

# **Accountability and Democratization of Village Budget: How Village Government in Indonesia Respond to This?**

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**Abstract:** Accountability in governance is important for five reasons: as a form of democratic oversight, strengthening the integrity of governance, strengthening organizational norms, legitimizing governance, catharis, and implementation of democratic values. Thus, accountability becomes a key of good governance. Then how is accountability theory used to look at the village financial management? Public budgeting is a constituent area of interest and a product of power struggles between groups of actors (Morgan, 2002). The management of village finances is related to the power relations between several actors involved in the formulation. Therefore, there should be a norm of accountability to control the struggle between interests in the process so that power is not centered. The methods of this research used systematic literature review and analysis of document contents. The study finds the paradox of village fund accountability, which results in pseudo accountability. Further research suggests a quantitative study to explain the relation of power and the cultural environment of society triggers the paradox of accountability.

## **1 INTRODUCTION**

Indonesia Corruption Watch (ICW) sees that village budget corruption is a problem that arises because of large budget management that implemented at the village level is not accompanied by the principles of transparency, participation and accountability. There are 127 cases of corruption of village budgets during 2015-2017. In 2017, the losses jumped to 30.11 billion rupiah and it brings the total state loss to 47.56 billion rupiah, equivalent to the basic allocation of the State Budget for 77 villages (Outlook Village Funds, 2018).

The presence of corruption in the village budget sector signifies a disruption in public accountability. The point is the misuse of state money because of the absence of a financial management system in a village government. In order to restore the village to the right track, the village government needs to improve and strengthen the village planning base, encourage accountability in village governance, and improve the capacity of community resources and village apparatus.

Accountability theory explains the obligation for power holders (accountors) to explain and justify

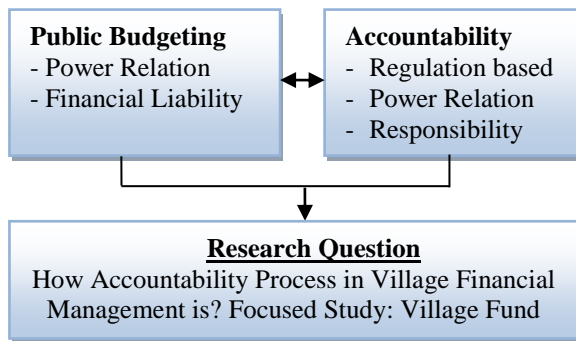
valid reasons for their actions, whether it is done or not. The explanation is given in a forum and there are sanctions / rewards given by the accountee. The main emphasis of public accountability is the ability to answer and inform the public and other stakeholder constituencies. In a democratic country, citizens have the right to demand accountability while government officials have an obligation to pay attention to it (Malena et.al., 2004: 2; Bovens 2005, 2008; Ackerman, 2005: 12).

Regional budgetary accountability problems in Indonesia are found from Wahyunengseh's study (2013, 2014). It was found that normative regional financial procedural has fulfilled the aspect, but from social accountability aspect reflect pseudo accountability phenomenon.

How is the accountability theory used to look at village financial management? This raises the question of how accountability process in village financial management is? This paper raises the best practice in village financial management.

Based on the introduction above, there are several theories that can explain the research framework in Diagram 1 below:

Diagram 1: Theoretical Framework.



Source: formed by authors

### 1.1 Public Budgeting Theory: The Village Fund as part of the Power Instrument

Richard Goode (1984: 39) has stated succinctly "Budgeting is part of politics, it can never be purely technical exercise". Even Aaron Wildavsky in Jones (1991: 262) argues "the budget lies at the heart of the political process".

Public sector budgeting is an instrument of accountability for the management of public funds and the implementation of programs financed by public money. Public budgeting theory states that public budget allocation implies a decision to allocate X rupiah for activity A rather than activity B so it is quite complicated and contains a high political element. All budgeting is about politics; most politics is budgeting; and budgeting must therefore be understood as part of political game. In the perspective of liberal democracy, accountability is an important mechanism for ensuring that mandate recipients perform their duties in providing public services, responding to public demands and aspirations, maintaining neutrality and quality of representation, and ensuring equality and justice. Accountability planning prevents or discloses violations of public authorities. Learning perspective, accountability is a tool for making governments act effectively in fulfilling a promise to society. (V.O.Key,1940:1138; Goode, 1984, Wildavsky in Jones, 1991; Haque, 2000: 599-617; Rubin, 2006; Wildafsky & Caiden, 2011; Wahyunengseh, 2013).

In this context, information disclosure and communication skills are an important pillar of the shift in negotiation practices within the framework of democratic governance relations, especially in public expenditure decision making. Disclosure of information and dialogical communication will help

accountability practice generate openly arguing processes at public hearing (seeking reference transformation through rational arguments) instead of bargaining (seeking aggregation of preferences through exchange of appointments and threats). Whereas accountability appear in the framework of information disclosure, thus created balancing power.

Utilization of information technology increases the chance of accountability (Wahyunengseh, 2013). However, two phenomena that may hinder the exchange of information in the accountability process are (1) Reluctance to disclose relevant information; and (2) the provision of too much information for information processing capabilities (Eppler & Mengis, 2004; Greiling and Spraul, 2010). Public administrators can also use redundant, cluttered, and vague information to confuse the citizens (Calista & Melitski, 2007). Thus, how much and how clearly publicized information is an important component of information transparency.

The public budgeting theory in this study is used to explain that in village finances are loaded with interest contestation. The main spirit of public budgeting is power relation, which is represented in budget drafting process becomes the main element in village finance activity.

### 1.2 Theory of Accountability and Democratization of Village Funds

The budget becomes an instrument of government fiscal policy to influence the state of the economy. With the budget, the government can allocate scarce resources to drive socio-economic development through power relations between several actors involved in its formulation.

The likelihood of elite budget management going on in the elite is huge. Therefore, there should be a norm of accountability to control the struggle between interests in the process of public budgeting so that power is not centralized.

Accountability is an individual or organizational behavior that explains and is responsible for their actions by providing a reason why action should be taken (Sinclair, 1995). Meanwhile, Gray et. al. (2006) defines accountability as a community right arising from the relationship between the organization and the public. Bovens (2005: 15) gives the essence that in accountability there are forums, actors and sanctions. All three can form an endless debate to account for a public policy, but all three will not be present when access is closed. Accountability instruments for public organizations

are diverse. Democratic perspective sees that accountability begins since planning to link government action to the 'democratic chain of citizen participation'. (Bovens, Schillemans, Hart, 2008).

The concept of accountability in the governance discourse shifts from supply side to demand side perspective. Supply side approach is dominated by formal legal processes such as vertical finance reports, BPK audits, reports to the DPRD (horizontal), inspectorate checks, and other forms of internal financial audits. Demand side approach, which is also known as the social accountability, is dominated by the community's role in requesting government accountability, directly or using online / offline media and forums (Malena, Forster, and Singh, 2004).

The management of village finances is suitable to be an object of accountability review because of decision-making that incorporates lobbying, negotiating, arguing and conflicting mechanisms in the financial management process that are potentially disruptive to democratization values of public budgeting (Rubin, 2006). Therefore, the village financial management process needs to be guarded by accountability mechanism.

Accountability no longer carries a rigid bookkeeping image and not just about financial administration, but it brings a promise of justice. Accountability is born in the framework of information disclosure, openness so that power is not centralized and does not arise corruption. Equity to be able to answer the questions given, why behave like that and why the budget is managed that way, so the prerequisite is that there is an egalitarian or transparent relationship.

## 2 METHODS

This research was conducted through a systematic literature review to find a lens of analysis applied to the object of study documents the village fund report, and context of the environment in one of the villages D.I. Yogyakarta as an autonomous region to serve as a research locus.

The main approach of this research is a systematic review that provides maps and assesses existing intellectual areas (Tranfield, Denyer and Smart, 2003: 207-222). The data itself consists of reports on village financial management, especially for one type of revenue transfer ie ADD. Detailed data collection is described in the following table:

Table 1: Collection of Data

Research Question	Locus	Data Source
How accountability process in village financial management is?	Allocation of village funds (ADD)	News and village financial reports

*Source: Peticrew, M. and Roberts, H. 2006. Systematic Reviews in the Social Sciences, United States, United Kingdom & Australia: Blackwell Publishing Ltd.*

This study explains the accountability process of the management of the ADD rather than the theoretical debate. In addition, the purpose of this study also provides a projection of bias in realizing such accountability.

The data analysis was conducted by: (i) describing the issues that are found; (ii) reviewing and providing an explanation from the perspective of public budgeting theory and accountability theory; discussed from the accountability framework, (iii) preparing a proposition to explain the phenomenon of accountability and democratization of the village budget.

## 3 RESULTS AND DISCUSSION

ADD is a fund sourced from the Regional Budget (APBD) allocated for the purpose of equitable distribution of inter-village financial capacity to fund village needs in the context of government administration and development implementation and community service. The management of ADD refers to the Permendagri Number 113 years 2014 on the management of village finances and regulation of Bantul regent No. 19 year 2017 on the distribution of ADD. In 2016 the village research location received ADD amounting to Rp 1,770,046,000, in 2017 amounting to Rp 1,906,007,000 and in 2018 amounting to Rp 1,770,061,000. (Village Budget, 2016-2017-2018) Increase in receipt of ADD funds in 2017 is very significant. The funds are used for the implementation of village governance and community empowerment. The cost of governance includes 70% of physical development and 30% of operational costs.

The Village research location has a system so that the budget that goes into the village is realized well and utilized on target. Firstly, starting from

spatial data-based budgeting planning. This data tells the whole about the condition of the village, whether physical, social, economic, or demographic. The data are then compiled in the financial system. About 70% to 80% financial planning is technocratic, which is then consulted with the public through the village consultative forum. Through the forum, the villagers can be involved in providing initiative and criticism of the village budgeting process.

In the village research location there are several analyzes of priority scale of established village development. This priority scale is made because the success of development is always associated with economic growth, while economic development will be less meaningful if not able to improve the welfare of society.

The mechanism for accountability of ADD funds is: the village head shall make a realization report for each fiscal year in January of the subsequent fiscal year accompanied by Letter of Accountability (SPJ). The budget realization report (LRA) and the SPJ are sent to the district head through the sub-district head and made a requirement for subsequent budget submissions. The responsibilities of ADD are integrated with the accountability of Village Budget (APBDes). The forms include the budget realization report, general ledger, daily cash book, bank book, tax book of account book in the name of the village made by the treasurer.

If drawn into Bovens theory (2005: 15) the accountant on ADD is the village head, while his accountee is the district head. The forum used to discuss and report the budget is a *Musrenbang* that held at the beginning of the year. Budget planning reports and budget usage reports are then uploaded to Village's website. In addition, to anticipate the informatics of the informatics community, the village apparatus conveys the reports physically through the head of RT / or head of the hamlet.

However, the problem encountered is the content of financial information is poorly understood by the public, because the term (terminology) financial statements using technical terms that are not understood by everyone. In this forum according to the theory of accountability should provide a dialogical opportunity. Dialogue is a process to build mutual understanding among parties involved, resulting in a transformation in views, perspectives, and actions, resulting in a sense of shared trust and identity. At this stage the information submitted does not support dialogue because it is presented too much and in language that not easily understood by ordinary citizens. This supports what Greiling and

Spraul (2010) has proposed as a phenomenon of providing too much information for information processing capabilities.

Related to active accountability, the village research location requested assistance and review from BPKP representatives of Special Province of Yogyakarta about village budget, Midterm development planning (RPJMDes), Work Document Decision and Performance Determination.

The implementation of ADD can be said to be accountable if present the values of transparency, fairness, efficiency and equity. In the field of transparency, the village research location develops village-based information systems, village newspapers, and village records systems managed to infiltrate the implementation of ADD. The value of justice is seen with the application of merit system by conducting job analysis and workload analysis to provide incentives to employees through ADD funding sources.

## 4 CONCLUSIONS

The village financial management accountability process with the focus of the Village Fund Allocation outlines the village head's responsibilities as a holder of power (accountor) to explain and justify valid reasons for his actions in formulating village expenditure. The explanation is given through the forum *Musrenbang* and the village's website. Sanctions are available when making mistakes or awards from the supra village government as requiring accountability (accountee) if implemented according to the rules.

Accountability of village funds in the research sites procedurally and normatively meets the aspects of vertical accountability. The potential of accountability issues arises from the essence of accountability from the aspect of democracy, where the participation of the community as an accountee is still biased on a group of citizens close to the power of the village government.

This study finds that village fund accountability mechanisms as a public budget democratization practice at the village level face the challenge of accountability paradox, i.e formal/ procedural accountability *vis a vis* social accountability to the community.

Propositions as the theoretical contributions of this study are: (i) the dominance of accountability procedures by massively triggering the emergence of pseudo accountability, i.e procedural accountability; (ii) Accountability of village funds is allegedly

influenced by technical and cultural factors owned by the village government (as an accountant) and the community (as an accountee).

Practical advice on the development of transparency of decision-making information of public expenditure priorities is the need for a system that requires a community-based budget discussion room, in order to establish a system of social accountability to assist village representative bodies to be stronger in requiring formal public accountability.

Recommendations for further studies are quantitative studies to explain the relationship between variables contributing to the quality of village fund accountability.

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