



The Asia Foundation



[ OCCASIONAL PAPER NO. 6, JUNE 2011 ]

## **HOW CIVIL SOCIETY ORGANIZATIONS WORK POLITICALLY TO PROMOTE PRO-POOR POLICIES IN DECENTRALIZED INDONESIAN CITIES**

Laurel MacLaren, Deputy Country Representative, The Asia Foundation  
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## **ABSTRACT**

This paper examines how civil society organizations (CSOs) have taken advantage of the increased opportunities created by decentralization to influence the role and functions of local administrations in urban areas of Indonesia. The paper utilizes evidence from two cities in Central Java where policies were passed that expanded health insurance coverage for the poor: Semarang (pop. 1.5 million) and Pekalongan (pop. 300,000). The paper argues that CSOs are increasingly able to influence local policy outcomes – regardless of the leadership qualities among elected officials – by working politically. We describe the political context of each city, which varies greatly. We provide evidence of how pro-poor advocates expanded their capital by identifying allies, building coalitions and taking advantage of critical junctures in order to influence social policy. We demonstrate how developing constituent interest in public policy has helped CSOs hold government accountable to the poor. We present a fiscal analysis of municipal revenue and spending produced by CSO partners, which illustrates both the challenges of increasing allocations, as well as the outcomes in terms of expanded coverage of health services. In conclusion, we offer implications for development programming going forward.

## ACRONYMS AND INDONESIAN TERMS

APBD	revenue allocated by the district government
BAPPEDA	regional planning board
BOS	school operational assistance – funds from central level for education
BPK	National Audit Agency
CSIAP	Civil Society Initiative Against Poverty program, implemented by the Asia Foundation
CSO	civil society organization
DPRD	Parliament (municipal or regional level)
Golkar	ruling party under the Suharto regime (1966-1999), currently led by Aburizal Bakrie
Jamkesda	health insurance program funded by the regional level
Jamkesmas	national health insurance program funded by the central level
Puskesmas	sub-district health centers
MBOs	mass-based organizations
MP	member of Parliament
musrenbang	bottom-up participatory planning process led by regional government
NC	Nahdliyin Centre (NC) – “Nahdliyin” is a term used to refer to NU members
NU	Nahdlatul Ulama, a mass-based Muslim organization with an estimated membership of 30 million Indonesians
Partai Demokrat	political party founded in 2001; President Yudhoyono’s party
PDIP	political party led by Megawati, who was President from 2001-2004
PKS	political party established in 1998, calling for a central role for Islam in public life
PAD	regional revenue
PAN	moderate Islamist political party founded by reformists such as Amien Rais, chairman of Muhammadiyah, in 1999
PKB	political party loosely affiliated with Nahdlatul Ulama (NU)
PNPM	national poverty alleviation program, administered through block grants to the sub-district level
PPP	a moderate Islamic party active in the Soeharto era, formerly led by Suryadharma Ali, Minister of Religious Affairs
Perda	local regulation
TKPKD	Municipal Poverty Alleviation Team, required at municipal level by presidential decree

## BACKGROUND

Decentralization – or the devolution of authority and resources from the central to local government – has been one of the most popular policy experiments among governments, donors, and civil society organizations (CSOs) in Asia. Decentralization is meant to reduce the inefficiencies of an overly bureaucratic centralized government, and is seen as complementary to democratization by increasing meaningful citizen engagement with government. However, outcomes of decentralization have been mixed, largely due to discrepancies in the implementation of policies. In 2001, Indonesia enacted one of the most ambitious decentralization policies in the world, shifting a significant level of authority and much of the political bargaining process from the center to the local level. One of the most remarkable changes brought about by the devolution of authority has been the management of public spending, with the proportion of allocations determined by the local level rising from around 15% of the total State budget in 2000 to around 30% in recent years.

Decentralization brought with it high hopes among advocates for women and the poor, many of whom focus on securing universal access to basic education and health services. More than 30 years ago, the Government of Indonesia established user fees for public education and health services on the grounds that the country lacked the fiscal capacity required to offer free services for all. Until today, cost remains the leading reason for school dropout and underutilization of health services by the poor. While several national laws now mandate that “social security programs for the poor be paid by the government,” these laws have yet to be fully operationalized or enforced. Since 2005, a number of schemes have introduced substantial new central-level funding to expand health and education coverage. However, these policies have, for the most part, undermined decentralization in that allocations and payment mechanisms bypass district government and reimburse service providers directly – in the name of “increased efficiency” and “prevention of misuse of funds.” The largest schemes are the School Operational Assistance (BOS) program, which provides funds to schools on a per pupil basis to cover operating costs, and the national health insurance program (*Jamkesmas*), which reimburses directly to public hospitals and sub-district health centers (*Puskesmas*) for clinical services provided to the poor. Both programs have dramatically expanded central-level spending for social services. In 2008, BOS accounted for 23% of central government spending on education and in 2010 *Jamkesmas* accounted for 20% of all central spending on health (World Bank, 2008; Seknas-FITRA and The Asia Foundation, 2010). Moreover, these increased levels of funding are still not sufficient to cover costs of services for Indonesia’s 76 million poor (World Bank 2009).

The main fiscal space to further increase spending for social services is at the district level (Trisnantoro 2009), where local revenues are expanding rapidly due to economic growth, the introduction of new and increased local taxes, and the transfer of revenue collection from the province/national levels to the district. In principle, the proximity between local government and constituents offered by decentralization should translate into opportunities for citizens to advocate for funds to be used for needed services, potentially including support for free basic services. Yet as any policymaker knows, policy-making and budgetary allocations are a political process with many vested interests at stake, and in Indonesia there is strong evidence that local elites are often able to capture large portions of State resources through corruption and nepotism.

Social scientists studying decentralization in Indonesia have provided a range of political economy explanations as to why local governments pursue different policy agendas. Some argue that the nature of local leadership is the dominant factor, with “good leaders” more likely to adopt “good policies.” For example, Von Luebke (2009) suggests that Indonesia’s democratization has created an incentive for executive officers to pursue developmental policies that are popular with voters (i.e., free education and health services), but that only “good” leaders who have strong political ambitions and good administrative skills can push progressive policies through local parliaments and ensure implementation by the bureaucracy. Rosser et al (2011) further argue that the nature of leadership in Indonesia is mostly fueled by a politician’s strategy for securing and retaining political power. They note that many local politicians come to office through close connections to predatory elements in the military, bureaucracy, business groups, or criminal gangs, and retain power by consolidating patronage networks and enriching their party machine through the capture of State resources. Rosser argues that it is only when elected officials are relatively autonomous of predatory interests that they have an incentive to pursue pro-poor policies as a way to generate popular support and bolster their chances of retaining political power through popularity with the electorate.



This paper diverges from the emphasis on local leadership as the primary driver of policy-making and argues that civil society organizations are increasingly skilled at influencing local policy outcomes, regardless of the leadership qualities among elected officials. We argue that as Indonesian CSOs take advantage of opportunities to access local policy-making processes, it is their ability to navigate the political landscape and “work politically” that primarily determines their success. By “working politically” we mean that CSOs are able to identify allies and opponents within and outside the government, mobilize constituencies and engage in coalitions for change, and use their political power to negotiate agreements with elites on resource utilization that promotes development. In this process, CSOs are more and more shaping how Indonesia’s State institutions govern at the local level. This paper presents case studies from The Asia Foundation’s Civil Society Initiative Against Poverty (CSIAP) program, funded by the UK Department for International Development (DFID). The CSIAP program was designed in 2004 to improve district-level policies and spending to address poverty. Recognizing that technical assistance to improve municipal budgeting and spending had been available to local officials for some years, the program hypothesized that additional political incentives were needed to reallocate funds away from “discretionary” line items and toward the poor. The Foundation sought out non-traditional NGO partners, and in particular, Muslim mass-based organizations (MBOs) who wielded political heft and were embedded in local communities. These organizations were paired with advocacy NGOs who had technical budget monitoring and oversight skills, ensuring both technically and politically viable pro-poor and gender-sensitive outcomes. In the current phase of CSIAP, programming covers 38 districts and municipalities.

To illustrate the CSOs’ political approach, the Foundation chose two municipalities in Central Java that were deemed a success in terms of passing pro-poor legislation that led to the expansion of district-funded health insurance for the poor: Semarang and Pekalongan. In addition to the data collected throughout program implementation, our team spent two days in each city conducting ethnographic interviews of agents involved in policy-making from the executive, legislative, bureaucracy, NGOs, civil society, academia, and the media. The methodology for the inquiry was heavily based on theories of politics, political leadership, elites, agency, coalitions, and state institutions that are being explored by the Development Leadership Program (a multi-stakeholder initiative, supported by the Australian Government).<sup>1</sup> The paper first describes the political context of each city, which varies considerably in terms of leadership and politics. We then describe how CSOs expanded their political capital and utilized their agency to foster coalitions that took advantage of critical junctures to influence policy. We present the analysis of municipal revenue and spending produced by CSIAP partners, which lent credibility to their advocacy efforts and illustrates both the challenges of increasing allocations as well as the outcomes in terms of expanded coverage. The final part of the paper explores implications for development programming going forward.

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<sup>1</sup> The Developmental Leadership Program brings together partners to explore the critical role played by leaders, elites and coalitions in the politics of development, and address the policy, strategic, and operational implications about ‘thinking and working politically.’ See: [www.dlprog.org](http://www.dlprog.org). See also Leftwich 2009.

## POLITICAL CONTEXT

Within Indonesia's municipalities, there is no doubt that the executive (mayor) wields the most policy-making power. To describe the political context of each city, we look at the leadership qualities, political party affiliation and interactions of policy actors that include the mayor, Parliamentarians and government bureaucrats as well as academics, advocacy NGOs, constituency-based organizations, and the media.

### *Semarang: A house divided*

Semarang is located on the north coast of Central Java, and has a population of around 1.5 million. It is Indonesia's fifth largest municipality and hosts one of Indonesia's most important ports. Semarang hosts a fast-growing, dynamic economy that includes industrial parks, factories, banks, textile manufacturing, furniture, and processed foods. In 2000, Sukawi Sutarip was appointed by Semarang's Parliament to a five-year term as mayor.<sup>2</sup> Sukawi was a wealthy and successful businessman, with interests in real estate, construction, and banking.<sup>3</sup> He was business colleagues and friends with the head of the dominant party in Semarang's Parliament, PDIP, which controlled 20 of 50 seats in the legislature. In his first year in office, Sukawi focused on economic development and was a widely popular mayor. He attracted private investment in hotels and malls, and the service sector expanded dramatically. During his first term, Sukawi issued many third-party agreements that enabled private sector partners to utilize public assets (land, buildings, water) for business opportunities. He initiated dozens of large-scale infrastructure projects, which were believed to be required for economic growth.

In 2003, as democracy took hold in Indonesia, a number of new NGOs and civil society coalitions emerged to participate in promoting the country's 2004 elections. Two coalitions were dominant in Semarang – the Semarang City People's Network (*Jaringan Masyarakat Kota Semarang* or JarMas) and the Semarang City Women United (*Persatuan Perempuan Kota Semarang* or PPKS). Many student activists were also involved promoting democracy – mostly Islamic-based student group such as HMI (*Himpunan Mahasiswa Islam*) and PII (*Pelajar Islam Indonesia*). Unionized workers (through the national union *Forum Serikat Buruh Indonesia*) and street vendors (through the *Forum Kaki Lima Semarang*) also emerged as strong constituent bases during this period. In 2003, the Semarang chapter of the national NGO Pattiro was founded by several activists who were active in JarMas and PPKS. Pattiro Semarang has since had five directors each with varied backgrounds – Usman (2003-04) who was an HMI activist; Marsono (2004) who was a labor activist, Susan (2004-06) who was a HMI activist; Iskandar (2006-08) who was a human rights and law activist; and Hendrik (2008-present) who had been with PII prior to Pattiro. Under Susan's leadership (2004-06) and with mounting public excitement about the national elections, Pattiro's public profile increased significantly as they were more often covered by the local media, and they were increasingly able to develop networks with reformers inside government and Parliament (DPRD). For example, Susan was able to establish a relationship with Sudarto, a senior staff in the regional planning bureau (BAPPEDA), who was well placed to facilitate CSO access to government planning and budget allocation processes. She was skilled at getting data from lower-level bureaucrats in the departments of planning, health and education, and Pattiro started to uncover information that documented Sukawi's questionable performance – including a lack of accountability by private businesses utilizing government assets through third-party agreements, and corruption in public procurement projects.<sup>4</sup>

In 2005, the mayor was to be directly elected for the first time. Sukawi broke ties with the PDIP party and ran with a coalition of Islamic-based parties that included PKS, PAN, PKB, and PPP.<sup>5</sup> He accepted an Islamic party candidate as his deputy mayor. Because four parties needed to agree on one nominee, the candidate – Mahfud Ali – was party-neutral. Committed to promoting Islamic party ideals, Mahfud was a professor of law, founder of the region's first anti-corruption NGO (pre-dating today's Indonesia Corruption Watch), and a devout Muslim and member of NU. People close to him recall that Mahfud decided to run in order to “do something right.” Soon after the election, mayor Sukawi gave his deputy the authority to manage social services –

<sup>2</sup> During the early days of democracy (1999-2004), legislatures appointed the executive at both the provincial and district levels.

<sup>3</sup> In 2010, the *Jakarta Globe* reported that Sukawi was the wealthiest elected official in Java, with a net worth of over \$6 million.

<sup>4</sup> Two of Sukawi's large-scale infrastructure projects are high-profile failures. A “modern fish market” built during his first term was managed by several private sector companies but never turned a profit and is now dormant. Semarang is also home to Java's most costly bus terminal, also built in Sukawi's first term, which because of poor location has never become operational.

<sup>5</sup> Some say Sukawi left PDIP because of friction with his Deputy Mayor, a party elite. Others speculate that the cost of running with PDIP was too high. Sukawi was clearly a political opportunist – within a year of jumping from PDIP to join the Islamic parties, he again jumped ship and joined *Partai Demokrat* (PD), the President's party.

presumably because he didn't see these sectors as very strategic, and wasn't worried about appearing "pro-poor" to the electorate given that his political base was mostly business interests. Once given authority, however, Deputy Mayor Mahfud demonstrated a lack of leadership. This was compounded by a lack of initiative among Sukawi-appointed bureaucrats leading government departments managing social services.

In his second term, Sukawi faced mounting challenges from Parliament, which was led by his former party, PDIP (12 seats). Other parties with seats in DPRD included Partai Demokrat (7), Golkar (6), PAN, (6), PKS (5), PKB (4), and PPP (2). Tensions between the executive and Parliament heightened when Sukawi was formally charged by the Corruption Eradication Commission (KPK). As the corruption case went viral in the local media, Parliamentarians united against the mayor and DPRD became focused on controlling the executive. Many commented, "Parliament was no longer about party politics, but about showing the Mayor who's boss." The case against Sukawi remained high profile until 2008 when Sukawi was convicted (he has yet to be incarcerated).<sup>6</sup>

### ***Pekalongan: A house united***

Pekalongan is also located on the north coast of Central Java, a two-hour drive from Semarang. With a population of around 300,000, this relatively sleepy municipality is known as the "batik city." In addition to its main industry of textiles, Pekalongan also hosts small industries in metalwork, housewares, and food processing. In 2005, the city elected a pro-reform mayor, Dr. H. M. Basyir Ahmad. Dr. Basyir spent the first 18 years of his career as a public sector doctor, with a private practice that served the poor. He was a well-known public figure who provided free health services and "even gave poor patients money for transport home." Alongside his medical practice, Dr. Basyir got involved in party politics (in 1987), and by 1998, he had become head of Pekalongan's Golkar party. He ran for and won a seat in municipal Parliament (DPRD) in 2000, and became an outspoken critic of the mayor (his predecessor) for not doing more to address poverty. Basyir was a fan of the national block grant program called PNPM, which enabled communities to plan and manage small-scale development programs (mostly infrastructure).<sup>7</sup> In addition to being a Parliamentarian, Basyir was active in social organizations that included an Islamic education foundation (Al Irsyad Pekalongan), ICMI (a national Islamic think tank), PINBUK (an NGO supporting small enterprises), and IDI (the Indonesia Doctor's Association). During his tenure as a Parliamentarian, friction between political parties ran high in Pekalongan. Twice party supporters rioted and burned public buildings, once after a conflict between the PPP and Golkar parties (1997), and a second time between PPP and PKB parties (1999). When Basyir ran for mayor in 2005, his party was ranked fourth; PPP held the most seats, followed by the PDIP, PKB, and Golkar parties. Basyir's popularity and his ability to mobilize grassroots voters through his social welfare platform resulted in he and his running mate – H. Abu Almafachier of the PKB party – winning the election with 60% of the vote.

As Dr. Basyir made his way into politics, the NGO Pattiro Pekalongan was founded in 1999 to promote transparency and accountability in local governance. Since its establishment, Pattiro Pekalongan has only had two directors, Aminuddin Aziz or Amin (who served from 1999-2009) and Sugiharto (the current director). Both are originally from Pekalongan, and started out as environmental activists. When Pattiro was founded, it was closely aligned with workers' rights groups. The NGO quickly went about building its own constituency through a grassroots "Community Center" program in poor neighborhoods. Pattiro is well-known for its ability to facilitate bottom-up planning, and for helping poor constituents advocate for their needs to local government. They also train community leaders in governance, two of whom now serve in Pekalongan's Parliament.

When the charismatic Basyir took office, Pattiro was well-placed to influence him. As the mayor went about consulting the public to demonstrate his commitment to social welfare, he also formed a "Team of Five" to advise him. Members include a representative of his party (Golkar), the bureaucracy (S. Budi Santoso of BAPPEDA's Planning and Evaluation Unit), the community (Anton, who led a model PNPM program), an academic, and Pattiro's director, Amin. While the mayor didn't have a personal connection to Amin or Pattiro, he recalls "checking out the NGOs" and finding that Pattiro was the most credible. The "Team of Five" quickly

<sup>6</sup> President Yudhoyono has yet to sign the instruction to jail Sukawi, so he was able to complete his term as mayor, which ended in July 2010. Sukawi remains free until today, and the president has been criticized in the press for protecting him.

<sup>7</sup> The National Community Empowerment Program—PNPM—is Indonesia's largest poverty alleviation initiative. It was designed based on two World Bank-financed programs implemented after the 1998 economic crisis: Kecamatan Development Project (KDP/PPK) and Urban Poverty Project (UPP/P2KP). PNPM was initiated in 2007 with funds from the central government and various donors. In 2010, PNPM reached 495 districts, and around 22% of the program's funds were allocated from district-level resources (APBD).

developed a strategy to reach the poor, which was dubbed the “Acceleration Program.” The approach dramatically changed how government funds are allocated, managed, and accounted for, and now accounts for 3% of the municipal budget. The program utilizes a structure similar to Indonesia’s PNPM program and gives authority to neighborhood associations (RW) to plan, allocate, spend, and account for block grants for community development. When the program was launched in 2008, many government units questioned the scheme given that funds would be taken from unit budgets; however in large part because the mayor commands loyalty from the bureaucracy and had very little political opposition, he was able to push through this new way of programming. Community-led forums have been established at the sub-district level (called LPM) and the village (*kelurahan*) level (called BKM), and are responsible for collecting data about the poor, engaging the community in planning, and managing block grants which range in value from \$280 - \$2,800. One important aspect of the program is that the amount of the allocation is known to the community beforehand, so that planning can be done with a budget in mind. NGO activists, journalists, and community members agree that the program has been both effective and politically popular. Several people noted “When \$500 is allocated through government, only \$300 reaches the community. But when \$500 is allocated through the LPM and BKM, \$600 reaches the community, because inevitably community contributions are also mobilized.” As a result of the program, spending for poverty reduction in Pekalongan doubled between 2005 and 2010, and included community-identified projects such as improvements to roads, schools, health centers, and housing as well as funds to operationalize community health services, scholarships, and water services.

Mayor Basyir clearly used the Acceleration Program to consolidate his political base. The mayor deliberately fostered relationships between the Golkar party and community managers of the Acceleration Program, recruiting party members from Acceleration, as well as getting party leaders involved in Acceleration. The mayor also strengthened his political base by fostering a relationship with mass-based religious organizations. For example, one of his showcase projects has expanded pre-school enrollment through partnerships with religious schools (*TK Al Quran*). Currently, effective political opposition to the mayor is difficult to find. Journalists insist the mayor is clean, and say that the 2010 local election was relatively free of “money politics.” While MPs from other parties at times criticize the mayor’s work, no one has yet to offer a tenable counter-platform. The mayor is obviously a talented political player who uses his personal networks, charisma, and policy-making power to his political advantage. It was without surprise that in 2010, Basyir won re-election with 70% of the popular vote, and his party (Golkar) went from fourth-ranked to top-ranked in DPRD. Also unsurprisingly, Basyir is grooming his wife to be his successor; she was elected to Parliament in 2010, and is rising in stature in the Golkar party.

## HOW CSOs WORKED POLITICALLY

### *Semarang: Allies act when Executive power is weak*

The KPK's corruption case against Sukawi was initially built using information provided by Pattiro, who had collected data from lower-level government bureaucrats and analyzed it to point out irregularities in spending. As the corruption case gained momentum, two Parliamentarians from the Prosperous Justice Party (*Partai Keadilan Sejahtera* or PKS<sup>8</sup>) emerged as particularly outspoken critics of the mayor. These included Ari Purbono, who served on Commission B for Finances and Budget, and Ahmadi Sukarno, who served on Commission D for Social Welfare. These Parliamentarians, who describe themselves as motivated by their religious values and concern for the poor, thought the mayor wasn't doing enough to address poverty. They found allies within Parliament, and soon legislators had made a pact to initiate at least 10 new local regulations annually. Pattiro took great advantage of the momentum in DPRD against the mayor, building relationships with Parliamentarians who wanted to introduce legislation but didn't have the requisite technical skills. Ari and Ahmadi soon became trusted colleagues of Pattiro, despite their holding different political views.

Pattiro also had an ally within the bureaucracy: Sudarto, the Deputy for Social Affairs of the BAPPEDA planning agency. Sudarto understood the fiscal aspects of pro-poor legislation and held credibility given his seniority and reputation for being "clean" (he recently retired after 30 years of service). Sudarto became a champion of the pro-poor legislation, and reportedly was the main person to convince Deputy Mayor Mahfud Ali that it was worth his support. The deputy mayor's support was also bolstered by the involvement of Professor Rahmat, Mahfud's successor as Dean of the Law School, in the legal drafting (Rahmat was hired by Pattiro as a consultant). Mahfud's shared HMI connection with Susan from Pattiro also reportedly helped the deputy mayor feel comfortable joining the coalition supporting the policy.

Pattiro's technical team – which included Sudarto and Rahmat – conducted policy research and drafted legislation that was fed to PKS politicians and their allies in DPRD, which included Daud from PAN, and Afif Hendro from PDIP. Pattiro sponsored a number of public hearings on the draft legislation, enabling their constituents to show support. While many from the bureaucracy expressed concern that the legislation might add "too much burden" on the government's finances, these arguments were lame in the face of so much political support. The Head of DPRD, Sriyono (PDIP), was soon convinced to support the bill, albeit perhaps motivated mostly by wanting to come down against Mayor Sukawi. Pattiro's strong relationship with the media also benefitted their advocacy efforts, and the local media frequently covered issues related to poverty and gender discrimination, as well as government indifference. Within a year of Pattiro introducing the idea of a poverty alleviation bill, the law (*Perda 4/2008 on Poverty Alleviation*) had been passed. Key aspects of this legislation are described in Figure 1, below.

Pattiro is now working with Semarang's DPRD members on a number of Parliament-led policy initiatives to address fiscal management, civil service reform, and oversight of third-party agreements that give private businesses the authority to utilize government assets. DPRD also reports that they are working more closely with the National Audit Agency (BPK) to develop a standard analysis of expenditure, to increase the efficiency of budget allocations. Ari Purbono also spoke of how PKS' expanding constituency has changed the party, "we are no longer [just] Islamic fanatics," Ari joked, pointing to his 60,000 party members that include Chinese and Catholic organizations, university students, and the broader public.

<sup>8</sup> PKS was established in 1998, calling for a central role for Islam in public life. In 2004, PKS won 7% of the national vote, making it the seventh-largest party. PKS' leader was elected as Speaker of national People's Consultative Assembly (MPR, 2004-09), and the party became known both for its opposition to corruption, and its socially conservative campaigns against pornography and drugs.

**Figure 1 - Local Policy on Poverty Alleviation (Perda 4/2008) - Semarang**

**Goals**

The municipal government has the responsibility to fulfill the following rights of the poor:

- Food security
- Health services
- Education services
- To work and do business
- Shelter
- Clean water and sanitation
- A clean and health living environment
- A sense of security and protection from threat of violence
- Participation in social, economic, and political life

**Programs**

Poverty reduction will be achieved through assistance with food, health services, education services, shelter, skills improvement, credit, and security.

**Health Services**

Health services will be implemented by providing full coverage of basic health services through the *Puskemas* system, and full coverage of outpatient and inpatient care in third class government health facilities. How this program will be implemented will be set forth in a mayoral decree.

***Pekalongan: Allies are well-placed to shape how the Executive implemented his vision***

In Pekalongan, as Pattiro's Amin worked with the mayor's Team of Five, the NGO also started broadening their political base by expanding their own constituency. The majority of poor citizens in Pekalongan are NU-identified Muslims, and hence Pattiro identified NU as a key ally. NU Pekalongan religious leaders – particularly Habib Lutfi Yahya, a direct descendent of Prophet Muhammad – are important endorsers of successful political candidates. After Pattiro identified their political importance, Amin attended NU Pekalongan's annual conference, identified and fostered relationships with NU leaders, and eventually supported NU to found the Nahdliyin Centre (NC) in 2008.<sup>9</sup> The Center's stated purpose is to assist NU members to access education, health services, and economic opportunities, and to play an active role in solving community problems. Amin was appointed as one of the NC's eight board of advisors, and by 2009 as many as 17 of NU Pekalongan's 47 chapters had established NC activities that focus on identifying poor residents and assisting them to access free health services. NC records show that they assisted an average of 60 NU members per month to access free health services during the period of 2008-2010. In short, NC facilitated a higher level of participation by poor NU members in the mayor's Acceleration Program.

In 2008, the mayor determined that his programs needed a stronger legal foundation, and he returned to the Team of Five for advice. It was determined that a local regulation to institutionalize the Acceleration Program would help the initiative be sustainable over time. The mayor's core technical team that included Pattiro staff, Budi (BAPPEDA) and Anton (from PNPM), drafted the legislation and within a few months, *Perda 11/2008 on Acceleration of Community-based Family Welfare (P2KSBM)* had been passed by Parliament. Amin recalls that the longest Parliamentary debate was over how "welfare" would be defined, measured, and evaluated. Once that was settled, the law was passed quickly (see Figure 2).

<sup>9</sup> "Nahdliyin" is a term used to refer to NU members.

**Figure 2 - Local Policy on Poverty Alleviation (Perda 11/2008 ) - Pekalongan****Goals**

- All poor children complete nine years of schooling
- No citizen is illiterate
- All housing meets minimal standards, no slums
- Guaranteed health services for the poor
- No malnourished children
- All poor pregnant women have antenatal care and skilled delivery
- Poor families are free of infectious disease
- Credit expands for the poor
- Poor people can access job skills training and job opportunities

**Programs**

Acceleration of improvements for poor families in: education, health, job opportunities, infrastructure, and environmental health. Strengthening of independent community-based governance institutions.

**Health Services**

Develop universal health coverage for the poor (JPKMM); Provide supplemental feeding for under-five children and pregnant women; Control infectious diseases; Renovate of sub-standard housing.

## WHAT DIFFERENCE HAS THE LEGISLATION MADE TO THE POOR?

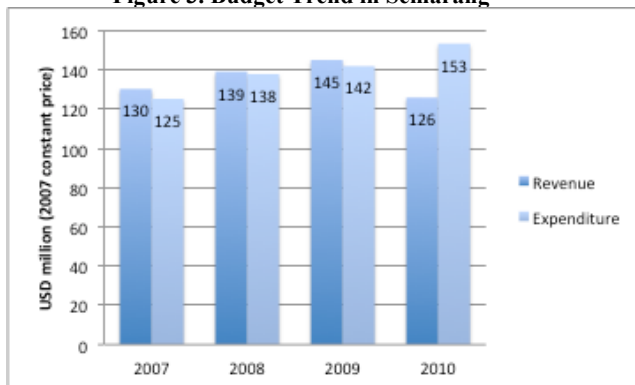
### *The Backdrop: Understanding municipal fiscal capacity*

In both cities, Pattiro with support of a national technical partner, FITRA (the Indonesia Forum for Budget Transparency), produced the most comprehensive analysis of local allocations and spending in Indonesia to date. Never before had budgetary data been so widely available – particularly data about actual spending – and never before had a standardized tool to analyze public expenditure been used at the district level in Indonesia. The budget analysis, which is partially presented below, gave NGOs unprecedented technical credibility that they used to advocate. Spending data gave Pattiro and its allies the opportunity to understand the challenges of expanding funding for social services, and to offer concrete suggestions to their allies about how funds could be re-allocated, as well as how revenues related to spending.

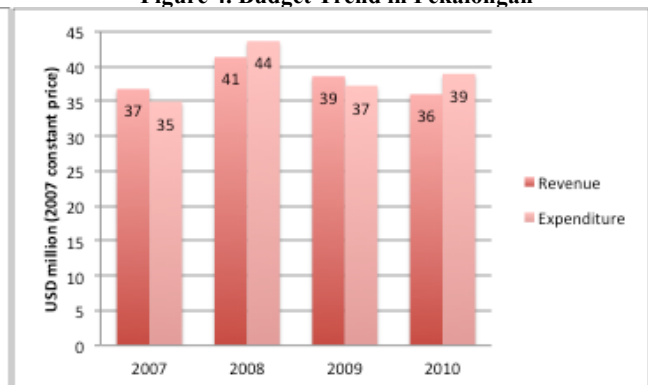
Being a relatively small city, Pekalongan's municipal budget is about one-fourth the size of Semarang's. Both cities have seen fluctuation in their revenue over the past four years, and both rely significantly on transfers from the central government, although Pekalongan more so. On average, around 66% of Semarang's and 84% of Pekalongan's municipal budget was from central-level transfers. There was no significant change in the level of central funds each city received from the center during the four-year period reviewed.

As compared to many municipalities, Semarang's revenue (PAD) is quite high, and comprised 21% of the overall municipal revenue in 2010 (valued at around \$27 million).<sup>10</sup> In contrast, only 10% of Pekalongan's municipal revenue is from their PAD (valued at around \$3.6 million). This means that Pekalongan is more constrained in terms of the funding it has full authority over to program. Similar to other large Indonesian cities, about half of Semarang's PAD is from taxes while taxes only comprise one-third of Pekalongan's revenues. Officials said they expect tax revenue to increase dramatically (perhaps even double) in 2011, as more types of taxes will be remitted directly to the municipality instead of to the center/province. In both cities, revenues from public hospitals are a significant portion of PAD, 13% and 25% in Semarang and Pekalongan in 2010, respectively.<sup>11</sup>

**Figure 3. Budget Trend in Semarang<sup>12</sup>**



**Figure 4. Budget Trend in Pekalongan**



In terms of spending, as in the rest of Indonesia, both cities spent about half of their total budget on personnel. Seeing what a large portion of the overall budget goes to funding the bureaucracy has built NGO demand for bureaucratic and civil service reform, as civil servant salaries are the main constraint to increased funding for service provision. A relatively low proportion of funds is being spent on capital investment – on average only 13% in Semarang and 20% in Pekalongan – in large part because the discretionary funds available after fixed costs are covered is so small.

The health budget allocation in both cities increased during the four year period reviewed, and now almost meets the requirement of the national health law that 10% of budget allocations should be for health. This is relatively high compared to other districts/municipalities in Indonesia. Analyses of budgets across 41 districts/

<sup>10</sup> All budget values in this paper are based on 2007 constant price.

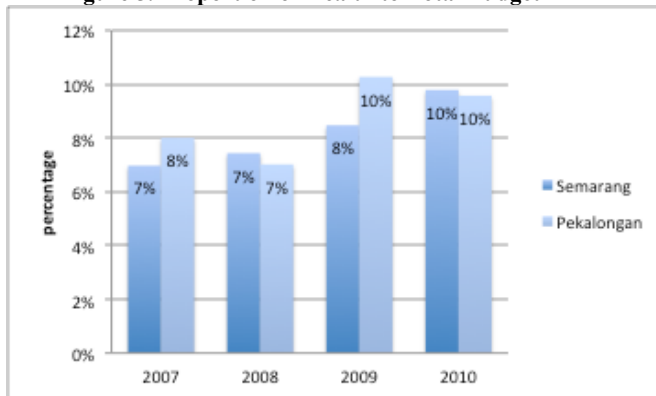
<sup>11</sup> Pekalongan started building its first public hospital in 2007, which became operational in 2009. The hospital's profit accounts for the jump in health sector revenue that year.

<sup>12</sup> The budgets for fiscal years 2007-2009 are based on realization, while the one in 2010 is based on plan. This applied to all budget data for both cities presented in this paper.

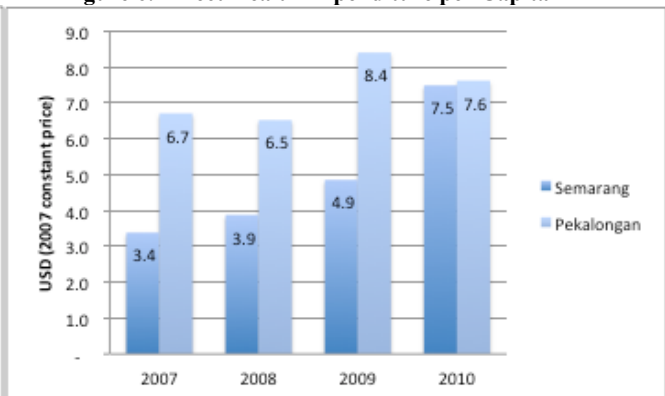


municipalities during the 2007-2009 period found only 30% local governments allocated more than 10% to the health sector (Seknas-FITRA and The Asia Foundation, 2010). Direct health expenditures – which include capital investment, goods and services, and non-civil servant personnel – are also now relatively high in the two municipalities. With the total population of Semarang of 1.5 million and Pekalongan of 0.3 million, the direct health expenditure is around USD 7.50/person/year in each city. Only two other local governments (of the 41 studied) reached this level of direct health spending in 2007-2009.

**Figure 5. Proportion of Health to Total Budget<sup>13</sup>**



**Figure 6. Direct Health Expenditure per Capita**

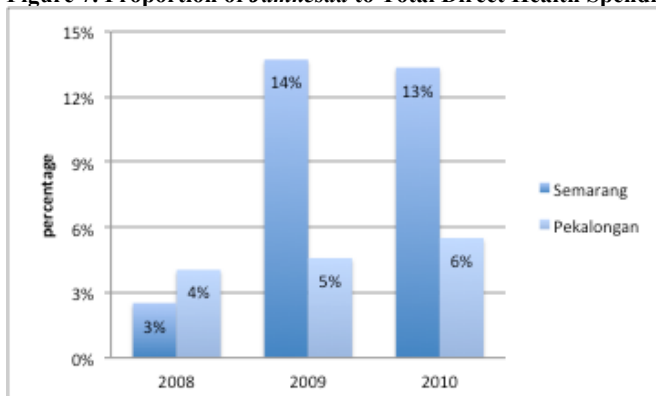


### *Measuring increases in health insurance coverage of the poor*

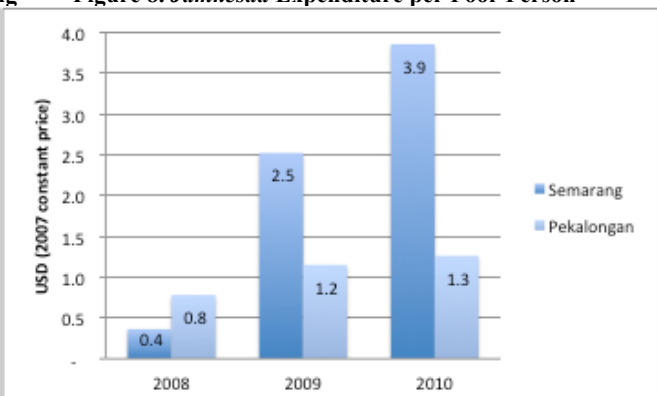
After the passage of anti-poverty legislation, the Department of Health in both municipalities introduced district health insurance, which is referred to as *Jamkesda*. The legislation was not dependent on the leadership qualities within the bureaucracy; Semarang's Health Office Director (now retired) was described as lackluster and void of initiative, while Pekalongan's Health Office Director is clearly of one mindset with his reform-minded boss. Bureaucrats in both places said they relied heavily on technical guidance for insurance provided by the central Ministry of Health, and benefits provided in each city are hence more or less the same, and equivalent to the benefits provided by the center through the nationally sponsored program - *Jamkesmas*.

Both cities saw the rapid growth in municipal expenditure for health insurance between 2008 and 2010. Semarang only spent USD 0.14m in 2008 for *Jamkesda* (3% of the direct health expenditure), but this amount had increased 10-fold by 2010 (USD 1.54m or 13% of the total direct health spending). With an estimated 26.4% poverty rate (2009), *Jamkesda*'s 2010 allocation in Semarang reached almost USD 4/poor person/year. The local government of Pekalongan spent USD 0.07m on *Jamkesda* in 2008 (4% of the direct health expenditure), and had increased the allocation to USD 0.11-0.12m by 2009-10, when health insurance accounted for 13-14% of the total direct health expenditure. This amounts to only a little more than USD 1/poor person/year in 2009 and 2010. Given the higher poverty rate in Pekalongan (33.5%), the allocation is still relatively small.

**Figure 7. Proportion of *Jamkesda* to Total Direct Health Spending**



**Figure 8. *Jamkesda* Expenditure per Poor Person**



<sup>13</sup> There were large budget allocations for hospital construction in Pekalongan in 2007-2009 (\$1.0m to \$3.6 million/year). The budget health data presented here exclude that expenditure.

In neither city were concerns expressed about the program benefitting people who were not eligible, and in both places civil society was playing a strong role in keeping the program accountable.<sup>14</sup> In Semarang, data on poor residents was verified by BAPPEDA through the Municipal Poverty Alleviation Team (TKPKD), of which Pattiro is a member. According to the municipal Office of Health, as many as 398,000 poor residents are covered by Semarang's health insurance program, which reimburses for services for almost any condition, without a spending cap, as long as services are provided through the public hospital (third class ward) or sub-district clinic (*Puskesmas*). Around 75% of the costs in 2009 were covered by the national *Jamkesmas* program while one-fourth of costs were covered by the municipal budget.<sup>15</sup> In 2009, municipal government reimbursed claims for 85,557 hospital visits by people holding health insurance cards.

While the expansion of health insurance coverage is reason to celebrate, this paper would not be complete without a word of caution to advocates of free public services. The rapid expansion of spending on health insurance is already straining local budgets, and if not controlled, ballooning health costs could significantly strain local budgets within a few years.<sup>16</sup> Currently, this risk is actually higher in Semarang than in Pekalongan. First, the *Jamkesda* allocation already utilizes about 13-14% of the total direct health expenditure in Semarang, while in Pekalongan it only reached about 6% of the direct health expenditure. Second, Pekalongan introduced a cap of Rp. 2 million (about USD 222) per medical visit to control costs,<sup>17</sup> while Semarang does not apply similar restrictions. Nonetheless, both municipal governments underestimated the actual cost of the scheme. Based on the Semarang's Municipal Health Office data, the actual reimbursement of *Jamkesda* in 2009 and 2010 were around 1.4 times greater than the planned budget. In Pekalongan, the budget plan for *Jamkesda* in 2009 was only USD 57,000, which by the end of the year was only sufficient to cover about 45% of actual claims.

Because the health insurance scheme is virtually unlimited in what types of services it will cover – as long as they are provided by *Puskesmas* or third-class public hospitals – unprecedented numbers of poor beneficiaries are seeking care for a broad range of ailments. In a country that is still struggling to meet its MDG targets for maternal and child mortality – and where only 60% of maternal deliveries are assisted by a medical provider – a public health perspective would question whether scarce resources should be spent on reimbursing for the expensive treatments people told us were being covered by *Jamkesda*, such as dialysis and heart surgery. Resources are most definitely being pulled toward curative services, with very little attention to whether prevention would be a more cost-effective investment.

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<sup>14</sup> Studies of utilization of government-provided health insurance conducted in 2006/07 found that members of middle and upper quintiles were benefitting from *Jamkesmas* coverage, i.e., the program was not well-targeted. This seems to no longer be a concern in Semarang and Pekalongan, which in itself is an extraordinary accomplishment.

<sup>15</sup> In 2010, *Jamkesmas* reimbursements to Semarang from the central government totaled Rp 68 billion (USD 7.5 million), while Pekalongan received Rp 12 billion (USD 1.33 million).

<sup>16</sup> There is emerging evidence that the first and most well-known case of district health insurance introduced in Indonesia, in Jembrana, Bali, has in fact swelled so much that the district is running a deficit after the program being operational for six years. See for example AyuIndrayathi, 2010.

<sup>17</sup> The IDR 2,000,000 cap is highly unpopular with civil society, and likely to be a focus of future advocacy efforts.

## ANALYSIS: CSO STRATEGIES FOR WORKING POLITICALLY

Despite the very different political contexts and executive leadership in Semarang and Pekalongan, during the same three-year period, the NGO Pattiro was able to lead efforts that mobilized political support for the passage of pro-poor policies that expanded coverage of health services for the poor.<sup>18</sup> While the political contexts were quite different, several themes about “what worked” in terms of working politically emerged. Figures 9 and 10 (for Semarang) and Figures 11 and 12 (for Pekalongan) show how relationships between stakeholders, and their relative power to influence reform, changed between the time the project started and the time when legislation was passed.

Figure 9. Stakeholder Map – Semarang (Before)

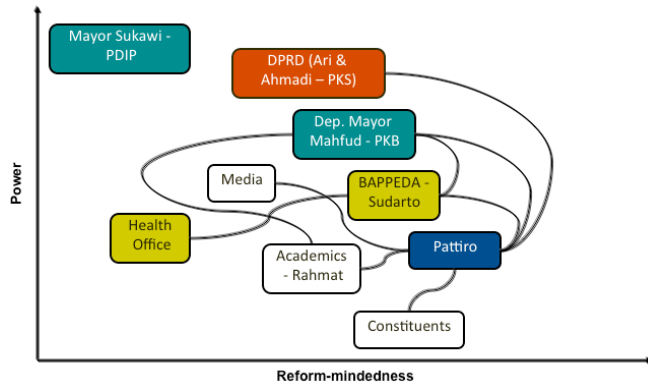


Figure 10. Stakeholder Map – Semarang (After)

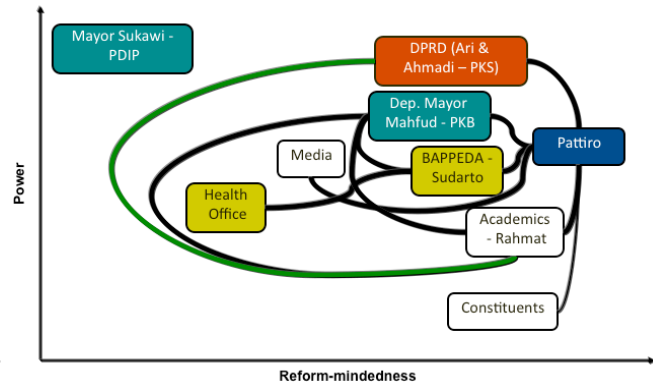


Figure 11. Stakeholder Map – Pekalongan (Before)

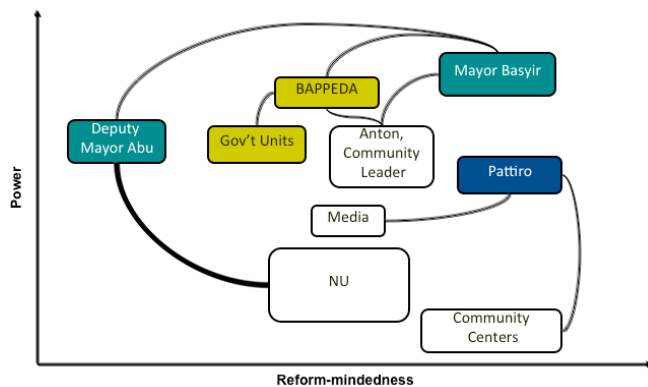
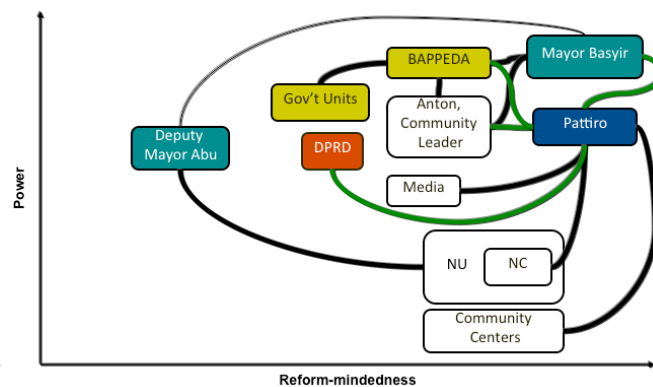


Figure 12. Stakeholder Map – Pekalongan (After)



### *The Importance of Allies and Coalitions*

In both sites, Pattiro staff didn't have much of a shared history with the government officials and Parliamentarians who they ended up working most closely with. They recall mapping agents and political positions at the start, and deliberately seeking alliances with reformers within the bureaucracy, Parliament and mayoral circle.

In both places, a BAPPEDA planning official championed legislation within the bureaucracy, which was among the most resistant to change in both places. In Semarang, the champion was an about-to-retire BAPPEDA official who “wanted to do something good” for his people, and in Pekalongan it was a young, up-and-coming reform-minded BAPPEDA officer who was highly motivated to advance through the bureaucracy.

In Semarang, where the mayor was aligned with predatory interest groups, Pattiro took advantage of Parliament's interest and initiative, and found allies in the two PKS Parliamentarians who were elected on platforms of serving the poor. In Semarang, support from the deputy mayor was also important, and despite the

<sup>18</sup> Pattiro chapters in Pekalongan and Semarang are affiliated, but organizationally independent of one another. There is a fair level of communication between the two.

Deputy Mayor's initial reluctance to lead, two Pattiro allies who were in Mahfud's inner circle (Sudarto and Rahmat) persuaded him to take a stand. In Pekalongan, where the mayoral leadership was already pro-reform and politically dominant, the mayor was the driving force behind the legislation and the bureaucracy has been responsive as a result. Pattiro's being on the inside of the mayor's advisors gave them the opportunity to make sure the legislation was responsive to their constituent interests.

In both cities, coalitions with other civil society constituent organizations built the public demand for policy change, and helped hold the government accountable for implementation once the legislation was passed. Coalitions of civil society organizations came together with Pattiro to compile and analyze data about APBD allocation and spending. For the first time, CSO coalitions had hard data which they could use to build a common understanding with policy makers about the challenges and opportunities of fiscal management. Budget data was broadly used to support advocacy efforts in both places, being presented and discussed in public forums as well as utilized to suggest specific policy changes to champions in government and Parliament. In Semarang, the civil society coalition included unions and women's groups, while in Pekalongan it included primarily NU as well as unions.<sup>19</sup> In both cities, Pattiro created direct constituencies with poor communities. In Pekalongan, this constituency base (Community Centers) – coupled with the constituency base of Pattiro's partner, NU (through the Nahdliyin Centre) – played an important role in managing and allocating poverty reduction resources offered through the Acceleration Program. In both cities, NGOs also played an important role in properly enumerating the poor, and ensuring that all eligible individuals were covered with a government insurance card that offered them access to free health services.

Finally, the media was an important partner in both cities, utilized by Pattiro to gain access to information, as well as to disseminate information to the public that mobilized support for pro-poor policies.

### ***Promoting Effective Interactions***

In both cities, Pattiro utilized both formal and informal channels to build relationships, foster trust, and gain entry to policy-making processes. In both cities, some formal mechanisms such as the government's community-based planning cycle (*musrenbang*), Mayor Basyir's "Team of Five," and Semarang's Municipal Poverty Alleviation Coordination Team (TKPKD) offered official ways for civil society leaders to get substantively involved in policy-making. Activities funded by The Asia Foundation, such as working group meetings and public hearings, also provided official forums for interaction and exchange.

Almost all individuals cited how important informal, one-on-one meetings between key agents were. For example, in Pekalongan, Amin (Pattiro) and Budi (BAPPEDA) said their relationship was helped along because Pattiro's office was close by Budi's house, enabling them to meet frequently after government work hours.

### ***Taking Advantage of Critical Junctures***

In 2004, the backdrop of the 2004 national elections alongside the Decentralization Law starting to take effect meant that there was nationwide momentum for civil society involvement in reform. Donors were also involved on a large scale and enabled many civil society programs; for example, funds from The Asia Foundation were used in the founding of both Pattiro Semarang and Pattiro Pekalongan (prior to the start of the CSIAP program). Similarly, in 2005 the introduction of the *Jamkesmas* national health insurance program by the Ministry of Health resulted in a model for health services for the poor that was taken up by municipal governments in 2007/08. Other critical junctures were localized and specific to the municipality; the main point here is that civil society was able to take advantage of these opportunities in time, and use them to the advantage of their cause.

### ***Critical Junctures - Semarang***

- In Semarang, Sukawi's jump from mayoral bid running with Islamic parties resulted in Mahfud Ali as deputy mayor. While not himself a champion, the deputy mayor was relatively reform-minded and his support – once secured through Pattiro allies – was needed to pass the legislation.

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<sup>19</sup> For example, the NC had a working group dedicated to monitoring the allocations and spending of the Acceleration Program.

- When Sukawi was charged with corruption, the tension between DPRD members and the mayor fueled commitment in Parliament to pass legislation. The corruption charges also put Sukawi on the defensive in the media, and eroded popular opinion of the mayor, enabling the civil society push for pro-poor legislation.
- In 2005, the creation of the Municipal Poverty Alleviation Coordination Team (TKPKD) through national mandate enabled NGOs and CSOs to participate in collecting data about poor people, coordinating policy and programs for poverty alleviation. This type of mechanism would probably not have emerged from the local government on its own.

### ***Critical Junctures - Pekalongan***

- In 2005, Mayor Basyir's election and creation of the "Team of Five" brought together Pattiro with a BAPPEDA official and an individual who had experience managing the PNPM block grant program, and resulted in a "meeting of the minds." These thinkers were given space to create a "paradigm shift" in how municipal government does business.
- The Asia Foundation's mandate for budget advocacy NGOs to work with Islamic mass-based organizations through CSIAP motivated Pattiro to engage NU, which they recognized had significant political power in the city. Both Pattiro and NU acknowledge that without this collaboration, NU may not have gotten involved in the mayor's Acceleration Program, and the NC may never have been founded.

## CONCLUSIONS: IMPLICATIONS FOR DEVELOPMENT PROGRAMMING

- While many analysts of public expenditure suggest that eliminating user fees for basic services is mostly a matter of improved management of revenues and spending, these case studies suggest that technical solutions must be coupled with political positioning and lobbying by allies of reform, from outside and within government and the legislature. Civil society organizations in Indonesia are increasingly sophisticated political players who can partner with development programs to identify and mobilize coalitions for reform. These case studies demonstrate that CSOs can “work politically” while remaining relatively politically neutral.
- Supporting non-State actors to conduct political-economy analysis, and to strategically utilize this information to expand their political capital, is an effective development investment. These cases show that a relatively small number of “champions” across civil society, the executive, the bureaucracy, and Parliament were able to utilize their agency to garner broader political support for reform by offering a range of incentives to politicians. When powerful agents were more oriented toward political patronage – as in the case of Mayor Sukawi – civil society could resort to punitive action (such as reporting violations to the Corruption Eradication Commission) alongside providing political incentives (such as mobilizing Parliamentarians against the mayor). When powerful agents are oriented toward reform – as in the case of Mayor Basyir – civil society effectively positioned themselves as political insiders, and significantly influenced how policy and spending were designed.
- Strengthening the linkages between constituents and policymakers can also be an effective policy advocacy strategy. This can be facilitated directly by CSOs (such as through Community Centers organized directly by Pattiro) or through coalitions (by bringing on board MBOs like NU which already have members in the target population). Indonesia is still a young democracy, and based on broadly accepted information from the most-recent local elections – which were rife with vote-buying – citizens still need opportunities to learn how to exercise their constituency and hold politicians accountable for delivering services.
- These case studies imply that the design of development assistance, which aims to influence public policy, should be based on a well-designed mapping of the politics of governance, as well as the capacity of civil society. Critical junctures should also be anticipated – for example, the timing of the next local election. In some cases, interests will be so entrenched and constituency so weak that investments have a small chance of producing real results, and project outcomes might need to be revised accordingly.
- Finally, looking forward, several areas of additional need can be suggested. Documentation of “what works” in districts and municipalities where “good policy” has been passed (and conversely, documentation of what didn’t work in places where government has done little) will be important for spreading innovation and helping CSOs understand techniques for mobilizing allies and coalitions. The development of analytical tools that support political economy analysis, and technical assistance to local NGOs/CSOs/MBOs in how to use them, is needed to enable local actors to “think outside the box” in developing their strategy. Funding NGOs that promote transparency and accountability, counter-corruption, and good governance should underpin any efforts to influence social policies at the local level, given that a main barrier is often politicians who are held hostage by special interests and patronage networks.

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