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## Central-Local Government Relations in Regional Planning and Budgeting in Indonesia: Between Autonomy and Control

### Abstract

This article analyzes the relationship between central and local governments in regional planning and budgeting policies, while exploring the direction of central government control over regions through regional planning and budgeting policies. The issue of relations between central and regional governments in regional planning and budgeting is finding the right balance between autonomy and control. The research methods used are regulatory content analysis and interviews with policymakers. The results showed that the central government uses planning and budgeting to control the implementation of local government affairs and functions through guidance, detection, coercion, and evaluation of existing regulations. These findings fill the discussion gap regarding central government control of regional governments not only through guidance and supervision but through planning and budgeting policies. This study provides insight into the forms of central government control over regional governments, contributing to the trend of central and regional government relations. The practical benefit of this research is as input in improving regional planning and budgeting system policies for the government.

### Keywords:

central-local relations; central government control; regional autonomy; government authority; regional planning; local budgeting

### Introduction

This article analyzes the relationship between central and local governments in controlling regional planning and budgeting in Indonesia. One of the problems

in the governance of central-regional government relations in many countries is the ideal form according to the conditions of that country. Dilemmas that are still often faced by the

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government are formulating a balance of structure and performance, the size of the scope of local government authority, and a combination of the implementation of regional autonomy and central government control (Haydanka, 2020; Sudhipongpracha & Wongpredee, 2016). Regional autonomy in the Indonesian context is defined as the rights, authorities, and obligations of autonomous regions to regulate and manage their government affairs and the interests of local communities in the Unitary State system of the Republic of Indonesia (Law of the Republic Indonesia Number 23 of 2014 on Local Government, 2014). Central government control refers to the authority and power exercised by the central government over local governments within a unitary state (Caruana & Zammit, 2019; Goldsmith, 2002). Countries that embrace democratic principles in their governance sometimes face dilemmas.

On the one hand, the government faces the problem of power-sharing, accountability of policymakers, and multilevel governance that seeks to safeguard people's rights to services. However, the government must also pay attention to the balancing force resulting from divided power, complicated coordination between levels of government and between actors, and the presence of opposition parties that have the potential to hinder innovation (Benz, 2021). One of the ideal conditions for regional government includes planning and budgeting governance.

The development of local government planning and budgeting governance cannot be separated from national development planning and government systems implemented by a country. The main challenges in national government planning and budgeting are coordination between levels of government, communication and collaboration between sectors and between levels of government, and policy design, implementation, and evaluation (Telch et al., 2020). Various methods are undertaken to develop these relationships, among others, through coordination of central and local governments in implementing policies (Ekhaugen, 2020; Musa & Petak, 2015), including discussing coordination patterns and policymaking processes (Jiang & Choi, 2018; Low & Carney, 2012). Regional central relations are also related to the efforts of the central and regional governments to combine each power in implementing policies or what is known as consolidation (Blount, 2013; Savini et al., 2015). Along with improving collaborative governance, the study of regional central relations also discusses collaboration and synergy between the two levels of government in policy implementation (Arribas, 2016; Homsy et al., 2019; Yang & Han, 2020). The central government also implements control to build relations with the regions. Such power is carried out through formal and informal mechanisms. By issuing intergovernmental relations regulations by the central government, the central government can change the nature of its control by regulating the

form of delegation of regional authority (Panday, 2017). However, experts have yet to explain how the central government controls the regions by integrating regional planning and budgeting systems. Indonesia is one of the countries that is developing an integrative regional planning and budgeting system. This study in Indonesia is needed to see how a centrally developed system works in the decentralized relationship between central and local governments that can meet the needs of regions with diverse potentials and problems.

Public sector strategic planning attempts to produce fundamental decisions and actions that shape and direct an organization (or other entity) and the reasons for taking (or not performing) those actions. Strategic planning is a set of concepts, procedures, tools, and practices that must be applied (Bryson et al., 2018). Strategic planning contributes positively to the achievement of organizational performance results. In addition to adopting technical methods, achieving the desired results requires other parties, such as politicians and stakeholders, to utilize strategic planning in decision-making (George, 2017). Planning becomes part of the local governance cycle.

While the budget is a strategic plan of operational programs expressed in financial terms and is valid within a certain period (Steiss, 2019), budgeting plays an essential role in government, especially local government. Local governments have a fiscal advantage because they are the closest part of the country in providing public services, so they can design programs that suit the community's needs (Ermasova & Mikesell, 2019). Budgeting is increasingly expected to carry out further roles and functions in a broader sense, namely, carrying out external accountability and enforcing managerial responsibilities (Anessi-Pessina et al., 2016).

The reasons for the central government to control the regions, especially those related to

regional expenditure management, are generally analyzed based on three arguments, namely about tax delegation, the imperfection of local democracy combined with the effects of distribution, and the third consideration of the egoism of local politicians (Fender & Watt, 2002). In addition, the central government's control of this region is also related to performance management (Arribas, 2016; Kaye-Essien, 2020).

Although many public administration researchers have revealed regional planning and budgeting studies, there have not been many studies that discuss whether there is a control function in implementing regional autonomy through policies on planning and budgeting. Through the regional central relations approach, this article analyses the dynamics of the relationship between the central government and regional planning and regional budgeting in Indonesia, seen from a control perspective. This article explores the direction of central government control over regions through regional planning and budgeting policies. This research provides perspectives on the role and function of planning and budgeting in implementing decentralization in terms of policies issued by the central government in Indonesia. The regulations analysed are derivatives of Law No. 23/2014 on Regional Government in 2017-2023 about regional planning and local budgeting. European countries dominate the context of the study of central government control over local governments. China represents Asia, which has a different government system from Indonesia. In addition, the analysis of government control in Indonesia is sectoral and dominated by evaluation and reporting studies.

This article consists of five parts. The introduction explains the development of regional planning and budgeting governance studies from the perspective of central-local government relations. The literature review presents theoretical considerations about planning and

budgeting policies as control tools. The research method includes collecting and analyzing the data. This article analyses regional planning and budgeting policy in Indonesia and the government information systems that support it. Then, in the discussion section, this article analyzes the role and function of regional planning and budgeting policies as instruments of central government control over local governments.

### **Central-Local Government Relations in Regional Planning and Budgeting Policy: A Literature Review**

#### **Governance Approach of Central-Local Relations**

In a decentralized system, ideally, the relationship between central and local governments is synergistic and balanced in a partnership model that allows regions to freely manage their resources (Fimreite & Læg Reid, 2009; Holzhacker et al., 2015; Sobieszczyk & Turner, 2001). However, this model does not become a form of absolute freedom when enforced in a unitary state. The key to successful decentralization lies in the quality of central and local government relations (White, 2011). Regulations made by the central government are a tool to regulate the relationship (Goldsmith, 2002; Griggs & Sullivan, 2014; Vakulenko et al., 2020). These regulations are not always able to bring synergy; excessive internalization of regulations shifts the mission and goals of the bureaucracy itself (Dwiyanto, 2020), even to the extent of controlling the role of local governments (Harun et al., 2020).

The legal framework of local government in different countries has many variations. Each variant has consequences in its implementation (Morgan & Trinh, 2017). The legal framework of multilevel governance cannot be separated from the political system adopted by a country. Federal states give the lower governments more freedom in terms of policy, including budgeting

and discretion. Meanwhile, in unitary states, the central government still holds power, and the discretion of local governments is relatively limited (Folscher, 2007).

### **Shape of Control**

Decentralization, especially in economic development in Asian countries, has encountered various obstacles, so the benefits of the process have not been felt. These barriers include legal frameworks for local governments, improperly designed and implemented budget systems, weak fiscal management capacity, underdeveloped financial information management systems, strong central government influence on local governments, and problematic local accountability (Morgan & Trinh, 2017).

The form of control is directive guidance, which refers to forming desired guidelines to produce favorable results (Lartey et al., 2020). Guidelines in the form of regulations are official documents used as guidelines in implementing a policy (Cahlikova & Mabillard, 2020). Guidance is significant in directing government work (Galizzi et al., 2018). Public policies in regional development planning are also needed to guide the way toward sustainable management and coherent distribution of resources (Thesari et al., 2021). This form of control is embodied in a series of guidelines standardized as standards and procedures for policy implementation. Detective control is initiated to identify problems and maintain timely information management about irregularities in any process or activity (Lartey et al., 2020). Coercive controls can include sanctions, restrictions, and cancellations stipulated in regulations. Compliance is the keyword, so this control needs to be responded to by regional efforts to comply with established standards and procedures.

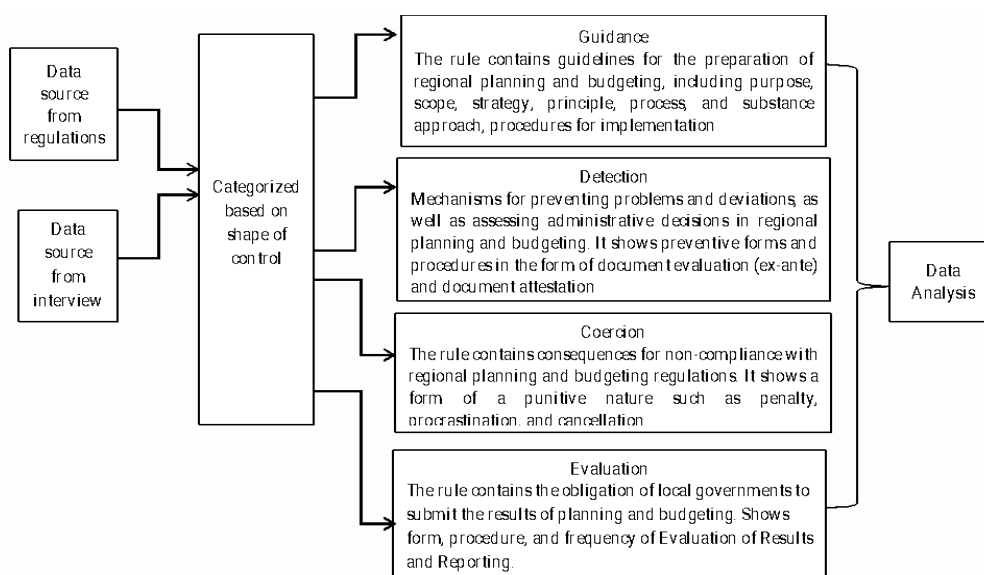
The role of the central government in control sometimes uses coercive means. The coercive aspect is related to political pressure

and the influence of authorities with the power of supervision and regulatory control (Ellul & Hodges, 2019). Relations between governments vertically form the functioning of policy diffusion mechanisms, one of which is coercion (Ongaro et al., 2021). The relationship between the central and local governments can be coercive to cooperative (Oikonomou, 2020) and contractual (Smith et al., 2019). Coercion or coercion risks producing subversive strategies that undermine the change process and policy objectives, but it must at one time be done to keep policy implementation by applicable regulations (Kuhlmann & Bogumil, 2018). The central government implements these coercive measures to encourage regional compliance (Mallinson, 2020). Another form of control is reporting. This reporting is greatly influenced by information systems, maintenance and collection of appropriate reporting data, human resource capabilities in monitoring and evaluation, and compliance with reporting (Kaye-Essien, 2020). Reformative direction is given after the implementation of a policy. This control can be carried out through reporting obligations by local governments so that a picture of the success and failure of the performance of development plans and budget realisation is obtained.

## Method

This research uses public documents in the form of regulations on development planning and regional budgeting. The regulations analysed are derivatives of Law No. 23/2014 on Regional Government in 2017-2023. Qualitative data analysis was carried out to see the dominance of control in the regulation. The data analysis procedure and characteristics can be seen in the following figure.

This research also uses the results of interviews with the Ministry of Home Affairs as policymakers. The informants interviewed were officials in charge of regional planning and budgeting at the Ministry of Home Affairs and the information systems used in the budgeting planning process. The informants were from the Directorate General of Regional Development Development, the Directorate General of Regional Financial Development, and the Data and Information Center of the Ministry of Home Affairs. The Directorate General of Regional Development Development provides information on regional development planning policy. The Directorate General of Regional Financial Development delivered on regional budgeting policies. The Data and Information Center of the



**Figure 1. Data Analysis Procedure of Research**

*Source: Processed by researchers, 2023*



Ministry of Home Affairs is in charge of the Local Government Information System, an instrument for managing regional development planning and budgeting. Central-local government relations promote decentralization if these efforts show the dominance of regional autonomy implementation characteristics. Meanwhile, relations tend to be centralistic if promotional efforts show control dominance.

## Result and Discussion

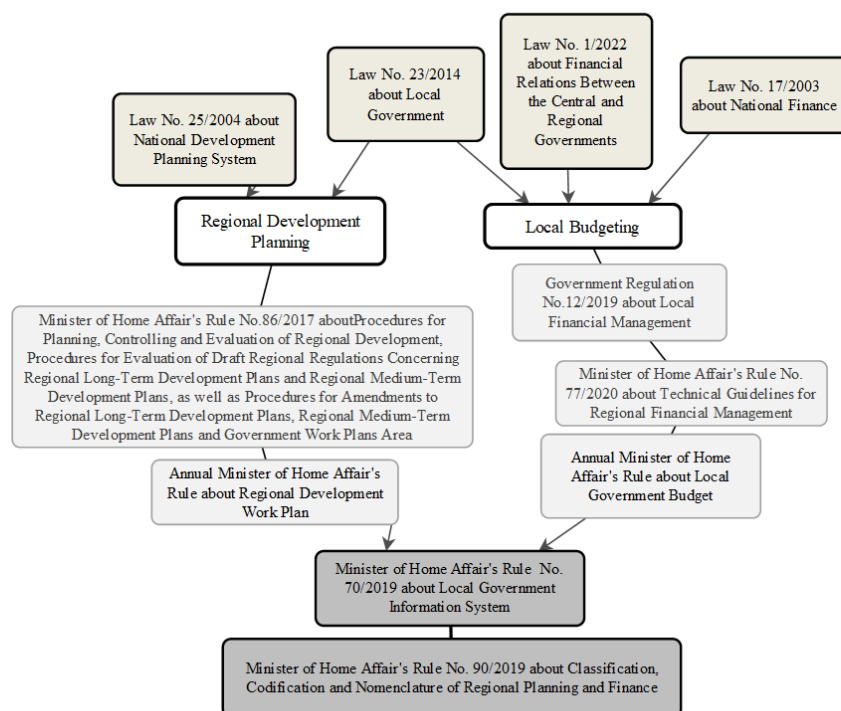
### Regional Planning and Budgeting Regulations in Indonesia

National development planning in Indonesia is based on Law No. 25/2004 on the National Development Planning System (SPPN). This law includes five regulation approaches: political, technocratic, participatory, top-down, and bottom-up. This principle also guides the provisions of regional development planning in Law No. 23/2014 on Regional Government. Regional development planning prepared by local governments according to their authority

becomes a unit with the national development planning system. This law is an update of Law No. 32/2004, which is no longer by the times.

The Ministry of Home Affairs then produced several regulations on planning and budgeting to update existing regulations. Minister of Home Affairs Regulation No. 86/2017 elaborates on the mandate of Article 277 of Law No. 23/2014 concerning Regional Government. To implement regional development planning, the Ministry of Home Affairs needs to establish a Minister of Home Affairs Regulation on Procedures for Planning, Control, and Evaluation of Regional Development, Procedures for Evaluating Draft Regional Regulations on Draft Regional Regulations on Regional Long-Term Development Plans, and Regional Medium-Term Development Plans, as well as Procedures for Changing Regional Long-Term Development Plans, Regional Medium-Term Development Plans, and Local Government Work Plan.

Provisions regarding regional financial management have changed in line with the



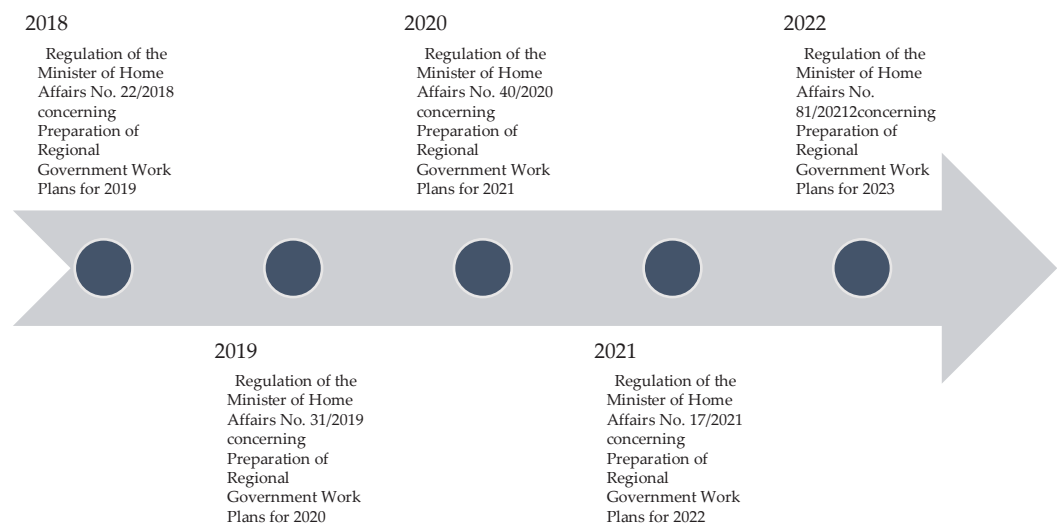
**Figure 2. Map of Regulations on Planning and Budgeting in Indonesia**

*Source: Processed by researchers, 2023*

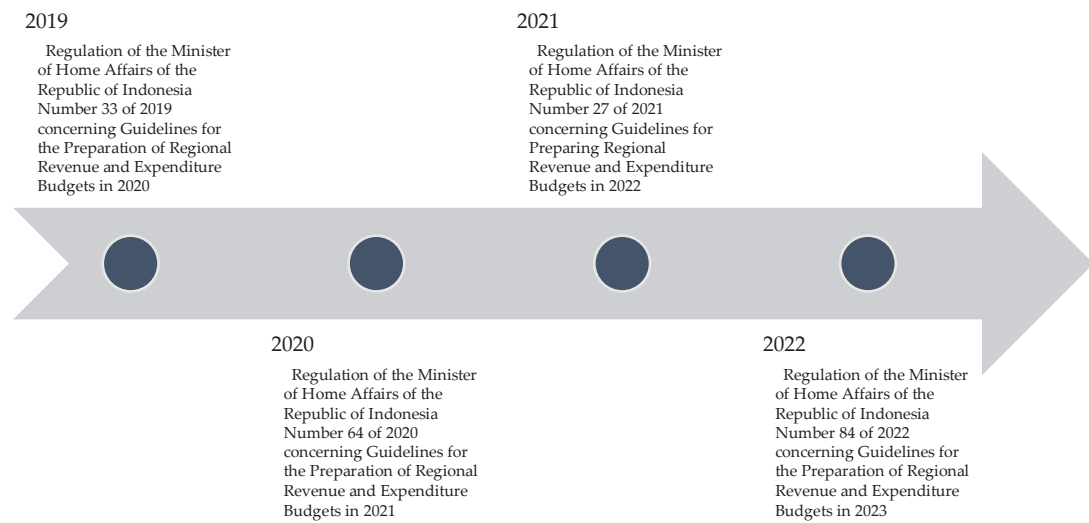
enactment of Law Number 23 of 2014. In articles 293 and 330 of the law, the government issued Government Regulation Number 12 of 2019. The issuance of PP Number 12 of 2019 does not necessarily revoke PP Number 58 of 2005 concerning Regional Financial Management. For provisions that do not conflict with PP Number 12 of 2019, local governments can still guide PP Number 58 of 2005.

Based on the Minister of Home Affairs Number 70 Regulation of 2019, Indonesia

applies a centralized and integrated local government information system through the Local Government Information System (SIPD). SIPD is the management of regional development information, regional financial information, and other interconnected local government information to be utilized to implement regional development. This system was born to enforce the obligations of Article 391 and Article 395 of Law Number 23 of 2014, which mandates that Regional Governments must provide Regional



**Figure 3. Guidance for Annual Regional Work Plans**  
*Source: Ministry of Home Affairs, Processed by researchers, 2023*



**Figure 4. Guidance for Annual Preparation of Regional Revenue and Expenditure Budgets**  
*Source: Ministry of Home Affairs, Processed by researchers, 2023*

Government information (Regional development information and Regional financial information) and can offer and manage other local government information. To support the SIPD, the Minister of Home Affairs issued Regulation of the Minister of Home Affairs No. 90/2019 concerning the Classification, Codification, and Nomenclature of Regional Planning and Finance. Regulation of the Minister of Home Affairs No. 90/2019 issuance was motivated by the condition of programs and activities implemented by local governments that have not fully referred to Law No. 23/2014.

### **Guidance in Planning and Budgeting**

The central government, through the Ministry of Home Affairs, prepares planning and budgeting guidelines for the rigid use of information systems. The central government prepares rigid and binding guidelines in development planning and regional budgeting. The procedure for implementing this central government policy in guiding regional development planning is also marked by the issuance of regulations on annual planning. Throughout the implementation of Law No. 23/2014 and Regulation of the Minister of Home Affairs No. 86/2017, regulations issued in preparing the Regional Development Work Plan (RKPD) as an annual plan are as follows.

In the budgeting process, the Ministry of Home Affairs issues guidelines for preparing the APBD, which is published annually.

Integrating planning and budgeting systems in SIPD is one form of integrated governance development. Interagency relationship management in WoG encourages increasing the government bureaucracy's capacity to manage relations vertically and horizontally (Dwiyanto, 2020). The development of integrated governance through SIPD continues to grow, marked by the establishment of the system as a general application. SIPD contains regional development and financial information and information on other local government entities. Regional development

information includes RPJPD, RPJMD, and RKPD. Regional financial information consists of KUA/PPAS and RAPBD, which are at the budgeting stage, as well as administration, accounting, and reporting for further details.

Local governments face top-down and bottom-up pressures in policy adoption and implementation, so the central government must rely on the lower-level governments to initiate and implement local policies (Zhuo et al., 2022). This guide should bridge top-down and bottom-up policies to accommodate regional interests based on the problems faced. Guidelines play an important role in policy implementation. Research in Chile found that transparency in the context of central and local government relations reveals the considerable influence of the central government in shaping policy implementation efforts but still requires the support of a combination of guidelines, sanctions, and law enforcement for local governments (Piña & Avellaneda, 2019). Consistency of guidelines is indispensable in facilitating work in organizational structures (Shepherd et al., 2019). Guidelines in the form of regulations are official documents used as guidelines in implementing a policy (Cahlikova & Mabillard, 2020). Guidance is significant in directing government work (Galizzi et al., 2018). Public policies in regional development planning are also needed to guide the way toward sustainable management and coherent distribution of resources (Thesari et al., 2021).

Similarly, the design of development planning guidelines in Indonesia is also directed within the sustainable development framework. One of the successes in the implementation of public policies is determined by adherence to the guidelines that have been prepared (Eaton & Kostka, 2017). Goal setting by the government that guides activity planning is required in the basic concepts of budgeting and budget control (Isaac et al., 2019)



### **Detection prevents non-conformities**

Identifying problems and maintaining timely information management about deviations in the process or any activity requires control detection (Lartey et al., 2020). Detection can be shown by evaluating the draft of regional long- and medium-term planning bylaws and facilitating the draft of annual planning documents. Local governments must commit to using domestic products to spend on goods and services, meaning that the central government tries to control the circulation of trade in domestic products in the development process.

The form of detection in the preparation of the APBD is the Evaluation of the Draft Regional Regulation on Regional Revenue and Expenditure Budget and Local Authorities Regulation on the Elaboration of the Regional Budget and Revenue Budget and Evaluation of the Regional Draft Regulation on Changes in the Regional Revenue and Expenditure Budget and the Draft Local Authorities Regulation on the Elaboration of Changes in the Regional Revenue and Expenditure Budget. This evaluation is to detect the suitability of higher laws and regulations, public interest, RKPD, KUA, PPAS, and RPJMD so that the implementation of development leads to achieving goals.

The central government carries out control in the form of detection through the evaluation process of the RAPBD. This process aims to detect if there is a discrepancy between the RAPBD and RKPD and KUA and PPAS. In addition, the APBD evaluation is intended to determine the synergy of Provincial Government and District/City Government Programs on National Development Priorities and the synchronization of District/City Government Policies with Provincial Development Priorities and Regional Development Priorities based on Regional Priorities. This stage also checks the consistency of the Activity Program and Sub-Activities in the RPJMD, RKPD, KUA, PPAS, and RAPBD. In addition, there are several regulatory mandates regarding calculating the

Allocation of Education, Health Functions, and Minimum Service Standard Compliance. Local governments should make commitments in Goods/Services Procurement Expenditures in the form of Domestic Products to ensure the use of domestic products in the implementation of development.

Based on the Minister of Home Affairs Number 70 Regulation of 2019, Indonesia applies a centralized and integrated local government information system through the Local Government Information System (SIPD). SIPD is the management of regional development information, regional financial information, and other interconnected local government information to be utilized to implement regional development. SIPD is also prepared as an electronic-based planning and budgeting system as mandated by Presidential Regulation 54 of 2018 concerning the National Strategy for Corruption Prevention (Strategi Nasional Pencegahan Korupsi/Stranas PK). A Joint Decree of Five Ministers: the Corruption Eradication Commission, Bappenas, the Home Minister, RB Menpan, and the Presidential Staff Office described with Stranas PK. This system is also part of the Electronic Based Government System architecture, which aims to produce integrated SPBE services nationwide. To implement national data governance in One Data Indonesia, SIPD is a system used to integrate planning, budgeting, and other government systems.

The Ministry of Home Affairs regulates the implementation of this SIPD as a tool to carry out guidance and supervision (pembinaan dan pengawasan/binwas) of efficient and effective local government administration considering the increasingly dynamic performance of regional governments. An integrated system, such as Open Government Indonesia (OGI), is essential to build government accountability and transparency. In addition, the system can also answer changes in work patterns to cyber-physical systems as a

form of adaptation as demanded by the Industrial Revolution 4.0. To reduce the high spending on information technology that has not been connected or is still stuck in system silos, making it inefficient and effective, expects SIPD. Based on the Ministry of Finance data, total central and regional ICT expenditures in 2014-2016 reached Rp 12.7 trillion.

To support the SIPD, the Minister of Home Affairs issued Regulation of the Minister of Home Affairs No. 90/2019 concerning the Classification, Codification, and Nomenclature of Regional Planning and Finance. Regulation of the Minister of Home Affairs No. 90/2019 issuance was motivated by the condition of programs and activities implemented by local governments that have not fully referred to Law No. 23/2014. It changes Regulation of the Minister of Home Affairs No. 13/2006 with various updates that allow regions to be creative in preparing programs and activities. In addition, in terms of presenting the budgeting structure, there are still differences in the financial reporting system, so it still needs to be converted. The central government has difficulty showing statistics on regional financial performance. Regarding the implementation of the duties and functions of restricted devices, there are still discrepancies with PP No. 18/2016 and its derivatives.

The Ministry of Home Affairs designs the regional planning and budgeting cycle in a centralized and integrated system through SIPD. This guideline also supports the implementation of the Regional Development Information System, as stipulated in Regulation of the Minister of Home Affairs Number 70 of 2019. In addition to being used in regional development planning and budgeting, this regulation is also guided in implementing regional financial administration, regional financial accounting and reporting, regional financial accountability, regional financial supervision, and analysis of other local government information. Classification,

Codification, and Nomenclature regulated in Regulation of the Minister of Home Affairs Number 90 of 2019 consists of affairs, fields of affairs, programs, activities, and sub-activities; function; organization; sources of funding; administrative areas of government; and accounts. This regulation, in principle, regulates three things: implementing the organization of affairs or elements; programs, activities, and sub-activities translate affairs or elements; and selecting programs, activities, and sub-activities based on tasks and functions. As the executor of affairs, the Local Department/Agency (Organisasi Perangkat Daerah/OPD) is formed dynamically and in stages to translate affairs technically based on laws and regulations. Programs, activities, and sub-activities translate affairs in local government to produce outputs based on performance indicators in achieving the vision and mission of Local Authorities by the provisions of laws and regulations. Based on its duties and functions, OPD will select, implement, and fund the programs, activities, and sub-activities available in Regulation of the Minister of Home Affairs Number 90 of 2019 to achieve local government goals based on the vision and mission of the Local Authorities. These programs, activities, and sub-activities are then formulated technically in tiered performance indicators. The purpose of this uniformity is not only to support the SIPD but also in the context of integrating and harmonizing regional planning and budgeting.

Detective controls are control mechanisms initiated to identify problems and maintain management timely information about deviations in any process or activity (Lartey et al., 2020). Preventive policy refers to government actions to intervene early in people's lives to reduce their need for acute and reactive public services (Cairney & Denny, 2020). This form of control prevents the risk of errors in policy implementation. Preventive control in this research refers to provisions containing central government intervention toward regional governments in regional budget planning.

A form of detective control before the planning documents implement facilitation. Decision-makers in the central government can prevent behavior that deviates from regulations by strengthening law enforcement in administrative agencies and regulatory enforcement and enhancing regional autonomous political culture, transparency, and integrity. (Uster & Cohen, 2022). Facilitation of the preparation of development planning documents is also carried out to strengthen integrity enforcement. Detective control is relevant to support and provide evidence of effective preventive control (Lartey et al., 2020). Advocacy of regional development planning policy reform at the central level facilitates the dissemination of such policies across provinces (Li et al., 2023). Facilitation is the early detection of local government irregularities in planning development, carried out by governments at higher levels, and the strengthening of control by the community (Lorda et al., 2023). Detection is a form of anticipation of deviations

in planning that supports accountability and control after implementation (ex-post) (Kim & Park, 2022).

### Coercion to Maintain Punctuality

The time limits and sanctions applied force local governments to arrange schedules and stages of planning and budgeting appropriately. Time limits also encourage local governments and DPRD to agree on budgeting by the set steps because otherwise, both will get sanctions. The central government regulates this to form a conducive climate in planning and budgeting discussions. With these restrictions, the construction will run smoothly.

As shown in the following table, another form of control in regional budgeting policies is coercive efforts in the form of restrictions, sanctions, and cancellations.

The central government provides a time limit in the regional budgeting process since the planning process begins. Establishing this restriction is intended to prevent delays

**Table 2.**  
**Forms of Coercion in Regional Development Planning Policy**

Forms of Coercion	RPJPD	RPJMD	RKPD
a. Restriction	The time limitation for determining the Draft Regional Regulation on RPJPD by the evaluated Local Authorities is six months after the previous RPJPD period ends.	The time limitation for determining the Draft Regional Regulation on RPJMD by the evaluated Local Authorities is six months after the elected regional leader is inaugurated.	There is a time limitation for each stage of preparing annual planning documents.
b. Penalty	Suppose the Regional Government administrator does not stipulate a Regional Regulation on RPJPD no later than six months after the previous RPJPD period ends. In that case, members of the DPRD and governors/regents/mayors are subject to administrative sanctions in the form of non-payment of financial rights stipulated in the provisions of laws and regulations for three months.	If the Regional Government administrator does not stipulate Regional Regulations on RPJMD, members of the DPRD and governors/regents/mayors are subject to administrative sanctions in the form of non-payment of financial rights specified in the provisions of laws and regulations for three months.	
	Governors who do not submit provincial regulations on RPJPD and RPJMD that have been determined are subject to administrative sanctions by the provisions of laws and regulations. Provincial Regional Regulations on RPJPD and RPJMD that have been determined no later than seven days are submitted by the governor to the Minister through the Director General of Regional Development in hardcopy and softcopy. Governors who do not submit regional regulations regarding RPJPD and RPJMD will receive administrative sanctions in accordance with the provisions of statutory regulations.		
c. Cancellation	Suppose the governor and DPRD do not follow up on the evaluation results, but the governor still establishes the draft Regional Regulation on RPJPD and provincial RPJMD into a Regional Regulation. In that case, the Supreme Court cancels the Regional Regulation on the recommendation of the Minister.		

Source: Ministry of Home Affairs Rule No.86/2017, Processed by researchers, 2023

in determining the local budget, which can cause delays in the implementation of regional development. Local governments are faced with the threat of sanctions for deviations from their roles, procedures, prescriptions, or policy mandates if they do not comply.

Coercion is also demonstrated by the requirement for local governments to use SIPD as the only planning and budgeting information system. It causes local governments to adapt planning and budgeting systems with other related systems, such as evaluation and reporting, which have been built independently and integrated.

Relationships between governments vertically form the functioning of policy-diffusion mechanisms, one of which is coercion (Ongaro et al., 2021). The relationship between the central and local governments can be coercive or cooperative (Oikonomou, 2020) and contractual (Smith et al., 2019). Coercion or coercion risks producing subversive strategies that undermine the change process and policy objectives, but it must at one time be done to keep policy implementation by applicable regulations (Kuhlmann & Bogumil, 2018). The central government implements these coercive measures to encourage regional compliance (Mallinson, 2020).

### **Reporting as Evaluation**

There are three types of evaluation of regional development planning results based on Regulation of the Minister of Home Affairs No. 86/2017: RKPD results, RPJMD Evaluation, and RPJPD Evaluation. This evaluation becomes a regional obligation that a predetermined periodization must fulfill. RKPD evaluation is carried out at least twice a year, namely in the middle of the year and at the end of the year. RPJMD evaluation is carried out at least in the middle and end of the RPJMD period. Similarly, with the RPJPD, at least local governments conduct evaluations in the middle and end of the period.

Meanwhile, based on PP No. 12/2019 and Regulation of the Minister of Home Affairs No. 77/2020, regions must submit a first-semester APBD Realization Report. This report is also a form of detection if developments are not by the general budget policy, circumstances that require budget shifts, emergencies, and extraordinary circumstances. Meanwhile, financial statements at the end of the APBD period include budget realization reports, reports on changes in excess budget balances, balance sheets, operational reports, cash flow statements, reports on changes in equity, and notes to financial statements.

Government control in the form of reporting based on other regulations, namely through Government Regulation Number 13 of 2019 concerning Report and Evaluation of Regional Government Implementation, mandates the preparation of Regional Government Implementation Reports (LPPD). The regulation is followed up by the Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 18 of 2020 concerning the Implementation Regulations of Government Regulation Number 13 of 2019 concerning the Report and Evaluation of Regional Government Implementation. With the issuance of the regulation, the performance report has been listed. It follows the President and Vice President's directives on simplifying reporting. Previously, the Performance Report of Government Agencies (*Laporan Kinerja Instansi Pemerintah/LKjIP*) was prepared separately by local governments based on the Regulation of the State Minister of State Apparatus Empowerment and Bureaucratic Reform Number 53 of 2014 concerning Technical Guidelines for Performance Agreements, Performance Reporting and Review Procedures for Performance Reports of Government Agencies. However, with the Circular Letter of the RB Ministry Number 5 of 2021 concerning Regional Government Performance Reporting, performance reports are no longer prepared separately by local governments.

Another report that must be prepared based on Government Regulation Number 13 of 2019 and Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 18 of 2020 by local governments is the Local Authorities Accountability Report (*Laporan Keterangan Pertanggungjawaban/LKPj*). LKPj is submitted by the Local Authorities to the Regional People's Representative Council. These regulations are sourced from regional planning and budgeting data and their realization, performance, and finance. This reporting is greatly influenced by information systems, maintenance and collection of appropriate reporting data, human resource capabilities in monitoring and evaluation, and compliance with reporting (Kaye-Essien, 2020). All reports are connected and use the same data, requiring system assistance to integrate. The conditions in Indonesia are almost the same as those in Malta. In reporting control, the Central Government of Malta created a regional government financial reporting policy to bridge the gap between the center and the regions, and to become the central government's control over the regions in terms of controlling excessive spending and borrowing by the regions (Caruana & Zammit, 2019). Meanwhile, studies conducted in Indonesia regarding the adoption by regional governments of budget reporting systems show that this adoption strengthens reporting transparency and limits the role of regions in determining budget allocations (Harun et al., 2020).

### **Control Mechanism Background**

Control through regional development planning was formed due to the implementation of Article 277 of Law Number 23 of 2014. Then, in 2019, the government issued Minister of Home Affairs Regulation Number 70 2019 concerning Local Government Information Systems (SIPD). This regulation changes the previous regulation, namely the Minister of Home Affairs Regulation Number 98 of 2018 concerning Regional

Development Information Systems, which has not regulated local government information in one connected system, so it needs to be replaced. To integrate and harmonize regional development planning and finance, the central government makes policies on the classification, coding, and nomenclature of regional development planning and finance that supports the Regional Government Information System (SIPD) through the Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 90 of 2019 concerning the Classification, Codification, and Nomenclature of Regional Development Planning and Finance. Changes to local government laws, mandated by articles 293 and 330 of Law Number 23 of 2014, require the central government to draft Government Regulation Number 12 of 2019 concerning Regional Financial Management and Minister of Home Affairs Regulation Number 77 of 2020 concerning Technical Guidelines for Regional Financial Management.

Geographical conditions and interaction with external actors are essential in shaping administrative reforms and trends in a country (Altowaitee et al., 2019). The Unitary State of the Republic of Indonesia is divided into provincial areas. The provincial area was further divided into regency areas and city areas. Each province, regency, and city area has a local government regulated by law. The number of provinces in Indonesia is currently 38 after previously numbering 34. The regencies/cities in Indonesia number 514 consist of 416 regencies, 98 cities, including one administrative regency, and five administrative cities.

Previous research has discussed the span of control about management practices such as supervision and control (Jacobsen et al., 2023). The span of control can be different at the same institution at various levels of the hierarchy, but it can also be different at the same level of control (Remenova et al., 2018). The central government controls regional planning and budgeting through



SIPD. The central government's control over the regions in planning and budgeting through the SIPD is carried out to achieve a wide span of control throughout Indonesia, consisting of many local governments. The control span of the upper level can affect the level of interaction with the level below (Thompson et al., 2019). In the application of e-government, the span of control has a positive and significant effect; the more span of control with automation, the better the implementation of e-government. The span of control determines organizational performance (Cheon, 2022).

Information and communication technology significantly change how humans live, interact with their environment, and reach large areas (Mahmood et al., 2020). One of the fields that has experienced significant development along with the development of Information and Communication Technology (ICT) is public services (Nasri, 2019). The central government's response to technological developments in the dynamics of regional planning and budgeting in Indonesia by reforming its information system. Global trends in electronic governance Changes in work patterns to cyber-physical systems as a form of adaptation in responding to the demands of the Industrial Revolution 4.0. There is a need for government accountability and transparency as a form of Open Government Indonesia (OGI).

Technology and innovation policies are increasingly applied in multilevel policy governance structures (Okamuro et al., 2019). The purpose of the adoption and utilization of technology by the government for organizational change is to encourage a more productive flow of information beyond the application of new technology (Chung et al., 2022). The application of government technology in many countries is closely related to efforts to increase government accountability as a democratic, trustworthy, and transparent governance mechanism with citizens (Harun et al., 2020). Technology architectures,

applications, and systems must be developed to enforce government guidelines, regulations, and orders quickly and promptly.

Another reason for the application of information technology in controlling regional planning and budgeting is the high expenditure of information technology that has not been interconnected (silo systems), so it is not efficient and effective (total central and regional ICT spending in 2014-2016 was 12.7 trillion – Director General of Treasury of the Ministry of Finance Government ICT budget efficiency. Kearney's report "Transforming Indonesia's e-government landscape" states that the Indonesian government spending on Information and Communication Technology (ICT) was IDR 21 trillion in 2020 (Akhmad, 2022). In 2021, this budget increased to IDR 23.4 trillion; in 2022, the ICT budget was IDR 24.0 trillion (Directorate General of Budget, 2021). Economic factors can significantly impact the implementation and effectiveness of e-governance initiatives (Bhati et al., 2023). The central government needs to conduct an in-depth study of economic feasibility to determine whether a particular technology or application is cost-effective, including whether it reduces costs and provides benefits (Mohammed et al., 2017).

One factor that influences the central government in preparing regional planning and budgeting governance is law enforcement, especially in preventing and eradicating corruption. The Ministry of Home Affairs is one of the persons in charge of this corruption prevention action along with the Ministry of Finance, the Ministry of National Development Planning / Bappenas, the Ministry of State Apparatus Empowerment and Bureaucratic Reform, and the Ministry of Communication and Information. Local governments, related agencies, and ministries/agencies must implement integrated planning and budgeting. The success criteria of this action are

the realization of interoperability of electronic-based planning and budgeting systems and improving the quality of planning and budgeting documents. This action is considered successful if it can realize the functioning of the connection between the planning and budgeting system at the central and regional levels as part of the implementation of the Presidential Regulation on Electronic-Based Government Systems. In addition, the functioning of connections between electronic-based planning and budgeting systems at the central and regional levels, as well as the implementation of Trilateral Budgeting and Performance in Ministries/Institutions. Based on indications of the functioning of the connection between electronic-based planning and budgeting systems at the central and regional levels, the Ministry of Home Affairs designed an integrative planning and budgeting system in the Regional Government Information System.

Accountability and proper regulation can reduce institutional setbacks such as corruption (Agyemang-Duah et al., 2018). Studies on the impact of e-Government in reducing corruption in 175 countries in 2003-2019 show that e-Government, accountability, political stability, economic wealth, and the Internet are determinants of significant corruption reduction (Castro & Lopes, 2023). Decentralized policy provision increases government efficiency and provides opportunities for innovation rather than adopting shared policies, leading to confidence in efficiency, policy specialization, and corruption reduction (Plaček et al., 2020). Regional planning and budgeting policies regulate the decentralization of local government affairs. In addition, integrating planning and budgeting in the SIPD is hoped to increase the efficiency of program preparation and implementation and prevent corruption. SIPD also needs to improve public transparency, which is still limited to internal government. In supervisory functions, prevention of misuse of public resources that

can cause interference and control relations is a need that can also be seen in the centralization of information systems and uniformity of programs, activities, and sub-activities. Through this policy, the Ministry of Home Affairs seeks to control the implementation of regional development according to its authority, affairs, and functions. For the efficiency and effectiveness of the guidance and supervision of local government administration, the implementation of regional government is increasingly dynamic, and so is an information system.

Establishing the authority and procedures to be followed, including matters related to budgeting, financial management, central government supervision of local governments, and needs regulations (de Vries & Nemec, 2019). Central government supervision of local governments is constant and depends on policy benefits and supervision costs (Gao et al., 2019). The government supervises, monitors, and provides transparency and accountability to public organizations through e-government (Al-Shbail & Aman, 2018). SIPD is also used as an out tool. If regulations are a series of commands that must be interpreted and enforced through supervision, hierarchy, and control, then in e-government, the commands given by software applications are self-enforcing (Contini, 2020). Coaching and supervision are closely related to the span of control (Jacobsen et al., 2022). With a narrow span of control, it will facilitate the coaching and supervision process (Adiputra et al., 2018).

The implementation of regional planning and budgeting policies through Permendagri Number 86/2017, Permendagri Number 70/2019, Permendagri Number 90/2019, PP Number 12/2019, and Permendagri Number 77/2020 provides benefits and challenges for both the central and regional governments. As a regulator, the benefits obtained for the central government are the availability of regional planning and

budgeting data nationally and the synchronization of national and regional programs. In implementing planning and budgeting policies, the Ministry of Home Affairs faces several challenges as a regulator. The central government must face the impact of the still developing system, namely the maturity of the information system and the span of control of all regions of Indonesia, which is quite large.

Implementing regional planning and budgeting policies also impacts local governments as policy implementers. These benefits include integration of planning and budgeting, synchronization of regional programs and national priorities, and guarantee of transparency and accountability of performance. In the implementation process, local governments face various challenges. The challenges for regions as policy implementers are the adaptation of new systems and interoperability of data with information systems related to performance evaluation.

Differences in regional responses occurred, among others, due to non-compliance with using SIPD by two provincial governments, one of which was Central Java Province. However, there are no sanctions for those who do not comply with the policy. Although some regions admit that this system is complex, they still comply with it because of the strong commitment of their regional heads. This means the regencies or cities must work twice to form a planning and budgeting database to conduct evaluations.

In implementing regional planning and budgeting policies, there are variations in regional responses to using information systems. Local governments can adopt innovations from other jurisdictions provided there is certain autonomy, such as that generated by decentralization (Lou et al., 2023). Open data initiatives are growing, but they can barely guide the publication and use of open data (Sheoran et al., 2023). The development happened to SIPD because SIPD access is still limited in the internal scope of the government.

## Conclusion

This study shows that regional planning and budgeting policies and guidelines also control the implementation of affairs decentralized by the central government. By issuing policies through regulations that open regional freedom in regulating their development (decentralized), the central government seeks to maintain balance by enacting information systems that tend to be centralistic. It is a characteristic of a unitary state in implementing decentralized governance that is looking for balance. Regional development planning guidelines show efforts to establish local autonomy and support accountability, efficiency, and effectiveness in mobilizing and managing regional resources to improve access and quality of regional competitiveness. However, in the following guide, the central government is trying to tighten the implementation of regional development by narrowing the choice of programs and activities. It shows that there is a form of control over the performance of local government affairs so that they remain within the corridor of the Law on Local Government.

This research contributed to the development of studies on the relations between different levels of government in public administration. Relations in the form of central government control over regions are not only during and after policies are implemented but have begun since policy formulation. Regional planning and budgeting have become a form of control in central and local government relations. Decentralization vs. centralization of the system establishes central government control over the exercise of local government authority. In addition, this research reinforces previous studies that there must be a balance in implementing regional autonomy through controls carried out by the central government. The practical implication of this study is that, based on the above findings, the government's decision to centralize monitoring, planning, and budgeting in

an information system needs to be reviewed. The central government needs to re-mature SIPD as a form of e-government to achieve efficiency and effectiveness of regional planning and budgeting governance. Simplification of procedures and optimization of the results of the preparation of planning and budgeting documents to evaluation and reporting complement this system as an integrated and comprehensive information system.

This research is limited to regional planning and budgeting, especially in applying information systems and regional freedom in preparing strategic planning up to the budgeting stage. Information from informants tends to be technical because researchers only dig from officials at the lower echelon level. Researchers experience difficulty interviewing policymakers. This research has not analyzed the practices in other areas with different characteristics from the areas used as the object of the case study. In addition, this study has not revealed the overall response of regions to the planning and budgeting policies currently implemented by the central government.

We recommend that the actors' role in policy formulation and implementation be explored more deeply for further research. In addition, the impact of these policies on the provision of public services in each sector can enrich the study of regional central relations. Based on the limitations of this research, the following research agenda that can be carried out is as follows. In the digital government cluster, topics that can be researched are the integration and use of financial data by central and local governments, interoperability of regional planning and financial data, and integration of planning and budgeting systems with monitoring, evaluation, and reporting systems. In addition, subsequent research can explore the background of the dynamics of policy change and measure how far control through regional planning and budgeting is carried out and the response of all regions in Indonesia to

the implementation of SIPD. The influence of SIPD on smooth financial administration and the influence of SIPD on local government SAKIP are the following topics that can be studied more deeply. In the political economy cluster, the following research can explore the impact of regional freedom in budget allocation and the DPRD's response to the phasing of planning and budgeting through SIPD.

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