‘Governing favours’: An investigation of accountability mechanisms in local government budget allocation in Indonesia

Ian Wilson
Luky Djani
Teten Masduki
POLICY BRIEFS

‘Governning favours’: An investigation of accountability mechanisms in local government budget allocation in Indonesia

POLICY BRIEF 8

Australia Indonesia Governance Research Partnership
Crawford School of Economics and Government
ANU College of Asia and the Pacific
The Australian National University
Contents

‘Governing favours’: An investigation of accountability mechanisms in local government budget allocation in Indonesia

Ian Wilson
Luky Djani
Teten Masduki

About this policy brief

Since the introduction of democratic decentralisation in 1999, Indonesia’s national government has introduced a number of policy reforms aimed at addressing the minimal levels of community and public participation in determining government planning priorities. One particular initiative has been Musyawarah Perencanaan Pembangunan or musrenbang. In principle musrenbang operates as a multi-stakeholder forum in which government and non-government stakeholders can identify, deliberate, and reach consensus on a district’s development agenda and the allocation of its budgetary resources. However, examining the districts of Bau-Bau City (South-east Sulawesi), Tabanan District (Bali) and Bandung District (West Java), our research team discovered widespread irregularities in development planning and budget allocation. Musrenbang has often been translated locally in ways which undermine the principle of participation, and used to consolidate informal patron-client networks with subsequent impacts on budget outcomes. The apparent ease with which entrenched interests have been able to manipulate this participatory forum raises more fundamental questions regarding the nature of public participation. More broadly, our research proposes that in crafting institutional reform strategies—the main approach in democratic decentralisation—the potential impact of local power relations needs to be taken into consideration if desired outcomes are to be achieved.
About the authors

**Dr Ian Wilson** is a Research Fellow at the Asia Research Centre, Murdoch University, Western Australia. He was awarded a PhD in Asian studies from Murdoch University in 2004. His research interests cover the sociology of gangs, organised crime and its links to state institutions, and the political economy of the informal sector and street economies. He conducted a two year project examining ethnic gang violence in Jakarta supported by the United States Institute of Peace, and is currently working on an AusAID funded project looking at the politics surrounding accommodation of the informal sector in urban planning. He has published on Islamic vigilantism, ethnic gangs and political violence in Indonesia and has taught in the Asian Studies, Politics and Security Studies programs at Murdoch University.

**Luky Djani** is a researcher with solid knowledge of local government and experience in mobilising citizens and civil society to play a more active role in decision-making. He has previously served as national coordinator for Strengthening Civil Society Participation in Local Governance Program and is familiar with the role that civil society plays in the local decision-making process. In this capacity, he coordinated various initiatives to engage citizens in local governance. He has also worked as a researcher and vice coordinator of the working committee for Indonesia Corruption Watch (ICW). In that capacity, he has conducted capacity building to strengthen and assist local NGOs regionally and locally and to monitor Aceh’s tsunami funds. Luky’s research experience on local governance projects has including work on behalf of the Southeast Asia Network Program, which focused on understanding the success strategies of various initiatives in engaging citizens in local governance.

**Teten Masduki** is a founding member and chairman of the executive board of Indonesian Corruption Watch (ICW). Since 2000 he has served as a member of the Indonesian National Ombudsman Commission, and is also on the board of the Voice of Human Rights Foundation. He has previously served as head of the labor rights section of the Indonesian Legal Aid Foundation (1989–2000) coordinator of The Consortium for Labor Renewal (1996–1998) and coordinator of the Labor Solidarity Forum (1992–1994). In 2005 he was a recipient of The Ramon Magsaysay Award in recognition of his dedication to public service in Indonesia, and in 2004 was recognised as a Star of Asia Opinion Shaper by Business Week for his commitment to exposing corruption.
Background

Indonesia embarked on a sustained program of decentralising government in 2001 as part of the central government’s response to local demands for greater autonomy to control resources and development. Against this backdrop, a decentralisation program was crafted under President B.J. Habibie’s provisional government and operationalised by subsequent governments. One significant feature of Indonesia’s decentralised governance has been a lack of transparency, accountability and citizen participation in local and regional government budgetary processes. The means and mechanisms by which local budget allocations are conducted have a significant impact upon not only the efficient use of public funds, but also upon levels of public trust in government institutions. The Central Government granted local governments authority to manage planning and budgeting affairs via Local Government Law (LGL) number 22/1999 (then amended to Local Governance Law no 32/2004 in October 2004).

The LGL no. 32/2004 emphasises public participation as a primary means to address issues of community welfare. Thus local governments’ development plans must take into consideration community aspirations and produce outcomes in the form of tangible programs and services. For this purpose, Law No. 25/2004 on National Development Planning institutionalised the creation of Musyawarah Perencanaan Pembangunan (Development Planning Consultations), or musrenbang, a deliberative multi-stakeholder forum at all levels of government which encourages non-government stakeholders to participate in proposing, identifying and prioritising development policies. This bottom-up local government development planning and budgeting mechanism replaces the top-down and non-participatory one of the Soeharto era.

In order to operationalise musrenbang, Joint Ministerial Decree 1181/M.PPN/02/2006 on Musrenbang, signed by the State Minister for National Development Planning/BAPPENAS (Badan Perencanaan Pembangunan Nasional – National Development Planning Board) and the Home Minister, was enacted as a set of guiding principles on how musrenbang forums should be convened at different levels of government. Subsequently, the Joint Ministerial Decree 0008/M.PPN/01/2007 (amending the previous joint decree) set new procedures, processes and mechanisms for conducting musrenbang. The new decree improved the principle of public participation in order to make deliberative forums more inclusive and encourage the involvement of a broader cross-section of society, including by emphasising gender balance, and equally important, establishing guidelines on what these forums should be expected to achieve.
'Governing favours': An investigation of accountability mechanisms in local government budget allocation in Indonesia

Regional planning and budgeting process

Source: Syamsudin et al, 2007 based on UU 25 / 2004
The actual level and quality of participation and the outcomes that result, however, are dependent not only upon the enabling legal and regulatory framework but also upon power relations between the actors and groups involved. The implementation of performance budgeting as legislated under local governance law (LGL 2004) ideally can be one solution to reduce budget misallocation, manipulation, and corruption. Under performance budgeting, programs and activities must have clearly defined objectives and must provide indicators to measure how and if the objectives have been reached. Another aim of the \textit{musrenbang} forum has been to mediate differences between government and non-government stakeholders – a sphere for negotiating, reconciling, harmonising and reaching collective consensus on development priorities and budgets. However, when the community, government departments and other groups involved do not have equal negotiating power, resources and skills, then outcomes may be determined in ways that undermine the principles of participation and consultation.

This study examines how these reforms aimed at increasing public participation, accountability and transparency in local budget and planning processes have been implemented and translated in practice. Questions central to the study are: have these reforms and new consultative spaces increased public participation, and if so what has been the nature of this participation? What kinds of outcomes has this participation produced? How adequate are existing formal measures in ensuring transparency and accountability? What initiatives, if any, do stakeholders believe need to be taken to ensure transparency and accountability in budget outcomes?

Participatory measures are about replacing ambiguous links between government and private interests, and the reciprocation of favours, with accountable and transparent links between government and the constituents they represent. Against a historical and cultural backdrop of centralistic top-down models of planning, these reforms face significant challenges. These are not only confined to bringing about substantive change to administrative and bureaucratic processes, but also reforming culture within government and society more broadly. With this in mind, the study has sought to identify those factors that have, to varying degrees, neutralised the impact of these institutional reforms. In particular, it has sought to highlight the impact of informal mechanisms upon budget allocation, the interests seeking to benefit from these informal processes and the correlation between budget allocation, political support and the dispensing of favours.

In order to answer these questions, our project has looked at budgetary politics in three sites: \textit{Kabupaten} (District) Tabanan, Bali; \textit{Kota} (City) Bau-Bau, Southeast Sulawesi; and \textit{Kota} Bandung, West Java. The choice of these sites as case studies is intended to reflect a diverse range of social, economic, cultural and political conditions. For example, Tabanan is a largely agrarian-based economy, while Bau-Bau is a connective hub city, and Bandung relies on trade, tourism and services. In selecting these locations, we have attempted to develop a more general snapshot of the regional budget allocation process nationally.

\textbf{Tabanan}

Multi-stakeholder consultation via \textit{musrenbang} was first implemented in Tabanan in formulating the 2008 budget. Prior to this Tabanan had been the subject of a comprehensive audit in 2007 by the Indonesian Audit Board (BPK), which identified numerous cases of budget mismanagement totalling 17 billion rupiah (BPK Bali 2009). In this context the introduction of multi-stakeholder participation offered
the opportunity to increase transparency and public accountability in determining the regional budget (APBD). In practice, while some progress has been made the budget allocation process in Tabanan remains fraught with problems stemming largely from government unilaterally organising the participation of civil society.

At the village level *musrenbang* consultations were attended by representatives of formal village institutions, customary and religious leaders as well as selected representatives of poor households. Civil society representation was dominated by a number of ‘social organisations’ and NGO’s, several of which were actually supporter groups of political parties, while others were martial arts organisations. The presence of these social organisations, with close links to key political figures and a history of using intimidation, created an atmosphere in which many participants reported feeling constrained in their ability to question or criticise. In Tabanan there was a relative dearth of the diverse civil society organisations found in other regions. Another notable absence was that of sectoral organisations, most importantly from the agricultural sector, considering the centrality of agriculture to Tabanan’s economy.

A positive development has been the establishment of the Tabanan Village Chiefs Forum, an independent network for communication amongst village chiefs. In 2008, a delegation from the forum forwarded complaints to the local parliament (DPRD) regarding the significant cuts made to village allocation funds (*Alokasi Dana Desa*). The forum has also regularly discussed issues affecting the regency in an effort to coordinate budget proposals in key areas, such as health and education. There was, however, a perception amongst some *musrenbang* participants, including village chiefs, that criticism of funding priorities was not tolerated at higher levels of government and that it could result in ‘punishment’ via budget allocation outcomes. Public concerns that budget allocations were subject to political favouritism also resulted in considerable pressure upon village chiefs from their constituents to not ‘rock the boat’. These perceptions were compounded by a lack of transparency in the decision-making process particularly at the district level, together with the inaccessibility of key documents, including the budget itself. There were only limited efforts at raising public awareness of the nature of the consultation process, or areas of budget priority at the village level. It was also recounted that on several occasions DPRD members intentionally gave the impression to villagers that budget-allocated funds were a personal gift in an effort to imply expectations of reciprocity, particularly prior to elections.

According to Bappeda (*Badan Perencanaan Pembangunan Daerah* – Regional Development Planning Board) around 60 per cent of village level *musrenbang* proposals were accommodated in the APBD, slightly lower than the average for Bali of 70 per cent. Of projects funded, a number only received 60-70 per cent of the requested amount with instructions to either find cost-cutting measures (such as re-using bridge pylons) or ‘engage in entrepreneurship’. The distribution of grant funds (*dana hibah*) has also been the subject of controversy. For example, in 2007 Rp. 2 billion was given to the Tabanan Football Club. According to the BPK audit of Tabanan, a total of Rp. 10.15 billion was allocated in *dana hibah* outside of that identified in the APBD. Anecdotal evidence suggests that some of these funds were dispersed prior to local elections for the district head (*pilkada*).

An issue frequently raised at the village level was that in *musrenbang*-allocated projects there was a lack of transparency in the tendering process, and in many cases labour was brought in from outside the district, denying locals employment. Tendering for government projects in Tabanan has been fraught with allegations
of mismanagement and collusion, with all project contractors determined by the district head’s (bupati) office. Key figures in local social organisations and political parties have played ‘brokering’ roles that appear to present a conflict of interest, in particular with their participation in musrenbang forums.

Bau-Bau

Bau-Bau achieved city (kota) status in 2001 after separating from Buton District. The city has served as a hub for islands located in Southeast Sulawesi and plays a pivotal role in trade and goods transportation connecting Surabaya and Makassar to other parts of eastern Indonesia. As a new city, Bau-Bau enjoys not only greater discretion in terms of policy-making but also a substantial local budget. Bau-Bau’s APBD (for the fiscal year 2007) was around Rp. 145 billion, over 90 per cent of which came directly from the Central Government budget via its Special Allocation Fund (DAK) and General Allocation Fund (DAU).

In musrenbang forums observed by the research team in Bau-Bau the average number of participants was around 50 people, most of whom were formally invited by heads of the various kelurahan (urban villages). These participants were representatives of various well-established community and religious organisations, the Family Welfare Program (Program Kesejahteraan Keluarga, or PKK) and kelurahan and kota level officials from various government departments. As in Tabanan, sectoral organisations central to Bau-Bau’s economy such as associations representing street vendors, small traders, retailers, and fishers, together with critical NGOs and student organisations, were not invited to participate.

The musrenbang consultations started with representatives from respective government departments (SKPD) presenting their developments plans for the coming year. Officials stressed that the yearly development plan should support the aims of the mid-term development plan (RPJM). Participants were frequently reminded that budget funds were limited and therefore not all proposals would be incorporated into government’s development planning. Hence, people were encouraged to only propose minor projects such as health clinic renovations, or forward requests for goods such as prayer rugs, musical instrument and garbage bins. The forums were conducted in a manner that failed to stimulate substantive bottom-up planning in relation to broader development programs such as healthcare and education.

After complaints regarding the limitations on non-government stakeholders to contribute, and expressions of disinterest in further participation in musrenbang, local government allocated funds for the Program for the Empowerment of Sub-district Society (Program Pemberdayaan Masyarakat Kelurahan, or PPMK). Starting from 2007, each kelurahan received Rp. 25 billion, increasing to Rp. 50 billion in 2009 and 2010. This fund is managed by an Institute for the Empowerment of Society (Lembaga Pemberdayaan Masyarakat or LPM) in every kelurahan. These funds have been allocated for specific purposes, for example Rp. 40 billion for physical infrastructure projects, with another Rp. 5 billion for social organisations and the rest covering administrative costs. The designers of PPMK hope making funds available for each kelurahan will give local people greater discretionary power to allocate funds for matters they think important. The PPMK has succeeded in maintaining participation levels in musrenbang forums.

The political configuration in Bau-Bau can be described as a ‘family affair’. Bau-Bau is dominated by an extended kinship network where siblings and cousins
from the ruling family occupy strategic positions within government. The family dominates not only the government, bureaucracy, political parties and business groups, but also academia and many societal groups. Opposition to this hegemony comes from two minor groups; a handful of Golkar and Prosperous Justice Party (PKS) parliamentarians and a small number of NGOs and concerned citizens.

The implication is that this extended family network dominated the distribution of government projects. Government contracts were distributed throughout this kinship network. It was observed that in order to bypass a competitive and transparent tendering process, large scale projects were broken-down into smaller units (under Rp. 50 billion) thereby allowing them to be decided by direct appointment. Contractors who did not belong to this network could secure contracts by providing a ‘commitment fee’. According to one informant, contractors who participated in the tendering process already understood who would be awarded which project and the size of the ‘commitment fee’ they should prepare to be paid up front.

**Bandung**

Bandung city’s total budget is relatively large compared to other sub-provinces. In the fiscal year 2006-2008 the government of Bandung had between Rp.1.5 to 2 trillion at its disposal. Despite this, Bandung City, like many other districts, is highly dependent on Central Government funds – on average 65 per cent of the total budget comes from redistribution funds (‘dana perimbangan’).

![Bandung City Regional Income Trends 2006-2008](chart.png)

Source: Bandung City budget document

Close to half of the APBD was spent on government-related expenditure, that is, salaries, honorariums and operational costs. Around 20 per cent of the total budget was allocated for development or public spending with the rest (30 per cent) directed toward capital spending, equipment or services, and funding grants to the community.
As in Tabanan and Bau-Bau, the quality of musrenbang participation amounted to little more than attendance. Similar to the other case study sites, bureaucrats presented the local government’s development plan for the coming year and used this as a template to which other stakeholders oriented their planning proposals. Each sectoral government office (SKPD – satuan kerja perangkat daerah) presented its own plan. There were no substantial discussions regarding either the government’s development plan itself or the immediate problems faced by the community. In some musrenbang as few as 20 people attended. Deliberation was largely one-way, giving the impression that the event was intended as a means for legitimising the local government’s pre-determined development plan.

Before the 2009 fiscal year there were no indicators or benchmarks for government performance. These were established only after the local legislature demanded the executive set definitive quantitative indicators for each department and its programs to facilitate systematic evaluation. The City of Bandung has nominated seven strategic sectors as development priorities, including education, health, micro and small business, environment and urban planning. Two years before Bandung’s mayoral elections the incumbent mayor launched these programs and pledged to increase funding to these sectors in order to accelerate progress.
Our research identified three types of budget allocation in Bandung’s APBD that were used as favour-dispensing instruments. These include grant assistance (bantuan hibah), social assistance (bantuan sosial) and financial assistance (bantuan keuangan) which can be directly disbursed to individuals or organisations/groups at the mayor’s discretion. During 2006–2009 the total funds allocated as grant assistance amounted to Rp. 475.62 billion, while Rp. 386.06 billion in social assistance was distributed during the same period. These discretionary funds are similar to the Presidential Instruction funds during the New Order. According to Regulation No. 13/2006 of the Ministry of Home Affairs on the Management of Regional Finances, grants and social funds are not subject to audit. Some organisations which received these funds included youth and religious organisations, supporters of the local football club plus a number of political party ‘supporter’ groups. By allocating these funds in a politically calculated manner, the incumbent was able to contain potential opposition and develop a broad-based supporter network. During the campaign period these organisations’ members actively campaigned on behalf of the mayor, with some intimidating political rivals and critics.

From the three case study sites, together with feedback from workshops in Jakarta and Yogyakarta with stakeholders in the budget allocation process, a number of more general findings have emerged. In principle the musrenbang forum is intended to incorporate community needs into government development plans and achieve development objectives. Deliberative forums are held to encourage greater participation and mediate and reduce conflicts between societal groups, thus fostering local democracy. However, participative forums such as musrenbang often failed to facilitate genuine and meaningful participation.

Even when local governments control resources and have the opportunity to respond to community input, deliberative forums face a number of distinct challenges. New laws and regulations can and have been used to promote particularistic interests, undermining meaningful public participation in planning and budgeting. In the context of unequal sets of power relations between governmental and non-governmental actors, public policy and budget allocation outcomes often disproportionately reflected the political and economic interests of local political elites. Multiple factors undermine the potential benefits of public participation: the relative ease by which local political elites and vested interest groups have been able to alter the legal framework; the intimidating presence of non-representative participants; and the disparity in power between local elites and societal groups.

1. A ‘guided’ bottom-up process

Participation in forums such as musrenbang is in practice limited to highly orchestrated events where participants are selected mainly from formal organisations, community leaders and delegations from government departments. In each of the case study sites there was a notable absence of sectoral representation from civil society, for example from the health sector, education or agriculture. In local level musrenbang participants hear the government’s development plans, and formulate proposals for local planning based upon these pre-established criteria. Subsequently, actual levels of public participation in relation to determining the nature and overall direction of planning and development remain relatively low. Filtering increases at the sub-district level where proposals undergo further screening from government departments who often have already formulated their own proposals. Final decision-making power rests at the district/
municipality level. In at least one case study site the impact of the consultative process on budget outcomes was further constrained by a lack of activity to raise public awareness of the musrenbang mechanisms and priorities, resulting in the development of unrealistic proposals at the village level. Subsequent rejection has discouraged people from future participation. An example of this can also be seen in Gunungkidul, Central Java, where proposals amounted to Rp. 7 trillion even though the local budget was only Rp. 645 billion.

Based upon existing regulations, the formulation of the APBD should take into account people’s aspirations through a bottom-up process. There are two designated channels for formulating peoples’ demands; first via the musrenbang mechanism from the village to district level, and the other via the so called ‘network of peoples aspirations’ (jaring asmarajaringan aspirasi masyarakat), a forum organised by local members of parliament in order to canvass people’s priorities in their particular constituencies. With both mechanisms, even though community and social groups were invited to give input, in the three case study sites development plans had been decided well in advance. Bureaucrats argued that development plans formulated by government departments then integrated by Bappeda better reflected the district/city’s mid-term development planning. Subsequently the supposedly deliberative forums, rather than facilitating a genuine bottom process, were still dominated by a top-down mindset on the part of many of the bureaucrats involved. It is true that involved communities may face difficulties in distinguishing between ‘public/communal’ interests and personal needs. However this is the underlying challenge of participatory forums, where ideas, interests and demands – which are sometimes conflicting – should be discussed, negotiated and decided upon transparently.

2. Non-representative and selective participants

Via its selected participants, musrenbang forums often disproportionately reflected the influence of local political and economic elites. Organisations considered critical of government, together with representatives from sectoral groups or the urban poor were frequently not included. The absence of representation of these groups had an adverse impact on broader perceptions of the legitimacy of the forum.

More generally, civil society participation was often undermined by that of ‘uncivil society’ groups, such as supporter groups of local politicians or political parties who are invited to participate by government, often on the informal understanding that they would be rewarded for political loyalty. Such groups dominated village and sub-district level musrenbang in two of the case study sites. In this respect participatory reforms have not yet made a significant impact upon pre-existing clientelist networks but rather introduced new forms of competitive clientelism. The experience of participatory budgeting in Brazil suggests that over time this can lead to new forms of political participation for previously excluded groups. However, in the Indonesian case, similar to Denissen’s findings in Mexico (Denissen 2009), current indications are that once social organisations have established themselves in exclusivist redistributive positions they resist the entry of new competitors or other measures that could challenge this privileged status.

Our study suggests that it is not enough to create spaces and channels for participation. It is also necessary to intensify efforts to create conditions under which this participation can take place in an equitable manner. This must involve an intensification of training for various civil society actors and government in
new ways of practising democratic public management. This can go some way to reducing the negative impact of residual patrimonialism and clientelism.

3. Maintaining political support

Our research suggests budget allocation processes have been used to maintain political support from various political and societal groups. The final distribution of budget resources via musrenbang has involved degrees of political calculation often at odds with stated planning priorities and the public good. Two main types of politically-motivated distribution have been identified: first through the allocation of budget funds such as dana bantuan sosial (social assistance funds) and dana hibah (grant funds), bantuan keuangan (funds assistance) or other types of discretionary funds not subject to audit. According to one informant, religious groups received dana hibah for the first time in 2008 prior to mayoral election in Bandung. The organisation subsequently released a directive to its members to vote for the incumbent. These funds should be allocated to fund sectoral priorities such as in Bandung—for education, health, environment or small and micro business—or as alokasi dana desa (village assistance grants), allocated directly to less developed villages, as in Tabanan. In all of the case study sites social funds and grants were frequently misused as a means for consolidating networks of political support for the incumbent government, as well as minimising opposition from the legislature as well as societal groups via calculated and targeted dispersal.

The second means of redistributing budget resources for favours is through the awarding of construction or public works projects to business cronies. In one case study site government projects were distributed directly to contractors who had contributed to the incumbent’s campaign funds, bypassing a transparent tendering process. These contractors fostered relationships with local elites, both within executive and legislative bodies, to secure contracts. Some contractors joined political parties to align themselves more closely to incumbent power-holders. A common practice identified in two case study sites was the breaking down of large development projects into a number of smaller sub-projects, those less then Rp. 50 billion, allowing them to be directly awarded without a tendering process.

4. Nurturing patronage

At the local level, cultural and social factors are a significant determinant of how participation is practiced. A defining feature of many rural communities in particular is the deference shown to informal community leaders. This traditional leadership is by its nature well-entrenched, and often has strong networks of political patronage. Our research revealed that in urban environments the dynamics are more complex with a range of trans-sectoral interests represented, however, consultations were often focused upon the mutual accommodation of respective private rather than public interests.

The key for local elected officials to stay in power is to renew patronage ties with various organisations or groups who can serve as interlocutors to potential voters. A frequently identified rationale for the allocation of government funds was to establish patron-client ties, which from the perspective of the incumbent were in the short term considered more important than the allocation of funds based upon considerations of merit and need. The portion of local budgets channelled through dana hibah and bantuan sosial in particular, neither of which are linked to clear criteria or program objectives, nor subject to audit, has frequently been
'Governing favours': An investigation of accountability mechanisms in local government budget allocation in Indonesia

dispensed to politically supportive business and societal groups. Despite the existence of Ministerial Decree No.32 2008, which stipulates that *dana hibah* allocations must be accompanied by a Regional Hibah Agreement Document between local government and the recipient, the mechanisms for allocating *dana hibah* still remain discretionary. Accountability is currently only at the level of the recipient. One case study site suggested a correlation between levels of funding for infrastructure development and the degree of electoral support for the ruling political party, a manifestation of what Fox has referred to as ‘reverse vertical accountability’ (Fox 2000), in which citizens are held accountable to government officials for their actions rather than the opposite.

Existing formal measures for increasing public participation remain fragile both in terms of design and implementation, and have been further challenged by the impacts of informal patron-client relationships and in some instances coercive forms of politics. In the three case study sites levels of accountability and transparency in regard to budget allocation processes, outcomes and participants were low to non-existent. In one case study site the researcher was informed that there was no archive or public record of previous *musrenbang* proposals. The existing practice is one of ‘voluntary transparency’ whereby local government discloses information and makes it accessible to the public in a partial and limited manner.

**Recommendations: finding opportunities in decentralised Indonesia**

Efforts to increase non-government stakeholder participation in planning and budget allocation processes represent a significant shift away from the previous centralistic, top-down paradigms in operation during the New Order. For this reason such efforts should be supported and strengthened. However, significant problems remain. These can be roughly categorised into two interrelated areas: those resulting from weaknesses in design and implementation, and those emerging from the impact of informal politics such as clientelism and patrimonialism together with the cultural legacies of previous centralised pedagogies. In some respects, such as in the case of transparency regarding budget outcomes, the problem is one of implementation of existing regulations and procedures. Partial transparency is not only a problem of bureaucratic inefficiency, but has also been used as a deliberate means for fostering the perception at the local level that success in obtaining resources or benefits through *musrenbang* was contingent upon political support.

In its current form dynamic public participation is most evident and active in the pre-*musrenbang* stage in which a wide range of local groups and citizens engage in discussion regarding community needs at the neighborhood unit level (RT & RW). Currently this is not a mandatory aspect of the *musrenbang* process. By the first formal stage of the *musrenbang* at the village level, participation is limited to the development of funding proposals which are guided by pre-established top-down priorities. In all three case study sites critical and marginal voices were routinely excluded from the consultative process, and other significant segments of society, such as women, were not sufficiently represented. Noting the number of participants and structural limitations placed upon possible outcomes, there is a need for a more general reconsideration of the role and decision-making power of non-government stakeholders. The LGL 2004 represents a positive policy reform, however it is still limited in terms of the space and decision-making power allocated to civil society to participate directly in the policy-making process.
Current levels of participation should be taken as a starting point for further development and refinement.

**Opening multiple lanes of participation**

The challenge is how to design forums that promote genuine participation within an efficient and cost-effective model of governance. In this respect the experience of the Philippines and Latin America are informative for Indonesia. In the Philippines, planning and budgeting processes can be influenced by using multiple lanes of participation, and via local development councils (LDC). The LDC consists of representatives from government and civil society, in which each has equal decision-making power. Quotas are established for representation from women and the poor. The LDC has the authority to formulate local sector agendas and development plans and is allocated the budget required to implement them (Vilarin 2003). The deliberative venue is not limited to management under geographical units (village or sub-district level) but is also sectoral (to discuss specific issues related to various sectors), and is complemented by the creation of a non-government and service provider forum. These forums have authority to formulate local sector agendas and plans, and are allocated the budget required to implement them.

In several cities in Latin America, where participatory budget programs were first implemented, the municipal government has transferred direct decision-making power to participants and reduced the multiple layers of bureaucratic representation. In addition, municipal governments also created sectoral forums, giving citizens more avenues through which to participate (Goldfrank 2004, Baiocchi 2003). With this kind of mechanism in place, people from a diverse spectrum can participate more directly in the budgeting process, helping to alleviate monopolisation by the local bureaucracy and vested private interests, and in favour of outcomes that reflect genuine community needs.

**Further recommendations**

Based upon our findings in all three case study sites, it is strongly recommended that *dana hibah* and *bantuan sosial* funds be subject to more stringent levels of control and accountability, including requirements for auditing. The discretionary element should be limited to dispersal within pre-established priority categories, for example disaster relief, as current mechanisms for the dispersal of these funds have resulted in both being used as a means for buying political support and dispensing favours.

Local governments must be required to provide proof of compliance to transparency and accountability indicators, that is accessibility of budget documents, and increase measures to publicise and promote citizen understanding of the mechanisms and results of budget allocation processes at the local level.

Stakeholders with clear conflicts of interest, such as contractors for budget-funded infrastructure projects, should be excluded from participating at all levels of the *musrenbang* process.

Clear, national minimum quotas should be established that designate the proportion of budgetary resources allocated through *musrenbang* which must be executed by government departments.
'Governing favours’: An investigation of accountability mechanisms in local government budget allocation in Indonesia

References


