

PARTNERING TO MAKE BUDGETS WORK FOR THE PEOPLE

Institute for Studies and Human Resources Development (Lakpesdam) - Indonesia

The Human Resources Study and Development Institution (Lakpesdam) is a civil society organization that promotes social, political, and economic development in Indonesia. Founded in Jakarta in 1985, Lakespdam operates more than 140 branches with a presence in nearly all of Indonesia's provinces and districts. The group maintains a close affiliation with the Nahdlatul Ulama (NU), a socially conscious Islamic movement with millions of followers throughout Indonesia. Under the direction of the NU, Lakpesdam has reached out to religious leaders and activists to promote peace, tolerance, and political participation among diverse communities.

Lakpesdam has sponsored talk radio programs airing on such stations as Elshinta, Jakarta News, Moslem, and Muara FM that have been successful in spreading tolerant religious discourse in Indonesia. Lakpesdam has also worked closely with the People's Voter Education Network, and even served as the group's National Secretariat in the 1999 elections. During the most recent regional elections, Lakpesdam implemented a grassroots outreach initiative that included the dissemination of voter education guides, posters, leaflets, and T-shirts. Lakpesdam has organized more than 43,000 volunteers over three different election cycles to educate voters or serve as election monitors.

Lakpesdam Empowers Citizens to Eradicate Poverty in Cilacap District

Lakpesdam takes a comprehensive approach to promoting development and sees economic growth as an important component of its strategy. While Indonesia has made considerable progress in fighting poverty in the last decade, a significant number of Indonesians, especially those living in rural areas, are left with few options to improve their economic conditions. Various government programs in Indonesia have sought to address the plight of the poor, including social insurance schemes and direct cash assistance, but they are not structured in ways that help significantly reduce the poverty rate over the long term. Lakpesdam considers these types of programs merely tools to alleviate the symptoms of poverty and has built on its experiences in Indonesia's Cilacap District to develop new strategies for eliminating the root causes of poverty.

Lakpesdam has operated a regional branch in the Cilacap District of Central Java Province for nearly a decade. Initial work in Cilacap sought to take advantage of political decentralization by encouraging greater participation in local-level policymaking. Lakpesdam's Cilacap branch only began to focus more specifically on budget advocacy and poverty issues later in the decade when it became clear that government assistance programs in Cilacap were not meeting their potential. According to Indonesia's Central Bureau of



Indonesia
Open Budget Index 2010
Overall Score: 51
Government provides some information to the public on how it manages public resources.

Availability of budget documents critical for effective public input:	
Pre-Budget Statement	Yes
Executive's Budget Proposal	Yes
Citizens Budget	No
Enacted Budget	Yes
In-Year Reports	No
Mid-Year Review	Yes
Year-End Report	No
Audit Report	Yes
www.openbudgetindex.org	

Statistics, in 2007 nearly one quarter of Cilacap's population lived in poverty. That year, Lakpesdam-Cilacap conducted a Participatory Poverty Assessment (PPA) to better understand the ways in which poverty inhibits both economic and social development.

The results of the PPA demonstrated to Lakpesdam that many local businesses had great potential, but their owners lacked the technical capacity and financial capital to expand their operations. Lakpesdam-Cilacap began to work extensively with five groups of small businesses by organizing management training seminars and developing a microfinance program that would provide small loans to help the businesses expand. Lakpesdam-Cilacap petitioned the regional legislature to contribute seed funding for this new initiative and was successful in securing IDR200 million (US\$22,500). The Indonesian Departments of Agriculture and Animal Husbandry and Service Industry and Trade Cooperatives also made in-kind contributions.

The funds in Lakpesdam-Cilacap's microfinance program functioned as a

revolving pool of credit. Groups of 25 -40 members took turns taking small loans from the fund to buy new supplies or refurbish equipment. When they had successfully paid back their loans, control of the funds moved to another group. The structure of the program promoted what Lakpesdam referred to as "joint responsibility" between the participating small businesses. Some groups specialized in certain industries, while others had members located in the same villages. The Cipari Sub-district, for example, was home to a group of exclusively female entrepreneurs. The funds in Lakpesdam-Cilacap's microfinance program have been loaned to hundreds of individuals and small business owners and have proved to be an effective stimulant for economic activity and growth.

The success of Lakpesdam-Cilacap's microfinance program inspired the organization to expand its initiatives to offer a broader selection of financial services to the poor. With the support of a nongovernmental organization called Pusat Inkubasi Usaha Kecil (PINBUK), or the Small Business Incubation Center, Lakpesdam-Cilacap used the capital raised

by the membership dues of its original microfinance program to establish a more comprehensive type of financial institution known as a Baitul Maal Wat Tamwil (BMT). There are over 4,000 Sharia-compliant BMT's in Indonesia that provide a variety of loans and other financial services. While BMT's are private institutions, the one established by Lakpesdam-Cilacap exists primarily to provide low-interest loans to the poor.

The BMT established by Lakpesdam-Cilacap has grown rapidly since its inception in 2009. Initial seed money amounted to only IDR20 million, but the BMT's balance sheet has expanded to more than IDR1.1 billion. There are now more than 2,000 people doing business with the BMT, most of whom are women. Many Lakpesdam-Cilacap staff members maintain close ties to the BMT they helped establish and have plans to open two more BMT's in other areas of the country. Lakpesdam-Cilacap's efforts to expand access to capital for the poor have paid great dividends and remain one of the most important components of its strategy to eliminate poverty in Cilacap and throughout the rest of Indonesia.

Lakpesdam's Participation in the Partnership Initiative

The civil society budget movement in Indonesia is diverse and supported by several donors and aid agencies. The Partnership Initiative's strategy in the country has been to support the budget transparency movement as a whole, rather than provide grants to individual organizations. By becoming a PI partner and joining this network, Lakpesdam hopes to expand on its ability to do budget monitoring and contribute to the strengthening of Indonesian democracy by increasing government accountability and transparency.

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The IBP's Partnership Initiative is a collaborative effort that seeks to enhance the impact of civil society budget work in selected countries of Africa, Asia, and Latin America. The initiative strives to contribute to the development of sustainable institutions; to increase public access to timely, reliable, and useful information; to enhance the effective participation of civil society in policy and budget processes; and to establish a platform of good practices on which future generations of civil society can build.