THE RESPONSIVENESS AND ACCOUNTABILITY OF LOCAL GOVERNMENT: A CASE STUDY OF MALANG, INDONESIA

# Abstract

Since political reform in 1998, the Indonesian government has decentralized governance practices in order to provide a space for local governments to develop the local potential of each region. Consequently, the local government should be responsive to people’s needs and more accountable for regional development. Therefore, local governments should be willing to involve local citizens in public policy making. On the other side, local communities should actively engage in development processes, particularly in budget policy planning. This article reports on a study to determine to what extent the local government is responsive and accountable to the local citizens in Malang Municipality, in Indonesia. A qualitative approach was applied to the process of data collection and data analysis. The results show that the local government has a low responsiveness and accountability to local citizen’s needs and local preferences. The findings reveal a lack of willingness on the part of local government to involve local citizens and civic groups in budget planning, and elected officials demonstrate little responsibility in arranging budget policy support to achieve social welfare, one of the main points of decentralization. These findings show that central government should pay more attention to improving the awareness of local governments and the capacity of local communities so that decentralization may be supported.

*KEY WORDS*–Accountability, Decentralization, Local Government, Responsiveness

# INTRODUCTION

Responsiveness and accountability are fundamental components of democratic systems. Democracy is well-recognized all around the world for enabling citizens to voice their aspirations through the vote (Maddock, 2005). Although it may not be an ideal political system, it offers a channel for citizens to voice their needs (Habermas, 1994). It plays a vital role in increasing citizen participation via elections. In principle, the higher the level of participation, the more democracy grows in a community.

In general, when considering the dynamics in a democracy, the concepts of ‘decentralization’ and ‘participation’ are well-recognized. Through various definitions exist, decentralization is here taken to mean the process by which all authority and responsibilities, whether political, fiscal, and administrative, are transferred from central government to local governments to take control over their own affairs, including education, healthcare, infrastructure, and so forth (Cities and Governments, 2010; Cohen et al., (1999) Decentralisation. (2015); United Nations Development Programme–Government of Germany, 1999).To understand the progress of decentralization, it is important to see how much citizens are able to enjoy level of participation in local government. Participation is one of the most straightforward elements of democracy. It shows a level of awareness on the part of citizens in a country or community in that they know how they are supposed to act via political activities and at the time of general elections. Political participation is a voluntary act, though in principle all citizens are required to exercise their rights by voting for their leader. Therefore, participation includes the aspirations, actions, intentions, interests and willingness of citizens (Fuad, 2014).

In addition, in nearly all democratic countries, the level of participation of citizens demonstrates the level of democracy of that country. The level of participation in Western democracies may be observed through the complex levels of responsiveness of the citizens of each country (Knack and Keefer, 1997). In developing Southeast Asian countries, participation in democracy may be more theoretical. For example, in Indonesia, the central government has supported local governments by passing laws and providing certain amount of the grants annually to decentralize the authorities, responsibilities, and powers to local governments. The central government passed two major laws for transferring powers to local government known as Law Number 32/2004 on local government and Law Number 33/2004 on Budget Balance Management. By doing so, the Indonesian central government provides wide-ranging authorities and powers for local governments to manage local governance independently and autonomously (Dixon and Hakim, 2009). This means that local governments can in theory establish policies to build and empower their region without the directive role of central government. At the same time, the local governments are in principle, meant to attract local people to take part in making public policies (participative policy) so that these can answer the society’s needs. In terms of providing budgets, the central government transfers the budget to the local governments annually in the form of the Dana Alokasi Umum (*DAU*)/General Budget Allocation and Dana Alokasi Khusus (*DAK*)/Specific Budget Allocation.

Table1. List of Budget

|  |  |  |  |
| --- | --- | --- | --- |
| Year of Budget Policy | The total Revenue of Central Government | General Budget (*DAU*)(Trillion in Indonesian Rupiah: *IDR*) | Specification Budget (*DAK*)(Trillion inIndonesian Rupiah: *IDR*) |
| 2014 | 1.550,6 | 341,2 | 33,0 |
| 2015 | 1.761,6 | 352,9 | 35,8 |
| 2016 | 1.822,5 | 491,5 | 208,9 |

Source: *Adapted from the Ministry of Finance of the Republic of Indonesia*, 2017, http://www.kemenkeu.go.id/.

 In 2015, the budget distributed by central government to local governments reached approximately IDR 638.0 trillion, which is about 31% of national expenditure (IDR 2.039.5 trillion), while in 2016 it was approximately IDR 770.2 trillion, or about 35% of national expenditure (IDR 2.095.7 trillion). In 2017, it was approximately IDR 764.9 trillion, about 34% of national expenditure (IDR 2.080.5 trillion). This represents a considerable budget allocated by central government to local governments. In all budgeting, the process of budget planning must be transparent and observable in order to encourage citizens to be involved in public policy processes (Tiwari, 2017).

 There is evidence that most Indonesian citizens are aware of the importance of participating in democracy and exercising their rights to improve the country through casting their votes and participating in speaking out and exercising their rights at both the local and national levels within the country, including in budget planning (Sopanah et al., 2013). However, there is a need to better understand to what extent local governments are able to serve the needs of the local people, given the intention of the Indonesian central government to make it possible to transfer authority and power to the level of local government.

In addition, there is the need to understand to what extents the local government would be able to serve the needs of the local people even though it seems that there are great intentions of the Indonesian central government to make it possible for transferring authorities and powers to the local government.

In line with the laws of the government of Indonesia, the budget is the main delivery mechanism for public welfare. However, some inhibitory planning factors mean that the budget does not satisfy the communities’ in terms of level of participation. Firstly, the public lacks access to the budget planning cycle in order for them to be involved in the preparation of the *Musrenbang* (budget planning process) due to a lack of information and specific awareness of the process, as well as the decision of local government to limit the elements of the community allowed to become involved in planning forums. Secondly, the effective influence of political elites (regional legislatures or Dewan Perwakilan Rakyat Daerah [DPRD] and local heads) directs the budget towards their own interests. Hence, raising the level of awareness of civic groups in Indonesia, which is related to the level of participation in budget planning, is imperative for improving the level of democracy.

This study may help to understand the level of democracy in Indonesia in the sense that any citizens in civic communities should participate in contributing to and conveying their needs in realizing their rights in relation to democratic conventions. This study investigated the level of responsiveness of the central government in transferring budgets to a local government in Indonesia, namely Malang city. Malang City is a city in Jawa Timur Province. Geographically, Malang City has the second largest area in Jawa Timur Province. The area of Malang is 145.28 km2 while other cities include Surabaya (350.54 km2), Batu (136.74 km2), Kediri (63.40 km2), Probolinggo (56.67 km2), Pasuruan (35.29 km2), Madiun (33.92 km2), Blitar (32.57 km2), Mojokerto (16.47km2). In the Human Development Index context, Malang scores80.05% which is better than the other cities of JawaTimur Province namelyMadiun City (79.48), Surabaya City (79.47), Blitar City (76), Kediri City (75.67), Mojokerto City (75.54), Pasuruan City (73.78), Batu City (72.62), and Probolinggo City (71.01) (Statistics Bureau of the Republic of Indonesia, 2017)

In addition, Malang City is composed of stakeholders playing vital roles in taking control of their own affairs based on the decentralisation programme, including officials, the mayor, minorities, and civic groups. Hence,this city provides a case study for investigating the level of responsiveness and citizen participation.

*Democracy theories in the contexts of citizens’ participation*

Theories related to democracy mainly explain how citizens should participate actively in the process of public policy making. Citizens should be more autonomous take action, and play a role in public policy processes. The theory of democracy is a form of theory of citizenship as it supports, in principle, the autonomy and improvability of citizenship (Hammond and Tosun, 2011).

Thompson (2010) notes that in democracy theory, all citizens should take part in the processes of democracy. It is insufficient that government should determine the highest social good. The most important aspect of democracy is that all citizens share in selecting their governors and in determining their policies. Moreover, Thompson (2010) adds the democratic system is supposed to be based on the autonomy of the people and the humanity of the citizen. Democracy needs skills and leadership, as well as reference to the common humanity of all citizens. If the voice of citizens is not quite the voice of God, no one else has a better claim to speak for him.

Another scholar, Gaffar (1997), points out that in an ideal democratic system, citizens have autonomy, public access, a free public sphere, and a free public. People should be independent of state interests, whether in the political, economic, or social arenas. Civil society should have an opportunity to access state agencies and state institutions. In this context, the relationship between the state and society, each citizen, either as individuals or in communities, should have an opportunity to access state institutions. The government should uphold the rights of the citizens through regulations or laws based on the values of democracy, such as justice, equality, and participation. As related to the values of democracy, the public sphere creates a relationship between the state and society in relation to public policy-making through the rule of law. Citizens understand the circumstances of their living environment, and they can become involved in public policy-making via the democratic process.

Thus, in most democratic countries, all around the world, the level of democracy can be observed through the level of citizen participation. One obvious example by which this can be measured is the level of participation of the citizens in their communities, such as their level of participation in budget planning.

*Accountability of local governments*

The accountability of a local government is seen in its ability to serve the local people or citizens. Hence, all activities must be transparent and observable. In this study, we focus on budget planning, in which all citizens must be encouraged to participate in all pertinent procedures in order to ensure that the budget has been allocated legitimately.

Encouraging and providing channels for citizen engagement are considered to be a means for connecting governments to their citizens. Simultaneously, decentralization is also a way to increase the level of responsiveness of citizens to be participants in activities held by local governments to proliferate the opportunities for citizen oversight and accountability (Fischer, 2016). Democratic countries require that citizens should meet the minimum standards of equality and autonomy. Individuals should have equal opportunities to show their views in political matters. Therefore, a high level of participation of citizens is essential since this show the levels of responsiveness and accountability of the government, including the citizens’ points of view. Hence, the more citizens are willing to participate, the more community can claim to be democratic (Levin-Waldman, 2013). So, all democratic countries in principle strive for a greater level of participation from their citizens.

In addition, Thompson (2010) notes that the relationship between local government and civic groups in the process of regional budgetary policy (budget planning) should be related to the democratic principles of justice, equality, propriety, and proportionality. Therefore, Franklin et al. (2007) point out that democratic values are fostered when public bodies and the implementation of government are open, when opportunities and procedures are existent for civic groups to permeate the system, and when responsibility is assured. Thus, this may suggest that when citizens in developing countries have a greater level of participation in budget planning, the level of democracy achieved will move closer to the level in developed countries, which are generally known as regions where democratic systems flourish.

*The local government budget process in Indonesia*

Although in Indonesia laws have been passed to improve the level of citizen participation in terms of budget planning, they have not been well implemented. In particular, research has found that the relationship between local government and civic groups in budget planning at the local level in Indonesia does not reflect democratic values (Manan, 2016). This is due to a lack of socialization on the part of city governments and parliament; the fact that the mechanism at development planning meetings is just ceremonial; and the fact that popular awareness of process, especially among middle and lower income groups, is still relatively low. Civic groups’ access to active participation mechanisms is also undermined by local government. Local government, from the executive (regional head and the administration officials) through to the legislative members (parliament), fully controls and directs the majority of budgetary policy. Consequently, budget policy does not incorporate citizens' needs (see for example, Bonifaz, 2016; Lowndes, et al., 2001; Sopanah, 2012).

*Collusive relationships in budget planning at the level local*

In Indonesia, even though a clear process for participation in budget planning exists, the level of citizen participation is low. King and Feltey (1998) found that a collusive relationship can occur in a budget planning process. There may be associations between stakeholders involving them acquiring advantages from the process. The stakeholders include city governments, villages and sub-district governments, the local elite, the Rukun Warga: RW, or the Neighborhood Association, the Lembaga Pemberdayaan Masyarakat Kelurahan: LPMK, or the Community Empowerment Organization at the Village Level, and neighborhoods and communities. This may suggest that there is no guarantee that no matter how good the process for budget planning is, or no matter how good the laws supporting the level of participation in Indonesia are, there remains an imperative disruptive factor, namely ‘the collusive relationship’ which intervenes to reduce the level of citizen participation and diminish the flourishing of democracy. Here, ‘collusive relationship’ is defined as two parties colluding for their common benefit (Klitgarrd, 1998; Hindricks et al., 1999).

*Level of citizens’ engagement in budget planning at the level local*

In addition, Emerson (2012) notes that when a low level of collaboration exists between local governments and stakeholders, such as citizens and private groups, this may generate a form of local governance not supportive of the need to achieve the goals of government institutions. Therefore, Emerson (2012) suggests that the public policy process should be based on good collaboration among stakeholders. He calls this a form of principled engagement occurring over time and potentially including different stakeholders at different points, and taking place in either face to face or virtual formats, either crossing organizational networks or in private and public meetings, among others settings. Thus, in this case study, the levels of engagement of citizens were observed in order to develop recommendations regarding how to encourage and engage citizens and communities to be involved in budget planning, which would then demonstrate a higher level of participation and in turn increase the level of democracy overall.

In conclusion, in this research, the level of responsiveness of the central government was studied through the decentralization concepts related to the level of citizen participation by observing their engagement in the budget planning process. Given that Malang City was the unit of study, all the stakeholders in the budget planning process were considered to be participants.

**LITERATURE REVIEW**

*Participation in theory*

The most important keys to understanding civic participation in public policy in terms of participatory budgeting is understanding the meaning and typology of participation. On this topic, Cornwall (2008) notes that enumerating the kinds of participation is a useful starting idea to comprehend the degrees and kinds of civic participation. This provides a series of ideal types along which kinds of participation may be ranged, and most typologies carry with them implicit normative arguments placing these forms of participation along an axis of ‘great’ to ‘low’.

One typology of participation used by scholars in analyzing civic participation is Arnstein’s (1969) ladder of participation. He stated that the stages of participation consist of citizens’ power, tokenism, and non-participation. Furthermore, he divides citizens’ power into three parts of participation, namely citizens’ control, delegated power, and partnership, in which the three of them are parts of strong civic participation. Moreover, he points out that tokenism participation is a pivotal kind of participation to improve civic capability in engagement of public policy. Tokenism participation includes consultation, informing, and placation. These three kinds of tokenism participation aim to improve citizens’ insights as related to public policy processes. Lastly, he also points out that non-participation typology is public policy-making made without civic participation.

In addition to Arstein’sladder of participation, another popular participation concept derives from Jules Pretty’s (1995) typology of participation. As suggested by Pretty (1995), a typology of participation is composed of manipulative participation, passive participation, participation by consultation, participation for material incentives, functional participation, interactive participation, and self-mobilization. Regarding civic participation, the last two are the main ladders for active citizen participation in public policy.

Further, Pretty (1995) points out that interactive participation is when people participate in joint analysis and discuss, in improvement of action plans and in formation or strengthening of local institutions. Participation is here called a right, not just the means to achieve project goals but also to find multiple perspectives and make use of systemic and structured learning by doing. As groups take control over local policy and determine how available resources are used, so they have a role in maintaining structures or practices. Furthermore, Pretty (1995) points out that people participate by taking initiatives autonomously of external institutions to change policy content. They establish contacts with external organizations for the technical advice they need. Self-mobilization can spread if government and Non-Government Organizations (*NGOs*) provide enabling support.

*Participation in budget planning*

In line with Arstein’s ladder of participation and Pretty (1995), Gold frank (2006) notes that participatory budgeting is a budget planning system that is based on being open to any people who want to participate, combines direct and representative democracy, involves deliberation, is redistributive towards the poor, and is self-regulating, such that participants help define the rules governing budget policy processes.

Additionally, King et al. (1998) emphasize that authentic public participation reflects for the perspectives of all parties and stimulates interest and investment in both administrators and citizens, thus it requires rethinking the underlying roles of, and relationships between, administrators and citizens. In addition, they add that three components of public participation are crucial, namely the administrative structures and processes, the administrators, and the citizens addressed by those partnerships and collaborations in seeking to understand public administration. Thus, participatory budgeting cannot be achieved by addressing problems in only one body.

In addition, Ebdon et al. (2006) state that participatory budgeting is dependent upon the governmental environment, the design of the process, and the mechanisms used to elicit participation. Moreover, the goals and outcomes desired from participation in budgetary decision making are stressed. Regarding an overall vision for participatory budgeting, Brodjonegoro (2005) explains that civic participation in the budgeting process is key to achieving pro-poor budgeting. Logically, to make a local budget fit better with local citizen’s needs, they have to actively participate in the budgeting process.

In actuality, in many experiences participatory budgeting has been implemented unsuccessfully. Ebdon et al. (2006, p.317) highlight that “although many public administrators view close relationships with citizens as both necessary and desirable, most of them do not actively seek public involvement. If they do seek it, they do not use public input in making administrative decisions”. Furthermore, in their studies they found that government officials believe that greater social participation increases inefficiency due to participation consuming a lot of time. Several existing researches case studies from different countries show that participatory budgeting cannot be implemented successfully. This may be because government officials have low levels of awareness regarding managing and arranging budget policy to serve citizens’ needs and local preferences (see, for example, Avritzer, 2010; Brodjonegoro, 2005; Baiocchi&Ganuza, 2014; Caamano, 2013; Franklin et al., 2009; Kim &Schachter, 2013; King et al., 1998; Lewis, 2010; Widianingsih and Morrel, 2007).

*Accountability and participation of local government in Indonesia*

A fiscal decentralization policy was established by Indonesian government in 1999 when the central government enacted two laws on decentralization. The first was Law No. 25/1999 on the fiscal balance between the central government and the local governments. This law was further revised by Law No. 33/2004 and is widely understood as the ‘new way’ guiding the intergovernmental financial relationship between the central and the local governments in Indonesia. Via this process, most of the authority and responsibility of the central government was shared with local governments, including financial responsibility over the provision of public goods and services at local levels (Sijabat, 2016).

A crucial issue in the fiscal reform system is the arrangement of intergovernmental fiscal structures to improve the functioning of the public sector (Oates, 2008). Specifically, research has concentrated on how fiscal decentralization affects fiscal stability, accountability, public sector efficiency, democracy, government quality, and economic growth. According to fiscal federalism literature, fiscal decentralization can increase efficiency and accountability in resource allocation (Sijabat, 2016).

Specifically, Oates (2006) states that the main reasons for applying a fiscal decentralization policy are: (i) local governments are better positioned geographically to provide public goods than are central governments. Local governments can thus be more responsive to local preferences and needs; and (ii) pressure from inter-jurisdictional competition may motivate local governments to be more innovative and accountable to their citizens. In addition, both Oates (2006), and Cheikbossian (2008) opine that decentralization should result in every local government providing a different bundle of local public services, with each such service bundle reflecting local needs.

In addition, the fiscal decentralization concept should improve local government officials’ performance in terms of accountability and responsibility to citizens at the local level, through public services and the design of budget policy based on the needs of local people. In this case, Lewis (2010) states that appropriate decentralization of responsibility for the provision and financing of public services to lower level governments should lead to more efficiently delivered services and greater political accountability. This is due to local administrators being closer to their constituents. They are in principle better able to discern and respond to demand for public services as well as design appropriate revenue raising instruments linked to service delivery.

In the Indonesian context, Brodjonegoro (2005) considers the decentralization system and budget planning and notes that decentralisation in Indonesia could be considered as leaning more towards the decentralization of authority, and consequently expenditure. The local governments hold more power and authority to run their government and provide public services for their citizens. The financial sources to support this come from the central government through transfers whilst revenue collection power is mostly still from the central government. However, the local governments now have much more freedom to make plans and priorities to spend money by better considering the aspirations of local communities through local parliaments, and less the interests of central government.

In practice, implementing fiscal decentralisation in Indonesia is extremely limited. Lewis (2010) in his research revealed Indonesia’s decentralisation program has not yet led to the delivery of exceptional services. Due to low expectations, people do not show their disappointment with the government regarding the state of affairs and have not compelled the delivery of improved services in any apparent protests. It is challenging to reformers deliver major changes to the public.

In the budget planning context, Brodjonegoro (2005) found that participatory budgeting is still premature in Indonesia due to weak civil society and a lack of communication between the government and communities. Public disclosure of local budgets is rather limited, so local communities usually obtain information about budgets from local parliament members, the media, or from *NGOs*. However, the local governments’ quality and capability are still far from the minimum requirements of good governance practices at the level of local governments. In addition, evidence suggests that the level of responsiveness of the communities and citizens in Malang is very low since the citizens have not been encouraged and allowed to be involved sufficiently in any budget planning activities (see, for example, He, 2011; King, 2008; Souza, 2011).

**RESEARCH METHODOLOGY**

The main purpose of a descriptive qualitative study is to obtain accurate and relevant information about the characteristics of the particular object, group of objects, and institutions, and in this instance to describe the relationship between the local government and civic groups in drafting regional budgetary policy (budget planning).

There are several reasons why a qualitative method was applied in this study. Flick (2014) proposes four reasons why scholars must use qualitative research in social studies, political studies, and government studies. He points out that the essential features of qualitative research are the correct choice of proper methods and theories, the recognition and analysis of different perspective, and that the researchers may transfer knowledge through different approaches and methods. In addition, he explains the justification for each reason as follows.

*First,* regarding the appropriateness of methods and theories, Flick (2014, p. 14) notes that most phenomena cannot independently be explained. Therefore, for complex and rare situations, it may be useful to apply the qualitative research designs to understand the complex situations statistically.

*Second,* concerning the perspective of the participants, qualitative research studies can assess participants’ knowledge and practice. This case study aimed to analyses interactions between local government and civic groups in budget planning in a particular setting in the field. As Flick (2009, p. 16) notes, “Interrelations are described in the concrete context of the case study and explained in relation to it. Qualitative research takes into account that view points and practices in the field are different because of the different subjective perspectives and social backgrounds related to them.”

*Third,* on the reflexivity of the researcher and the research, Flick (2009, p. 16) states, unlike quantitative research, a qualitative approach guides the researcher’s communication with the field and its associates as an explicit part of knowledge instead of considering it an intervening variable. Hence, the participants and observers may become part of the research process.

Hence, a qualitative methodology was applied in this study to examine the issues of dynamic political processes in budget planning. The varying dynamics mean that the actors involved in the budget process hold different perspectives and interests regarding the budget planning. Therefore, to understand the dynamic political processes of budget planning, it is necessary to take part in the field according to the principles of qualitative method. In line with this argument, we explored the objectives of this study by understanding through field research the background and dynamics of key actors, such as elected officials and social activists.

All the stages of the budget planning process were observed, such as the public hearing process (Musrenbang), meeting, and discussions between government officials and members of the legislature on the approval of the budget to enact legislation on budget policy. The participants were members of the legislature, three government administrators, and social activists belonging to civic groups. At the same time, documents were also obtained to support the evidence gathering process, including local government laws on budget planning, documents on local government, documents on civic group participation, and so on. In this study, participants were interviewed and observed through face-to-face interviews taking place at the offices of the participants. Main data collection occurred from the middle of March until the end of July 2016. Several sources of data, including interviews, observation, and documents, were obtained in 2015 via a precursor round of data gathering.

**RESULTS AND DISCUSSION**

*Accountability of the local government in budget planning (Musrenbang process)*

Implementing good governance in practice requires public accountability in governance practices. One of the goals of public accountability in Indonesia has been reforming the public finance sector. The main mechanism in the financial sector is to focus on the budgeting system to reform budgeting in a change from traditional budgeting to performance based-budgeting (Sentanu, 2015). Since the beginning of political reform in 1998, Indonesian stakeholders have reformed the budgeting system centralistic paradigm to one of a decentralized system.

 Before political reform in 1998, local government in Indonesia was governed by a centralistic power (centralization system). Therefore, central government was powerful and exercised authority in managing, arranging, and making public policies for local level affairs in terms of the budget planning processes. Central government traditionally played the roles of initiator, planner, and executor of development policies. Local governments were positioned merely as mediators of programs designed by the central government. In this regard, Widianingsih and Morrell (2007) point out that development planning in Indonesia has followed complex stages, with elite and bureaucratic domination devolving from national to sub-village levels.

 In the era of political reform, Indonesia decentralized the system so that local governments have more power and greater authority in managing their own local resources, including the budget planning process. In this regard, Widianingsih and Morrell (2007) point out that decentralization in the Indonesian context in principle permits regional flexibility and the opportunity to initiate policies and programs relevant to local conditions. Consequently, local governments now have much more freedom to make plans and set priorities to spend money by considering the aspirations of local community through local legislatures, and less the interests of central government (Brodjonegoro, 2005).

In line with the definition of the decentralisation system, the regulation of the Minister of Domestic Affairs of Republic Indonesia, No. 13/2006, concerning guidelines for the preparation of the local budget, states that budget planning at the local level is based on mechanisms of participation in which citizens are involved in all stages of the budget planning. As stated by the law, the mechanism for devising local budget policy starts with the formal ‘Discussion on Development Plan’ *(Musrenbang)* at the village level from January to February, followed by the *Musrenbang* process at the sub district level from March until May, then the *Musrenbang* process at the district Level from June to August. This is followed by the ceiling setting stage of the annual budget *(Plafon Prioritas Anggaran Sementara*: *PPAS)* and the policy stage of the annual budget preparation process. These lead to the approval of the local budget in the form of a ‘Local Regulation’ *(Perda)* from August until December. This mechanism is shown in the following chart.

* Civic Groups
* Local Government Village
* Sub District Government

**Musrenbang at Sub-District Level**

The First Stage

The Second Stage

The Third Stage

The Fourth Stage

* Village Government
* Civic Groups
* Local communities
* The Local Government Budget Team (TAPD)
* The Heads of Government Unit (SKPD)
* The Members of Local Parliament
* Activists of Civic Groups
* Mass Media
* Politician of Political Parties

**Musrenbang at DistrictLevel**

Budget Policy Approval

**Musrenbang at Village Level**

* The Mayor
* **Members of Local parliament**

Figure 1. The Local Budget Planning Process in Indonesia

In line with data obtained during the field work, the stages of budget planning were unsuccessfully implemented consistent with the principles of a democratic system and participatory budgeting as described in the literature (Arnstein, 1969; Cornwall, 2008;Emerson, 2012; Fischer, 2016;Franklin et al., 2009;Gaffar, 1997;Goldfrank, 2006; Levin-Waldman, 2013;Pretty, 1995; Thompson, 2010). Budget planning at the level local occurs without involving democratic values and a proper commitment on the part of local government to arranging the budget based on people’s needs.

For instance, one appointed official noted, “The local government involved local communities in the budget planning process. However, the interests of the people were not fully accommodated by the local government.” Fundamentally, local government builds collusive relationship among powerful stakeholders in the budgeting processes. Local government aims to create a budget policy serving their interests and needs. One politician in the local parliament explained, “The results of the budget planning appear to demonstrate a low commitment to serving as a reference budget policy. The mayor has to understand the interests of the elite; if not, the preparation of the budget policy may not proceed well, and it may cause several protests. Consequently, the mayor fully understands this and follows the political climate.” Collusive relationships in the form of partnerships occurred throughout the budget planning process, from the village stage to the approval of the budget.

Furthermore, civic groups as representatives of citizens do not have access to participation in the budgeting process. Hence, one activist of the Learning Community Forum (of Malang, or FMPP) lamented, “People have never been involved, even the organizers of public participation. Local government already involves the community leaders, but it is just a normative commitment. Even if there are programmes, they are not really completed for the reason of limited budgets. Even if there is one, it is not in accordance with the quota (programs) filed by communities.” In this context, what is being demonstrated is ‘passive participation’ (Pretty, 1995).

Results show that participatory budgeting in Malang has not been successfully implemented. This is consistent with the findings of Brodjonegoro (2005). His research establishes that local government understands that civic groups have only a minor role in the budgeting process. Consequently, participants perceive that the local government does not appreciate their involvement. Hence, this creates public frustration. King, et al. (1998) propose that citizens can feel isolated from public administrative processes. Although they care about the issues facing their communities and the nation, citizens feel "pushed out" of the public process. In the case of Indonesia, Widianingsih and Morrell (2007) reveal that increasing community participation is not supported by consistent policy. This deficiency occurs because local legislature performance is based mostly on party needs rather than community needs.

In brief, the Malang City local government implements budget planning that is not based on the participatory budgeting concept in which citizens participate actively in all the stages of determining budget policy. This research also demonstrates that the local government had low levels of accountability in implementing fiscal decentralization as a government system to achieve good public services, society welfare, and justice at the local level. The findings confirm the results of other research studies conducted by a number of scholars in this area (Antlöv and Wetterberg, 2011; Brodjonegoro, 2005; Lewis, 2010; Widianingsih and Morrell, 2007).All these scholars note that the policy of decentralisation does not yet embody the delivery of good quality local public services. The new system is still not well-integrated into the Indonesian budget planning processes.

*Responsiveness of Local Government in Budget Planning*

The vision of the decentralization policy is to improve local government performance in terms of responsiveness to local people. In this context, responsiveness refers to how local government arranges budget policy for promoting people’s needs and local preferences, such as public goods, public services, civic education, people’s health, and poverty alleviation (Dall et al., 2014). Therefore, the Indonesian government under the decentralization system should pay attention to society’s needs in the formulation budget policy. In line with the concept of responsiveness in the context of decentralization, Sjahrir (2014) demonstrates the positive impact of fiscal and administrative decentralization Indonesia, as it increases the responsiveness of local governments to local public infrastructure coverage. However, many local governments in Indonesia, including in Malang, formulate budget policy in a direction that does not balance administrative expenditure and social development. This means that the local government lacks responsiveness to local development issues.

In effect, based on Regulation Number 13 of 2006 on financial management, which concerns budget management is at the local level, the budget is to fund the implementation of government affairs under the authority of the government of Malang. The budget consists of compulsory expenditure, alternative expenditure, and expenditure related to a particular field that could be implemented jointly by the government of Malang and other local governments. Funding for the implementation of the three areas mentioned is also known as local expenditure. This is divided according to expenditure categories, consisting of indirect and direct expenditure. Direct expenditure is directly related to productivity or activities regarding the organization’s objectives. Direct expenditure when referring to personnel expenditure consists of wages to be paid by the government to employees; if employees do not do the job, they will not be paid. Indirect expenditure is interrelated to productivity or organizational goals. Indirect expenditure in regard to personnel expenditures consists of salaries paid to government employees but not based on labor productivity. The total of indirect and direct expenditure for the budget of Malang government for fiscal year 2015 is shown in the following table.

Table 2. Total of Direct and Indirect Expenditure for Fiscal Year 2015 of Malang Government.

|  |  |  |  |
| --- | --- | --- | --- |
| Total Budget 2015 (IDR) | Total Expenditure (IDR) | Direct Expenditure (IDR) | Indirect Expenditure (IDR) |
| 1,396,042,125,492,87, | 1,490,561,138,516,98 | 750,610,835,576,05 | 739,950,302,940,93 |

*Source: Adapted from the Local Budget Policy of Malang Government.*

Essentially, direct budget expenditure is to support regional development in Malang. However, if the budget is analyzed carefully and critically, the direct expenditure according to the structure of the budget does not directly encourage the establishment of regional development. Based on the results of interviews with a member of the legislature, with activists from civic groups, and with government administrators, the items of the budget included in direct expenditure budget on each Local Government Units (SKPD) are not based on necessity and proportionality. The disproportionate distribution of the budget is approximately the same as in Brodjonegoro’s (2005) analysis of several local government’s budget policies, in which he revealed that the majority of local governments in Indonesia spend their budget on routine activities, mainly for the salaries of employees. This leaves a relatively small amount to the development expenditure of the budget.In most of the cases, this is not even enough to maintain the existing infrastructure. Hence, the local infrastructure deteriorates and hinders local economic growth. In addition to Brodjonegoro’s (2005) analysis, Kis-Katos and Sjahrir (2014), in their study on the relationship between fiscal decentralization, local elections, and regional development, showed that the budgetary effects of the democratization process are less clear. They found no favorable investment effects of either the previous introduction of party representation-based democratization or the later introduction of direct elections. If anything, responsiveness might have deteriorated in the health sector after the introduction of direct elections.

*Efforts of Civic Groups to Build Local Government’s Accountability and Responsiveness in Budget Planning*

The legal regulations of the Indonesian government have already provided the public an opportunity to become involved in state policies, including in the budget policy process. Nevertheless, the regulations and laws have not been optimally implemented due to little actual responsibility being shown by the government, especially by members of legislatures as representatives of the people. Antlöv and Wetterberg (2011) suggest that to support democracy and make government responsive to citizen needs, it is not enough to simply carry out government through further decentralization and democratisation. There is also a specific need to deepen and improve the capacity of civil society to engage with decentralized state structures.

To strengthen civic groups’ efforts, Lewis (2010) suggests initiating efforts to build capacity among civil society organizations to take on citizen education and motivation tasks. In Malang, several civic groups focus on building civil society’s capacity and on organizing people in terms of political education. Political education is considered to be an important force in building a collective consciousness to become a hegemonic force to balance the power of the dominance of the state (local government) (Green, 1990).Malang Corruption Watch (MCW),a civic group in Malang, organizes citizens by establishing a forum, namely the Forum Masyarakat Peduli Pendidikan (FMPP). The FMPP is under the supervision of MCW. One activist for the political education and anti-corruption measures of the MCW explained, “The FMPP was established to carry out the functions of monitoring and advocacy, especially in the field of education.” Therefore, the goal of the FMPP is to balance the power of the government and politicians in Malang in the preparation, implementation, and evaluation of policies, including the budget policy. The partnership between FMPP and MCW is a testament to the vision and mission of ensuring good governance for the benefit of society, i.e., the public interest.

**CONCLUSIONS AND RECOMMENDATIONS**

As we have seen through the lens of this case study, decentralization refers to the process by which central governments transfer their powers and responsibilities to lower hierarchical chain of commands, referred to as local governments. This process has become widespread throughout the world and especially in Southeast Asia. In Southeast Asia, several countries have undertaken new plans to decentralize government authority (Arghiros, 2001; Bird and Rodriguez, 1999; Blunt and Turner, 2005). The ideal of the decentralization is to make it possible for central government to provide better governance as local government is generally understood to be more aware of, and therefore capable of serving, local citizens’ needs. Decentralization is also meant to encourage the development of democracy (see, for example,Crook and Manor, 1998; Manor, 1999, Yang, 2007).

Thus, transferring power to Indonesian districts and municipalities in principle makes government more responsive to local communities and placates the critics of centralized rule. In practice, there remain obstacles that the central government should address. The results of this study show that the level of participation of citizens in the local community remains low. This appears to be because of the following reasons. Firstly, local government officials do not consider civic groups and citizens as key participants in the budget planning process. Secondly, there is an imbalance in the budget allocation processes since local officials do not provide sufficient budgets to maintain all the important facilities in local communities. Thirdly, collusive power is exercised between the local government and individuals who have stakes in budget planning.

Hence, the central government may need to be aware of the need to create mechanisms for prioritizing the most important parties to be involved in the budget planning process, i.e., local citizens, since they are the most important group of stakeholders and know most about the needs of their own communities. This does not mean taking back power, as prioritizing important facilities may be very challenging for central government since the needs of each community may be different from place to place. Instead, providing channels to communicate with citizens may be ways to enhance the level of understanding of the needs of local citizens as these would serve as means for the government to announce upcoming activities and so increase citizen participation in policy decision making. Hence, understanding the needs of local citizens is crucial to allocate a sufficient and proper budget to each community-derived plan. Lastly, since collusive power intervenes in the process of budget planning, it may be necessary for central government to authorizing honest person from central government to oversee and audit the process of budget planning to prevent collusive relationships.

Future research should emphasis longitudinal studies to understand whether, and how, the situation in Indonesia regarding decentralization is changing. Secondly, it would be fruitful to replicate this study in different regions of Indonesia in order to see whether the results are confirmed. Further, in depth research requires examining Indonesian local governments which are developing best practices in civic participation in decentralizing fiscal responsibility as well as obtaining lessons from those areas where civic participation in fiscal decentralization may never have developed or has wholly broken down. Finally, the more detailed data obtained if this research agenda is implemented would then support future quantitative studies to analyses the dynamic relationship between stakeholders in multiple regions in Indonesia.

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