

Parliamentary Indicators

Indonesia

House of Representatives (DPR)

House of Regional Representatives (DPD)

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I Level and range of activity

1. Where parliament consists of two chambers, do both play a role in the budget process?

Yes, but only one chamber has the power to pass the budget.

The principal legislative body in Indonesia is the House of Representatives (Dewan Perwakilan Rakyat- DPR) which has existed in various forms since the country's independence in the 1940s. But recent constitutional reforms led to the establishment of a second chamber in 2004, the House of Regional Representatives (Dewan Perwakilan Daerah – DPD), which is intended to be a channel for input into the political process on issues related to the country's regions. The House of Representatives (DPR) has the power to draft and pass legislation and to oversee executive government, while the House of Regional Representatives (DPD) has only advisory powers related to legislation on regional matters and the oversight of executive government. The DPD can draft bills for the consideration of the DPR, but it has no independent legislative authority. The DPD is not an “upper” house in that it has no power to review legislation passed by the DPR. Thus although Indonesia has two parliamentary chambers, it cannot be considered to have a bicameral parliament as that term is conventionally understood.

Both chambers play a role in the budget process but the main powers in the formulation and implementation of the budget are held by the DPR. The DPR is responsible for passing the budget bill and for overseeing its implementation by executive government. The powers of the DPD, like all its powers, are advisory. The DPD has the authority to give its “opinions” to the DPR on bills on the State Budget, but the DPR is under no constitutional obligation to accept those opinions or, indeed, even to give them consideration. The DPD also has the authority to oversee the implementation of the budget, but the results of its investigations take the form of material for the “consideration” of the DPR.

2. Are there procedures in place to resolve differences between the two chambers when they occur?

No, because the powers of the DPD are not sufficient to create the need for such procedures.

If the DPD were to give its opinions to the DPR on the formulation of the budget or provided material to the DPR on its oversight of budget implementation, either of which was unpalatable to the DPR, the DPR would be in an unassailable constitutional position to give only formal ceremonial consideration to the input from the DPD. The practices of empty political ritual are still alive in Indonesian political culture, despite the arrival of democracy.

The options available to the DPD in such circumstances would be limited. Given the traditions of closed-door deal-making that continue to characterise Indonesian politics even since the end of authoritarian rule in 1998, the first recourse would probably be to private lobbying.¹ This would almost certainly take the form of attempts by the Leadership of the DPD (the Speaker and Deputy Speakers) and/or the Leadership of the relevant DPD committee (the Chair and Deputy Chairs) or to meet with their counterparts in the DPR and privately persuade them to change the DPR position. The only other course of action would be to criticise the DPR publicly and to launch a media campaign to try to influence the DPR through public exposure and embarrassment. The DPD does not have constitutional powers to act as a veto player in the budget process and, in the case of disagreement with the DPR, the DPD can only influence decisions politically.

Because the DPD is such a new and relatively powerless chamber, there has not yet been a case of a major difference between the DPR and DPD. Because the relative constitutional powers of the two chambers are so unbalanced, there is no need for a formal procedure to resolve differences between them. And because the DPD has not yet been able to influence decisions in the DPR through the political process, either privately or through public action, no informal conventions or understandings have grown up between the two chambers to overcome differences of opinion.

3. Does serious, substantive debate about the overall budget take place in parliament?

Yes. The constitutional powers of the parliament are extensive in theory and practice, but their exercise is limited by historical legacies, the inexperience of Members and by the financial, human resources and procedural deficiencies of the parliament as an institution.

Indonesia has a presidential system with a strong separation of powers between the executive and legislative branches of government. For most of its post-independence history Indonesia operated under the original version of the constitution drafted in 1945. This provided for an extremely powerful executive president and for a quite weak legislature. In any case, formal constitutional provisions meant little in practice because, from the late 1950s onwards, the country was governed by authoritarian regimes where the legislature merely rubber-stamped executive decisions. The parliament, elected through stage-managed elections, was used to create a veneer of popular legitimacy and participation. Parliament was also useful for the regime to co-opt influential figures and potential critics into a system of perquisites, rent-seeking and privileged access to state and private resources.

Up until the recent past, therefore, the Indonesian parliament played no substantive role in the budget process. The budget bills were drafted by executive government ministries

¹ It is interesting to note that the Indonesian word “*lobi*” is almost always used to connote private influence and deal-making, without the additional connotations of public pressure that the word has in English.

and, like all legislation, were passed by the DPR as a matter of course. The details of the budget were often scrutinised with great interest by individual DPR Members, but mainly out of personal financial interest in the contracts and favourable concessions to be obtained from routine ministerial expenditure, development projects and state-owned corporations.

The country has only relatively recently emerged from these political realities. The polity as a whole has undergone huge changes since the fall of the Soeharto regime in 1998 and, in terms of its new legitimacy and powers, the parliament has probably been the greatest beneficiary of those changes. The first democratic parliamentary elections for four decades took place in 1999. This gave the DPR a new sense of legitimacy and purpose and made it a newly important institution in the political process. The parliament's assertiveness was reflected in its removal from office of the then President, Abdurrahman Wahid in 2001². The second democratic parliamentary election was held in 2004 and, as a result of constitutional reforms that introduced direct popular election for the president, was followed later that year by presidential elections. The constitutional reforms also gave more explicit legislative powers to the DPR³ and gave it a role in the appointment of a range of state officials, including members of the independent audit agency, the supreme court, constitutional court and judicial commission, as well as Indonesian ambassadors and foreign ambassadors to Indonesia (Sherlock 2007). The new assembly to represent the regions, the DPD, was also created under the constitutional reforms and was elected for the first time in 2004 (Sherlock 2005).

The parliament is now in a strong position to debate and review the budget, both in terms of constitutional power and popular legitimacy. The constitutional reforms, particularly direct election of the president, have cleared the way for the emergence of the strong separation of powers between the branches of government and the highly independent legislature characteristic of presidential systems. The parliament has the potential to be an extremely powerful institution in Indonesian politics and we are likely to see the budget process being increasingly marked by negotiations with the executive. Each year since 1999 has seen a greater level of substantive debate in the DPR on the budget. The DPD has also involved itself in debate on the budget since 2005.

The effective quality of that debate, however, has been limited by a number of problems. First of all, proceedings within the DPR still bear the marks of forty years of authoritarianism. The parliament continues to grapple with the effects of having been a rubber-stamp legislature for so long. It is still in the process of developing its institutional strengths and the procedures and practices of a democratic and accountable body (Sherlock 2003). These problems manifest themselves in problems in relations with

² The DPR's power to appoint and dismiss the President was removed in the constitutional reforms that introduced direct presidential elections.

³ The original text of the 1945 Constitution stated the power to make laws was held by the President, with the consent of the DPR. The reformed Constitution states that the power to make laws is held by the DPR, but that a bill cannot be passed unless there is "joint agreement" on the bill by both the DPR and the President. The President therefore has a very powerful effective veto that can be exercised to prevent any bill from being passed by the DPR, even though he/she does not have the kind of formal legislative veto power held by the US President.

executive government, the inexperience and low level of technical knowledge of the great majority of Members, cumbersome and opaque decision-making and organisational procedures (especially poorly developed standing orders), insufficient expert assistance and high levels of corruption and rent-seeking behaviour.

The problem of relations with executive government originates from the fact that government ministries, particularly at the senior official level, have still not completely adjusted to the ending of the executive's monopoly on policy-making. Under the old regime, government ministries drafted all legislation, including the budget, and imbedded most policy in regulations that did not require parliamentary approval. The budget was expected to be passed by the DPR without question. It was therefore not necessary to provide anything more than the most cursory and formulaic supporting information on the budget, such as explanation of the policy objectives of any particular expenditure. Appearances before the DPR by ministers, officials and military figures were ritualistic and did not have the character of dialogues but of one-way instructions.

Despite great progress in the reform of government since 1998, government ministries continue to exhibit a culture of inwardness and lack of accountability. Ministers and officials now expend a lot of time meeting with their counterpart committees in the DPR, fielding verbal questions from legislators. But there is still a reluctance to provide full policy rationale for budget initiatives in a written form which is both comprehensive and easily comprehensible for non-expert readers in the parliament. Legislators are presented with complex technical documents that have little in the way of explanatory material. Both the DPR and the DPD encounter the problem equally.

The issue is, of course, exacerbated by the fact that the great majority of parliamentarians are new and inexperienced. Seventy-six per cent of DPR Members were elected for the first time in 2004. Apart from a handful of former ministers and some former members of the People's Consultative Council (MPR)⁴, the Members of the DPD are novices in parliament. Most DPR and DPD Members have little background in parliamentary politics generally and both chambers have very few Members with expertise in subjects such as economics, fiscal management, financial administration, accounting procedures or policy analysis.

Legislators throughout the world, even those with a rich store of experience behind them, cannot be expected to master the technical intricacies of all matters on which they are asked to make informed decisions. Apart from needing extensive background material from their counterparts in executive government, they also need good sources of in-house information, analysis and advice. This is particularly the case in legislatures within a presidential system where debate on the budget often involves detailed and micro-level

⁴ The People's Consultative Council (*Majelis Permusyawarahan Rakyat* – MPR) is an assembly that was in theory the highest organ of state under the original version of the 1945 constitution. Its formal roles were to set the framework for state policy and to elect the President. In reality it was as subordinate to the President as were all institutions of state under Indonesia's authoritarian regimes. Following the constitutional reforms, its formal powers have been largely eliminated. It is now composed of the Members of the DPR and the DPD and its main power is to amend the constitution.

horse-trading between the two branches of government. The US Congress, for example, has a Congressional Budget Office staffed with highly qualified specialist advisers who provide budget analysis and modelling for the exclusive use of Congressmen and women.

Neither the DPR nor the DPD have the standard of expert back-up that matches the level of their formal power. One of the many legacies of the old order is that the parliament does not have financial or administrative independence from the executive. The secretariats are largely made up of administrative staff, with few qualified professionals. The human resources that do exist are badly organised and managed. Parliamentary administration is tied to the inefficiencies and obstructionism of a civil service that is riven by patrimonialism and corruption. In recent years, efforts have been made to increase human resources in the two chambers and to provide specialist advisers to the committees involved in the budget process. Such reforms have begun to improve the quality of budget debate a little, but the situation will not change substantially until the parliament gains independent control of its own resources, in the context of thorough-going reforms to the recruitment, supervision and management of staff.

A further limitation to the quality of budget debate is that the parliament has not made many reforms to the internal organs and procedures that it inherited from the era of authoritarianism. Decision-making is dominated by a system of collective leadership groups that control the positions in the Leadership of the House (Speaker and Deputy Speaker) and the Chairs of the various committees and party caucuses (*Fraksi*). Decisions are not made by open votes but by so-called consensus (*mufakat*) where agreement is reached in private meetings amongst the leaders and communicated to ordinary Members. Consensus is said to be reached if there are no dissenting voices, as there virtually never are.

The daily workings of the parliament are characterised by, on the one hand, rule-bound formality in public, but on the other hand, frequent recourse to highly personalised interaction between leading figures behind closed doors. Independent initiative by individual Members or dissenting parties who do not control leading positions is very difficult. It is prevented by formality in public forums and by control over access to private meetings where the real decisions are made.⁵

Decision-making by “consensus” rather than by open votes both limits transparency and accountability and can be very inefficient. The process by which party leaders reach their decisions is opaque and undocumented and it is impossible for dissenters to have their opinions recorded. It can also be very slow because each party has an effective veto. Decisions tend to be repeatedly postponed and individual parties can bring decision-making to a halt by simply not attending meetings. For example, during 2006 and 2007 the DPR deliberated on a very controversial bill on the control of pornography. One

⁵ Media coverage of the parliament, particularly plenary sessions, often gives a lot of attention to interjections by individual Members (*interupsi*), thus creating the impression of rowdy debate. The reality is that these interjections rarely change the course of proceedings or, crucially, the final decision. They have become a standard way for Members to build their public profile.

party, PDIP,⁶ strongly disagreed with the bill and used the tactic of not attending meetings so as to prevent further discussion.

In the case of the DPD, decision-making is also marked by similar practices. The problem in this chamber is further complicated by the fact that all DPD Members must be elected on an individual non-party basis. There are no *Fraksi* groupings or leaders to facilitate discussion and resolution. With each of the 128 Members acting according to their own individual ideas and inclinations, the DPD tends to operate as if there were 128 different parties in the chamber.

One of the results of these procedural issues in the two chambers is that complex questions of policy embedded in bills are difficult to resolve. Large questions of principle can be more readily agreed upon, but the details of implementation can become intractable. In the case of the budget debate, there is a marked tendency for discussion to focus either on general economic assumptions and broad-brush approaches, or on the minute detail of individual projects. The level of detail in between is frequently neglected. This issue will be examined more closely in a later section of the paper.

4. Is there parliamentary input at all stages in the budget process, including before the government presents its detailed spending and revenue proposals in parliament?

Yes. There is parliamentary input in all stages of the budget process, including before detailed proposals are presented, but the quality of input varies considerably according to the different stages.

The parliament's role in the budget process is the responsibility of a number of committees. As will all other bills, decisions about the budget bills are made in committee meetings, not in plenary sessions. Plenary sessions are reserved for mainly ceremonial and procedural formalities. With a tiny number of exceptions aside, no significant issues have ever been resolved in a plenary session.

The DPR has a structure of eleven standing committees called Commissions (*Komisi*), which are the basic working organs of the parliament. Each has responsibility for a number of policy areas and a number of counterpart or partner agencies (*Mitra Kerja*) in executive government.

The Commissions are as follows:

Commission	Policy Responsibility	Executive Government Partner Agencies
I	Foreign Affairs, Defence,	Min of Foreign Affairs, Min of

⁶ Democratic Party of Indonesia – Struggle (Partai Demokrasi Indonesia – Perjuangan (PDIP)) is the party of former President Megawati Sukarnoputri and the second largest party in the DPR.

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II	Home Affairs, Regional Autonomy, State Apparatuses, Land Issues	Min of Home Affairs, State Min of Administrative Reform, Nat Land Agency, State Secretariat, Cabinet Secretariat, Nat Civil Service Agency
III	Law, Human Rights, Security	Min of Law & Human Rights, Attorney General, Nat Police, Corruption Eradication Commission, Judicial Commission
IV	Agriculture, Forestry, Fisheries, Food	Min of Agriculture, Min of Forestry, Min of Sea & Fisheries, Logistic Affairs Agency, Nat Maritime Agency
V	Transportation, Telecommunication, General Works, People's Housing, Rural Development, Less-Developed Regions	Min of Public Works, Min of Transportation, Min of People's Housing, State Min of Less-Developed Regions
VI	Industry, Trade, Cooperatives/Small & Medium Enterprise, State-Owned Companies, Investments, National Standardisation	Min of Industry, Min of Trade, State Min of Cooperatives/Small & Medium Enterprises, State Min of State-Owned Enterprises, Investment Coordination Agency
VII	Energy, Mining, Research & Technology, Environment	Min of Energy, Natural Resources & Minerals, State Min of Research & Technology, State Min of Environment
VIII	Religion, Social Issues, Women's Empowerment.	Min of Religion, Min of Social Affairs, State Min of Women's Empowerment
IX	Demography, Health, Labour, Transmigration	Min of Health, Min of Labour & Transmigration
X	Education, Youth, Sport, Tourism,	Min of Education, State Min of

	Art & Culture	Youth & Sport, State Min of Culture & Tourism
XI	Finance, National Development Planning, Non-Bank Financial Institutions	Min of Finance, State Min of National Development Planning, Bank of Indonesia

Each DPR Member is a member of one and only one Commission and most Members tend to focus almost all their attention on the work of their own Commission. This arrangement does foster the kind of specialisation and division of labour that is usually considered to be the objective of parliamentary committees. But because plenary sessions are such a peripheral part of the work of the DPR and all important decisions are made in committee, the result is that the DPR has a quite “balkanised” structure with many Members sometimes being barely aware in any detail of the issues being discussed in Commissions other than their own.

In the case of bills where it is considered that the subject crosses the boundaries of the sectoral Commissions, a Special Committee (*Panitia Khusus* or *Pansus*) will be formed out of the Members of two or more Commissions.⁷ Because the budget bills involve all areas of government, they are the responsibility of a Budget Committee (*Panitia Anggaran*) that, like a Special Committee, is formed out of the Members of the Commissions, in this case from each Commission in equal numbers. The budget for the DPR itself is part of the national budget and is the responsibility of the House Affairs Council (*Badan Urusan Rumah Tangga*), which is also made up of Members from each of the Commissions.

The budget process is set out in the Law on State Finances (Law 17/2003), with the role of the DPR described in Articles 12 to 15. The budget process has three main stages, the formulation of the government work plan (RKP) and fiscal framework (Art.13), the preliminary discussions on ministerial budgets (Art.14) and the formulation of the budget bill itself (Art.15), all of which involve input from the DPR.

In stage one, the executive formulates its work plan, core fiscal policies and macroeconomic framework and must submit these to the DPR by not later than mid-May of the current year. Formal submission takes place at a working meeting (*Rapat Kerja* or *Raker*) of the Budget Committee and the Minister of Finance, Minister of Taxation, Head of the National Planning Agency (*Bappenas*) and the Governor of the Bank of Indonesia.

After formal submission, discussions on the basic assumptions of the budget take place at working meetings between Commission VII and its working partner, the National Planning Agency, and Commission XI and its partners, the Ministers of Finance and Taxation and the Governor of the Bank of Indonesia. This meeting determines the key

⁷ It has also been observed that Commissions will often argue for their involvement in the deliberations on a particular bill because of reasons that have more to do with perceived pecuniary opportunities that might accrue from their involvement, rather than from a need created by a policy interest.

basic assumptions such as projections of economic growth, exchange rates and the price of oil. Two sub-committees or working committees (*Panitia Kerja* or *Panja*) of the Budget Committee, one on to examine the fiscal policy and macroeconomic framework and the other to examine the government work plan, then proceed to examine their respective areas. After about ten days the Budget Committee meets with its counterpart Ministers and Heads and decides on the general budget policies and priorities which serve as reference for each government agency in preparing their budget estimates.

In stage two, during June and July, each of the Commissions meets with its partner agencies to discuss their work plans and budgets. This takes the form, firstly, of a series of working meetings in mid-June on the indicative budget ceilings that are, in theory at least, based on the scale of priorities. The scale of priorities is actually little more than a list of general government objectives on issues of economic and social development. Despite the name, there is limited prioritisation. In the last part of June, two working committees of the Budget Committee meet, one on the central government and the other on regional governments. The results of these working committees' deliberations are taken to a working meeting of the Budget Committee and the Minister of Finance in early July. This meeting produces a series of provisional ceilings (*pagu sementara*) for programs and ministries which are used by the Finance Ministry to draft annual ministerial workplans and budgets (RKA-KL). These ceilings are then further discussed in early July in working meetings of the Commissions and their counterparts. The end result of these two months of deliberation between the DPR Commissions and their partner agencies is an annual budget request template which sets the framework and limits for the budget bids by each institution of executive government.

There is thus considerable parliamentary input into the budget before detailed proposals are put forward by the government. The DPR's involvement at this stage of the process is a new feature introduced as a result of the passing of the new law on state finances in 2003. It has greatly increased the number and length of parliamentary hearings and interventions (Juwono, Eckardt 2007)

In stage three, the government formally submits the draft budget law to DPR plenary session at the beginning of August, with the President presenting a Budget Speech. The detailed ministerial workplans and budgets are submitted as an annexe to the draft budget bill. A further plenary session is convened a week later when the party *Fraksi* in the DPR are given the opportunity to put forward their formal response to the draft budget. This in turn receives a formal response from the government in another plenary session a week later. The DPR has to make a decision on the budget bill not later than two months before the start of the new fiscal year.

With the formalities completed by mid-August, the budget then passes through a series of internal deliberations by the Budget Committee and the Commissions and working meetings with their executive government counterparts. First of all, Commissions VII and XI once again hold a preliminary discussion on the macroeconomic assumptions with their partner agencies, before they are passed onto the Budget Committee for an initial working meeting with the Minister of Finance and the Governor of the Bank of

Indonesia. Two working committees of the Budget Committee, one on the macroeconomic assumptions and one on fiscal policy, then deliberate internally during the final week of August before presenting their conclusions to the Budget Committee in time for a working meeting of the Committee with the Minister of Finance and the Governor of the Bank of Indonesia at the beginning of September. This meeting finalises the macroeconomic assumptions and fiscal policy framework.

During September, deliberations move on to a discussion of the workplans and budget of government agencies. In the first half of September this involves working meetings between the Commissions and their counterparts, the results of which are passed onto the Budget Committee in mid-September. Two working committees of the Budget Committee, one on the central government and one on the regional governments, then examine their respective areas before the results are submitted to an internal meeting of the Budget Committee at the beginning of October, which in turn presents to findings to the Minister of Finance at a working meeting.

The last steps in this third stage of budget deliberations take the form of final working meetings between the Commissions and their counterparts on the workplans and budgets of executive agencies, the results of which are submitted to the Budget Committee in early October for submission to the Minister of Finance. The DPR's role in the formulation of the budget then culminates in a plenary session. In the plenary, the Budget Committee formally presents the results of the DPR deliberations on the budget bill, followed by the presentation of final opinions by the party *Fraksi* and the Minister of Finance. The budget bill then becomes law after its signature by the President. The final part of the year is taken up by the preparation of the budget implementation documents by executive government.

If the DPR were to fail to approve the budget bill, the constitution provides that the government shall implement the budget of the previous year (Article 23). The law of state finances states that, in such circumstances, the government may continue to incur expenditure up to a maximum amount of the previous year's budget (Article 16).

5. Does parliament scrutinize the economic models used to develop medium term expenditure frameworks?

No, because the government does not develop medium term expenditure frameworks.

The budget bill is focused on expenditure in the coming year only and does not give any indication of future years' commitments. The economic models are used only to make projections of future revenue and expenditure for the coming year.

The scrutiny of the macroeconomic assumptions behind the budget that take place in Commissions VII and XI and in the Budget Committee tend to concentrate on the actual figures rather than on the economic models that are used to arrive at the figures. The deliberations on these figures often assume the character of bargaining sessions between the DPR and the government and indeed amongst government agencies as well. The

Bank of Indonesia, for example, is traditionally the most conservative in its projections on economic fundamentals. The end result that comes out of the DPR hearings are thus often a compromise between a number of competing bids.

6. Does parliament review monetary policy as it relates to the budget framework?

No. Monetary policy does not feature in the examination of the macroeconomic assumptions that takes place in the parliament.

7. Does parliament review and debate the PRSP before final adoption by the government and presentation to international financial institutions?

No. Indonesia does not participate directly in the PRSP process. Indonesia has a long history of economic development planning and, under the Soeharto regime, the five-year development plans were powerful instruments of economic and social policy. The National Development Planning Agency (*Bappenas*) was likewise a very powerful agency staffed with well-qualified professionals. Since 1998, the role of development planning has diminished and the power of *Bappenas* has been reduced accordingly. Nevertheless, the government still accords importance to development planning and the PRSP is subsumed into the government's plan.

The annual plan is reviewed by the DPR, but only after it has already been adopted by the government.

II Openness and Transparency

1. Are exchanges between MPs and Ministers regarding the budget open and public?

Direct exchanges between parliamentarians and ministers regarding the budget are rarely open and public.

Exchanges that occur in committee meetings are public, but other communication between the two sides takes place behind closed doors. If the President or ministers were to meet with DPR or DPD Members, they would usually meet privately with the possibility of a press conference afterwards. As mentioned in Indicator II/6, government and DPR/DPD press conferences are quite staid and controlled events, compared to the lively questioning that takes place in other democratic countries. Many conferences do not provide opportunities for question-and-answer, and if they do, the majority of Indonesian journalists are ill-prepared or unwilling to use the opportunity to the full. For their part, leading Indonesian politicians frequently resort to obviously evasive answers or to simple refusal to answer. Again, while this practice would not be tolerated by the media in most countries, it continues to go largely unchallenged in Indonesia.

2. Are parliamentary committee meetings open to the public and the media?

Some committee meetings are open to the public and media and others are closed.

Generally speaking, working meetings between the DPR, DPD and government counterparts are open to the public and the media. The major exception is meetings discussing issues of national security. Such meetings are usually closed, even though security-classified information may not necessarily be under discussion. Some Indonesian commentators have raised the criticism that the justification of national security is used too often to close meetings that are merely politically awkward for one or both of the sides involved.

Other committee meetings, such as plenary meetings of the Budget Committee, meetings of working committees of the Budget Committee or Commission meetings, are rarely open to the public. When the committees do consult with outside technical experts, the meetings take place privately.

3. Do parliamentarians participate openly and independently in the priority setting stage of the budget process?

No. Priority setting is undertaken in executive government ministries, with minimal parliamentary involvement.

4. Does parliament receive timely information from internal audits conducted by the government?

No. Internal audits the responsibility of a separate audit agency (BKPK) which reports to the President. This agency (as noted in Indicator II/5) was established to circumvent and duplicate the authority of the independent audit agency (BPK). Audits by BKPK are not shared with parliament. Each ministry also has an Inspectorate General, whose work is overseen by BKPK. They do not report to parliament.

5. Do independent auditors (e.g. Auditor General) report to parliament? Are their reports timely, informative and independent?

The Supreme Audit Agency (BPK) is overseen by the DPR in two ways. The Members of the Agency are chosen by the DPR and the results of investigations undertaken by the BPK are submitted to the DPR.

There are significant systemic weaknesses in the BPK which influence the quality of its investigations and reports. According to the original version of the 1945 Constitution, the Agency was at the same level in the hierarchy of state institutions as the President and the DPR. But in reality all state organs were subordinate to the President. Just as the DPR suffers from this legacy, BPK is still in the process of building up the institutional capacity to operate effectively in a democratic environment (ADB 2007 p.10). Its operational procedures are outmoded and its human resources management suffers from the same weaknesses as the DPR and the rest of the Indonesian civil service.

A particular legacy of the old regime is that the internal audit agency (BKPK) was provided with far greater resources than BPK because the BPPK reported to the President, while the BPK's independent constitutional status was seen as a potential source of criticism to the government. The legislation of the time created unclear delineation of authority between the two agencies. While efforts have been made to strengthen BPK, it is still comparatively under-resourced and unable to fully execute its mandate.

BPK reports are now independent in the sense of being free from the direct and indirect government intervention that used to occur under the old regime. But the Agency does not have the resources to produce timely audits on all the ministries and government bodies for which it is responsible. The number of institutions it has to audit has been greatly increased, but its funding and human resources have not been boosted commensurately. BPK reports are also not well-presented and remain difficult for laypeople to understand. They provide little qualitative assessment and are composed mainly of general matrices documenting potential loss to the state from the total number of financial irregularities in a particular agency. The great majority of BPK reports are still traditional financial audits and the Agency is still in the process of building its capacity to undertake efficiency or policy audits (ADB 2007, p.72).

The recent constitutional reforms empowered the DPR to examine the results of the BPK's audit investigations (Section 23E (2)). The DPR therefore receives copies of all audit reports produced by the BPK. These take the form of six-monthly financial reports of government as a whole and individual audits of particular agencies. The reports are sent to the DPR Leadership for presentation to a DPR plenary session. The reports are then distributed to the Commission that has responsibility for the particular government agency in question, for analysis and review by that Commission. For example, reports on the Ministries of Defence and Foreign Affairs will be handled by Commission I. The Chair and Deputy Chairs of the Commission determine the program for the Commission and will decide on a time for a session to discuss the BPK report, fitting it into the wider schedule of meetings for the Commission.

The content of BPK reports is discussed in working groups of each Commission. The working group will hold a meeting with the specific agenda of discussing a BPK report. The meeting will normally include a session of discussion with the counterpart government agency examined in the report, with questions put to government representatives by the Commission Members. Government representatives will either respond to the questions on the spot or will request time to provide an answer at a later meeting. The DPR has appointed a few new staff to assist in the analysis of BPK reports, but its ability to attract highly-qualified staff is hampered by rigid recruitment and human resources management procedures.

Questions arising from BPK reports may themselves become major issues of public and political importance, or they may feed into the DPR's wider questioning of the government over affairs that are receiving widespread media and public attention. Apart from questioning government representatives, DPR Members may use the information

provided by BPK reports to issue media statements and as background information to strengthen their overall activities as legislators.

The follow-up on DPR's questioning of matters raised in BPK reports is weak. In general terms, of course, the government's responsiveness to probing by the DPR is influenced by the government's perception of the political appropriateness of any reply. But it appears that many questions to government agencies are not fully responded to and that DPR Members tend to become too preoccupied with the controversy on today's front page to be able to insist on a reply to questions about yesterday's affairs. The government may promise to provide a response to Commission Members' questions at a later meeting, but if the meeting is held weeks or months later both public and DPR interest in the issue may well have disappeared.

In line with its generally weak powers, the DPD has only a secondary role in overseeing the work of BPK. The appointment of the Members of the Agency is the responsibility of the DPR, while "taking note of the opinions" of the DPD.⁸ The DPD also receives the reports of BPK in its areas of regional responsibility, but its powers to act independently on those reports is limited by the fact that its views take the form of material for the consideration of the DPR. The observations above about the limited capacity of DPR Members to absorb and make effective use of BPK reports, as well as the problem of lack of follow-up on issues raised, applies equally or even more to the DPD.

A major indicator of the problem facing an independent auditor in Indonesia and the limitations of parliamentary oversight is the fact that, for the last six years, the BPK has issued a disclaimer on its report on central government finances stating that it could not guarantee the accuracy of the information because of the poor quality of accounting practices within government ministries. This fact was highlighted by the Chair of BPK in his report to the DPR and was widely reported in the media.⁹ The DPR therefore became an important avenue for the BPK to make its concerns known, but apart from various statements from leading DPR Members, the parliament has not taken up this issue in a concerted way.

6. Do the media provide full and informative coverage of the parliamentary budget debate?

There is media coverage of parliamentary activities, but there are problems with its comprehensiveness and quality.

There is a lively media scene in Indonesia, but the quality of media coverage of politics is generally low. Television is the dominant media in both urban and rural areas and radio is influential in remote areas. The print media have quite low circulations, especially "quality" newspapers and newsmagazines. Most media content centres on gossip,

⁸ Article 23F of the Constitution: "*Anggota Badan Pemeriksa Keuangan dipilih oleh Dewan Perwakilan Rakyat dengan memperhatikan pertimbangan Dewan Perwakilan Daerah...*"

⁹ See for example *Jakarta Post* editorial, 9 October 2006.

scandal, crime, lifestyle, popular music and soap operas and has a generally sensational approach to news.

There is a serious problem with the lack of a journalistic profession in the country. Apart from a few “quality” publications, most media outlets pay their journalists a minimal salary and expect them to earn a living from “envelopes” distributed by private business interest, government agencies and so on who want favourable coverage. The level of education and specialised training amongst journalists is generally poor.

The result of these factors is that coverage of parliamentary activities, including the budget, is superficial, stereotypical and is dominated by coverage of individuals and allegations of corruption and misuse of public resources. There are repetitious stories about the poor performance of the parliament in passing bills, the alleged personal misbehaviour of Members, including their non-attendance at plenary sessions, but little effort is made at analysis of the background to such matters.

In the case of budget debate, most journalists show little interest in the details of budget deliberations. Quite a bit of attention is given to broad issues such as the agreements negotiated between the government and DPR on macroeconomic assumptions, but more detailed coverage tends to be limited to the financial pages of low-circulation “quality” and specialist print publications. In particular, technical issues about the allocation of expenditure to particular policy initiatives attract little coverage. Media attendance at working meetings between the Budget Committee, Commissions and their government partner agencies on ministerial workplans and budgets is scanty. Most journalists will only appear at the end of the meeting when the summary of the conclusions reached at the meeting (*kesimpulan*) is issued. Very few will sit through the course of the discussion.

Many journalists will only attend press conferences held by DPR or government leaders, on the expectation of receiving cash envelopes. Such press conferences are usually quite passive affairs, taking the form of long statements by the convenor, with little or no question-and-answer interaction. The reportage ensuing from the conferences is poor and uninteresting, with column space often filled with extended quotations and lists of names. On other occasions, reporters write stories about their unsuccessful efforts to obtain interviews with leading figures in the DPR.

The heavy concentration on the details of individual projects in parliamentary debate on the budget is also reflected in media coverage. Just as many DPR Members lack the skills necessary to scrutinise the effectiveness of budget proposals at the policy and program level, so there is a lack of such expertise in the media. Therefore a great deal of media coverage is focused either at the macro level or at the level of individual local projects. If regional media outlets have correspondents in Jakarta, they will concentrate on reportage of spending initiatives in their local area.

7. Do the media report fairly on opposition criticisms of the budget?

There is no “opposition” in an official sense in the Indonesian parliament. A number of parties do occasionally claim to be an “opposition” to the government, particularly PDIP (which does not have representation in Cabinet), but there is no consistent attempt to present an alternative view to that of the government. The sense of an organised opposition is so distant from the culture of the parliament that parties do sometimes criticise the government position, even though they themselves hold Cabinet positions.

It is intrinsically difficult, if not impossible, for the DPD to have an opposition because it is composed of individual non-party Members.

If there are criticisms of the budget in either the DPR or the DPD, they are usually reported on in the media. But it has already been noted that media coverage of budget debates is superficial.

8. Does parliament convey information regarding the budget to the regions and districts of the country, including lower levels of government?

No. Communication between the parliament and the regions, including regional government, is hardly developed at all. There are only a few examples of personal initiatives by individual members of parliament.

9. Do parliamentarians inform their constituents about the budget?

No. Interaction between members of parliament and their constituents is extremely limited. Neither the parliament as an institution nor the parties in the parliament have systematic links with constituents. The only examples are the result of individual members' initiative.

III Participation

1. Does parliament ensure public input and participation during the budget process?

No. Public input and participation during the budget process is very limited.

Most consultation with outside sources of opinion takes place in Commission meetings, rather than in the Budget Committee. This takes a number of forms. Commissions regularly hold meetings with interest groups on issues that have budget implications during the normal course of lobbying of the DPR. For example, Commission I, with its responsibility for defence, occupies quite a lot of its time meeting representatives of the military and retired military officers regarding issues of service conditions, salaries, allowances, pensions and so on. These naturally feed into budget deliberations, although they do not necessarily occur as part of the formal review of the budget bills.

Secondly, Commissions consult with outside sources of technical expertise during the budget process. These include universities, think-tanks and research institutions and the

various official and semi-official research and policy agencies such as the Indonesian Institute of Sciences (LIPI). This is the main kind of consultation that seems to be organised in an active and systematic way by the Commissions. Other public input tends to be received on a passive basis by the DPR. If, for example, NGOs or lobby groups want to influence parliamentary deliberations on the budget they must approach Commissions on the basis of written submissions. The Commissions will then decide whether or not to meet in person with representatives of the organisation.

The Budget Committee has a much weaker record in soliciting and receiving public input. It rarely seeks out public participation and has not developed the practice of involving interest groups in its deliberations. This is partly because of the structure of the Committee as special committee rather than as a standing Commission. Public interest groups are more inclined to approach a Commission and hope that their concerns find their way through to the Budget Committee through the Commission's representatives on the Budget Committee.

It is important to note that the "balkanised" structure of the DPR means that Commissions not only tend to work in isolation from each other, but that their internal procedures and processes vary from Commission to Commission. Thus some Commissions have a reputation of being relatively open to public submissions, while others are less active in seeking outside input. The formal processes that the public needs to go through to approach a Commission vary from one to the other.

2. Does parliament ensure that the poor are able to participate when it reviews the government's diagnosis of poverty and setting of priorities?

No. There are no procedures for ensuring the participation of the poor.

3. Does parliament consult the poor in carrying out its evaluations of poverty reduction programs?

No. The parliament does not systematically evaluate poverty reduction programs.

4. Does parliament employ gender analysis in seeking to influence budget priorities?
In monitoring the budget?

No. There are no procedures for gender analysis of budget priorities.

5. Does parliament consult women's groups during the budget process?

No. There is no record of systematic attempts to consult women's groups.

6. Does parliament consult civil society organizations and business in its review of the budget?

There is limited contact between the parliament, CSOs and business groups in the review of the budget. As mentioned in Indicator III/1, there are some meetings with these groups but they are rarely initiated by the parliament.

7. In reviewing the budget, does parliament consult policy experts and utilize their knowledge?

As described in Indicator III/1, there is some consultation with policy experts.

IV Accountability

1. Does parliament have a public accounts committee (PAC) or equivalent that examines past expenditures?

No. There is no equivalent of a public accounts committee.

The eleven Commissions of the DPR and the four Ad-Hoc Committees of the DPD do carry out investigations of past expenditures by calling government ministers to committee hearings. This does not occur as a result of a comprehensive and systematic review of government expenditure, but happens on a case-by-case basis when issues about particular items of expenditure come to the attention of the public and the media.

2. Are measures taken to ensure its independence such as by the appointment of an opposition MP as Chair?

No. The appointment of the Chairs of committees is a highly politicised process.

The politicisation of the appointment of committee Chairs is not a matter of pro-government versus pro-opposition Chairs, because there is no pattern of government-opposition or majority-minority parties in the DPR or the DPD. In the DPR, Chairs and Deputy Chairs are decided by a process of negotiation between the parties' leaderships which leads to a sharing out of chair positions. The factors determining the apportionment of party shares are the parties' respective number of seats in the parliament, combined with the negotiating and deal-making skills of their leaders. The division of chairs thus usually works out as roughly proportional to party representation, but some parties (particularly Golkar) have proved themselves to be particularly adept at negotiating their way into more positions than is strictly warranted by their number of seats. Each committee has one Chair and four Deputy Chairs who, once elected, are expected to operate as a collective leadership, whatever their party differences. This is formally provided for in the DPR Standing Orders. Therefore, because the leadership of each committee is also the outcome of negotiations between the parties within the committee, the five members of the leadership almost always come from different parties.

The leadership of DPD committees reflects the procedure followed in the DPR. Each committee has a collective leadership of a Chair and four Deputy Chairs. The individual

nature of representation in the DPD means that party negotiations do not occur, but bargaining and balancing takes place amongst the representatives of each province to ensure that all provinces are roughly equally represented across the range of leadership positions.

3. Does the PAC work with independent audit authorities to uncover financial irregularities and promote program efficiency?

No. DPR Commissions and DPD Ad-Hoc Committees examine the reports presented by BPK and have begun to use them to question government ministers, but they have not yet worked together with BPK in an investigation of any kind.

Like most of the parliamentary involvement in the budget process, the relationship with the audit agency is very reactive and passive. The DPR or the DPD may, from time to time, take up issues raised in audit reports, but there is no sign of any attempts to initiate investigations in cooperation with BPK. If this does begin to occur at some time in the future it is likely to be confined to investigations about financial irregularities. It is probably going to take the parliament a long time before it begins to investigate program efficiency. Neither the DPR nor the DPD has the institutional capacity to undertake activities of this kind.

4. Does parliament question government leaders, ministers and officials fully during the budget process?

Yes. The Budget Committee holds public hearings with government ministers and each standing committee (Commission) hold similar meetings with the heads of their respective government agency.

5. Does parliament effectively scrutinize departmental work-plans and monitor their implementation?

No. Parliamentary scrutiny does not approach this level of detail.

6. Does parliament undertake program and policy evaluations?

No. Scrutiny of the budget is focused on the revenue and expenditure aspects of the budget bill and attached annexes.

7. Does parliament review commitments entered into by senior public servants?

No. Parliamentary scrutiny does not approach this level of detail.

V Policy and Program Impact

1. Does parliament have influence in setting budget priorities?

The parliament's role at all stages of the budget process is highly reactive. The activities of both the DPR and the DPD to date have consisted of responses to proposals put forward by the government. The government drafts the budget bill and the attached ministerial workplans and the parliament gives its views and puts forward various proposals for adjustments.

Neither the DPR nor the DPD have any noticeable influence in setting the policy priorities that the government outlines in the initial or later stages of the budget process. At working meetings between Commissions and their counterparts and between the Budget Committee and the Minister of Finance and the Chair of Bappenas, parliamentarians frequently make observations, criticism and suggestions about the general priorities in the budget, but they do not develop detailed counter proposals of their own. Probably the most important details that are set at the earliest stages of the process are on the macroeconomic assumptions such as economic growth, exchange rates and commodity prices where, as mentioned in Indicator I/5, a negotiating process takes place to reach a final figure. As discussed in Indicator V/2, the parliament's changes to the budget mainly relate to spending on individual projects. According to one DPR Member, their main role is "right at the beginning and right at the end" of the budget process.¹⁰

2. Does parliament make changes to spending and revenue proposals in the budget document? Does it play a role in changing budget allocations in times of financial stringency?

Yes. Parliament does make changes to budget proposals, but usually only at the micro-level.

The parliament's greatest input into the budget process comes at the level of appropriations for individual spending units and single projects. The annex to the budget bills sets out revenue and expenditure in great detail. There are currently about 130 programs and 19,945 spending units detailed by location, each of which has a detailed line item budget (Juwono & Eckardt 2007, p.11). Appropriations are classified by organisational unit, function, program, activity and type of expenditure. The DPR frequently makes changes to specific line items at this level.

Deliberations that concentrate at this level of detail produce a poor quality of legislative involvement and oversight. They consume a great deal of the time and resources of both the parliament and the executive with little productive effect. Most effort is focused on micro-level alterations, to the exclusion of deeper discussion about the overall effectiveness and efficiency of government programs. This partly reflects issues of the parliament's institutional capacity and the experience and expertise of legislators discussed in more detail in Indicator I/3, but it is also related to problems with the diversion of resources in the interest of individual Members.

¹⁰ Interview with Member of Commission VII, Jakarta, June 2007.

At best, changes made to individual line items come about because parties and Members are seeking to meet demands from constituents and to shore up voter support in their home districts. But, in reality, electoral pork-barrelling is rarely the motive for this phenomenon because existing electoral laws do little to encourage a close relationship with constituents. In fact, internal and external observers of budget deliberations are united in the opinion that alterations to appropriations at the micro-level usually occur because of financially seek-seeking behaviour by individual Members. This is either because the Members have some pecuniary interest in the project or they have a relationship with “brokers” (*calo*) who act as middleman between corrupt government officials or contractors associated with the officials and Members of the Budget Committee or a Commission. In return for the budget line item being changed, the Member receives an amount of money from the “broker” who, in turn, collects a “commission” from the interested party.¹¹

3. Does parliament set conditions for budget reporting?

No. Budget reporting is controlled by executive government.

4. Do reports of parliamentary evaluations and other feedback lead to changes in government policies and implementation?

No. The incorporation of parliamentary evaluations into government policies and implementation is in its infancy.

The DPR has been making efforts to have the development and implementation of various government policies and initiatives changed in response to its opinions. The attempts by the DPR to influence executive government policy have become a recent feature of Indonesian politics and are likely to become more prominent in the future. But up until the present, most issues have been taken up by the parliament in an inconsistent and ad hoc manner. The focus has been on populist issues that have become prominent in the media, with the DPR’s interest waning as soon as public and media attention has moved on to other issues.

In relation to the budget, most changes to the implementation of government policy have, as discussion on other Indicators has mentioned, been in the details of particular projects and specific spending initiatives. There have not yet been any no cases where DPR input has changed the nature of a major policy initiative that has been incorporated into the budget bill.

The one significant area of DPR impact on the budget process has been to slow the implementation of some parts of the budget when particular Commissions have not agreed to certain spending proposals in time for the passing of the budget bill in October. In these circumstances, the budget of the previous year is used. The DPR has begun to realise the power of this provision and, on a couple of occasions, has openly threatened not to pass particular parts of the budget bill so as to force the government to take some

¹¹ *Tempo*, 13-19 September 2005 & 20-26 September 2005. Cited in Juwono & Eckart (2007).

particular action. As mentioned in Indicator I/3, the increasing involvement of Commissions in the budget process has the potential to greatly complicate the deliberations on the budget bill.

The DPD, with its circumscribed powers, has been even less successful in having its influence felt on government policy. The DPD has been able to have some effect on the actions of provincial level governments in particular instances, but its impact on the central government is hard to discern. Because the DPD can, officially at least, only change government policy through recommendations it makes to the DPR, its influence is very weak. If the DPR did decide to take up some issue raised by the DPD, any impact on government actions would actually appear to the public to be the work of the DPR.

5. Does parliament play a role in the appointment of senior budget officials, including head of the central bank?

The DPR and the DPD play a role in the appointment of senior legal and judicial figures such as the Judicial Commission, but apart from the Supreme Audit Agency (BPK), they do not participate in the appointment of budget officials.

6. Does the PRSP require parliamentary approval?

No. Indonesia does not participate in the PRSP process, as mentioned in Indicator I/7.

7. Do public loan agreements require parliamentary approval?

No. There are no arrangements to provide for parliamentary approval of public loans.

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