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**Analysis on Bandung
Government Budget in
Improvement of
Human Resources Quality**

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Analysis on Bandung Government Budget in Improvement of Human Resources Quality

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Abstract

Experts have long proposed using public services provision as a primary tool for improve the quality of human live in the developing world. Providing a proper basic education and health services to the community can help them to achieve a well living condition. In many developing countries, government becomes the main stakeholder of the provision these public services. Their policies in providing public services commonly reflected in their budget allocation. Therefore, the concern of government toward their citizen's quality of life can be observed from their budget allocation. Using the major city of Bandung Indonesia as a case study, this research attempts to explore the condition on how far the government's concern to improve its citizen. This research investigates the allocation of government budget on basic education and health spending.

Using the data of government budget between 2005 to 2008 period, this research finds that the allocation of government budget on basic education and health services follows an increasing trend. However, compared to other similar cities the proportion of this allocation is still considered low. In addition, this research also finds that most of this budget is spent to finance routine expenditure instead of development expenditure. This condition is heavily influenced by the condition where the number of government officer is still considered large. And also low public control toward the use of government budget.

The research also provides a number of recommendations to overcome several obstacles that inhibit bigger budget allocation to development expenditure in basic education and health services. The research suggests that the government should create a more efficient working system that can lead to reduction of current expenditure. In addition, since public control in government expenditure can address a better public expenditure allocation, the information of government budget should be disseminated widely to public. Therefore, the government should develop a system to increase transparency in government budget allocation.

Keyword: government budget, education, health

JEL: I18, I22

Section One Introduction

1.1. Human Quality as an Important Part in Development

The idea of development has become an important issue in not economic field, but also in other disciplines. This topic has invited so many ideas and controversy at the same time. All those ideas have shapes the development approach during the time. In general, the idea of development is related to an increase of living standard. However this definition is not a simple thing to be translated. Previously, development is heavily related to economic indicator. During the 1950s and early 1960s development policies mainly focused on the maximization of growth of GNP (gross national product) or GDP (gross domestic product). Later on those two indicators were measured in per capita standard as a respond to the phenomenon of population growth.

In its journey, the indicator to measure development changed in regard to the changing of world condition. Later on it was found, that development does not only related to income per capita but also related to other social condition. There is a condition where the rapid economic growth –indicated by rapid growth of GDP per capita- does not bring a significant impact to the life of marginalized group of people in developing countries (Chenery 1974 as cited in Meier 2005). This condition indicates that there is something more in development process, development is not only related to economic condition only, but other aspects of human life. For example, Sen (1999) states that development also related to political freedom. Furthermore, Lewis (1955) also emphasize that development is also related to the freedom of people to make a choice in their life.

From the previous explanation, it is clear that development idea has developed to only improvement living standard based on economic measurement, but also means improvement living standard from social perspective. Related to this condition, The United Nations Development Program (UNDP) tried to accommodate the need to involve social indicator in development measurement by introducing the concept of human development index (HDI). The HDI measures the development achievement by involving three different indicators, which are GDP per capita, life expectancy at birth, adult literacy and school enrollment. By using HDI the development process is not again only viewed from economic aspect but also from social aspect, mainly education and health aspect.

1.2. Government Budget as Reflection of Government Policy

The previous section explains about the importance of human quality in development. In regard to this condition the government as the regulator should put improvement of human quality as a main objective in its development plan and program. Furthermore, the most important thing for the government is to implement the plan and program. To support the implementation of the program, the government relies to its policy and policy cannot be separated from budget condition, which includes both revenue side and expenditure sides.

Government budget becomes an important indicator to show the capability and legitimacy of a government. This condition is related to the function of budget. Berek et.at (2006 as cited in Waidl et.at) explains that there are at least two roles of government budget, which are administration and economic functions. In administrative function, government budget has a role which is related to politic, policy implementation and media of public control. Meanwhile, in economic function government budget has three functions, which are allocative, distributive and stabilization function.

From the explanation above, it is clear that government budget reflects the government policy in an area. If a government has concern in improving the life quality of its people, for sure this objective should be accommodated in that government's policy and budget.

1.3. Government Policy in Improving Human Quality: Bandung Case

Bandung is one of the major cities in Indonesia, with population in 2004 reached 2.5 million people. The city's close proximity to the Capital of Indonesia, Jakarta – approximately 180 kms way (see figure 1.1.) – and the status of Bandung as the capital of West Java province makes it relatively developed compared to other cities in Indonesia.

Figure 1.1. Map of Bandung



(Source: Google Earth, accessed April 30, 2010)

Its close location to Jakarta makes Bandung become supporter city for Jakarta. Regarding to that condition, the government of Bandung declared Bandung as a Service City. It means Bandung development process will be based on services sector. To reach its goal, Bandung government has set a strategic plan, which consists of:

- Providing an wide opportunity for the citizen to get services in education, health and religion sector
- Enhancing city economic activities which are based on local resources
- Enforcing an improvement in social integration and also enhancing social awareness
- Widening and spreading public services and public infrastructures in regard to the availability of city's resources.
- Improving the quality of government service and enhancing people participation in monitoring development process.

- Enforcing economic growth and identifying new financial sources to cover development expenditure.

In addition to that strategic plan, the government of Bandung also has set seven program priorities, which includes:

- Education sector. Realization of *Bandung Cerdas* (Bandung Smart) in 2008 which takes form in free education until Senior High School level.
- Education sector. Realization of *Bandung Sehat* (Bandung Healthy) in 2007.
- Welfare sector. Reach at least 11 percent economic growth in 2008 which mainly based of community economic sector.
- Environment sector. Conducting several environmental movement such as: Green Movement, Save Water Movement, Clean Cikapundung Movement, A Million Flowers for Bandung Movement, Clean Air Movement, etc.
- Art and culture sector. Realization of Bandung as a City of Art and Culture in 2008.
- Sport sector. Realization of Bandung as a City of Sport in 2008.
- Religion sector. Realization of Bandung as a Religious City in 2008.

(Government of Bandung, 2010)

From all the program and plan that are set by Bandung government, it is obvious that human quality improvement is the priority of Bandung government's development agenda.

1.4. The Aims of the Research and Research Question

Since provision of education and health facilities contributes to improvement of human quality and the government has responsibility to provide those facilities, it can be assumed that the effectiveness of human quality development heavily relies on government willingness. Accordingly, this thesis seeks to *examine the willingness of Bandung Government in developing its human quality through provision of public services in education and health sector*. Three questions drive this query:

1. How is the allocation of government budget in education and health sector?
2. What are the factors that influence that allocation?

By combining a literature review and secondary data from field research involving The Government of Bandung. This study tries to answer these questions in a comprehensive and critical manner. It is expected that the results of this study will provide a better understanding of the allocation of budget in provision of public services in education and health sector.

1.5. Organization of Research Report

The study's purpose, research questions and background are introduced in Chapter One. Chapter Two presents a literature review which encompasses the principle roles, theories and conceptions about the relationship between budget allocation and improvement of human quality. Finally, Chapter two will end with an explanation of the budget system of Indonesia, placing emphasis on budget construction process in city level.

Chapter three describes the methodology of the research, covering the method of collecting data. This chapter also provides the method of analysis. Explanations of data validity and difficulties during research close the chapter.

Chapter four contains the results of the research findings and analysis. This chapter presents the basic summary of data statistics from field research. Overview on Bandung government's budget, the detail condition of budget allocation for education and health sector will be described and analyze to examine the consistency between program set by Bandung Government and its budget allocation. In this chapter there also a discussion on the possible factors that influences the consistency of Bandung government in implementing it program in human quality improvement

Chapter five concludes the entire research finding. This chapter will be closed by several recommendations for the government.

Section Two Theoretical Framework

2.1. The Condition of Basic Service for Urban Community

Cities has attracted so many people to come in for so many reasons such as drought and hardship situation in rural areas, accessing better food, accessing better services including health and getting better jobs (Kedir, 2005). As a result, the population of city tends to increase all the time. World Bank (2003) states that the urban population of the East Asia and Pacific will be almost doubled between 2000 and 2030, from 665 million to 1.2 billion, with annual rate is 3.75 percent. For the case of Indonesia, it is projected that in 2025 around 68 percent of Indonesian population will live in City (IBS: 2009). In addition, in the same year it is predicted that several provinces of Indonesia such as DKI, Jakarta, DI Yogyakarta and Banten the percentage of people who live in cities has reached 80 percent of total population.

Ironically, despite the purpose of some people coming to cities is to get better facilities and services, but in fact not all the city people get a proper facilities and services due to the growth of cities' infrastructures and public services provision always overlapped by the growth of cities' population. This problem of getting proper related to not only access issue, but also related to quality and equality issue. For example, in education sector access to schooling and educational attainment are usually higher in urban area compared to rural area, it is because in denser population, it is easier to provide education, since per capita fixed costs are lower. However, the data shows that in Indonesia there is a big gap of education quality between the poor people and rich people of urban area (World Bank, 2003).

The similar condition also can be found in health sector. Even though it is always be reported that general condition of health status of urban people is better than health condition of rural people, the actual condition of health outcomes may not show the same thing, because many factors influence the health condition such as environmental health and sanitation, and behaviors (World Bank, 2003).

Related to that condition above, there is a need for an intervention from government to reduce or alleviate the problems. The government as the regulator and manager of a region should be able to provide public services to it's citizen.

2.2. The Role of Government in Providing Basic Services to Improve Human Quality

Many experts assumed that the role of government is to coordinate and steer the society towards collectively defined goals (Pierre, 2005). In addition, the government also has a role to dispense resources from the government to the community who need these resources (McGill, 1998). From these two definitions it is obvious that in the government has a strong position in deciding policy direction for the community. Based on this idea, the government has a large structure in order to accommodate the needs of it's people.

Futher more, the role of government to provide the needs of it's people is translated into budget. There is a strong relationship between government budget and public service, since nowadays budget construction is based on it's performance(Rostanty et. Al: 2005). It this approach government budget is constructed based on several performance indicators, such as input, output, outcome, benefit and impact. Budget is considered as input, meanwhile public service is considered as output and outcome. Therefore, the quality of public services provided is heavily related to budget available.

2.3. Indonesia Local Government Budgeting System

The construction of *Anggaran Pendapatan dan Belanja Daerah* (Regional Government Budget) generally consists of four stages. All these stages run simultaneously and connected to each other. Those stages are construction stage, legalization stage, implementation stage and reporting stage. Since budgeting process involves so many sectors and institutions, it is regulated by several laws, such as:

- Law No 25/2004
- Law No17/2003
- Law No 32/2004
- Law No 33/2004
- Law No 1/2004, and
- Law No 15/2004

Based on those regulations above, the stage to construct local government budget involves two main activities, which are planning stage and budgeting stage. Planning stage is regulated by law No 25 / 2004. This law states that planning stages involves construction of at least three development plans. First is *Rencana Pembangunan Jangka Panjang* (Long Term Development Plan), which operates for 20 years. Second is *Rencana Pembangunan Jangka Menengah* (Middle Term Development Plan) that operates for five year. Finally is *Rencana Kerja Pemerintah Daerah* (Local Government Working Plan) that operates for one year. The construction of all documents above invites the participation from the people in each government level, starting from *Kelurahan* (village), *Kecamatan* (Suburb), City, Province and National level.

Later on, budgeting process is regulated by law No 17 / 2003. In article 18 to 20 it is stated that budgeting stages consists of:

- Construction on *Kebijakan Umum Anggaran* (General Budgeting Policy), this document is constructed by executive and legislative.
- Determination of *Prioritas dan Plafon Sementara* (Indicative Budget Allocation and Budget Priority)

- Construction *Rencana Kerja dan Anggaran* (Working and Budget Plan) of *Satuan Kerja Perangkat Daerah* (Local Technical Agency Office).
- Discussion on *Rencana Kerja Anggaran* between *Satuan Kerja Perangkat Daerah* and the member of Local House of Representative. The result of this discussion process is the compilation of *Rencana Kerja Anggaran* in indicative government budget.
- Discussion of indicative government budget which will produce final government budget.

2.4. The structure of Local Government Budget

The structure of local government budget can be divided into two major points, which are revenue side and expenditure side (GOI, 2004). In Indonesia government revenue can come from three sources, which are *Pendapatan Asli Daerah* (Own-Source Revenue), *Dana Perimbangan* (Intergovernmental Fiscal Transfer), and other revenue.

PAD is a government revenue that is collected based on regional regulation. The sources of PAD are:

- Regional tax
- Regional retribution
- Income from local government assets
- Other PAD income

Among those three PAD resources, local tax and local retribution become the major source of income for regional government.

Intergovernmental fiscal transfer comes from state budget. This budget is transferred to local government in order to fulfill the needs of local government based on decentralization framework. This budget consists of:

- *Dana bagi hasil* (Shared Tax Revenue)
- *Dana Alokasi Umum* (General Allocation Fund)
- *Dana Alokasi Khusus* (Special Allocation Fund)

Shared Tax Revenue comes from tax revenue and the use or exploration of natural resources. Central government get share from *Pajak Bumi Bangunan* (Land and Building Tax), income tax, etc. Meanwhile local government get share from tax collection in fishing, foresting, and mining activities.

DAU is fund that comes from state budget which is allocated in purpose to balance the financial capacity of every local government. Based on this purpose the regional government that has weak financial capability will get bigger share of fund than other regional governments that have strong financial capability. Despite its purpose to balance development process among regional areas, in practice it is very often that DAU is spend to finance personnel expenditure. As the result, the benefit of DAU is not really felt by the people (Fuady et. Al, 2002). Finally, DAK is fund that also comes from state budget which is transferred to regional government in order to finance local development agenda that is in line with national development agenda.

Later on, the expenditure side of regional budget can be detailed into two major components. Based on Kepmendagri No 29/2002 budget expenditure is classified as apparatus and public. Meanwhile based on Permendagri No 13/2006 budget expenditure is classified as direct and indirect expenditures. These different formats can be classified into economic functions that are consistent across different sectors in

each formats. These economic functions are personnel, goods and services, travel, operational and maintenance, capital and miscellaneous expenditures.

Section Three Study Design and Methodology

3.1. Approach to the Study and Data Collection

Despite it employs number as the main source of analysis, this study follows a qualitative approach in method. It means this study tries to examine the quality of government policy in delivering its services, especially the services to improve the quality of human resources. Qualitative approach is the most appropriate for this research as it strives for a grounded understanding on the allocation of government budget in improvement of human quality. This objective is in line with the purpose of qualitative research methods: to provide a “deeper” understanding of social phenomena (Silverman 2000: 89). This study will mainly base on the use of secondary data (a collection, collation and review of the literature).

As mentioned above this study relies on a set of secondary data. The main information of this study is the data on Bandung Government Budget in 2006 until 2008. All those data were accessed from the Government of Bandung. In addition to that, this study also collected secondary data from several books and journals. This additional data will enrich the data analysis process.

3.2. Data Analysis

Data analysis is the next step after data collection. Government budget and government policy are considered as a complex and rich area. With regard to this, Punch (1998: 199) argues that there is no single right method to do qualitative data analysis. However, Huberman and Miles (1994 as cited in Marvasti 2004: 89) state that there are general procedures that are applied in all forms of qualitative analysis, which are: data reduction, data display and conclusion. These three procedures become the guidelines of data processing in this study.

‘Data reduction’ was carried out at the same time as the data was collected. The process started with determining the data that is relevant with the purpose of study. Since this study only focuses on the government budget that strongly related to improvement of human quality, it only review the government budget in two departments, which are department of education and department of health.

The next step is “data display” which is a process that leads to drawing and verifying the “conclusion process”. Related to this study, this data display stage is better be called by data processing stage. Data processing is mainly consists of calculation of these following things:

- The condition of Bandung government budget, which is shown by the amount of total revenue and total expenditure.
- The movement of Bandung government budget, which is indicated by the growth of total revenue and total expenditure.
- Share of expenditure for provision of public services in education and health sector, which is shown by the proportion of expenditure in education and health to total government expenditure.

3.3. Difficulties and Limitations

This study was constrained by a number of factors. The main obstacle was the limitation of time. This research was conducted over a 3 month period which limited the number of data that can be accessed. Government budget is still considered as classified information in several city governments in Indonesia. Therefore to obtain this data it needs a long process of negotiation with the data holders. With limited time available it is difficult to access some data that contains more detail information on government budget.

In addition, since the location of this study is quite specific which is Bandung area, it is very difficult to find a comparison studies. As a result several studies of other areas in Indonesia or other countries were employed in this study.

The last difficulty was related to financial support. In several cases, to access some data it requires some financials expenditure. With limited budget that this study had, this study was not able to access several data that can be useful to enrich the analysis.

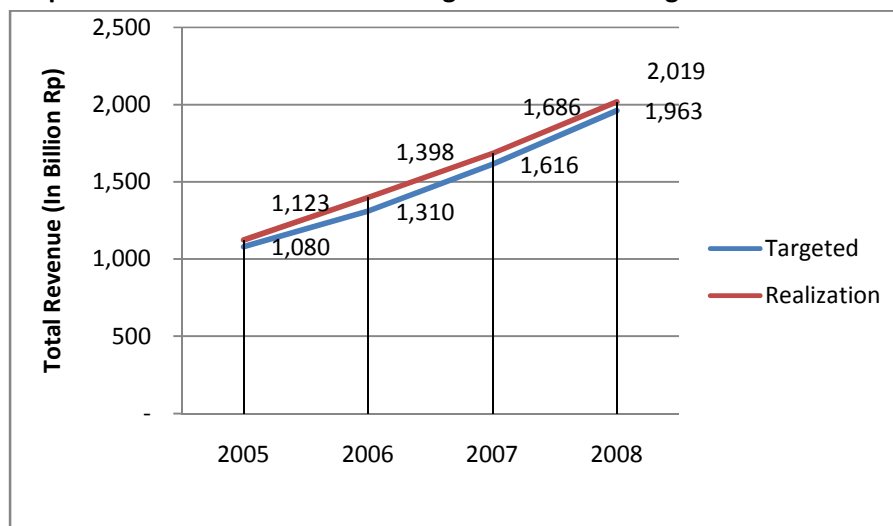
Because of all those difficulties above, this study only able to cover four year period which are from 2005 to 2008.

Section Four: Research Finding and Analysis

4.1. Overview on Bandung Government Budget

The first thing that is going to discuss in this section is the condition of revenue Bandung APBD. The following graph shows the condition.

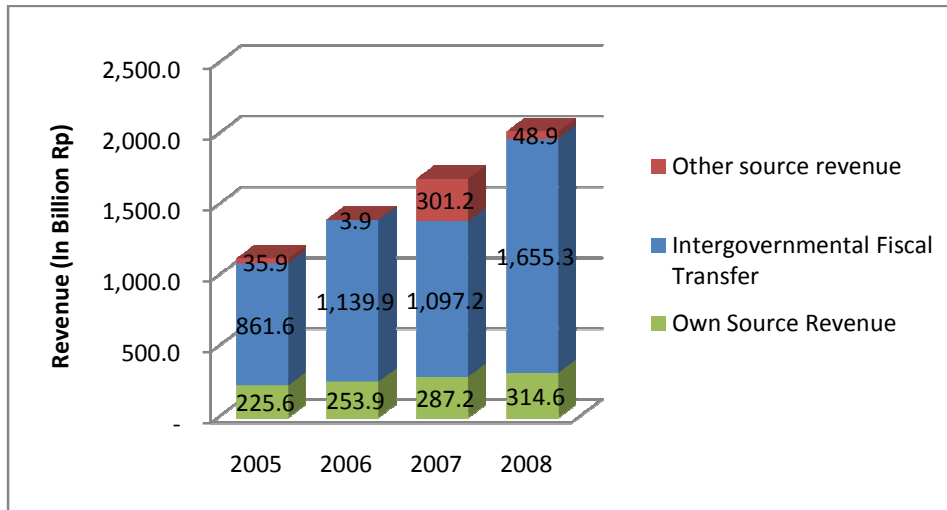
Graph. 4.1. Total Revenue of Bandung Government Budget



Source: Bandung's APBD 2005-2008

Graph 4.1. shows that Bandung APBD has an increasing trend for each year with average growth 21.6 percent. The graph also shows that the actual revenue always exceeded the targeted revenue. Furthermore the movement of components of Bandung APBD can be seen from this following graph.

Graph. 4.2. Bandung's Fiscal Resources

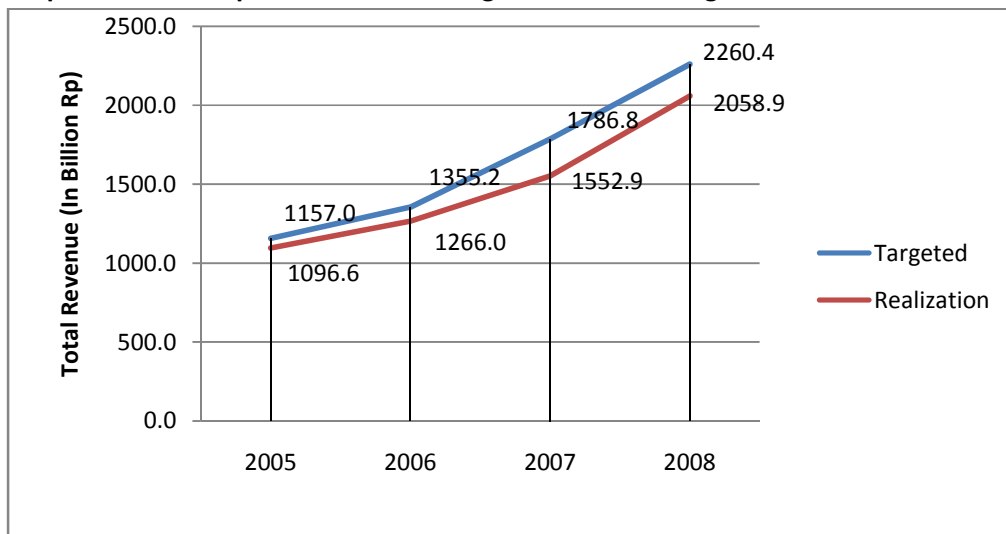


Source: Bandung's APBD 2005-2008

The previous graph shows that intergovernmental fiscal transfer has come to dominate the fiscal resources available to Bandung government in increasing rate. On average this fiscal transfer contributed to 76.3 percent of total revenue. This condition means the fiscal capacity of Bandung government still heavily related to central government.

Next is the condition of expenditure side of Bandung government budget. The following graph shows the condition of the expenditure made by Bandung government.

Graph. 4.3. Total Expenditure of Bandung Government Budget



Source: Bandung's APBD 2005-2008

Similar to revenue side, expenditure of Bandung government also showed a positive trend from 2005 to 2008, with average growth is 23.6 percent. However, the graph shows that realization or actual expenditure is below its target. It means the government of Bandung could not allocate the entire budget available.

4.2. Allocation of Bandung Government Budget for Basic Services

As mentioned before, this study focuses only on two institutions in local government body that strongly related to provision of education and health facilities. Therefore this section will discuss only on the condition of government expenditure in two departments, which are Department of Education and Department of Health.

4.2.1. Bandung Government Expenditure in Department of Education

As the decentralization system applied in 1999, Department of Education in local government has a important role in providing education facilities in City or Municipal area. To support that objective, by the amendment of Indonesia constitution, Department of Education receives a big proportion of government budget. The constitution requires each government level in Indonesia to allocate minimum 20 percent of their budget to education sector.

Table 4.1. Bandung Government Expenditure in Education Sector (in billion Rp)

	2005		2006		2007		2008	
	Targeted	Actual	Targeted	Actual	Targeted	Actual	Targeted	Actual
Total government expenditure	1.157,01	1.096,59	1.355,19	1.266,05	1.786,81	1.552,89	2.260,41	2.058,92
Total expenditure in education	365,96	361,90	418,35	403,42	516,43	502,95	670,64	654,50
Share of education expenditure to total expenditure	31,6%	33,0%	30,9%	31,9%	28,9%	32,4%	29,7%	31,8%

Source: Bandung's APBD 2005-2008

The information shown in the table that Bandung government has meet the constitution's requirement, by allocating more than 20 percent of its budget in education sector. During period 2005 to 2008, on average government of Bandung allocate 31.3 percent of its budget in education sector.

As mentioned before by the issued of Permendagri No 13/2006 there is a change in the structure of APBD. Based on previous regulation budget expenditure is classified as apparatus and public. Meanwhile based the new regulation, budget expenditure is classified as direct and indirect expenditures. However there is a similarity between those two classifications. Indirect expenditures is basically similar to apparatus expenditure based on old classification. In line to that, direct expenditure is basically similar to public expenditure. Based on this condition, this study grouped indirect expenditure into apparatus expenditure and direct expenditure into public expenditure. Based on that classification, the description of expenditure in education sector can be seen in the following table.

Table 4.2. Detail Description of Bandung Department of Education (in billion Rp)

	2005		2006		2007		2008	
	Targeted	Actual	Targeted	Actual	Targeted	Actual	Targeted	Actual
Apparatus/ Indirect Expenditure	33,58	33,19	45,96	43,03	450,64	444,30	600,68	599,51
Public/Direct Expenditure	332,38	328,71	372,39	360,39	65,79	58,65	69,96	54,99
Share Apparatus (Indirect) Expenditure to Total Expenditure	9,18%	9,17%	10,99%	10,67%	87,26%	88,34%	89,57%	91,60%
Share Public (Direct) Expenditure to Total Expenditure	90,82%	90,83%	89,01%	89,33%	12,74%	11,66%	10,43%	8,40%

Source: Bandung's APBD 2005-2008

Table 4.2. shows that in period 2005 and 2006 the biggest portion of expenditure in Department of Education dedicated for public or Indirect expenditure which on average reached 90.08 percent of total expenditure of Department of Education. However, the opposite condition occurred in period 2007 and 2008, where most of the budget was allocated for apparatus expenditure or indirect expenditure. The table shows that in these two periods on average 89.97 percent of budget is allocated to apparatus or indirect expenditure.

To check the consistency of this finding, this study tried to explore the amount of budget allocated for salary, bonus and wage for the apparatus. The result of this finding is displayed in the following table.

Table 4.3. Share of Total Salary, Wage and Bonus to Total Expenditure in Bandung Department of Education

	2005		2006		2007		2008	
	Targeted	Actual	Targeted	Actual	Targeted	Actual	Targeted	Actual
Share of Total Salary, Wage and Bonus to Total Expenditure	88,18%	88,89%	88,68%	90,47%	90,13%	90,85%	90,97%	92,16%

Source: Bandung's APBD 2005-2008

The table above shows a consistent result, that in every year most of budget in Department of education was dedicated to pay apparatus salary and wage. The data shows that there is a positive trend in share of total salary wage and bonus to total budget in Bandung Department of Education. On average during period 2005 to 2008 this share reached 90.59 percent.

4.2.2. Bandung Government Expenditure in Department of Health

Different to Department of Education, Department of Health is not the only government institution that provides health services. In Bandung, health services are also provided by several hospitals and health centers. In period 2005 to 2007 government of Bandung operated two hospitals and one health center. But starting from 2007, the only health center operated by Bandung government developed into

a hospital. This status change for sure influenced the health expenditure, as can be seen on the following table.

Table 4.4. Bandung Government Expenditure in Health Sector (in billion Rp)

	2005		2006		2007		2008	
	Targeted	Actual	Targeted	Actual	Targeted	Actual	Targeted	Actual
Total government expenditure	1.157,01	1.096,59	1.355,19	1.266,05	1.786,81	1.552,89	2.260,41	2.058,92
Total expenditure in health	61,56	59,98	83,17	77,81	181,50	162,71	144,75	135,67
Share of health expenditure to total expenditure	5,32%	5,47%	6,14%	6,15%	10,16%	10,48%	6,40%	6,59%

Source: Bandung's APBD 2005-2008

The table shows that there was a significant rise in 2007 as an impact of status change. As the consequence the share of health expenditure toward total government also increased, from around 6 percent in period 2005 to 2006, into approximately 10.5 percent in 2007. However on average share of health expenditure to total government expenditure remained constant at around 7.17%.

Similar to the condition in education sector, the change of APBD structure as the result of regulation change also appeared in health sector. This phenomenon can be seen in the following table.

Table 4.5. Detail Description of Bandung Department of Health (in billion Rp)

	2005		2006		2007		2008	
	Targeted	Actual	Targeted	Actual	Targeted	Actual	Targeted	Actual
Apparatus/Indirect Expenditure	12,33	12,22	16,85	15,98	120,83	102,38	76,26	68,44
Public/Direct Expenditure	49,23	48,04	66,32	64,43	60,67	60,33	68,50	67,22
Share Apparatus (Indirect) Expenditure to Total Expenditure	20,02%	20,38%	20,26%	20,54%	66,57%	62,92%	52,68%	50,45%
Share Public (Direct) Expenditure to Total Expenditure	90,82%	90,83%	89,01%	89,33%	12,74%	11,66%	10,43%	8,40%

Source: Bandung's APBD 2005-2008

Table 4.5. shows that in period 2005 and 2006 the biggest portion of expenditure in health sector in Bandung was dedicated for public or Indirect expenditure which on average reached 90.08 percent of total expenditure of Health sector. However, period 2007 and 2008 experienced a different condition. In this period, most of the budget was allocated for apparatus expenditure or indirect expenditure. The

table shows that in these two periods on average 56.69 percent of budget is allocated to apparatus or indirect expenditure.

As a respond to this condition, similar to education sector this study also examined the share of budget allocated for salary, bonus and wage of the apparatus to total expenditure in health sector. The result of this calculation is displayed in the following table.

Table 4.6. Share of Total Salary, Wage and Bonus to Total Expenditure in Bandung Health Sector

	2005		2006		2007		2008	
	Targeted	Actual	Targeted	Actual	Targeted	Actual	Targeted	Actual
Share of Total Salary, Wage and Bonus to Total Expenditure	51,22%	52,24%	52,91%	54,32%	33,43%	33,40%	29,02%	28,44%

Source: Bandung's APBD 2005-2008

The table above shows that in health sector there is a negative trend of the share of budget allocated for salary, bonus and wage of the apparatus to total expenditure. It means that more budgets are allocated into public expenditure. However, average expenditure for salary, wage and bonus of apparatus in health sector is still quite significant which is reached 42.10 percent of total health expenditure.

Section Five: Conclusion and Recommendation

From the data shown in the previous chapter, it can be concluded that education sector gets more budget allocation than health sector. It gets around 30 percent of government expenditure, far above the allocation for health sector which only gets around 7 percent of government expenditure. The data also shows that nominal government expenditure in both education and health sector tend to have an increasing pattern. However, this condition does not automatically guarantee that provision of education and health facilities experiences a positive change, since most of budget in these two sectors is allocated for apparatus expenditure. This condition is quite obvious in education sector, where more than 80 percent of the budget is allocated to pay apparatus salary, bonus and wage. A quite similar condition also can be found in health sector. Despite showing a negative growth, average proportion of apparatus salary, bonus and wages to total health expenditure still reached 40 percent. It is a pity condition since it is believe that budget policy will give more significant impact to the people if there is more budget allocated to public expenditure (Berek et. Al, 2006).

The main reason behind the condition above is a large number of apparatus hired by government. It seems the government still relied on the assumption that large number of officer will help the work of the government to provide better services and facilities to the people. Ideally this assumption should be backup by a strong fiscal capability like in several developed countries where most of its citizens are able to pay for the services provided by the government (Mitlin, 2003). In fact in most of developing countries where government fiscal capacity is limited, the large number of apparatus becomes the burden for the government.

In responding of this condition there should be a new approach for the government to allocate their budget. One possible alternative is by inviting citizen participation in development process and in budgeting process particularly. The experience of Porto Alegre in Brazil shows that public participation in budgeting process has resulted in a better budget allocation that is more efficient and more responsive to citizen's needs (Haryadi, 2005). Further more public participation is also believe can help to eliminate the problem that experience by most government in developing countries, which is weak managerial capacity (Ife, 2006)

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