public's standard of living, particularly to provide better basic services to residents, especially women and the poor.

This report presents the results of research performed to assess Local Government Budget Management Performance based on four aspects of good governance: transparency, participation, accountability, and gender equality. The research covers the budgetary stages of planning, budget approval, implementation, and accountability. The scores for each local government in these four aspects of good governance are aggregated in the form of Index to ease comparison between 42 districts/municipalities across in Indonesia.

ABOUT THE SPEAKERS

R. Alam Surya Putra has been with the Asia Foundation for six years and working on local governance issues on local budgeting and decentralization policy as a Senior Program Officer. He is an anthropologist by training and worked as a consultant of the World Bank on local economic development issues and led a local NGO focused on the development of small and medium enterprises prior to joining the Foundation.

Yuna Farhan is a Secretary General of Seknas FITRA (National Secretariat of Indonesian Forum for Budget Transparency since 2005. He has experienced on budget analysis and advocacy works especially on promoting budget transparency, participatory and accountability. He also has been a member of Indonesia's budget networks. He also was author from several books that focus on budgetary issues such as : Weaving A Clean Election, Module for Islamic Civil Society Organization on Budget Advocacy, Politic and Bureaucracy of Budgetary, and Tracking the Budget for Millennium Development Goals.

BACKGROUND

In 2001, Indonesia experienced a massive change in political dynamics with the issuance of decentralization policy. This major decentralization delegated almost all public services and devolved budgets and human resources to around 480 regencies and cities, and the 33 provinces of Indonesia. Various social researchers described decentralization in Indonesia as the most radical and ambitious decentralization program ever attempted in a developing country (Bahl, 2001; The World Bank, 2003).

It is acknowledged that decentralization gave local governments an opportunity to improve the welfare of their citizens by providing better public services. It also provided an opportunity to improve relations between the state apparatus and the people by administering good governance. Various studies on decentralization in Indonesia also show the many innovations that have been introduced by local governments to provide better services (The Asia Foundation, 2002-2004). However, many local governments still fail to provide adequate public services, for which decentralization was intended. One cause that often becomes an issue is the inadequate management of regional finances. The large transfers of employees during decentralization absorbed budget allocations averaging 60 to 70 percent of the total regional budget for employees' salaries. Only around 30 to 40 percent was therefore allocated to social development budgets specifically for public services (The Asia Foundation, 2004; Seknas FITRA and The Asia Foundation, 2010; World Bank, 2003). It was this imbalance in budget allocations that became one issue that has kept rolling in many local governments in Indonesia after 10 years of decentralization.

Budget management should properly be conducted by applying good governance principles so that the resulting budget policy and implementation accommodates the interests of stakeholders. The power embraced by the government is a mandate derived from the voice of the people. Government is trusted as the wheels of state political organizations to ensure the welfare of all the people – the ones who give it the mandate. Therefore, it is citizens who truly hold the power and authority. Government may not act arbitrarily in setting public policy. It is important to apply good governance principles because the citizens and the government as the stakeholders often have different perceptions and interests in budget planning that mean one party will lose out.

On the other hand, government budgets, both the State Revenue and Expenditure Budget (*Anggaran Pendapatan dan Belanja Negara* or APBN) and Local Government Revenue and Expenditure Budgets (*Anggaran Pendapatan dan Belanja Daerah* or APBD), are an important instrument for the government to stipulate development program priorities and the national and regional levels. It could even be said that government budgets reflect political decisions between the executive and legislative. These political decisions clearly have a very strong influence on living standards, in that the size of development budget allocations can benefit efforts to provide better basic

services for the public, especially for women and the poor. Consequently, the budget is a measuring tool for assessing the attitude of the government towards its citizens.

This report summarizes the results of research that was conducted by The Asia Foundation and Seknas FITRA in 2010 to assess budget management performance based on four aspects of good governance. The budget management processes that were assessed were budget planning, discussion, implementation, and accountability. Budget management performance in these four stages was assessed based on four aspects of good governance: transparency, participation, accountability and gender equality. The scores obtained by the respective local governments in these four aspects of good governance were aggregated in the form of a index to facilitate comparisons between regencies and cities.

THIS RESEARCH AND THE INDONESIAN CONTEXT

As explained above, since decentralization began, around 480 regencies and cities now have full authority to manage their regions. This research does not support to generalize on the Indonesian context, considering that the number of regencies and cities studied was very limited. Research was only conducted in 42 regencies and cities throughout Indonesia, illustrated in the accompanying map (Map 1).

Figure 1. Sub National Budget Index Research Locations



The regions chosen as research locations were areas where the The Asia Foundation has developed two intervention programs: CSIAP (Civil Society Against Poverty) and GRBI (Gender Responsive Budget Initiative). CSIAP and GRBI have almost the same purpose, which is to strengthen the role of civil groups – both non-governmental organizations (NGOs) and civil society organizations (CSOs) – so they will become active in changing budget policy in the regions to make it more pro-poor and gender responsive. The CSIAP program is supported by the UK Department for International Development (DFID) while GRB is supported by the Royal Norwegian Embassy (RNE).

The research covered local government data and documents for 2009 (for accountability documents) and 2010 (for budget planning, discussion and implementation documents). There are estimated to be more than 30 documents in total. However, the research selected 21 documents as the object of its research, considering the importance of these documents for the public interest. Overall, 882 budget management documents were reviewed, comprising 21 types of document in each of the 42 regencies and cities. The documents that were chosen from each budgetary stage in each region are listed in Figure 2.

Figure 2: Documents examined during the research

Planning Document	Approval Document	Implementation Document	Oversight Document
<ul style="list-style-type: none"> ▶ Local Government Work Plan ▶ Sectoral Work Plan (3 sectors : Public work, health and Education) 	<ul style="list-style-type: none"> ▶ General Budget Policy – Provisional Budget Priorities and Ceiling ▶ Sectoral Work Plan and Budget (3 sectors : Public work, health and Education) 	<ul style="list-style-type: none"> ▶ Local Regulation on Local Budget and Revised local budget ▶ Regulation of the Head of the Region on detail local budget and revised the detail local budget ▶ Sectoral Budget Implementation Document (3 sectors : Public work, health and Education) 	<ul style="list-style-type: none"> ▶ Report on realization of the local budget on first semester ▶ Local regulation on Local Budget Accountability ▶ Local Government Accountability Report Information

The research involved about 30 local CSOs and NGOs that specialize in analyzing regional finance management. They were involved in the research as local experts that know the ins and outs of the regional finance management process.

The research used the expert judgment¹ method, where the researcher as an expert has the authority to assign scores to key questions based on specified verification tools. The scores assigned by the researcher become the basis for ranking local government performance during the budget management process.

The local government performance ratings are obtained by aggregating all scores obtained from the four pre-selected indicators, namely, the four good governance principles. The overall index of good governance is calculated by averaging the scores obtained from all 97 questions. The same method is used to calculate the Transparency Index, Participation Index, Accountability Index and Equality Index.

The categories for ranking regions consist of “very good”, “good”, “sufficient”, and “insufficient” for each index. The classification is made using expert judgments. Specifically, the research team answered each question on the questionnaire and determined what answers should be expected to be achieved by the regions in each category. For example, for question number one on the Local Government Work Plan (*Rencana Kerja Pemerintah Daerah* or RKPD) access test, the research team opined that, considering the importance of this document, a “very good” region should at least permit access to the document within 1-10 days, a “good” region should permit access within 11-17 days and an “sufficient” region should allow access after 17 days. Meanwhile, for question number 79 on when the Regional People’s Representative Assembly (*Dewan Perwakilan Rakyat Daerah* or DPRD) receives the Revised Draft Local Government Revenue and Expenditure Budget (*Rancangan Anggaran Pendapatan dan Belanja Daerah-Perubahan*, or RAPBD-P) for discussion, the criterion for a “very good” region was stipulated as prior to the month of October, while for a “good” or “sufficient” region, it was during the month of October.

This method is deemed better than categorization that is done by stipulating arbitrary scores. Using this method, the researcher can apply his or her knowledge of conditions in the field and combine this with an understanding of the normative provisions of the regulations. In contrast, categorization using arbitrary scores is less sensitive to

¹ This method was adopted for research undertaken by International Budget Partnership (IBP) when making a national budget index – Open Budget Index (OBI), years 2006-2008 – with adjustments for the local context.

dynamics in the field and to how far or near these field conditions are to the ideal conditions hoped for. The following table (Table 1) provides the categorization of the entire index.

Table 1. Categorization of Regional Rankings

Category	Transparency Index Score	Participation Index Score	Accountability Index Score	Equality Index Score	Good Governance Overall Index Score
Very good	84.17 – 100	77 – 100	94.33 – 100	89.40 – 100	85.98 – 100
Good	67.98 – 84.16	66.33 – 76.99	76 – 94.32	71.40 – 89.39	69.85 – 85.97
Sufficient	50.24 – 67.97	52.33 – 66.32	50.67-75.99	57.20 – 71.39	52.42 – 69.84
Insufficient	0 – 50.23	0 – 52.32	0 – 50.66	0 – 57.19	0 – 52.41

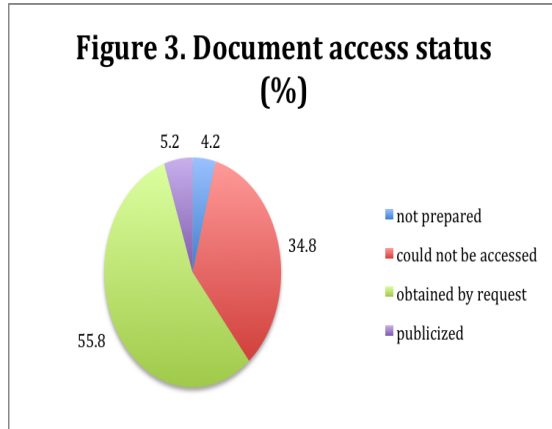
RESEARCH FINDINGS

Towards an Era of Openness: Transparency Performance in Regional Finance Management

In 2008, the Government of Indonesia enacted Law No. 14 on Openness of Public Information (Law 14). This Law guaranteed every citizen access to obtain information from public agencies, including local governments, one of which is access to information and documents relating to budget management.

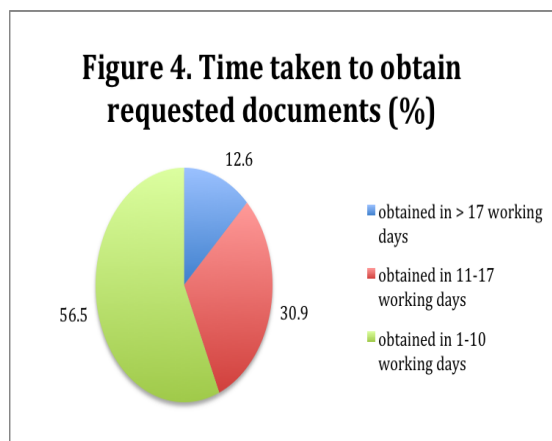
In measuring transparency performance, this research used the access test of requesting from each local government the 21 documents being researched, using the following three indicators: *first*, regional budget management document availability and access; *second*, institutional information services; and *third*, openness of budget management process.

Law 14 has been quite effective in encouraging local governments to begin to be open to requests for public documents. Although this Law only became effective in 2010, this research revealed that of the 882 budget management documents subject to the access test in the 42 regencies and cities, 56 percent of them could be obtained through a formal request. Indeed, 5 percent of the documents had actually been publicized by the local government through its website or other media, thus providing the public with easy access. Malang regency was the place where most budget management documents were publicized. Of the 21 documents subject to the access test, Malang regency had publicized eight (38 percent) of the documents through its website (www.malangkab.go.id).



Nevertheless, around 35 percent of documents could not be accessed despite formal requests. The local governments did not provide the requested documents by the stipulated deadline. In addition, four percent of the regional finance management documents were not prepared by the local government.

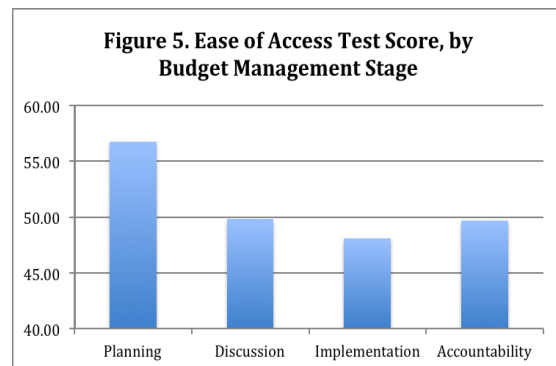
On the other hand, the maximum deadline stipulated by Law 14 for public agencies to provide public documents, namely a maximum of 17 working days, was also effective in forcing local governments to provide them. The research found that of all the documents



that could be obtained by requesting them, 87 percent were obtained in fewer than 17 days after the request letter was delivered. In fact, 56 percent of them were obtained in a shorter time of 1-10 working days, and the other 31 percent were obtained in 11-17 working days. Only 12 percent took longer than 17 working days to obtain.

Documents at the budget planning stage are the easiest documents to access, compared with the discussion, implementation and accountability documents. At this stage, the documents generally take the form of explanations of work program plans and budget policy direction, and do not include the amount of the budget allocated for each activity to be conducted. While at the implementation stage, documents generally already include detailed budget allocations, the number of activities, and activity locations.

We therefore suspect that the difficulty in obtaining access to documents during the implementation stage is because the documents that are there already contain detailed allocations that are generally still deemed confidential, such that only the government apparatus needs to know. Meanwhile, anyone at all can obtain the



planning documents because they only contain work plans that are not accompanied by the size of the budget. For example, the research found that the Work Plan and Budget (*Rencana Kerja dan Anggaran* or RKA) documents at the local government departments (*Satuan Kerja Pemerintah Daerah* or SKPD) of education and public works were the most difficult documents to access. This is because the RKA documents contain more detailed budget information than is found in the Budget Implementation Document (*Dokumen Pelaksanaan Anggaran* or DPA).

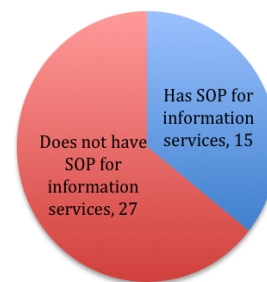
Of the types of documents available, documents on Local Government Regulations (*Peraturan Daerah* or *Perda*) amending the local budget, and the Regional Head Regulations (*Peraturan Kepala Daerah* or *Perkada*) that explained them, were the most difficult documents to obtain of the 21 documents requested. For the 42 regions, Local Government Regulations amending the local budget could not be obtained in over 55 percent of the local governments being studied. The reverse was true for the local budget documents themselves, along with their explanations. Both these documents could be accessed in over 70 percent of the regions studied. These conditions show that local budget revision documents are considered

“Political negotiations on the budget actually take place during the process of stipulating the Regional Regulation to Revise the Local Budget, rather than when the Regional Regulation for the Local Budget is first stipulated.”
(Khairiansyah Salman, State Audit Board Expert Staff)

more confidential than local budget documents. This appears to confirm the general assumption that political negotiations on the budget are more visible when a budget revision is being prepared than when the APBD itself is being stipulated. Central government sanctions local governments that fail to stipulate the local budget by the month of March. But no sanctions are imposed with respect to stipulating a Regional Regulation revising the local budget, meaning that local governments tend to prevaricate in stipulating this. It is this period of delay that is seen as the arena for budget negotiations between the executive and legislative.

Most local governments also do not yet have information service standards. This clearly makes it difficult for people wanting to request budget information from the Regional Government. As a result, information services for the public still have the potential to collide with convoluted 'bureaucratic hurdles.' Meanwhile, only 15 regions already have information service standards, be they stipulated in a Regional Head Regulation (four regions), a Regional Head Circular Letter (four regions), or not yet stipulated in a regional regulation (seven regions). The four regions that already have information service standards stipulated in a Regional Head Regulation are the regencies of Garut and Sumedang, and the cities of Blitar and Palembang.

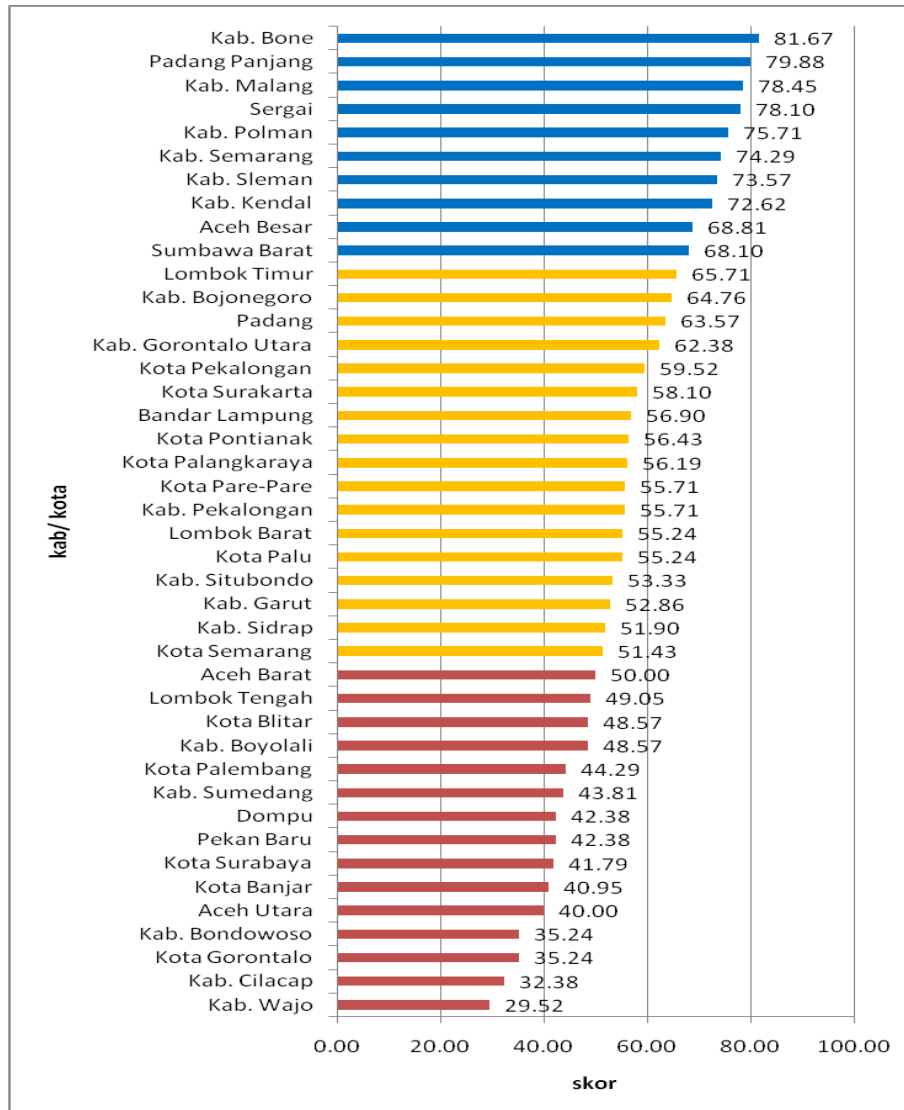
Figure 6. SOP for information services, by number of regions



In the context of this research, the degree of transparency provides quite good indications. It was found that the average Transparency Index for local governments in managing the regional budget was categorized as sufficiently transparent. Further, we found that almost 25 percent of research locations were categorized as transparent. Around 40 percent of local governments were classified as being in the sufficiently transparent category while the other 35 percent were insufficiently transparent. Bone regency placed highest in the budget management transparency index, followed by Serdang Bedagai (Sergai) regency and the city of Padang Panjang. All documents in this regency could be obtained within a period of 1-10 working days after the request for information was delivered, including documents that were hard to obtain in other regions,

such as Budget Amendments and their explanations as well as RKA and DPA in the three SKPD. Furthermore, the RKPD and Local Government Accountability Report Information (*Informasi Laporan Pertanggungjawaban Pemerintahan Daerah* or ILPPD) documents had been publicized. The Sergai regency government and the Padang Panjang municipal government, which were ranked second and third, did the same thing, although a few documents could only be obtained in 11-17 working days.

Figure 7. Local Budget Management Transparency Index



Index grouping	Score	
Very transparent	100-84.17	
Transparent	84.16-67.98	

Quite transparent	67.97-50.24	
Insufficiently transparent	50.23-0	

Pseudo Participation: Participation Performance in Regional Finance Management

The Indonesian government's regulatory framework already guarantees that the public will be involved in formulating and deciding on public policy. Law No. 25 of 2004 on Development Planning System and Law No. 32 of 2004 on Regional Governance regulate citizen involvement in the development planning process. As members of the community, citizens have the right to guard public spaces, compile issues, plan the public agenda and continually supervise the performance of their representatives and government to ensure that they work in accord with the mandate they have received; especially where these political decisions have direct implications for the people's welfare, particularly through planning and budgeting policy.

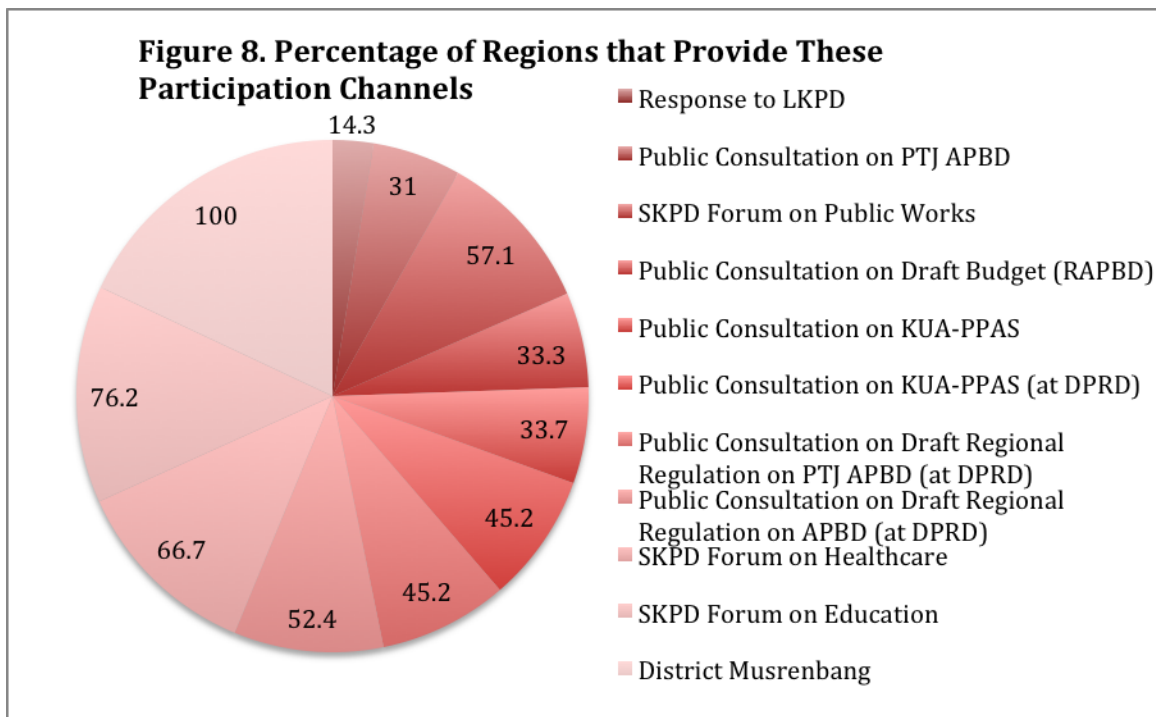
In this research, performance in budget participation refers to the degree of citizen involvement in decision making at each stage of budget management. The indicators looked at were the participation media or channel used by local governments, regulatory guarantees made by local governments, and participant representation and authority or influence in citizens' decision making. Participation channel means the availability and form of participation channels provided at each stage of planning and budgeting.

The participation index typically showed an unsatisfactory situation in terms of public participation in local budget management. All regions studied were categorized as regions that had insufficient participation in the region's budget management, apart from the cities of Padang Panjang and Padang. This state of affairs is clearly a concern, considering that the regulatory guarantees provided by both central and regional government are not strong enough to encourage citizen participation. More than 60 percent of the regions studied had provided regulatory guarantees to involve citizens in the budget management process.

The low involvement of citizens is indicated by several factors. *First*, the existing regulatory guarantees fail to develop channels of participation that are in line with

citizens' needs. The regulations only accommodate a strong participatory space in the planning process, through the *Musrenbang* (*Musyawarah Perencanaan Pembangunan*, a local development planning consultation forum), in contrast with the budgetary process, where the budget negotiating space is very strong. This is illustrated by the research findings, which show that the citizen participation space can be seen to be tightening up in the budget discussion process, as shown in the following diagram:

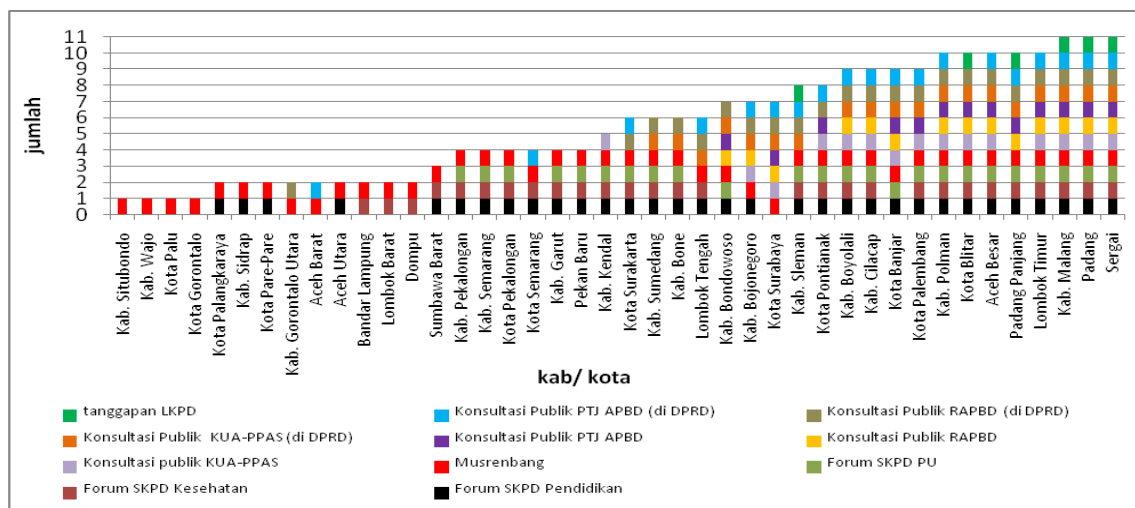
Figure 8. Percentage of regions where citizens are involved in budget management channels



Second, community proposals going through the musrenbang process are not followed by a budget commitment. Community proposals going through musrenbang are merely a formal mechanism for collecting aspirations, without any guarantee that they will be accompanied by any allocation. An indicative ceiling at the subdistrict (*kecamatan*) level is not provided by more than 60 percent of local governments. Consequently, community proposals will simply evaporate without any safeguard to ensure that the community's proposal is allocated in the draft local budget. In 38 percent of local governments, an indicative ceiling has been provided at the subdistrict level to encourage greater space for participation.

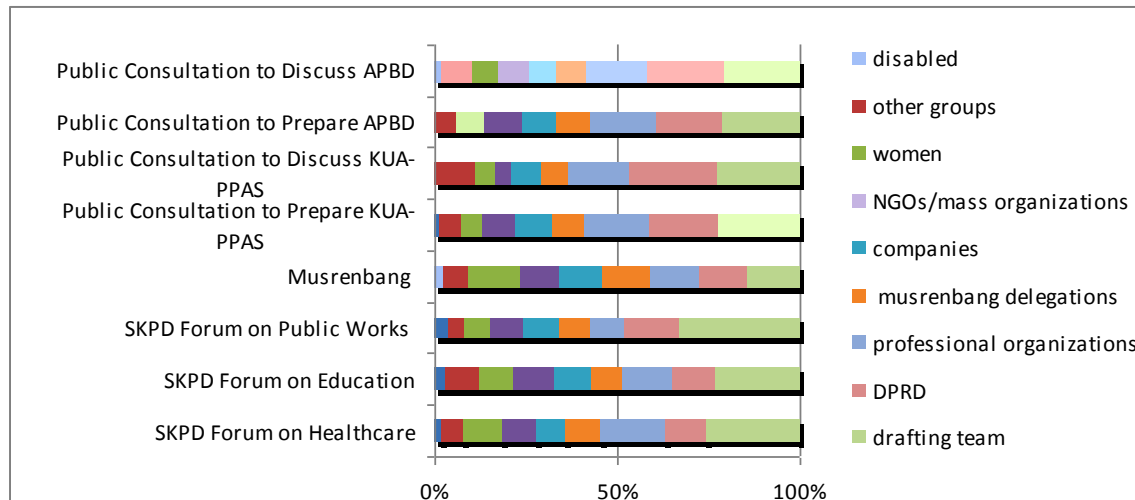
Third, the participation channels provided by local governments are not adapted to the local situation and conditions. No regions have developed participation channels other than musrenbang. Public consultations on budget documents such as the Draft Local Government Revenue and Expenditure Budget (*Rancangan Anggaran Pendapatan dan Belanja Daerah* or RAPBD), which includes the RAPBDP, General Budget Policy – Provisional Budget Priorities and Ceiling (*Kebijakan Umum Anggaran – Prioritas dan Plafon Anggaran Sementara*, or KUA-PPAS) and ILPPD (the accountability document), are rarely held by the executive. The local legislature (DPRD) appears to have instigated many more initiatives to hold public consultations on these documents than the executive has. It was found that around 50 percent of DPRDs held public consultations or hearings before stipulating the three documents mentioned above.

Figure 9. Participation channels provided by 42 local governments



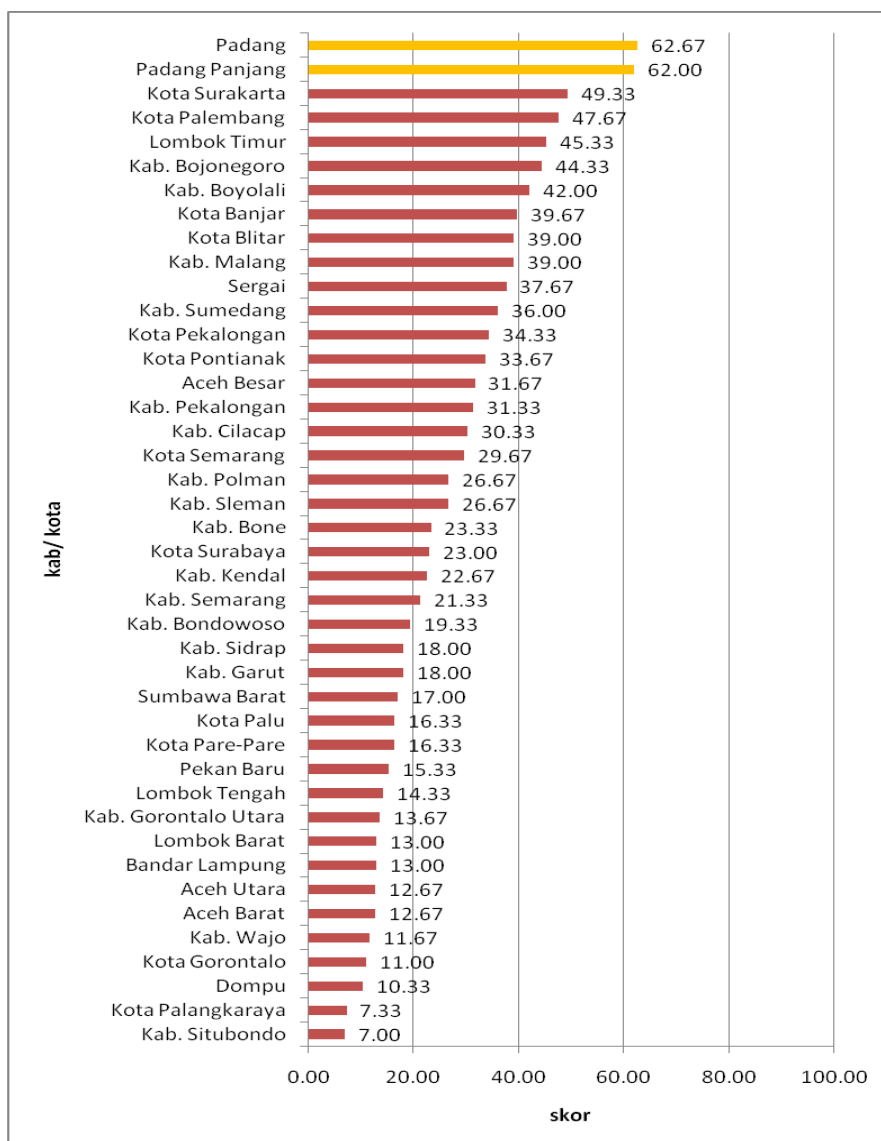
Community involvement – particularly by women’s groups, NGOs and musrenbang delegations – was significant during the musrenbang process and SKPD forum, but then began to narrow during the KUA-PPAS and APBD discussions. Meanwhile, professional organizations tended to consistently have significant participation compared with other community groups in all participation channels, as illustrated in Figure 10.

Figure 10. Community involvement in each participation channel provided



The cities of Padang and Padang Panjang were the regions that ranked highest in the budget management participation index. This ranking was supported by a commitment from Padang's municipal government and legislature (DPRD), which took the form of innovative budget management participation channels being provided for the community. In addition to the channels that were mandated, Padang's municipal government also held public consultations or hearings at the DPRD to absorb community input into the preparation of budget management documents. However, there was no channel for the community to convey complaints concerning public services. Generally, these two regions that were quite participative provided the public with almost all participation channels. They both also have local regulations that guarantee community participation, and have the means for the public to convey complaints over public services. Apart from that, both also have indicative ceilings by sector and geographic area, which guarantee the budget will accommodate community proposals.

Figure 11. Index on participatory performance in local budget management



Regional group	Score	
Very participatory	100-77.0	
Participatory	76.99-66.33	
Quite participatory	66.32-52.33	
Insufficiently participatory	52.32-0	

Local Government Accountability Performance in Local Budget Management

Public accountability is the most important element and the main challenge the government faces. Public accountability is the principle that guarantees that for each governance activity, the actor can be held publicly accountable by the parties affected by the policy being implemented. Consequently, accountability is the capacity of a government agency to be accountable for its success or failure in carrying out its mission and achieving the purposes and objectives that are stipulated periodically. Under this definition, each government agency is obligated to justify the organization's achievements in managing the resources entrusted to it, from the planning and implementation stages through to monitoring and evaluation.²

The accountability rating used in this instrument focused on how far local governments had progressed towards accountability in their budget management. Three issues were assessed: the channels provided by the government for accountability; timeliness in preparing and stipulating the planning and budgeting documents; and the results of the State Audit Agency (BPK) evaluation of regional financial audits. The channels provided relate to the mechanism and system for managing procurement of goods and services, the process of delivering financial reports to the DPRD, and stipulation of standard prices. As for timeliness in preparing and stipulating the planning and budgeting documents, this was chosen as part of the accountability rating because tardiness in stipulating these documents has the effect of delaying implementation of government programs for the community. It also directly causes delays in the provision of public services by the government to the community. For example, the late stipulation of the local budget has implications in terms of failure to provide medicine to the poor, delays in honoraria, an agriculture program that does not conform with planting time, and so on.

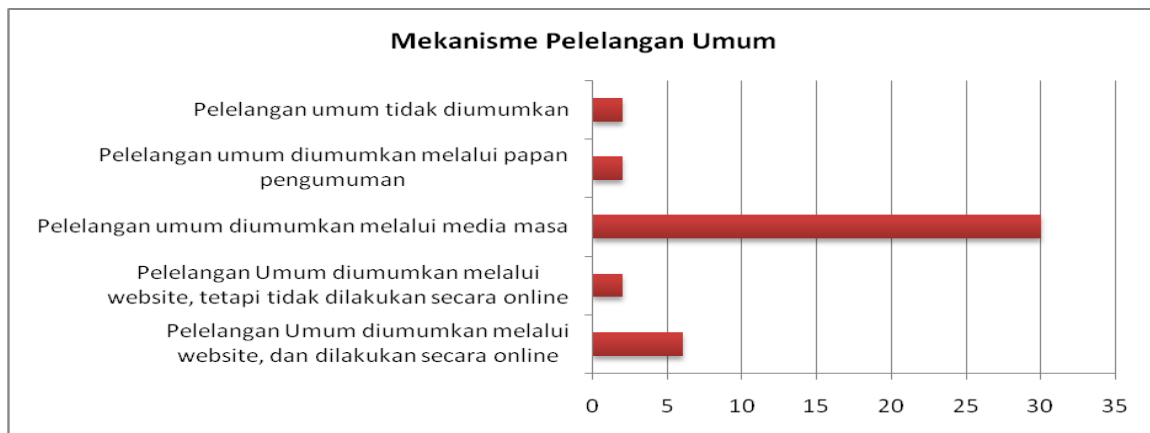
The average accountability index for local governments is categorized as accountable. Being accountable in regional finance management accountability reflects several important findings. *First*, although the local government goods and services procurement

² Max. H. Pohan, *Mewujudkan Tata Governance Lokal yang Baik (Good Governance) dalam Era Otonomi Region*, [translation: Creating Good Local Governance in the Regional Autonomy Era], a Working Paper delivered at the third Musi Banyuasin Consultative Assembly on Development (*Musyawarah Besar Pembangunan Musi Banyuasin*) in Sekayu, September 29 through October 1, 2000.

system is generally not yet integrated, most local governments have procurement plans as a reference for undertaking the procurement of goods and services. Only three local governments did not have procurement plans. Although this number is small, it requires serious attention considering that opportunities may arise for corruption when a region does not have a procurement plan. An inadequate procurement plan also provides opportunities for corruption.

Second, most local governments have standard prices that are updated annually. Generally, these standard prices are stipulated through a regional head regulation as a reference when undertaking goods and services procurement. The existence of standard prices restricts the funding space for effective, efficient and accountable program implementation. This availability of standard prices can reduce the potential for budget deviations, especially mark-up practices on the unit prices of goods and services.

Figure 12. Procurement and The mechanism to Publish



Third, local governments generally hold public tenders openly. The medium used to announce the tenders is the mass media. Websites are also used by several local governments to announce their tenders. There are even three local governments whose public tender systems are already online, making it easier for bidders to register and access information from anywhere. Online tenders conducted through a website are considered capable of avoiding opportunities for corruption because they limit contact between the tender committee and bidders. The six regions with online tender systems are the regencies of Boyolali, Cilacap, Sleman and East Lombok, and the cities of Pekalongan and Surabaya.

Fourth, BPK's opinion on the reports on local government financial audit findings shows that most of them receive an opinion stating that they are "reasonable but with exceptions" (WDP), leaving four local governments with "no opinion given" (TMP) and two local governments receiving the opinion "not acceptable" (TW).

Fifth, this research found that many budget documents that had been stipulated or delivered to the DPRD for discussion were in line with the timeframe provided in the applicable regulations. This condition shows that local government efforts to implement accountable financial management practices have been quite positive.

Figure 13. Time of Stipulation of the Documents Vs the Realization

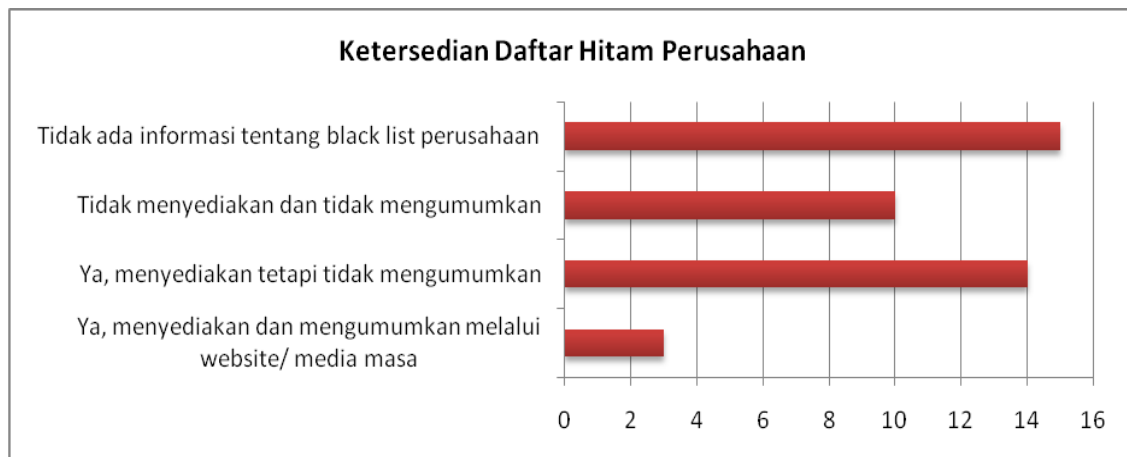
Document	Time of stipulation based on applicable regulations	Conditions in practice based on research findings
RKPD	End of May	Fifty percent of local governments were still late, i.e., did this later than May
APBD	Beginning of the month of December prior to the budget year commencing	Almost 70 percent of local governments stipulated it on time, in December
APBDP	Three months before the current budget year ends (Beginning of October)	Almost 80 percent of local governments stipulated it at the beginning of October
LKPJ	Submitted in the month of June after the budget year has ended	More than 50 percent of local governments submitted the LKPJ to the DPRD before the month of June

The RKPD document is the document that is most often late in being stipulated. In addition to not complying with the legislative provisions, late practices such as this will clearly affect budget management policy, since the late stipulation of the RKPD will affect the discussion and stipulation of other budget management documents. The time available for policy discussion will also be curtailed. Late stipulation of the RKPD has implications for local governments in being late in delivering the draft KUA-PPAS to the DPRD. The KUA-PPAS should be delivered by the regional head to the DPRD in the second week of July for the planned budget year, and should be stipulated by the end of

July at the latest. The KUA-PPAS materials refer to the RKPD that has already been stipulated. But in practice, only 17 regions complied with this provision. This proves that the late stipulation of the RKPD has implications for preparing the next budget management policy. This condition will lead to other documents being late, including the RAPBD document, for example.

However, in the case of the RAPBD, even though this document is late in being submitted to the DPRD, which generally occurs in October, the stipulation of the RAPBD as the APBD is unaffected; in other words, it is done on time in December. The same applies to when the RAPBDP is stipulated.

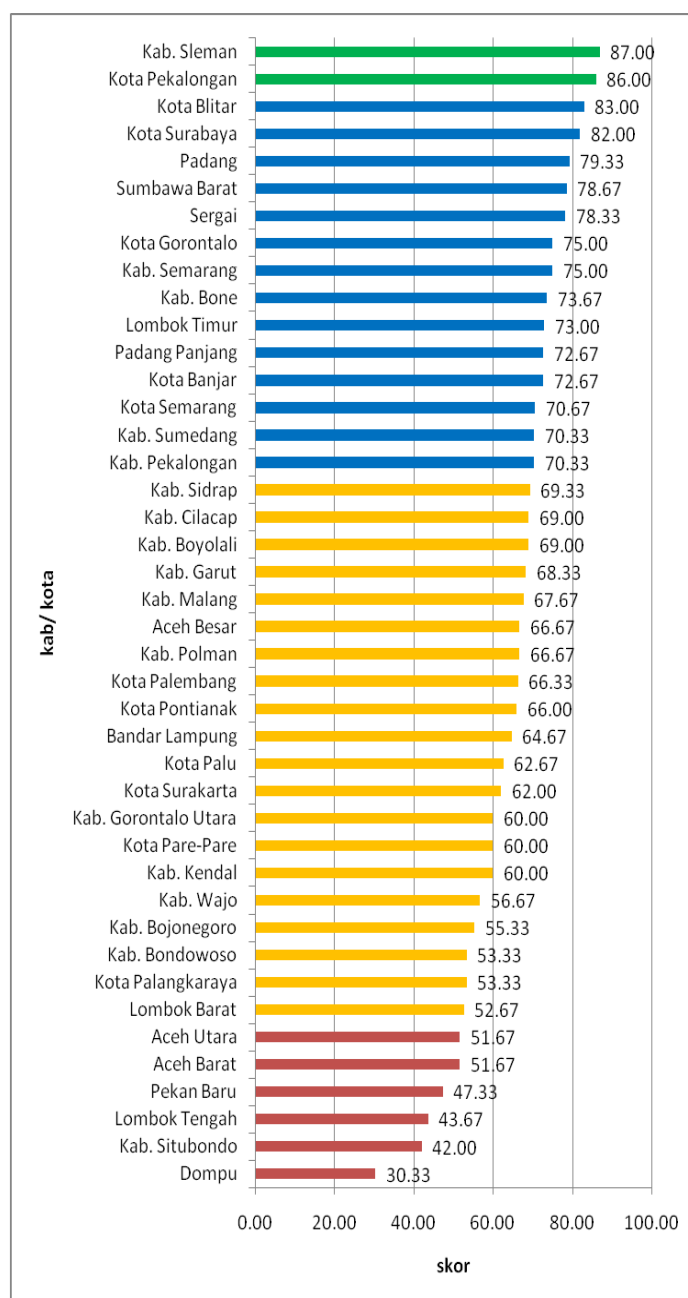
Figure 14. Mecahnism to Announce a Black List Company



The research also found data which showed that local governments do not generally provide or announce a blacklist of problem companies in respect of goods and services procurement. Many local governments (14) were not aware of the blacklist mechanism for problem companies or providers of goods and services. Yet this has been regulated in Presidential Regulation No. 54 of 2010 on procurement of goods and services. Several articles in this Presidential Regulation clearly state that a company which does not undertake goods and services procurement properly will be put on a blacklist. As a consequence, such company may not participate in the goods and services procurement process for two years. This company blacklist should also be disseminated so that the public is aware. Only 17 regions had blacklists, and only three of these were disseminated to the public.

Sleman regency was the region with the highest rating in the budget management accountability index. This ranking was supported by timeliness in stipulating six of the nine budget management documents. The holding of public tenders was announced through the website and the tender was conducted online, supported by a blacklist provided on problem companies, and standard prices that is updated annually. Nevertheless, the goods and services procurement mechanism in this region still does not use the one-roof mechanism.

Figure 15. Index on performance in local budget management accountability



Region grouping	score	
Extremely accountable	100-85.98	
Accountable	85.97-69.85	
Quite accountable	69.84-52.42	
Insufficiently accountable	52.41-0	

Equality in Local Government Performance in Local Budget Management

Equality is a principle of good governance that reflects a commitment to democracy and a budget aligned towards the poor, women and other marginal groups, which it is hoped can direct development towards achieving the goal of justice for all Indonesian people. Equality in budget management is an important factor in reviewing in more detail different budgetary benefits and effects on men and women, as well as community members from different economic strata. It is hoped that an equality perspective can help ensure that both men and women gain the same access, opportunities and impacts from the development planning and budgeting process, as well as fair use of resources.

The Indonesian government's regulatory framework guarantees gender mainstreaming in all aspects of national development, including budget policy. Through Presidential Instruction Number 9 of 2002, the Government of Indonesia put in place a legal basis for gender mainstreaming in all aspects of national development, including budget policy.

Measuring performance in equality is a challenge in a study that evaluates budget performance, since there is a discrepancy between the breadth of data needed to measure the equality component and the true level of budget reform currently in place in Indonesia. Ideally, realization and achievements in the performance of equality need to be supported by sufficient allocations of human resources and other resources that are specifically targeted to ensure equality at both local and national levels. Considering the current state of development of the budget process in Indonesia, the indicators that are reflected in this index include: the available channels of participation, and participation by women and marginal groups; institutions established by the local government, regulatory assurances, and the availability and use of disaggregated data in budget drafting; and the effectiveness of gender mainstreaming institutionalization.

The average equality index rating reflects the finding that local governments are not sufficiently responsive in encouraging budgetary justice for women and men, in terms of both the process and institutionalization. The index resulted in a score below 34. Several findings support this index score.

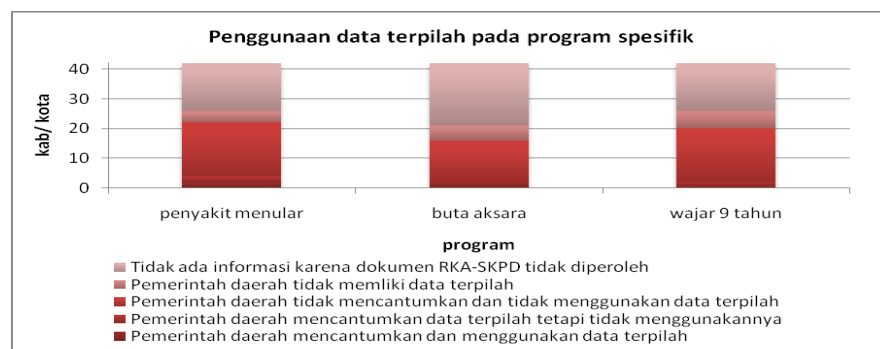
First, many local governments do not provide special channels to encourage women's participation. Women's groups' involvement in the musrenbang process is still mostly dominated by family welfare education programs (*Pendidikan Kesejahteraan Keluarga*, or PKK) compared with sectoral groups such as integrated service point (*Posyandu*) cadres. PKKs and NGOs focusing on women's issues are the groups most involved in the musrenbang process in more than 60 percent of local governments. Meanwhile, integrated service point cadres and representatives of informal women's organizations participate in less than 30 percent of local governments. Colleges, which are agents of gender mainstreaming, participate in only 40 percent of local governments. This reminds us that not all regions have local colleges or centers for women's studies. Only about 20 percent of local governments develop special channels for women's groups in the public consultation process. The local governments of the city of Semarang and the regency of Bone have, however, developed special channels for meetings with women's groups at the regency/city level, supported by local regulations.

Second, institutionalization of gender mainstreaming instruments has not received much response from local governments. This is evidenced by the fact that only around 60 percent of local governments have formed gender mainstreaming working groups and focal points; indeed, fewer than five have established gender-responsive budget teams. But in fact local governments are obligated to institutionalize gender mainstreaming instruments. Based on Minister of Home Affairs Regulation No. 15 of 2008 on General Guidelines on Implementing Gender Mainstreaming in Regions, the local government should form a gender mainstreaming working group made up of the SKPD heads in order to accelerate gender mainstreaming efforts. One of the duties of the gender mainstreaming working group is to encourage the selection of focal points and to stipulate them in the respective SKPDs. In addition, the local government is also mandated to form a gender-responsive budgeting team to support integration of gender issues when drafting policy. But in practice, this mandate has not yet been implemented by most local governments.

Third, although several regions have institutionalized gender mainstreaming instruments, their effectiveness has come into doubt. A number of obstacles have been found in this regard, namely:

- More than 60 percent of local governments do not have disaggregated data for the education sector, and this figure is more than 70 percent for the healthcare sector.
- Where disaggregated data does exist, few local governments use it in preparing their work programs for either the education or healthcare sector. Fewer than five local governments use this data. This failure to use the disaggregated data can be clearly seen in the compulsory nine-year education program, in the elimination of illiteracy in the education sector, and in the alleviation of infectious diseases in the healthcare sector, as shown in the following graph.

Figure 16. Using of the dis-aggregated Data to Spesific Program



- Gender analysis is also not being used in preparing local government work programs, specifically for the education and healthcare sectors. Only around 10 percent of local governments have used gender analysis for the healthcare sector. And even fewer have used it in the education sector – with the figure below five percent.
- The gender mainstreaming working groups that have been established do not generally prepare annual work plans, and they do not have sufficient operational funds in over 70 percent of local governments. This indicates that local governments do not yet fully support the effective performance of those gender mainstreaming working groups that have been established.

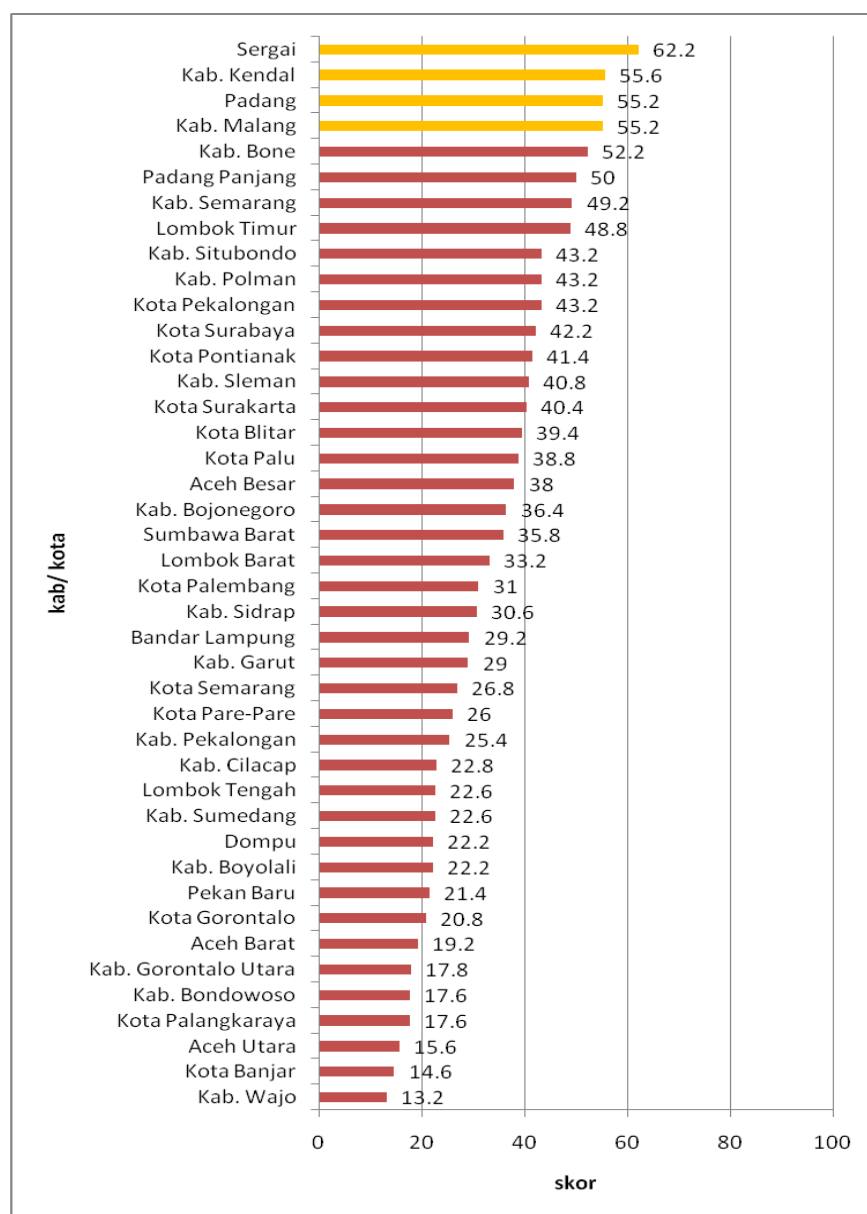
Finding from Local Budget Analysis :

From 2007 to 2010, 18 regencies and cities allocated budgets to establish and strengthen **Integrated Service Centers to Protect Women** (*Pusat Pelayanan Terpadu Perlindungan Perempuan*, or P2TP2, and *Pusat Pelayanan Terpadu Perlindungan Perempuan dan Anak*, or P2TP2A). The same was true at the provincial level, where three of the five provinces allocated budgets to establish this institute, namely the provinces of East Java, Central Java and South Sumatra.

Considering the conditions described above, this challenges all stakeholders to review the direction of gender mainstreaming working groups in the planning and budgeting schemes in the regions.

Serdang Bedagai regency is the region ranked highest on the budget management equality index. This ranking is supported by the local government's efforts in establishing the three gender mainstreaming instruments (gender-responsive budgeting team, focal point, and gender mainstreaming working group), having provisions in both the regional regulation and the DPRD procedures that regulate women's representation in budget discussions, and providing a special channel for women to submit complaints.

Figure 15. Performance in local budget management equality index



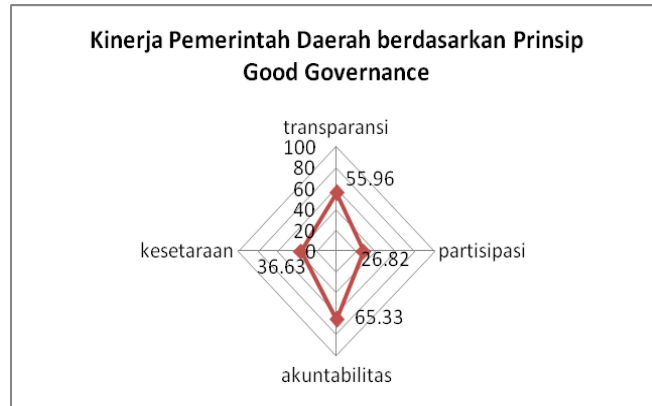
Region grouping	Score	
Very responsive	100-85.98	
Responsive	85.97-69.85	
Quite responsive	69.84-52.42	
Insufficiently responsive	52.41-0	

Local Financial Management Performance

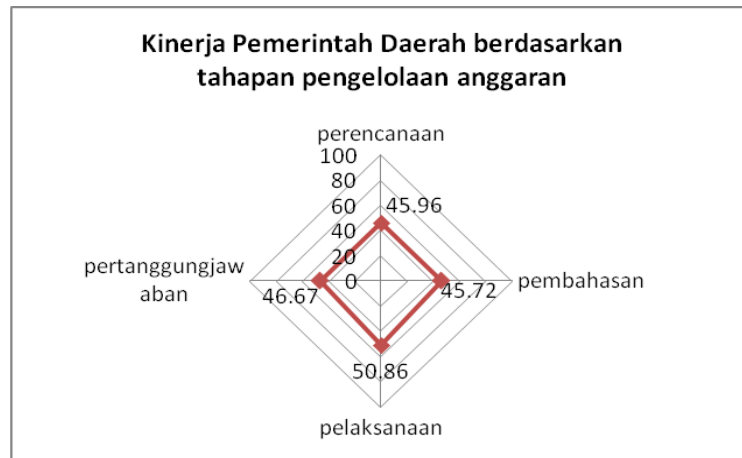
Performance of local budget management in the 42 local governments has not yet fully internalized good governance principles. This is reflected in the imbalance in the achievements of the four indexes for the four good governance principles being studied.

Participation and gender equality issues are critical, considering that the average ratings on these indices indicate unsatisfactory findings. Meanwhile, the transparency and accountability indices resulted in average ratings that were sufficiently transparent and accountable. The existence of

the Law on Openness of Public Information is assumed to have contributed to the achievements in the index ratings for these two aspects.



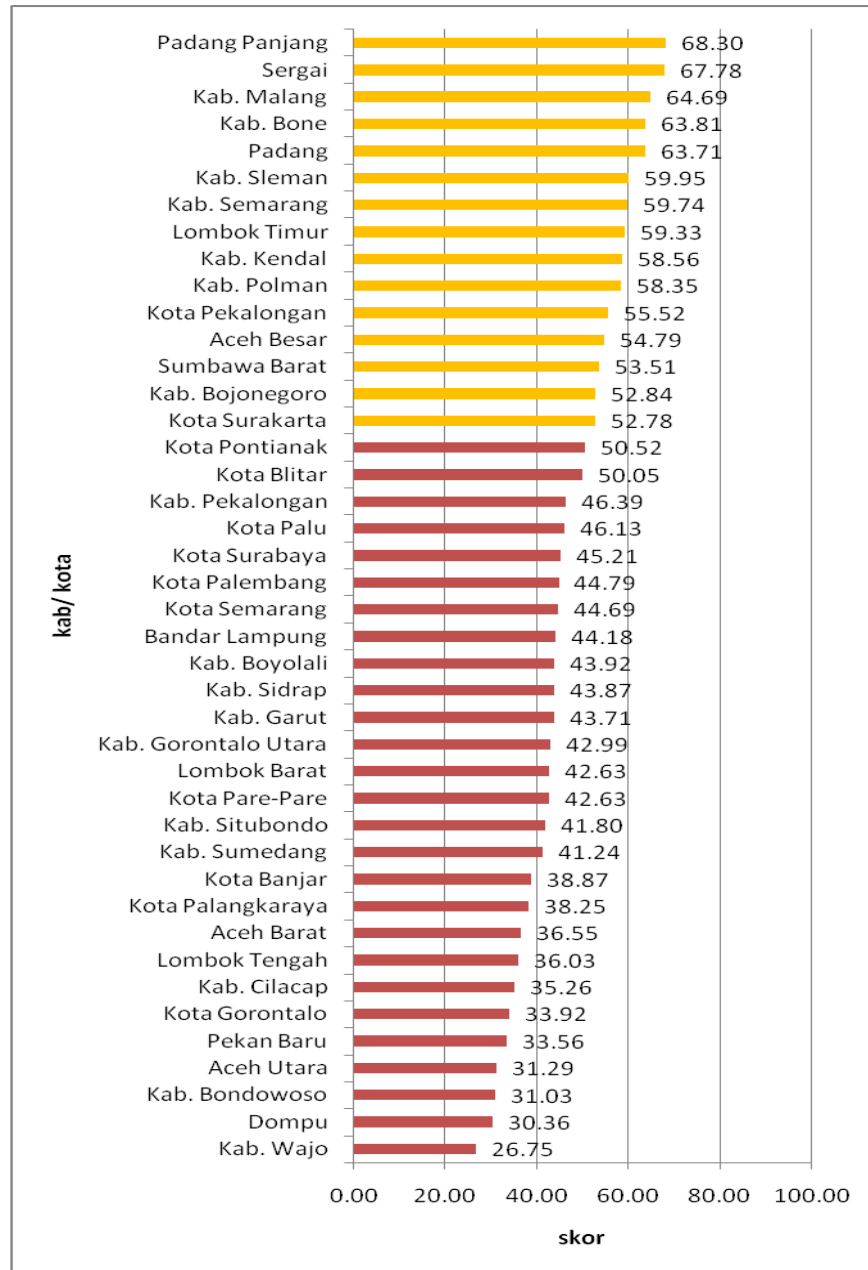
Internalization of good governance principles was less than optimal in all budget management stages. No budget management stage scored higher than 50. Planning (45.96) was the worst of all the budget management stages, although the difference was not significant.



On average, performance of local budget management in the 42 regencies and cities surveyed was only 47.57, meaning that regional financial management sufficiently complied with good governance principles. Meanwhile, no region was classified as really complying with good governance principles or complying with good governance principles. The number of regions included in the group that complied insufficiently with good governance principles (26) was higher than the number of regions that sufficiently

complied with good governance principles (16). The following graph shows the performance of local budget management in each of the regions surveyed:

Figure 16. Overall Sub National Budget Index



region grouping	score	
Really complies with principles	100-85.98	Green
Complies with principles	85.97-69.85	Blue
Sufficiently complies with principles	69.84-52.42	Yellow
Insufficiently complies with principles	52.41-0	Red

The city of Padang Panjang was the best of the 42 regions whose performance in local budget management was surveyed. There was no significant difference between regencies and cities. Both types of region tended to comply insufficiently with good governance principles in managing the local budget. In the case of the regencies, 57.69% complied insufficiently with good governance principles in their budget management, while 42.31% complied sufficiently. The same was true for the cities, but with a higher percentage of these regions being categorized as failing to comply with good governance principles (68.75%), compared with the percentage that complied sufficiently with these principles (31.25%).

Table 1. Percentage of internalization of good governance principles in budget management based on type of region

Type of Region	Index grouping		Total
	Sufficiently complied with good governance principles	Complied insufficiently with good governance principles	
regency	11 (42.31%)	15 (57.69%)	26 (100%)
city	4 (31.25%)	12 (68.75%)	16 (100%)

Likewise, when we compare regions located on the island of Java with those located elsewhere, there is no difference. For the group of regions located in Java and the group of regions located elsewhere, the respective percentages that tended to comply insufficiently with good governance principles were 61.11% for regions in Java, and 62.50% for regions located elsewhere.

Table 2. Percentage of internalization of good governance principles in budget management based on location of region

Location of Region	Index grouping		Total
	Sufficiently complied with good governance principles	Complied insufficiently with good governance principles	
Java	7 (38.89%)	11 (61.11%)	18 (100%)
Outside Java	8 (37.50%)	16 (62.50%)	24 (100%)

CONCLUSION : IMPLIMENTATION FOR PROGRAM DEVELOPMENT

Transparency

1. Most budget management documents can be obtained through a request submitted by the public. Only a few regions have taken the initiative to openly publicize the budget management information and make it easy for the public to access, e.g., by using a website, newspaper or other media. In this regard, local governments need to consider a more effective and efficient mechanism for conveying budget management information to the wider public.
2. The implementation of Law 14 presents a new paradigm for openness in local budget management. But the mechanism in Law 14 has not yet been supported by the establishment of an Information and Document Management Official (*Pejabat Pengelola Informasi dan Dokumentasi*, or PPID) or Information Service Standards, as mandated by this Law. So information requests must still face the bureaucratic hurdles of local governance. In this regard, local governments urgently need to establish PPID and prepare information service standards so that the public can obtain information easily, especially budget information. It is hoped that civil society groups can push for this, or even assist local governments in implementing the mandate of the Law on Openness of Public Information for local governance.
3. Information openness is still viewed in terms of documents rather than in terms of the budget management process. While the majority of budget management documents can be obtained, information relating to the undertaking of planning and budgeting activities (such as the musrenbang and SKPD forum) is still not known by the wider

public. In this regard, local governments should already inform the public of their planning and budgeting activities through media that are considered easy to access.

Participation

1. The presence of local regulatory assurances, in the form of both Local Regulations and Regional Head Regulations, which guarantee public participation in planning and budgeting, has not had a positive effect on the provision of participation channels for the public. The presence of these regulatory assurances has also been ineffective in increasing community involvement in budget management. The participation channels for the public to give their input are still limited to the village, subdistrict and regency/city musrenbang. So the public does not have any medium that can be used to ensure that development planning proposals are accommodated in the budgeting. In this regard, if necessary, local governments should provide media or channels of participation for the wider community in addition to the musrenbang mechanism. Local regulations should be geared towards local innovations in respect of providing channels of participation and public involvement in them, such as the mechanisms of public consultations and hearings, or provision of channels for the public to convey complaints regarding public services. In addition, local regulations should also aim to provide specific indicative budget ceiling guarantees that are acceptable to the public; for example, indicative ceilings by sector and geographic area. They should not simply regulate mechanisms that are already regulated under the existing regulations.

Accountability

1. Timeliness in budget management generally occurs when stipulating the draft local budget (RAPBD) as the local budget (APBD). But it does not often occur when stipulating other budget management documents, such as the RKPD, KUA-PPAS and revised budget (APBDP). Local governments still chase the budget incentives offered by the Ministry of Finance to regions that are not late in stipulating their local budget. In this regard, the Ministry of Finance should not only offer budget incentives for timely stipulation of the local budget, it should also offer them for stipulating budget revisions, RKPD, and other budget management documents.

2. Generally, goods and services procurement is still undertaken in the regions by the respective SKPD. Few regions apply a “one-door” goods and services procurement mechanism. And not many regions hold public tenders by announcing them on their website and conducting the tenders online. In this regard, local governments need to make their goods and services procurement mechanisms more effective and efficient by using the “one-door” goods and services procurement mechanism, and by conducting their tenders online.

Equality

1. Although many regions have institutionalized gender mainstreaming in their local budget management, the performance of institutionalized gender mainstreaming has not yet resulted in adequate outputs, such as gender analysis, gender-responsive budget allocation policy, and ensuring that gender analysis is used in preparing the SKPD work plan. Institutionalization of gender mainstreaming is also not yet supported by a sufficient budget being made available to support gender mainstreaming operations in the regions. In this regard, local governments should provide greater support to the institutionalized gender mainstreaming that already exists, so that it is not just a formality to comply with the gender mainstreaming regulations.

ACRONYM AND INDONESIA TERM

APBD	: Local Government Revenue and Expenditure Budget
APBDP	: Revised Local Government Revenue and Expenditure Budget
APBN	: State Revenue and Expenditure Budget
Bappedda	: Local Development Planning Agency
Bappenas	: National Development Planning Agency
BPK	: State Audit Agency
DAK	: Special Allocation Fund
DAU	: General Allocation Fund
DPA	: Budget Implementation Document
DPRD	: Regional People’s Representative Assembly

ILPPD	: Local Government Accountability Report Information
KUA-PPAS	: General Budget Policy – Provisional Budget Priorities and Ceiling
LKPD	: Local Government Financial Statements
Musrenbang	: Development Planning Conference
MusrenbangCam	: District Development Planning Conference
MusrenbangKab/Kot	: Regency/City Development Planning Conference
Perkada	: Regulation of the Head of the Region
Permendagri	: Minister of the Interior Regulation
Perda	: Local Regulation
Pokja	: Working Group
PP	: Government Regulation
PUG	: Gender Mainstreaming
RAPBD	: Draft Local Government Revenue and Expenditure Budget
Renja	: Work Plan
Renstra	: Strategic Plan
RKA	: Work Plan and Budget
RKPD	: Local Government Work Plan
RPJMD	: Local Medium-Term Development Plan
SKPD	: Local Government Work Unit

ACRONYM AND INDONESIA TERM

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