

## **CHAPTER NINE**

### **SUMMARY OF FINDINGS, POLICY RECOMMENDATIONS, AND CONCLUSION**

#### **9.1. Summary of Findings**

The local government budgeting process operated through a highly centralised process in the pre-reform period. As a rule, local government officers only executed policy which was initiated and fully controlled by the central authorities. In this period, Indonesia applied a traditional budgeting system based on a line-item, incremental, and short-term (annual) framework. This system apparently failed to connect and harmonise the annual budget with a long-term development plan. Moreover, government institutions also implemented a single-entry and cash-based accounting system. This budgeting method was unable to provide accurate information about the real costs of local government projects and activities; therefore, it was difficult to measure the performance of local governments in managing their annual budgets (APBD).

Budgeting reforms started at the beginning of the 2000s as an integral part of the governance reforms that occurred after the collapse of the ORBA regime. The main agenda of the budgeting reform was to replace traditional budgeting with a Performance-Based Budgeting System. Moreover, this was followed by the implementation of a number of supporting approaches such as the MTEF; integrated budgeting; and a double-entry and accrual-based accounting system. These budgeting approaches have become widely known as the new paradigm of budgeting.

Under the spirit of fiscal decentralisation, the national authorities have executed a number of policies that are intended to make local governments financially more independent through various strategies, such as: (1) strengthening local taxing powers; (2) allowing local governments to create loans; (3) awarding grants to local governments; (4) allowing greater control over local budget deficits; (5) formulating a new design for financial transfers to local governments; and (6) reformulating the Balance Fund.

The budgeting reform is also intended to equalise the role of local government, the local parliament (DPRD), and the local community in the APBD process. The reform did not only change the budget structure, but also changed the budgetary process. In the APBD formulation stage, several crucial steps have been changed to make the planning phase of budgeting more effective. The process of APBD formulation is presently consists of eight main phases. Further, the current structure of the APBD set up in an I-account which replaced the T-account version.

The current budgeting process encourages the DPRD to actively get involved at the APBD formulation stage. Nevertheless, local executives have remained highly dominant in this process because local government officials have better qualifications in terms of knowledge, experience, and education. In spite of their domination during the formulation process, local government officials often struggle to obtain valid data and also to maintain coordination and synchronisation among local institutions. This leads to a problem in which projects/ programmes proposed by local agencies frequently overlap with each other. Additionally, this potentially harms the community as local people cannot obtain the optimal benefits of local development.

In the APBD formulation process, local authorities face a latent problem in the

form of untimely completion. This delay is mainly caused by a number of complex technical and political issues. Furthermore, local officers generally face difficulties in formulating the APBD documents because they have to refer to a large number of new rules regulating the process of local budgeting. To tackle this problem, local governments opt for a simple solution in the form of contracting-out. Even though this strategy is at times contradictory, local officials insist that contracting-out is the best way to accelerate the formulation of budget documents.

The regulations obligate local governments to publicise the APBD draft before it is formalised by the DPRD. Nevertheless, this essential obligation is frequently ignored because local officials think that the APBD is a confidential document, hence only authorised people are allowed to get access to it. Local officials are also worried about the potential misuse of the APBD by unauthorised parties. Ironically, many local officers do not even know that they have to make the draft of the APBD public, prior to validation.

In the validation stage, the process starts with the submission of the APBD draft to the DPRD. Subsequently, the DPRD discusses the draft through a series of sessions. Before being validated, the APBD draft is submitted to the provincial government to be reviewed by the Governor. Afterwards, the reviewed APBD is validated by the head of the local parliament (the DPRD).

The findings show that most local governments and parliaments struggle to undertake the APBD validation process in a timely fashion. The APBD is usually legalised after the time limits stipulated in the guidelines. This is the result of political conflict or disagreements between the local government and the parliamentary authorities.

During the APBD validation process, the DPRD members play a fairly dominant role as they currently have great power in determining the composition and size of the APBD. This contrasts with the situation seen during the New Order regime (1966-1998) where DPRD members were considered to be nothing more than a 'rubber stamp' for all the policies initiated by the local executives. However, most local legislators lack skills and experience, which leads to their dependence on the executives. Furthermore, local legislators also lack commitment to the public interest as they often prioritise their own interests instead.

Even though the members of the DPRD lack adequate capacity, the local executives assume that the local legislators are the representatives of the local community on all issues. Therefore, local executives tend to ignore the compulsory edict to conduct public meetings and consultations with local people to discuss the APBD draft, because they argue that the documents have already been consulted over with local legislators as the representatives of the local people.

One of the DPRD tools called *Banggar* (*Badan Anggaran*/ Budget Team), appears to play the most strategic role in the APBD validation process. The *Banggar* has huge authority to screen the projects that may be eligible for funding in the APBD, and also to determine the structure and figures of the APBD. Nonetheless, in delivering these functions, the *Banggar* often does not perform objectively and transparently, therefore the *Banggar* meetings to discuss the APBD are often labelled as a 'process in a black box'.

Every formal phase of the APBD validation process operates according to the legal guidelines. In fact, these events appear to be only a formality. The real process of APBD validation is primarily conducted 'behind' the formal sessions through

various political compromises and bargaining processes. The political compromises on the budgeting process frequently lead to 'hidden' conspiracies to misuse the public budget, aiming to use it for the interests of the local elites and their cronies instead of the public interest.

The phenomena seen in the validation process affect the next phase of APBD budgeting, which is the execution stage. The APBD execution process repeatedly starts late due to delays in the completion of previous stages. The current system of local finance management places the heads of local bodies (the SKPDs) in strategic roles, as execution of the local budget is under their control.

The collection of own-source revenue almost always meets the target stated in the APBD. However, apart from Surabaya City, the volume of collected PAD remains low. Consequently, local governments mostly rely on funds transferred from the central government. This is due to several factors including: (1) the poor design of the PAD collection process and the lack of reliable data; (2) inadequate training for, and the irrelevant qualifications of, local finance officers; and (3) the disincentive policy inherent in the DAU (General Allocation Fund). Furthermore, the centralised nature of tax assignment also significantly hampers the optimisation of PAD collection as potential sources are mostly collected by the central government. Luckily, this situation is improving as, since 2010, the central government has been delegating the collection of the Land and Building Tax (PBB) to the regions. Therefore the volume of Own-Source Revenue has gradually increased. On the other hand, the maximisation of PAD collection habitually leads to an increasing burden on local business and the local economy.

The largest portion of APBD funds is generally allocated for a number of

sectors, particularly the education, general affairs of government, general work, health, and spatial and settlement sectors. The data show that the allocated funds are mostly utilised for paying the salaries of staff members working in these sectors. As a result, the funds spent for the public interest (financing of development activities) remains low, hence local development is much slower than expected. Moreover, in executing local expenditure, local governments tend to prioritise routine expenditure over capital spending. Also, due to the lack of reliable data, routine expenditure is mostly executed incrementally.

Execution of capital spending involves procurement of goods and services. Currently, local procurement shows positive signs in terms of transparency, public participation, accountability, and reducing corruption and collusion. Moreover, local governments may get the best goods or services, with a rational price obtained through fair procurement.

However, in selecting a project executor, local officials prefer either a direct appointment/ procurement or a simple auction instead of an open tender. Local officers favour these methods because they will be easier to make collusion with potential contractors. To avoid the open tender process, local officials apply a strategy of splitting projects. The current situation is considered to be worsening as the government has just issued a new policy providing greater opportunities for local authorities to not apply open tendering in the selection of a project executor.

The local officials on the tender committee frequently have the dilemma of having to select the bid with the lowest price offered by the bidder, because the lowest offer usually provides poor quality goods and services. Additionally, powerful parties repeatedly interfere with the execution of local projects. This interference

usually leads to the rise of illegal types of projects such as *Proyek Titipan* (by-Order Projects) and *Proyek Fiktif* (Fictitious Projects). Moreover, local officials in the study locations have changed the strategy from the old method of ‘direct quotation’ to the new method of ‘cash refunds’ in illegally quoting project funds, as the new method is considered to be more secure from detection by auditors or law enforcement institutions.

Due to the great responsibility and the high risk of corruption allegations, local officials often prefer not to be project leaders. The shortage of project leaders, and various issues mentioned earlier, cause a cumulative delay in local development execution, thus the time available to execute local development projects is very limited. A further impact is that this leads to the phenomenon of unutilized funds allocated for development. As well, this leads to high numbers of unfinished development projects.

Every financial year, the local executives create two accountability reports, the first semester report and the annual accountability report of APBD execution. The annual report is assessed by the BPK (Indonesian Supreme Audit Institution). Based on evaluation by the BPK, in the 2011 financial year, the City of Surabaya received a status of ‘qualified opinion’ on its financial accountability report. In the same financial year, the Regency of Trenggalek received the same grade as Surabaya City, while the City of Batu obtained the worst grade, the status of ‘disclaimer’, for four consecutive years from 2008 to 2011.

Supervision of the APBD is the responsibility of a number of parties, including the DPRD, government agencies (the *Bawasda* and the BPKP), and the public (the community and NGOs). In addition, the execution of the APBD is also

supervised by the KPK ( Corruption Eradication Commission). In general, the quality of APBD supervision by these institutions is now better compared to the New Order period. However, except for the KPK, these supervisory agencies are unable to optimize their role because the supervisory officers face some obstacles such as lack of capacity, political powerlessness, vagueness and overlapping of authority, as well as the involvement of supervisory officers in illegal actions and rent-seeking practices set up together with executive officials.

Despite the lower effectiveness of the above institutions, the KPK performs well in battling corruption. The KPK is now the most authoritative anti-corruption agency in the country. However, the KPK is centrally located in Jakarta and has not yet opened any branch offices. Additionally, this unit only investigates corruption cases worth more than 1 billion Rupiahs, therefore many cases of corruption in the regions as well as small-scale corruption are not investigated by the KPK.

In the APBD execution process, the study has found various illegal irregularities practised by local officials and other related parties. While collecting local revenue, the local officials tend to manipulate revenue figure by marking down the amount of collected income. On the other hand, in executing local expenditure, the local officials carry out numerous types of manipulation and corrupt practices such as marking-up of prices, manipulation of receipts, accepting illegal commissions from contractors, receiving unreported discounts, manipulating the specifications of goods, and so forth. Unfortunately, the majority of these illegal practices do not get seriously investigated by the law enforcement apparatus as most of them, except for the KPK, can generally be lobbied and bribed by corrupt officials.

The manipulation and corruption practised by local bureaucrats and legislators



is partly due to the high costs of democracy which forces the candidates (local elites) to spend a great deal of money to obtain a strategic position in the local government or parliament. Therefore, once they have gained a position, they attempt to collect as much money as possible (both legally and illegally) to recoup their spent funds. Under such circumstances, a small number of local staff feel uncomfortable and do not wish to get involved in these types of practices; hence, they want to quit their profession as local government officers. Nevertheless, the majority of them feel generally happy with the existing situation and actively get involved in the illegal practices.

The current budgeting process proceeds under the approach of Performance Based Budgeting System (PBBS) which has replaced the traditional budgeting system applied before the reform era. All local institutions have adopted the PBBS approach; however, the implementation of the PBBS has not been perfected yet. In executing the PBBS, local officials face a number of issues such as limited funds, the poor quality of human resources, conflicts of interest among local executives and legislatures, as well as the fact that the standards of costs and minimal services cannot be comprehensively determined.

In addition, local officers have not been able to perfectly implement the Medium-Term Expenditure Framework (MTEF), because they are generally struggling to arrange forward estimations of government expenditure due to timing inconsistency. On the other hand, the integrated budgeting approach was introduced simultaneously with the implementation of the I-account system which replaced the T-account system of accounting. Even though the implementation of the integrated budgeting approach has been relatively smooth, local officers have not yet witnessed

any dramatic positive impacts from, or benefits of, the implementation of the I-account system.

As part of budgeting reform, Indonesian local governments have also gradually changed the accounting system from a cash-based to an accrual-based accounting system in order to provide better, more accurate, and well-informed financial reports. The accrual basis system is expected to be fully implemented in 2015. During the transition era, local governments have been applying a transitional system known as the 'cash basis toward accrual basis' system. Local governments apply this strategy intending to avoid resistance from stakeholders, particularly from local executives and legislatures. The implementation of the accrual-based accounting system faces a number of problems in conjunction with the lack of availability of an IT-based accounting system; the limited number of local staff who understand IT-based accounting systems; the lack of commitment of local elites to accelerate change; and resistance from local staff as they are already familiar with the old system. In addition, the intention to promote bottom-up budgeting is apparently not in line as expected, because the *Musrenbang* does not work properly due to a number of technical obstacles.

Based on elaboration above, some important points of the “changes” and “continuities” of the local government budgeting system in Indonesia in the period of pre and post-reform can be drawn:

- a. In the days before the reforms, the budgeting system adopted by Indonesian local governments was characterised by the traditional budgeting method involving the line-item incremental approach, annual budgeting, as well as single-entry and cash-based accounting. This was unable to provide accurate

information about the actual costs of local government projects and activities, therefore, it was impossible to measure the performance of local governments in managing their annual budget (APBD). In contrast, the budgeting system applied under the present local autonomy era is primarily characterised by the adoption of the Performance-Based Budgeting System (PBBS). The PBBS approach focuses on efforts to achieve the best output/ outcomes based on allocated costs/ input. This system is accompanied by implementation of the Medium-Term Expenditure Framework (MTEF) approach and also double-entry and accrual-based accounting system.

- b. In the previous system, the APBD was formulated without rational analysis and did not involve performance factors in preparing and executing the APBD. Local government authorities only focused on spending the allocated budget and executing programmes and activities without considering whether or not these activities were implemented efficiently and effectively. Also, this system emphasised more on input than output in analysing budget performance. Nevertheless, the recent approach obligates local officials to prepare, execute, and manage allocated budget efficiently and effectively based on the performance indicators set up earlier.
- c. The traditional budgeting system applied during the pre-reform period had a number of prominent characteristics such as being centrally-controlled and also being a yearly budget. On the contrary, local governments and local parliaments currently have full discretion at all stages of the budgeting process including formulation, validation, execution, and the supervision/ accountability phase. Moreover, the current budgeting system also

accommodates long-term budgeting (Medium-Term Expenditure Framework/MTEF) other than annual budgeting.

- d. The governance reforms have led to the decentralisation of local government financial management and annual budgets (APBD). It has also led to a better financial balance (*perimbangan keuangan*) between the central government and local governments. This policy provides far larger funding sources to local governments and gives them much more authority to manage their own financial resources than before.
- e. Under the conventional budgeting system, the Indonesian authorities separated the local budget (APBD) into routine expense and capital expenditure/ investment. In fact, this condition repeatedly causes a conflict and a sense of overlapping, as the capital budget was frequently utilised to finance routine activities and *vice versa*. In the current system, the local budget is divided into two types: direct and indirect expenditure, which aims to avoid the overlap of funding in executing routine and developmental activities.
- f. The traditional and centralised budgeting system have failed to provide an ideal environment for developing a budget supervision, control, and accountability system. Consequently, these practices were not able to reduce corruption, manipulation, and other illegal actions. On the other side, the present system enhances accountability system as an integral part of the local budget management system. This also gives wider opportunity to the non-governmental parties to actively get involved in overseeing and controlling

the APBD management. Unfortunately, this effort has not been really successful to reduce corruption and other misuses of the APBD funds.

From theoretical perspective, implementation of the fiscal decentralisation policy has led to a debate regarding advantages and disadvantages of the fiscal decentralisation. As Oates (1972) claims, fiscal decentralisation can enhance economic efficiency. Also, Inman & Rubinfeld (1997) believe that fiscal decentralisation can improve economic performance through strengthening social capital and encouraging political participation. Moreover, fiscal decentralisation can also promote economic performance, reducing the operational and informational costs of service delivery, and stimulating private sector development (Fukasaku & DeMello, 1998).

On the other hand, Prud'homme (1995) argues that fiscal decentralisation can undermine economic efficiency. In tune with this, Musgrave (1959) contends that it becomes more difficult to coordinate fiscal policy in a counter-cyclical sense under a decentralised fiscal structure. Additionally, Prud'homme (1995) considers the possibility that fiscal management of sub-national governments would work opposite to the fiscal policies of central governments.

Despite this perennial debate, Indonesian authorities insist to implement fiscal decentralisation as they are sure that fiscal decentralisation will bring more advantages than disadvantages. Furthermore, application of the fiscal decentralisation is then followed by reform of the budgeting system and adoption of new budgeting approaches (PBBS, MTEF, accrual accounting system, etc) at both national and local level. In term of budgeting process, in general this process runs with 4 main stages

which is consistent with scenario as outlined by Norton & Elson (2002) namely: (1) budget formulation, (2) approval/ validation/ enactment, (3) execution, and (4) evaluation/ reporting.

As research findings show, fiscal decentralisation and budgeting reform have led significant improvement in the management of local finance and budget. Nonetheless, due to administrative/technical and political disturbances, implementation of the fiscal decentralisation and budgeting reform seem not really successful to generate ideal climate as expected. This fact confirm the study conducted by Smoke & Lewis (1996) elaborating the problems with decentralisation that have been found in Indonesia as follows: (a) lack of coordination among central government agencies; (b) central-local government conflicts; (c) poor government performance incentives; and (d) counterproductive donor organization behaviours. More detail, Seymour & Turner (2002, pp. 40-44) reveal that local autonomy in Indonesia faces numerous challenges, among others are: (1) inappropriate levels of autonomy; (2) no improvement in the real fiscal autonomy; (3) lack of finance; (4) the central government treats local governments unequally; (5) 'grey areas' in central-local government control; and (6) issues with human resource capabilities. Additionally, Yilmaz, et al., (2010, p. 283) explain that internal controls and audit systems in Indonesia work poorly. As a result, this leads to illegal actions such as pervasive corruption, inefficient cash management, and collusive practices in procurement.

Similar circumstance also occurs in the local budget management whereby administrative and political distortions keep interfering the phases of formulation, validation, execution, and evaluation of local government budgeting. This

phenomenon is relevant with numerous studies indicating that budgeting reform is frequently unsuccessful. The failures of budgeting reforms are largely due to a disjuncture between formal and legal democracy, and also the nature of political governance which hinders a rational bureaucracy (Schick, 1978; Wildavsky, 1964). Among other reasons, are that: (a) the reforms are irrational in practice because of their attempts at comprehensive calculation (Joyce, 1996; Wildavsky, 1992); (b) resource allocation cannot support rational decisions because of budgetary politics (Wildavsky, 1964); and (c) the mismatch between budget systems and an organization's environment results in the failure of budget reforms to achieve their intended outcomes (Forrester & Adams, 1997). Consequently, most efforts to make public budgeting better as a technical and managerial instrument have failed to meet expectations (Timney 1995).

## **9.2. Policy Recommendations**

As summarised above, the study has found various challenges, problems, and distortions in the budgeting process of APBD. To minimise these troubles and also to make the budgeting process run well, the study recommends the following policy suggestions:

1. *Musrenbang* (Community Discussion of Development Planning) as the main tool of bottom-up budgeting is implemented at the third step of the APBD formulation process. Once *Musrenbang* is being conducted, at the time, local governments have already created the work plan which has been formalised earlier through the RKPD (Work Plan of Local Government) and the *Renstra-SKPD* (Strategic Plan of the Local Unit). As stated in the formal guidelines,

when formulating programmes and projects, local authorities have to refer to the existing RKPD and *Renstra* - SKPD. Local officials also are not allowed to make programmes and projects which are not in line with the RKPD and *Renstra* - SKPD set up earlier. This provision is frequently used by local officials to reject proposals put forward by local people in the *Musrenbang* by using the excuse that these proposals are not considered to be in line with the RKPD. As a result, the aspirations of, and proposals by, the local community often cannot be accommodated because these are mostly inconsistent with the RKPD and the *Renstra* - SKPD formalised earlier. Therefore it is recommended that the *Musrenbang* should be run before the arrangement of the RKPD and the RENSTRA-SKPD, hence, this event would be able to capture the aspirations of the community so that they can be optimally accommodated.

2. The present budgeting system grants great power and authority to local parliaments. The system also encourages local parliamentary members to get involved in almost every substantial phase of the APBD process. This policy is intended to give local legislators a greater chance to propose initiatives to be accommodated into the APBD. This is also intended to avoid prolonged debate in the APBD validation process, as local legislators have been involved from the early stages of the process. Nonetheless, the facts show that local legislators are not very enthusiastic about maximising their role in the APBD formulation process. They also seem to be more passive at the various events of the APBD process and tend to surrender to the local executives because they do not have the appropriate knowledge and experience. This phenomenon is due to the political parties not preparing their cadres who are proposed as parliament members. In



view of this, it is suggested that the central government obligate political parties to prepare and train their cadres in advance; so that they are able to appropriately deliver their tasks when they are elected to be local legislators.

3. As discovered in the study sites, the local officers repeatedly fail to execute the budgeting process of the APBD in a timely fashion because they struggle to adopt the current budgeting system, which refers to the numerous complex regulations and guidelines. Moreover, the central authorities tend to frequently and rapidly change the existing regulations and guidelines. In the light of this, it is recommended that the national authorities do not issue or change the regulations too frequently, in order to avoid the confusion of local officers in operationalising the budgeting system. It is also suggested that the central government provide effective training in how to apply new regulations or guidelines for local officers, so that they are able to implement new policies properly.
4. The study has found that the portion of APBD funds allocated for indirect (routine) expenditures is usually bigger than the direct (capital/development) expenditure. This means that only a small portion of APBD funds goes to the local community because the biggest part of the local budget is utilised by local government officers and local legislators themselves. In consideration of this, it is recommended that local governments create higher priorities in allocating development spending than routine expenses; therefore the community would have a greater chance to enjoy local budget funds.
5. Illegal actions including corruption and manipulation of APBD funds practised by local elites occur because of poor performance of supervisory and law

enforcement institutions. Moreover, ironically, those institutions often get involved in the corruption, manipulation, and other criminal practices. Despite the disappointing performance of those supervisory and law enforcement agencies, the study finds that the KPK is the only institution which performs well in battling corruption. In light to intensify law enforcement activities, it is recommended that the government empower relevant institutions to undertake their duties properly. Additionally, given that the KPK until now is centrally located in Jakarta, it is recommended that branch offices of the KPK be developed in every province, so this institution can effectively detect and investigate corruption practices at the local level

6. The study shows that the portion of unfinished local projects and unutilised budget funds remains high. This tendency potentially harms local community members as they cannot optimally enjoy the benefits of the developments and the APBD funds due to improper execution of local budget and development. To improve this circumstance, it is recommended that the central government impose tough sanctions on the local governments which fail to optimally utilise the APBD funds allocated for local development. The suggested sanction in this case is reduction of transferred funds (such as balancing funds) from the central government. This kind of sanction is actually already stipulated in a regulation of the Finance Minister. However, this stipulation seems not to be duly implemented.

### **9.3. Conclusion and Directions for Future Research**

Along with the implementation of fiscal decentralisation and budgeting

reform, Indonesia has issued numerous policies to guide local apparatus in managing local finance and budget. As a result, the normative policies regarding local finance and budget management look much better compared to the pre-reform period. Nevertheless, management of the local finance and budget cannot be executed properly as stipulated in the policies because of interference by hidden conspiracies, political conflicts, and administrative misconducts. The current governance system also seems to fail to manage the APBD in an ideal manner through a rational and technocratic process. On the contrary, the APBD is mostly snared in the political collusion initiated by local legislators, local executives, interest groups and other political powers. This is also aggravated by the poor performance of oversight agencies and law enforcement officers which leads to the massive corruption and manipulation practised by local government elites. Consequently, after more than a decade of governance reform, Indonesia has not adequately enjoyed the benefits of fiscal decentralisation and budgetary reform. Moreover, the APBD funds appear unable to optimally contribute in improving the life of the local community and accelerating local development.

To make better atmosphere in the budget management, it is expected that the government authorities would seriously consider the recommended policies presented above because these could significantly eliminate the existing issues, obstacles, and distortions found in the local budgeting process. Therefore, the process of local budgeting will run in ideal manner, and as a result, the local budget funds could optimally contribute to accelerate local development and to improve social and economic wellbeing of local community.

The study has provided an analysis on the subject of budgeting process at the

local level in Indonesia under current fiscal decentralisation policy. However, it is realised that this study has certain limitations which have given rise to some questions and there is a need of further investigation, particularly in the following areas:

Firstly, adoption of new budgeting approaches. Proper implementation of new budgeting system –such as such as Performance-Based Budgeting System (PBBS), Medium-Term Expenditure Framework, Integrated Budgeting, Accrual-Based Accounting, and so forth— is one of key points to lead the success of budgeting reform. This study has analysed the implementation of these approaches, however it was not adequately pervasive. Therefore it is suggested for future researcher to conduct further research in this topic.

Secondly, the study has found that local legislative members have such great political power in the current local budgeting system. Unfortunately they mostly lack of capability and knowledge which leads to the disproportionate role between local executive and legislative. This also often causes the untimely process of local budgeting. In view of this, there is a need for further research to comprehensively investigate the nature of problems causing the poor quality of local legislators.

Thirdly, the study has discovered that various irregularities and misuse of APBD funds were due to ineffectiveness of supervisory agencies. To gain deeper understanding about this circumstance, it is encouraged to undertake a research focused on the roles of supervisory units and their effectiveness. Such a study can produce applicable recommendations to empower supervisory bodies in overseeing local budget management.

Finally, the present study has assessed budgeting process only in 3 local governments out of 524 across Indonesia. There are significant variations among

local authorities in Indonesia, hence it is difficult to make generalisations. In light of this, conducting further research on similar topic which takes place in other local governments is highly suggested. Therefore, those studies can provide broader and deeper understanding on the budgeting process at the local level in Indonesia.