

The Road to Budget Transparency in Indonesia

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INTRODUCTION

Budget transparency has become a widely accepted recipe for good governance. Today, such global initiatives as the Open Government Partnership (OGP) and the Global Initiative for Fiscal Transparency (GIFT) demonstrate the worldwide demand for greater fiscal transparency in public budgeting. However, the International Budget Partnership's Open Budget Survey (OBS), the world's only independent and comparative assessment of budget transparency, participation, and oversight, has found that many countries remain stuck at intermediate levels of budget transparency. Constructed from a subset of OBS questions that assess the amount, timeliness, and level of detail of budget information that central governments make publicly available, the Open Budget Index (OBI) assigns each country assessed a score from 0 to 100.¹ The OBI score for Indonesia has increased over time, but progress has been uneven. Since 2008, Indonesia's scores have hovered in the 50s, passing the threshold to providing "substantial information" only once and temporarily, with a score of 62 in 2012.

This report aims to explain why levels of budget transparency in Indonesia did not manage to move beyond intermediate levels. It will examine factors large and small in government and civil society that influence budget transparency, and it will identify the transparency initiatives that have been undertaken by the government, and will explore why these reforms did not lead to sustainable improvements.

The case study begins by providing a brief overview of Indonesia's budget reform, examining the impact on the government of the new legal framework adopted in the early 2000s. It will show why the legal framework for budget transparency, including the State Finance Law and the Freedom of Information Law, did not lead to sustained fiscal transparency and why initiatives that government undertook did not make for sustainable improvements in transparency.

BUDGET REFORM AND THE LEGAL FRAMEWORK

The political economy of Indonesia has changed dramatically, from an authoritarian regime for 32 years into the third-largest democracy in the world. With regard to economic development, after enjoying rapid growth for decades under Suharto, the Asian financial crisis of 1997 brought about a collapse of the regime. However, economists argue that the Indonesian economy recovered from the financial crisis remarkably rapidly.²

¹ The next round of the biennial Open Budget Survey will include 115 countries, including Indonesia, and will be released in January 2018. For more on the OBS, visit: <http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/>

² Hal Hill, "The Indonesian Economy: Growth, Crisis, and Recovery," *Singapore Economic Review* 52 (2007): 139-66l.

Cross-country research has identified several factors that provide the main impetus for budget transparency and accountability: political transition from autocratic to democratic rule, which fosters political competition and provides greater powers to oversight bodies, such as legislatures and supreme audit institutions; economic crises that force governments to control public resources through prudent management; the publication of information on rampant corruption that stimulates pressure on government for public access to information; and “external influence” that catalyzes domestic reform.³

In the Indonesian context, these factors have worked in similar ways. The impetus for the Indonesian government to embark on a series of reforms was clearly sparked by the Asian financial crisis of 1997 and the transition from Suharto’s authoritarian regime. Political power has been redistributed as political parties have flourished and as the relationship between the executive and legislative branches has become more balanced. Following a series of constitutional amendments, the legislature is no longer just a rubber stamp for executive proposals. As a result, the separation of powers is clearer than ever before. The power of the legislature has also been boosted by the fact that the president no longer has veto power over bills passed by parliament.⁴ The legislature has become more independent and now has substantial powers of oversight, including, according to Article 20A of the 1945 Constitution, the authority to scrutinize the Executive’s Budget Proposal.

At the same time, the dominance of technocrats within the bureaucracy has been challenged, not only by politicians in the legislature but also by other interest groups, including civil society. Political space has become more open, providing a sphere in which civil society can operate, play a role in formal politics, and pursue a pro-people agenda.⁵

Following the huge political shift that began in 1998, the Indonesian budgeting system was also transformed significantly. A new legal framework for budgeting was introduced, and the distribution of power among budget players helped to generate transparency and accountability in budgetary decision making. Then in 2003, for the first time in Indonesia’s history, the nation adopted a State Finance Law (Law No.17/2003). Previously, there was no effective legal framework governing the nation’s financial system, and the budgetary system was basically a continuation of the Dutch colonial system. A series of laws related to the public finance system was then introduced, including the State Treasury Law (Law No. 1/2004), the State Audit Law (No. 15/2004), and the State Planning Law (No.

³ Sanjeev Khagram, Archon Fung, and Paolo de Renzio, *Open Budgets: The Political Economy of Transparency, Participation, and Accountability* (Washington, D.C.: Brookings Institution Press, 2013).

⁴ Vishnu Juwono and Sebastian Eckardt, “Budget Accountability and Legislative Oversight in Transition: The Case of Post-Suharto Indonesia,” in *Legislative Oversight and Budgeting: A World Perspective*, eds. Rick Stapenhurst et al. (Washington, D.C.: World Bank, 2008), 293-309, available at: https://www.researchgate.net/publication/309637002_Budget_Accountability_and_Legislative_Oversight_in_Transition_The_Case_of_Post-Suharto_Indonesia.

⁵ Edward Aspinall, “Popular Agency and Interests in Indonesia’s Democratic Transition and Consolidation,” *Indonesia* 96 (2013): 101-21; and Marcus Mietzner, “Fighting the Hellhounds: Pro-Democracy Activists and Party Politics in Post-Suharto Indonesia,” *Journal of Contemporary Asia* (November 2012): 28-50.

25/2004). These laws mark a major step in creating a modern public finance system and achieving good governance.

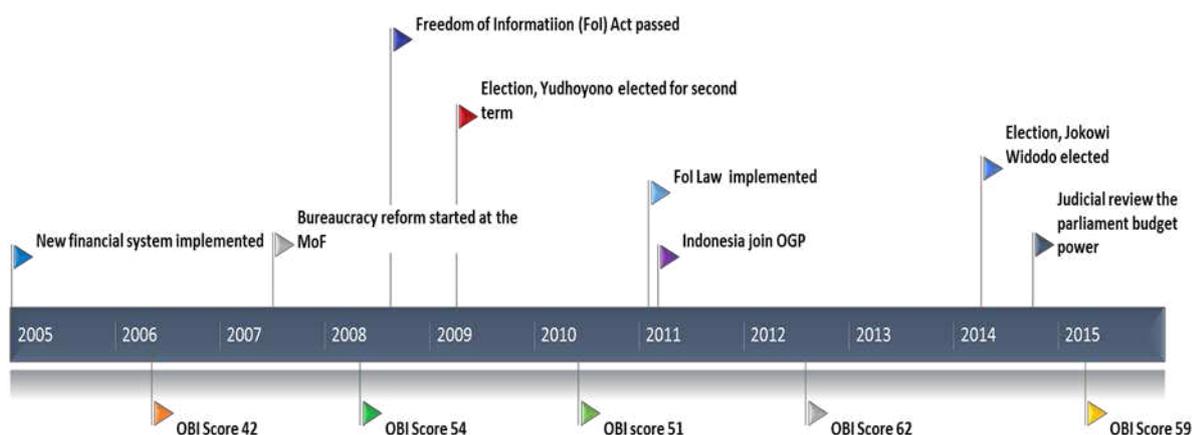
The State Finances Law set out the institutional framework for the budgetary process, spelling out the authorities and responsibilities for each actor and outlining the relationship between institutions involved in state financial management. The State Treasury Law highlights budget accountability and the responsibilities of the treasury for the management and implementation of state finances. This law also mandates the use of an accruals system. The State Audit Law emphasizes the role of the supreme audit institution (BPK/Badan Pemeriksa Keuangan) as an independent institution to audit budget documents and submit its report to the legislature. This law also set a schedule for audit reporting and mandated the establishment of audit offices throughout the country to conduct budget audits at the regional level.

TRAJECTORIES OF BUDGET TRANSPARENCY

The introduction of a new legal framework and the clear separation of powers among actors in the budgetary process did not automatically lead to sustained improvements in budget transparency. In fact, budget transparency in Indonesia has fluctuated since the Open Budget Survey 2006. The level of budget transparency in Indonesia as per the Open Budget Index (OBI) score in 2006 stood at 42 out of 100. While this score has fluctuated since then, it has generally trended upward. However, it has not risen above 60, at which point the OBI considers a government to be providing the public with “sufficient” information on the budget, for more than a single survey (Its OBI 2012 score was 62). This situation raises questions about which factors are influencing the level of budget transparency in Indonesia.

This section explores the way in which the new legal framework, the response of the bureaucracy, global pressure, the political system, and the actions of civil society have all played a role in creating and sustaining budget transparency. In doing so, this section catalogs the government policies, activities, and political events that have affected the level of budget transparency in the last decade.

FIGURE 1. BUDGET TRANSPARENCY TRAJECTORIES, 2005-2015



THE LEGAL FRAMEWORK OF BUDGET TRANSPARENCY

Law and reform in the Ministry of Finance. Indonesia had just had adopted a new financial system through the State Finance Law when it conducted its first Open Budget Survey in 2006. While the law was enacted in 2003, it did not become fully operational until budget year 2005, and some parts did not go into force until 2006. Nevertheless, the law was an essential step in clarifying roles and functions in the budget process and creating the necessary checks and balances.

The law also clearly stipulated that transparency was a principle in financial management. The main objective of this law is to ensure an efficient, effective, and transparent accounting. Moreover, state-owned enterprises are governed by this law, as well, and so off-budget activity as a loophole for corruption is no longer possible. In the past, budgets were partly the responsibility of the Ministry of Finance and partly of the National Development Planning Agency (BAPPENAS). Under the new system, the responsibility fell to the Ministry of Finance, and all sectors of the government are required to provide comprehensive information, including performance indicators rather than just financial information.⁶

The main feature of reform was the new arrangement within the central government. The law defined the role of the Minister of Finance as chief financial officer, whose duty is to support the President in financial matters. The Ministry of Finance further embarked on massive restructuring by reorganizing some existing offices to handle budgetary matters. For example, the budget allocation process was once spread across several offices, but under the new organization, the budget allocation process has been centralized into a new Directorate-General of Budget.

The State Finance Law also underpinned Indonesian bureaucratic reform by increasing transparency and accountability.⁷ The legacy of the Suharto's authoritarian regime was non-transparent governance, unprofessional civil service, and institutionalized corruption.⁸ Surveys conducted by Transparency International confirm that Indonesia is one of the most corrupt countries in the world. However, when President Susilo Bambang Yudhoyono took office in the first direct presidential election in 2004, he launched a bureaucratic reform that aims to provide efficient, effective, and productive bureaucracies. A transparent bureaucracy will be accountable to the public and will be able to better serve the people. The government began its bureaucratic reform with a pilot project conducted in the Ministry of Finance, the Supreme Court, and the supreme audit institution.

⁶ Edimon Ginting, "The State Finance Law: Overlooked and Undervalued," *Bulletin of Indonesian Economic Studies* (June 2010): 353-357, available at: <http://www.tandfonline.com/doi/abs/10.1080/0007491032000142791>.

⁷ Ross H. McLeod and Andrew J. MacIntyre, *Indonesia: Democracy and the Promise of Good Governance* (Singapore: Institute of Southeast Asian Studies, 2007).

⁸ Ross H. McLeod, "Inadequate Budgets and Salaries as Instruments for Institutionalizing Public Sector Corruption in Indonesia," *South East Asia Research* 16 (2008): 199-223.

Throughout, budget reform and transparent accounting practices have been seen as integral parts of the bureaucratic reform process. One of the most important supporting actions was taken by the Minister of State Apparatus Empowerment through the civil-service reform (referred to as a “Grand Design Bureaucratic Reform”) of government institutions in 2010. The reforms also introduced a new remuneration system that rewarded performance. Thus the measurement of bureaucratic performance is in line with reforms in financial management that encourage performance budgeting.

The Ministry of Finance undertook its massive bureaucratic reform in three phases.⁹ The first phase, from 2002 to 2006, included legal reform, splitting the formulation of the budget away from its execution, and modernization of tax administration. From 2007 to 2009, the second phase focused on the development of business processes, human resources, technology, and performance management. The civil service reform in the Ministry of Finance has helped personnel to increase their professionalism through the use of performance contracts.¹⁰ In the third and ongoing phase, 2010 to 2025, the bureaucratic reform is institutionalized so that the overall culture includes accountability, efficient business processes, a flexible and effective organizational structure, and the empowerment of human resources.

Bureaucratic response. As a part of bureaucratic reform, the Ministry of Finance conducted restructuring and reorganization. In 2008 a new unit was established in the office of the Director General of the Budget that focused on data and technical support. . The unit is supported by 11 staff members who provide support in four areas: budget management, the dissemination of the state budget, government financial statistics, and technical support for budget formulation. However, Wawan Sunarjo, the chief of this unit, has stated that both the number and quality of these personnel is not entirely adequate. Some staff members even lack degrees, and all could improve their knowledge about fiscal transparency and open data.

The unit has an important role in improving fiscal transparency. It published a Citizens Budget for the first time in 2012 and boosted the nation’s OBI score to 62, highest in Southeast Asia. When Indonesia’s score dropped to 59 in 2015 because the government did not publish Pre-Budget Statement, this unit encouraged the Fiscal Analysis Agency to ensure that all future Pre-Budget Statements are published in a timely manner. Today, there is a special space for the Pre-Budget Statement on the Fiscal Analysis Agency website. This technical support group has also begun an effort to improve public participation in fiscal policy through a program called “Budget Goes to Campus.”¹¹

⁹ Ministry of Finance, *Annual Report, 2012* (Jakarta: Ministry of Finance, 2012).

¹⁰ Interview with Fiscal Policy Staff, Ministry of Finance, 11 November 2016.

¹¹ Available at: <http://www.anggaran.depkeu.go.id/dja/edef-konten-view.asp?id=1045>.

Recently, in collaboration with FITRA (Indonesian Forum for Budget Transparency), the technical support sub-directorate developed an open-data portal to publish all budget documents in a machine-readable format (data-apbn.kemenkeu.go.id). Even so, the budget data displayed on this portal are still limited to the data that are already published under this directorate. The portal does not publish the Pre-Budget Statement and the Year-End Report. This problem reflects some of the turf battles and departmental egos within the bureaucracy. Yenti Nurhidayati of FITRA said that these conflicts has resulted in FITRA being asked “to facilitate a meeting with other directorates to ensure budget information is made publicly available.”¹²

Nevertheless, the lack of coordination within units of the Ministry of Finance has remained. Seven of the eight key budget documents are published by units within the ministry, and each unit has its own website to publish the budget document. No integrated website makes all budget documents easily available to the public. The Fiscal Policy Office (Badan Kebijakan Fiskal, BKF) produces a Pre-Budget Statement; the Directorate of the Budget produces an Executive’s Budget Proposal, Enacted Budget and Citizens Budget; the Directorate of the Treasury produces the In-Year Reports, Mid-Year Review, and End-Year Report. There was no control mechanism to take over in the event that one unit did not make its information public. This situation occurred when the Fiscal Policy Office did not make a Pre-Budget Statement publicly accessible and saw Indonesia’s OBI score drop to below 60 in 2015.

The restructuring and reorganizing within the Ministry of Finance contributed to the improvement of fiscal transparency. But this restructuring and reorganization led to bureaucratic fragmentation that made improving fiscal disclosure more difficult. For instance, the OBI score for the Executive’s Budget Proposal remains stuck because the comprehensiveness of this document relies on information supplied by other departments.

GLOBAL PRESSURE AND FREEDOM OF INFORMATION

Global pressure. Indonesian budget reforms were driven by such international financial institutions as the International Monetary Fund (IMF), the World Bank, and the Asia Development Bank (ADB). The Asian financial crisis that hit in 1997 deeply affected the Indonesian economy and forced Suharto to turn to the IMF for assistance. Indonesia received a US\$430 billion rescue package that mandated institutional reforms, such as increased transparency, the rule of law, trade liberalization, and the recapitalization of banks.¹³ In return for an IMF loan, the government agreed to comprehensive economic reform, including fiscal transparency and accountability, within three years.

¹² Personal interview, 05 November 2016

¹³ Richard J. Allard, “The Measurability of Budget Related Rent-Seeking,” *Public Choice* 85 (1995): 389-94, available at: https://www.jstor.org/stable/30027059?seq=1 - page_scan_tab_contents; and Vedi R. Hadiz and Richard Robison, “The Political Economy of Oligarchy and the Reorganization of Power in Indonesia,” *Indonesia* (October 2013): 35-57, available at: http://www.jstor.org/stable/10.5728/indonesia.96.0033?seq=1 - page_scan_tab_contents.

According to Windraty Siallagan, the role of such international agencies as the IMF, the ADB, and the World Bank was strong during the earlier reform (*reformasi*) era, when the government responded positively and made further commitments to reform.¹⁴ The significant involvement of international financial institutions in the budget reform was also revealed in an IMF and World Bank document.¹⁵ The major role played by international actors led to a low level of ownership of the reforms within Indonesia, where they lacked serious support from politicians, bureaucrats, and civil society.

Although the budget transparency agenda was part of the commitments required to obtain the loan, it lacked deep support within the government or throughout society and was not part of the reform programs in the Ministry of Finance. For instance, a Report on the Observance of Standards and Codes was included in the performance report of the ministry in 2008, but it did not appear over the next five years.¹⁶ Even though the ministry often used “transparency” in its reports and planning documents, none of them use the term to mean “make publicly available.” Further, there was no formal goal set to make the key budget documents both comprehensive and publicly available.

Overall, the loan programs seemed effective in forcing the government to formulate a legal framework to increase budget accountability. This meant that institutional capacity was built and information systems were developed, since much of the loan agreement required those outputs. But it was primarily the State Finance Law that was the essential starting point for budget reform in Indonesia.

Freedom of information. After 32 years under the highly secretive regime of Suharto, Indonesia passed its first freedom of information (FOI) law in 2008. The Coalition for Freedom Information, established in 2000 and made up of 40 NGOs and individuals, lobbied parliament to pass the bill. In 2008, after several years of lobbying, parliament approved the draft law.

The FOI law that took effect in 2010 has been the key element in encouraging the government to improve transparency and accountability. The right to freedom of information is guaranteed in Indonesia’s 1945 Constitution, which states that every person “has right to seek, obtain, possess, store, process and convey information through all available channels” (Article 28F). The FOI law requires that all public information be open and accessible to citizens and legal entities, and government bodies must develop an information and documentation system and appoint official staff to respond information requests.

¹⁴ Windraty Siallagan, “The Implementation Gap: Financial Management Reform in Indonesia, 2003-2010,” (Dissertation, University of New South Wales, Canberra, 2013).

¹⁵ R Allen et al., *Indonesia: Budget Reform Strategy Priorities* (Washington, D.C.: International Monetary Fund and World Bank, 2007).

¹⁶ These reports, called Governmental Institutions’ Performance Accountability Reports (Laporan Akuntabilitas Kinerja Instansi Pemerintah, LAKIP) are available on the Ministry of Finance’s website in Indonesian only: <https://www.kemenkeu.go.id/en/content/ministry-finance%E2%80%99s-performance-disclosure>

Public agencies are thus required to provide information, including a budget information, to citizens or legal entities that request it. The public institution has a maximum of 17 days to provide a response to the information seeker. If the institution fails to do so, the person seeking of information can file a complaint, and the public body will be required to comply within a maximum of 30 working days. The FOI law also provides dispute resolution through an Information Commission for information-seekers if government agencies or other public bodies ignore or reject their requests.

Soon after the FOI law went into force, some civil society organizations (CSOs) attempted to test the extent to which public bodies would comply with the law. In 2011, for example, FITRA requested budget information from 118 public bodies, from line ministries to political parties. The aim of these requests was to speed up the implementation of the FOI law. The types of information requested included the Finance Ministry's Work Plan and Budget (Rencana Kerja dan Anggaran Kementerian/Lembaga, RKA-KL), the Budget Implementation Documents (Daftar Isian Pernyataan Anggaran, DIPA), and the Ministry's Budget Report (Laporan Realisasi Anggaran, LRA). The result is surprising; more than 50 percent of line ministries and agencies provided budget information, although most of them were slow to do so.

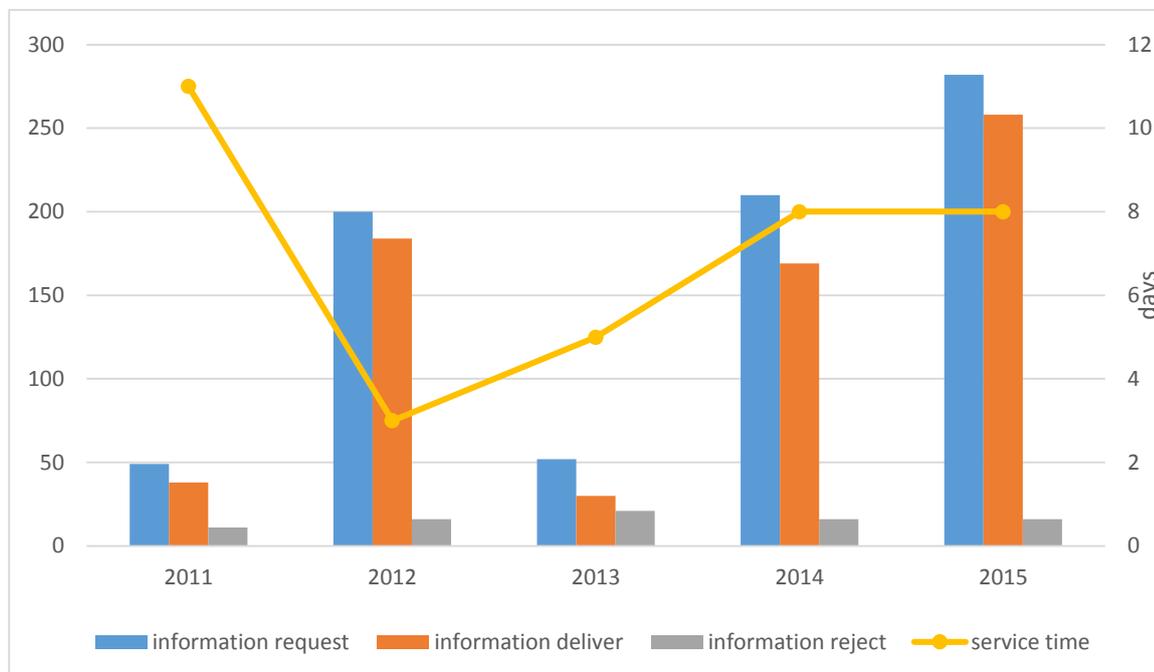
Although the law does not explicitly stipulate which key budget documents must be provided, information relating to the policies, programs, and budgets of public bodies must be made publicly available. The Information Commission reinforced this point in a letter to all government bodies stating that a public body's budget information must regularly published to the public (Circular Letter of Information Commission No. 1, 2011).

The enactment of the FOI law also affected reform in the Ministry of Finance. As mandated by the FOI law, the Ministry of Finance in 2010 appointed information and documentation management officials (PPID) in every directorate and released "standard operating procedures" for information services. The document management officials are responsible for handling all information requested in their units. To support information services, the Ministry of Finance provides a website, a call center, and an information desk. The performance of the PPIDs is shown in Figure 2, where the number of requests demonstrates public enthusiasm for information access and better than 80 percent delivery of the information requested. The requests are also filled well within the 17-day time limit.

In 2014 the information system began to use an online application that made access to information easier for the public. The Ministry of Finance also provides more information and is regularly publishes budget documents on its website. Unsurprisingly, the ministry won the information awards

from the Information Commission three times in the last three years.¹⁷ However, the main obstacle to freedom of information has been coordinating information access across the unit and within subunits.

FIGURE 2. THE PPID PERFORMANCE IN THE MOF, 2011-2015

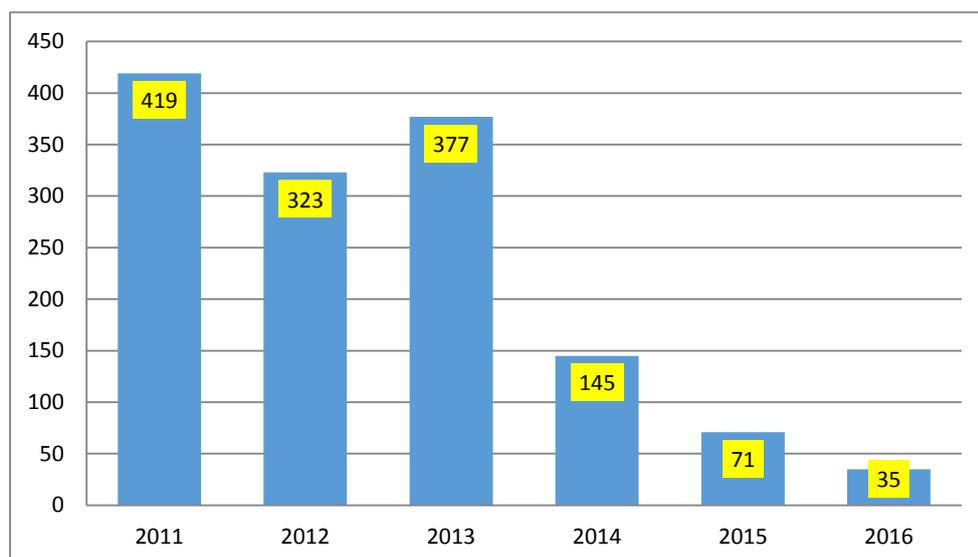


Source: Annual Report of the PPID in the MoF, 2011-2015.

Nonetheless, public enthusiasm for access to information seems to be declining over the last few years. Data from the Information Commission (Figure 3) confirm that dispute resolution requests have decreased in the last three years. While this might mean that many public institutions are fulfilling their duties to provide information as requested, it seems more likely that actual requests for access to detailed information have dwindled. Moreover, the FOI law is also not strong enough to encourage public institutions to make budget information publicly available on their websites, and less than half of line ministries, state agencies, and the local governments have published their budget documents on their website.

¹⁷ <http://www.kemenkeu.go.id/Berita/ketiga-kalinya-kemenkeu-raih-peringkat-pertama-anugerah-keterbukaan-informasi-publik>

FIGURE 3. DISPUTE RESOLUTION REQUEST TO THE INFORMATION COMMISSION, 2012-2016



Source: The Information Commission Report (Semester I, 2016)

The decreasing public enthusiasm for using the FOI law stems from two main reasons. First, although the FOI law provides certainty for public to access to information, the length of time to receive the information drives the public to use different channels. A total of 47 working days can pass after information is requested when the dispute resolution time is included. Roy Salam, Director of the Indonesia Budget Centre (IBC), suggests that he finds many people prefer to use informal channels to access to budget information rather than the FOI law.

“I preferred to request the budget information through informal contacts in the Ministry of Forest and Environmental rather than using the FOI Law. They gave us the data because they trust me that I would not abuse the data. If I use the FOI Law, it will take a long time, while I need the data quicker for my research. The ministry tends to wait until the due date that mentioned in the FOI Law. If I request dispute resolution to the Information Commission, my informal contact will not trust me anymore...”¹⁸

Such back channel requests are quicker and depend as much on personal relationships as on legal requirements.

Second, the bureaucratic structure is not fully prepared to accept openness. The FOI law has not fully changed the mindset or behavior of public officials, who still resist disclosing public information.¹⁹

¹⁸ Personal Interview, 23 November 2016.

¹⁹ Dessy Eko Prayitno, et al., *Interpretation of Exceptions to the Right to Information: Experiences in Indonesia and Elsewhere* (Jakarta, Centre for Law and Democracy and Indonesian Centre for Environmental Law, 2012), available at:

Some work done by FITRA in 2012 also confirmed the bureaucratic resistance to providing access to information, documenting the rejection of information requests merely for technical reasons, such as a letter not displaying official stamps.²⁰ The annual reports of the Ministry of Finance have pointed out that cooperation between information officers and technical units have remained weak, and there is no agreement among units on what should be classified and what should be public information.²¹

Overall, the FOI law has improved the openness of the government to future reform.²² The FOI law provides a legal and institutional framework for citizens to access public information, and many public bodies were spurred to improve their websites to make information more readily available. And while the budget transparency adopted in the Ministry of Finance is also supported by this law, a general lack of preparedness to implement the law and the weak commitment to budget transparency in the bureaucracy made the public lose its appetite for using this law.

OPEN GOVERNMENT PARTNERSHIP AND THE GLOBAL INITIATIVE FOR FISCAL TRANSPARENCY

The Open Government Partnership (OGP) is a voluntary global initiative that promotes transparency, citizen engagement, fighting corruption, and harnessing new technologies to strengthen governance. Indonesia is one of the founding members of the OGP, which was launched in 2011. Indonesia has been a member of steering committee since OGP's launch, and served as chair in 2013.

In implementing Indonesia's OGP commitments, then-Vice President Boediono launched the Open Government Indonesia (OGI) movement in 2012 and developed a national action plan, along with the OGI's core team. The OGI core team was created at a meeting held by the Presidential Delivery Unit for Development Monitoring and Oversight (Unit Kerja Presiden Bidang Pengawasan dan Pengendalian Pembangunan, UKP4). The team features representatives of five line ministries and four CSOs. The line ministry represented include: the Presidential Delivery Unit for Development Monitoring and Oversight (Unit Kerja Presiden Bidang Pengawasan dan Pengendalian Pembangunan, UKP4); the State Agency of National Development Planning (Badan Perencanaan Pembangunan Nasional, Bappenas); the Ministry of Foreign Affairs, the Ministry of Communication and Information, and the Information Commission. The CSOs represented include: FITRA, Transparency International Indonesia, ICEL (Indonesian Centre for Environmental Law), and PATTIRO (Centre for Regional Information and Research).

<http://www.law-democracy.org/wp-content/uploads/2010/07/Interpretation-of-Exceptions-To-the-Right-To-Information-Experiences-in-Indonesia-and-Elsewhere.pdf>

²⁰ FITRA was required to resubmit letters of information requests to 37 public bodies.

²¹ Ministry of Finance Annual Reports are available on the Ministry's website in Indonesian only: <https://www.kemenkeu.go.id/en/content/ministry-finance%E2%80%99s-performance-disclosure>

²² Simon Butt, "Freedom of Information Law and Its Application in Indonesia: A Preliminary Assessment," *Asian Journal of Comparative Law* (January 2015): 113-54.

Based on the evaluation of OGI's implementation and the scope of its action plan, the OGI core team was extended in 2014. The government added two more ministries to the team: the Ministry of Home Affairs and the Ministry of Bureaucratic Reform. Six other CSOs also joined the core team: the Indonesian Parliament Centre (IPC), the International NGO Forum for Indonesian Development (INFID), HiVOS, the Partnership for Government Reform in Indonesia (Kemitraan), the Indonesian Corruption Watch, and Medialink. The expansion of CSO representation on the OGI core team was the result of the CSO national meeting and was intended to ensure the continuity of commitment to the OGP by the new government. The involvement of CSOs as core team members creates an opportunity to control both the formulation of OGI's action plan and its implementation. The core team normally meets monthly to discuss OGI progress.²³

The OGP in Indonesia was clearly supported by the momentum of the FOI law that became fully operational in 2011. Not surprisingly, in three of OGI's action plans (2012, 2013, and 2014-2015), access to information was clear on display. More than 80 percent OGI's action plan dealt specifically with access to information. Given that fiscal transparency was already a part of OGP's original eligibility criteria, budget transparency was added in 2012 and 2013 (see Table 1). Thanks to the OGI, for the first-time Indonesia made the Citizens Budget publicly available in 2011. As a result, Indonesia's OBI score jumped to 62 in 2012.

TABLE 1. OPEN GOVERNMENT ACTION PLAN 2012 - 2012

No	2012	2013
1	Budget transparency and accountability through publishing Executive's Budget Proposal, Enacted Budget, Year-End report, Audit Report, and Citizens Budget	Revenue transparency from extractive industries
2	Budget transparency in local government	Budget transparency through publishing the ministry's work plan and budget, budget implementation documents, In-Year Report, and budget realization in all line ministries.
3	Procurement transparency through electronic procurement system	Integration of performance-based system of planning and budgeting
4	One government portal (satupemerintah.net) contains information on budget from 1968 to 2013	Budget transparency in local government

Indonesia joined the multistakeholder Global Initiative for Fiscal Transparency (GIFT), which supports OGP members as they seek to implement a fiscal transparency action plan as part of GIFT's work to engage public finance stakeholders in promoting open and accountable public finance management. GIFT provides technical assistance for its members and also supported the Ministry of Finance in developing its open budget portal. Global initiatives, such as OGP and GIFT, encourage dialogue between CSOs and the government in an effort to improve fiscal transparency. The presence of CSOs on the core team and citizen engagement during the formulation of OGI's action plan

²³ Interview with Dinar, OGI Secretariat, 15 November 2016

demonstrate OGI's commitment to seeing that CSOs play a co-equal role with the government when it comes to transparency.

However, the budget transparency agenda that was endorsed by these global initiatives faced several big hurdles. The first issue arose because the institutional foundation for open government was not well established. After President Joko Widodo was inaugurated in October 2014, the President's Delivery Unit for Development, Monitoring, and Oversight (UKP4) was dissolved as the leading agency for OGI because it was an ad hoc body formed under President Yudhoyono. The transition between the two regimes was disruptive for the continuity of the open government agenda. As a result, parts of OGI's action plan that related to budget transparency fell by the wayside, including the open data portal www.satupemerintah.net that was meant to provide access to budget data from 1968 onwards. Budget transparency was also not included in OGI's 2014-2015 action plan. After a transition period, however, President Jokowi clarified institutional responsibilities for OGI leadership.

Another issue in OGI implementation has been the bottleneck presented by the upper echelons of the bureaucracy. Dinar from the OGI Secretariat said as much: "We are struggling in the top level of bureaucracy, many of ministers have a commitment to open government, but it doesn't automatically follow [that the view is shared by] the upper echelon in the bureaucracy structure."²⁴ The reluctance is sometimes the result of an oversight, as when Roy Salam, Director of Indonesia Budget Centre, complained that, while the Ministry of Forest and the Environment said that the ministry was transparent, "she did not check that the budget [had been] published yet on their website."²⁵ But sometimes there are other reasons, as Wawan Sunarjo of the Ministry of Finance reports, many leaders were "afraid of the misuse of data."²⁶

When it comes to citizen engagement and consultation in the formulation and implementation of an action plan, progress remained limited and insubstantial. The Independent Report Mechanism (IRM) 2015 found that government efforts to improve public participation were weakened by a poor consultation with the public during the formulation of OGI's action plan. The Indonesia Budget Centre's Roy Salam asserts that the budget transparency was still difficult for the public to absorb because the information was not available in one place and was not sufficient to encourage people to participate in the budget cycle."²⁷

THE POLITICAL ECONOMY OF BUDGET TRANSPARENCY

The trajectories of budget transparency in Indonesia reveal the efforts taken by the government to improve fiscal transparency level and illustrate the challenges that presented. We know less about

²⁴ Personal interview, 15 November 2016.

²⁵ Interview with Roy Salam 23 November 2016.

²⁶ Interview with Wawan Sunarjo, 14 November 2016.

²⁷ Interview with Roy Salam, 23 November 2016.

what factors in the overall political economy of Indonesia caused the level of budget transparency in Indonesia to get stuck. This section argues that the “cartelization” of the Indonesian political system reduced the role of political parties and kept parliament from performing its role as a check on the executive branch. Meanwhile, demands from civil society for fiscal openness have fallen off in the last five years. As a result, the move toward fiscal disclosure and the effort to institutionalize budget transparency largely stalled.

Cartel politics. The fall of President Suharto in 1998 marked the start of a democratic era. The Indonesian political system has changed dramatically since then, with thousands elected to government office from presidents, to governors, to district heads and legislators. There has also been a dramatic increase in the number of political parties, and there have been free and fair elections and increased civic participation.²⁸ The new political system was in effect in the 2004 election, where Indonesia held a direct presidential election for the first time and adopted an open-list proportional voting system in the legislative election.

The results of three rounds of the presidential and legislative elections since 2004 led to a presidential system that is highly fragmented and includes many parties. The Indonesian form of government can easily produce executive-legislative gridlock and ideological polarization that make coalition building very difficult. On the other hand, the partisan fragmentation in the legislature increased even as the level of budget transparency improved.²⁹

In Indonesia, however, the stalemate in executive-legislative relations has never happened. During the Yudhoyono administration and the Joko Widodo administration, the President had no difficulty in building an “oversized coalition” to form a government. Moreover, the political fragmentation in the parliament also has not led to the sustainability of fiscal openness. We must ask why not? Why no deadlock in executive-legislative relations? Why hasn’t the partisan fragmentation in the legislature led to sustainable improvement in budget transparency?

To begin with, the studies of politics in Indonesia see the post-Suharto polity as trapped in a cartelization model.³⁰ Dan Slater asserts that Indonesian democracy has adopted collusive democracy or what he called an “accountability trap” in which political parties fail to establish check and balances. In Indonesia, rather than maintain competition between parties after the election in 1999, the political parties created what was, in effect, a cartel in the way the government coalition was

²⁸ R. William Liddle, “Improving the Quality of Democracy in Indonesia: Toward a Theory of Action,” *Indonesia* (October 2013): 59-80, available at: http://www.jstor.org/stable/10.5728/indonesia.96.0057?seq=1 - page_scan_tab_contents.

²⁹ Joachim Wehner and Paolo de Renzio, “Citizens, Legislators, and Executive Disclosure: The Political Determinants of Fiscal Transparency,” *World Development* 41 (January 2013): 96-108, available at: <http://www.sciencedirect.com/science/article/pii/S0305750X12001647>.

³⁰ Dan Slater, “Indonesia’s Accountability Trap: Party Cartels and Presidential Power after Democratic Transition,” *Indonesia* (October 2004): 61-92.

put together from broad-based political parties that formed under fourth Indonesian President Megawati Soekarnoputri. As a result, accountability mechanisms have broken down, and there is no “real” opposition in the parliament. Once the elections are over, political parties collectively form a cartel and depend on rent-seeking to meet their financial needs rather than on working to improve the health of the economy. In a nutshell, the Indonesian political system is dominated by cartel politics, with a decreasing role for ideology, promiscuousness in coalition formation, and the absence of opposition.

Cartel politics has also flourished in the budget decisions. Ideological debates among parties do not surface during budget discussions. Observation and analysis of the minutes of meetings of budget discussions indicate that there is similar political behavior among members of parliament from various political parties. There is even no difference between the government coalition and the opposition coalition in their response to the budget proposals. Said Abdullah, Vice Chairman of the Budget Committee, confirmed this situation: “[D]uring my seven years on the budget committee, I never found the clear distinction among parties in the budget discussion.”³¹ Chatib Basri, former Minister of Finance, agreed there was no difference between members of parliament from the ruling coalition and those from the opposition coalition during the budget debate.

The decreasing role of party ideology has come about since the introduction of an open-list proportional system of voting that has encouraged members of parliament to bargain for measures that will benefit their constituents as a means of ensuring their re-election. The Budget Committee’s Abdullah concurs, “In an open-list proportional system, if the budget allocated constituency funds, it would be clear (no substantial debate).”³² In other words, incentives in the electoral arena push members of parliament to focus on constituent services rather than on their party’s coalition. Thus the members from political parties outside the ruling coalition, which also approved the budget bill, choose to be a part of the cartel in order to gain access to the spoils on offer in the budget-making process. In such a situation, it seems unlikely parliament is seriously an effective check on the executive branch, or even on themselves.

Consider the case of an optimization fund that was generated by the budget committee. These funds circulate to the chair and all the members of the budget committee, through an informal allocation process, driven by lobbying and other forms of informal negotiation. Although the optimization fund is sometimes mentioned in formal budget committee meetings, decisions about “who gets what and why” are made behind closed doors in informal discussions between the chair of the budget committee, commission chairs, and coordinators of the various factions.

³¹ Interview with Said Abdullah, 26 August 2015.

³² *Ibid.*

The optimization fund is typically allocated to the electorates represented by the budget committee members, with some funds also flowing to various ministries and to support benefits for all members of parliament. In the 2015 revised budget, for instance, optimization funds totaling Rp.3.5 trillion (US\$260,678) were allocated to the committee members through the Special Allocation Fund (DAK). Extra benefits were also provided to members of parliament including, increased salaries, a new building, and other perks. The government tolerates the existence of this slush fund, for that is what it amounts to, because it sees it as an “incentive” necessary to get the budget committee to approve the budget.

In a nutshell, there was no an effective pressure from the parliament to ensure the sustainability of fiscal openness, since the ruling coalition and the opposition coalition collude with one another in the budgetary arena. However, the budgetary arena also provides ways for a parliament with greater power to influence the budget to fix the problem.

Corruption of parliament. Corruption cases dominated Indonesian politics between 2009 and 2015. Many surveys placed the parliament as the most corrupt institution in Indonesia. The Anti-Corruption Commission, for example, ranked the parliament as the most corrupt institution for five consecutive years.³³ Indeed, at least nine members of House budget committee were caught up in budget-related corruption cases.

The main feature of institutional budgetary reform was the stronger role for parliament in budget oversight. The State Finance Law provides a legislative foundation for the parliament to be involved in every stage of the budget process. With these new powers, parliament altered its role from a rubberstamp for the executive branch to a more influential institution, involved in policy making and budget oversight. The law was also clearly stipulated transparency as a principle in financial management.

The power of the parliament in the budget-making process has caused many members to become deeply involved in the management of state resources. The members found themselves entangled in detailed budget discussions. The line ministries are required to submit a detailed budget and work plan, which is unusual in a presidential system.³⁴ In addition, their plans must be compared with other OECD countries.³⁵ . The Executive’s Budget Proposal must be approved by the parliament in detail, by organizational unit, functions, programs, activities, and economic types of expenditure. When members have to spend so much time on budgetary matters, they tend to use the budget to favor

³³ See newspaper article in Indonesian: <http://nasional.kompas.com/read/2013/09/16/1724195/Dalam.5.Tahun.Berturut.turut.DPR.Berpredikat.Lembaga.Terkorup>

³⁴ Juwono and Eckardt, p. 302.

³⁵ Jón Blöndal, Ian Hawkesworth, and Hyun Deok Choi, “Budgeting in Indonesia,” *OECD Journal on Budgeting* 9 (2009): 30, available at: http://www.keepeek.com/Digital-Asset-Management/oeecd/governance/budgeting-in-indonesia_budget-9-5ks72wv89p48-.WXnLn8aZn2U.

their constituencies. Juwono and Eckardt point out that there are currently 130 programs and 19,945 spending agencies that should be scrutinized.³⁶

This situation brought corruption to the public's attention, and the characters involved fostered negative sentiments, even toward some of those in parliament who had previously promised to fight corruption. In 2013 several prominent CSOs focused on fighting corruption and budget advocacy, such as FITRA, Indonesia Corruption Watch, the Indonesian Legal Aid Institute, the Indonesia Budget Centre, and several others, filed judicial challenges to parliament's detailed budget scrutiny powers. This coalition asserted that the involvement of the parliament in the budget-related corruption had occurred because of parliament's role in examining the budget in detail.

In 2014 the Constitutional Court removed parliament's authority to scrutinize the budget proposal in such detail and reinforced the parliament's role in offering strategic feedback and modifications during the budget deliberation process. From the executive branch, this ruling marked an improvement because the domain between the executive and the parliament in the budget process was made clear.³⁷ From the parliament side, however, came some disagreement with the decision. The budget power of parliament has become meaningless, according to budget committee member Dr. Elviana who stated: "The Constitutional Court's decision was a disaster. Currently, there are so many budget allocations that are unclear. Who would provide oversight of the executive, if not us?"³⁸

Indeed, the Constitutional Court decision reduced the opportunity for members of parliament to engage in budgetary corruption and enabled them to focus on budget policy. However, the decision has caused the budget information to become less detailed. Beginning with the 2014 budget, an economic classification that consisted of salaries, goods and services, transfers, other current and capital expenditures, was not displayed in the Executive Budget Proposal or in the Enacted Budget. As a result, Indonesia's OBI score for the Executive Budget Proposal and for the Enacted Budget fell in 2015.

CSOs and budget advocacy. Budget advocacy by civil society in Indonesia began with the start of the democratic era in 1998. For example, FITRA was established in late 1999 with seven members at the subnational level. Since the reform of public finances began in 2005, CSOs that track the budget have flourished; more than 100 CSOs were engaged in at least some form of budget work across Indonesia in 2009.³⁹ Recently, the extent of budget work by CSOs has fallen off, as the development partners who supported budget work have reduced their involvement. That is, because much of the budget work of CSOs at the local level was driven by donor agendas, there was not a great deal of

³⁶ Juwono and Eckardt, p. 302.

³⁷ Interview with Kunta Wibawa, Director of the Budget Formulation, Ministry of Finance, 28 July 2015.

³⁸ Interview with Dr. Elviana, 29 September 2015.

³⁹ Debbie Budlender and Hana A. Satriyo, "Indonesia: A Civil Society Budget Movement," *Budget Brief No. 6* (Washington, D.C.: International Budget Partnership, 2009).

capacity for funding sustainability. However, some of the budget work of CSOs with good national networks, such as FITRA, Indonesia Corruption Watch, the Centre for Regional Information and Studies, and Transparency International Indonesia, is still being carried out.

The work of CSOs to improve budget transparency, especially in increasing Indonesia's OBI score, can be seen in FITRA's work in collaboration with OGI and GIFT. FITRA provided technical assistance on what the government needed to do to increase Indonesia's OBI score in 2012. FITRA also criticized the slow implementation of the 2012 and 2013 budgets, and pushed the government to release In-Year Reports. The government responded by forming a team known as TEPPA (Tim Evaluasi Percepatan Penyerapan Anggaran) that included the Ministry of Finance, UKP4, and the audit agency (Badan Pengawas Keuangan dan Pembantuan, BPKP), tasked with evaluating the situation and accelerating budget disbursements. The TEPPA began to release quarterly In-Year Reports, which allowed the public to review expenditure by line ministry, an improvement that was reflected in the 2015 OBS.

Nevertheless, there are several problems related to the roles of CSOs in budget transparency. First, both the number and capacity of the CSOs that focus on budget work is limited, at both central and local government levels. This means that there is limited pressure on the government to ensure the sustainability of fiscal openness. Indeed, some NGOs did not have enough technical capacity to do assistance work or even to deliver substantial criticism.⁴⁰

Second, budget transparency advocacy in Indonesia is largely confrontational in nature. Much the budget advocacy work being done focuses on inefficient spending and is seen as confrontational by members of parliament because it fails to take account of influential and relevant players in budget debates and the government's policy agenda. An example of a different approach might be for CSOs to combine President Joko Widodo's priority of developing public infrastructure with a budget transparency agenda, so that the President might adopt budget transparency as a prerequisite for successful infrastructure development.

Third, CSO work on budget transparency is still an elitist movement. It has not reached the level of citizen participation needed for a mass movement for fiscal openness. Moreover, the momentum of the FOI law cannot become a social movement to increase the demand for budget transparency until more citizens get behind it.

⁴⁰ Interview with Dinar, OGI Secretariat, 15 November 2016.

CONCLUSION

Without doubt, the impetus for budget reform in Indonesia grew out of the political and economic crisis that occurred in 1998. The legal framework that underpinned subsequent reforms also generated bureaucratic reform in the budgetary institutions. However, the changes were driven by international financial institutions that required budgetary reform as part of the conditions attached to loan programs. As such, these reforms lacked sustainability, focused too much on technical issues, and tended to ignore political economy issues. This work also lacked a connection between capacity building from within the nation and advocacy from outside by CSOs. Consequently, the budget transparency reforms had little political support beyond the end of loan project. .

Since then, the reorganization and restructuring of the Ministry of Finance generated a new unit that produces key budget documents and has led the budget transparency initiative. However, the bureaucratic reform that began since 2007 has not yet shifted the mindset or behavior of many civil servants with regard to budget transparency. The fragmentation of budget transparency responsibilities within the internal bureaucracy of the Ministry of Finance has also created organizational barriers to the sustainability of fiscal transparency. .

In the shifting political landscape of Indonesia, as the legislative branch gained new power to scrutinize budget proposals, the lack of effective “checks and balances” fostered corruption. In turn, the abuse of parliament’s budgetary power triggered a reduction in parliamentary power and less detail in budgetary information being published.

Moreover, the lack of pressure from CSOs for fiscal disclosure has created a bottleneck within the bureaucracy, and nearly all government initiatives to improve fiscal openness face obstacles within bureaucratic structure. However, the CSOs, in collaboration with global initiatives such as OGP and GIFT, have provided greater opportunity for sustainable improvements in transparency, though this opportunity remains vulnerable to regime changes and the lack of commitment of the bureaucracy at the upper level.

One effort that could improve the level of budget transparency is the adoption of a transparency initiative in the performance agreement of Directorate of Budget Formulation, as was presented by the vice minister of finance at the GIFT meeting in Washington D.C. in June 2017. This initiative will also need to be endorsed throughout the Ministry of Finance, so that it does not become the responsibility of the Directorate of Budget Formulation alone. A focus on capacity building throughout the bureaucracy with the aim of increasing budget transparency and encouraging collaboration with CSOs would seem to be an effective strategy for achieving sustainability of budget transparency.