Background
Beginning in 2001 Indonesia embarked on a path toward decentralization. The central government transferred many of the state’s responsibilities to approximately 480 regencies and cities in 33 provinces, including the provision of public services, budgets, and human resources management. In an effort to address the ongoing need for public spending that is more effective, equitable, and responsive to citizens’ priorities, Seknas FITRA (Sekretariat Nasional Forum Indonesia Untuk Transparansi Anggaran, the National Secretariat: Indonesian Forum for Budget Transparency), in coordination with the Asia Foundation and many local civil society organizations (CSOs), developed and implemented an assessment of the performance of 42 Indonesian regency and city governments in managing public finances.

Methodology
Seknas FITRA identified four key aspects of good governance in public financial management (transparency, participation, accountability, and gender equality) and developed a survey questionnaire that would be applied consistently across the regencies and cities to measure these four factors and allow for comparisons. The questionnaire measures each regency or city against specific standards and identifies disparities among the administrative units analyzed.

Researchers from 30 local CSOs, who specialize in their region’s financial management systems, completed the questionnaires in each geographical area. Four subindices were developed to rank the administrative units on each of the four aspects of good governance being measured. These subindices were then combined to produce the overall subnational budget management index score for each government authority. The index and subindices categorized the performance of the local governments against the identified standards on the following scale: very good, good, sufficient, and insufficient.

Key Findings
The results on the subindices for transparency and accountability show that, in general, the performance of the regencies and cities studied is “sufficient” with regard to transparency and accountability; however, they perform poorly on measures for participation and gender equality. The solid results from many of the regencies and cities on the measures for transparency and
accountability can be, in part, credited to the Law on Openness and Public Information (2008); and, while these results are positive, there is much room for improvement in these, as well as the other, good governance factors.

**Transparency Subindex**

To measure how much timely and useful information that the local governments make publically available throughout the budget process, the researchers filed formal “access to information” requests with the relevant government authority. Up to 21 documents related to various phases of the budget cycle were requested from each regency and city studied.

The results from the Transperancy Subindex show that the documents from the budget planning phase, which include explanations of work program plans and general policy directions, are the easiest to access. However, it should be noted that these documents often do not contain specific information about program allocations, making them less useful for holding governments to account for their spending than documents produced in later stages of the budget process.

Of all of the requests for information filed with the local governments, a total of 35 percent of documents were not provided, despite the researchers following the formal information request process. Of those requests that were fulfilled, however, 87 percent took less time to complete than the legally required 17 days.

The average transparency score for the 42 regencies and cities is in the “sufficient” range, though 35 percent have scores indicating they are “insufficiently” transparent.

**Participation Subindex**

Despite the existence of central and regional government regulations that mandate public participation in the formulation and approval of public policy in over 60 percent of the regions studied, the results on the Participation Subindex are much less positive than those for transparency. In assessing public participation, the questionnaire included questions on channels of participation provided by local governments (such as public consultations/forums like the Musrenbang, a local development planning consultation forum); regulatory guarantees; and participant representation, authority, and influence.

The study finds that all of the regencies and cities assessed are “insufficient” with regard to participation in the budgeting process, except for Padang and Padang Panjang, which at 62 have the highest scores on the Participation Subindex. These two regencies/cities stand above the rest because they provide public participation channels throughout the budget process, not just in the policy planning stage. Padang and Padang Panjang provide for public consultations and hearings through the legislature, and also have mechanisms through which the public can submit complaints about public services.

**Accountability Subindex**

Seknas FITRA assessed accountability by investigating the various mechanisms for oversight that the governments provide; whether the governments prepare and release budget documents in a timely way; and the results of the State Audit Agency’s (BPK’s) evaluation of regional financial audits.

On average, the regencies/cities under investigation were found to be accountable, but there is much room for improvement. The local governments studied generally hold public tenders openly and, in some cases, they announce the tenders through the mass media and online. One specific aspect of procurement that could be improved is for local governments to more consistently provide a blacklist of problem companies, as mandated in Presidential Regulation No. 54 of 2010. Despite this regulation, only 17 of the regencies and cities studied produced blacklists, and in only three cases were these blacklists disseminated to the public.

**Gender Equality Subindex**

In tabulating the Equality Subindex, Seknas FITRA investigated channels available to and levels of participation among women and marginalized groups, as well as the effectiveness of efforts to institutionalize gender mainstreaming. The results of the Equality Subindex show that on average the regencies and cities studied are “insufficiently responsive” in both the process
and institutionalization of gender mainstreaming. Serdang Bedagai ranks the highest with a score of 62.2. This regency provides numerous effective channels of participation, including gender-responsive budgeting teams, gender mainstreaming working groups, regulations regarding women’s representation in budget discussions and their implementation, and avenues for submitting complaints.

Despite the Minister of Home Affairs Regulation No. 15 of 2008 on General Guidelines on Implementing Gender Mainstreaming in Regions, gender mainstreaming is not well institutionalized and most local governments have yet to implement these requirements.

**Overall Findings**

When all of the findings from the subindices on transparency, participation, accountability, and equality are combined, the composite Subnational Index shows that compliance with good governance principles by the majority of local governments (58 percent of regencies and 69 percent of cities) is “insufficient.” While each regency and city demonstrate both positive and negative aspects of good governance, the top three rankings for the Subnational Index went to Padang Panjang, Sergai, and Malang, with scores of 68, 68, and 65, respectively; the lowest-scoring are Bondowoso, Dompu, and Wajo, with scores of 31, 30, and 27, respectively.

**Disseminating the Findings**

This study received media attention in both English and Bahasa online news sources and was featured on a television program with the Ministry of Home Affairs. The full report was also presented at the Global Conference on Transparency Research at Rutgers University in the United States in May 2011. For more information, contact Yuna Farhan from Seknas FITRA at yuna.farhan@gmail.com.

**Recommendations**

Given the findings of its study, Seknas FITRA makes the following observations and recommendations:

**Transparency**

- Although most budget documents can be obtained through a request, few regencies/cities openly publish these documents. Local governments should use more effective mechanisms, such as the Internet, to make budget documents available to the public.

- Transparency and openness should apply to the entire budget process, as opposed to a narrow focus on the availability of certain budget documents.

**Accountability**

- Local governments should conduct tenders online and make procurement mechanisms more efficient by using “one-door” mechanisms for goods and services procurement.

**Participation**

- Current regulations for participation are ineffective. Local governments should provide channels for public involvement, like consultations and hearings, and should also establish specific indicative budget ceiling guarantees by sector and geographic area that are acceptable to the public.

**Equality**

- Gender mainstreaming has become somewhat institutionalized, but its implementation has not yet produced adequate outputs, such as gender analysis and gender-responsive budget allocation policies. Increased support should be provided to achieve these outcomes and to ensure that gender equality is a priority, not just a formality.
Figure 1. Local Budget Management Transparency Index