



THE POLITICAL DILEMMA OF DEFENCE BUDGETING IN INDONESIA

Yuddy Chrisnandi¹
Indonesian National Parliament

Abstract:

The enhancement of Indonesia's defence capability is accomplished by a strategy and defence planning aimed at forming a minimum essential force. There are several steps taken in that direction. Firstly, the procurement, maintenance, and decommissioning of main defence equipments. Second, the lack of personnel is being met, while qualitatively efforts to increase TNI's professionalism are made. There are also several steps to increase the welfare of the soldiers.

Keywords: Defence budgeting; armed forces; Indonesia.

Resumen:

El incremento de la capacidad defensiva de Indonesia se consigue mediante un planeamiento estratégico y de defensa orientado a formar la fuerza esencial mínima. Se han dado varios pasos en esa dirección. En primer lugar, el abastecimiento, mantenimiento y retiro de los principales equipamientos de defensa. En segundo lugar, se está afrontando la falta de personal, a la vez que cualitativamente se realizan esfuerzos para aumentar la profesionalidad del TNI. También hay varias medidas para aumentar el bienestar de los soldados.

Palabras clave: presupuestos de defensa; fuerzas armadas; Indonesia.

Copyright © UNISCI, 2007.

The views expressed in these articles are those of the authors, and do not necessarily reflect the views of UNISCI. *Las opiniones expresadas en estos artículos son propias de sus autores, y no reflejan necesariamente la opinión de UNISCI.*

¹ Dr. Yuddy Chrisnandi is currently a Member of Parliament from the Golkar Party assigned to Commission I of the Indonesian National Parliament (DPR-RI) dealing with Defence and Foreign Affairs. He is also a Lecturer at the National University (Unas) and University of Indonesia, Jakarta.

Author's note: This paper was first presented at the Pro-Patria Seminar on "The Management and Control of the Defence Budget", Santika Hotel, Jakarta, 4 September 2007.



Introduction

One of the key features in formulating a defence strategy is defence budgeting. Other than the defence posture and structure, the budgetary component is very vital due to its key role in the total implementation of the state's force deployment. The mission of the Department of Defence is to develop the capability of the three forces: Army, Navy and Air Force, formulated in the National Long-term Development Plan 2005-2025 is very much dependent on the government's defence budget.

Therefore, since Juwono Sudarsono was appointed as Indonesia's Defence Minister, he has been suggesting that the national defence budget be raised. It should be acknowledged that the defence budget is relatively small. In the year 2000, the government only allocated 10.5 trillion Rupiah (around US\$ 1 billion). By 2004, it has increased to 21 trillion Rupiah (around US\$ 2.1 billion), which consist of routine expenses, 13.74 trillion Rupiah (around US\$ 1.4 billion), and development expenses, 7.68 trillion Rupiah (around US\$ 7.7 billion).

Only during President Yudhoyono's term did Juwono Sudarsono suggest an increase in the defence budget. By 2005, the Department of Defence or the Indonesian Armed Forces (TNI) was allocated 21.97 trillion Rupiah (around US\$ 2.2 billion), which consist of personnel expenses (9.62 trillion Rupiah), equipment expenses (4.38 trillion Rupiah) and capital expenses (7.96 trillion Rupiah). The detail of the defence expenditure, according to program and organization, could be seen in the following:

TNI General Headquarters:	2.16 trillion Rupiah
Army:	9.08 trillion Rupiah
Navy:	3.23 trillion Rupiah
Air Force:	2.38 trillion Rupiah
Department of Defence:	5.11 trillion Rupiah

In terms of programs, the budget allocated for integrative defence development is 2.15 trillion Rupiah, such as for the procurement of common use items of weapons and ammunitions. In addition, the development programme for the Army is slated for 9.05 trillion Rupiah, Navy 3.18 trillion Rupiah, Air force 2.37 trillion Rupiah and 25.76 billion Rupiah for the TNI General Headquarters' State Defence Program. Meanwhile, TNI's social (*bhakti*) operations got 26.57 billion and the defence strategy and system development program got 52.59 billion Rupiah.

In terms of expenses, personnel salary and benefits cost 9.62 trillion Rupiah, where 9.50 trillion Rupiah is disbursed through the Office of State Treasury and Budgeting (KPKN) and other personnel expenses cost 125.53 billion Rupiah. For services and equipments, the budget allocated 4.38 trillion Rupiah, which consist 3.15 trillion Rupiah for equipment, 1.04 trillion Rupiah maintenance expenses, and 191.95 billion Rupiah for travel expenses.

In 2006, as outlined by Law No. 13 dated 31 November 2005 on the 2006 State Budget (APBN), the Department of Defence and TNI would be allocated 28.22 trillion Rupiah.² This

² *Editor's note:* all subsequent figures would be stated in Rupiah, unless otherwise stated (1 US\$ = Rp. 10,000).



would consist of personnel expenses (12.14 trillion), equipment expenses (6.49 trillion) and capital expenses (9.59 trillion). The budget allocation for the Department of Defence/TNI in terms of programmes would consist of: 2.66 trillion for integrative defence, 10.8 trillion for Army development, 4.2 trillion for Navy development, and 3.3 trillion for Air force development. Meanwhile, other budget allocations would include: programmes to maintain state sovereignty (760.58 billion), state defence development programs (1.1 trillion), strategy and system development (64.23 billion), defence industry development (5.05 trillion), international military cooperation (40.79 billion), defence research and development (39.02 trillion) and TNI social (*Bhakti*) operations (28.82 billion).

Meanwhile, in terms of organizational units, the users would include: TNI General Headquarters (3.38 trillion), Army (10.92 trillion), Navy (4.4 trillion), Air force (3.3 trillion), and Department of Defence (6.2 trillion). In terms of expenses, the total budget allocated is approximately 12.14 trillion, with the Army allocated the largest share (8.1 trillion), and followed by the Navy (1.86 trillion), Air force (997.02 billion), TNI General Headquarters (786 billion), and the Department of Defence (336 billion).

Defence expenditure according to organizational units:

TNI General Headquarters:	2.015 trillion
Army:	1.687 trillion
Navy:	1.135 trillion
Air Force:	1.063 trillion
Department of Defence:	588 billion

Although the defence budget for the Department of Defence and TNI has increased over the years, it appears that the total budget needed is not in conjunction with reality. Indeed, the state budget has not been pro-defence-sector. This is despite of the fact that building the state's defence capability and force is essential to maintaining the territorial integrity of the country.

Thus far, the development of the defence sector has only resulted in a defence posture with limited force, due to personnel limitations of the TNI. Today, troop personnel, as one of the main components of the TNI, are counted to be 376,375 soldiers, which consist of 288,857 in the Army, 59,189 in the Navy, and 28,329 in the Air force. Meanwhile, TNI's main defence equipment system (*alutsista*) is aging, with most of them are between 25 to 40 years old. These equipments are qualitatively below standard and quantitatively, they have yet to meet the needs of the Organization and Equipment Chart (*Tabel Organisasi dan Peralatan* or TOP) and Personnel and Equipment Formation List (*Daftar Sususan Personel dan Perlengkapan* or DSPP), although they are continuously repaired and maintained for operations.

On the other hand, the defence budget until 2006 have absorbed 0.93% of the Gross Domestic Product (GDP) or 4.36% of the State Budget (APBN). As a comparison, the defence budget of Southeast Asian states has generally reached above 2% of their GDP. Ideally, in the next five years, Indonesia's defence budget should range between 3% to 4% of GDP. The limited defence budget would make it increasingly difficult to increase defence capability, including any programme to increase professionalism and welfare of the soldiers.



Therefore, the state's defence development is being directed to acquire a minimum essential force, which is the level of force needed to guarantee the interests of an urgent defence strategy.

The fact that the Minimum Essential Forces have not been fulfilled is becoming an obstacle for the TNI to fulfil their duties to maintain the territorial integrity and sovereignty of the state. The limited condition and number of the main defence equipment (*alutsista*) and facilities as well as and the low level of soldiers' welfare are problems that are constantly in the way of the efforts to increase TNI's professionalism. Most of the military equipments are antiquated and outdated with an average age spanning over more than twenty years. If we consider the vast territorial area – land, sea, air – to cover, then the conditions of the main defence equipments (qualitatively and quantitatively) would make it very difficult for the TNI to maximally maintain territorial integrity and sovereignty, especially when unpredicted events occur, such as natural disasters.

Indeed, budget limitations for the TNI would result in the difficulty to maintain existing force and capability. From the budget allocated for the TNI, approximately 54% are spent for personnel expenses and 27% for goods and services. Meanwhile, only 27% are allocated for material development (capital expenses) to prolong the operational readiness of existing main defence equipments (*alutsista*). This condition is certainly not beneficial for the TNI in the long run since the biggest share of the budget is allocated for routine expenses (personnel and goods and services). The low level of budget allocated for material development when confronted with the need to maintain the operational readiness of the main defence equipments, has made reliance on foreign loans inevitable.

Moreover, the low level of soldiers' welfare could also influence their level of discipline in executing their duties. Thus, the level of soldiers' welfare is a serious issue since it would directly or indirectly affect the level of professionalism and discipline. Sufficient nutrition as well as good physical health are crucial to maintain the soldiers' capability and skills to train for combat and execute operations. In addition, how their families' basic needs are fulfilled would have an impact on their peace of mind and concentration during training and operations. Their current food allowance (*uang lauk pauk* or ULP) are just enough for 1,700 calorie intake daily, compared to the ideal 3,600 calorie daily. The same condition can be said for their salary, insurance, and other benefits, which at this point is far from sufficient when confronted with their responsibilities.

The government is paying strategic attention to TNI soldiers in the current 2007 State Budget Plan (RAPBN). Although according to the State Defence Development Strategic Plan 2005-2009, for fiscal year 2007, the TNI and Department of Defence need a minimum budget of 74,479 trillion, in fact, they would receive an indicative credit ceiling of 31.304 trillion. This would consist of 12,641 trillion for personnel expenses, 8.49 trillion for equipment expenses, and 10.17 trillion for capital expenses.

From that increase, just to support personnel expenses for a 13th month salary structure, the plan is to increase ULP support allowance from 25,000/person per day in FY 2006 up to 30.000/person per day. In addition, training operations (*opslat*) food allowance would be increased from 13,000/person per day in FY 2006 up to 17,500/person per day, and goods expenses for civil servants food allowance would be implemented in FY 2007 amounting to 10,000/person per day (1 month 2 days).



1. The complexities of budget management

Basically, the state budget is a form of government policy, which is manifested in numbers and applied for a certain time period. The budget allocation based on that certain period (e.g. one year), is an implication of the resource limitation in that same time period. Therefore, in every government policy, short, medium, and long term objectives are always set. Researchers from International IDEA has defined a budget as a statement on the predicted revenue and expenses expected to occur in a certain time period in the future, as well as its past realizations.

This formulation has been developed based on common experiences in budgeting processes (Basjir 2002: 10). First, to determine when and what necessity to be fulfilled using the available funds. Therefore, in a planning process, a clear short, medium, and long term objectives is very important.

Secondly, the targets divided according to that time period should be adjusted to the revenue in that period. Based on realistic projections, the funds gathered could not fulfil the entire necessity, which would lead to a decision to determine what should be financed first and what could be postponed for the next period.

Thirdly, the challenge of meeting needs based on the revenue at that same time period. This is important since oftentimes there are alterations in revenues and expenses. For example, when today oil prices rise to US\$ 60 per barrel, the government is expected to subsidize 60 trillion per year to control domestic prices. At the same time, the increase in oil process would lower the income level of the society, which theoretically, would also reduce tax revenues for the government. Therefore, projects that would require huge sums of money would only be partially executed or transferred to the next fiscal year.

Other than a manifestation of government policy, a budget has other functions in the realms of fiscal policy and government management. In the fiscal realm, a budget has the function of: first, serving as a fiscal policy instrument. Fiscal policy is policy taken by the government to make alterations in the tax sector and government expenses to increase the aggregate expense in the economy. The aggregate increase is expected to raise national income and work force utility in order to lower unemployment rate and increase revenues at the same time (Sukirno, 2003). This kind of fiscal instrument can only be implemented by the government through budget management.

Second, the distributional function. Through the budget, the government could implement even-distribution schemes to close the social, inter-regional, and inter-sectoral gap. In the distribution function, the government's duty to create social justice finds its place. The government could be seen as unfair, such as the previous government's experience, which concentrated infrastructure development in Java thereby causing a gap between Java and the outer islands, or when the government was not seen as fair when they gave several facilities and subsidies for certain business groups.

Thirdly, the stabilization function. If there are extreme prices alterations, the government could use the budget to stabilize prices. A relevant example would be fuel price subsidies. The extreme increase in oil prices in the world market has pressured the people's purchasing power, and in fact, in several instances, has raised the level of poverty. Through the subsidies allocated in the state budget, the government could stabilize domestic oil prices. This would



not only protect the people from the sudden economic pressure, but could also protect the domestic economy.

On the managerial level, a budget could function, first, to give guidance to the government to carry out their current and future duties. The budget will give direction to the government, which needs should be fulfilled immediately and which one could be postponed. With the budget, although the government might be replaced, the allocation will not differ that far since the income and expense projections have been calculated in that time period.

Second, as an instrument to control policy. In a budget, one of the aspects considered is achievement. With a budget calculation, the achievement of a certain program could be measured. If the expected outputs are not reached yet, subsequent interventions are needed, which among others, could be done through the budget.

Thirdly, as a political product. In reality, a budget appears in the form of a regulation, whether as national laws set by the central government or as regional bylaws at the provincial or municipal level. That being said, behind the fact that a budget is a legal product; there is a political process between the executive and legislative to formulate the budget together. The involvement of the legislative assembly in the budgeting process is indicative that the people of Indonesia are also involved in the budgeting process.

The budgeting process refers to the General Guidelines of State Policy (*Garis Besar Haluan Negara* or GBHN), in which the National Development Program (*Program Pembangunan Nasional* or Propenas) would become a by-product. Subsequently, the Propenas, which is a 5-year medium term programme, would be translated into the Annual Development Plan (*Rencana Pembangunan Tahunan* or REPETA). The budgeting process usually takes about six months. In January, the Minister of Finance will send out an Encyclical Letter (*Surat Edaran*) to every department in form of a List of Project/Activity Proposals (*Daftar Usulan Proyek*). Subsequently, in May, the central government would present several points concerning the fiscal policy and the framework of macro economy to the legislative (DPR). Following which, in August, the government must submit the State Budget Plan (*Rencana Anggaran Pendapatan dan Belanja Negara* or RAPBN), with financial notes and supporting documents attached. Together with government, the legislative assembly would then discuss the State Budget Plan submitted. Not more than two months or in October, the State Budget Plan would be ratified into the State Budget (*Anggaran Pendapatan dan Belanja Negara* or APBN). The fiscal year begins in January and ends in December. When the State Budget (APBN) is approved, the List of Project/Activity Proposals would become the List of Projects/Activities (*Daftar Isian Proyek*), which would be used by departmental treasurers to cash in their budget from the Department of Finance.

Aside from the budget allocated from the State Budget, the TNI, just like any other civilian department, could use whatever is left from the previous budget. This is possible by the implementation of the work budget beginning in the 2005 fiscal year. On a balanced budget, the entire budget allocated must be spent. However, with a work budget, the measurement is the work finished. Therefore, the remaining budget from the previous fiscal year, or what the Department of Defence calls "supplied budget," could be used.



2. Monitoring

The legislative (DPR) actually has a monitoring function overseeing the budgeting process conducted by government departments and related institutions. The DPR's control function includes the budget allocated for the Department of Defence and TNI. The importance of TNI's professionalism and soldiers' welfare has become a *sine qua con* for the development Indonesia's defence posture. The legislative assembly as a controlling body has the right to prioritize soldiers' welfare and professionalism rather than the Department of Defence and TNI publishing policies to strengthen Indonesia's main defence equipment. The Department of Defence and TNI could certainly diversify its sources for main defence equipment and not simply rely on the State Budget. This has been done with the assistance of a number of states, such as Poland and China.

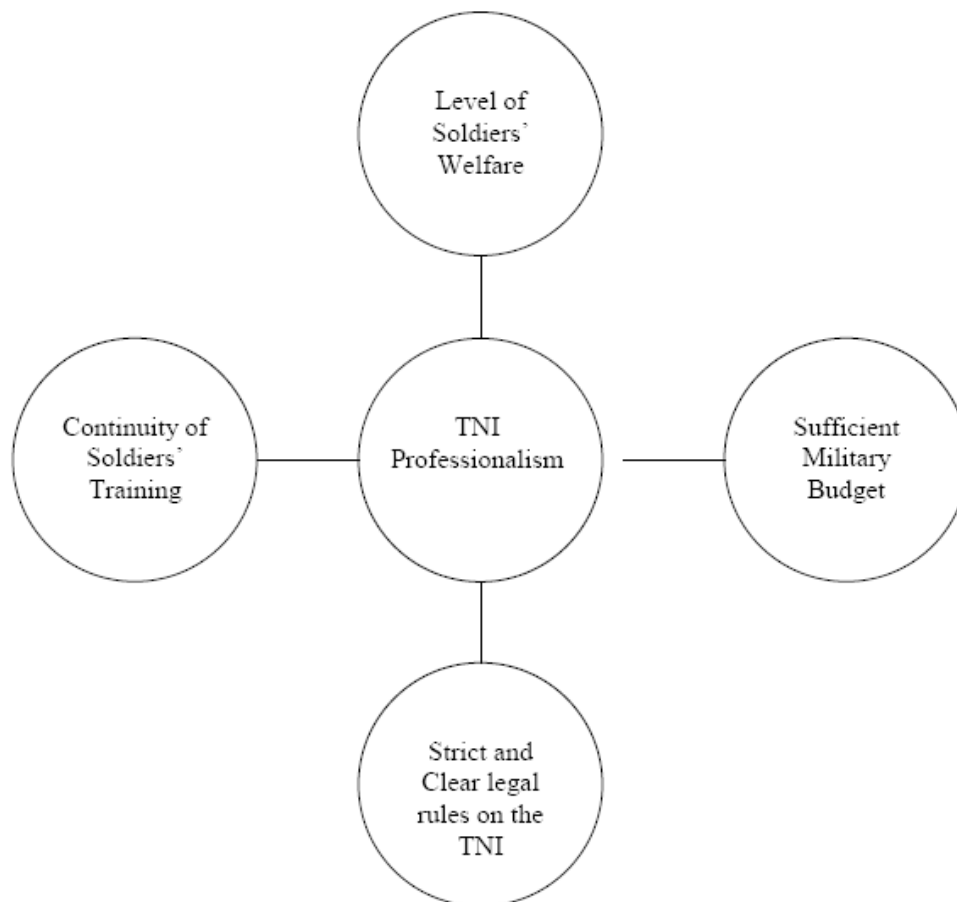
The result of those appraisals has been followed up with, among others, technical military cooperation with the government of Russia and contract agreements with Rsooronexport, as well as procurement contracts with other companies from various countries. It is the long term policy of the Department of Defence and TNI in procuring main defence equipments and other military hardware to prioritize domestic products.

Therefore, it would be ideal that the legislative assembly should include expert staff that could analyse and review the prioritization of domestic producers for primary defence equipment rather than importing them. In related to that, the Research and Development Agency (*Balitbang*) of the Department of Defence and the Research and Development Bureau of each forces should be given the opportunity to conduct research and development of TNI's main defence equipment in cooperation with universities, think-tanks, and domestic strategic industries, as well as producer countries committed to technological transfers.

3. TNI Professionalism

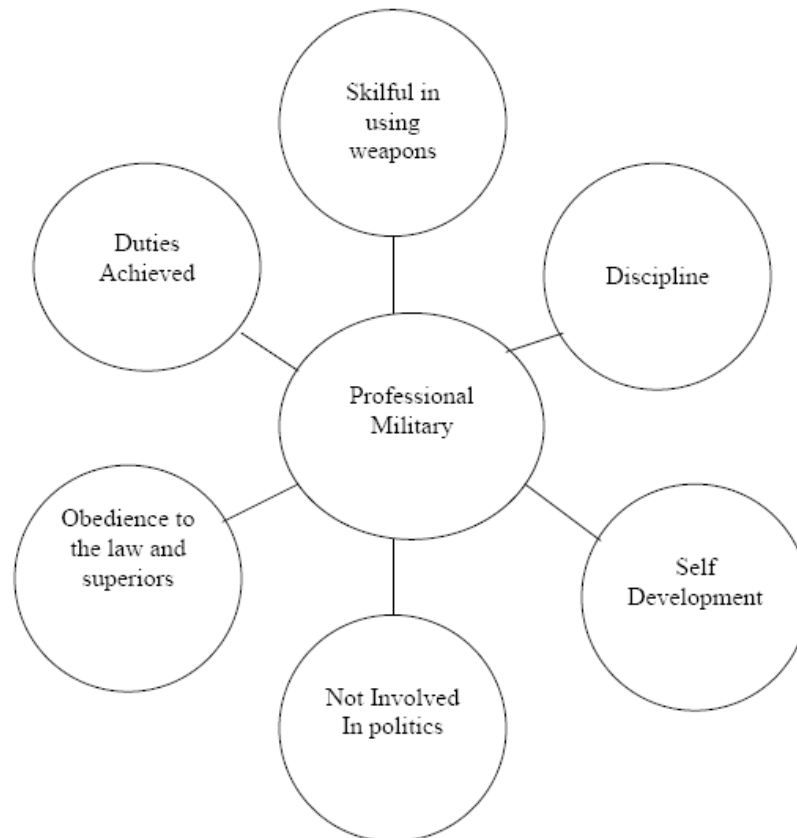
There is a close relationship between the professionalism of TNI and the defence budget. In my conception, as cited in the book *The Reform of the TNI: A New Perspective in Civil-Military Relations in Indonesia* (2005), there are at least four main elements that determine TNI's professionalism: soldiers' welfare, soldiers' training continuity, clear and strict laws regarding the TNI, and a sufficient military budget.

Chart: The Effort to Achieve TNI Professionalism



From the chart, we could see that one of the efforts to achieve a professional TNI is a sufficient military budget. Adequate provision for a sufficient military budget is needed for military soldiers to train in order to enhance their technical, academic, and military capabilities, such as shooting, using battle gears, war simulations, maintenance or procurement of military equipments, and so on.

The identity of a professional military would depend more or less on the state's defence budget. In addition to strict regulations, the welfare of the soldiers must also be considered if we were to create a professional military free from politics. To become a skilful soldier in using weapons, a sufficient budget is needed to procure sophisticated battle equipments and weapons. For TNI's self-development, a sufficient budget for training and education is also needed. For soldiers to have a strong obedience to their superiors as well as to obtain a high disciplined force, sufficient budget is deeply required to build the TNI as a professional institution.



Conclusion

The enhancement of Indonesia's defence capability is accomplished by a strategy and defence planning aimed at forming a minimum essential force. There are several steps taken in that direction. Firstly, the procurement, maintenance, and decommissioning of main defence equipments (*alutsista*). The procurement of new defence equipment through foreign loans is constantly conducted by increasing the proportion of local suppliers in the effort to maximize the national defence industry. Any weapons systems that are economically viable to maintain, efforts at upgrading, retrofitting, and refurbishment are taken. Meanwhile, aging weapons system that cost a lot to maintain should be decommissioned.

Second, the lack of personnel are being met according to TOP/DSPP, while qualitatively, efforts to increase TNI's professionalism are increased by providing opportunities for training and education. To increase the welfare of the soldiers, there are several steps taken including providing basic provisions such as housing, health care, food allowance, as well sufficient social security and insurance for active and retiring TNI soldiers to guarantee their survival.

References

Chrisnandi, Yuddy (2005): *Reformasi TNI: Perspektif Baru Hubungan Sipil-Militer di Indonesia*, Jakarta, LP3ES.

Dephan RI. Jawaban Pemerintah Atas Pertanyaan Tertulis pada Rapat Kerja Mehan RI dengan Komisi I DPR RI pada Tahun 2004, 2005, dan 2006



Depkeu RI (2004): *Nota Keuangan RAPBN 2005*. Jakarta

— (2004): *Nota Keuangan RAPBN 2006*. Jakarta

— (2004): *Nota Keuangan RAPBN 2007*. Jakarta

Basjir, Wahyu W, dkk (2002): *Memahami Anggaran Publik*, Yogyakarta, Idea Press.

Cordesman, Anthony (2003): *The Asian Military Balance: An Analytic Overview – A Comparative Summary of Military Expenditures: Manpower, Land, Air, and Naval Forces, and Arms Sales*. Washington, Center for Strategic and International Studies.

Widyoko, Danang *et. al.* (2003): *Bisnis Militer Mencari Legitimasi*, Jakarta, ICW dan NDI.