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GOOD LOCAL GOVERNANCE THROUGH LOCAL BUDGET

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ABSTRACT
This article explains local governance in planning and managing Local Budget. Local autonomy has encouraged each region in Indonesia to better manage its natural resources as well as to improve and empower human resources to achieve the reformation movement has demanded the government to implement the better ruling, a governance system that is transparent and accountable. In response, the government has implemented changes in financial governance by using a performance-based budgeting system, starting with strategic planning and improving performance. Through the Local Budget, local governments are given chances to better serve the public while maintaining such a good relationship between government institutions. In the 21st century, local governments have become more arbitrary in ruling that a reminder of whom they serve and how they come to their position must be made clear all the time. It has been made clear literally that the Local Budget must be prioritized for the people they are ruling; analysis can be done using the concept of good governance and Local Budget management on how well they manage the budget. This study concluded that the Local Budget could help to improve local resources as well as to trigger creativity and innovation for better public services and development by focusing on good planning, management, supervision, and high accountability of the government to the public.

KEY WORDS
Good governance, local budgeting, local autonomy.

The citizens of Indonesia have been longing for good governance for years. There has been such a complex yet flexible interpretation against good governance—between the upper and middle classes. The government has to serve various needs and listen to various aspirations of its people to realize wealth for all. However, the government finds it difficult to formulate policies and programs for good governance.

The political culture of Indonesia has been widely known to open up chances for political transactions, implementation of ideas to benefit certain parties or individuals, and so forth; this is the result of interaction and bargaining through the political process and system. The people are the ones losing their interests over the practice as the government fails to run an effective and efficient system for the sake of the country. The New Order Era is an example of this failure. During the New Order Era, people had been revolting as they claimed for political and economic equity, as well as demanded for reform in the government system. The Reformation Era brought the effort to improve the system of the New Order Era.

Since January 2001, Indonesia has reformed itself into a decentralized country through the issuance of Law Number 22 and 25 of 1999, in which cities and regencies are given bigger authority to manage their household. Decentralization is the opposite of centralism, which is defined as a transfer of authority or power-sharing in government planning, management, recruitment, and apparatus development systems, and decision-making from the national to the regional level (Rondinelli and Cheema in Dwiyanto, 2014).

The government revised the decentralization system in 2004—yet, it was considered to bring more harm than good. Under the previous law, the provincial and city/regency governments unilaterally determined the form of their organization, such as forming new offices or technical institutions. However, Law Number 32 of 2004 Article 128 Paragraph 2 states that the central government controls local organizations for provincial and city/regency levels.

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There must be regulations on the financial balance between the central and local governments since the local autonomy is supported by the provision of financing sources based on the concept of decentralization, deconcentration, co-administration, and vertical agencies. A financial system regulated based on a clear division of powers, duties, and responsibilities between the central and local governments must be made. The system has wide implications on local financial management as regulated by Law Number 33 of 2004 that tends to reduce co-optation and intervention by the central government on local financial management.

The implementation of Law Number 33 of 2004 concerning Financial Balance between the central government and local governments has been revised through Law Number 23 of 2014 because the top-down approach seemed to still overwhelm the government. This law is intended to improve governance, which previously focuses on the role of the central government in local development efforts, public services, and community empowerment. Thus, it is expected to bring significant changes to governance at the local level.

The law on the financial balance between the central and local governments demands the local governments to improve services to the community to create and maintain the welfare, prosperity, justice, equity, and democratic life of the people. There have been many deviations in the Local Budget and this urges the reform on the management of public funds to make it more efficient and effective. Public sector reforms do not only occur in developed countries—several developing countries are actively continuing to reform their public institutions. Public sector reforms in developing countries are largely influenced by the roles of the World Bank, UNDP, IMF, and OECD and the reforms have led to the implementation of New Public Management. The changes made by developing countries reflect the managerial changes made by developed countries, especially Britain, the United States, Canada, and New Zealand (Brenton, 2016).

Law Number 23 of 2014 concerning the regional government acknowledges the right of local governments to wealth in the annual period of the budget. In normative management of Local Budget for the benefit of public services and regional programs, it seems that the legislative branch has minimal involvement in the process, compared to the executive. The main function of the local legislative is to control and oversee the governance, not to become the dominant actor. As with the principle of autonomy, part of the power of the central government is delegated to the province, the head of the local government, and the head of the regency/city as the manager of the local budget. Some of the functions that can be and are more precisely managed by the regions themselves, and that are specific to the regions, will be more effective and produce better results if they are left to the regions to manage (Akbar, 2009).

Good governance must be realized at local levels, both provincial and regency/city, to ensure good public services and wealth of the people along with the transfer of authority from the central to local governments. To achieve this, an adequate level of local budget is also crucial. Francis Fukuyam (2005) states that minimal expenditure will result in low-quality services, yet no one cannot guarantee that big expenditure will produce good services. Big expenditure may lead to deviation and misuse by the government, and as such, a good system is a compulsion and the government must be able to make priorities.

Local budget plays an important role for local governments (Mardiasmo, 2006) since they will not be able to run the system effectively and efficiently without the adequate budget to provide services and to perform development process—these two are one of the criteria to evaluate the ability of local governments to manage their household.

Local Budget represents the basic in the management of local finance in one year from January 1 to December 31. In preparing the budget, local heads set priorities and budget platforms as the basis for planning and budgets for local apparatus units (Yuliastati, 2014). The local heads, in this case, is the Regent or the Mayor, are accountable to the central government, Local People's Representative Council, and the public. Thus, realizing accountability and transparency within the government requires every local financial manager to submit a comprehensive accountability report on financial management on time.

One of the factors affecting low accountability in budget management is the fact that it involves only public officials. It does not involve other stakeholders, such as political parties, interest groups, community organizations, and the community itself. All stakeholders must be included in budget management since it is related to sustainable development and efforts to meet the unlimited needs of society.

Financial management will be good if government officials understand and aware of the big responsibility they have—it requires commitment from all related stakeholders. The involvement of the community and the Local People's Representative Council must not be interpreted as simply gathering in various meetings, interactive dialogue, and such the like—those parties must be able to solve problems in the implementation of governance and development.

To overcome the factor affecting the low responsibility for budget management, a commitment from the local government and the Local People's Representative Council to review central regulations that prevent regions from obtaining the best of natural resources in a more equitable manner and from developing technical expertise in human resources for efficient and effective management. This includes the policy of the local heads in rotating and transferring employees; local heads are encouraged to seldom rotate and transfer staff with technical expertise, particularly in budgeting, and they must give training for the executive and legislative to build a higher commitment.

The local governments are required to be accountable for their financial duties to legal institutions. Law Number 15 of 2004 Article 1 Paragraph 7 obliges the government to carry out regional financial management in an orderly, compliant, efficient, effective, and transparent manner to strengthen accountability. Budget management must apply the principles of efficiency and effectiveness of public services and public space to accommodate various demands from the community. The public wants local budget management to be transparent, accountable, and beneficial for the whole community.

This study revealed that Local Budget could develop resources, creativity, and innovation to improve the quality of public services and development in the regions.

Normatively, local autonomy causes public service organizations to compete to improve the quality of government programs and activities. In reality, some public officials focus on private interests or interests of certain elite groups, rather than on serving the public. The problem examined in this study was how local government through public servants could improve the service provided for the community for the creation of good governance.

Law Number 33 of 2004 concerning Fiscal Balance between the central government and local governments gives the authority for the regions to mobilize income from taxes, resources, and others in the efforts to improve services to the community, develop a democratic life, and uphold justice to prosper the society as a whole.

There have been deviations in the management of the Local Budget. The budgeting system needs a shift to make it transparent, efficient, effective, and accountable; it needs a performance-based and outcome-based management (Mardiasmo, 2002).

The sustainability of Indonesia's development depends on the Local Budget. The ideal management of state budget lies in the principles of good governance, a concept that has become a dynamic pattern of state administration around the world towards democratic stability. The implementation of the principles of good financial governance in the laws and regulations related to the management of the state budget will create a clean government.

As the implementation of legality and legal certainty, there must be sanctions imposed for deviations in the management of state finance based on the applicable laws and regulations by putting forward respect on human rights. Sanctions are given by the competent authority after going through several inspections and supervision procedures carried out by the Audit Board of the Republic of Indonesia and the House of Representatives as the institutions holding the budgeting and supervision function as stipulated in Law Number 15 of 2004 concerning Audit, Management, and Accountability of State Finances and Law Number 15 of 2006 concerning the Audit Board of the Republic of Indonesia (Indrawati, 2002).

Sunako describes a concept known as *value for money* for the government representing good public services, improved service quality, low service costs, public-oriented cost allocation, and improved public cost awareness as the form of public accountability. The concept of measuring the performance of public sector organizations is based on three main pillars, namely economy, efficiency, and effectiveness (Rofiq, 2012).

The concept of local autonomy becomes an instrument for local governments to realize good public services. This concept should be operationalized as much as possible in the management of the local budget. One of the successes of local budget management is public accountability, in which the government is held responsible to the public for the programs and work it is done. The government acts as the technical implementer to improve and control local budget management and to report about the work done transparently to the Local People's Representative Council, the central government, and the public. Financial performance represents the effort to improve the process of budget control and supervision starting from planning, implementation, and output. This means that any irregularities can be detected as early as possible and controlled so that effectiveness can be achieved.

The root of good governance in public administration in achieving a clean government. The financial management system to create good governance seen from the perspective of accounting systems, recognition, and local budgets involve three stages. Planning is the first stage, in which the input used is the aspirations of the people channeled through the legislative and the executive. These aspirations are described in the proposed activities of the work units and processed with the standard budget analysis. Then, the proposal reflects the performance targets by the community as the priority of the region. The product is the draft of the Local Budget that will go through justification by the legislative as the final output—the approved Local Budget.

Implementation becomes the second stage, where the output from planning, in the form of Local Budget, is implemented using the adjusted accounting system to produce the information useful for the stakeholders. This is done by the executive by issuing quarterly reports as well as annual reports following Law Number 17 of 2003 related to the Government Regulation Number 24 of 2005 as the accountability report of the Local Head.

The last stage is controlling, where the implementation of the Local Budget is reported and this becomes the basis for evaluation on the report and the accountability of the Local Head. The final output is an evaluation decision, either acceptance or rejection of the accountability report of the Local Head.

The performance of local governments has become the public spotlight these days. The public increasingly realizes that supervision is crucial and they want to know the performance and programs of the government. The people demand that the government work effectively and be able to advance their regions. Supervision is crucial because it represents the effort to ensure harmony between implementers and the smooth running of the government.

Local financial performance describes the level of financial achievement in a certain region using previously set indicators within one budget period to support the running of the government system, services to the community, and local development following the local vision and mission (Riawan, 2016).

There are factors affecting financial performance. The first is the implementation of local autonomy making the local governments have chances to empower all of its potentials to gain Local Original Revenue. High Local Original Revenue indicates that the local governments have been doing the best effort to use all sources of local funds to ensure wealth for the people. The Local Original Revenue represents one of the resources of the local governments. High Local Original Revenue will help the local governments to perform better since they have the resources needed to pay for the spending. The second is the Balance Funds, the implementation of the local autonomy, and fiscal decentralization—all of which lead to such great authority being transferred to the local governments that brings a consequence in funding. Atmaja *et al.* (2015) showed resources positively affected the financial performance of regions.

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Supervision is important; without supervision, the elite may put the interests of individuals, groups, or even oligarchic leaders before the interests of the public. On the other hand, accountability is needed as a form of government responsibility to the community. Public accountability means that planning and implementation must be reported and accountable to the legislative and the public (Budi, 2015). The research by Wiguna showed that strong supervision of local financial management could lead to transparent and accountable work of the government, meaning that the government gave good public services and showed efforts to improve the management and administration system while reducing opportunities for collusion, corruption, and nepotism. A reformation of the local financial management system represents one practical way to good governance. It shows that the government will be held accountable for the program and its performance.

The study by Nugraha *et al.* (2003) confirmed that the budgeting procedure for the Local Work Units was prepared using the Local Management Information System to produce such accurate budgeting on time; the study then tested the hypothesis stating that the Local Management Information System significantly moderated the quality of local financial performance.

The Local Management Information System was developed by the Finance and Development Supervisory Agency aiming at accelerating the reformation of the local budget management. This was caused by the low numbers of local officials with accounting background making hard times for the local government in preparing financial reports following applicable laws and regulations—this hindered the decision-making processes.

Information is a basic need for everyone for both to develop personal qualities and to live their social life. Everyone from different backgrounds needs some level of information. In modern society, the need for information is even more urgent for personal and social decisions. The development of communication technology also encourages the development of information.

An open government contains agencies that are open to the public in providing services. By opening public access to information, all public agencies will be motivated to be responsible and to be public-oriented. Information disclosure is not only beneficial for the public but also for government administrators—the executive, the legislative, and the judiciary. Sufficient public information will help leaders of government institutions to take advantage of public supervision to improve the performance of the institution (Haryono, 2016).

Based on Government Regulation Number 56 of 2005 concerning Local Financial Information Systems, local governments are obliged to develop and use advances in information technology to simplify and accelerate the process of financial management and reporting for decision making in an organization. Therefore, the management information system is urgently needed by local governments because it can improve financial performance. Mardjiono in Riawan (2016) also concluded that the use of information technology affected the performance of government agencies—the local management information system had a significant effect on moderating the quality of human resources on financial performance.

Accountability is important, yet the principle of accountability does not present in all aspects of the government system. Problems arise from the lowest level. This means that the local governments have to pay attention to many fundamental problems, from human resources, the good relationships between the executive and the legislative, to public involvement as partners in development (Asrida, 2014).

Financial accountability assists the preparation of quality local government budget because it supports efforts to realize clean and authoritative governance. If each local government has been able to implement financial accountability, quality Local Work Units will be achieved accordingly.

Financial accountability shall cover the planning, implementation, and supervision stage. The Local Work Units as public agencies must show the goodwill in managing public funds while giving accurate information to stakeholders. Thus, the Local Work Units can be assessed in terms of achievement and failure as well as loyalty to the government and stakeholders.

Malinda and Andrianto (2013) concluded that the local government of Yogyakarta had fulfilled all the financial accountability mechanisms stipulated in the laws and regulations for financial reports in 2009. General Principles of Good Governance were required to provide guidelines for local governments in the implementation of local governance, among others in Local Budget Implementation Accountability. Part of this mechanism is the evaluation of Local Regulation Drafts and Local Regulations for Local Budget Implementation Accountability.

Malinda and Andrianto (2013) also found problems related to the mechanism of Local Budget Implementation Accountability and General Principles of Good Governance. The first is the absence of a legal basis in enacting the regulation of the minister of home affairs. Evaluation of Local Regulation Drafts for Local Budget Implementation Accountability and its provisions are different from the principle of legal certainty in the General Principles of Good Governance. The next is the absence of sanctions for Local Heads who do not implement the evaluation of Local Regulation Drafts for Local Budget Implementation Accountability and clarification of Local Regulation for Local Budget Implementation Accountability—it is against the proportionality principle in General Principles of Good Governance.

The mechanism for Local Budget Implementation Accountability is part of the management of local finance after the preparation of the Local Budget Draft, the approval of the draft by the Local People’s Representative Council, the approval of the Local Budget by the central government, the stipulation of the draft into the Local Budget, and the implementation. Normatively, the mechanism of Local Budget Implementation Accountability is a series of supervisory procedures carried out by agencies that have a budget oversight function, including the Audit Board of the Republic of Indonesia, the Ministry of Home Affairs, and the Local People’s Representative Council. In the context of state administrative law, the mechanism of Local Budget Implementation Accountability is a form of supervision to realize good governance following, among others, the General Principles of Good Governance.

The study by Indrawati (2012) conducted in North Sumatra Nagari examined the implementation of the principles of good governance in a custom-based local government. The study found that if the principles were synergized, juxtaposed, and aligned with the traditional philosophy of Minangkabau as the philosophy in the local government, good cooperation between the government, the public, and the private sector would take place. Besides, this collaboration would bring the governance of the Nagari, as a local government based on local wisdom, to become an interesting research topic, especially if good governance was implemented by the Nagari governments as the lowest government system in West Sumatra.

The principles and pillars of good governance, namely designing and implementing internal control in the Amil Zakat Institution, will run properly if the institution gets the full support of local government policymakers in Jember Regency. The existence of the three parties, which include individuals, locals, and community organizations, brings implications on regulations for zakat management—this is indeed one of the reasons for the bad governance of Amil Zakat Institutions, both regionally and nationally. The management of zakat in Jember Regency faced many obstacles, including the public distrust of the institution. To overcome this, good management and good governance must be created (Widyawati, 2014).

Local governments influence the implementation of the Local Budget because they are the implementers—their readiness affects much of the implementation. The Local People’s Representative Council also plays an important role in the implementation of the Local Budget because they have to supervise the implementation. The success of supervision depends on the internal condition of the council, including the quality of the members. The people also determine the success of implementation because they are the target of the Local Budget.

CONCLUSION

Local autonomy causes public service organizations to compete to improve the quality of government programs and activities. In reality, some public officials focus on private interests or interests of certain elite groups, rather than on serving the public. The problem examined in this study was how local government through public servants could improve the service provided for the community for the creation of good governance.

Local governance, both in the provincial and regency/city level, must be directed toward the implementation of good public services since the central government has been transferring much of its authority to the local governments after the change of the government system from the centralized system to a decentralized system. Along with the demands for good governance at local levels, there is a need for adequate local finances.

One of the factors affecting low accountability in budget management is the fact that it involves only public officials. It does not involve other stakeholders, such as political parties, interest groups, community organizations, and the community itself. All stakeholders must be included in budget management since it is related to sustainable development and efforts to meet the unlimited needs of society.

Financial management will be good if government officials understand and aware of the big responsibility they have—it requires commitment from all related stakeholders. The involvement of the community and the Local People's Representative Council must not be interpreted as simply gathering in various meetings, interactive dialogue, and such the like—those parties must be able to solve problems in the implementation of governance and development.

It takes some time before the government system becomes more transparent, effective, and accountable. The government has to fulfill all the increasingly diverse needs of the stakeholders, from individuals, interest groups, to private sectors. The government takes recommendations from academics seriously. However, I believe that implementing good governance in local governments must not solely rely on local resources—the local governments must improve bureaucratic professionalism, especially the awareness and morals of the officials so they can give the best services by prioritizing the interests of the public.

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