The Legislative Role in The Budgeting Process in Indonesia

Peran Lembaga Legislatif dalam Proses Penganggaran Negara di Indonesia

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Abstrak
Saat ini, hampir di seluruh sistem ketatanegaraan di berbagai negara, secara umum disepakati bahwa lembaga eksekutif memiliki peran fundamental dalam menyusun draf anggaran negara untuk kemudian dipresentasikan kepada lembaga legislatif. Lembaga legislatif kemudian memiliki hak untuk membahas, memperdebatkan, dan dalam beberapa kasus melakukan perubahan, untuk kemudian memberikan persetujuan atau penolakan terhadap proposal anggaran dari lembaga eksekutif. Hak lembaga legislatif tersebut, dalam praktiknya akan berbeda-beda. Secara umum terdapat tiga bentuk hak lembaga legislatif di antaranya: budget making, legislatif memiliki kapasitas untuk menerima atau menolak proposal anggaran dari eksekutif serta memiliki kemampuan memformulasikan anggaran secara sendiri; budget influencing, legislatif memiliki kapasitas menerima atau menolak proposal anggaran dari eksekutif namun lemah dalam memformulasikan anggaran secara sendiri; dan budget approving, legislatif tidak memiliki kapasitas menerima atau menolak proposal anggaran dari eksekutif termasuk memformulasikan anggaran secara sendiri. Artikel ini membahas peran lembaga legislatif Indonesia yaitu DPR dan DPD dalam proses penganggaran. DPR memiliki peran kuat yakni membahas, mengubah, dan menerima atau menolak namun lemah dalam memformulasikan anggarannya sendiri sehingga disebut budget influencing, dibandingkan DPD yang hanya memberikan pertimbangan sehingga disebut budget approving. Artikel ini menyarankan agar ada reposisi peran DPR dan DPD yang lebih kuat dan berimbang, sehingga akan dapat menciptakan pengawasan ganda, revisi penganggaran yang diperlukan, penundaan anggaran yang memiliki kepentingan konstitusi, debat publik, dan menghasilkan anggaran yang berpihak pada rakyat. Selain itu, diperlukan penguatan kapasitas dan sumber daya pendukung bagi DPR dan DPD agar dapat setara dengan eksekutif dalam pembahasan anggaran sehingga mampu menjadi lembaga legislatif pembentuk anggaran (budget making).

Kata kunci: Penganggaran, DPD, DPR, Indonesia, peran lembaga legislatif

Abstract
In the budgeting process, generally accepted the executive has a role in drafting the state budget and then presenting it to the legislature. The legislative bodies have the right to discuss, debate, and even in some cases make amend, then give approval or rejection of the executive's state budget proposal. The right of the legislative bodies in practice will different, there are three forms: budget making, capacity to amend or reject the executive's budget proposal and capacity to formulate a budget of its own; budget influencing, capacity to amend or reject the executive's budget proposal, but lacks the capacity to formulate and substitute budget of its own; budget approving, lacks the capacity to amend or reject the executive's budget proposal or to formulate a budget of its own. This article discusses the role of Indonesian legislative bodies namely the House of Representatives

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1 This article has been presented on the ICONPO (International Conference on Public Organization), at Jatinangor, August 22-23, 2017.
(DPR) and the Regional Representative Council (DPD) in the budgeting process. DPR has a strong role in discussing, amend and accepting or rejecting but weak in the capacity to arrange its own budget so-called budget influence, compared DPD which only gives a consideration so-called budget approving. This article suggests a strong and balanced repositioning of the DPR and DPD roles, thereby creating double checks, budget revisions, delays in constitutional important, public debate and resulting in a favorable budget for the people. In addition, it is necessary to strengthen the capacity and supporting resources for the DPR and DPD in order to be equivalent to the executive in budget discussions so as to become the legislative budget making.

**Keywords**: Budgeting, House of Representatives, Regional Representative Council, Indonesia, Legislative Role

I. Introduction

The legislative bodies have an important role in the budgeting process. Joachim Wehner cites four reasons why legislative plays an important role in the budgeting process: (1) the constitutional requirements and the power of the purse; (2) checks and balances in the framework of good governance; (3) openness and transparency; and (4) the participation and development of consensus/deliberation. These reasons provide legitimacy for the legislative bodies to engage in the process of state budgeting.

The involvement of legislative bodies in the state budgeting process in Indonesia is the direct order of the 1945 Constitution after the amendment, in article 23 paragraph (2) stating “the draft law on state budget of income and expenditure is submitted by the President for joint discussion with the House of Representatives with due regard to the consideration of the Regional Representative Council”, and paragraph (3) stating “In the event the House of Representatives fails to approve the draft law on state budget of income and expenditure submitted by the President, the Government shall implement the State Budget of the preceding year”. This constitutional provision indicates that legislative bodies in Indonesia have a significant role in the budgeting process in the form of discussion, consideration and approval or rejection to the budget proposal submitted by the President (executive). There are two legislative bodies involved: the House of Representatives (the House) and the Regional Representative Council (the Council), both of which have different roles.

This article discusses the Indonesian legislative role in the budgeting process especially after the amendment to the 1945 Constitution. This paper argues that despite an important constitutional role given to the legislature, the different authorities between the House and the Council leads to unbalanced role of the legislative bodies. More specifically, there is an unclear division pattern of chambers within the legislative bodies, such that the budgeting authority is monopolized by one single chamber of the House. Monopolistic authority and lack of transparency and accountability have led to a misuse of legislative budgetary rights as evidenced by frequent cases of corruption by members of the House. In the conclusion, this paper will suggest the repositioning of chambers within the legislative bodies and the need for increased transparency and accountability in order to reduce budgetary corruption.

There are quite a number of research conducted in Indonesia related to the role of the legislative bodies in the budgeting process. However, those research are more focused on the issue of the position of the legislature in the budgeting process from the aspect of regulation or court decision. For example, Yutirsya Yunus and Reza Faraby in 2014 did a research entitled “Reduksi Fungsi Anggaran DPR dalam Kerangka Checks and Balances, Kajian Putusan Mahkamah Konstitusi Nomor 35/PUU-XI/2013 or Reduction of the House’s Budgeting Function in Terms of Checks and

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Balances, An Analysis of the Constitutional Court’s Decision Number 35/PUU-XI/2013”. In that research, Yutirsa and Reza focused on reducing the House’s budget function as a result of the Constitutional Court Decision Number 35-PUU-XI/2013 with the basis of the need for a checks and balances process between the legislature and the executive. In this case, the research conducted by the author will be different because it sees the role of the legislature in the budgeting process not only for the House but also the Council.

In 2015, there was a research conducted by Anak Agung Ngurah Whisnu Shari Bhuana Kaleran and Edward Thomas Lamury Hadjon with the title “Akibat Hukum Penolakan Penetapan Anggaran Pendapatan Belanja Negara oleh Dewan Perwakilan Rakyat or The Legal Effect of Rejection of the State Expenditure Budgeting by the House of Representatives” which resulted in the conclusion that due to the rejection of the state budget by the House, the annual budget cannot be enacted. This research is different from the research conducted by the author, because the research only discusses one part i.e. if there is a rejection of the budget submitted by the executive to the legislature, compared to the author’s research that discusses the overall budgeting process.

Furthermore, there was also a research conducted by Julpikar in 2016 entitled “Kedudukan Dewan Perwakilan Rakyat dalam Penetapan dan Pengawasan APBN di Indonesia or The Position of the House of Representatives in the Establishment and Supervision of the Annual Budget in Indonesia”, focusing on the juridical philosophical aspects of the House’s involvement in the budgeting process. This research is in contrast to the author’s research, because of the philosophical and juridical aspects of the research has only analyzing the involvement of one legislative body in the budgeting process. Further, the author goes through the process of involving legislative bodies in Indonesia in the budgeting process.

Before that, there was also an article written by Sugeng Bahagijo, Mashudi Noorsalim and Darmawan Triwibowo in 2009 with the title “Peran Parlemen dalam Sistem Penganggaran di Berbagai Negara, Sebuah Tinjauan Komparasi or The Role of Parliament in Budgeting Systems in Various Countries, A Comparative Review”, focusing on comparing roles of parliaments in the state budgeting process. The article is different from the research that the author did because the author extensively reviewed the roles of the parliament/legislature in the budget process, including the comparison side which is only one aspect that the author did.

There was also a research conducted by Blondal, J.R., Hawkesworth, I., & Choi, H.D. with the title “Budgeting in Indonesia”, but, this research still uses old data and legislation, while until this research was carried out in 2018, there have been many changes to the law that regulate the role of the legislature in the budgeting process in Indonesia. Thus, research conducted by other researchers has a difference in the aspects of the novelty of regulation and the methods carried out.

Moreover, this article is a continuation of the previous author’s article entitled “Eksistensi Hak Budget DPR dalam Sistem Ketatanegaraan Indonesia or The Existence of the Rights of
Budget of the House in the Constitutional System in Indonesia”, which was published in Padjadjaran Jurnal Ilmu Hukum, Vol. 3 No. 1 of 2016, which focuses on the issue of the existence of the House’s budget rights in the constitutional system in Indonesian, especially after the amendment to the 1945 Constitution. Also, the author’s article entitled “Hak Budget DPR dalam Pengelolaan Keuangan Negara or Budget Rights of the House in State Finance Management”, which is published in the Rechtsvinding Journal, Vol. 5 No. 2 of 2016 with a focus on the involvement and role of the House in the process of managing state finances. Based on the two articles, the author explores and deepening of the material specifically related to the capacity and supporting system of the role of the Indonesian legislative bodies in the budgeting process, which is then discussed in this article so as to produce different conclusions from the previous paper.

II. Research Method

This article adopts a legal research methodology that seeks to obtain a description of laws concerning the activities of the Indonesian legislative bodies in the budgeting process. The type of data used in this study is secondary data acquired from primary legal materials and secondary legal materials. The data were gathered from the Indonesian Constitution and laws, books, journals and in-depth interviews with some experts and expert staff of members of legislative bodies. The data were analyzed inductively.

This paper aims to analyze and evaluate the role of Indonesian legislative bodies in the process of state budgeting, in particular with the existence of two chambers in different legislative bodies having different authorities. This paper is expected to provide theoretical enrichment in public finance, particularly with regard to the role of Indonesian legislative bodies in the budgeting process. Practically, this research seeks to provide alternative solutions to policymakers in terms of legislative institutional structuring in the budgeting process.

III. Discussion

A. The Legislative Bodies in Indonesia

The legislative bodies are tools in a representative democratic system, which generally have three functions: representative, legislative and oversight/control. These functions provide legitimacy for their involvement in various kinds of authorities, including the process of state budgeting.

The legislatures may take the form of unicameral or bicameral systems. The legislative body composed of only one representative institution is referred to as a unicameral system, while a body comprising of two representative institutions is called a bicameral system. Both systems adopt rules on legislature functions and authorities that are very diverse from country to country depending on the needs and political system of the country concerned.

In relations to unicameral and bicameral systems, there is a presumption that the unicameral model is less able to assert the ideals of the legislative function. There is no internal control within the legislative body as there exists only one chamber, thus the only control is through other branches of power. Without such internal control mechanism, the performance of legislative functions in legislation, representation, control, and others are impaired. However, others opine that a unicameral system provides a faster process of legislation making because there is only one representative body. Thus, a unicameral system is considered more effective and efficient than a bicameral system that allows for redundancy.


Lord Bryce said that the second chamber of the legislative bodies has four functions: (1) revision of legislation; (2) initiation of noncontroversial bills; (3) delaying legislation of fundamental constitutional importance so as to enable the opinion of the nation to be adequately expressed upon it; and (4) public debate. Furthermore, with the second chamber, the monopoly of the legislative process in one chamber can be avoided, making it possible to prevent the passage of a defective or careless law. Jimly Asshiddiqie says the bicameral system necessary for a double check-process in the legislative process.

In addition, it is also important to see the relation between chambers in the bicameral system. Sartori divides bicameral model into three types: (1) asymmetric bicameralism/weak bicameralism/soft bicameralism, when the power of one of the chambers is much more dominant than other chambers; (2) symmetric bicameralism/strong bicameralism, when the power between the two chambers is almost equal; and (3) perfect bicameralism, when the power between the two chambers is truly equal. In relation to this, Indrayana says that a weak bicameralism should be avoided, as it would eliminate the very purpose of the bicameral system, being the mutual control between the two chambers. The dominance of a single chamber would only lead to a unicameral form. Other than that, perfect bicameralism is also not an ideal choice because the same authority will potentially lead to deadlock. Therefore, the choice should be a strong bicameralism system.

The institutionalization of the legislative bodies in Indonesia, especially through the amendment to the 1945 Constitution from 1999–2002 raises constitutional problems. When looking at the spirit brought up in the amendment to the Constitution, the government intended for the formation of two chambers in the legislative bodies. One chamber is a political representation, namely the House, while the other chamber is a regional representation, namely the Council. The amendment to the 1945 Constitution also initiated a joint forum between the House and the Council in the People’s Consultative Assembly (the Assembly) session, resembled that of a Congress in the United States. However, the result of the amendment shows the formation of three chambers namely the House, the Council, and the Assembly, each of which has its own authority. Therefore, the Indonesian legislature cannot be said to be a bicameral but tricameral system. However, tricameral might not even be the proper term, as the power of the Assembly is limited to the only amendment to the Constitution and some ceremonial duties. This third chamber thus cannot be directly paired with the House and the Council whose authority is fully legislative in nature. Consequently, this paper will work under the concept of the bicameral system.

The House consists of 560 members elected for a five-year term. A proportional representation electoral system is in use, with multi-member constituencies (between 3 seats and 12 seats each) as established by the independent Election Commission. The elections are based on open party list system; the citizens can vote for one party or one individual in a party in their constituencies, and the determination of the elected candidates is through the most votes.
The Council consists of 136 members – namely four representatives from each of Indonesia’s 34 provinces – elected for a five-year term. In contrast to the House’s election system, the Constitution provides for this chamber an election system based on individuals, not parties, although many members do in fact have strong party affiliations.

Currently, (based on the 2014 general election) there are 12 political parties, but only 10 parties go to the House. There are four parties that have more than 10% of seats, while others only have seats of under 10%. Each political party then forms its own faction as the principal organizing vehicle in the House whereby the activities of members of the House are coordinated in order to increase the effectiveness and efficiency of the House. Currently, there are ten such factions.

In 2014, the factions joined in a large group, the Great Indonesian Coalition (Koalisi Indonesia Hebat/KIH) which controlled 37.2% of the seats as government supporters, and the Red and White Coalition (Koalisi Merah Putih/KMP) controlled 51.9% of the seats as government opposition and one party declared neutral with the number of seats of 10.9%. The grouping did not last long because, in 2015 and 2016, several opposition groups joined government supporters to control 69% of seats in the House. This shows that the condition of politics in Indonesia is very dynamic. Furthermore, Indonesia is known for strong party (faction) discipline and the powerful role of party (faction) leaders but has lack loyalty especially for government support parties. This is because, in the presidential system, the logic of forming a coalition of government supporters is more determined by the theory of minimum winning coalition than an ideologically connected coalition. There are no signs in the coalition. All are possible and promiscuous. Winning or losing the election is not a dividing boundary in a coalition.20 This is also in line with studies that show instability of the presidential system when combined with multiparty systems.21

B. The Indonesian Legal Framework for Budgeting Process

State revenues and expenditures are essential to the working of a government. No government can exist without raising and sending money.22 Therefore every country generally has an annual agreed budget that is used to finance the state’s needs in the fulfillment of its duties and obligations. Generally, the framework of the state budget is divided into four stages: (1) budget preparation by the executive; (2) legislative approval of the budget; (3) budget execution; and (4) government accounting and financial reporting system.23

Before the 1997–1998 crisis, there was no effective legal framework in the budgeting process in Indonesia. In fact, the budgeting process was essentially a continuation of the Dutch Colonial budgeting system based on Indische Compatibiliteitswet (ICW) 1925 where the preparation of the budget was conducted internally by the Governor-General.24 The process was characterized by a lack of transparency and accountability. After

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20 Burhanuddin Muhtadi, “Ironi Politik Jokowi”. Jakarta: Gatra, Februari 2015,


independence, this executive-driven legal framework was embraced by Indonesia's very strong presidents.25

After the crisis and the transition to democracy, a strong emphasis was placed on reforming the legal framework for budgeting. In the amendment to the 1945 Constitution, the state financial regulation in Article 23 paragraph (1) states that “the state budget of income and expenditure as a manifestation of the state financial management shall be stipulated annually by law and implemented in an open and accountable manner for the greatest prosperity of the people”, as well as in paragraphs (2) and (3) which mention the involvement of legislative bodies.

Moreover, a series of successive laws were adopted in the early 2000s following extensive consultations involving a multitude of stakeholders. The major laws are:

The State Finances Law 17/2003 details the constitutional provisions for the budgeting process, mandates specific milestones and dates for the preparation and adoption of the budget, specifies general principles and authorities for the management and accountability of state finances, and establishes the financial relationship between the central government and other institutions.

The State Treasury Law 1/2004 outlines the responsibilities of the Treasury and articulates the creation of treasurers in government ministries and agencies, together with general principles on the management and accountability of public funds.


The Regional Governance Law 23/2014 outlines the responsibility of regional governments for a range of public services, including education, health, public infrastructure, agriculture, industry and trade, investment, environment, land, labor, and transport.

The Fiscal Balance between The Central Government and Local Government Law 33/2004 outlines the responsibility of regional governments for managing their own public finances, their revenue-raising authority and the system of transfers from the national government.

The State Audit Law 15/2004 outlines the operational framework of the Supreme Audit Institution of the Republic of Indonesia (Badan Pemeriksa Keuangan/BPK) and gives mandate to the BPK as a professional and independent institution required to submit its reports to the parliament.

The People’s Consultative Assembly, The House of Representatives, The Regional Representative Council and The Local House of Representatives Law 17/2014 outlines the legislative role in the budgeting process.

Several comments can be made about these laws.26 First, all of the laws are enacted unanimously by the Indonesian legislative bodies. This is a part of the Indonesian tradition

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of seeking consensus. It is a major achievement for such critical pieces of legislation to be passed in the immediate post-crisis environment. However, it is also a reflection of the fact that, in certain areas, the laws are open for interpretation and their exact meaning has not been fully established. For example, the State Treasury Law mandates the future use of accruals, but it is not clear whether this is meant to apply only to the financial statements or also to the budget. Neither is it clear whether it is applied to certain transactions only, such as agency-specific or consolidated whole-of-government accounts.

Second, the laws are very specific and detailed in other areas. This relates principally to the requirements for detailed input controls in the laws and to various “fences” – including fiscal rules – designed to promote fiscal responsibility and the prudent use of public money. This detail is largely a function of two factors. The trauma associated with the financial crisis has led to the creation of the various “fences”. Indonesia’s endemic problems with corruption are also behind the emphasis on detailed input controls. The controls are viewed as forming the basis for greater accountability for the use of funds.

Third, the separate budgeting and planning laws are largely enacted in isolation from each other. In fact, the explanatory notes to the State Finances Law 17/2003 are quite dismissive of the national planning function. One year later, the new State Planning Law 25/2004 strongly endorses the national planning function. Indonesian officials emphasize, however, that through coordinated implementation regulations, the respective laws work well together.

C. The Indonesian Legislative Role in the Budgeting Process

In almost all political systems in various countries today, it is generally accepted that the executive has a fundamental role in drafting the state budget and then presenting it to the legislative bodies. The legislative bodies have the right to consider, debate, and even in some cases make changes, then give approval or rejection of the executive’s proposed spending plan.27

Often a question arises, why do the legislative bodies have a role in the budgeting process? This cannot be separated from the concept of a democratic state that many countries adopt, everything related to the state will always be related to the people as the owner of sovereignty. The state budget is primarily from the people, thus state expenditure is also considered to be in the interests of all the people.28 In England Bill of Rights 1689, Article 4 states “that levying money for or to the use of the Crown by a pretense of prerogative, without the grant of Parliament, for a longer time, or in another manner than the same is or shall be granted, is illegal”. From this comes the obligation that the use of budget should be with the involvement of the legislative bodies as a form of popular sovereignty. As mentioned by Rene Stourm “the constitutional right which a nation possesses to authorize public revenues and expenditures does not originate from the fact that the members of the nation contribute the payments. This right is based on a loftier idea; “the idea of sovereignty”.29

The legislative role in the budgeting process itself varies considerably from one country to another country. In general, there are three types of legislative role in the budgeting process, namely budget making, budget influencing, and budget approving. This is influenced by the capacity of the legislative body itself, from the capacity to amend or reject the budget proposal by the executive, as well as the capacity to formulate the budget on its own. Capacity is strongly influenced by the rules of the game in the constitution, law, and tradition, including the governmental system adopted by the country concerned.30

28 Jimly Asshiddiqie, op.cit., p. 833.
30 Robert C. Gustafson, op.cit., p. 5-6.
In this regard, the governmental system adopted by a state also exerts an influence. Legislative bodies in the presidential system generally have a stronger influence in the budgeting process than in the parliamentary system because, in the presidential system, parties have weak discipline which makes the reason for the need to increase the role of parliament. In addition, the principle of checks and balances built into the presidential system encourages members of the legislative body to play an active, sometimes even opposite, role in dealing with the executive, even from the same party.\(^{31}\)

However, most parliaments also use formal and informal processes by which they can influence the final profile of the state budget. In Germany, for example, parliament has instituted a process whereby its members acquire extensive expertise on various aspects of the federal budget. This allows the parliament to make decisions when changing the annual budget of the executive.

### Table 1. The Legislative Budget Roles

<table>
<thead>
<tr>
<th>Role</th>
<th>Characteristics</th>
<th>Examples</th>
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<tbody>
<tr>
<td>Budget Making</td>
<td>Capacity to amend or reject the executive’s budget proposal and capacity to formulate a budget of its own.</td>
<td>The United States</td>
</tr>
<tr>
<td>Budget Influencing</td>
<td>Capacity to amend or reject the executive’s budget proposal, but lacks the capacity to formulate and substitute budget of its own.</td>
<td>Germany, the Philippines, Poland, Hungary, India</td>
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<tr>
<td>Budget Approving</td>
<td>Lacks the capacity to amend or reject the executive’s budget proposal or to formulate a budget of its own. Confining itself to asenting to the budget that is placed before it.</td>
<td>South Africa, Israel, Namibia, United Kingdom, Canada</td>
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</tbody>
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As already mentioned, after the transition to democracy in 1998, there was an amendment to the 1945 Constitution which strengthened the position of legislative bodies in the budgeting process. Prior to that, power in the budgeting process was concentrated on the government, and its budget proposal was never questioned or changed by the legislative bodies. Once the House rejected the draft state budget proposed by President Soekarno in 1960, but after that, the House was dissolved.\(^{32}\)

Based on Article 23 paragraph 2 and 3 of the 1945 Constitution after the amendment, there are two chambers within the legislative body involved in the budgeting process. The House is authorized to discuss and approve budget proposals from the executive, while the Council gives consideration. Such constitutional provisions make the House monopolizes the role of budgeting in the legislative bodies. Such monopoly can be seen from the extensive interaction between the House and the government throughout the budgeting process, which is regulated and provided in the State Finance Law as well as the People’s Consultative Assembly, The House of Representatives, The Regional Representative Council and The Local House of Representatives Law, such as:

a) In the preliminary talks, the House conducts discussions and approval of the overall orientation of the initial fiscal policy and preliminary budget ceiling;

b) During the consideration and stages of the State Budget, the House conducts discussions and approvals of government budget proposals, both macro, and micro-technical. In this process, the House can hold both formal and informal discussions with the ministries, agencies, and commissions on the content of the budget proposal. In case of approval, the House also approves the guidelines for the implementation of the budget in detail;

c) The stages of the current budget report in the form of a first-semester realization report and prognosis of semester II;

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d) The phase of the Revised State Budget; and
e) Responsibility for the implementation of the State Budget of Income and Expenditure (APBN).

### Table 2. The Indonesian Legislative Role in The Budget Process Timetable

<table>
<thead>
<tr>
<th>Mid-May</th>
<th>The government submits the pre-budget report.</th>
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<tr>
<td>Mid-May to mid-June</td>
<td>Discussions are held by the Ministry of Finance with the Budget Committee on fiscal policy and overall ceilings. Discussions are held by spending ministries and agencies with their respective sectoral commissions on detailed allocations.</td>
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<tr>
<td>16 August</td>
<td>The government submits the budget proposal. The President delivers the budget speech.</td>
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<tr>
<td>August to late October</td>
<td>The Budget Committee and sectoral commissions review the budget proposal.</td>
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<tr>
<td>End of October</td>
<td>The House approves the annual budget.</td>
</tr>
<tr>
<td>1 January</td>
<td>Start of the fiscal year.</td>
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<tr>
<td>July (next year)</td>
<td>Report on Realization of Semester I and Prognosis of Semester II of Budget from the government to House.</td>
</tr>
<tr>
<td>July-August (next year)</td>
<td>Discussion of Revised Budget (if any).</td>
</tr>
<tr>
<td>31 December</td>
<td>End of fiscal year.</td>
</tr>
<tr>
<td>January-June</td>
<td>The accountability report of the Budget implementation (maximum of 6 months after the end of the fiscal year), the House gives an opinion of acceptance or rejection.</td>
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</table>


Executive budget proposals are formally submitted on 16 August each year, one day before Indonesian Independence Day, which is a national holiday. This date is also the beginning of the annual session of the Legislative bodies. On this day, the President delivered three speeches: (1) the state speech on the celebration of Independence Day in the joint sessions of the House and the Council; (2) the state speech in the presence of the Assembly; and (3) the speech on the state budget in the presence of the House. This very high-profile event is the outstanding event on legislative’s annual calendar. Legislative bodies’ activities are postponed following the speech. After the President delivered his budget speech, the House – through the factions – delivers a general view of the government budget proposal. The Minister of Finance (and other ministers, as appropriate) responds on behalf of the President. However, this exchange is more ceremonial than substantive in content.

Furthermore, in August–October, budget deliberations are conducted. The budget is then referred to the Budget Committee where Legislative bodies’ scrutiny of the budget takes place. The deliberations in the Budget Committee constitute the first reading of the budget proposal. The Budget Committee is considered the most powerful committee in the House (Before Law 17/2014). It consists of 83 members representing the 11 sectoral commissions in Parliament; it is, therefore, a “committee of committees”. The representatives from sectoral Commission XI play an especially active role in the Budget Committee. Commission XI is the counterpart to the Ministry of Finance and BAPPENAS.33

The discussion of the state budget in the House starts from preliminary talks from mid-May to mid-June. The discussion is conducted between the Ministry of Finance, BAPPENAS, and the Central Bank (Bank of Indonesia) Governor with the House’s Budget Committee (Badan Anggaran DPR) to discuss fiscal, macroeconomic and governmental work plan. In addition, ministries and agencies also discuss details of allocations with the relevant commissions in the House.34

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34 Ibid.
The Budget Committee meets frequently for two months for discussion of the budget proposal. The finance minister will appear before the committee at the start of its deliberations and may be accompanied by the minister for BAPPENAS, the Central Bank Governor, and other spending ministers. During this stage, each party (faction) will state its views on the budget in more detail and the government will respond. Senior officials from the Ministry of Finance (the director general and the deputies) will have extensive discussions with the Budget Committee throughout its discussion period. The Budget Committee focuses on reviewing the macroeconomic assumptions and revenue forecasts on which the budget is based, government expenditure priorities for different sectors, and the financing of the budget deficit. The Budget Committee is guided by the deficit target agreed with the government during the preceding months (June-August). During its discussion, the committee focuses especially on revising the macroeconomic assumptions and revenue forecasts upwards, thus adding resources to fund additional expenditures. The analytical basis for such revisions is not clear but is likely in response to the government’s past practice of underestimating revenue, especially oil revenue. Each faction may produce a specific list of issues in this regard. The Budget Committee usually forms several smaller working groups (Panitia Kerja) to focus on specific subjects. Most notably, the meetings of the Budget Committee are not open to the public and no record is made available of its proceedings. During its discussion, the Budget Committee also invites sectoral commissions to submit advisory opinions on budget priorities and financial needs. Any additional resources may go to finance these requests. In general, the Budget Committee accepts all advisory opinions from sectoral commissions, as they would have been agreed informally before being submitted. In this context, it is important to highlight that the sectoral commissions interact only with their respective ministries and agencies. Neither officials from the Ministry of Finance nor BAPPENAS participate in the sectoral meetings.

The second – and final – reading of the budget takes place in plenary session by the end of October. The leadership of the Budget Committee will report on its deliberations, the parties (factions) will deliver their final opinion on the budget, and the government (Minister of Finance) will respond. This final reading is largely a formality, as the House in plenary session always endorses the conclusions reached by its commissions.

It is most noteworthy that the budget – as amended by the Budget Committee – is enacted by consensus, rather than by majority voting. This phenomenon is very much in line with the political culture of Indonesia which emphasizes continuous deliberations and negotiations among parties (factions) until a satisfactory agreement is reached by all. As part of this emphasis on consensus, the government itself must be in agreement with the final proposal as well.

The approval of the budget two months prior to the start of the fiscal year is meant to give sufficient time to finalize budget implementation guidance and for sub-national governments to finalize their own budgets. Fiscal transfers are the primary revenue source for sub-national governments. As has been noted previously, even though the budget has been enacted, the sectoral commissions may continue their scrutiny and place restrictions on the implementation of the budget.


Ibid.


Ibid.

Ibid.

Jon R. Blondal, Ian Hawkesworth, and Hyun-Deuk Choi, op.cit., p. 27., and the results of an interview with Ferdian Andi from the Indonesian Constitutional Law Undergraduate Association (Asosiasi Sarjana Hukum Tata Negara Indonesia).
From the description above, the role of the House in the budgeting process is very strong; even a monopoly occurs. In addition, other issues also arise. First, the House is involved in the discussion and approval of very specific budgets, i.e. organizational units, functions, programs, activities, and types of expenditures. The House’s focus on that specific issue is often not accompanied by adequate capacity and it even ignores the overall budget policy and strategic budgetary priorities. Being too specific, some members of the House may use their authority to corruption acts. Cases of corruption over forest function, corruption of education fund, corruption of procurement of Quran, corruption of E-KTP and others, become evidence of misuse of authority of the House in the budgeting process. Secondly, the House may also block the current year’s budget as part of supervision. Third, the process of budget discussion both in the Budget Committee and the commissions are still closed and not recorded. And fourth, the role of the Budget Committee is too strong, since it can amend the discussion and approval given by the relevant commissions.

On that basis, several elements of civil society have proposed the examination of the state finance law 17/2003 and The People’s Consultative Assembly, The House of Representatives, The Regional Representative Council and The Local House of Representatives Law of 2009 to the Constitutional Court. In Decision No. 35/PUU-XI/2013 the Constitutional Court decides the House’s authority in the budget process is too detailed. This concerned the authority to block the budget, closed and unrecorded discussions, and a stronger role of the Budget Committee, which was deemed to be contradictory to the constitution. In the technical issue, the House shall have the authority to discuss organizational units, functions and programs only. The House also cannot block the current year budget. The budget discussion should also be open and recorded to be accessible to the public. In addition, the Budget Committee cannot make amendments to the agreements that the Commission has provided, but only harmonize and synchronize.

This Constitutional Court ruling becomes one of the controls on the authority of the House in the budgeting process that gets stronger and also reminds the House to focus more on the issue of the priority and strategic budget policy. The Constitutional Court’s ruling can be considered to have reduced the DPR’s budget function with the aim of both checks and balances so that no power is easily misused.\(^{42}\)

This provision was then incorporated in Law 17/2014 in place of the Law of 2009. Although the House’s authority has been reduced, budget corruption cases still occur, such as in the case of bribery of members of the House in the projects of the Ministry of Public Works and Public Housing related to the budgeting process in the House. Thus, increasing transparency in the form of open budget meetings, including via recording, is not enough. It also needs an increase in accountability that shows the reasons why the House approves the executive budget proposal. Accordingly, any approved budget item can be accounted for.

In addition to having a role in the budget deliberations process, as usual, the House is also involved in the process of discussing budget changes in the event of the following things: (1) macroeconomic developments that are not in accordance with the assumptions used in the state budget; (2) changes to the principles of fiscal policy; (3) the circumstances causing budget shifts between organizational units, between activities and between types of expenditure; (4) the circumstances that cause the Budget Balance over the previous year being used for financing the current budget. The discussion is the same as the discussion of the usual budget.\(^{43}\)

After that, the House is still involved in the process of accountability of budgetary

\(^{42}\) Yutirsa Yunus & Reza Faraby, *op.cit.*, p. 211.

usage as part of supervision. This is done in the process of Report Realization Semester I and Prognosis Semester II reported by the government in the first 6 months of use of the current year budget. In addition, the House also provides an assessment of the liability for the implementation of the state budget, which is done no later than six months after the end of the budget year. The assessment is contained in the Act of Responsibility for the Implementation of the State Budget.\(^{44}\)

These processes further demonstrate the strong role of the House in the budgeting process. Meanwhile, the role of the Council which is determined as a consideration in the discussion of the state budget is interpreted as a formality only. Although legally, every budget review process should include consideration from the Council, in fact, these considerations are often ignored. There is no special forum to respond to the Council’s consideration of the state budget. This fact shows that there has been a monopoly on the House’s role in the budgeting process. Thus, the Indonesian bicameral model is weak/soft bicameral where only one chamber that plays a strong role in the budgeting process. Even based on the facts already mentioned, it has led to the unicameral system because only the House is involved in the budgeting process. From here, a thesis that mentions weak bicameral can lead to unicameral find relevance. The Council has a very limited set of tasks and is principally an advisory body. It has no role in the budgeting process where the House has sole responsibility.\(^{45}\)

Such conditions are certainly not in accordance with the ideality of the double checks initiated in the formation of the bicameral system. Referring to the function of the second chamber from Lord Bryce’s opinion, the Council as the second chamber should be able to make budget revisions, tax initiatives that are not controversial, withholding budget discussions on constitutional provisions such as education budget which must be 20%, and public debate on strategic budget issues. Thus, it will be able to obtain a higher quality budget for the greatest prosperity of the people.

Based on this, it is actually necessary to reposition the Indonesian legislative bodies in an effort to reach a strong bicameralism, where the House and the Council are given a relatively balanced power in the budgeting process. This will at the same time prevent the occurrence of deadlock, which is often met in the situation of the same complete power. Therefore, there can be a division of authority. For example, in terms of macro and strategic budgets, the House and the Council have the same power in the process of discussion and approval. To avoid a long and inefficient process of discussion as it must go through two chambers, a conference committee can be formed. In terms of budgets for ministries and agencies, the House has the power to discuss and give approval, while the Council only gives consideration. In terms of budgets for transfers to the regions, the Council has the power to discuss and give approval, and the House only gives consideration. The relatively balanced division of authority is expected to improve the quality of work of every chamber within the legislative bodies.

D. The Indonesian Legislative Capacity in Budgeting Process

In the previous discussion, it can be concluded that by law, the House has strong power in the budgeting process because it has the capacity to discuss, review, amend and accept or reject executive budget proposals, compared to the Council power which only gives consideration so it does not have the capacity to accept or reject budget proposal from the executive. But, the initial conclusions in practice may differ.

In the practice, the capacity of the Indonesian Legislative in its review of the budget proposal is weak. There are several
underlying reasons. First, there is the great
turnover of members of legislative bodies. Second, the overall resources of legislative bodies have not been upgraded along with its new responsibilities. Third, the function of the budget support body is not yet adequate and reliable. In addition, there are several other influential factors, such as the education of the legislative members, time for discussion and a large number of political parties.

The composition of the House is generally filled with newcomers. For example, in 2009 there were 74% members who became members of the House for the first time and in 2014 there were 57%. This situation is in part of a transitional reflection towards democracy, but it also highlights the lack of legislative experience by most legislators. In comparison, in the United States, the legislative election of legislative bodies is done gradually, so that within the same period, the legislature is not filled by the newcomers. However, the experience becomes one of the important things in the process of organizing the state, especially in the complex state budgeting process. Therefore, legislative members especially newcomers- are usually overwhelmed by the budget deliberation process, and tend to focus on very small budget details rather than overall strategic fiscal and strategic budgetary policies.

In addition, educational factors are also quite influential. Although the majority of members of the House hold bachelor degrees (in 2009 and 2014, more than 90% hold bachelor degrees) only a few of them have an economic background (only about 16-20%). This also affects the capacity of the legislative bodies in the budgeting process.

Besides inadequate experience and educational background, there is a low level of self-awareness to improve self-capacity because this is left over to the party. Presumably, the party is a place for regeneration and education for the cadres of political parties including legislative members. As a result, capacity building of legislative members is not optimal. Whereas the budgeting process is a difficult process. Barry Anderson by looking at the tendency of the budgeting process in several countries said that there was an effort from the executive to reduce the level of transparency and accountability, even though the current development of society demands an increase in openness and accountability. Therefore Anderson mentioned the importance of supporting facilities for the legislature to deal with executives in budget discussions.

With regard to the legislative supporting resources, it is striking that these are very similar to the previous era when the legislative bodies did not have effective roles. The staffs of legislative bodies are government employees (civil servants), who are hired according to traditional civil service procedures. All organizational changes and staff actions need to be approved by the government. Staffs are generally hired in their youth and hired for life. New hires are essentially trained “on the job” rather than bringing in needed specialized knowledge.

In addition to civil servants, to support the activities of the legislative bodies, each member of the House is assisted by five experts. Elements of leaders, commissions, bodies, committees, and faction can also recruit experts according to its proportion of seats in the House. The experts are not civil servants but individuals with specialized expertise and are often associated with a specific political party (faction). Nevertheless, not all members of the House take experts with an economic background that can help in discussing the budgeting process. Despite the fact that a body of expertise has been established in the form

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46 Ibid., pp. 27-28.
48 Jon R. Blondal, Ian Hawkesworth, and Hyun-Deuk Choi, op.cit., p. 28.
49 Mei Susanto, 2013, op.cit., p. 236; Puskapol UI, op.cit.
51 Ibid.
of the Center for Budgetary Studies (Pusat Kajian Anggaran) and the Center for Financial Accountability Studies (Badan Akuntabilitas Keuangan Negara) which focuses on the task of reviewing the state budget, they are not being filled by leading and respected experts. In addition, the budget for the center is still very limited. As a result, the study from the Center for Financial Accountability is still using data owned by the executive. The budget analysis provided is not able to counterpart the executive budget proposal. Such condition also occurs in the Council. In comparison, the United States has The Congressional Budget Office (CBO) with the primary duty of providing a definite number to the American Congress as well as a number of important recommendations on each executive budget proposal. Even the data and analysis presented by the CBO are considered more weighted than the Government-owned Office of Management and Budget (OMB) (such as the Ministry of Finance and BAPPENAS). With the existence of a good and expert support system, it is hoped that the budget discussion between the legislature and the executive can be balanced, especially in utilizing the budget for economic activities that promote people’s welfare. This has been pursued in Latin America by strengthening the supervision of the legislature in the budgeting process. Strengthening the budgetary powers of legislatures through the nonpartisan budget office is a tentative step toward improving legislative oversight.

In terms of budget formulation for the House itself, it still depends on the approval of the executive. In fact, in some cases, the House’s budget is not approved by the executive, such as the budget for construction of the new House building and the budget of aspirations. This shows that the House does not have the capacity to formulate its own budget. Meanwhile, the Council is not more powerful. In terms of its own budget, the Council is dependent not only on the executive but also on the approval of the House. This condition shows that the Council is very weak in terms of budgeting its own.

The House also has limited time in the budget discussion process, which is only two and a half months, compared to five months for the executives. Limited time will affect the performance of the discussion. Moreover, public participation in the form of inputs and suggestions to the government budget proposal is needed, as the state budget will be more oriented for the greater prosperity of the people. Due to time constraints as well as lack of commitment of members of parliament, input and suggestions from the public is often just a formality that is left without any explanation of whether being accepted or rejected. Thus, it should be the holder of the people’s sovereignty.


Field research in the House of Representatives and interviews with House of Representatives expert staff Syafrijal.


The results of an interview with Ferdian Andi from the Indonesian Constitutional Law Undergraduate Association (Asosiasi Sarjana Hukum Tata Negara Indonesia).
the legislature can control the state budgeting process. With an increase in the capacity of the legislative body, the control will be further improved as well.\textsuperscript{59}

IV. Conclusion

After the amendment to the 1945 Constitution, the role of the Indonesian legislative in the budgeting process becomes stronger. Strengthening that role is however not realized through the establishment of a proper bicameral structure. Only the House has full power in the budgeting process in the form of discussing, reviewing and even changing, accepting or rejecting the budget proposal from the executive. Meanwhile, the second chamber of the Council is only given the authority to give consideration, which is often ignored because there is no special forum to discuss it. This further indicates that the bicameral system being currently adopted in Indonesia is a weak bicameral system. In addition, members of both the House and the Council seem to have weak legislative institutional capacity in terms of experience, education, and ability to create their own budget. This situation is worsened by inadequate upgrading and supporting resources in the legislative bodies. Therefore, it can be said that the House is included in the budget influencing while the Council is included in the budget approving. This conclusion is in contrast to the authors’ conclusions in an article entitled “Hak Budget DPR dalam Pengelolaan Keuangan Negara”, which calls the House as a budget making the institution and the Council as that of budget influencing, considering only the aspect of authority regardless of capacity. For example, the House has broad and strong budget authority but weak budgeting capacity, so it is called budget influencing, while the Council has limited authority to only budget influencing and has no budgeting capacity, so it is only called budget approving. Thus, this article at the same time changes the author’s view of the role of the House and the Council in the budgeting process.

The strong role of the House and the weak role of the Council make the role of the legislative in the bicameral system, that is supposedly purposed for having double checks system in the form of budget revision, initiation of noncontroversial budget, delay of the budget of fundamental constitutional importance, or public debate, cannot be realized. Moreover, the strong role of the House has opened the entrance for corruption by members of the House. The legislative bodies need a repositioning; the authority and the capacity of the House and the Council need to be made relatively equal. In addition, the budgeting process should be transparent and accountable to avoid corruption, such that it provides a platform for public participation in order to ensure that the approved state budget is in favor of the people. And the appointment of expert and professional support staff in accordance with the needs of the budgeting process in the legislature.

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