

The link between the local government and civic groups in budget planning:
A case study of Malang City, Indonesia

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Abstract

This research aims to study the connection between local government and civic groups in the budget planning process of the government of Malang, Indonesia. A democratic system has not been successfully applied, including budget planning affairs at the local level, as underlined by different scholars. In particular, local government has manipulated civic groups in the budgetary process. Hence, there remains the gap to investigate the link between these parties in the budget planning process. In addition, a qualitative research methodology has been applied in the process of data collection and data analysis. Results indicate that there is a link between local government and civic groups. However, there may be constraints of the findings of the relationship of those variables studied that may not be able to represent the principles of democracy (equality, participation, and justice) in the overall budget planning process.

Keywords: Budget, Democracy, Policy, Local Government

การศึกษาความสัมพันธ์ระหว่างองค์การปกครองส่วนท้องถิ่นและกลุ่มประชาสังคม
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บทคัดย่อ

งานวิจัยนี้ศึกษาความสัมพันธ์ระหว่างองค์การปกครองส่วนท้องถิ่นและกลุ่มประชาสังคมในกระบวนการจัดสรรงบประมาณของรัฐ ณ เมืองมาลัง ประเทศอินโดนีเซีย ผลการวิจัยของนักวิชาการพบว่า ระบบการจัดการด้านการวางแผนงบประมาณในระดับท้องถิ่นในระบอบประชาธิปไตยนั้นยังไม่ได้ถูกนำมาประยุกต์ใช้อย่างกว้างขวาง โดยเฉพาะอย่างยิ่งกลุ่มประชาสังคมถูกละเลยโดยองค์การปกครองส่วนท้องถิ่นในกระบวนการจัดสรรงบประมาณดังนั้นจึงมีความจำเป็นที่จะต้องศึกษาความสัมพันธ์ระหว่างกลุ่มที่เกี่ยวข้องในกระบวนการจัดสรรงบประมาณนี้ หนึ่งระเบียบวิธีวิจัยเชิงคุณภาพได้ถูกประยุกต์ในการรวบรวมข้อมูลและการวิเคราะห์ข้อมูลสำหรับการศึกษานี้ ผลการศึกษาพบว่าองค์การปกครองส่วนท้องถิ่นและกลุ่มประชาสังคมมีความสัมพันธ์กันในการจัดสรรงบประมาณ อย่างไรก็ตาม ผลการศึกษานี้ยังมีข้อจำกัดในการนำไปประยุกต์ใช้เพื่อเป็นรากฐานของกระบวนการจัดสรรงบประมาณในระบอบประชาธิปไตย

คำสำคัญ: งบประมาณ ระบอบประชาธิปไตย นโยบาย องค์การปกครองส่วนท้องถิ่น

I. Introduction

In 1998, Indonesia underwent political reform. At that moment in time, there was an abundant awareness of the possibility for a more noble form of governance in Indonesia, following on from the multidimensional crisis experienced by the country in 1997. One of the major factors in the crisis was that weak public sector governance resulted in corruption, collusion, nepotism, and monopolistic behavior. Subsequently, the Indonesian government has enriched a number of regulations, substituted rules based on an authoritarian system with rules regarding the democratic system. Nevertheless, a democratic system has not been successfully employed; especially, the budget planning affairs at the local level, as highlighted by different scholars (see for example Alfred and Franklin, 2009; Davenport and Skandera, 2003; Jainuri, 2014; King and; Susel, 1998; and Souza, 2001). Results of existing researches indicated that local government has influenced civic groups in the budgetary process. Jainuri (2014) discovered that local government's dominant position in arranging budget and expenditure policy was unrestrainable. He also suggested that the aspirations of the people, supported by civic groups, have not been included as part of policy design. This shows that people are not requested to take part in determining budget policy documents, and the civic groups are considered as competitors rather than companions. In line with Jainuri's research, Souza (2001) recommended that local government dominated budget planning. The local government applies a bureaucratic system during the budget planning, a system which does not provide an opportunity for civic groups to take part. In addition, Souza (2001) explained, according to his research conducted in a local government in China, the budget process is based on a political paradigm in which the involvement of politicians, such as via political parties and parliament, is part of civic group participation. This suggests that the civic groups in the budget process can be manipulated by politicians.

In addition, Souza (2001) stated that the relationship between local government and citizens is dominated by the role of government officials. They arrange the budget established on legal procedures, commonly designed to map the bureaucratic budget process. In this context, civic groups have a limited time to become involved in the budget process. Therefore, the final approved budget may be perceived as taking the side of the administrators of public affairs. As emphasised by Ebdon and Franklin (2009), budget planning is directed by the actions of administration officials. This causes an inconsistent distribution in a favour of government rather than civil society over social affairs in budget policy.

In addition, Ebdon and Franklin (2009) advised that, in line with democratic values, budget planning should be related to citizens, public services, and public goals. Therefore, public participation in the budgetary process is an important way to ensure that budget policy is responsive to citizens' needs. They endorsed that the local officials select a participatory mechanism more deliberatively once the outcomes desired from citizen participation in budgetary decision-making are articulated. Davenport and Skandera (2003) affirmed that relevant civic groups play a vital role in a democratic society. They develop fundamental virtues and values, allowing individuals to provide to society's needs and to help design political institutions adopting public policies supportive of citizen preferences.

Furthermore, in a large amount of 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 perceived through the intricate levels of responsiveness of the citizens of each country (Knack and Keefer, 1997). In developing Southeast Asian countries, participation in democracy may be more hypothetical. A democratic political system requires the active role of civic groups in carrying out their respective functions in determining public policy, including budgetary policy. As elaborated on by Huntington (1969), the active role of society in the political process is to minimise the political interests of political and bureaucratic elites. Schuck (2002) believed that through public participation, the problems of life in a society could be solved. In addition, a society would achieve knowledge and understanding, develop a sense of social responsibility, and reach new perspectives beyond the boundaries of personal life.

Davenport and Skandera (2003) elucidated that the main role of community organisations is to empower the people so that they have an opportunity to report their aspirations to government. In principle, the essential role of civic groups is to empower the people and advocate to help the people to have access to government in order to reserve their rights. In addition, the contributions of civic groups, including Non-Profit Organizations (NGOs) and Non Political Organizations (NPOs), consist of advocacy and their performing role as a catalyst in the process of public participation towards good governance in Indonesia. This means increasing the awareness of the executive and the legislature in order for them to open up to public participation or involvement, thus increasing the awareness of citizens regarding their rights and needs, in order for them to participate in the regional regulations drafting process.

Thompson (2010) emphasised that the link between the local government and civic groups in the regional budgetary process (budget planning) should be associated with the

democratic principles of justice, equality, propriety, and proportionality. Consequently, Abdon (2006) mentioned that democratic values are fostered when public bodies and the implementation of government are open, when opportunities and procedures exist for civic groups to permeate the system, and when responsibility is assured.

The Indonesian government has established laws to foster democratic values in government processes and affairs, including budget planning at the local level. Law Number 12 of 2011 Concerning Making Rules on the establishment of legislation aims to ensure participation and transparency in the relationship between the state (including local government) and civic groups in the preparation of public policy (budget planning): “The principle of ‘openness’ is that the process of establishing legislation, starting from the planning and drafting, through to discussion, are transparent and open, whereby the entire of society (relevant stakeholders) have the widest possible opportunity to provide input into the legislative processes (Ministry of law and human rights of the republic of Indonesia, 2011; Tiwari, 2017).”

Law Number 17 of 2003 on State Finances declares, “State finances (including local government finances) should be managed and in order, be subject to laws and regulations, be efficient, economical, effective, transparent, and accountable with regard to fairness and propriety.” This position is reaffirmed in Law Number 33 of 2004 on Financial Balances: “Regional finances should be organised in order, be subject to laws and regulations, be efficient, economical, effective, transparent and accountable with regard to fairness, propriety, and benefit to society (Ministry of law and human rights of the republic of Indonesia, 2011).”

In addition, Law Number 37 of 2014 legislates guidelines for the preparation of the regional budget for 2015, stating that the preparation of regional budgetary policy should be in accordance with the following principles: “(1) The budgetary policy should be prepared in accordance with the needs of the regional administration; (2) the budgetary policy should be prepared in a timely manner according to the stages and schedules; (3) the preparation of the budget is conducted in a transparent manner enabling people to discover and attain accesses to information related to the budgetary policy; (4) the budget planning should involve the community; (5) the budget is supposed to consider fairness and propriety; and (6) the substance of the regional budget should not be contrary to the public interests, higher regulations and other regional regulations.” Additionally, Law Number 14 of 2008 on Public Information Disclosure backs the principle of openness in public affairs, including in the preparation of budgetary policy, such

as the budget planning of local governments (Ministry of law and human rights of the republic of Indonesia, 2011).

Unfortunately, the findings of research by Jainuri (2014) and Widowati (2007) established that the laws have not been applied properly. At present, the interrelationships between local government and civic groups in budget planning at the local level in Indonesia may not reflect democratic values. 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 the awareness of the people, especially middle and lower income groups, is still relatively low. Civic groups' access to active participation 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 major body of budgetary policy. Consequently, budget policy does not incorporate citizens' needs.

Hence, in nearly all democratic countries, the level of democracy may 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. In this paper, there are three areas concentrated; (1) a study of the relationship between local government and civic groups in budget planning; (2) a description of its impacts on budget policy in Malang, and to explore the civic groups; (3) to explore efforts to build relationships with local government to design a budget policy to meet citizens' needs.

II. Method

A qualitative methodology was applied in this study concerning the issue of the dynamics of the political processes in budget planning. This means that actors involved in the budget process having different perspectives and interests in budget planning. Thus, to understand the dynamic political process of budget planning, a qualitative research approach was adopted. Flick (2008) proposed that it is important to take note that the qualitative approach is mainly for taking account of different social backgrounds, which may lead to subjective answers and results. Consequently, objective perspectives have been concentrated on such as the status or position of the participants to understand the background of participants, such as elected officials and social activists.

In addition, a data collection took place from the middle of March up to the end of July 2016. this research makes core observations related to all phases of the budget planning process

such as the public hearing process (Musrenbang), meetings of elected officials, and discussions between government officials and members of the legislature on approval of the budget to pass legislation on budget policy. In doing so, a member of the legislature, three government administrators, and four social activists of civic groups were observed and interviewed. At the same time, relevant supporting documents were reviewed in a desk study, including the laws of local government on budget planning, local government, civic group participation, etc.

III. Results and Discussion

A. *The relationship between local government and civic groups in budget planning*

The main objective of this study is to study the relationship between local government and civic groups in budget planning. The findings are as follows.

First, the budget planning (Musrenbang process) is far from demonstrating democratic values, namely the participation and equality principles of a democratic system. These democratic values are undermined by several problems in the Musrenbang process. The first problem is that a collusive relationship occurs between the Mayor, the village governments, and the sub-district governments. The second problem is that a collusive relationship occurs between the sub-district governments, village governments, the Rukun Warga: RW staff (the Neighborhood Association) and the Lembaga Pemberdayaan Masyarakat Kelurahan: LPMK staff (Community Empowerment Organization at the Village Level). The third one is that a collusive partnership occurs between the Mayor and pragmatic groups in Malang. The fourth one is that a collusive partnership occurs between pragmatic groups involving RW staff and LPMK staff. The fifth one is that civic groups do not have the opportunity to access the Musrenbang process. All these problems are relevant to the state theory discussed earlier, i.e., that the institution of government has great power in arranging policy. For instance, Manan (2005) stated that one characteristic of a state is to manipulate the power resources allocated regarding their interests. In addition, He (2011) explained that the dominant political position of elected officials and political elites in participatory budgeting makes it difficult for civic groups to participate in the stages of the budget planning.

Secondly, manipulative participation happens in the budget planning for the Musrenbang process. From the local government's perspectives, community involvement in the activities of the Musrenbang should be restricted so that the activities can be organised efficiently. Hence, this attitude is represented by certain groups considered as being groups who have the same

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interests, like the *MUI* (an Islamic Organization under the Indonesian Government) Organization, considered as a part of the mass Organization movement of Muhammadiyah and Nahdlatul Ulama (*NU*). The government view itself indicates that participation in the Musrenbang process is manipulated. Manipulative participation is a form of effort by the government to make public interests match their own interests. These matters have been deliberated by several scholars, such as King and Susel (1998). Furthermore, King and Susel (1998) note that while many public officials view a close relationship with citizens as both necessary and desirable, most of them do not actively seek public involvement. These government administrators believe that greater citizen participation increases inefficiency because participation creates delays and increases red tape. King and Susel (1998) state that this form of participation be called conventional participation. Participation in this manner is ineffective and conflictual, and it happens too late in the process. (Please consider further in Ness, 2009; Hicken, 2010; Kachniarz, 2010)

Thirdly, politicians and government officials dominate the budget policy process. This problem is caused by the collusive action between elected officials, appointed officials, and legislative officials, described next. The political communication of the Mayor with the legislative members is mutually respectful. Also, the Mayor promotes the interests of business people rather than the interests of society. Then, the team responsible for arranging the budget policy cannot work professionally under the rule of law due to the strong influence of the political interests of the Mayor and of the legislative members. Also, the heads of the SKPDs (Regional Level Work Units) promote political communication with the Dewan Perwakilan Rakyat Daerah (*DPRD*) to acquire budgets, instead of promoting the performance of professionalism. Then, the heads of the SKPDs as budget users prioritize communication with businesses in the private sector before implementing the budget. Last, communication between civic groups and the government is still very limited despite seminars, workshops, demonstrations, publications, and public education.

These issues confirm existing research investigating elected and administrative officials which reveals they have a high level of power and authority in the stages of budget planning. Basically, they construct a collusive relationship among themselves. In addition, politicians from the political parties take sides in the relationship. Consequently, they devise budget policy favoring themselves (Jainuri, 2014; Widowati, 2007).

B. The impact of the relationship between local government and civic groups in budget planning

The secondary objective of this study is to describe the impact of the relationship between local government and civic groups in budget planning.

The impact of the collusive relationship between the government officials and political elites as revealed above is that the structure of the budget policy is not directly known by the people. The budgets for programs seem to be illogically distributed or not in accordance with society's needs. Jones (1994) noted that a collusive relationship among stakeholders is caused directly by insufficient society participation in public policy. He further explained that the higher the political roles of government and politicians in the public policy process, the more likely the process produces public policy that takes the sides of the political interests of politicians and bureaucrats.

In addition, Emerson (2012) recommended that if there is a lack of good collaboration between local government officials and other stakeholders, such as citizens and private groups, this may generate a form of local governance not supportive of achieving the needs of the goals of government institutions. Consequently, Emerson (2012) proposed that the public policy process be grounded on good collaboration among stakeholders. He calls this a form of principled engagement occurring over time and potentially including different stakeholders at different points, taking place in either face-to-face or virtual formats, either crossing Organizational networks or in private and public meetings, among other settings.

C. The Civic Groups' Efforts Build the Relationship with Local Government in Budget Planning

In addition to the two stated objectives, this research also unravels the relationships between civic groups and local government in the budget process. This research found that Malang Corruption Watch (MCW) and Education Forum Malang (FMPP) were eager to improve collective strength through a movement to form public awareness to facilitate public involvement in the public policy formulation process, including the budget policy process. Furthermore, as recommended by Emerson (2012), Gaffar (1997), and Thompson (2010), to build an awareness of collective strength, there is a requirement to put effort into political education for citizens. Political education is considered as the main vehicle for intellectual and moral reform to stimulate the collective consciousness of citizens as agents of social change. Additionally, MCW

and FMPP have a wide variety of educational programs directed at generating a collective awareness to lobby the Malang government to make and shape policies drawing on the interests of the people. The forms of political education conducted are seminars, workshops, focus group discussions, training sessions, and the publication of books.

As suggested by the results of the investigation, as described above, the main findings of this study are that there is a collusive relationship between politicians, business people, and bureaucrats. The collusive relationships are built by dominating the Musrenbang budget planning process. The relationships are formed to strengthen the position of dominance of the local government of Malang in deciding budget policy in a way that does not involve in the interests of the people of Malang.

In addition, the regional government (the executive-legislative) and civic groups in budget planning need to put forth greater efforts towards creating a relationship based on democratic principles, such as participation, equality and justice. Finally, the civic groups may need to develop critical awareness to participate actively during the establishment of the regional government budget. Some methods to develop public awareness comprise education, seminars, workshops, focus group discussions, publications, training sessions and democratic schools for society.

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