



Regional Budget Approval Delay

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Abstract. The ratification or the approval of the Regional Budget (APBD) always experiences delays in each fiscal year, both at the provincial, city, and district levels. Various studies have explored the causes of delays in determining the APBD using multiple variables. This article aims to provide a more comprehensive picture of the results of previous studies on these variables and categorize them into more general classification heads. The method used is a literature review by collecting relevant studies and supporting the topic carried out in this article. From the results of the literature review, it was found that the categories of variables used to examine the delay in determining APBD include (1) legislative and executive relations, (2) background of executive and legislative institutions, (3) performance of regional financial management, (4) legislation invitation, (5) commitment, (6) APBD cycle, (7) spending, (8) sanctions, (9) type of government and territory, (10) natural resources.

Keywords: Local Government Budget · Ratification · Late Budget · SLR

1 Introduction

According to Law Number 33/2004, Regional Revenue and Expenditure Budget (APBD) is defined as the annual financial plan of the Regional Government, which is discussed and approved jointly by the Regional Government and Regional People's Representative Council and is stipulated by the Local regulation. The approval of the APBD is the final part of the local government budget planning cycle. In Government Regulation Number 12 of 2019 concerning Regional Financial Management, the Ratification cycle consists of the stages of Submission, Discussion, Approval, Evaluation, and Determination of the Raperda and Raperkada APBD.

The Regional Head submits the Raperda to the DPRD no later than the first week of October. Before being introduced to the DPRD, the Raperda must be socialized to the public as a form of transparency. Submission of the Raperda is accompanied by explanations and supporting documents, including financial notes, RKPD, KUA, and PPAS. Regional Heads who do not submit will be subject to administrative sanctions.

The Regional Head and DPRD will carry out the discussion of the Raperda after the Raperda is submitted. The debate focuses on the suitability of KUA, PPAS with Programs and Activities, and RKA-SKPD if needed. The procedure and the discussion process are adjusted to the rules and regulations of the DPRD. If the DPRD at the discussion stage

rejects the APBD Raperda, then the Regional Head carries out expenditures as high as the APBD figures for the previous fiscal year. The Regional Head, DPRD, or both may submit a proposal for additions/changes based on the criteria of urgent need.

The Regional Head and DPRD must agree with the Raperda no later than early December. The mutual agreement is stated in the Letter/State Gazette of the Joint Agreement signed by the Regional Head and DPRD. After that, the Regional Head prepares a draft regional head regulation (Raperkada) on the elaboration of the APBD.

Once approved, the next stage is evaluation. Evaluation of Raperda and Raperkada is carried out with the aim of (1) harmony between regional policies and national policies; (2) harmony between the public interest and the interests of the apparatus; and (3) checking that the APBD does not conflict with the public interest, higher regulations, and other regional regulations. Raperda and Raperkada (accompanied by RKPD, KUA, and PPAS) are submitted to the Minister for evaluation before being determined by the Governor 3 days after obtaining mutual approval. In evaluating, the Minister coordinates with the Minister of Finance. A Ministerial Decree specifies the evaluation results, then submitted to the Governor 15 days after the Minister receives the Perda and Raperkada.

If the evaluation results do not match, the Governor and DPRD will complete the Raperda and Raperkada within seven days. If seven days pass, the Governor stipulates Regional Regulations and Regional Regulations, and the Minister of Finance postpones and withholds General Transfer Funds. If the evaluation results are appropriate, the Governor shall define Regional Regulations and Regional Regulations.

The Raperda and Raperkada that have been evaluated are determined by the Regional Head to become Perda and Perkada no later than December 31. Then no later than seven days after it is stipulated, the Regional Head submits the Regional Regulation to the Minister/Governor.

The relationship between the DPRD and the Regional Head is a system of checks and balances determining regional budgets. This system controls the powers of the executive and legislature that do not exceed the limits of their respective strengths.

The trend of delays in determining APBD continues to decline. However, it doesn't disappear immediately. At the provincial level, 2007 was a fiscal year in which 90% of the Provincial Government experienced delays in determining the APBD. This figure decreased slowly until 2011, then fluctuated between 4–10 Provincial Governments which were late until 2018, as shown in the following graph (Fig. 1).

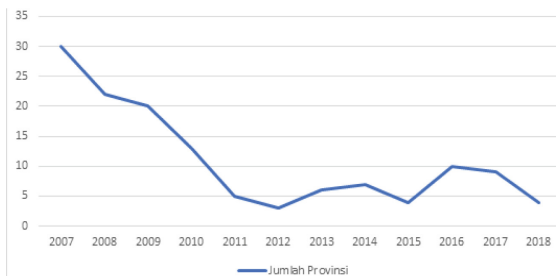


Fig. 1. Statistics of delay in determination of the 2007–2018 APBD.

In a workshop, the Minister of Finance revealed that the challenge of delay in determining the management of the APBD needs attention. Sri Mulyani Indrawati (2017) argues, “One of the challenges in managing regional finances is that there are still regions that are very late in their determination. Of course, the APBD must be prepared for the public interest. The APBD cycle is also the same as the APBN cycle, with stages of planning, budgeting, discussion, and determination”.

The delay in determining the APBD occurs in various regions in Indonesia. Some cases appear in the media, but most do not. One example is the delay in deciding the APBD of DKI Jakarta Province because it was suspected that there was a ‘stealth’ budget mode in the 2015 fiscal year. The case ended by using the previous year’s budget because there was no meeting point between the Governor and the DPRD. The DKI Provincial Government has the most significant budget ceiling in Indonesia, and this causes DKI’s budget plan to continue to receive attention. Efriza dan Suspena [1], in his research on this case, argues that the principle of check and balance between the executive and the legislature is essential. Still, the executive and the legislature must comply with the schedule for determining APBD as a commitment to caring for the region.

Andersen et al. [2], explained that late budgeting is an essential object of study for three reasons: economic burden, a measure of legislative productivity, and a standard of good governance. First, the financial burden resulting from delays in budgeting can be in the form of withholding payments to vendors/contractors of local government goods and services and withholding employee salaries. If no regulations are passed on the APBD, the Regional Government cannot conduct procurement auctions for the goods/services needed to perform public services. The impact of hampered public services can affect the regional economy.

Second, legislative productivity is measured through legislative gridlock, namely the ability of the legislature to pass regulations. If the number of products (rules) produced by the legislature tends to be low, it can be interpreted that the legislature is stuck. Congestion within the legislative body can be caused by many things, including the discussion process between DPRD members. There are various views on the interests brought by each DPRD member.

Abdullah dan Halim [3], in his writings, suggests an unequal position between the executive and the legislature where the legislative power is higher. When adjusted to the agency principle, the legislature acts as the principal, in this case, granting authority, and the executive as an authorized agent. This thinking is based on Law No. 22 of 1999, and the legislature has the power to elect, appoint, and dismiss regional heads. After the amendment of Law Number 32/2004, the position of the Regional Government with the DPRD was aligned with the Regional Head election. Even though the parts have been aligned, the agency principle is still reflected because, at the time of budget discussion, DPRD is the one who decides whether the Raperda goes to the approval stage or not.

Third, a timely budget can be used to measure good governance. Putnam [4], argues that budget determination is a measure of a government’s ‘important internal affairs, ultimately a critical component of evaluating good governance.

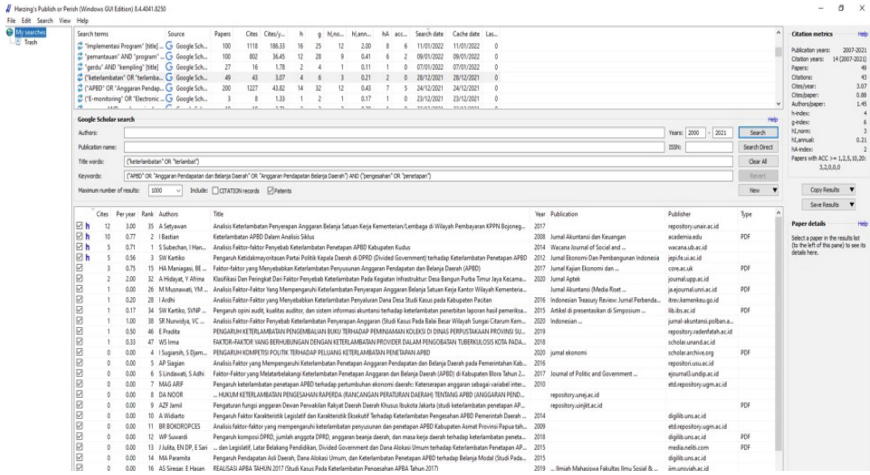


Fig. 2. Collecting paper results from PoP8.

2 Methods

The method used in this paper is a Systematic Literature Review. Kitchenham [5], states that a Systematic Literature Review (SLR) identifies, evaluates, and interprets all relevant research variables for a particular problem formulation, topic, or phenomenon. The stages in the SLR, according to Kitchenham [5], include: identifying, selecting, assessing research quality, monitoring and extracting data, then synthesizing the data.

Research articles were collected using Publish or Perish (PoP) 8 software on the Google Scholar database with boolean codes: (“APBD” OR “Regional Income and Expenditure Budget”) AND (“ratification” OR “determination”) on keywords and (“delay” OR “late”) is entered in the title. The PoP8 application produces 49 articles for the code entered. Then the data selection/reduction is carried out with the following criteria: novelty, duplication of titles, titles/abstracts appropriate to the topic, the form of scientific work, quality of scientific work, national scope, and availability of articles. The selection results resulted in 12 scientific papers in this article’s preparation (Fig. 2).

3 Result and Discussion

3.1 Legislative and Executive Relations

Legislative and executive relations can be measured using quantitative methods sourced from secondary data. The variables include divided government, political competence, and the legislature’s composition. The divided government in Sugriarsih and Djamaluddin [6], is a regional head that is not supported by more than 50% of its legislative members. Kartiko [7], assumes divided government into three types (single minority, minority coalition, and majority coalition). The divided government type is determined by identifying the election data and legislative elections. Sugriarsih and Djamaluddin [6], also use the concept of divided government as an independent variable labeled government fragmentation.

Sugiarsih dan Djamaluddin [6], examines the relationship between the legislature and the executive; in addition to using the concept of divided government, it is also based on the concentration of political parties. The concentration of political parties in an area is calculated by the Herfindahl-Hirschman Index (HHI). The concentration of political parties is assumed to be like an oligopoly market. Even though it consists of many parties, these parties cooperate and form coalitions to form several alliances of political parties. New political parties tend to be hindered by parliamentary threshold regulations. IHL for political parties is calculated from the total square of the market share of all political parties in a DPRD institution.

Research that uses the concept of divided government, such as Kartiko [7], Ramdhany et al. [8], and Sugiarsih dan Djamaluddin [6], shows the results that support for regional heads by the legislature in terms of political parties show significant results. The results obtained by Kartiko [7], are majority coalition is the best type to accelerate the approval of the APBD. The concentration of political parties in the research of Sugiarsih dan Djamaluddin [6] shows that 79% of local governments have a low concentration of political parties, thus increasing the chance of delays in determining the APBD. Similar results were also concluded by Ramdhany et al. [8]. At the district level, Siagian [9] concludes that there is a correlation between legislative-executive interests and delays in determining APBD.

Different findings are found in Sari's research [10] in Limapuluh Kota Regency, 2010–2014 Fiscal Year, which shows that a divided government does not affect delays in determining APBD. The type of dividend government in Limapuluh Kota Regency is a single minority party. The Regional Head is only supported by one minority party, or the Regional Head is an independent candidate.

Communication [11–14], information gap, coordination [9, 12], cooperation [10, 15, 16] and interests [9, 17] are factors other than measurement using secondary data in the focus of studying legislative and executive relations. All of these factors affect the delay in determining the APBD. Laksono [17], also identifies non-formal activities as a means of lobbying between executives and the legislature can increase the chances of agreement and compromise, which ultimately supports the timely determination of the APBD.

3.2 Executive and Legislative Institution Background

The education of actors in determining the APBD has been highlighted in several studies. The underlying assumption is that an appropriate educational background will speed up the budgeting process. The education in question also includes both formal and informal training. Wangi dan Ritonga [15], formed the legal, and educational background of the Regional Apparatus Work Unit (SKPD), Banggar, and TAPD related to budgeting. These factors were then used in research variables by Subechan et al. [11], Sari [10], Maniagasi [16], Siagian [9], and Lindawati [12]. These studies show a positive correlation. However, the results differ from Ramdhani's research [8]. National educational background does not significantly affect the delay in determining the APBD. Ramdhany [8], includes the variables age of the regional head and the size of the DPRD, which do not significantly affect the delay in determination.

The executive-legislative background is measured by Kartiko [7], with the variable length of service of the Regional Head and the amount of salary and DPRD allowances. The assumption is that the longer the executive has served, the better the managerial ability will be, thereby sharpening executive decision-making. DPRD salaries and allowances are believed to be an economic motive. These two variables show significant results in accelerating the determination of the APBD.

3.3 Regional Financial Management Performance

Regional financial management performance is measured in the research of Sugiarsih and Djamaluddin [6], using the Independence Ratio. This ratio is Regional Original Income (PAD) to total regional income. The higher the PAD, the more independent the region, so it does not need the help of the central government. The more elevated PAD means that the regional financial management performance has improved. In determining the APBD, the sanction of delaying regional transfers is a massive threat to regions with minimal levels of independence. The assumption underlying the use of this variable is that the smaller an area's autonomy level, the faster the determination of the APBD.

Regional financial management performance can also be measured through BPK's opinion on the central government's financial statements. The audit opinion given by BPK describes the implementation of local governments. The better the performance, the better the BPK opinion will be, and the determination will be more timely. Research results from Sugiarsih and Djamaluddin [6] and Ramdhani [8] show the significance of the timeliness of the ratification of the APBD.

For regions that have good financial management performance, which is indicated by an unqualified opinion (WTP) on the Regional Government Performance Report (LKPD) and the timely determination of the Regional Budget, they will be given incentives/awards in the form of Regional Incentive Funds (DID). Regional Incentive Funds were identified by Laksono [17], as the driving factor that supports the timely preparation and stipulation of APBD.

Performance indicators are also one aspect of the performance of regional financial management. Variables for performance indicators in Wangi and Ritonga [15], consist of difficulty translating indicators, lack of information on indicator determination, and ineffective communication between SKPDs. If the performance indicators increase or improve, it will reduce the potential for delays in determining the APBD.

3.4 Legislation

Regulations regarding the guidelines for preparing the APBD stipulated every year require local governments to adapt to the new limits set continually. Adaptation of new rules every year multiplies the planning cycle to the determination of the APBD.

In addition to the guidelines for the preparation of the APBD, which are published annually, several identification problems regarding regulations include: Siagian [9] argues that there are delays in rules related to the transfer of central/vertical government funds such as the Special Allocation Fund and Governor's Assistance; Lindawati [12], concludes that there are Government Regulations and Ministerial Regulations which tend not to complement each other; Kamaludin et al. [14] describe institutional changes

with consideration of resource efficiency within the scope of the East Kolaka Regency Government based on Law Number 23/2014.

3.5 Commitment

Wangi and Ritonga [15], define the commitment factor for preparing the APBD as the embodiment of the agreement of the parties involved in preparing the APBD on time. Commitment will be divided if each party prioritizes the interests of the group. Subechan [11] identified commitment issues: the influence of executive interests on the preparation of APBD documents, compliance with the APBD preparation schedule, and the level of legislative absenteeism in APBD discussions.

3.6 Budget Cycle

The APBD preparation cycle and agency theory are inseparable, as expressed in Lindawati's research findings [12], which describe the repeated discussion of the planning cycle at the discussion stage between the regional head and the DPRD. So it seems that the planning cycle is only a formality of the regulations. This repeated discussion shows the ineffectiveness of the work process in determining the APBD. Laksono [17] states when a sicles has several ratification processes, the more political dimensions can be an obstacle to the timeliness of the APBD determination.

In accelerating the APBD cycle, Laksono [17] also includes a supporting factor in the form of an information system that integrates the entire process of planning and determining the APBD starting from the preparation of the Regional Apparatus Work Plan (RKPD) to the discussion of the Raperda APBD with the DPRD.

3.7 Spending

Total local government spending is considered a factor that prolongs the process of discussing the APBD, the greater the total expenditure, the more complex the problems that need to be solved. It is expected that sizeable total government spending will cause the tug-of-war for interests related to the entrustment of the budget [7]. Continuing this opinion, Sugiarsih [6], examines the relationship between spending on goods and services and capital expenditures on delays in determining the APBD, assuming that the culture of entrusting the budget is a form of corruption and corruption is closely related to procurement.

The results of these expenditure variables show their significance to the delay in determining the APBD, the more significant the expenditure, the potential for delays in deciding the APBD.

3.8 Penalty

Referring to Law Number 23/2014, Laksono [17], says that sanctions have been imposed on the main actors involved in the planning and stipulation of the APBD if they are late in making joint decisions on the planning and stipulation of the APBD. Siagian [9],

measures lateness sanctions with three indicators, namely: deductions from the Special Allocation Fund (DAK), delays in payment of the General Allocation Fund (DAU), and delays in payment of allowances for regional heads and DPRD members. The regression results in the research by Siagian [9] and Sari [10] show that sanctions do not affect delays in implementing the APBD.

Different results are described by Kartiko [7], that the postponement of the DAU is an instrument from the central government to accelerate the process of determining the APBD. Increasing the value of the DAU reduces the risk of delays in deciding the APBD.

3.9 Types of Government and Territories

Research that measures the delay factor in determining APBD needs to distinguish between the type of government and the spatial regions of Java and outside Java. Differentiating the type of government is carried out because the capacity of higher levels of government is considered more qualified in determining the APBD [7]. The difference between the types of Java and outside Java is since 50% of Indonesia's population resides in Java, which is related to democratic political participation in Indonesia [6]. The results of Sugiarsih's research [6] show that the City/Regency type of government tends not to be late in determining the APBD, while the Java region category tends to be late in deciding the APBD.

3.10 Natural Resources

Natural resources are factors often contested by various interests after regional autonomy is implemented. Executive and legislative political actors are part of the non-related licenses for mining areas, plantations, and forests [7]. The findings from Kartiko's [7] research show that areas that have natural resources have the potential to be twice as late as areas that do not have natural resources.

4 Conclusion

Efriza [1], concludes that the process of preparing and determining the APBD does not only occur in normative and empirical processes (visible processes) but also occurs in an invisible process. Qualitative and quantitative research has not been able to present the political bargaining process, which causes delays in determining the APBD. However, the variables from the studies that have been carried out are sufficient to be used as indicators for determining the direction of improvement in budgeting policies in local governments.

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