



INDONESIA
DEVELOPMENT
FORUM 2018
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KNOWLEDGE
SECTOR INITIATIVE



+Disparity by Design:

the Portrait of the House of Representatives'
(DPR) Intervention for Specific Allocation Funds
Regional Priority (DAK – PD) Fiscal Year 2018

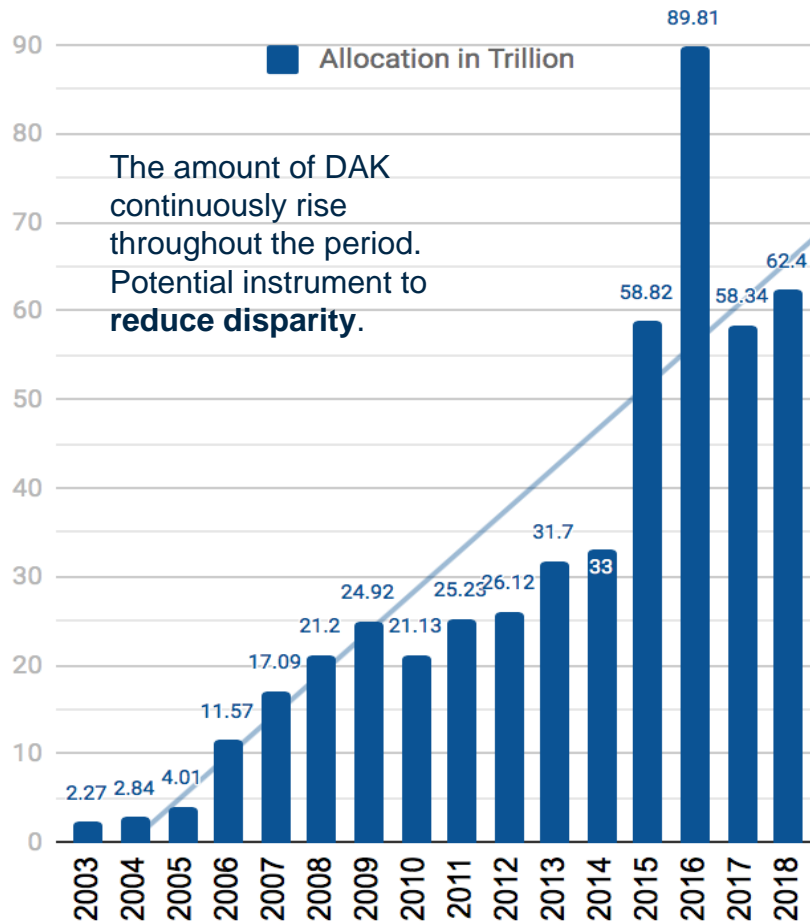
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TKPKP2E-DAK BAPPENAS





DAK Allocation Trend 2003-2018



// Background

- DAK as an Instrument to **reduce disparity**
- DAK in Dual transition
 - *Top Down Formula based Approach toward **Bottom Up** Proposal Based*
 - *Traditional **Paper** based proposal toward **Digital** and **IT** based proposal*
- Existence of **Political Intervention**: trigger the reluctance from the stakeholder to comply with the system
- If the democratic power believed **represent the people will**, budget right of the House presumably could help to **solve disparity issues**

// Question

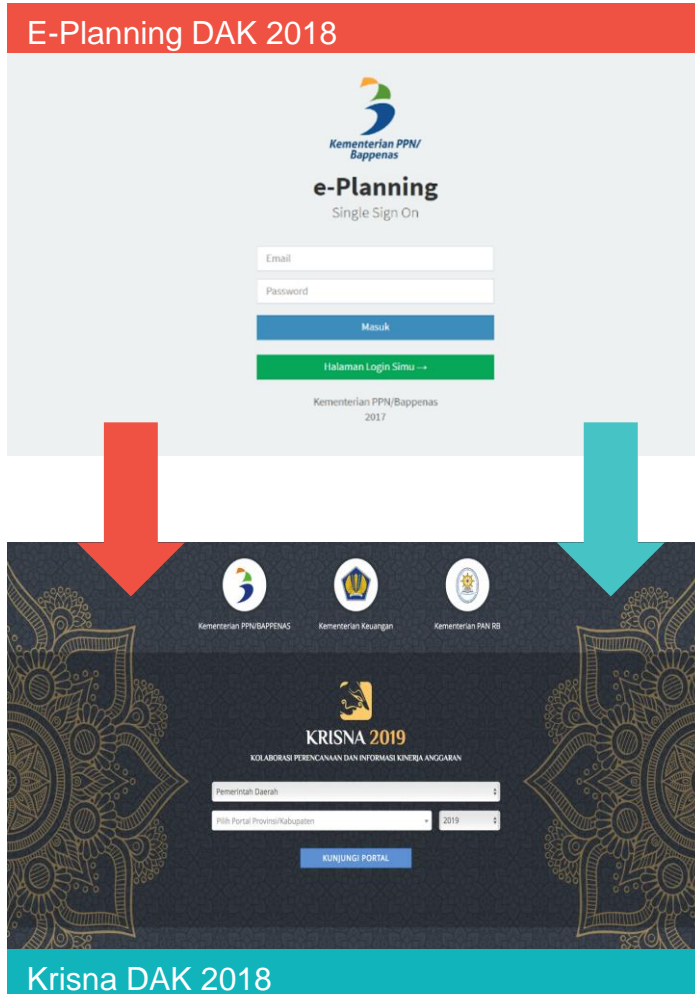
This study is aimed to answer these research question:

1. Does the intervention **create fairer** and **more equal** allocation?
2. Does the intervention can help to **close the fiscal gap**?
3. Does the intervention is **addressed to meet the need**?





DAK Transformation



- Changes in **Participants** and **Proposal Quality**
 - **540** region proposed to **542** region in 2019
 - **88.972** Proposal with **5.276,83** Trillion IDR to **537.110** Proposal with **523,52** Trillion IDR in 2019
- Changes in **Features**
 - From **Free-Text** input to **Dropdown-list** choice
 - **General** Menus to **Detailed** Output
 - From Discontinued API Service to **Seamless-Integrated** system
 - From Eliminating to **Flagposting** Verification
 - Offline Approval to **Online** Approval
- Changes in **Process** and **Stakeholders**
 - Line-Offices (SKPD Teknis) in Local level are more actively involved in DAK Planning
 - Extension of Proposing Time in local level to ensure the project preparedness
 - Longer Bureaucracy chain and more stakeholder involved as a result from MOHA Reg No.117/2017
 - No “Carry Forward” Scheme and Performance Based Allocation as a result from MOF Reg No.112/2017



Advantages

- More Transparent
- More Accountable
- More Accessible
- Avoid Data Manipulation
- Clarity of Process



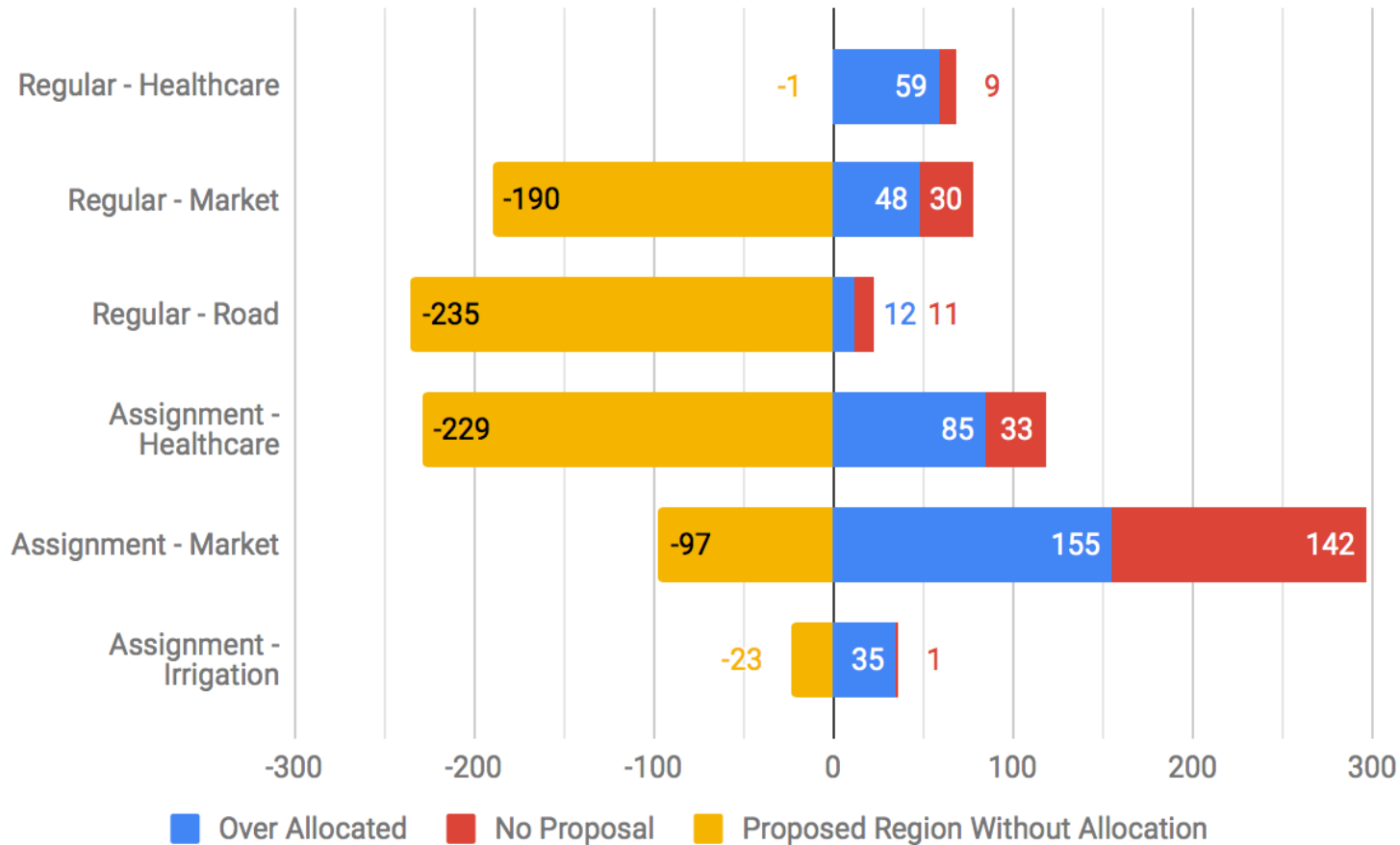
Challenges Remains

- Technical Issues
- Political Intervention
- Allocation Mismatch
- Financial Overlapping
- Governance Issues



// Introducing the Intervention

Identification of Allocation Deviation

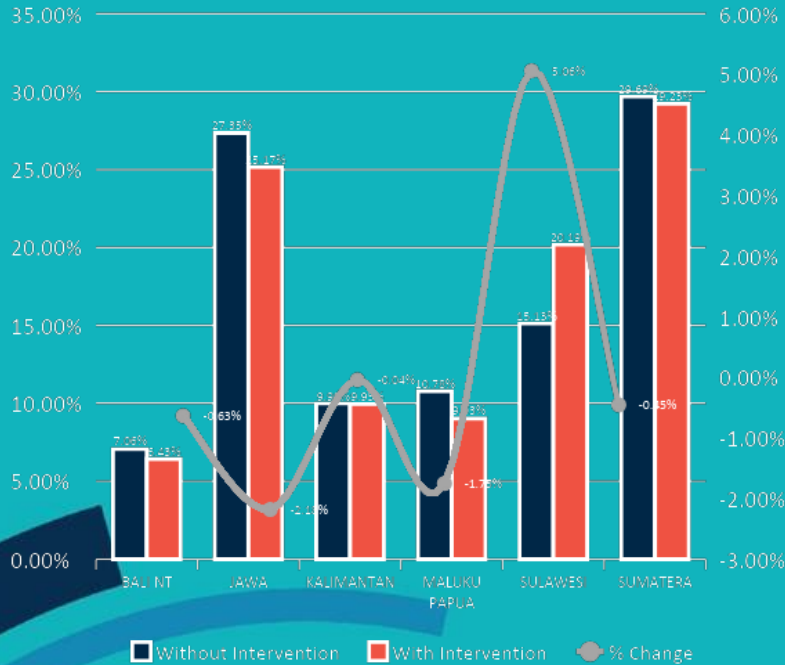


From six sectors which are the most deviated among others, five have DAK “Prioritas Daerah” column in the allocation table, except Market sector. Thus we are only can capture five sectors as stated below.

	Type of DAK	DAK Sector	Kind of Intervention
1	Regular	Health and Family Planning	National Healthcare Guarantee Support
2			Regional Priority - Health
3		Road	Regional Priority - Regular Road
4	Assignment	Road	Regional Priority - Assignment Road
5		Irrigation	Regional Priority - Irrigation



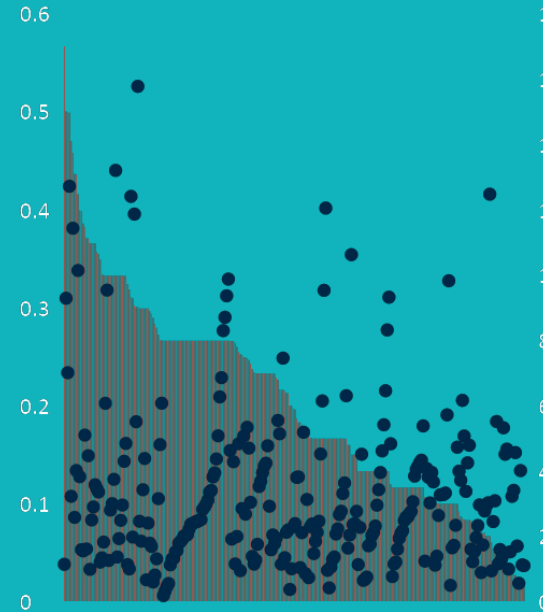
// Research Findings



REDISTRIBUTION

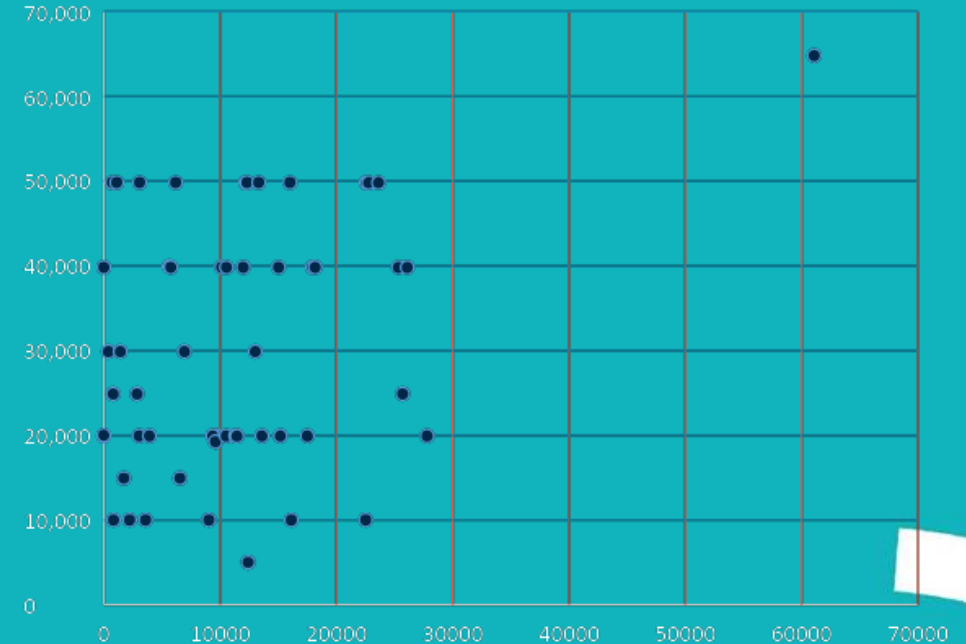
Intervention* redistribute the allocation proportion, however this shift very biased to Sulawesi region and widening the allocation gap **+32.69%** in Regular DAK and **+48.35%** in Assignment DAK

*Intervention in terms of DAK Prioritas Daerah



FISCAL CAPACITY

Localities with high FID also receive the intervention, while among of the 10 least FID only one localities receive the intervention.



EFFECTIVITY

In the Irrigation Sector, intervention are randomly given regardless of the size of irrigation area, and create a cluster of pattern in five tiers. This reflects that who get what is not always who need the most.



// Closing Remarks

- There are some remarkable breakthrough regarding the betterment of DAK's business process (e.g. features, mechanism, approach), albeit some challenges remains.
- Several findings show that there are some issues related to uneven redistribution, fiscal capacity and efficiency. By let this business-as-usual, DAK will be ineffective in reducing region disparity.
- Revoking the intervention from budget right which create disparity by design is not necessary, if there are data-driven decision from legislatures in intervening the allocation along with stronger law enforcement.
- Initiation of better coordination and accountability in allocation between government and the House are crucial to tackle these challenges