A Closer look on Ineffectiveness in Riau Mainland Expenditure: Local Government Budget Case

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Abstract: this study discussed about the issues on ineffectiveness of expenditure by one Indonesia local Government in Riau. This Provence were amounted Rp. 10.7 trillion through Local Government Budget (APBD) in 2015. According to data from Financial Management Board and Regions Assets (BPKAD) APBD Riau in 2015 stood at approximately 37.58% until October 2015,another data taken from the Ministry of Home Affairs, Riau regional budget, from January to December 2015, it shows the lowest in Indonesia which amounted to 59.6%. The percentage described the lacking implementation of the budget, this can be interpreted that Riau government is less optimal and irrelevant in spending the budget in 2015. Through a theoretical approach to government spending, the implementation of public policies showed the ineffectiveness of the budget that have implicated towards regional development. As regional budget is only the draft in achieving the targets. Budget management in 2015 by the provincial administration through the Local Government Unit (SKPD) shows unsynchronized between the Medium Term Development Plan with the work program from SKPD.

Keywords: ineffectiveness, expenditure, Riau, Policy.

1. Introduction

Local government Budget (APBD) prepared in accordance with the requirements of governance and capacity of local revenue. Budget preparation was guided by local government work plan (RKPD) in order to actualize the public service to achieve the state purpose. Based on Government Regulation No. 58 Year 2005 on Regional Financial Management in Chapter IV Preparation of the draft budget Article 29 through Article 42 explained that: "The *process of preparing the proposed budget based on the Local government medium term development plan (RPJMD), Local Government Work Plan (RKPD), Policy general local government Budgets, interim Budget priorities and funding ceilings (PPAS) Local government department budget and work plan (RKA-SKPD)*".

The regulations above supposed to be a strict guidance for management budget in Riau. Yet, in 2015, the draft budget sets revenue and expenditure amount to Rp10.7 trillion. The Riau Government and the Regional representative assembly (DPRD) approving the draft to become a Regional Regulation No. 4 of 2014 and Governor Regulation No. 27 Year 2014 concerning the budget in 2015 as a reference for government work units in the use of local finance. [1]

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But the tendency of budget implementation in Riau Province in 2015 is ineffective. The data from Financial Management Board and Asset (BPKAD) is budget realization in 2015 only in 37.58% until October 2015. Uptake of APBD Riau in 2015 got bad predicate from the central government. Until 30 July 2015, the realization of APBD Riau 2015 is the fourth lowest in Indonesia [2].

Furthermore, the Ministry of Home Affairs noted that the calculation of Riau local government budget in January-December 2015 is the lowest in Indonesia by 59.6% and including in top 5 provinces with lowest realizations. Issues of APBD Riau Province in 2015 is interesting to be examined and assessed by conducting a comprehensive and in-depth research to find an area of the financial governance model that is effective as a manifestation of intensive regional development.

This study refers to the implementation of development public policy research focusing on the problems of implementation constraints Public Policy Regional Regulation No. 2 2005 on transparency and participation. The problem is comparable to the budget implementation of Riau in 2015, the policies that made by government are not relevant to the needs of the public and making some ineffectiveness. For that reason, we need the analysis that refers to the grand theories that approach the concept of regional spending which describes about standardization expenses and integrated with theory of public policy implementation.

2. Methods

The methodology used in this research is descriptive qualitative phenomenological [7]. The unit of analysis is the Riau provincial government, namely the Board of Finance and Asset Management (BPKAD), Regional Planning Agency (Bappeda), Riau DPRD Budget Committee. The researcher is using observation technique with a pattern of investigation, interview and documentation. Information obtained being paired through Focus Group Discussion (FGD) with the Indonesian Forum for Budget Transparency [5]. Then there will be qualitative interpretations by using emic and ethics interpretation. Emic interpretation is interpretation of the data subject problem on the environment and the surrounding world. While ethics interpretation is interpreted the view of the researcher that based on the study of relevant literature [2].

3. Results and Discussion

Riau province has high revenue (PAD), however it is not supported yet by the local government capabilities in realizing the targets and public expectation. The low budget uptake in 2015 that is set in Regional Regulation No. 4 of 2014 and Governor Regulation No. 27 Year 2014 for 2015 budget describe that the provincial administration has ignored the rules they had created with Parliament (DPRD). Therefore, Riau APBD in 2015 is not optimal in the context of the financial budget use. Even the relevance is slightly missing the target when viewed from the infrastructure development program because most of the financial outlay was used for personal expenditure. Some of the findings indicated that the most budget constraints preference in the implementation of Riau APBD in 2015, whose realization has not yet reached the optimal target, is due to the political conditions and the condition of public administration Riau Province in 2015.

3.1 Budget Gap APBD Riau Province

Revenues and expenditures from Riau Provincial Government from 2011-2015, tend to overestimate (underestimate) expenditure and underestimate (underestimate) revenue. The following table illustrates the disparity in Riau APBD expenditure if reviewed in the last five years.

Table. 1: Riau APBD expenditure 2011- 2015

	Total Revenue (Miliar)		Total Expenditure (Miliar)		Surplus/Defisit (Miliar)		Variance Surplus/Defisit (Miliar)	%	Variance Revenue Surplus/Defisit (Miliar)	%	Variance Expenditure Surplus/Defisit (Miliar)	%
	OB	AB	OB	AB	OB	AB						
2011	4.625,00	5.440,00	4.798,00	4.265,00	-173,00	1.175,00	-1.348,00	-679,19	815,00	117,62	-533,00	88,89
2012	5.488,00	6.847,00	6.367,00	8.737,00	-879,00	-1.890,00	1.011,00	215,02	1.359,00	124,76	2.370,00	137,22
2013	6.938,00	6.995,00	8.915,00	7.525,00	-1.977,00	-530,00	-1.447,00	26,81	57,00	100,82	-1.390,00	84,41
2014	7.127,00	8.132,00	8.277,00	5.602,00	-1.150,00	2.530,00	-3.680,00	-220,00	1.005,00	114,10	-2.675,00	67,68
2015	7.407,00	6.911,00	11.388,00	7.761,00	-3.981,00	-850,00	-3.131,00	21,35	-496,00	93,30	-3.627,00	68,15

Keterangan:

TR : Total *Revenue*
TE : Total *Expenditure*
OB :*Original Budget* ; AB : *Actual Budget*; VE: *Variance Expenditure*
(-) : minimum realization
(+) : Above standard realization

The table above shows the imbalance or budget gap when viewed from the side of high revenue is not proportional to the low expenditure. The pattern becomes the mainstream of APBD 2015 Riau which impact on the performance of Riau Province government in the eyes of the public, because the commitment in the acceleration of welfare and development feels sluggish away from public expectations. The expenditure of APBD Riau shows an ineffective tendency due to the orientation of budgetary usage based on difficult work programs achieved within the span of a year. Governments in Riau Province tend to perform positive variants on the receiving side and negative variants on the expenditure side systematically. These conditions illustrate that the consistency of Riau Provincial Government in realizing the 2015 APBD is still considered very minimal. When viewed from the regional revenue from 2014-2017 fluctuation of regional income in Riau Province is relatively good and does not interfere with the course of the economy and development.

3.2 Political Implications vs Riau APBD 2015

Political support is essential in the process of formulation, implementation, discussion and evaluation of the budget. This means that political stability will affect the use of funds in the implementation of public administration, economic development and infrastructure. Reviewing the determination of the budget in 2015 there was no discussion with the Legislative Lists 2014 to 2019, because of APBD Riau in 2015 held before the inauguration of Parliament Members in September 2014. There was an error when the 2015 budget set but did not involve the members elected legislature. It describes that the local government, in this case the governor, tends to enforce APBD in 2015 before the inauguration of the new council, the assumption is to reduce the budget and the political dynamics, and also Annas Maamun as the Governor have more flexibility in determining the appropriate budgets for political will. The high desire (the importance) of political governor in making some programs and activities in the budget 2015 creating a negative impact because it does not consider a possible future political and budget items. A governor is supposed to be able to become a right leader in determining the direction of short term, medium term, and long term regional development policy, and not based on the political. Elected legislators considered that the inconsistency of APBD Riau in 2015 with Draft Medium Term Development (RPJMD) is impact on some programs in APBD Riau 2015 doesn't run well (not effective), according to the Law No. 23 of 2014 on local governments states that everything that is using APBD should refer to RPJMD.

The regulations directing the organization as well as local government bureaucracy that resulted in a change of regional work units (SKPD) and the changing in government. The role of the bureaucracy is still an important political instrument in realizing political goals [3]. Instead, bureaucracy failed miserably as a political force that is professional and value-free society partnership. The effectiveness of this regulation is two years after its enactment; therefore, APBD Riau in 2015 is still in a transitional period of local government regulations. The enactment of Law No. 23 of 2014 on Government Regional and at the same time Governor of Riau suspected to diversion of protected forest case in Kuantan Sengingi. The series of events had implicated for shifting the regional head (governor) Riau replaced by the deputy governor as head of the region with temporary status (Plt) or not yet definitive. This is the political factor which lead to weak *political will* of governments to implement the pure-APBD and there is changing in revised-APBD.

3.3 Administrative Governance APBD Riau

Administration process is an important step in the implementation of the Local Government Budgets Riau Province. Political instability can be controlled if the administrative is able to be the best partnership between the political elite (Governor), bureaucracy and society (Civil Society). The commitment in administrative process must be supported by the atmosphere of governance that oriented towards achieving the vision by short, medium, and long term Development Plan. Looking the administration of the budget in 2015, there is some problems of ineffectiveness due to APBD poor absorption. One of the reason is the result of bureaucratic performance because twice rotational leadership in bureaucratic organizations is actually slow down the APBD progress due to an adaptation and a slow synchronization program. The change of leadership in public administration institutions (bureaucracy) still held hostage by political interests, these interests are not progressing the budget but rather slowing down the progress of the budget. The reason is APBD Riau in 2015 is a political agreement and political consensus of the non-active governor and the bureaucracy leadership worried to be dragged in the corruption case.

The basic APBD Riau Province in 2015 was 10.7 trillion then revised-APBD and reaching 11.3 Trillion with the realization only 7.7 trillion or 68%. If seen from the implementation data of APBD Riau in 2015, 82% over personnel expenditure, 86% for profit sharing shopping and shopping hibah is 102% that exceeding the expectation. The visible lowest uptake is 35 % from financial assistance spending, 32% from social assistance expenditure and 0% from expenditure unexpected. From the total uptake of the APBD Riau in 2015 is 59.76% capital expenditure and 6.19% on goods services. The last four years (2014-2017) there was a trend that shows the decision taken by the local government in the APBD implementation is not effective comparing to the increase in revenue and the budget realization.

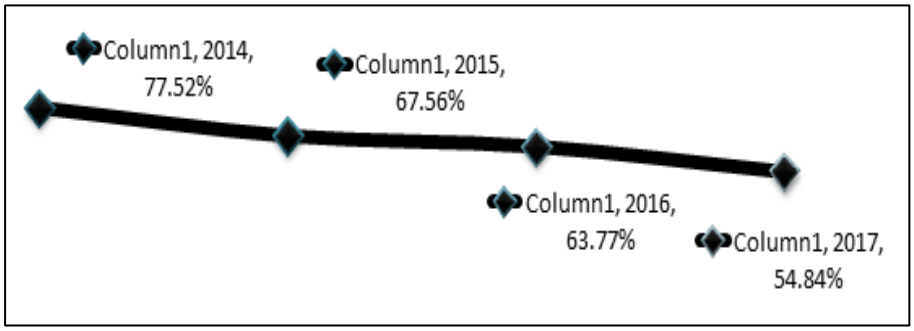

Chart. 1: Graphic description of slow performance

The graphic description is a form of slow performance of the bureaucracy and the fiscal discretion in Riau province, reviewed from the growing number of PAD from pure-APBD to revision-APBD. The local fiscal strength relies heavily on its revenue (PAD), especially in taxes. The larger the fiscal space available, the more flexible the local governments develop the regional development. Unfortunately, the statement is not in line with the expectations, as the facts show the fiscal strength of Riau Province in the last four years (2014-2017) continued to decline despite the revenue sector (PAD) increasing annually.

4. Conclusion

The ineffectiveness of local government budget Riau in 2015 is due to the high political desire governor that did not consider the possibility of political and financial budgets eye area, such as no synchronization between program and budget activities with the Medium Term Development Plan (RPJMD) Riau. Regulations changes on local government also have implications for changes in the bureaucracy organization structure that slows down the performance because the adaptation to the new leader towards adjusting the previously planned program, the implication make discretion in fiscal policy in Riau Province in 2015.

5. Acknowledgment

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