University of Essex

Local Government Budgeting Practices in a Traditional Setting

Vogy Gautama Buanaputra

A Thesis Submitted for the Degree of
Doctor of Philosophy in Accounting

Essex Business School
University of Essex

May 2020

Acknowledgement

I would like to thank all of those who have supported me through my PhD study. This thesis would never have been possible without outstanding support and encouragement of many wonderful people.

Firstly, I would like to express my sincere gratitude to my supervisors, Prof. Shahzad Uddin and Dr. Shaila Ahmed, for their invaluable advice, continuous support, encouragement and motivation. Prof Shahzad, you have brilliantly shown me how to become a researcher and always pushed me to the limit. I am really thankful for your generous guidance throughout the years and providing me with valuable advice as to academic life. You have been an extraordinary mentor for my research. Dr. Shaila, I am thankful for your intellectual and mental support, especially during my challenging times in my first year of PhD.

My special gratitude to my lovely wife, Ratu, and my son, Kenzie, for their endless support and love. I am nothing without them. I would like to thank both of my parents Bapak and Mamah, Papa and Mama for their prayer and support during my PhD. I am also grateful to my brother, Gema.

My sincere thanks also go to all the research participants for sharing their perspective, trust and valuable time during my fieldwork. I am also thankful to all those who assisted me in the data collection process, especially Mr Noorviant, Mr Ilham, and Mr Sapto, for helping me to arrange interviews and for their hospitality.

I am grateful to my financial sponsor during my PhD, Indonesian Endowment Fund for Education (LPDP), under the Ministry of Finance, the Republic of Indonesia, for the opportunity and financial support which has enabled me to pursue PhD program. I would also like to thank my employer, Gadjah Mada University (UGM), especially my senior colleagues, Prof Slamet Sugiri, Prof. Bambang Riyanto, Dr. Sumiyana, Dr. Irwan Taufiq Ritonga and Mr. Irfan Nursasmito for their endless support.

Last but not least, my extend gratitude to my brilliant PhD colleagues at EBS who have always inspired me with their hard work. I am also grateful to my Indonesian-Colchester fellows, who have enabled me to become the president of Indonesian Student Association Chapter Essex.

Abstract

This thesis demonstrates the interactions of key players in government budgeting, i.e. Executive and Legislative in a traditional setting. Drawing on Weber's (1964) traditionalism and Black's (2008) legitimacy and accountability relationships guided by Archer's (1995) morphogenetic approach as the broad methodology, it seeks to understand the interactions of key players in government budgeting practices situated in a traditional setting, and to explain how and why traditional domination in organisations continues to survive or is at least perceived as legitimate amidst the wave of modernity through the enhancement of formal rationality. This study undertakes a case study in a local government in Indonesia.

Amidst the absence of a study of the interactions of Executive and Legislative in the budgeting process, this case study provides an in-depth picture of how the key budgeting players undertake budget decision making. It also depicts that formal bureaucratic control of the local government is also influenced by the control logic imposed by strong family groups, promoting the intervention of familial control over the formal bureaucratic mechanism, thus causing budgeting practices to also serve the whim of family groups. Interestingly, contrary to previous studies on accounting in traditional settings, this thesis found the strategic role of government budgeting as an accountability mechanism to maintain the legitimacy of strong family groups to 'rule' the local government or to maintain the status quo. The frameworks of both Weber and Black are very useful in explaining why the budget is also used to serve familial interests and as an accountability mechanism.

This thesis contributes further to the study of the interaction of Executive-Legislative in the budgeting process, depicting how they interact and exercise their power to achieve a consensus on the budget. It also contributes to accounting studies in traditional settings, exploring the role of accounting as an accountability mechanism, a finding contrary to that of previous studies.

Table of Contents

Acknowledgement i
Abstract ii
List of Abbreviations vii
List of Figures and Tables viii
Chapter 1: Introduction 1
Chapter 2: Literature Review 12
2.1. Introduction 12
2.2. Government Budget and the Key Players 12
2.3. Legislative-Focused Studies 15
2.3.1. The Role of the Legislative 15
2.3.2. Coalition and Power Sharing 17
2.3.3. Empirical Studies 19
2.3.4. Summary of Legislative-focused Studies 25
2.4. Executive-Focused Studies 25
2.4.1. The Role of the Executive 25
2.4.2. Enhancing Executive Power due to NPM Reforms 27
2.4.3. The Salient Role of the Head of Government 29
2.4.4. Empirical Studies 31
2.4.5. Executive-Legislative Interactions 33
2.4.6. Research Gaps and the Importance of the Study 37
2.5. Weber's Rationality and Relevant Theoretical Perspectives 42
2.5.1. Formal Rationality 43
2.5.2. Substantive Rationality 45
2.5.3. Traditionalism 52
2.6. The Role of Accounting as an Accountability Mechanism 54
2.7. Summary of Research Gaps 56
Chapter 3: Philosophical Stance 58
3.1. Introduction 58
3.2. Objectivism and Relativism 58
3.3. The Third Way between Relativism and Objectivism 62
3.4. Critical Realism as the Philosophical Stance of this Research 71
3.5. Archer's Morphogenetic Approach 72
3.5.1. Structural Analysis 72
3.5.2. Culture 76
3.5.3. Agency Analysis 77
3.5.4. Social Action 79

3.6. Conclusion 81
Chapter 4: Theoretical Framework and Methodology 82
4.1. Introduction 82
4.2. Conditioning Structure 85
4.2.1. Formal vs Substantive Rationality 85
4.2.2. Legitimacy Environment and Family Domination 89
4.3. Social Interaction 92
4.3.1. Informal Control Intervenes Bureaucratic Control 92
4.3.2. Expressing Loyalty to the Master (Family/Clan) 93
4.3.3. Protecting and Validating the Legitimacy of Traditional Domination 94
4.4. Outcomes 96
4.5. Conclusion 99
Chapter 5: Research Methods and Data Analysis 100
5.1. Introduction 100
5.2. Case Study and Data Access 100
5.3. Data Collection 103
5.3.1. Documents 104
5.3.2. Interview 105
5.3.3. Observation 108
5.4. Data Analysis 109
5.5. Ensuring Quality 115
5.6. Conclusion 116
Chapter 6: Structural Conditioning of Indonesia and SLG 117
6.1. Introduction 117
6.2. Profile of Indonesia 118
6.3. Political History of Indonesia 119
6.4. Formal Rationality of Bureaucratic Administration in the SLG 121
6.4.1. Local Government Budget Structure 123
6.4.2. Local Government Planning and Budgeting Relationship 125
6.5. Substantive Rationality in the SLG 130
6.6. The Legitimacy of the Royal Families 135
6.7. Conclusion 139
Chapter 7: The Social Interactions of Key Players in the SLG 141
7.1. Introduction 141
7.2. The Players 142
7.2.1. The Executive Players 142
7.2.2. The Legislative Players 143
7.3. Familial Logic Intervenes the Rational Bureaucratic Logic 144

7.3.1. Cultural Affairs 145
7.3.2. Familial Control Intervenes the Bureaucratic Process and Opportunism of Royal Families 148
7.3.3. Land and Spatial Affair 151
7.3.4. Land Conflicts and Weak Land Documentation 154
7.3.5. Familial Control Intervenes Land and Spatial Affair 157
7.3.6. Opportunism of Royal Families over the Utilisation of Land 161
7.4. Legislative Attempts to Interfere with 'Open Arena' 164
7.4.1. Poverty, Inequality, and Life Expectancy Narrative (Attacking the Executive) 165
7.4.2. Legislative's Reluctance on the Privileged Affairs 170
7.4.3. Legislative's Vested Interest 174
7.5. Expressing Loyalty to Governor 177
7.5.1. Justifying the Poverty and Inequality Issues 178
7.5.2. Preventing Legislative's Involvement in the Privileged Budget 183
7.5.3. Responding Legislative in the 'Open Arena' 185
7.6. Protecting Legitimacy of Traditional Domination and the Role of Budgeting 190
7.6.1. Producing Decent Programs 193
7.6.2. The First Local Ombudsman in Indonesia 198
7.6.3. 'Among the Best of Democratic Practices' 201
7.7. Validating the Legitimacy 204
7.8. Conclusion 205
Chapter 8: The Outcome of Social Interactions in the SLG 211
8.1. Introduction 211
8.2. Familial Control to Serve Familial Interest 211
8.3. Personal Loyalty and Obedience to Governor 220
8.4. Strong Governor and Executive 223
8.5. Weak Legislative 228
8.6. Vice Governor Involvement 232
8.7. The Critical Role of EBT - Fictive Kin 233
8.8. Strategic Role of Budget to Preserve Legitimacy 236
8.8.1. Maintaining Status Quo 236
8.9. Conclusion 238
Chapter 9: Theoretical Discussion and Analysis 242
9.1. Introduction 242
9.2. Conditioning Structure 245
9.2.1. Formal vs Substantive Rationality 245
9.2.2. Legitimacy Environment and Southern Kingdom Domination 247
9.3. Social Interaction 250

9.3.1. Southern Kingdom's Logic Intervenes Bureaucratic Mechanism 250
9.3.2. The Opportunism of Royal Families to Gain Allocation 251
9.3.3. Expressing Loyalty to King Southern and Bureaucrats' Manoeuvres over Legislative Intervention 253
9.3.4. Strategic Manoeuvres of the Key Actors to Protect Legitimacy by Deploying Budget 255
9.3.5. Validating Legitimacy Claims by the Legitimacy Communities 260
9.4. Outcomes 260
9.5. Conclusion 266
Chapter 10: Conclusion 268
10.1. Introduction 268
10.2. Research Summary and Findings 268
10.3. Research Contributions 277
10.3.1. First Contribution 277
10.3.2. Second Contribution 281
10.3.3. Practical or Policy Contribution 285
10.4. Research Limitations 287
10.5. Future Research 289
References 291
Appendix 312

List of Abbreviations

BGP	Budget General Policies
BID	Budget Implementation Document
EBT	Executive Budgeting Team
HDI	Human Development Index
HDR	Human Development Report
IDI	Indonesian Democratic Index
KPK	*Komisi Pemberantasan Korupsi* (Corruption Eradication Commission)
LGAPR	Local Government Accountability Performance Report
LGPAS	Local Government Performance Accountability System
MPF	Manager of Public Finance
RPA	Regional Planning Agency
RRA	Regional Revenue Agency
SL	Southern Land
SLG	Southern Local Government
TBCP	Temporary Budget Ceilings and Priorities
UNDP	United Nations Development Programme
WBP	Work and Budget Plan
WL	Western Land

List of Figures and Tables

Figures

Figure 3.1. Different Types of Social Relations..... 73
Figure 3.2. Social Action and the Morphogenetic/Static Cycle. 80
Figure 4.3. Budgeting Practices in Traditional Settings 84
Figure 6.4. National-Local Government Structure..... 121
Figure 6.5. Local Govemment Budgeting Process..... 128
Figure 7.6. National and SLG Economic Growth..... 166
Figure 7.7. Sectoral Economic Growth Contribution..... 167
Figure 7.8. Poverty Level of Indonesia and SLG..... 168
Figure 7.9. Inequality Level in Indonesia and SLG 169
Figure 9.10. Actual Budgeting Practices in the SLG..... 244

Tables

Table 5.1. The Main Coding Schemes..... 112

Chapter 1: Introduction

This study is concerned with the interaction between the key players, namely the Executive and Legislative, in local government budgeting practices in traditional settings. Jones and Pendlebury (1992) define budgeting as the process through which governments determine how much resource to spend on particular programmes and limiting expenditure of the revenues available to prevent overspending. Because of its critical role, government budgeting has gained much attention from public finance researchers (Lapsley *et al.*, 2011). Previous studies have extensively investigated the nature of budgetary behaviours, characterised by the outputs and outcomes produced by rational decision-making processes (e.g. Wildavsky, 1975; Jacobs, 1995; Serritzlew, 2005). Since budgeting is not merely a rational process and involves multiple rationalities (Covaleski and Dirsmith, 1986), relying on budgetary output and outcome analysis is inadequate to fully explain the overall picture of the budgeting process (Jönsson, 1982). Thus, in-depth studies on the dynamics of the budgeting process between the key players are critical. Nevertheless, such studies have so far gained little interest (Anessi-Pessina *et al.*, 2016).

More importantly, examining the processual dynamics of budgeting requires an understanding of the role of the key players in the decision-making process. Generally, the Executive branch is responsible for running the government and is headed by an elected official (President/Prime Minister or Governor at a national or local level, respectively). They execute laws and consist of ministries or agencies. The Legislative branch is the balancing power of the Executive and responsible for producing laws (Posner and Park, 2007). In the budget, the Executive formulates and proposes the budget draft for further discussion and approval by the Legislative. Understanding the role of the key budgeting players is extremely important since previous studies argue that government budgeting practices, at all government levels, are

primarily determined by the interactions of key players, including their power and conflicting interests or multiple rationalities (Wildavsky, 1964, 1992; Giroux *et al.*, 1986; Lienert, 2005; Lapsley *et al.*, 2011; Posner, 2011).

Although the interactions and the role of the key players throughout the budgeting process is essential to understanding the budget outcomes, previous studies depict that Executive and Legislative interactions on budgeting, at all government levels (state and local level), primarily focus more on either the manoeuvres of the Executive (e.g. Abney and Lauth, 1998; Cheibub, 2006; Dometrius and Wright, 2010; Breunig and Koski, 2020) or the manoeuvres of the Legislative (e.g. Roubini and Sachs, 1989a; Askim and Hanssen, 2008; Lapsley *et al.*, 2011; Célérier and Cuenca Botey, 2015; Saliterer *et al.*, 2019). However, both streams of studies tend to discuss how either player shapes the budgeting practices without sufficient understanding of the budgeting process dynamics between the Executive and Legislative, which involves various rationalities between them to achieve a consensus on the budget. These studies also highlight how the role of the Head of Government, namely the Governor, is the leader of the Executive as well, and is thus one of the most influential players; yet how they shape the budgeting process remains under-researched (Hale, 2013; Bernick, 2016).

Thus, while the role and interactions of key actors are essential to understand the government's budgeting process, there are few studies which provide an in-depth examination of the role and the internal dynamics existing within the process between the key budgeting actors in government budgeting practices (Rubin, 2015; Anessi-Pessina *et al.*, 2016). The budgeting process has several stages, beginning with the Executive formulating the budget (preparation), and then passing it to the legislature system for budget consideration, possible amendments and approval, ultimately followed by implementation and evaluation (Hallerberg and Marier, 2004; Lee Jr *et al.*, 2012). The interactions between key players occur when the

Executive submits the budget draft to the legislature for deliberations and approval; this subsequently becomes the most critical stage of the budgeting process. It is necessary to look at the interactions between the key players, since the budget process and outcomes are primarily determined by the interactions of these players (Covaleski and Dirsmith, 1986; Cheibub, 2006; Posner, 2011; Kuruppu *et al.*, 2016). Their interactions, at all government levels, whereby they are required to achieve a consensus to finalise the budget, are the critical stage of the budget process since they determine how much of the economy should be devoted to the government through tax (Posner, 2011). Also, they need to agree how to allocate the spending of limited resources to programmes and activities (ibid). In other words, it is the arena in which the decision makers, i.e. the Executive and Legislative, meet to discuss, negotiate, compromise and approve all government affairs and policies that are reflected in the proposed budget. In turn, the budget outcomes and policies they generate are central to the economic performance of a government or a country (Cheibub, 2006). Thus, the interactions of key players are the most critical stage of the budgeting process since the most important decision made by the key players, such as fund allocation, is determined by the consensus between them.

Investigating the interactions of Executive and Legislative power is also important since it may demonstrate how each player exercises their power to influence the fund allocation process in order to pursue their vested interest. Previous studies have demonstrated that concentration of power in the Executive leads them to control the management control practices without adequate Legislative's consideration (Tambulasi, 2007; Kuruppu *et al.*, 2016), and may even undermine democratic accountability due to the minor role that the Legislative consequently bears during budget decision making (Haque, 2001). Similarly, more Legislative power in the budgeting process may also encourage the budget allocation process to focus on fulfilling the electoral interest of the legislators to their constituents, making them reluctant to

focus on targeted objectives (Askim and Hanssen, 2008; Bourdeaux, 2008; Kuruppu *et al.*, 2016).

Theoretically, investigating the interactions between the key players in the budgeting process is even more important in a traditional setting; a setting that is commonly found in less developed countries, if considering their specific structural and socio-cultural conditions. These specific structural conditions, i.e. traditionalism, are neglected by previous studies on government budgeting. These conditions may enable accounting practices, including budgeting, are intended to serve not only the interest of the public but also the interest of strong family groups (Uddin *et al.*, 2018). On the one hand, Fassin and Gosselin (2011) argue that a government should play their role as public service delivery so that the activities that are reflected in their budget accommodate the interest of the public. In turn, since they manage the public fund, they are required to provide accountability in the financial sector, including their budgeting practices (Uddin *et al.*, 2018). Nevertheless, government bodies in a traditional setting are dominated by the interest of family groups and their kin (ibid.). Thus, theoretically, by considering the structural conditions and socio-cultural context in traditional settings, the interactions of the Executive and Legislative in the budgeting process may not necessarily be intended for solely providing public service delivery or accommodating the key players' political interest, but to also serve the interest of strong family groups. Consequently, it is even more essential to investigate the interactions of key players in the government budgeting process in a traditional context. This demonstrates that government budgeting practices, particularly in less developed countries, may require better theorisation by employing Weber's formal rationality vs traditionalism. The traditional setting will be further justified after the first research question.

Thus, it leads the power battle between the Executive and Legislative in the budgeting process to become a fruitful research area that may exhibit the conflicts between them when

they interact with each other (Rubin, 2015). Although the gaps seem to occur at all government levels, empirically, this thesis investigates Executive-Legislative interactions at a local government level. Hence, this thesis aims to fill this gap by investigating how the key players shape the local government budgeting process. In particular, this thesis focuses on examining the interactions and the role of the key players in the local government budgeting processes in a traditional setting. Thus, it proposes the first research question.

> How does the interaction of the key players influence the local government budgeting processes in a traditional setting?

Hence, this thesis draws on Weber's (1964) work on rational vs. traditionalism to better understand the local government budgeting practices in a traditional setting. Previous studies have demonstrated that structural conditions and socio-cultural contexts have significantly affected management control practices, including budgeting, in less developed countries (Efferin and Hopper, 2007; Hopper *et al.*, 2009). According to Colignon and Covaleski (1991), the analysis of structural conditions and socio-historical context can be undertaken through Weber's rationality concept. Previous studies have also depicted that the manoeuvres of the budgeting key players are profoundly influenced by their multiple rationalities (Wildavsky, 1961; Covaleski and Dirsmith, 1986; Saliterer *et al.*, 2019), so that power dynamics between them also need to be understood from a rationalities perspective. The rationality perspective may shape how previous research captures the internal dynamics process between the key players and its budget outcomes. Weber (1964) implies that the tensions between formal and substantive rationality determine the domination and resistance among social groups. Formal rationality is value-neutral and only accepts particular types of calculation, such as accounting models in the West (Uddin, 2009). It is also viewed as the heart of modernity, as commonly

found in Western countries (Sayer, 2002). Thus, formal rationality perceives the budget as a neutral device for resource allocation. Dyball *et al.* (2006) further explain these structural conditions in the Western context. Western-style bureaucracy, or a modern variant of state, keeps the institutions of market, state, and community autonomous and separate. This feature makes accountability mechanisms, including budgeting, lean towards the objective and ephemeral. Thus, studies within this perspective see the attempts of key players to create an effective allocation of the fund so that budget deficit can be minimised, and are primarily dominated by a functionalist or positivism paradigm (e.g. Sharkansky, 1968; Cheibub, 2006; Breunig and Koski, 2020).

Nevertheless, Weber (1964) acknowledges that the development of a formal rationality of bureaucracy in modern governments is partly realised but limited, and so substantive rationality would fill in the gaps. Hence, bureaucratic structures of formal rationality are themselves entwined with substantively rational concerns of politics (Radcliffe, 1997). Studies prior to this find budget decision making to also be influenced by the vested interest of specific actors or groups (e.g. Covaleski and Dirsmith, 1986; Cuganesan, 2017; Saliterer *et al.*, 2019). Alternative paradigms such as interpretivism and critical are commonly employed in these streams of study.

Weber also recognises a specific form of substantive rationality, i.e. traditionalism, that is commonly found in less developed countries, due to its very different structural and socio-historical context (Dyball and Valcarcel, 1999; Uddin, 2009). Although previous studies in less developed countries have depicted the significant influence of the structural conditions and socio-cultural context on management control practices (e.g. Wickramasinghe and Hopper, 2005; Efferin and Hopper, 2007), government budgeting literature neglects this specific form of substantive rationality, i.e. traditionalism, and so the budgeting process should also be examined in a traditional context.

Drawing on Weber's (1978) characterisation of modern/rational and traditional settings, Dyball *et al.* (2006) further highlight the differences between modern/rational and traditional societies. They argue that the institutions of market, community, and state are kept separate and autonomous in rational/modern societies. In contrast, these institutions are conjoined in traditional societies, which lead the accountability relationships to lean towards personal and perpetual as opposed to the objective and ephemeral as found in developed countries. This suggests that the role of accounting, as an articulation of accountability relationships, is muted if not ignored in traditional settings.

Thus, Weber (1978) articulates traditional settings as those in which traditional values supersede rational and legalistic models of society and economy. Uddin *et al.* (2018, p. 424) highlight that this structural condition makes the institutions of family groups and clans powerful and enduring in traditional settings. Consequently, it creates the form of substantive rationality to serve the interest of family groups (Dyball and Valcarcel, 1999; Uddin *et al.*, 2018). Dyball and Valcarcel (1999) explain that in traditional settings economic activities promoting the property and productive capacities of individual economic units are geared primarily towards satisfying the needs and preferences of the master or family/clan. This has been demonstrated by previous studies in the context of less developed countries (Dyball and Valcarcel, 1999; Uddin and Choudhury, 2008; Uddin, 2009; Uddin *et al.*, 2018). Weber (1964, p.347) further delineates a traditional setting: "The person exercising authority is not a 'superior', but a personal 'chief'. His administrative staff does not consist primarily of officials, but of personal retainers. Those subjects to authority are not 'members' of an association, but are either his traditional 'comrades' or his 'subjects'. What determines the relations of the administrative staff to the chief is not the impersonal obligations of office, but personal loyalty to the chief. Obedience is not owed to enacted rules, but to the person who occupies a position of authority… who has been chosen for such a position." Thus, personal loyalty and obedience

to the Master, the Master-servant relationship, and obedience to personal rather than formal authority are the key features of traditionalism (Uddin, 2009; Uddin *et al.*, 2018). Drawing on previous studies on accounting practices in traditional settings, this thesis views a traditional setting as specific structural conditions, generally situated in less developed countries, that may enable accounting practices, including budgeting, to be used to serve the interest of personal or family groups rather than to provide accountability to the wider stakeholders.

Fassin and Gosselin (2011) argue that a government undertakes the conventional role of controller, provider of external infrastructure, and receiver of levies in a modern/rational setting. A government is also liable to create accountability in the financial sector (Goddard, 2005; Ríos *et al.*, 2016). Furthermore, Weber (1964) articulates that the operation of a government is based on the law which constitutes a form of bureaucracy, and the establishment of an impersonal office whose members owe allegiance not to the officeholder, but rather to the office itself. Nevertheless, organisations, such as governments, situated in a traditional setting may expect that the allegiance of the members is not necessarily to the office itself, but to the officeholders or Master/family. Consequently, the family groups and their kin may impose their influence over organisational accounting practices, including budgeting, which in turn may affect the outcome of accounting practices. Hence, family groups and their kin overpower state or state-like organisations in a traditional setting (Uddin *et al.*, 2018). Against this background, this thesis examines the role of key budgeting players in a traditional setting, looking at how the Executive exerts their power; what kind of strategies they employ to defend their proposed budget; how the Legislative uses their power to respond the proposed budget; and whether there are vested interests of the key players involved during the process. More importantly, it also investigates whether key features of traditionalism are able to better explain government budgeting practices in a traditional setting.

Thus, given the importance of structural conditions, such as culture, political institutions and economic uncertainty in less developed countries, this study employs Weber's (1964) notion of the rational vs the traditional to understand management controls, including budgeting, especially in a traditional setting. The tensions between formal rationality and traditionalism provide a basis for investigating accounting practices, including budgeting as both an input to and an outcome of social process (Uddin, 2009). It also attempts to understand why rational/ideal accounting does not appear to capture local complexities in less developed countries.

Furthermore, amidst the wave of modernisation of organisations through the development of formal rationality (Sayer, 2002), it perhaps raises a question of why family domination preserves its legitimacy in organisations situated in traditional settings, including local governments. Previous studies have shown the weak role of accounting as an accountability mechanism in traditional settings (Dyball *et al.*, 2006). Nonetheless, Black (2008) argues that an accountability mechanism is a strategic device to maintain legitimacy. It implies that government budgeting, as an accountability mechanism, may be essential for organisational legitimacy, including in traditional settings. Nevertheless, while ensuring public accountability tends to focus on year-end reporting (Broadbent and Guthrie, 2008), Anessi-Pessina *et al.* (2016) argue that the role of public sector budgeting as an external accountability mechanism remains underexplored.

More importantly, no previous public budgeting studies employ theorisation, which depicts the government budget at all levels as an accountability mechanism to obtain organisational legitimacy. Instead, some literature argues that accountability and legitimacy are sometimes viewed as a contrasting concept (Deegan, 2007; Costa *et al.*, 2019). Hence, it suggests that detailed empirical investigations and a sound theoretical understanding of the

interactions of the key players in government budgeting practices in traditional settings are essential. Thus, this study proposes the following research questions:

> Do key players employ local government budget as an accountability mechanism in a traditional setting? If so, how and why?

Drawing on Black's (2008) work, Weber's traditionalism will be further elaborated from the position of the accountability and legitimacy of the key actors in government budgeting practices. The deployment of Black's (2008) model will help to explain why and how family domination in organisations continue to survive or are seen as legitimate in less developed countries. These notions are also guided by Archer's (1995) morphogenetic approach as the broad methodology. This will be further justified in Chapter 3 and 4.

Empirically, this study is conducted in a local government in Indonesia (anonymised as Southern Local Government or SLG). This setting provides an excellent opportunity to understand local government budgeting practices in a traditional context. The region of SLG was occupied by one big kingdom (anonymised as the Southern Kingdom) and one smaller kingdom (anonymised as the Western Kingdom). After the independence of Indonesia, both kingdoms merged with the country and were granted status as a local government equal to a province. The Indonesian government also awarded privileged authorities to the SLG whereby the Head and Deputy of the local government would automatically be occupied by the King of Southern and King of Western, respectively. On the one hand, the status of the SLG as a local government represents the formal rationality of bureaucratic administration, which is the primary element of modernity (Sayer, 2002). On the other hand, the presence of traditional leaders in the SLG may also raise different substantive rationality in the local government since the royal families still possess their powers and legitimacy in the region through their kings,

namely the intervention of royal families' interest in government affairs. This empirical site of study will be discussed in Chapter 6.

This thesis is organised as follows. Chapter 2 presents a literature review of Executive-Legislative interactions in the government budgeting process and relevant theories to explain this phenomenon, followed by Chapter 3 which describes the philosophical stance of this thesis and its working methodology derived from this philosophical stance. Chapter 4 discusses the theoretical frameworks and its consistency with the philosophical stance and working methodology. Chapter 5 explains the research methods and data analysis. This is followed by three chapters which describe the empirics of the case study, specifically: Structural conditioning of Indonesia and the SLG; The social interactions of key players in the SLG; and the outcomes of social interactions in the SLG. Chapter 9 depicts theoretical and analytical discussion of the empirical data, and Chapter 10 discusses the contribution this thesis produces to existing literature and the policy implications of this study.

Chapter 2: Literature Review

2.1. Introduction

The objective of this chapter is to systematically review the relevant literature on local government budgeting practices. It focuses on the interactions of the key players, namely the Executive and Legislative, on budgeting practices at all government levels. However, empirically, this thesis focuses on the interactions of key budgeting players at local government level. This chapter begins the discussion of previous studies on Executive or Legislative interactions, which mainly focus on either the manoeuvres of Executive or Legislative. The second section discusses the rationality perspective of public budgeting literature that conditions the key actors in the budgeting process, which is captured from Weber's rationality perspective. It also examines the relevant theories employed by previous studies to explain the interactions of the key players in government budgeting practices, focusing on how they use the theories and disadvantages of each theoretical approach. Simultaneously, it also identifies the theoretical gaps in the literature. The final section summarises the empirical and theoretical gaps that form the basis of constructing the research questions that this research seeks to address.

2.2. Government Budget and the Key Players

Government budgets represent financial plans which specify how public resources are going to be consumed to meet policy goals (Ríos *et al.*, 2016). Jones and Pendlebury (1992) define budgeting as the process through which governments decide how much to spend on what, limiting expenditure to the revenues available, and preventing overspending. Budgeting plays an essential role in public organisations since a large share of a country's income is managed and allocated through public budgets (OECD, 2014). Due to its central role, the government

budget critically impacts the lives of every citizen (Ríos *et al.*, 2016). It is not surprising that Wildavsky (1961) perceived budgeting as the lifeblood of government; the financial depiction of what the government does and aims to do. Consequently, Lapsley *et al.* (2011) argue that the government budget has become a subject of enduring interest for public finance scholars.

Generally, previous public budgeting literature, including government budgeting studies, has viewed the shifted focus of the budget as an organisational control mechanism based on input towards control mechanisms through the desired output and outcomes (Broadbent and Guthrie, 2008). The budget output and outcomes are seen as a result of a rational decision-making process. Hence, previous public budgeting studies have extensively examined the budgetary behaviour characterised by its output and outcomes (e.g. Sharkansky, 1968; Wildavsky, 1975; Roubini and J. D. Sachs, 1989; Jacobs, 1995; Pettersen, 1995; Northcott and Llewellyn, 2003; Serritzlew, 2005; Cheibub, 2006).

However, Jönsson (1982) warns that government budgeting is not necessarily a rational process of resource allocation. Instead, he explains that the budgetary process is characterised by a multitude of rationalities at play since the allocation of resources between programmes is not necessarily based on rational decision making. It is compounded in many areas by a lack of acceptable measures of output and incomplete knowledge of how means are related to ends in the input/output transformation. Hence, public sector budgeting, including government budget, takes place in an ambiguous environment where rational behaviour is difficult (Jönsson, 1982). Nevertheless, the complexities of the government budget process could not necessarily be captured by focusing on the outputs of the budget process per se but should rather dig deeper into the processual dynamics of budgeting (ibid.).

More importantly, understanding the government budget process requires an in-depth understanding of the role of the key players in the decision-making process. Previous studies argue that government budgeting practices are mainly shaped by the interactions between key

players and how they practice their power and politics with conflicting interests in the process (Wildavsky, 1964; Giroux *et al.*, 1986; Goodman, 2007, 2008; Lapsley *et al.*, 2011; Kuruppu *et al.*, 2016). Prior studies have also identified two dominant players in budgeting, i.e. the Executive and the Legislative (Lienert, 2005; Goodman, 2007; Posner and Park, 2007; Lu and Xue, 2011).

The Executive is generally the branch of government exercising authority in and holding responsibility for the governance of a government. They execute and enforce the law. Substantially, the Executive is the 'manager' of a government, headed by an elected or appointed person (Abney and Lauth, 1998). At the national level, the Executive is led by a President or Prime Minister and consists of ministries or agencies. The Executive is generally headed by a Governor or Mayor at the local level, such as provincial or district level. On the other hand, the Legislative acts as the balancing power of the Executive, particularly in budgeting practices (Posner and Park, 2007). In general, the Legislative consists of elected officials and enacts the laws. With regards to budgeting, the Executive prepares and proposes the budget draft and sends it to the Legislative for further discussion and approval (Lienert, 2005). The Executive needs to account for the budget implementation to the Legislative.

The role of key players in government budgeting is very influential since they produce the most critical decisions as to how limited resources are allocated, which in turn affects the economic performance of a government (Cheibub, 2006; Posner, 2011). One of the most critical stages of the budget is the budget discussion between the key players. Budget negotiation occurs when the Executive sends the budget to the legislature for deliberations and approval. At this stage, there would be negotiations between the Executive and the Legislative, especially to evaluate the feasibility of the proposed budget. The implementation stage of the budget covers resource allocation and monitoring which is largely a routine activity. Evaluation is usually conducted at the end of the budget period for improvement purposes. Nevertheless,

little is yet known about what explains Executive-Legislative dynamics and their changes over time as well as how they achieve a consensus in the budgeting practices (Goodman, 2007; Rubin, 2015). It leads the power battles between the Executive and Legislative in the budgeting arena to become a prominent research avenue (Rubin, 2015).

Previous studies that attempt to capture the dynamics between the Executive and Legislative tend to focus either on Legislative's or Executive's manoeuvres without much attention to the processual or power dynamics between them and how the key players influence the process. Legislative-focused studies primarily discuss the Executive-Legislative power-sharing (e.g. Cheibub and Limongi, 2002; Lienert, 2005; Goodman, 2007, 2008); and its coalition composition (Roubini and Sachs, 1989a, 1989b; Green-Pedersen, 2001; Thomas, 2007; Russell, 2008; Lapsley *et al.*, 2011) as the vital factors which shape the government budget process and outcomes. On the other hand, Executive-focused research highlights the prominent role of the Head of government in shaping the budgetary processes and outcomes. The next section will discuss this stream of study.

2.3. Legislative-Focused Studies

2.3.1. The Role of the Legislative

The Legislative is an important player in the budgeting process since they are designed to balance the Executive power (Mccarty and Poole, 1995; Ferguson, 2003; Goodman, 2007, 2008; Posner and Park, 2007; Lapsley *et al.*, 2011; Hale, 2013; Mooney, 2013). In general, their primary role is to scrutinize Executive plans and budget proposals (Posner and Park, 2007). Through their specialised committees and staff, the Legislative exercises their role in monitoring the Executive proposed budget, which is complex and involves enormous amounts of information (ibid.).

Legislative roles in the budgetary process have, however, increased and are still prominent in budget decision making (Abney and Lauth, 1998; Stapenhurst, 2004; Lienert, 2005; Goodman, 2007; Johnson and Talbot, 2007; Posner and Park, 2007). The foundation for public accountability and budgeting has been established through the legislature's authority to appropriate public funds, preceding the development of budgets by the Executive so that they can exercise formative influence in allocating funds among various priorities (Posner and Park, 2007). The Legislative's role in budgeting is even further enhanced in exercising their oversight of the Executive agencies' budget management and implementation, either directly or through independent audit offices (ibid.). Other examples of attempts to empower Legislative scrutiny roles are creating a select committee system to monitor agencies and introducing *core tasks* to scrutinise departmental performance in the UK parliament (Johnson and Talbot, 2007) and a similar committee in the Austrian parliament (Saliterer *et al.*, 2019). Even in the context of developing countries, the trend of budget activism is increasing, depicting the democratization process and enabling more Legislative involvement in what was previously known as a closed budgetary system (Stapenhurst, 2004). In other words, the Legislative has become more institutionally endowed (Ferguson, 2003).

Furthermore, the Legislative tends to be involved in the budgeting process through their scrutiny function and appropriation power. This appropriation power is seen to empower the Legislative to influence the allocation process of funds among competing priorities and becomes the foundation for public budgeting and accountability (Posner and Park, 2007). Most of previous studies have demonstrated that how the Legislative influences the budgeting process relies on two important factors, i.e. political coalition and the form of government or power sharing with the Executive.

The influential role of the Legislative can also be seen when they are reluctance to pass the Executive budget proposal. Mainwaring (1993) argues that this leads a government to face

the governability problem when the budget comes to the legislation process. The government needs to 'buy' political interests by using government budgets to allocate funds to accommodate the interest of the legislators, which in turn may have detrimental effects on the ability of government to lead the budget under control. Some studies argue that the budget might also be allocated to the electoral districts of politicians for the sake of an election (Brender and Drazen, 2005; Mink and de Haan, 2006; Anessi-Pessina *et al.*, 2012; Kuruppu *et al.*, 2016), which encourage greater deficits (Anessi-Pessina *et al.*, 2012). In some countries, although the Executive has veto power over the budget to prevent the threat from the Legislative, it is argued that this veto power is ineffective in leading the budget under control (Abney and Lauth, 1998).

2.3.2. Coalition and Power Sharing

Previous studies on government budgeting argue that the 'strength' of the government can be seen from a coalition in the legislature so that prior literature tends to focus on Legislative manoeuvres as the important factor which affect the budget process and outcomes (Roubini and Sachs, 1989b; Huber *et al.*, 2003; Cheibub, 2006). Coalition reflects the ability of the government to overcome 'obstacles' in the legislation process - the critical stage of budget deliberations – and thus, it becomes the primary analysis of most studies (Ricciuti, 2004; Cheibub, 2006).

Coalition partners within the government can be seen from the number of seats held by the coalition in the Parliament. To execute the policies and priorities, Cheibub (2006) explains that the government needs to obtain adequate power within the Legislative, especially when no party holds more than 50% seats in Parliament. If the government achieves majority status (more than 50% seats) through coalition, they need to compromise with the coalition's partners to reconcile their views to formulate policy. If the government cannot achieve a majority status,

the task intensifies as they not only need to embrace their coalition partners but must also further negotiate with the opposition party to approve their policies.

Although there some ways to classify Executive-Legislative power-sharing, in general, there are two general forms of power-sharing, i.e. independent power-sharing between Executive-Legislative such as that in the US government system and no clear separation of power between Executive-Legislative such as UK government system (Lienert, 2005; Cheibub, 2006). Previous literature argues that coalition dynamics predominantly occur in a government system where there is no clear separation of power between Executive-Legislative, such as the UK parliamentary system (e.g. Roubini and Sachs, 1989a; Meyer and Naka, 1998; Sakamoto, 2001; Huber *et al.*, 2003; Callanan, 2005; Lienert, 2005; Askim and Hanssen, 2008; Lapsley *et al.*, 2011). The government, by nature, is dependent on the support of the majority Legislative to exist (Lienert, 2005; Posner and Park, 2007). Since the effective Head of the Executive branch is both a member of Parliament and the leader of a major political party (Lienert, 2005), the influence of the Legislative coalition is powerful in the budget process which is mainly derived from the agenda of the majority Legislative coalition (Roubini and Sachs, 1989b; Meyer and Naka, 1998; Wehner, 2004, 2006; Lapsley *et al.*, 2011).

As the power of key actors lies more with the Legislative, previous literature argues that coalition partners can, by design, veto any Executive policies, including budgeting, that go far beyond their interests which lead to more unbalance budget deficits (Cheibub, 2006; Lapsley *et al.*, 2011). The proposed budget from the Executive may be driven from the agenda of the largest party in the Parliament so that there may be less political struggle between the Executive and Parliament in the Legislative arena (Meyer and Naka, 1998; Hallerberg and Marier, 2004; Cheibub, 2006; Lapsley *et al.*, 2011).

Nevertheless, the coalition dynamics also occur when the Executive and Legislative have separate offices, like the major-councils relationship in the US. Theoretically, the

government cannot be removed by a vote of no confidence, leading the Executive to more confidently exert their power to maintain a more disciplined budget (Abney and Lauth, 1989; Hallerberg and Marier, 2004; Cheibub, 2006). The threats from coalition partners due to disagreements with government policies become irrelevant as they cannot threaten the survival of the government. Also, some studies argue that limiting parliamentary involvement in budget decision making may render a more conducive environment for fiscal discipline (Strauch and von Hagen, 2000; Wehner, 2006; Poterba and von Hagen, 2008).

On the contrary, Stepan and Skach (1993) define the relationship between the Executive and the Legislative in budgeting as 'mutual independence' when there is a separation of power between them. 'Mutual independence' implies no incentive to form coalitions (ibid.). If the coalitions exist, they would be weak, since the coalitions consist of undisciplined parties who are not willing to give Legislative support (Cheibub, 2006). Because the Legislative is independent of the Executive, the government has little, or even no cost, to discipline the political parties. Consequently, parties have no incentive to discipline their Legislative members who are generally reluctant to comply if the parties try to discipline them (Linz, 1994), thus the Executive cannot necessarily rely on coalitions, if at all. Nevertheless, Parliamentary support is indeed needed by the Executive to pass the budget bills; it is not uncommon for a Legislative coalition to also exist when there is a separation of power between the Executive and Legislative (Cheibub, 2006).

2.3.3. Empirical Studies

Some empirical studies depict the role of a Legislative coalition in the budgeting process. Meyer and Naka (1998) examine the influence of dominant budgeting players in the Japanese Parliament. Japan is a constitutional monarchy government that is similar to the Westminster system in the UK. As in the parliamentary system, the Japanese Parliament (Diet) chooses the

Prime Minister as the Head of the Executive, and in turn, they then form the cabinet of government (Meyer and Naka, 1998). The majority of seats in Parliament have been maintained since 1955 by the Liberal Democratic Party (LDP). However, it is claimed that the LDP is not influential in budget decision making in Japan despite its long domination of the Diet, but rather it is the bureaucrats who dominate the budgeting process presenting them as the key actors who manage economic growth and social stability in Japan (Johnson, 1982). In fact, since 1995, the LDP has successfully legitimated its existence in Parliament by always being the majority party. Consequently, Meyer and Naka (1998) conclude that the LDP is influential in budgetary allocation. Instead of as passive actors, the LDP plays an essential role in the budgeting game in order to obtain their own gains. Meyer and Naka (1998) find that the LDP uses their majority power to bargain with the Executive, especially the Ministry of Finance, on budget size and transfers. However, they acknowledge that this study does not address the important stage of the budget, i.e. the formulation stage by the Executive, and how LDP members influence the original budget formation.

In Germany, Wehner (2001) finds that the agendas or programmes of the government are mainly dominated by those of coalition parties. Wehner argues that the working groups of coalition parties consolidate their views and voting behaviours in advance to ensure that their programmes are well supported, and their activities are complementary during the Legislative process. During this consolidation, they invite officials from relevant agencies or departments to obtain relevant information about the proposed budget so that they earn not only an informational advantage over the opposition parties but also ensure good co-ordination between the Executive-Legislative. The opposition parties may demonstrate disagreements on the government's priorities and allocations by recommending some fundamental amendments on the proposed budget during its finalisation stage within the Legislative process. Nonetheless, it is then usually voted down by the coalition parties.

Young (1999) examines the coalition dynamics during budget deliberations in the Australian government. This study shows the power of the Parliament against that of the Executive in the budgeting process. Due to the tax increase proposals from the government, the opposition parties attempted to block the Executive's budget proposal on a tax increase in 1993. Both the Greens and the Democrats party considered this problematic because rises in the sales tax regime could be expected to place a greater burden on poorer Australians by taxing what is bought, rather than income. The opposition needed the minority party to support their blocking manoeuvres; the minority tends to support the opposition's arguments during budget debates. Consequently, the government often redraft their proposals due to the objections raised in the parliament. Nevertheless, the budgeting negotiations with the Executive is not adequately examined.

Cheibub *et al.* (2004) examine the coalition dynamics in both presidential (separation of power between the Executive and Legislative) and parliamentary (no clear separation of power between the Executive and Legislative) system in almost all democratic countries existing between 1946-1999. This study identifies that Legislative coalitions also commonly occur in the presidential system, not just in the parliament system. However, neither systems provide warranty for a successful Legislative process. Instead, previous studies argue that coalition governments provide instability in the decision-making process, including the budgeting practices, since Legislative coalitions may consist of multiple parties with a diverse interest.

The coalition government has long been acknowledged as unstable in budget setting (Roubini and Sachs, 1989a, 1989b; Lapsley *et al.*, 2011). This instability is increased when a government cannot establish a single-party government and the other parties are not interested in forming a coalition government, thus producing a minority government (ibid.). Minority governments are assumed to be weaker than majority ones since they need to undertake more

complex negotiations between the Executive and Legislative to pass government policy, which is also likely to be shorter lived than majority ones (Helland, 2004; Pech, 2004). Thus, in a coalition, especially the minority government, the nature of the negotiation in that the budget setting is inherently problematic (Mainwaring, 1993; Cheibub, 2006). There are too many interests and considerations to be accommodated within the government policy which can produce unsustainable budget deficits (Cheibub, 2006). Some studies seem to confirm this proposition.

Roubini and Sachs (1989b) find that coalition governments tend to create unstable budget environments leading to a higher deficit budget. They argue that a coalition government inclines to generate more internal conflict between the budgeting players concerning budgetary policies causing higher budget deficits. In other words, coalition partners find difficulty in arriving at a consensus due to the various political interests amongst them (Roubini and Sachs, 1989a, 1989b; Huber *et al.*, 2003). This degree of instability may increase when no single party controls the majority of seats in the Parliament, and the other parties are not interested in forming a coalition government, which in turn creates a minority government (Roubini and Sachs, 1989b). They consider a single majority government party as the strongest form of government since they can control the parliament, including the opposition parties, and thus face insignificant internal conflicts concerning budget decision making.

Similarly, a case study on budget deliberations in the Portuguese Parliament during 1987-1995 by Leston-Bandeira (1999) tends to delineate the instability of coalition governments. During 1983-1985, the Parliament consisted of two majority parties which arguably possessed a policy-influencing function, i.e. being able to modify or reject measures put forward by the Executive. The government was then replaced by a minority government with strong opposition parties in 1985. During this regime, the role of the Parliament was so strong that many proposals and inputs from the opposition were accommodated by the

government. The opposition could even formulate and substitute a policy proposed by the Executive, which also caused political instability to some extent. An absolute single-party majority government then replaced this regime in 1987. Unlike the minority regime, this era brought more political stability whereby the members of Parliament faced little or no significant budget deliberations since as the single majority party of government, the Parliament had to support the government.

Lapsley *et al.* (2011) investigated budgeting practices in Scottish Parliament during a coalition and minority government regime. Interestingly, they found that during the coalition government era, there were no problematic issues concerning budget approval. Instead of amending the budget, the key players within the Parliament only demanded more transparency and information. There was only one budget amendment proposed by a minority party. No significant discussion occurred during the main budget debate. Instead, only small numbers of key players or actors were involved in budgeting debate. Thus, it showed how the coalition employed their power as the majority power to have the budget approved and avoid parliamentary scrutiny.

This scenario in Scottish Parliament changed in the minority government era. The budget discussion is far from ritualistic within the Parliament. Instead, budget discussions tend to focus on the substance of the budget, involving many key players which imply the parliament scrutiny (Lapsley *et al.*, 2011). The budget approval requires negotiation and debate among the key actors, showing the power of each of the opposition in influencing budget approval. As a result, some amendments need to be done, mainly to decrease public expenditure. Hence, it again depicts the practice of power from opposition players within the parliament to threaten the Executive budget proposal. It may be caused by the Executive's endeavours to increase accountability (Thomas, 2007), at the same time it may ignore wider political interest from opposition party so that they use their power to threaten the Executive.

Nevertheless, some studies suggest that minority governments are not necessarily less efficient since they can improve their accountability to the Parliament and encourage negotiation and flexibility (Green-Pedersen, 2001; Thomas, 2007; Russell, 2008). Some subsequent empirical studies also question the 'weak government hypothesis' by Roubini and Sachs (1989a, 1989b) (Edin and Ohlsson, 1991; De Haan and Sturm, 1994, 1997; De Haan *et al.*, 1999; Huber *et al.*, 2003). This hypothesis suggests that weaker governments (minority governments or coalition governments without one single party majority) are prone to internal conflict relating to the budgetary policy, thus generally running higher deficits (Roubini and Sachs, 1989b).

De Haan and Sturm (1994, 1997) and De Haan *et al.* (1999) do not find a significant relationship between the power dispersion index, used by Roubini and Sachs (1989) to depict coalitions government, and government debt. Huber *et al.* (2003) also found no support for the 'weak government hypothesis'. In a similar vein, Cheibub (2006) also argued that although a strong government can be seen by their strength within the Legislative, studies on a government coalition within the Legislative (minority or majority) produces mixed results as to either minority or majority government, which renders sound budgeting practices (Sakamoto, 2001).

Interestingly, not many studies examine coalition dynamics at local government level and its impact on budgeting practices. This may be because formal coalition theory tends to ignore the existence of local government coalitions since political dynamics at a local level is less complicated, and is therefore unlikely for a coalition to form (Laver *et al.*, 1987). Research tends to exclusively focus on coalition dynamics at the national government level. Although some studies have attempted to examine coalition dynamics at local government level (e.g. Bäck, 2008; Serritzlew *et al.*, 2008, 2010; Debus and Gross, 2016), they do not specifically address the relationship between the Legislative coalition dynamics and the budgeting practices.

2.3.4. Summary of Legislative-focused Studies

In summary, the notion of the form of government and the coalition within them tend to focus their analysis more on Legislative's manoeuvres and the collective actions of key players in shaping the budgeting process (e.g. Roubini and Sachs, 1989a, 1989b; Meyer and Naka, 1998; Wehner, 2006; Thomas, 2007; Askim and Hanssen, 2008; Lapsley *et al.,* 2011; Célérier and Cuenca Botey, 2015). Unfortunately, almost all of them fail to include an adequate analysis of the Executive's actions or manoeuvres as the other influential player in budget decision making. In other words, collective actions of key players in the Legislative or coalitions can be seen, without much attention paid to the Executive's roles, which may not portray a complete picture of the processual dynamics between the key players in government budgeting practices.

2.4. Executive-Focused Studies

2.4.1. The Role of the Executive

Traditionally, the Executive is seen as the major player in the budgeting process since the budget is intended as an Executive tool (Cleveland, 1915; Goodman, 2007). They possess the authority to initiate and implement the budget (Cheibub and Limongi, 2002; Cheibub, 2006; Goodman, 2007). The Executive mainly consists of the Head of the Government, e.g. Presidents, Prime Ministers, Governors or Mayors, and the budget office, which works closely with the Head of Government and its agencies or administrative councils (Goodman, 2008).

Budget preparation by the Executive is essential so they can incorporate information and decisions into a single document, and then present that document to the legislature for consideration and approval (Goodman, 2007). Goodman (2007) argues that unlike legislators who serve smaller constituencies, theoretically, the Executive represents all of the people. The people or voters delegate to one person the power to form the government (Cheibub, 2006).

Hence, Goodman argues that it is the job of the Executive to set priorities and policies so that they can play an essential role in the budgeting process.

Furthermore, the budgeting cycle has many critical stages beginning with the Executive formulating the budget (preparation), and then passing it to the legislature system for budget consideration, possible amendments and approval, followed ultimately by implementation and evaluation (Hallerberg and Marier, 2004; Lee Jr *et al.*, 2012). The budget formulation process is undertaken by the Executive which represents the annual budget ritual (Wildavsky, 1978) and the government's priorities (Boland, 1979; Hedberg and Jönsson, 1978).

In preparing the budget, the Executive usually employs the budgeting department or office in which government agencies make a fund request which is translated into the Executive budget (Goodman, 2007, 2008; Uddin *et al.*, 2019). Budget analysts in the budget office will justify government allocation priorities and make the process seem rational. They deal mainly with the more technical matters of the budget. Goodman (2008) explains that Executive budget offices produce and distribute budgetary guidelines to departments, agencies, bureaus, boards, and commissions. Budget office analysts meet agency personnel and collect information about their needs and programme priorities. Budget documents are then returned by agencies to the budget office for analysis and compilation into the Governor's budget. Goodman (2008) states that the Legislative also possesses budgeting offices or staff who are influential in budget appropriations, but Posner and Park (2007) claim that the staffs the Legislative employ are not provided by deep institutional knowledge to compete with the Executive. Hence, due to their technical understanding of the budget, the Executive budget offices are also deemed as the important players in the budgeting process (Posner and Park, 2007; Uddin *et al.*, 2019).

2.4.2. Enhancing Executive Power due to NPM Reforms

The Executive-Legislative relationship is also influenced by public sector reforms, which are termed as 'New Public Management' (NPM) (Hood, 1991; Tambulasi, 2007; Uddin *et al.*, 2011; Liguori *et al.*, 2012). Anessi-Pessina *et al.* (2016) assert that the study and practice of public budgeting have been significantly influenced by the NPM and modernization movements, especially in the last two decades.

Unlike traditional public administration, Pollitt (2003) argues that NPM-based management accounting practices and budgeting renders public managers from government agencies more freedom, politicians more control, and public service users more choice. In other words, NPM is claimed to empower everyone that is practically impossible (Ferlie *et al.*, 1996). This is the critical aspect that mainly affects the budgeting players' relationship, i.e. Executive and Legislative, in the budgetary arena.

Since it is practically impossible to empower everyone at the same time, who is actually to be empowered against whom in NPM-based budgeting? NPM undermines the traditional public administration by imposing business-like and managerial tools and logics into the public sector, which emphasises decentralisation, outputs, explicit standard-setting and performance measurement (Hood, 1991, 1995; Ferlie *et al.*, 1996). Previous studies argue that managers in government agencies obtain more autonomy, whereas control from politicians, including Legislative, has decreased (Hoggett, 1996; Midwinter, 2005; Tambulasi, 2007). NPM transforms the old bureaucrats into managers where they are viewed as central actors in the process of change as they realise economic rationality and focus on efficiency, effectiveness and results (Liguori *et al.*, 2012). In other words, NPM underlines the importance of 'letting the managers manage' by allocating them more autonomy from the politicians so that the Executive earns greater authority over government affairs, including budgeting practices (Pollitt, 2003; Liguori *et al.*, 2012).

According to Christensen and Laegreid (2004), politicians, especially Legislative, arguably spend less time on newly introduced techniques, including budgeting techniques, instead delegating them as the business of administration leaders or Executives, which implies the transference of influence and power to them. They further explain that efficiency demands managerial accountability instead of political responsibility, so that elected politicians may lose control over administrative matters. Ultimately, it may deteriorate democratic control (Pollitt, 2003). In a similar vein, Schick (2002) argues that legislatures do not possess adequate knowledge and skills to keep up with the growing sophistication of budgeting techniques, especially compared to expertise and knowledge possessed by the Executive bureaucracy. In other words, the NPM reform strengthens the Executive domination, along with their government agency, in the budgeting process since the controlling role of the Legislative in the budget has decreased.

Jørgensen and Bozeman (2002) explain that the essence of representative democracy is when the people elect politicians who constitutionally control the public sector. However, when budgeting reforms through NPM nullify Legislative control, it causes implications on democratic governance, especially democratic control (Pollitt, 2003; Tambulasi, 2007). Consequently, the role of Legislative members becomes so minimal. Hence, budgeting reforms are claimed to strike democratic accountability since the Executive, especially managers, claim the right to govern without fully explaining why they are legitimate to govern (Haque, 2001).

Christensen and Laegreid (2004) argue that the loss of political control by the Legislative leads to a rivalry and an unstable relationship between the Legislative and the Executive, especially for the bureaucrats. The Legislative suspects that the NPM reforms are a means for enhancing the careers and interests of Executives rather than improving public service delivery (Hood, 1991). Instead, they deem it as Executive efforts to avoid the Legislative arena and obscure the representative function of the Legislative (ibid.). Thus,

budgeting reforms render an opportunity for the Executive to possess more influential role over the budgeting process (Gray and Jenkins, 1995; Midwinter, 2005).

2.4.3. The Salient Role of the Head of Government

Previous studies argue that one can have a significant role in the budgeting process if it has powers to formulate the budget (Lienert, 2005; Goodman, 2007; Posner and Park, 2007). Hence, it has been argued that the Executive, especially the Head of Government (e.g. Governor), is influential in the budget decision making (Abney and Lauth, 1989, 1998; Goodman, 2007). Cheibub (2006) also argues that the Head of Government is deemed to dominate the budget in two scenarios, i.e. when the Legislative has limited capacity to amend the proposed budget and/or to revise the proposed budget, and failure to pass the budget law is defined as the adoption of the Executive's proposed budget.

Similarly, according to Abney and Lauth (1998), some factors enable the Executive to control the budget negotiation with the Legislative. The Executive budget gives Governors an informational advantage over the Legislative since the Executive is the 'manager' of government affairs and has all programme and budget information. Also, the role of the Governor as the Chief Executive Officer, and often as Chief Budget Officer, puts the legislature at a disadvantage in the information. Referring to the US local government context, Abney and Lauth (1998) explain the second factor, i.e. the veto right of the Governor for specific budget items, which makes them powerful in enacting budget items. Third, the coalition of the Legislative to support the government becomes a supporting point for the controlling-party Governor to control the budget, as discussed in the previous section legislative-based studies.

Hale (2013) argues that the skills of a Chief Executive, i.e. executive and legislation skills, are important factors which determine their success in the budgeting process. Executive skills are important when the Chief Executive has adequate power to simply make decisions.

Legislative skills are also influential when Governors do not possess sufficient power to make the decisions themselves, and so rely more on political currency, persuasion and shared interests to create appropriate conditions that enable Governors to make decisions.

Dometrius and Wright (2010) attempted to investigate whether Governors are still influential actors in US local governments. They found that although there are changes in the legislature role in budget appropriation, the Governors are generally still the influential player in local government budgets, although they did also find mixed trends in gubernatorial influence over the budgeting process. According to the correlation analysis, Sharkansky (1968) found that Governors are still prominent players since their proposed budget has a strong influence on the final budget. Drawing on statistical analysis of American state budgets data between the year 1985 and 2009, Breunig and Koski (2020) also conclude that Governors are the most powerful actors in the budgetary process.

Thus, the Head of Government has a significant role in the budgeting process since they prepare, propose, execute and evaluate the implementation of the budget (Bernick, 2016; Breunig and Koski, 2020). They are also the one responsible for the overall economic health of the local government, such as unemployment, budget shortfalls, and tax increases (Niemi *et al.*, 1995; Partin, 1995; Hansen, 1999). Hence, the Head of the Executive is argued to be the most influential player in government budgeting (Sharkansky, 1968; Mccarty and Poole, 1995; Abney and Lauth, 1998; Lu and Facer, 2004; Barrett and Eshbaugh-Soha, 2007; Goodman, 2007; Dometrius and Wright, 2010; Lu and Xue, 2011; Krupnikov and Shipan, 2012; Hale, 2013; Breunig and Koski, 2020). Goodman (2007) argues that the Executive budget enables Governors to control the budgetary process, which increases their influence and power since those who possess power can undertake resource appropriation.

Due to the significant role of the head of government, previous studies on how Executive influence the budgeting process tend to focus on the manoeuvres of the head of

government. The following section discusses how the Executive influences the budgeting practices.

2.4.4. Empirical Studies

Some empirical studies attempt to capture the Executive's roles over the budgetary process. For example, based on data for democracies in 98 countries between 1970 and 2002, Cheibub (2006) found that the Executive, especially Heads of Government, are constitutionally able to control the budget process. Focusing on budgeting process outputs, i.e. budget balances, the Executive may control the budgeting process, particularly if the Head of Government is directly elected by the people, such as in a US-style government system. Within this system, the Executive may effectively exercise veto rights which produces higher budget balances. Similar results are also found by Hallerberg and Marier (2004), who draw on a data set of Latin American and Caribbean countries from 1988-1997. Since these studies focus on the budgetary outcomes, they do not examine how the Executive, especially the Head of Government, influence the budgeting process.

In China's government, Lu and Xue (2011) examine the power-sharing between Executive-Legislative and its impact on budget accountability. They found that the Legislative branch is weak, and the budgeting practices become Executive territorial, predominantly influenced by the Communist party agenda. Legislative balancing power is only on the books, not in practice. More specifically, exacerbated by lack of Legislative skills in budgeting techniques, they argue that the main agenda of the budget is largely determined by the Head of Government, e.g. Mayor, since, substantially, China adopts an 'Executive budgeting approach' whereby the Executive undertakes budget preparation, execution and evaluation so that the Executive is politically strong to influence the budgeting process. Almost all decision making was undertaken by the Executive, backed up by the Communist Party power in the country. No

significant resistance appeared from the Legislative. Consequently, budget accountability is intended for the Executive rather than to the wider stakeholders.

Similarly, Uddin *et al.* (2019) investigated the participatory budgeting process in a Japanese local government. Drawing on the Japanese culture of verticality, they found that the Mayor and its budgeting desk play the most essential role in the budgeting process. It is barely possible for the Legislative, i.e. councillors, to challenge the Mayor's proposal due to the Japanese culture, i.e. an organisation should reflect its 'oneness' - challenging a budget proposal might reflect the violation of 'oneness'. Also, the Mayor is vested by veto power on the budget appropriation, which strengthens their political control over the budget. However, this study focuses more on the participatory part of the budget and how the government uses the input from citizen in the budget decision making.

Breunig and Koski (2020) attempt to capture the role of the Executive, especially the head of governor in the budget decision making. Strong governors can influence the budget balances by deepening cuts and elevating increases across spending categories. Drawing on statistical analysis, they find that governors are the most powerful actors in the budgetary process, and they are able to express their preferences to the extent that their institutional power allows them to do so. Possessing strong power, governors are able to determine which policy area of an annual budget is significantly increased or decreased. If a strong governor expects to elevate allocation on a certain government function, he/she can do so due to the combined influence of agenda-setting and vetoing. This joint influence allows a governor to set budget priorities and defend them. The statistical model also depicts that although possessing strong influence over the budget, governors may decline to exercise their institutional powers to make a deep cut in a specific budget item. Instead, they choose to fund their favoured programs by distributing cuts across a wide range of categories. Whereas governors may face 'obstacles' from legislative coalition, strong governors are ready to exercise their veto power. However,

this study does not examine the dynamics between governors and the legislative in budget decision making.

2.4.5. Executive-Legislative Interactions

Only limited studies attempt to examine the processual dynamics between the Executive and Legislative. However, they do not adequately examine the overall budgeting process which demonstrates the power dynamics between the key players and how they achieve the consensus on the budget.

For example, Cuganesan (2017) conducted a study on performance budgeting design in the Australian government as part of public sector reforms. The Executive tried to propose a model of the budget system which looked to abolish the expected performance information on the budget statements during the early stages of the budgeting process. The parliament disagreed with this proposal; demanding performance information be included in the budget statements. In the end, the Executive and Legislative reach a compromise to include performance information only on proposed new programmes. However, in undertaking a case study on the Irish government, Ward (2015) found that Parliamentary use of performance information on the budgeting practices is generally weak, mainly due to an inadequate understanding of technical matters of the budget and performance information. Similar phenomena are also found in a study of budgeting in the UK government by Johnson and Talbot (2007) and in the Estonian government by Raudla (2012), which in turn weakens parliamentary scrutiny over the proposed budget. Although these studies implicitly acknowledge the potential of undermining the scrutiny role of the Parliament due to public sector reforms (Ho, 2018), which render the opportunity for the Executive to control the budgeting process, they do not examine how the Executive responds to this circumstance.

A case study by Kuruppu *et al.* (2016) in a Sri Lankan local government about the application of participatory budgeting as a part of an NPM reform, sponsored by international donor agencies, found that the budgeting process is dominated by powerful actors in the Executive branch. Although it was partially successful in maintaining cultural capital, both the Executive and the Legislative employed participatory budgeting as a means of domination, practice of power, and symbolic violence, rather than empowering citizen participation. These key players are competing with each other for various forms of capital within the budget to pursue their own political interests (Alawattage, 2011; Farjaudon and Morales, 2013; Kuruppu *et al.*, 2016). The Executive, especially the Chairman, takes particular strategies such as setting the budget meetings in specific zones, attending budgeting meetings with administrators and technicians, and undertaking symbolic actions, e.g. replacing streetlamps.

To balance a power relation with the Legislative and maintain the control over the budget, the Executive allowed elected councillors to lead budget meetings in specific zones. The Executive employed a strategy by accommodating programmes and projects proposed by councillors of opposition parties that lead opposition parties' members to believe that the Executive was also pursuing their interests (projects and programmes) in the budget (Célérier and Cuenca Botey, 2015; Kuruppu *et al.*, 2016). Besides, the councillors' interest relates to electoral politics, and thus their main interest is to earn fund allocation to their electoral district to increase their chances of re-election. It also depicts that the budget is worthy of playing for, which discourages them from voting against the Executive's proposed budget. Thus, the Executive legitimates the budgeting practices and their positions and powers within the government that enable them to pursue their political interests (Kuruppu *et al.*, 2016). However, this study focuses only on the participatory perspective of the budgetary process.

In a similar vein, a case study on participatory budgeting by Célérier and Cuenca Botey (2015) in the Porto Alegre local government in Brazil revealed the potential of budgeting as a

means of domination and practice of power. They examine how budget as an accountability mechanism can enable socio-political emancipation. More importantly, the adoption of participatory budgeting as the agenda of a Brazilian left-wing party in Porto Alegre has changed the political field dramatically, especially between the Executive and Legislative. The implementation of participatory budgeting is the outcome of political struggles during the transition to democracy, an essential part of public sector reforms. It changes decision-making processes at the municipal level. Two powerful agents (the Executive and Legislative) are elected separately and have their own authority. The Executive has the authority to set revenues and expenditure, whereas the Legislative has final approval of the proposed budget. A Council of the Participatory Budget (COP), or the 'Budget Department', was established. The primary role of the COP was to propose an investment plan for a municipality. The existence of COP enables the Executive power to override the Legislative, even if the Executive does not hold a majority seat coalition within the Parliament (Célérier and Cuenca Botey, 2015). It also became a strategic instrument for the Executive, who is from the left-wing party, to exert their domination and legitimacy in the government. Budgeting as an accountability mechanism was employed as a means to gain legitimacy of the councillors, by successfully mobilizing various forms of capital and obtain support from their constituents. Unfortunately, this study does not provide an in-depth picture of the interaction and struggle between the Executive and Legislative in the budgeting arena. Also, both Kuruppu *et al.* (2016) and Célérier and Cuenca Botey (2015) focus more on the participatory perspective of the budgetary process.

Interestingly, a study by Tambulasi (2007) in six Malawian local governments depicts power struggles between the Executive and Legislative that are affected by public sector reforms. The objective of this study was to investigate the extent to which NPM-based management accounting practices have decreased political control of the Legislative and increased managerial autonomy of the Executive, especially the bureaucrats. Due to

sophisticated business-like techniques introduced in budgeting, the Legislative was inclined to avoid technical matters, implying a transfer of power and control to the Executive, especially for the bureaucrats (Christensen and Laegreid, 2004).

The Legislative or elected officials feel that they lose political control over the government and suspect NPM as a political agenda of the Executive to exercise power and domination and undermine political accountability (Christensen and Laegreid, 2004; Tambulasi, 2007). Before the reforms, the Legislative used to have a pivotal role in all activities at the local assembly. They believed that NPM reforms legitimise Executive domination in management accounting practices, including budgeting. They felt powerless and are functioned merely as a 'rubber stamp'. To regain political power, the Legislative exerted some harmful actions. They used some disruptive behaviours to the bureaucrats' works in implementing the budget, such as councillors undertaking strike action, accusing the Chief of the Executive of being a dictator in how he operates the agency. The councillors also engaged in corruption as an instrument to regain their political control. They infiltrated formal procedures within government agencies to win the government's projects. They committed to these corruptions to show that they also possess power and influence over operational decision making.

Similarly, the Executive, especially the administrators, were reluctant to hand over their domination to the councillors. They exercised some strategies to maintain their power, such as reprimanding the councillors of interfering with managerial activities and sought central government intervention. The last strategy, which caused detrimental effects, was the bureaucrats' attempt to maintain their power by colluding with councillors. This strategy is when councillors engage in corruption to regain their political control. The administrators work hand in hand with the councillors in corrupt deals to ensure they both benefit from winning a project or embezzling endowment funds (Tambulasi, 2007). Nevertheless, this study

investigates the dynamics of management control practices in general, without specific attention to budgeting practices.

2.4.6. Research Gaps and the Importance of the Study

Prior sections have discussed the attempt of previous studies to capture the role and the interactions of Executive and Legislative in the budgetary process, whereby they dominantly focus either on Legislative's manoeuvres or Executive's role in influencing the process. At the beginning of this section, it has been argued the importance of understanding the role and interactions of the key players in the government budgeting process. However, it has demonstrated that very few studies examine the entire dynamics of the budgeting process between the Executive and Legislative and their role in the budget decision making process (e.g. Tambulasi, 2007; Kuruppu *et al.*, 2016; Uddin *et al.*, 2019).

In addition, the discussion on Executive-based studies also depict the salient role of the Head of Government in budget decision making. However, most previous studies have focused on the Executives and Governors' manoeuvres in the budgeting process and employing methods such as hypothesis testing and surveys (e.g. Thompson, 1987; Abney and Lauth, 1989, 1998; Ferguson, 2003; Cheibub *et al.*, 2004; Hallerberg and Marier, 2004; Cheibub, 2006; Barrett and Eshbaugh-Soha, 2007; Goodman, 2007; Dometrius and Wright, 2010; Breunig and Koski, 2020). More specifically, some previous studies have examined how the Head of Government, especially at local government level, influences the budgeting process rely on comparative analysis of budget outcomes or surveys of state officials, but do not focus on how the Governors influence budgetary process outcomes (Hale, 2013). Hence, an in-depth study examining the role of Governors in the budgeting process is also necessary (Hale, 2013; Bernick, 2016).

It resonates with Anessi-Pessina *et al.* (2016, p. 504), who conclude that most public sector budgeting, including government budgeting, studies surprisingly neglect the dynamics of the budgeting process between the key actors. In other words, the internal dynamics between the key actors of the public sector budgetary process in general largely unexplained (Jönsson, 1982; Anessi-Pessina *et al.*, 2016). It is essential to investigate the interactions of key players in the budgeting process since it is the most critical stage of the budgeting process. Previous studies have explained how, generally, the budgeting process begins with the formulation of the budget proposal by the Executive; discussions, negotiations, and approval of the budget proposal between the Executive and Legislative which also demonstrate their interactions; and budget implementation and evaluation (Hallerberg and Marier, 2004; Lee Jr *et al.*, 2012). The interactions between the key players in the budgeting process have become a central and essential part of the budgeting process because the budget outcomes of the budgeting process are mainly determined by their interactions (Jönsson, 1982; Covaleski and Dirsmith, 1986; Cheibub, 2006; Posner, 2011; Kuruppu *et al.*, 2016). The key players are required to discuss, negotiate, compromise and agree on the budget proposal so that the budget can be finalised, which represents what a government intends to do and focuses attention on the next fiscal year.

Similarly, Posner (2011) explains that the interactions of key players are essential because the most important decisions, such as how much of the economy should be devoted to the government through tax, are made from the negotiation and consensus between them. Another critical decision that may affect the performance of a government is when the interactions of key players significantly influence the decision on how the limited resources will be allocated to the proposed programmes (ibid.). These critical decisions are undertaken when the key players interact with each other to discuss, negotiate, and compromise the proposed budget. Hence, Cheibub (2006) explains that Executive-Legislative interactions are

important since these interactions produce budget outcomes and policies, which in turn influence the economic performance of a country.

The role and interactions of key players may also show their attempt to serve their vested interest by exercising their power to influence the budget decision making. Previous studies have also demonstrated that the interactions of key players' power are essential to understanding how the key players pursue their vested interest through accounting practices, including budgeting (e.g. Tambulasi, 2007; Bourdeaux, 2008; Kuruppu *et al.*, 2016). For example, the previous section has depicted how the Executive outpowers the Legislative in government management control practices in a Malawian context (Tambulasi, 2007). Almost all decision making is made by the Executive without adequate Legislative involvement, and thus the Executive is suspected of having a hidden agenda to dominate the management control practices in order to pursue their vested interest. Defensively, the Legislative even engages in corruption. In a similar vein, participatory budgeting practices in a Sri Lankan local government have become a means to serve the interest of specific actors (Kuruppu *et al.*, 2016). The interactions between key players show how the Executive attempts to control the participatory budgeting process and avoid Legislative intervention in order to pursue their electoral political interest. This sort of interaction depicts the attempts to undermine or minimise the balancing function of the Legislative in government affairs. In turn, it undermines democratic accountability since the function of the Legislative as the representative of the people to monitor government affairs is constrained (Haque, 2001).

On the other hand, when the Legislative controls the budgeting process, it may lead to rather unfocused budget decision making and tends to accommodate the electoral interest of the Legislative (Bourdeaux, 2008). Bourdeaux (2008) explains that the decision making of the Legislative is mainly influenced by multiple rationalities which may make them more reluctant to focus on a few targeted objectives. Also, Legislative budgetary decisions are often

influenced by political considerations (e.g. electoral politics) rather than by the performance of various government organisations.

Theoretically, investigating the interactions of key players is more essential to understand the budgeting process in organisations situated in traditional settings; a setting that is commonly found in less developed countries. Previous studies on government budgeting practices tend to neglect these specific structural and socio-cultural conditions, i.e. traditionalism, from their analysis. The traditional setting may condition the accounting practices, including budgeting, in organisations to serve the interest of dominant family groups (Dyball and Valcarcel, 1999; Dyball *et al.*, 2006; Uddin, 2009). Hence, consideration of these specific structural conditions is necessary to better understand the budgeting process, especially in the context of less developed countries. On the one hand, formally, government organisations are managing public funds, so that their main objective is to provide public service delivery. Fassin and Gosselin (2011) argue that the role of governments is fundamental since they provide public services and facilities, such as controllers and providers of external infrastructures and receiver of levies. Since they are managing the public fund, they are also required to provide public accountability, especially in financial sectors (Uddin *et al.*, 2018). Nevertheless, when organisations, such as governments, are situated in traditional settings, they are overpowered by strong family groups and their kin (Uddin *et al.*, 2018). Consequently, government organisational practices may not only be intended to provide public services, but also to accommodate the whim of strong family groups. The traditional setting will be further discussed in the next section. Thus, it is even more essential to investigate the role and interactions of key players in the government budgeting process in a traditional setting. There is a decent opportunity to understand and better theorise budgeting practices in less developed countries and contribute to the extant literature. Hence, the power battle between the Executive

and Legislative in the government budgeting process becomes a prominent research avenue (Rubin, 2015).

As explained at the beginning of this section, however, not many studies provide an in-depth picture of the role and the interactions of key players in the government budgeting process, especially in a traditional setting. This leads to an inadequate understanding of what explains Executive-Legislative interactions and their changes over time at all government levels (Goodman, 2007; Rubin, 2015; Anessi-Pessina *et al.*, 2016), especially in a traditional setting. We have an inadequate in-depth understanding of such power relations and conflicting interests between the key actors (Rubin, 2015). Thus, an in-depth qualitative case study is needed (ibid.). This study aims to fill these gaps by investigating how the key players influence government budgeting practices. More specifically, it examines the role and the interactions of the key players in the budgeting process at local government level in a less developed country context. However, these gaps need to be understood in the context of less developed countries since they have very different structural conditions and socio-cultural contexts, e.g. traditional settings as previously explained. The less developed countries' context and rationalities of the key actors will be further justified in the next section. Thus, the following research question is proposed.

> How does the interaction of the key players influence the local government budgeting processes in a traditional setting?

This thesis draws on Weber's (1964) notion of rational versus traditionalism to better explain local government budgeting practices in a traditional setting.

2.5. Weber's Rationality and Relevant Theoretical Perspectives

Prior literature has demonstrated the significant influence of structural conditions and socio-historical context on management accounting practices, including budgeting, in less developed countries (Wickramasinghe and Hopper, 2005; Efferin and Hopper, 2007; Hopper *et al.*, 2009). Thus, it is also essential to understand the interactions between the key budgeting players in less developed countries context since it has different structural conditions from those of the Western context. Colignon and Covaleski (1991) explains that the analysis of structural conditions and socio-historical context can be done through Weber's (1964) rationality concept. The previous section has also depicted that the government budget is not merely a rational device for resource allocation. It has highlighted that the manoeuvres of the key players in government budget decision making at all government levels are also influenced by various rationalities (Wildavsky, 1961; Covaleski and Dirsmith, 1986; Saliterer *et al.*, 2019). Hence, the notion of rationality is essential to understand to understand the interactions of the key players in the budgetary process.

Weber's (1964) notion of rationality depicts from two paradoxical economic actions, i.e. the tension between formal and substantive rationality. It also similarly depicts the classic debate between two influential views in public budgeting research between Key (1940), who draws on his main idea on the formal rationality of budgeting process, with Wildavsky (1961) who mainly views the budget from a substantive rationality perspective, i.e. the influential role of politics in budget decision making. This section also contrasts the formal rationality perspective as generally found in Western context with a specific form of substantive rationality that exists in less developed countries, i.e. traditional domination.

This section will also simultaneously discuss the theoretical perspectives employed by studies of the Executive-Legislative interactions in budgeting practices. The theoretical perspectives are classified according to Chua's (1986) work, i.e. positivist, interpretive, and

critical paradigms. There is additional classification, i.e. papers without explicit theory or with a pragmatic form of theorisation such as papers relying on NPM ideas, as also noted within previous reviews (e.g. Broadbent and Guthrie, 2008; Goddard, 2010; Anessi-Pessina *et al.*, 2016; van Helden and Uddin, 2016).

2.5.1. Formal Rationality

Referring to Weber's work, Colignon and Covaleski (1991) explain that rational calculations of economic actions and accounting are based on certain structural conditions, including free labour, markets, technology, rational economic law, etc. These structural conditions within a society enable the development of rational accounting/calculations. Weber views these as ideal typical conditions and a starting point for the development of formal rational or ideal type of economic actions that is expected to develop in Western countries. Formal rationality is "the extent of quantitative calculation or accounting which is technically possible and which is actually applied" (Weber, 1964, p. 184-5). It views society and organisations very technically so that it should be possible to control the world through calculation. Colignon and Covaleski (1991) also argue that formal rationality is value-neutral and only accepts particular types of calculation, such as accounting models in Western countries. Budget is seen as tangible quantitative, explicit, and intendedly rational (Waterhouse and Tiessen, 1978; Cooper, 1983; Giroux *et al.*, 1986), which involves dominant technocratic activities where there is a clear definition of each step in terms of content, process, results, and authority (Franklin and Raadschelders, 2003). Sayer (2002) asserts that formal rationality is the key point of modernity as commonly found in Western Countries. Dyball *et al.* (2006) attempt to explain these structural conditions further in Western countries context. They argue that modernist or western style bureaucracy maintains the institutions of state, market, and community separate and autonomous. It renders that the accountability mechanism, including budgeting, leans towards

the objective and ephemeral, as found in developed countries. In turn, this form of rationality affects how previous studies capture the dynamics of budgeting process between the key players.

Thus, from a formal rationality perspective, previous studies argue that the budget is viewed through how it is employed as a rational means for resource allocation and how the key players, i.e. Executive and Legislative, interact to exert their authority to reduce the deficit of the budget (e.g. Giroux *et al.*, 1986; Abney and Lauth, 1989, 1998; Mccarty and Poole, 1995; Cheibub and Limongi, 2002; Cheibub *et al.*, 2004; Lu and Facer, 2004; Wehner, 2004; Cheibub, 2006; Jacobsen, 2006). This form of research dominates studies on the Executive-Legislative relationship in budgeting practices, especially studies published in political and public administration journals and dominated by Western context. As argued by Anessi-Pessina *et al.* (2016, p.504), this has perhaps been caused by the view that the dynamics of public budgeting involving interactions of key actors are seen as a political process, which becomes the domain of political scientist.

These studies use the budget deficit model since it may best reflect the fiscal performance of a government (Cheibub, 2006). Also, according to Bryer (2014) and Anessi-Pessina *et al.* (2016), these types of studies are mainstream studies based on economic theories (e.g. agency theory and transaction cost theory) which predominantly employ statistical models to capture budgeting practices including key player interactions. Anessi-Pessina *et al.* (2016) and van Helden and Uddin (2016) classify this research as positivistic research that is characterised by its objectivist approach.

Cheibub (2006) argues that existing literature which employs a statistical model to investigate the interaction of budgeting key players tends to focus on the strength of the government, i.e. Legislative coalition. These studies believe that Parliament coalition is the prominent determinant of budgeting practice outputs, i.e. more or fewer deficits. Budget is seen

as a means for allocating resources which lead to a deficit or surplus, as stressed by Bryer (2014), placing its assumption mainly on economic theory.

Drawing on statistical models, these studies focus on investigating the impact of the composition of Parliament coalition and the cost it may take (transaction cost) to bargain with the coalition or opposition party on the budget deficits, as described in the previous section on Legislative-based studies (e.g. Roubini and Sachs, 1989a, 1989b; Huber *et al.*, 2003; Cheibub *et al.*, 2004; Wehner, 2004, 2006; Cheibub, 2006; Jacobsen, 2006). The minority (less than 50% seats in Parliament) or majority (more than 50% seats in Parliament) status of the government has become its main focus, which produces mixed results as to whether minority or majority status contribute to fewer deficits.

Previous studies also attempt to capture Executives' manoeuvres in budgeting practices by employing statistical models and surveys. These studies investigate how the Executive, especially the Head of Government influence the budgeting process, outcomes, and its impact on budget deficits as also discussed in the Executive-focused section (e.g. Sharkansky, 1968; Abney and Lauth, 1989, 1998; Cheibub and Limongi, 2002; Cheibub *et al.*, 2004; Goodman, 2007; Dometrius and Wright, 2010; Breunig and Koski, 2020).

However, van Helden and Uddin (2016) argue that positivist-based research may not be helpful in understanding complex and changing socio-economic and cultural issues and their implications for management accounting, including budgeting practices. Budgeting practices are far from neutral (Covaleski and Dirsmith, 1986; Saliterer *et al.*, 2019) and involve political interest among the key actors (Wildavsky, 1964; Kuruppu *et al.*, 2016).

2.5.2. Substantive Rationality

Because structural conditions interact with socio-political, cultural, and historical context, the formal rationality of bureaucratic organisation is not fully or partly realised (Colignon and

Covaleski, 1991; Dyball and Valcarcel, 1999). Hence, Weber (1964) reiterates that economic activity is also "oriented to ultimate ends and that these ends were not susceptible to formal calculation alone." Although the formal rationality of a growing bureaucracy shows its penetration throughout modern governments and organisations, its reach is limited and so substantive rationality fills the gap (Radcliffe, 1997). Substantive rationality is addressing the substance of ends, values, and needs of institutions and the social groups that promote them. Colignon and Covaleski (1991) argue that economic activity is substantively rational if consistent with the ends or values of specific groups; if inconsistent with these values, it is not rational.

Budget is then not only seen as a rational function of providing information and recording numbers, but is also associated with power, politics, and symbolic processes (Wildavsky, 1961; Jönsson, 1982; Giroux *et al.*, 1986). Instead, the key players may view the whole budgeting process as a practice of power, domination and symbolic violence, instead of political emancipation in order to gain legitimacy of some actors in the government (Célérier and Cuenca Botey, 2015; Kuruppu *et al.*, 2016). In other words, formal or economic rationality could not exclude political rationality in a budgeting context (Ho, 2018; Saliterer *et al.*, 2019).

A substantive rationality perspective on studies considering the key players in government budgeting tends to view government budgeting practices as a means to fulfil substantive ends of specific actors or social groups. Previous reviews argue that these studies draw predominantly from social theorisation, or lack thereof, and retain qualitative approaches (Jacobs, 2012; Anessi-Pessina *et al.*, 2016; Van Helden and Uddin, 2016). For example, Young (1999) examined legislators' vested interests in Parliament during the budgeting process, as described in the previous section on Legislative-focused studies. Young (1999) investigates minor party activism in the Australian Parliament during the budgeting discussion of the Executive proposal. Young finds opportunism for minor parties when there is tension between

the Executive and opposition parties. The minor parties tend to agree with the opposition when they have the same interest, e.g. rejecting a tax cut proposal from the Executive. On the other hand, the minor parties employ bargaining strategies with the Executive when their interest is more in-line with that of the Executive, rather than aligning to the opposition's agenda. However, this study does not provide an in-depth analysis of the vested interest of both the Executive and Legislative in the budgeting process and lacks a theoretical framework.

Similarly, Tambulasi (2007) examines the impact of NPM on the Executive-Legislative relationship in six local governments in Malawi. Government affairs, including budgeting practices, are far from neutral as a consequence of new management techniques introduced in the local governments as a part of public sector reforms. The research employs the NPM idea without any explicit theory to illustrate the struggle and tension between managers or the Executive and the elected politicians in government affairs, including budgeting practices. Management accounting practices are used by these actors to regain their influence and control, such as corruption or colluding with each other to gain endowment funds. However, the lack of theorisation in these studies may lead to an inadequate explanation of why certain phenomena occur. Hopper *et al.* (2014) argue a theory is essential to understand how, why, and for whom accounting works. Consistent with previous reviews, many papers in public sector management accounting do not draw explicitly on theory and are often descriptions of accounting practices (Scapens and Bromwich, 2001; Van Helden, 2005; Broadbent and Guthrie, 2008; Goddard, 2010; Anessi-Pessina *et al.*, 2016).

From the interpretive perspective, other studies have employed theoretical frameworks to depict the vested interest of key players in the government budget process. A case study on government budgeting in the Scottish parliament by Lapsley *et al.* (2011) as outlined in the Legislative-focused studies section, also shows the conflicting interests between the key actors involved in the budget deliberations. This study deploys Strauss' negotiated order theory and

Clegg's power to illustrate the tensions on budgeting discussions. Clegg's power theory depicts the exercise of the power of a majority coalition government in Parliament budgeting deliberations which, surprisingly, produce minor or unsubstantial discussion so that the budget bills pass through the legislation process easily. On the other hand, the use of Strauss' negotiated order illustrates the long and complicated debates and negotiations of the budget bills in Parliament, especially by opposition parties, which is exacerbated by the reduction of expenditure by the minority government regime. This theory views the emergence of social order as a continual process of negotiation between the actors, which may result in the segmentation of interests and the differentiation of positions embraced by negotiating parties. These complicated negotiations are mainly intended to agree the 'portion' the political parties would earn from the budget. The budget proposal is finally approved during the minority government era when the government has accommodated the interest of opposition parties which produce spending increases. Thus, Lapsley *et al.* (2011, p. 23) conclude that budget spending increases are driven by political considerations rather than strategic economic objectives, which remains the reality of budgeting practices.

Cuganesan (2017) examines the design of performance budgeting practices in the Australian government, as mentioned in the Executive-focused studies section. Employing Fairclough discourse analysis, the study depicts the interactions between the Executive and Legislative regarding the design of performance budgeting and how it renders improvement in budget accountability. Discourse-based research focuses on discourses and how these create particular forms of practices and subjectivities (Baxter and Chua, 2003). Managerial accountability forum is the main discourse emerged during their interaction which predominantly affects the performance budgeting design. The study found the difference in perspective emerged by the Executive and Legislative a result of managerial accountability discourse whereby the Executive preferred that the accountability design of the budget to be

mainly intended for the vertical hierarchy in the government agencies. On the other hand, the Legislative demanded that the budget system be held accountable by the public, although, in the end a compromised design was achieved between the Executive and Legislative. This study depicts that budgeting practices are far from a neutral process, even from their initial design. Unfortunately, it does not investigate the vested interests of the Executive and Legislative on the proposed budgeting system.

Lu and Xue (2011) investigate the power of the Executive in Chinese budgeting practices as discussed in the Executive-focused studies section, where they found a strong Executive power in the budgetary power-sharing coupled with and backed up by the agenda of the Communist party. This study employed the notion of accountability to investigate the imbalanced sharing of budgetary power between the Executive and Legislative in the budgeting process and its impact on accountability. Although this study acknowledged the multi-dimensional and faceted elements of accountability, it viewed accountability as the Executive branch held accountable in fiscal affairs. It examined how the budgeting actors perceive the Executive-Legislative interaction with regards to budgeting accountability practices. They argue that accountability practices are not intended to maintain public transparency, but rather to maintain hierarchical accountability upwards to the Executive position, instead of to the Parliament as the representative of the people, which in turn undermines the democratic accountability.

According to previous literature, this type of study can be categorised as an interpretive study which mainly focuses on subjective meaning ensued from people's interactions with the management accounting system. However, Hopper *et al.*, (2014) note that this approach has been criticised for failing to give due consideration to external and internal institutional influences, indigenous beliefs, and social structures which also influence the accounting practices.

Other studies on Executive-Legislative interactions attempt to draw theoretical frameworks from a critical perspective. For example, Uddin *et al.* (2019) examine the participatory budgeting (PB) practices in a Japanese local government, as discussed in the Executive-focused studies section. Drawing on Nakane's notion of verticality of the Japanese Culture, it was found that PB is a merely symbolic practice whereby the policymakers seldom use the input from the citizens. Due to strong verticality, juniors (*kohai*), i.e. councillors, are reluctant to challenge the budget proposal of a superior (*sempai*), i.e. the Mayor and budget desk. It is essential to maintain oneness or *'wa'* as a group, which is reflected in most of the budgeting meetings where they are seemingly solely used as a ceremonial event. Thus, the budget agenda is dominated by the agenda of the Mayor and their political party.

Célérier and Cuenca Botey (2015) and Kuruppu *et al.* (2016) also undertake studies on the manoeuvres of budgeting key actors and their conflicting political interests from a critical perspective, as briefly illustrated in the Executive-focused studies section. Célérier and Cuenca Botey (2015) investigate participatory budgeting practices in the Porto Alegre local government in Brazil. This study employs Bourdieu's theory on field, habitus, and capital to explain how budgeting practices are employed to fulfil the political interest of key actors. Fields represent all social spaces in which various agents interact. Habitus refers to internal dispositions of social actors which determine their objective behaviour in a field. The social actors' position in the field is determined by the amount of capital they possess. Participatory budgeting strengthens the dominance in the regional political field and changes the game played in this field. The legislators have successfully legitimised their position as the representative of the people and enhanced their social position due to budgeting practices, since they cleverly mobilise many forms of capital, e.g. social capital for mobilising networks for the purpose obtaining support for proposals and economic capital for approaching potential voters. It also includes discussing and convincing residents, i.e. changing their habitus. Hence,

the government budget is seen as a means for pursuing the vested interest of the key actors involved in the process, e.g. legitimating social position and increasing their opportunity to be re-elected in the next election. Although this study acknowledges the potential of Executive power to override the Parliament, it does not examine the Executive's manoeuvres and its interactions with the councillors during the budgeting process.

Similarly, Kuruppu *et al.* (2016) examine participatory budgeting practices in one Sri Lankan urban council. Drawing on the notion of field, capital, and habitus of Bourdieu, this research depicts the struggle and tension of the key actors, i.e. the Executive (especially the Chairman) and the councillors, on the various forms of capital available in the field. As discussed in the previous section, the budgeting practices have become the battlefield of the key actors to dominate the budget allocation for the sake of their political objective. The Executive, especially the Chairman, beautifully plays the capital available in the field, by empowering the councillors in the budgeting process so that the councillors believe they are important players and their interest has been accommodated by the government, referred to as symbolic violence. Both the Chairman's and councillors' primary interest is for electoral politics, i.e. gaining allocation for approaching voters for the sake of their political career or election, as also stressed in previous other studies (Xavier, 1996; Brender and Drazen, 2005; Jacobsen, 2006; Mink and de Haan, 2006; Askim and Hanssen, 2008; Anessi-Pessina *et al.*, 2012; Célérier and Cuenca Botey, 2015).

According to previous literature, these studies can be classified as critical studies, focusing more on macro-level analysis and how structural conditions, i.e. material and cultural, affect the accounting practices (Hopper *et al.*, 2014). They draw predominantly on theories such as the Bourdieusian framework on human capital and field, and cultural political economy (Chua, 1986; Van Helden and Uddin, 2016). Baxter and Chua (2003) argue that literature in critical traditions attempts to examine both subjective and structural factors in understanding

accounting practices. Nevertheless, Hopper *et al.* (2014) explain that theoretical perspectives used within the critical tradition are criticised for ignoring a balanced consideration of the macro and micro, and for undermining the effects of global economic structures.

In summary, not many studies attempt to investigate the interaction between the Executive and Legislative in the government budgeting process, especially concerning their vested interests. Also, studies on government budgeting from a substantive rationality perspective depict the need for greater theorisation to explain the empirical phenomena. This is consistent with recent reviews by Anessi-Pessina *et al.* (2016) on public sector budgeting literature. Also, substantive rationality perspectives on the Executive-Legislative relationship has depicted the vested interest of the key actors on the budgeting practices, not just as a rational and neutral means for resource allocation.

2.5.3. Traditionalism

Previous studies have illustrated the importance of socio-historical, cultural, politics, and other structural conditions to influence management control practices, including budgeting, in less developed countries context (Uddin and Hopper, 2001; Uddin and Tsamenyi, 2005; Wickramasinghe and Hopper, 2005). Weber (1964) recognises a specific form of substantive rationality, i.e. traditionalism, that is commonly found in less developed countries, since these countries have a very different socio-political and structural context from the West.

Dyball *et al.* (2006) further explain the characteristics of traditional societies, whereby the institutions of family and clans have become powerful (Uddin *et al.*, 2018). Referring to Weber's (1964) traditionalism and Weiss and Hobson's (1995) modern state, they describe that the institutions of market, community, and state are conjoined in traditional societies, as opposed to modernist ones, which encourage them to remain separate and autonomous. This conjoined nature of traditional settings lead accountability relationships to lean towards

personal and perpetual, as opposed to objective and ephemeral, which is commonly found in the modern variant of state and market. Hence, previous studies argue that the institutions of family and clans are powerful in traditional settings (Uddin *et al.*, 2018). Weber argues that traditional domination is exercised by 'master' or family/clans and is mainly based on personal loyalty. Obedience is to the 'master' rather than to 'enacted rules'.

Hence, Weber (1978) explains that the traditional domination of economic activities tend to strengthen traditional attitudes, allowing master or family groups to dominate the economic resources and restrict the development of formal rationality. This is likely to occur because the property and productive capacities of individual economic units are primarily geared towards satisfying the master's preferences and needs governed by substantive rationality of economic action (ibid.). Hence, as explained in the introduction chapter, this thesis views traditionalism as structural conditions and socio-cultural context, that is commonly found in less developed countries, which facilitate the deployment of accounting practices to serve the dominant interest of Master of family groups rather than providing accountability to the wider stakeholders. Consequently, management control practices, including budgeting, in organisation situated in a traditional setting may also be influenced by the informal actors, i.e. family groups or clans (Uddin, 2009; Uddin *et al.*, 2018). However, previous studies on government budgeting neglect this specific form of rationality, i.e. traditionalism.

Hence, this study deems it necessary to employ the Weberian framework on traditionalism to understand local government budgeting practices in traditional settings that will be further discussed in the theoretical framework chapter. It aims to examine the processual dynamics and the role of key players in a local government budgeting process situated in a traditional setting.

2.6. The Role of Accounting as an Accountability Mechanism

However, it may raise the question of why traditional domination in organisations continues to survive or is viewed as legitimate amidst the modernisation of organisations, such as through imposing formal bureaucratic administration (Sayer, 2002). It may be caused by traditional domination coexisting with cognitive legitimacy, the strongest source of legitimacy. Siddiqui and Uddin (2016) argue that in order to exercise power, family relation is adequate, and no further justification is needed. It resonates with cognitive legitimacy. Nevertheless, in a real-world setting, multiple legitimacies exist in organisations - not only one form of legitimacy needs to be maintained (Suchman, 1995; Black, 2008).

While the role of accounting as an accountability mechanism is muted or even ignored in organisations situated in traditional settings (Dyball *et al.*, 2006), Black (2008) argues that accountability mechanisms are essential devices for organisations to gain their legitimacy since it is a means by which legitimacy audiences validate the conformity of organisational activities with its legitimacy claims. If an accountability mechanism is absent in a traditional setting, it could be argued that the legitimacy of traditional domination is challenged. However, previous studies have provided evidence of traditional domination in organisations (Dyball and Valcarcel, 1999; Uddin and Choudhury, 2008; Uddin *et al.*, 2018) and even showed no visible resistances from other actors (Uddin, 2009). Hence, it is essential to investigate how the role of budgeting as an accountability mechanism contributes to organisational legitimacy in a local government organisation.

Previous studies have attempted to examine the legitimacy and accountability perspective of the government budget. With regards to accountability and budget, Goddard (2005) explores the accountability perception of the key players towards budgeting practices in UK local governments. Goddard concludes that budgeting practices meet the notion of accountability since they are practices concerned with performance. It is the principal structure

of performance and governance which encourages those in control to meet performance objectives. The accountability nature of budgeting practices is also met due to the rigorous and comprehensive nature of the budget system whereby the system embodies the annual plans of the organisation in a well-developed and rigorous system of control and implementation.

Other studies also attempt to discuss the relation of budgeting practices to the notion of accountability and whether the budget system promotes public accountability (e.g. Johnson and Talbot, 2007; Ma and Hou, 2009; Ward, 2015; Cuganesan, 2017). Similar to Goddard (2005), they mainly investigate the attempts of key actors to improve the accountability of budgeting practices and systems. Some studies also identify the potential role of the budget as a legitimacy device (e.g. ter Bogt, 2003; Bräutigam, 2004; Askim and Hanssen, 2008; Célérier and Cuenca Botey, 2015; Kuruppu *et al.*, 2016). Their main finding is the deployment of budgeting practices as a means for gaining political legitimacy, mainly from the constituent of the key actors involved in the budgeting process.

Nevertheless, studies which examine the contribution role and the deployment of the budget as an external accountability mechanism to the public is under-researched (Anessi-Pessina *et al.*, 2016). According to Broadbent and Guthrie (2008), most of the studies on the accountability of public sector organisations towards external stakeholders have largely focused on year-end reporting. However, the decisions made during the budgeting process cannot be easily revised at the reporting stage, thus it is important to analyse the contribution of budgeting to the external accountability (Anessi-Pessina *et al.*, 2016). Also, while Black (2008) argues that accountability mechanism is important for organisational legitimacy, none of these studies used theories concerning legitimacy and accountability and how these two notions interact with each other to shape budgeting practices. Instead, the notion of legitimacy and accountability is sometimes viewed as contrasting or competing theories (Gray *et al.*, 1988; Deegan, 2007; Costa *et al.*, 2019). Thus, it depicts the need of detailed empirical examination

and sound theoretical understandings of the interactions of key players in local government budgeting practices in a traditional setting. Therefore, this study proposes the second research question:

> Do key players employ local government budget as an accountability mechanism in a traditional setting? If so, how and why?

Hence, this study employs Black's (2008) framework to further elaborate Weber's traditionalism from the perspective of legitimacy and accountability relationships. It aims to examine the role of the key players in shaping local government budgeting practices and investigate the role and contribution of budgeting as an accountability mechanism in a traditional setting.

2.7. Summary of Research Gaps

Previous sections have discussed key debates in the interactions of Executive and Legislative in budgeting practices and identified several gaps in existing research. To summarise, the research gaps are as follows. First, while previous studies have focused more on either the manoeuvres of executive or legislative in the budgeting process, very few have attempted to address the role and interactions of the key players in the government budgeting process. More specifically, most government budgeting literature ignores the consideration of traditional setting context, which has unique and specific feature of structural conditions which differ from the West, i.e. a specific form of substantive rationality to serve the whim of family groups. Hence, an in-depth study which examines the role and interactions of the key players in the government budgetary arena in a traditional setting is needed to better understand budgeting practices, especially in less developed countries context. Second, the notion of accountability

and legitimacy are examined in government budgeting literature, however, these studies rarely theoretically explore the nature of these notions as mutually exclusive. Although these gaps have occurred in government budgeting literature in general, including at national and local level, empirically, this research focuses on the local government level. Hence, the research questions this study attempts to address are:

1. How does the interaction of the key players influence the local government budgeting processes in a traditional setting?
2. Do key players employ local government budget as an accountability mechanism in a traditional setting? If so, how and why?

To address these gaps and research questions, this research employs a theoretical pluralism approach, i.e. Weber's (1964) traditionalism and Black's (2008) notion of legitimacy and accountability relationships. Weber's traditionalism is deemed appropriate as the theoretical basis of this study since this study attempts to investigate the local government budgeting practices in a traditional setting. Similarly, Black's legitimacy and accountability relationship framework is employed to examine the opportunity of local governments' budget as an accountability mechanism to preserve the legitimacy of traditional domination. Previous studies call for theoretical pluralism to study the complexity of the public sector accounting phenomena (Humphrey and Scapens, 1996; Jacobs, 2012). It also responds to a recent review of public sector budgeting literature by Anessi-Pessina *et al.* (2016), which concludes a lack of theorisation on the public sector budgeting studies. The theoretical frameworks will be guided by Archer's (1995) morphogenetic approach as the meta-theoretical approach, or broad methodology, which is derived from a critical realist perspective. The theoretical frameworks and methodology will be intensively discussed in the next chapters.

Chapter 3: Philosophical Stance

3.1. Introduction

Chapter 2 outlines the theoretical framework of this research using Weber's (1964) traditionalism and Black's (2008) legitimacy and accountability relationships, which will be further guided by critical realism-based meta-theory, i.e. Archer's (1995) morphogenetic approach. Thus, this chapter will justify the philosophical perspective of this thesis, i.e. critical realism (CR), which in turn guides the meta-theoretical (methodology) chosen by this research, i.e. the morphogenetic approach. This chapter begins by discussing the two domination philosophical stances debated in accounting research (positivism and post-structuralism), followed by the responses of a realist approach to these two stances. CR shares some similar views with positivism and post-structuralism stance, but also highlights the weaknesses of the two approaches and how CR overcomes the shortcomings of the two dominant stances. This chapter also discusses the CR-based working methodology of this research, i.e. Archer's (1995) morphogenetic approach, explaining its key concepts and its operationalisation in social science research. The last section summarises this chapter.

3.2. Objectivism and Relativism

Ontology and epistemology are both important aspects of philosophy in research since they determine how we see reality and how we understand that reality (Bryman and Bell, 2011). Ontology is concerned with the nature of social entities, whether they should be considered objective entities that have a reality external to social actors (objectivism) or should they be considered social constructions built up from perceptions and actions of social actors (subjectivism/constructionism) (Chua, 1986; Johnson and Duberley, 2000; Bryman and Bell, 2011). Epistemology is the beliefs of how knowledge is created, and decides what is deemed

as acceptable reality by setting the criteria and process of assessing the claimed 'truth' (Chua, 1986; Hopper *et al.*, 2014).

Objectivism implies that social phenomena, whose existence is independent of social actors and has a determinate nature or essence, is knowable (Chua, 1986). In other words, social phenomena and social actors are independent of each other. Consequently, objective criteria (instead of human belief and interest) can be established to determine social reality and how to study it (Johnson and Duberley, 2000; Hopper *et al.*, 2014). Epistemologically, objectivism believes that social phenomena should be studied with the same principles and procedures in natural science because science (either social or natural) should be conducted in a value-free way (Chua, 1986; Bryman and Bell, 2011). This philosophical position is viewed as positivism (Chua, 1986; Johnson and Duberley, 2000; Baxter and Chua, 2003; Hopper *et al.*, 2014)

Positivism research aims to generate causal law; human behaviour regularities are explained through causal relationships and law that may enable social science to be more scientific and help social actors to control and predict their environment (Johnson and Duberley, 2000). Positivists claim that they separate from cultural factors so that neutral and objective facts can be identified to justify their claims to knowledge. Consequently, it is argued that natural science methods should be employed since it is claimed they are the only rational source of knowledge (ibid). The focus of positivist research is on observable events so that the approach to the analysis of social reality assumes that social reality is objective material entities (Reed, 2005). Hence, social actors' interpretations and perceptions are ignored as they are not observable (Johnson and Duberley, 2000).

In the context of management and accounting research, the organisation is viewed as an objective entity and politically neutral (Willmott, 1997; Reed, 2005). The study of social interactions is undertaken through causal relation networks, like physical elements, which may explain changes in an organisation, such as corporate size, profits, etc. (Donaldson, 1997;

Johnson and Duberley, 2000). Anything that is deemed to cause social phenomena is treated as a variable and employs these variables to a particular mathematical model to explain the causal of social phenomena, thus a positivist approach is generally associated with quantitative methods (Johnson and Duberley, 2000).

Positivist research has achieved its domination towards management and accounting research and is even considered as mainstream research (Chua, 1986; Johnson and Duberley, 2000; Reed, 2005). However, Reed (2005, p.1622) argues this domination is challenged by post-structuralists and postmodernists, which draw on social constructionist ontology by challenging the objectivist conception of an organisation. They reject positivists' view that it is possible to explain the world objectively through scientific enquiry through a rational and generalisable basis, replacing it with an anti-positivist position, arguing that all knowledge is indefinite (Johnson and Duberley, 2000).

Post-structuralists criticise positivist research as it neglects the perception and interpretations of social actors, proposing it should be the focus of social science research (Johnson and Duberley, 2000). Instead, positivists focus on social structures that are assumed to exist objectively, taken for granted, independent of social actors. Post-structuralism argues that positivism neglects the role of discursive practices and cultural processes which create and shape social structures (Reed, 2005). Thus, post-structuralist perspectives argue that organisations are "discursive constructions and cultural forms that have no ontological status or epistemological significant beyond their textually created and mediated existence" (ibid). In other words, it assumes social reality cannot exist beyond its representation in the language (Hardy and Clegg, 2006).

Westwood and Linstead (2001) argue that an organisation exists in text, and has uncertain structural status beyond the text or discourse that constitutes it. They assert that when a structure is constituted as an effect of language, organisations can thus be deemed as a

structure. Consequently, the post-structuralist perspective focuses on discursive formations and practices which linguistically and socially construct an organisation as a reality (Reed, 2005). It tries to reduce the social analysis of phenomena to analyse textual forms and discursive practices which create social phenomena as merely text (ibid).

However, the emerging and developing nature of this discursive constitution relies heavily on historical and structural context, which may change or differ over time. Parker (1992) asserts that linguistics become more uncontrollable, leading to the meaning of social reality being constructed by our discursive conceptions, whereby these conceptions are negotiated overtime through the sense making process. It leads to difficulty in finding a single meaning of reality which delivers various interpretations of reality (ibid). Instead, knowledge is claimed as a language-game that produces various and contextual understandings (Lyotard, 1988). Consequently, where positivism inclines to be a scientific generalisation approach to management, post-structuralism tends to be more relativistic and politically determined production of knowledge (Armstrong, 1994; Reed, 2005). In other words, it replaces the positivist's view of entities as objective and rational with a relativist view of knowledge.

Post-structuralist relativism leads to the adoption of the deconstruction of text, whereby it focuses on what is excluded in discursive formations (Derrida, 1976; Parker, 1997). Linstead (1993) also argues that ethnography should be employed to investigate the production and reproduction of discourses. However, Kilduff (1993) prefers to employ a combination of methods since no approach or method offers a superior explanation of reality as knowledge is relative.

It leads management accounting research to focus on discourse and how this produces a form of subjectivities and practices, including changes within them, for example, the introduction of new management accounting tools, including budgeting systems (Hopwood, 1987; Miller and O'leary, 1994). The work of Miller and O'leary (1994) claims that changes

in management control practices, including budgeting, within the plant are linked with new discourses at the firm and also at national level, and special arrangements within the plant leads to the creation of 'new economic citizenship' discourse with its own requirements of subjects and practices within that discourse. However, Hopper *et al.* (2014) argue that post-structuralist research is criticised due to its relativism, i.e. is the social reality merely constructed by text and language? Post-structuralism neglects broader and structural issues, such as class analysis, economic conditions and resistance, which also form the social reality (ibid.).

By pursuing their relativism, post-structuralists have challenged positivist eminent within management and accounting research since the 1980s (Baxter and Chua, 2003; Reed, 2005). These competing philosophical stances of objectivism and relativism is then responded to by a third-way perspective, i.e. critical realism. Reed (2005) later terms this as 'realist turn'.

3.3. The Third Way between Relativism and Objectivism

The third-way perspective, i.e. critical realism (CR), draws from the notion of objectivity, whereby reality exists regardless of whether human actors acknowledge them or not (Johnson and Duberley, 2000). From this point, it seems that realism and positivism share a similar view of reality, that there is an independent reality that is observable and measurable (Bryman and Bell, 2011). In other words, what is real are the things which can be measured and observed through our sense. Bryman and Bell (2011) and Rorty (2009) term this as 'empirical realism'. However, Bhaskar (1978) rejects this notion of empirical realism as a form of 'epistemic fallacy'. It contains a fundamental error in that. Reality is reduced to what can be perceived by our senses (Danermark *et al.*, 2002). Reality becomes 'flat' since ontology is reduced to epistemology. This reduction of reality is criticised since it does not consider the deep structure and its underlying mechanism, and so our understanding of the world is not complete (ibid.).

In other words, the notion of something observable (empirical) does not necessarily determine our understanding of what is exist (Bhaskar, 1978).

In a similar vein, while post-structuralists believe that in organisational and social practices, as a product of linguistic practices and discursive forms (Reed, 2001, 2005), realism overtly rejects the assumption that the world is created only by human minds (Johnson and Duberley, 2000). CR argues that there is still a reality that exists beyond the linguistic and discursive capacity of social actors (Reed, 2005; Al-Amoudi and Willmott, 2011). The key orientation of realists is its metaphysical commitment to unobservable reality, namely reality that cannot be measured nor observed may still exist and be real, is not dependent on a human actor's cognitive (Johnson and Duberley, 2000; Margolis, 2007).

Consequently, Bhaskar (1978) proposes a 'stratified ontology', consisting of the real domain (a generative mechanism), actual domain and empirical domain. The real domain exists independent of the observer, that may or may not be observed (Modell, 2017). It becomes a generative mechanism that has particular structures and powers that can behave in particular ways and cause changes and still exist if it remains unexercised (ibid.). The actual domain is a domain that occurs when those powers in the real domain are exercised. The empirical domain is where observations of actual domain are experienced by human agents, whereby that actual domain may be fully or partly observed (ibid.).

By looking at this stratified ontology, it again shows disagreement with positivism or empirical realism that something can be deemed as a reality when it can be observed, whereas CR still considers that things which cannot be observed may still be real. For positivism, something that cannot be observed and measured is meaningless or merely speculation (Johnson and Duberley, 2000). This also rejects the post-structuralist conception of reality since there are realities that may be beyond human observation, and thus it is also beyond our

linguistic and conceptual capacities (ibid.). Whilst language has an essential role in shaping science, it does not necessarily mean that nothing exists beyond language and discourse.

Although disagreement with post-structuralism exists, CR does share similarities with them. Bhaskar (1978) asserts that the world consists of two forms of objects: intransitive and transitive objects. An intransitive object is an object that is independent of a human's knowledge, whereas a transitive object is a socially constructed object which allows human actors to make sense of in their world. Intransitive objects may or may not be observable, and when humans interact with these objects, they may interpret them differently (it becomes a transitive object) that is dependent on the human context, discourses, or conventions surrounding them (Johnson and Duberley, 2000).

Bhaskar's acknowledgement of transitive objects depicts that how human agents think and behave are still influenced by discourses, a key characteristic of post-structuralism. It presents that the transitive understanding of events may change due to contextual environments which constrains human agents. However, the social construction of science is bound by an external reality that exists independent of the human cognitive process, which cannot be influenced by language, metaphors or discourses of human actors (Sayer, 2000). Hence, it portrays that CR and post-structuralism share a similar view of the social construction of science, but in CR, it is bounded by reality 'out there' which already exists beyond language-games.

Consequently, the main issue in CR is the active role of human agents which are bounded by their interaction with the independent reality that enables or constrains their actions (Johnson and Duberley, 2000). In natural science, the intransitive generative mechanism does not change because of its interaction with human agents, but in social science, it is less intransient since it is dependent on human intervention and action (Bhaskar, 1978). Therefore, unlike in natural science where we cannot create a new physical relationship, in social science

it is possible to realise transactions between subject and object (Sayer, 1992). The world is seen as a product of human action so there is always a possibility to intervene in an existing relationship and to change the structure (Bhaskar, 1978).

CR argues that human actions can be explained as a consequence of generative mechanisms (structures) located in the real domain that is not directly accessible to the human sense (Reed, 2005). Generative mechanisms produce actual events that may be conceptually mediated through empirical experience. Thus, CR perceives causation as not a solely regular empirical event of constant conjunction which determines what is real, as positivism claims. In other words, CR attempts to dig deeper into the indirectly observable real' structure and the mechanism that causes events to occur and explain why regularities occur (Johnson and Duberley, 2000). On the other hand, positivism believes causal explanation merely relies on constant conjunction of empirical events or regularities, construing explanation and prediction as symmetrical (Reed, 2005).

Bhaskar (2014) argues that the constant conjunction of positivism is only likely to occur in an artificially enclosed environment through experimental control. He argues the purpose of this experiment is to isolate one mechanism, which usually operates with other mechanisms, to create a closed system which enables production of repetitive causal events. On the other hand, he explains that the actual events in the real world or open system are caused by more than one mechanism along with human intervention. Hence, he argues that events in an open system cannot be explained by the empirical realism of positivism, whereby it relies on causal laws with constant conjunction. It does not necessarily say that one mechanism in a closed experiment environment cannot operate in open environment system, but that the effect may be different due to the influence of other mechanisms or human intervention in an open system. Consequently, the mechanism in an open system which can only be examined by the real domain of CR that is beyond the borders of experiments. It leads to the conclusion that the

objective of natural and social science is to identify the generative structure that operates independently of events they produce (ibid).

Bhaskar's illustration has an implication on social science research, including management and accounting research, in which it highly involves human agents. Locating human agents (who has knowledge and intentions to act) in a closed experiment environment seems inappropriate (Johnson and Duberley, 2000). It is argued that social structures are less intransient since they are created, transformed, and reproduced by human agents, and in turn, also constrains and enables their actions (Sayer, 2000). Hence, social structures pre-exist social actions, and there is a possibility that structures are already established by the previous generation of the agents, which cannot be recognised by the current agents (Sayer, 2000; Ashraf and Uddin, 2016).

Consequently, Bhaskar proposes an analytical distinction between a structure and an agent, later it is called analytical dualism by Archer (1995). Analytical dualism is denied by post-structuralism, whereby they argue that human agents are lost to discursive behaviour determination and their subjectivist ontology. For CR, however, structures and agents cannot be reduced to each other (Collier, 1994; Reed, 2005).

CR research, hence, aims to identify structures that generate behavioural tendencies through social phenomena investigations. Consequently, it should examine both unobservable structures or generative mechanisms and subjective experience of social phenomena which explain the generative structure (Sayer, 1992). In other words, they first need to analyse the generative mechanism and structures in which agents interact and the conditioning effect of the structure (Archer, 1995). Once the generative structure has been identified, we can then analyse the actions of human agents, through which their actions may change some structural condition, and influence the next cycle of the agent's actions (ibid).

The commitment of CR to unobservable or metaphysics real structures, however, poses some criticism as to its relevance as ontology (Steele, 2005). How can we know a structure that cannot be observed? Instead, post-structuralism alleges that 'real' structure is merely a language-game, which causes empirical events to occur (Reed, 2005). It also leads CR to receive criticism that it is difficult for CR to make a substantive claim to knowledge from its commitment to metaphysical structure, whereby observing unobservable structures are identified through investigating observable experiences (Johnson and Duberley, 2000). Interestingly, CR claims that these critics can be solved by the retroductive process (Sayer, 1992; Reed, 2001, 2005).

Reed (2005) argues that with CR, although real structure or generative mechanisms cannot be directly accessible through our sense, it needs to be theoretically constructed through a conceptual abstraction process, i.e. retroduction process. The retroduction process moves from surface level (empirical) to the deeper structure which may not be observed through senses (Johnson and Duberley, 2000). Once regularity is identified, a scheme can be constructed to explain the regularity and then this scheme is analysed through theory inferred to determine its conformity with structure and generative mechanisms (ibid.).

Human agents' experiences are also identified through discursive understanding and interpretation of those agents with reference to the underlying generative mechanism that causes the occurrence of events. Nonetheless, it does not necessarily justify a post-structuralist commitment to a discursive reductionism approach that reduces the explanation and theory construction to language construction without referring to independent external reality (Reed, 2001, 2005). Therefore, the retroduction approach enables CR to identify real structure through being theoretically inferred by examining the structure's relational effect to human agents and human agents' perceptions, per se (Sayer, 1992; Ashraf and Uddin, 2015).

However, retroductive judgement is mediated through culturally and historically investigation processes and theories (Al-Amoudi and Willmott, 2011). Fleetwood (2005) argues that there is no direct access to reality, but that access is always mediated through theories. Once we investigate the reality, our point of view is always mediated by pre-existing theories which we employ to interpret and understand the reality (ibid). It increases the significant importance of the role of theories in explaining structure or generative mechanisms. However, the criteria for preferring a particular explanation rather than the other available criteria relies on the cultural and contextual environment in which competing explanation debates are taking place (ibid).

Thus, retroductive judgement provides CR with a culturally and historically contingent explanation of certain phenomena (Al-Amoudi and Willmott, 2011). It also reflects the commitment of CR to epistemological relativism, whereby relativism entails more than solely fallibilism (ibid). Bhaskar (2014) argues that it is not only about potentially 'wrong' knowledge, but is also a matter of knowledge being transient so that the process of acquiring that knowledge is relative to time, position, culture and background of the investigator. If ontology is disunited with epistemology, it seems that CR shares a similar view of poststructuralist relativism as explained in the previous section. However, this relativism is always referred and bounded to the causal structure so that not all knowledge is socially constructed (Sayer, 2000). Therefore, CR rejects the notion of theory-neutral language since it involves the epistemic role of human actors and is culturally and historically driven (Bhaskar, 1978; Fleetwood, 2005).

On the one hand, post-structuralist perspectives argue that scientific theories and explanations cannot be assessed and evaluated as to their explanatory power since they are a product of social constructions (Reed, 2001, 2005). Anything deemed as a reality is a product of unstable socio-linguistic artefacts from culturally and historically linguistic games of a

community. Thus, knowledge of a community must not be assessed by criteria of knowledge of other communities (Johnson and Duberley, 2000). On the other hand, for CR, theories are employed as provisional descriptions and explanations of generative structures that contingently produce empirical events so that it is subject to revision. So, it is necessary to compare different theories and explanations concerning its explanatory power to explain causal structures which produce empirical events, provided the theories are logically coherent (Fleetwood, 2005; Al-Amoudi and Willmott, 2011).

Moreover, Bhaskar (1978) argues that understanding epistemological relativism entails recognition of categories employed by researchers which are merely artificial objects. Empirical realists, especially structuralists, always employ naturalization of categories, which is defined as a priory and assumed relevant to all empirical settings (Al-Amoudi and Willmott, 2011). In this regard, critical realists and post-structuralists agree on rejection of the view that category naturalisation and the concept of universal categories ignore contextual factors (ibid.). It needs to consider the context and discourses in which these categories may attach. For example, doctor vs nurse in a hospital context and discourse may also refer to man vs woman in a different discourse and context. Hence, CR analysis must consider any claim that is dependent on the context and discourse in which the claims are produced (Bhaskar, 2009). Sayer (2000) asserts that this relativism is always bounded by the tolerance of external reality which is independent of the agent's cognitive.

Epistemological relativism leads critical realism to adopt a multi-methodological approach, whereby there is no single theory or methodology that may produce superior results than any other methodologies (Al-Amoudi and Willmott, 2011). Identifying a structural mechanism and agents' subjective perceptions cannot be undertaken through one single methodology, rather it requires a combination of methodologies (Reed, 2005; Al-Amoudi and Willmott, 2011). Particular theories and methodologies are then employed to identify the

empirical events experienced by agents and to investigate the real domain through inferring these theories, which may depict a provisional picture of a causal mechanism in the real domain.

When comparing with positivism, theories are employed to enable hypothesis testing of the causal relationship by analysing the fitness of theories with empirical evidence. It usually involves the measurement of theoretical concepts during the hypothesis testing process. Although it seems that CR undermines statistical modelling of the object (Sayer, 2000) and the ability of constant conjunctions to uncover causal mechanism (Bhaskar, 1978), there is no principle that suggests event regularities cannot explain the causal mechanism which can provide an objective claim to knowledge, although it can sometimes mislead (Steele, 2005).

According to Sayer (1992), quantification of an object is possible, but contains other issues related to its ability to uncover the causal mechanism. He argues that theories can be argued as feasible if they can guide practical actions and thus must explain the causal mechanism. However, the mathematical and statistical model does not depict a causal relationship, it only shows measurable changes based on events, regular sequences or constant conjunction (Sayer, 2000). Hence, statistical or quantitative methods are less likely to uncover generative causal explanation (ibid).

In the accounting research context, CR is purported to investigate causal structure that enables or constraints agents to act in certain ways, such as undertaking accounting change in the organisation (Armstrong, 2008; Ashraf and Uddin, 2015). Investigating causal structure is conducted through historical, political-economy, and related literature that is related or influenced by organisation, as well as agents' subjective experiences since the causal structure cannot be directly observed (ibid.). Agents may not be aware, or have different perceptions, of the structural conditions affecting their actions due to their cultural and historical backgrounds (Sayer, 2000; Reed, 2005). Nevertheless, structural conditions may still be traceable from their

accounts, and then explained by the theoretical coherent (Sayer, 1992). Therefore, the focus of CR in accounting research tends to explain causal structures that underpin the agent's actions (Modell, 2017).

3.4. Critical Realism as the Philosophical Stance of this Research

The previous section has explained the response of CR to the weaknesses of two competing and dominant philosophical stances: positivism and post-structuralism. It has also highlighted the comprehensiveness of its ontological and epistemological foundations. Sayer (2000) argues that CR, as an alternate meta-theoretical position, attempts to avoid the weaknesses of various theoretical perspectives. Hence, this thesis takes CR as its philosophical stance.

While Bhaskar's critical realism depicts an alternative philosophical stance on social science, it does not provide a working methodology for conducting social science research. Some subsequent authors further develop a critical realism-based working methodology, such as Archer's (1995) morphogenetic approach. It provides the operationalisation of CR in social science research. Thus, this thesis employs Archer's (1995) morphogenetic approach as the meta-theory or broad methodological approach. As argued in the previous sections as to the debates between critical realism with positivism and post-structuralist/postmodernism, the core of critical realism is the move from epistemology to ontology, and a switch from events to the generative mechanism within the ontology (Danermark *et al.*, 2002; p. 5). The main ontological question that should be raised is 'what properties do societies, and people possess that make them a possible object for knowledge?' (Bhaskar, 1978; p. 13), rather than raising the epistemological question regarding how knowledge is possible. The focus switches the attention to what produces the events, i.e. causal mechanism within a real structure, not just the empirically observable events (Danermark *et al.*, 2002).

3.5. Archer's Morphogenetic Approach

3.5.1. Structural Analysis

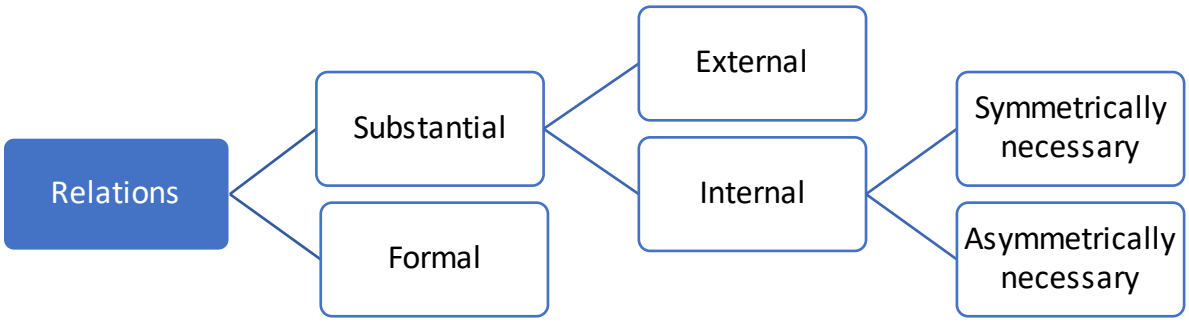
Structural analysis is the core function of social science conceptualisation in studying the causal mechanism in critical realism (Danermark *et al.*, 2002). It requires the understanding of an object which determines the possibilities we have for obtaining knowledge about it, since it also determines the available methods we will employ. According to Bhaskar (2010), the objects of social science are relational. Danermark *et al.* (2002) argue that we have first to distinguish whether the relations are substantial or formal. Substantial relations depict that there are real connections between the objects. Formal relations means there are no relations, but they share a common or similar characteristic. Danermark *et al.* (2002) give an example of the relationship between tenant and landlord to depict substantial relation. Their existence causes each other as a consequence of the relation existing between them. If the landlord and the tenant are both from the same country, it is the example of formal relation: they share a similar characteristic, i.e. nationality. It does not necessarily have more relation than that, just a formal relation.

Within substantial relations, it is essential to distinguish between substantial relations which are internal and necessary, and those which are external and contingent for the investigated phenomenon (Danermark *et al.*, 2002). Internal relations mean the objects condition one another. If they condition one another mutually, it shows a symmetrically necessary relation. In other words, the relations between objects/positions are internal since none of these objects can exist without the other. For example, again, the relations between landlord and tenant by Danermark *et al.* (2002). If their relations vanished, the 'housing market' phenomenon would also disappear, and the two persons would no longer be landlord and tenant. Another example is the relations between the positions of labour, capitalists, and managers in the capitalist mode of production (Ashraf and Uddin, 2016). Their relations

condition each other so that none of these positions can exist without the other. Their previous social positions would disappear, although they still exist as human beings (Danermark *et al.*, 2002).

In considering external relations on the other hand, using the landlord-tenant example, the landlords may undertake a substantial amount of renovation or mismanage the property. This depicts that they are still landlords and the relations are also still substantial. However, it is not within the landlord-tenant relation so that they are external to the 'housing market' phenomenon (Danermark *et al.*, 2002). Nevertheless, the relation may also be asymmetrically necessary, whereby they can exist without the other but not vice versa (Ibid.). For example, houses can exist without the existence of landlords, but landlords cannot exist without the existence of houses or flats. It should be noted that the relations between objects or positions do not necessarily be harmonious. Instead, it often becomes the domination of one particular position, such as capitalist-labour and man-woman relationship (Ibid.).

Figure 3.1. Different Types of Social Relations



Source: Adapted from Danermark *et al.*, 2012; p. 46

Willmott (2000) argues that an organization consists of a network of an internal relationship between positions that can be symmetrically or asymmetrically related. For example, the relationship between a cleaning supervisor with a cleaner is internally related, they cannot exist without the other. However, another relationship such as a human resource director with a finance director is contingently related since they can exist without the other. It is worth noting that it is important to understand the resources available within the positions in the structure which will determine the vested interest of agents who occupy those positions and how they employ those resources to pursue their interest. This will be explored further in the agency analysis section.

Furthermore, in every empirical or concrete setting, there is a combination of relations, i.e. formal and substantial as well as internal and external, making it a complex association. Therefore, we must analyse the structures involved in the social phenomenon under investigation through an abstract study. Then, we should undertake an abstraction or isolation process of a set of defined social relations, i.e. a particular structure. Hence, the structure is defined as a set of internally related objects (Danermark *et al.*, 2002; Ashraf and Uddin, 2016). Previous explanations and examples depict that these relations are primarily between material or human objects. In other words, it describes that internal relations between positions are materially driven, which is necessary so that structural or material conditioning can exist and have emergent powers (Archer, 1995; p.175). Landlord-tenant, doctor-patient, teacher-pupil relationships, for example, are internal and necessary and attached to material requirements such as hospitals, trained personnel, pharmaceutical supplies, houses or properties, etc. (ibid.; p. 186).

With regards to social phenomena, structures do not necessarily refer only to macro conditions. Social structures can be analysed at all levels, i.e. organisational structures, small group structures, linguistic structures, communication structures, etc. A mechanism of the

overall macrostructural level is an important factor that causes concrete social phenomena, but it does not necessarily determine the existence and essence of the specific social phenomena (Danermark *et al.*, 2002).

To uncover the structure of an object, some basic questions should be considered (Sayer, 1992; p. 91), i.e. 'what does the existence of this object presuppose? Can it exist on its own, as such? If not, what else must be present? What is it about the object that causes it to do such and such?' According to Danermark *et al.* (2002; p.47), a key question could be: What cannot be removed without making the object cease to exist in its present form? However, these questions are rarely asked in social science research, especially when they are planning empirical research. Thus, the relational character of social phenomena is often ignored (ibid.). For example, to uncover how gender structure operates, studies tend to undertake an empirical observation of men or women only.

Hence, it is very important to undertake the abstraction process in structural analysis to unveil the object's generative mechanism. The previous section discussed that all knowledge is conceptually mediated so that there is no theory-neutral language which explains a particular social reality. Conceptualisation is mainly done through an abstraction process (Danermark *et al.*, 2002). Abstraction is 'something which is formed when we – albeit in thought – separate or isolate one particular aspect of a concrete object or phenomenon; and what we abstract from is all other aspects possessed by concrete phenomena' (ibid., p. 42). Concrete or empirical phenomena are formed by a number of factors such as power, influence, property and elements. An abstraction is then a tool for isolating of certain aspects in thought, instead of isolating them by manipulating events like in natural science experiments.

The structures are constitutive for the social reality and cause reality to occur (Reed, 2005). Hence, abstraction enables us to analyse concrete phenomena, and the concrete phenomena then become the starting point of the abstraction process. A double movement is

involved to understand concrete phenomena, i.e. concrete to abstract and abstract to concrete, simultaneously (Sayer, 1992). Theories are then employed to explain why particular concrete phenomena occur.

3.5.2. Culture

Structural or material conditioning is deemed to either constrain or enable agents' action. Archer (1995) argues that another important point which affects agency action is the cultural system. Culture is analysed in the same way as we analyse structure so that culture is also a social structure. It is not necessarily materially constrained. Willmott (2000) explains that culture is derived from Popper's (1979) notion of 'World Three', whereby 'World One' refers to physical states and process; 'World Two' refers to mental states and process; and 'World Three' refers to the products of human minds. Popper is concerned more with objective knowledge, i.e. hypotheses, theories, arguments, ideologies, and unsolved problems.

Hence according to Popper, cultural system, or a 'world of ideas', is the relation between components of culture, i.e. theories, beliefs, and values, or the propositional relation between them (Archer, 1995; Willmott, 2000). Like structures, cultural systems or ideas emerge from a previous cycle and act as pre-existing structures that constrain or condition the next cycle of social interactions (Fleetwood, 2004). It is the product of socio-cultural (the relationship between cultural agents) and has emergent properties. In turn, it also conditions the social-cultural interaction.

Like structure, the cultural system has independent existence. Willmott (2000) explains that cultures have an objective nature since their components are "totally independent of anybody's claim to it". A cultural system, of course, is the product of human beings. However, they have an independent existence (ibid.). Any propositions that have been attached to the society will remain independent of our interpretation and reception. For example, some argue

that budgeting is a rational tool for allocating resources effectively, whereas other scholars argue that budgeting is a means for gaining domination and pursuing political interests (Franklin and Raadschelders, 2003; Kuruppu *et al.*, 2016). These two propositions still prevail society's propositions which will constrain or condition the next generation' actions. If the agents interact with these propositions, they may change those propositions that will affect the next sequence actions of the agents, and so on so forth. Hence, to answer the independency of cultural systems, they have a separate ontological existence, independent of agents' cognitive.

Like structure, culture has emergence properties that are not reducible to agents. Human agents can influence the cultural system, and the cultural system has a strong feedback effect upon the agents (Willmott, 2000). It can only be done when it is invoked by a human agent. In other words, it depicts the similarities between structure/material and culture since the structure can react back to conditions of the human agents.

3.5.3. Agency Analysis

Archer (1995) provides explanations as to the linkage between a structure with an agent. She argues that structural conditions determine what 'position' in which a present generation of 'people' is occupying or operating. This position leads agents to receive structural pressures so that they need to consider appropriate actions in order to respond to those pressures.

However, due to multiple structures that are being occupied by agents, their actions cannot be predetermined. Agents are occupying multiple and often contradictory structures at the same time, such as profession, family, and religion. One can occupy a position as a father or the head of a family, fellow Christian, a manager, a member of a political party, etc. These agents who occupy positions within the structures, their act and behave are 'pushed' or 'constrained' by the structures (structural tendencies). The positions within the structures provide the agents or position-holders with particular 'interests' to pursue (Ashraf and Uddin,

2016). For example, as a father, one may have the interest to improve the quality of life of his family; as a manager, one can push the production of goods since he/she has material interest such as increasing the company's profit as well as his/her bonus; as a fellow Hinduism, one must not exploit other people's life to gain personal benefit; and so forth. Since people can and often occupy multiple and conflicting positions with different interests, their actions may not be determined (ibid.).

Pursuing interests which is drawn from cultural belief system leads agents to face alternative motivations for acting. However, it may contradict to their material interests. Wickramasinghe and Hopper (2005) give an example of a capitalist mode of production. Companies tend to exploit their production to maintain its economic stability so that there will be more extraction to the labour. However, companies' motivation to maintain its economic stability cannot necessarily be done since those labours are not only 'labour', but also are Fellow Sinhali and Fellow Christian.

This also shows that critical realism avoids structural determinism because of the notion of reflexivity (Archer, 1995). Occupying multiple structures enable agents to undertake subjective considerations in order to respond to the pressures from these structures. This subjectivity may lead agents to act in certain ways that are not necessarily driven by material consideration. Nevertheless, agents' actions are still rational since it is driven by past developed values (Ashraf and Uddin, 2016). According to Mutch (2007), these considerations are mainly influenced by past commitments and experiences of agents, a consideration of immediate response of the current situation they are facing, and future fears and aspirations. It reflects agential power and properties, especially the power to reflect (Ashraf and Uddin, 2015). Hence, agents' actions are driven by the past, with close monitoring of immediacy of the present, and considerations of future consequences.

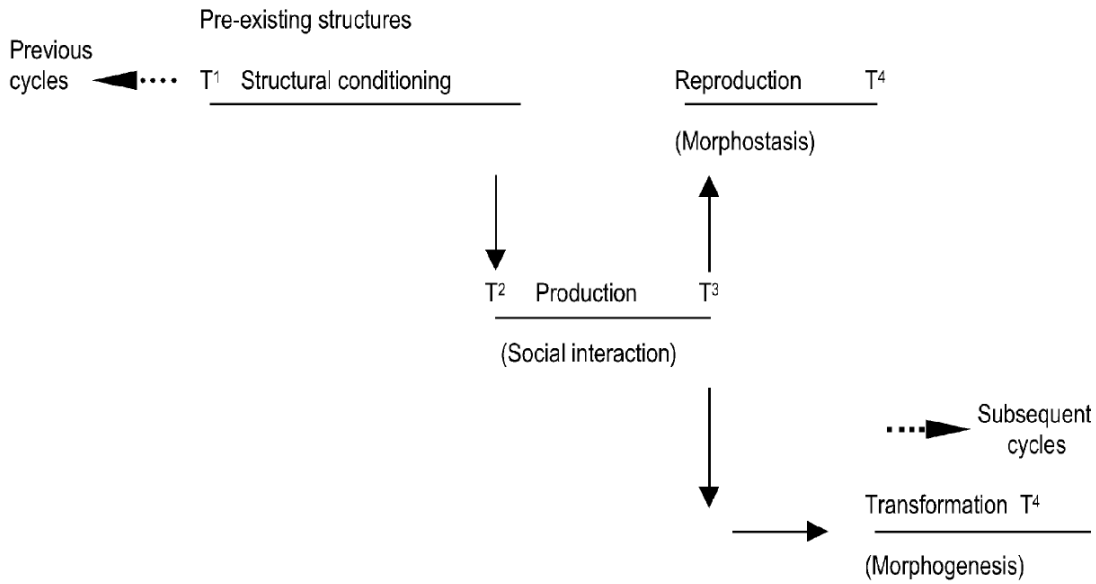
3.5.4. Social Action

Archer (1995) argues that the causal power of structural and cultural emergent properties is mediated through social agents. She argues that agents or people are able to repudiate, resist, suspend, or avoid cultural and structural tendencies in an unpredictable way by virtue of their power as human beings. The exercise of socio-cultural powers relies on the reception and realisation of social agents so that their effects are not direct but mediated (ibid.). The interactions between various social structures that are mediated through agency produce empirical events.

Structural mechanisms are mediated through the people, whereby those people are shaping the situations surrounding them. They are the product of people interactions including the outcome of these interactions, whether unrecognized, undesired or unintentional. Consequently, they are activity-dependent and pre-exist the interactions of social agents, but cannot be reduced to current practices. Hence, structural conditions of the new generation of agents are not produced by them, but the new generation of agents can elaborate on existing structures and cultures, and how to maintain their involvement in the process.

Structures and agents are intertwined, and so to understand empirical phenomena a study has to analyse the structures and agents separately, a concept known as analytical dualism in critical realism (Archer, 1995). First, we need to analyse the structural conditions, including material and cultural in which agents are occupying, and the conditioning effects of those structures. After identifying the structural conditions, we need to analyse the routines or reflexivity of agents. The Figure 3.2 of morphogenetic/static cycle (Archer, 1998; p.376) depicts the interactions between structures and agents, and how agents mediate structural emergent properties to enable the occurrence of empirical events (point T2 to T3).

Figure 3.2. Social Action and the Morphogenetic/Static Cycle.



The interaction between structures and agents is a continuous, cyclical flow over time; there is no room where nothing happens, and things do not only begin and end (Fleetwood, 2004; p.203). Fleetwood (2004) argues that the starting point for analysis of any cyclical phenomenon is a previous cycle. At point T1, structural conditioning exists as a consequence of a previous cycle that behaves as pre-existing structures which constrain or enable subsequent social interactions. At point T2, agents are interacting with the pre-existing structures by which their actions are constrained or enabled; in turn, their actions may change some structural conditions. The process of change occurs between T2 and T3, which leads to point T4, whereby it produces no change in the existing structures (morphostatis) or transforms them (morphogenesis). After T4, a subsequent or a new cycle starts, and so on.

This cycle indicates the critical role of human actions, i.e. enabling this cycle to occur primarily over point T2 to T3. Fleetwood (2004) explains that some phenomena are produced because of human interaction with previous social structures, such as the depletion of the ozone layer, the distribution of income, business organisations, etc. This is called structural

conditioning, whereby these phenomena pre-exist subsequent human action and influences that action. Hence, the morphogenetic approach by Archer (1995) will be the meta-theory or broad methodological framework of this research.

Nonetheless, Sayer (1992) suggests that the CR-based methodological approach needs a substantive theoretical perspective, such as Weber's traditionalism and Black's model, to enrich the explanation of empirical phenomena. Hence, a substantive theoretical approach is necessary. The next chapter will discuss the theoretical frameworks of this thesis.

3.6. Conclusion

The distinction between structures and agents from a CR perspective renders methodological insight that can be used to analyse the emergence of structure or material, culture and agency, and their interaction to produce empirical events. It attempts to overcome the drawbacks of other theoretical perspectives. Archer's (1995) morphogenetic approach is used by this thesis. This will be elaborated on further in the methodological chapter, including reference to its consistency with the theoretical frameworks of this study. Along with the substantive theoretical framework, it will guide the data collection and analysis techniques.

Chapter 4: Theoretical Framework and Methodology

4.1. Introduction

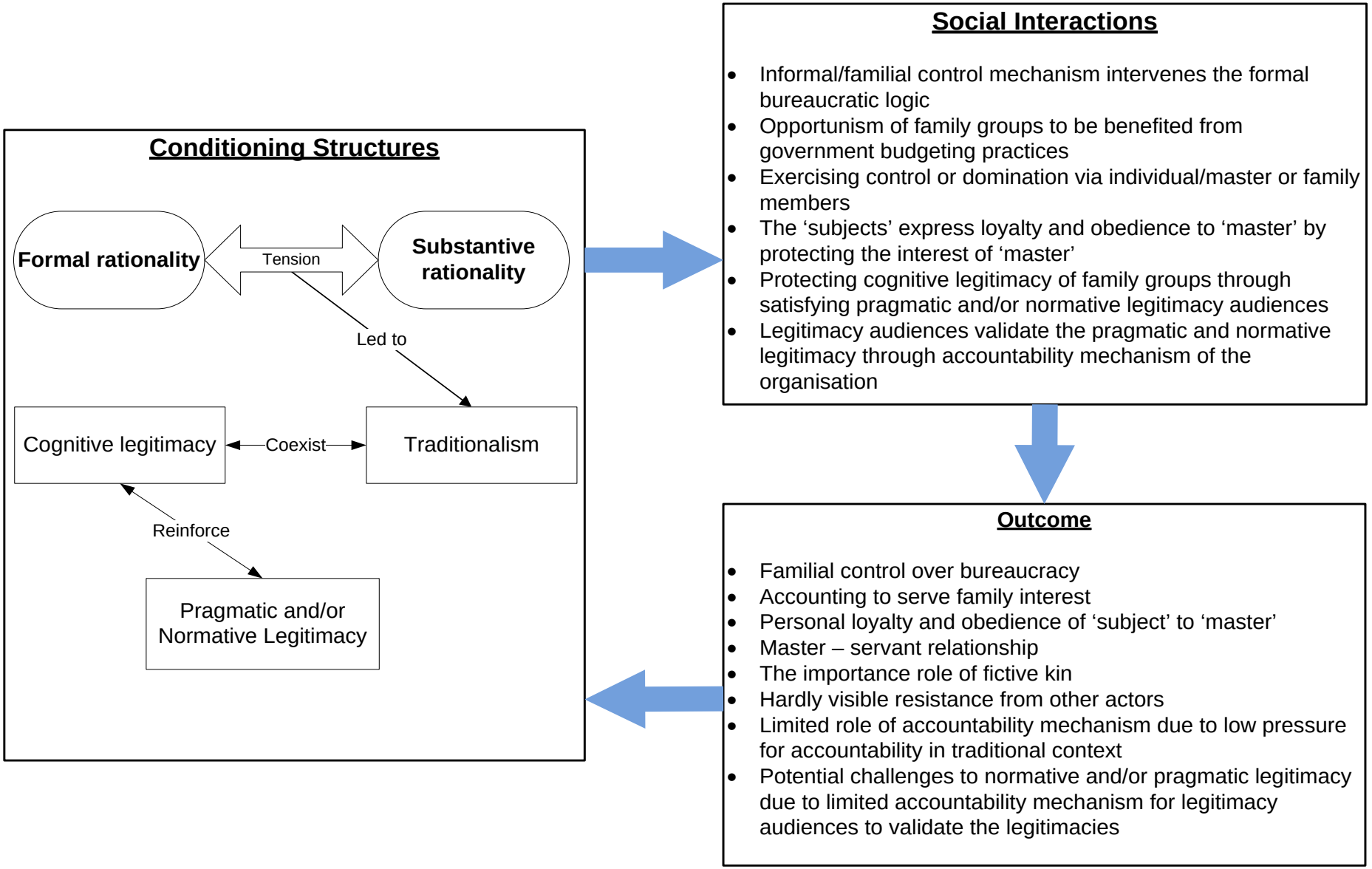
Chapter 2 has briefly discussed the justification of the theoretical frameworks used by this research to answer the research questions. It examines the specific form of substantive rationality in less developed countries, i.e. traditional domination, that is neglected by previous studies on government budgeting. Hence, Weber's traditionalism is necessary to explain the interactions of key players in government budgeting practices in less developed countries. Chapter 2 also discusses a lack of theorisation in government budgeting literature which depicts the interaction budgeting as an accountability mechanism in shaping organisational legitimacy, which may be essential in explaining why traditional domination is preserved or considered legitimate amidst the wave of modernisation of organisations which promote formal rationality, such as accounting models in the West. Hence, Black's (2008) legitimacy and accountability relationships will further elaborate Weber's (1964) traditionalism. Chapter 3 has also discussed the deployment of the morphogenetic approach as the broad methodology of this research.

However, previous studies argue that researchers tend to employ critical realism in a generic manner, without the use of any substantive theory (Modell, 2014; Ashraf and Uddin, 2016). The protagonist of critical realism argues it is essential to use substantive theory to gain a deeper understanding of the empirical situation (Sayer, 1992). Hence, Sayer (1992) suggests the use of a critical realism-based meta-theoretical approach, i.e. the morphogenetic approach, and substantive theory, e.g. traditionalism, to explain the empirical phenomena and enrich the substantive theory.

Thus, this chapter exhibits Weber's (1964) traditionalism and Black's (2008) legitimacy and accountability relationships as the substantive theoretical framework and how

these two frameworks complement each other. As suggested by Jacobs (2012), a combination of theories should support, instead of contradict, to each other. Archer (1995) provides a cyclical framework to analyse a social phenomenon as explained in Chapter 3, i.e. it begins with the analysis of structural conditions and the conditioning effects of the structures; followed by the analysis of social interactions which depict the reflexivity of agents to respond to the structural conditioning effects; and whether the outcomes of the social interactions maintain the existing conditioning structures (morphostatis) or modifies them (morphogenesis). Hence, this chapter is divided into four main sections. It begins by discussing the conditioning structure of budgeting practices in traditional societies, followed by social interactions and the outcome sections. The last part is the conclusion of this chapter.

Figure 4.3. Budgeting Practices in Traditional Settings



4.2. Conditioning Structure

4.2.1. Formal vs Substantive Rationality

To analyse the traditional society, Colignon and Covaleski (1991) assert the need for structural and historical analysis, consistent with Archer's (1995) morphogenetic approach, to understand accounting practices in a traditional society by deploying Weber's notion of rationality. According to Colignon and Covaleski (1991), paradoxical economic actions consist of formal and substantive rationalities. Formal rationality views organisation and society as technical so that it can be controlled through calculations (ibid.). It is considered as value-neutral, a consequence of empirical knowledge, mathematically formed and universally applied. For Weber, formal rationality is the heart of modernity, which in turn distinguishes them with a specific form of substantive rationality, i.e. traditionalism (Sayer, 2002). This will be discussed later in this section. Substantive rationality is an evaluative concept, indicating the ability of an economic system to serve the needs, ends or values of a specific social group (Dyball and Valcarcel, 1999). Hence, economic action is considered substantively rational if it is consistent with the values or needs of specific social groups or institutions. Conversely, it becomes irrational if it is not consistent with those needs and values.

Chapter 2 has discussed that government budgeting practices can also be viewed from this rationality perspective, whereby budgeting practices meet Weber's view of the operation of formal rationality, perceiving the budget as a neutral device for resource allocation; and substantive rationality, treating the budget as a means to fulfil the interest of specific actors or groups. Although formal rationality of a bureaucracy seems to characterise modern governments and organisations, its reach is limited, which invites substantive rationality to complete the gap (Radcliffe, 1997; Uddin, 2009). Thus, understanding the formal rationality of an organisation is incomplete without the analysis of substantive rationality (Radcliffe, 1997; Dyball and Valcarcel, 1999; Uddin, 2009). Radcliffe (1997) further argues that bureaucratic

structures of formal rationality are entwined with the substantively rational concerns of politics, hence the role of politics becomes so important.

Giroux *et al.* (1986) argue that the budget does not only reflect the recording of precise numbers and a rational means of providing information, but also deals with power, politics, and symbolic processes. Budget is not only a rational means of fund allocation, but also involves the various substantive interests of diverse actors (Wildavsky, 1964; Giroux *et al.*, 1986). Governments' programmes and budgets are established based on consensus between the Executive and Legislative. Thus, accounting practices, including government budget, might be used to serve the substantive interest of specific social actors or groups (Colignon and Covaleski, 1991; Radcliffe, 1997; Dyball and Valcarcel, 1999; Uddin, 2009). Accordingly, it was not uncommon to see the 'battle' between the Executive and Legislative in the SLG context when entering budget discussions and negotiations, with each actor may 'fight for' their substantive interest, as discussed later in Chapter 7.

Thus, the tension between formal and substantive rationality depicts both the tension between social groups and the tension between conflicting values (Colignon and Covaleski, 1991; Uddin, 2009). Drawing on Weber's works, Uddin (2009) explains in the context of less developed countries, substantive rationality may take a different form due to very different socio-political and structural context from the west, i.e. the form of rationality to serve the interest of family groups, which Weber refers to as traditional domination. Uddin *et al.* (2018) state that in emerging economies, democracy, politics and state machineries are overpowered by family and connections, leading to underdeveloped-markets and institutions. Thus, Weber also recognises these tensions in a more traditional form of society and their impact on organisational bureaucracy and accounting rationality, including budgeting practices.

Dyball *et al.* (2006) further highlight the key difference between rational and traditional societies according to Weberian terms. They argue that the institutions of the community,

market and state are kept separate and autonomous in rational/modern societies, whereas traditional societies wish to keep them conjoined. This conjoined nature of traditional societies leads accountability relationships to lean towards the perpetual and the personal, rather than the objective and ephemeral as commonly found in modern variants of state (ibid.). Weber (1978) articulates that traditional settings are those in which traditional values supersede a rational and legalistic model of society and economy, as commonly found in developed countries. It leads the institutions of family groups and clans to be more powerful and enduring in traditional societies (Uddin *et al.*, 2018). Dyball and Valcarcel (1999) argue traditional societies exhibit economic activities promoting the property and productive capacities of individual economic units geared mainly towards fulfilling the needs and preferences of the 'Master' or family/clan.

Hence, Dyball *et al.* (2006) suggest that the role of accounting as an articulation of accountability relationships is muted or ignored in traditional societies. Uddin (2009, p. 782) argues traditional societies characterise less developed countries, i.e. organisational accountability relationships tend to be directed towards personal (family groups) since family groups are one of the most dominant social groups in less developed countries.

At the organisational level, Colignon and Covaleski (1991) argue that the tensions of multiple rationalities (i.e. formal and substantive) lead to the domination and resistance of social actors in an organisation. They argue that rational bureaucracy is a means of gaining domination. Previous other studies also argue that accounting is one of the key elements of bureaucratic means of domination, and thus becomes the object of tensions between various social groups, representing different interpretations, interests or substantive rationalities within a specific organisation (Colignon and Covaleski, 1991; Uddin, 2009). Nevertheless, these tensions, struggles and diverse rationalities may take a new form if an organisation is situated in traditional societies.

Bureaucratic domination in organisations in a traditional society is often superseded via the intervention of a family relationship, which Weber views as traditional domination. Weber (1964) argues that traditional domination is exercised by an individual or family/clan, and is primarily based on relations of personal loyalty. The person exercising traditional authority is called the personal 'Chief' or 'Master'. Weber (1964, p.347) notes that "what determines the relations of the administrative staff to the chief is not the impersonal obligations of office, but personal loyalty to the chief. Obedience is not owed to enacted rules, but to the person who occupies a position of authority. . . who has been chosen for such a position". Hence, the presence of family groups as one of the most influential social groups is prominent in traditional societies (Uddin and Choudhury, 2008).

Previous studies have investigated accounting and accountability practices in less developed countries and explicitly consider traditional characteristics of these countries, within the context of non-governmental organisations (Dyball and Valcarcel, 1999; Auyeung and Ivory, 2003; Uddin and Choudhury, 2008; Uddin, 2009; Uddin *et al.*, 2018). These studies primarily find that accounting practices in organisations situated in a traditional context tend to be employed to satisfy the whim of family groups or clans. The management controls in a private enterprise in traditional societies, including the budgeting practices, are expected to resist rational control models or ideal bureaucracy. Consequently, Dyball *et al.* (2006) argue that the role of accounting as an accountability mechanism is muted or ignored in traditional societies. However, local government budgeting literature has not made use of Weber's work.

This study believes Weber's notion rationality and traditionalism have much to offer to the interactions of key players in local government budgeting studies in the context of less developed countries. In a modern/rational setting, the government plays the conventional role of controller, provider of external infrastructure, and receiver of levies (Fassin and Gosselin, 2011). They are also responsible for creating accountability in the financial sector (Uddin *et*

al., 2018). However, state or state-like bodies in a traditional setting are overpowered by family and their kin (ibid.). Hence, Weber's work expects that management control, including budgeting practices, in organisations situated in traditional settings like the SLG, are likely to resist the rational control model or ideal bureaucracy. This research investigates whether local government budgeting practices in a traditional setting are also employed to serve the whim of specific family groups.

The SLG is ruled by King Southern, and the local government must render full assistance in several significant affairs of the Southern Kingdom. Weber (1964) argues that the property and productive capacities of individual economic units are primarily geared towards satisfying the 'Master's needs and preferences, including the ruler's family members, i.e. they are governed by substantive rationality of economic activity. The person exercising traditional authority is referred to as the 'Chief' or 'Master', and in the context of the SLG, King Southern may be viewed as the 'Master', according to Weber. Therefore, accounting practices, including budgeting, in organisations situated in traditional societies, such as the SLG, may be deployed to serve the interest of the 'Master' or family groups (Uddin, 2009).

4.2.2. Legitimacy Environment and Family Domination

As discussed in Chapter 2, traditional domination in an organisation may raise a question about its legitimacy: why does this family domination preserve their existence in society? This will be further discussed by deploying Black's (2008) notion of legitimacy and accountability relationships. Three levels of analysis are essential to understand the dynamics of legitimacy and the accountability relationship, i.e. the role of the institutional environment; the dialectical nature of accountability relationships; and the communicative structures through which accountability occurs, and legitimacy is constructed (ibid.).

Consistent with Weber's (1964) traditionalism and Archer's (1995) morphogenetic approach, Black (2008) explains the importance of institutional analysis in understanding the structural conditions of legitimacy and accountability relationships, i.e. understanding the form of legitimacy an organisation attempts to pursue and its legitimacy communities. Jacobs (2012) argues that it is essential to maintain the consistency between theories when research employs a theoretical pluralism approach so that the theories support each other, rather than contradict each other, in explaining the empirical situation. Referring to institutionalist literature, Suchman (1995; p.574) defines legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions". Hence, legitimacy relies on the credibility and acceptability of organisations within particular constituents or environments in which they wish to govern (Black, 2008). Two essential points which determine legitimacy claims of organisations are the acceptance of the organizations by others and the reasons for that acceptance (Black, 2008). These reasons for acceptance are dependent on the harmony of the organisations with their communities' beliefs and interests (Suchman, 1995; Black, 2008). Consequently, organisations need to perform necessary actions and enter into a relationship to claim legitimacy.

Referring to various legitimacy literature, Black (2008) associates three types of legitimacy, namely pragmatic, normative or moral, and cognitive legitimacy. Pragmatic legitimacy is when a person or social group believes that the organisation will pursue their interest directly or indirectly. It is closely related with the immediate audiences of an organisation which involve direct exchanges between the organisation and its audiences (Suchman, 1995). The audiences are more likely to become the organisation's constituents that scrutinize organisational activities and assess those activities with regards to its appropriateness within its environment.

Normative/moral legitimacy is gained when the individual or social group perceives the goals and/or procedures of the organisation to be morally appropriate. It is a normative assessment of an organisation and its activities based on judgements as to whether the activities are 'the right thing to do' (Suchman, 1995). These judgements should convince that organisations' activities are morally conformed to the socially constructed values within which organisations are operating. Cognitive legitimacy is the most subtle form of legitimacy, whereby the organisation is accepted as necessary or inevitable (Zucker, 1987; Suchman, 1995; Black, 2008). Pragmatic and normative legitimacy is often challenged by legitimacy audiences or wider stakeholders, yet cognitive is not since the existence of the organisation is inevitable. Once cognitive legitimacy is obtained, it becomes the most subtle and powerful source of legitimacy due to its taken-for-grantedness nature (Zucker, 1983; Suchman, 1995).

In traditional societies, Uddin and Choudhury (2008) argue that no further justification is needed to exercise power since family relationships are sufficient. It resonates with a family-led government, such as in the SLG, whereby King Southern has the apparent birth-right to power. Hence, cognitive legitimacy is deeply rooted and coexists with traditional domination so that the wider stakeholders tend to inevitably accept them. Nonetheless, Siddiqui and Uddin (2016) argue that pragmatic and normative legitimacy requires further evaluation by stakeholders in traditional societies. This may be caused by the fact that multiple legitimacy claims exist in real-world settings (Black, 2008). Although cognitive legitimacy is strongly rooted in the context of family domination, such as the SLG, and rarely challenged, the legitimacy needs to be maintained. Hence, an organisation often requires that pragmatic and normative legitimacy are also obtained as multiple legitimacies to reinforce each other (Suchman, 1995; Black, 2008). In other words, pursuing other forms of legitimacy may simultaneously reinforce cognitive legitimacy. What is the role of accountability mechanism? This will be discussed in Social Interaction section.

Similarly, the existence of monarchies in the SLG and their leaders subsequently means that the local government is perhaps voluntarily accepted by the local people - the direct legitimacy constituents. However, amidst democratic environments in the country, the local government entail further justification on their existence and the regional political system, whereby the Governor and Deputy Governor are automatically occupied by the King of Southern and Western, respectively, unlike other local governments whereby their Head of Government is directly elected by the people. Thus, pursuing pragmatic and normative legitimacy is essential for the continuity of traditional domination, which coexists with cognitive legitimacy in the region.

Hence, as stressed by Archer's Morphogenetic approach as the methodology, identifying structural conditions is essential since these constrain/enable the actions of the agents. This section depicts the consistency of a working methodology and the substantive theories, i.e. beginning by analysing conditioning structure to understand the practices. Sayer (1992) asserts the importance of the combination of meta-theory, i.e. morphogenetic, and the substantive theory to enrich the explanation of social phenomena. Figure 4.3 depicts the theoretical frameworks of this research.

4.3. Social Interaction

4.3.1. Informal Control Intervenes Bureaucratic Control

According to the morphogenetic approach, the subsequent analysis following structural analysis is of the social interactions of the agents, as a result of the structural conditioning. The previous section describes the structural conditions which constrain or enable the agential actions. The tension of formal and substantive rationality in traditional societies promote a specific form of rationality, i.e. traditionalism. Previous studies argue that organisations operating in traditional societies tend to rely on personal or familial control rather than

bureaucratic mechanisms (Dyball and Valcarcel, 1999; Dyball *et al.,* 2006; Uddin and Choudhury, 2008).

Due to restrictions of the development of formal rationality in traditional societies, individual or family groups, as the dominant social group, may intervene in bureaucratic administration, imposing their vested interest by exercising their influence (Dyball *et al.*, 2006). The decision made by organisations is not necessarily based on a formal bureaucratic mechanism, but rather according to the interest of family groups (Uddin *et al.*, 2018). In other words, family control influences the bureaucratic mechanism of the organisation.

This interaction also renders opportunist behaviour from the family groups, i.e. they wish to gain benefit from the government affairs, including its budgeting practices since all programmes and activities of a government are derived from the government budget. Dyball *et al.* (2006) explain this control practice might reflect the assertion of traditional views of state governance whereby there is a mixture of private, household transactions and public ones. Thus, in the SLG context, there would be an opportunity for the royal family, via King Southern, to interfere with the bureaucratic mechanism of the local government, especially within its budgeting practices.

4.3.2. Expressing Loyalty to the Master (Family/Clan)

Weber (1964) argues traditional domination is exercised by an individual or family based on personal loyalty and obedience. Weber further explains that obedience of subjects is not determined by enacted rules but by the person who occupies a position of authority, i.e. the 'Master'. Personal loyalty is depicted when the 'subjects' protect the interest of the 'Master' or family groups (Uddin *et al.*, 2018). Similarly, when government affairs or policies are influenced by family groups' interest, it may illustrate that the organisation expresses their

'loyalty' by 'protecting' the interest of family groups, as expected in traditional societies. In other words, intervention to government policy is undertaken by the 'Master' or family/clans.

In the SLG context, the local government possess a legal/rational bureaucratic system that characterises a formal organisation (Radcliffe, 1997). However, in the SLG, the Governor is the King of a monarchy and the local government itself is mandated by law to assist the kingdoms' affairs. Also, the Indonesian government grants an annual special fund to the SLG to execute their privilege affairs, including affairs concerning assistance for the Southern and Western Kingdom. Thus, it is likely that the bureaucrats serve the Master, i.e. King Southern and the royal families, to express their loyalty to the Master and the royal families by assisting the monarchies' affairs through the government budget.

4.3.3. Protecting and Validating the Legitimacy of Traditional Domination

Structural conditions analysis describes the mutual existence of traditional domination and cognitive legitimacy and the need to pursue other forms of legitimacies. Black (2008) argues organisations are thus not only passively recipients of legitimacy evaluations by its constituents, but can also play their role in actively constructing their legitimacy claims. Both organisations and their legitimacy audiences construct and evaluate the organisational legitimacy claims. Legitimacy communities attempt to validate and evaluate the conformity between organisations' activities and their legitimacy claims in order to bring organisations closer to achieving their legitimacy claims. In other words, legitimacy communities or constituents attempt to find 'accountability' (Black, 2008, p.149). Therefore, accountability relation is a critical element of construction and evaluation of legitimacy claims by organisations and legitimacy communities, whereby legitimacy communities attempt to confirm organisational legitimacy claims and the validity of their legitimacy assessment (ibid.).

This is the nature of the accountability relationship between organisations and their legitimacy communities.

Koop (2014) argues that accountability is deemed as appropriate behaviour, especially in the public sector. It is employed as a normative notion as standards for the behaviour of players or actors and is highly associated with the notion of governance since it is perceived to render solutions for governance problems as well as essential for enhancing representative democracy (Dubnick, 2005; Bovens, 2010; Van Doeveren, 2011). These positive features of accountability are believed to provide legitimacy to public organisations (Bovens, 2010).

With respect to budgeting practices, Goddard (2005) argues that because of its comprehensive and rigorous nature, the budgeting practices meet the perceived notion of accountability. It consists of the organisation's annual plans in a rigorous and well-developed system of control and implementation. The budgeting system implicitly determines the objectives, policies, and plans of the organisation and also provides a regular account of the implementation of plans and policies. Thus, the budgeting system is argued as the main mechanism by which organisations reach organisational and structural accountability (ibid.).

Similarly, Black (2008) explains that accountability is rendering account activity, i.e. constructing and presenting the narrative of past events or actions. Black illustrates accounting and auditing practices as an example of the accountability mechanism of managers to the owners and outside parties, e.g. it gives account of financial expenditure. Similarly, government budgeting is a means to give account of government programmes and whether these programmes are achieved or not.

At this point, government budgeting becomes an accountability mechanism that is essential as a means for gaining organisational legitimacy (Black, 2008). This relation between legitimacy and accountability relationships would condition or constrain the agential actions during an attempt to gain legitimacy. Therefore, to 'protect' the cognitive legitimacy of

traditional domination, the key actors need to obtain pragmatic and normative legitimacy as discussed in structural analysis. Organisations need to satisfy their direct pragmatic legitimacy constituents and normative legitimacy audiences to maintain the cognitive legitimacy of traditionalism. A government is required to provide programmes and activities which might satisfy their pragmatic and normative legitimacy audiences, e.g. the local people. These programmes are then enacted through the budget since the budget should be exerted as a rational tool for public service delivery (Goddard, 2005).

As mentioned at the beginning of this section, the legitimacy audiences then attempt to validate the conformity of organisations with audience expectation and whether their activities reflect their legitimacy claims (Black, 2008). Budget as an accountability mechanism is essential since it becomes the means by which the legitimacy constituents seek to validate organisational legitimacies. For a government, achieving their programme target might be seen as the government has done what they should do, a form of normative legitimacy (Suchman, 1995; Black, 2008). Ríos *et al.* (2016) argue budget as an accountability mechanism is entailed to confirm whether or not the government meet their targets, which in turn may enhance organisational legitimacy (Black, 2008). Hence, budgeting is an important mechanism for ensuring public accountability (Ma and Hou, 2009).

4.4. Outcomes

Previous studies have discussed the possible outcomes of accounting practices in traditional societies (e.g. Dyball and Valcarcel, 1999; Dyball *et al.*, 2006; Uddin *et al.*, 2018). While family logic intervenes with the formal bureaucratic mechanism in an organisation, Uddin (2009) argues that familial/clan control is a possible outcome of accounting and control practices in traditional societies and gives rise to different substantive rationality for compliance, i.e. obeying to 'Master' or family preferences. Weber (1964) views this as

traditional domination. Weber expects the property and productive capacities of individual economic units to be primarily geared towards satisfying the Master's preferences and needs. Previous studies argue that since the formal bureaucratic control is superseded by familial control, the accounting practices are inclined to serve the whim of family/clan rather than to serve its function as an accountability mechanism (Dyball and Valcarcel, 1999; Dyball *et al.*, 2006; Uddin, 2009).

Previous literature depicts other possible outcomes of accounting practices in traditional societies such as personal loyalty, obedience to personal rather than formal bureaucracy, and the master-servant relationship (Dyball *et al.*, 2006; Uddin and Choudhury, 2008; Uddin *et al.*, 2018). Referring to Weber's work, Dyball and Valcarcel (1999) explain that traditional domination is exercised by individuals or families based on personal loyalty of the subject or other actors to the 'Master'. Obedience of the subjects in organisations situated in traditional societies is devoted towards the officeholder, rather than to the office itself as commonly found in legal authorities or modern bureaucratic organisations (ibid.).

It is important for other actors to 'please' the Master or family members by showing their personal loyalty and obedience, as illustrated in the social interaction section. Weber (1964, p.341) explains "obedience is not owed to enacted rules but to the person who occupies a position of authority… who has been chosen for such position". It could be done through directing economic activities towards the "Master's" needs rather than the wider society, in turn strengthening the bond between the 'Master' and 'servant' (Uddin *et al.*, 2018). Also, Uddin and Choudhury (2008) argue that showing loyalty to families, rather than the application of professional judgements, skills and expertise, contribute to career enhancement of subjects in organisations in traditional societies. Thus, referring to Weber's work, Uddin *et al.* (2018) argue that traditionalism drives subjects to be loyal to the Master in order to appear trustworthy.

The domination of families in an organisation could also be mediated by other actors, called fictive kin in Weberian terms. Fictive kin undertakes their function to represent the Master or families in an organisation to exercise domination of families (Dyball *et al.*, 2006; Uddin *et al.*, 2018). Hence, the role of fictive kin is essential to enable family domination; the subject might express their loyalty to fictive kin, which also depicts their loyalty to families or clans, mediated by the fictive kin (Uddin, 2009).

However, although the importance of gaining normative and pragmatic legitimacy to maintain cognitive legitimacy is high, the pressure to be accountable is low in traditional societies (Siddiqui and Uddin, 2016). In a traditional society, the role of accounting is still important mainly because it serves the substantive rationalities of the family, not due to its role as an accountability mechanism (Uddin, 2009). Thus, accounting practices, including budgeting, are not intended as accountability mechanisms commonly found in the Western sense, but are employed as the means to serve familial interests (Dyball *et al.*, 2006; Uddin, 2009). In other words, the role of accounting as an accountability mechanism is weak, if not ignored, in a traditional society (Dyball *et al.*, 2006).

On the other hand, the role of accountability mechanisms is essential in gaining and maintaining organisational legitimacy (Black, 2008). Hence, the possible outcome for accountability practices is the potential threat of normative and/or pragmatic legitimacy due to the weak or absence of accountability mechanisms in traditional societies. This can make it more difficult for legitimacy audiences to validate the coherence between organisational activities and their legitimacy claims due to the absence of an accountability mechanism as a means to validate organisational legitimacy. In turn, it might also threaten the cognitive legitimacy of traditionalism due to the threat posed to other forms of legitimacy.

4.5. Conclusion

This chapter has described the theoretical frameworks of this research, guided by the morphogenetic approach as the meta-theoretical. Theoretical pluralism is employed to gain a rich explanation of empirical phenomena, especially in the public sector setting as suggested by Jacobs (2012), by deploying Weber's (1964) traditionalism and Black's (2008) legitimacy and accountability relationship as the substantive theoretical frameworks. Both theories emphasise the importance of structural analysis in explaining the empirical phenomena, consistent with the morphogenetic approach. The mutual existence of these theories is prominently depicted when explaining the coexistence of traditional domination with the cognitive legitimacy of an organisation so that both theories support each other to explain the empirical situation. The social interaction section illustrates the possibility of agents' actions in traditional societies being constrained or enabled by the conditioning structure, such as the intervention of family control, the opportunity for family groups to gain benefit from the budget, expressing loyalty to Masters or families, and protecting the cognitive legitimacy of traditional domination. The outcomes of social interactions depict the outcomes of accounting practices in traditional societies, such as family control over the bureaucracy, accounting to serve the familial interest, personal loyalty to Masters, the limited role of accounting as an accountability mechanism, and the potential threat to legitimacy claims due to weak or absent accounting as accountability mechanisms.

Chapter 5: Research Methods and Data Analysis

5.1. Introduction

Chapters 3 and 4 have discussed the meta-theoretical approach (broad methodology) of this thesis, i.e. a morphogenetic approach that will guide the substantive theoretical frameworks following Weber's (1964) traditionalism and Black's (2008) legitimacy and accountability relationships. These frameworks will then guide the data collection and analysis techniques. Thus, this chapter highlights the research methods and data analysis of this study. The first section discusses the data access, followed by data collection techniques, which also illustrates my experiences during the fieldwork. The next part presents the analysis strategies undertaken, mainly showing the iterative process between theories, methodology and methods, and its consistency. The last section examines the quality of a qualitative research approach.

5.2. Case Study and Data Access

This study adopts a case study approach to answer the research questions. 'Case study' may imply a single unit of analysis, for example, a study in a company (Scapens, 1990). Scapens (1990) argues "case studies offer us the possibility of understanding the nature of management accounting practices; both in terms of the techniques, procedures, systems, etc. which are used and the way in which they are used". A case study is more useful in answering 'how' and 'why' questions (Bryman and Bell, 2011), very similar to the research questions raised by this research. It is also essential to understand the in-depth processes that operate within a particular case.

Empirically, this research focuses on the local government level. Rubin (2005) argues that understanding the budgetary dynamics at one level can often help explain what is occurring

at the other level of government. It is often easier to see how institutions work at the local level due to the variation between local governments and their relatively smaller size and simpler functions and then apply that understanding at the national level (ibid.). Also, Rubin (2015) argues that research topics such as executive-legislative dynamics require a more exploratory approach since we know less about them. Hence, a case study approach is chosen. Even for a widely-discussed topic such as executive budget power requires an in-depth analysis, e.g. what blend of formal and informal power (such as family groups' power), what does it consist of and how would we know whether it increased or decreased. This sort of study may need to employ more qualitative techniques, such as open-ended interviewing, observation, and case studies (Rubin, 2015).

Since one of the main objectives of this research is to understand the budgeting practices in a traditional setting, which may involve informal power and players such as family groups, this paper undertakes a case study in SLG (anonymous) local government in Indonesia. The SLG context provides an excellent setting to study budgeting practices in a traditional setting due to its socio-political history of the local government. Before the independence of Indonesia, the region of the SLG was occupied by Southern and Western Kingdom. The region was granted a status equal to a province after the independence of Indonesia in 1945, which indicates the possession of formal bureaucratic administration of the region. On the other hand, the local government was also given a privileged administrative status whereby the leaders of the local government are automatically occupied by the King of Southern and Western Kingdom. The privileged law also recognises the existence of both monarchies as a cultural heritage, and the local government is required to accommodate the monarchies' affairs such as through land and spatial affairs. Hence, the existence of the Kings of monarchies and the liability of to assist the monarchies' affairs may also give rise to a specific form of substantive rationality to serve the interest of Master of family groups, as commonly found in organisations

situated in traditional settings. This setting may enable this research to study budgeting practices in a traditional setting. It ensures the credibility of the findings, which according to LeCompte and Goetz (1982) parallels the internal validity of this research, whether there is a match between researchers' observations in the field with the theoretical ideas they develop (Bryman and Bell, 2011). Enhancing the credibility of the findings can also be done through ensuring that the research is undertaken according to canons of good practices. This will also be discussed at the end section of this chapter about ensuring quality. Hence, this research undertook a case study in the SLG, which lasted from February – August 2018.

Conducting a case study in public sector organisations in less developed countries is challenging (Ashraf and Uddin, 2016), especially in traditional settings (Uddin, 2009). A large amount of data is not easily gathered by researchers since they are placed behind 'closed doors' and in 'confidential files' (ibid.). Secrecy is part and parcel of a traditional society (Dyball and Valcarcel, 1999). Fortunately, my employer (Gadjah Mada University) has an excellent and close formal relationship with the SLG institutionally. One of my senior colleagues at Gadjah Mada University introduced me to a key SLG official, who later permitted me access to undertake a study on the local government. I immediately applied to the local government for formal permission to conduct research at the end of February 2018, as a part of the bureaucratic requirement. It took only a few hours to obtain the letter of formal permission for the research.

Another challenge during my data collection was the timing of interviews since most of my respondents were top officials who occupied strategic positions in the local government, thus it was often difficult for them to find a suitable time for an interview. Most of the interviews were conducted in the interviewees' offices. Scheduled interviews being cancelled was not uncommon for me, even when I had already arrived at their offices. A more interesting experience was when I interviewed two Legislative members. I had to wait for roughly seven hours in the security office before conducting the interview since my respondent, despite that

we had agreed a specific time for the interview, then advised he was in a meeting, and so could I wait. I also had a follow-up, second interview with a Legislative member which was cancelled after having kept me waiting in the security offices for a total of ten hours over three consecutive days.

5.3. Data Collection

In Chapter 3, this study argues that in all social situations, structures and agents are intertwined and so we need to analyse the structures and agents separately. According to critical realism, understanding agents requires an understanding of structural and cultural conditionings that constrain or enable agents' actions and how agents interact with these structures. Hence, we first need to analyse the structural conditions in which agents are operating in and the conditioning effects of these structures (Archer, 1995). Once the structural conditionings are identified, we must next focus on the reflexive and routine actions of agents that may change some structural conditions and in turn affect the next cycle of agents' actions (Ashraf and Uddin, 2016).

Consistent with the theoretical frameworks and philosophical stance, this study first identifies the pre-existing structures of the case study, i.e. the SLG, which is bounded by a traditional context (see Chapter 4). Thus, the data collection of this study focuses on identifying structural conditions, interpreting these and actions of agents, and identifying the outcomes of the social interaction of the agents. Previous studies argue that various data collection techniques can be used to identify structural conditions of the research setting and to understand the agents' actions, such as document reviews and interviews (Reed, 2005; Ashraf and Uddin, 2016). Thus, the data collection techniques of this thesis include document reviews, interviews and observations. In other words, this study also employs a triangulation approach. The use of various sources of information enables researchers to triangulate the data, which may enhance

data quality (Mason, 2002). For example, the agent's receptions analysed from interviews will be triangulated with structural conditions identified by the review of socio-historical documents. Triangulation is also very important in realist-based research to determine the accuracy of conclusion from various sources of information and the fitness of researchers' interpretations and some external reality (Silverman, 2010).

Following Archer's cyclical phases of analysis, there is no one-to-one relationship between the phases and data collection techniques since one technique may be employed to obtain information about one or more phases of the morphogenetic approach. For example, interviews with local government officials were used to obtain information concerning all stages of the morphogenetic approach.

5.3.1. Documents

To analyse structural conditions, Reed (2005) argues that realist-based research should start with an in-depth and intensive historical and structural analysis of pre-existing institutional forms. Consistent with the theoretical frameworks of this study, Weber's (1964) traditionalism and Black's (2008) framework emphasise on structural analysis before we understand the agents' actions. Hence, this study will first identify the structural conditions in the SLG. An essential source of data that helps to identify structural conditions is a review of the political and social literature, as well as broader political-economic historical literature (Ashraf and Uddin, 2015, 2016). I reviewed official documents, news reports, and historical literature related to the SLG, as well as broader political-economic literature, e.g. commentaries of analysts on Indonesian political-economic situation and public sector in general which are generally available online through the SLG official website or national media websites.

Fortunately, due to the assistance of a key official in the local government, I was also granted access to budgeting related documents between 2011-2017 which mainly depicted the

allocation of funds to particular programmes and the rationalisation of the allocation; minutes of budget meetings between the Executive and Legislative; minutes of budget meetings between Legislative members; and some other budget documents. These documents were helpful in identifying the structural conditions as well as the social interactions of the key actors in the SLG and to prepare and modify my interview guide. For example, I found that both monarchies were allocated funds, such as for their basic facilities and the renovation of buildings under cultural preservation programmes. It gave a clue to ask in the next interview about other allocations to monarchies and reflected the traditional domination in the region, as explained by Weber, where economic activities are geared towards satisfying the Master or family/clan. This is also called a retroduction process, the critical realism approach to identifying conditioning structures (Sayer, 1992). This approach will be discussed further in the data analysis section.

However, because these documents are not specifically created for research purposes, the documents contain limitations about its validity (Bryman and Bell, 2011). For example, official or public documents may or may not be biased which leads to the issue of credibility and representativeness of reality (ibid.). Similarly, authenticity becomes the main issue in mass media documents as to who is the article author which can sometimes make it difficult to identify the accuracy of the information (ibid.). Hence, I compared these documents with each other to examine the consistency of the data, which would also be complemented by the agents' perception through the interview (Uddin and Tsamenyi, 2005; Bryman and Bell, 2011).

5.3.2. Interview

Furthermore, another important source of data used to understand structural conditions and agents' actions is semi-structured interviews (Ashraf and Uddin, 2015, 2016). The interviewees are selected based on theoretical sampling principles (Mason, 2002; Silverman, 2010).

According to Silverman (2010), sampling in qualitative research is not based on solely statistical or personal selection, so sampling in qualitative research tends to be theoretically grounded. Mason (2002) argues that theoretical sampling is the selection of groups or categories relevant to the research and theoretical questions. In other words, this study selects respondents who are important to the theoretical positions which this study is attempting to produce. Consistent with the research and theoretical questions, this study aims to understand the role of key players in government budgeting practices in a traditional setting. Hence, I interviewed individuals from two powerful budgeting institutions, i.e. the Executive and the Legislative.

I conducted 37 interviews in two rounds involving 26 respondents, which were primarily from the Executive and Legislative sides of the SLG local government, who mainly occupied a strategic position in budget decision making. From the Executive side, I interviewed senior officials, including the Head of Government agencies, the Regional Secretary (the 'right-hand' of the Governor), and the leaders of the Executive Budgeting team. I also interviewed one retired senior Executive who had occupied a very strategic position in the local government for the last 30 years of his tenure. From the Legislative side, I interviewed five Legislative members from the Budgeting Committee, two of whom also serve as the leaders of the Legislative body. I also interviewed three NGO members who primarily had concerns with the local government budgeting practices, two local government expert staff, and two academics to obtain the historical perspective of the SLG and local government budgeting practices in Indonesia. I interviewed some of respondents for a second time since I had further questions after following the emergence of some issues from the material collected in the first round of interviews. On average, the interviews lasted between 60 to 90 minutes and were recorded

I obtained formal consent from the interview respondents in advanced through a consent form, explaining the objective of this study, the confidentiality of data and their right

to leave the research. Obtaining the trust of my respondents was an incredibly important step (Mason, 2002). I also asked their permission to use a voice recorder and take notes during the interview. At the end of each interview, I shared with the respondents my understanding of the information discussed so that they had an opportunity to add or amend any information that they had said during the interview. Fortunately, all interviewees agreed with the key points discussed during the interview and proposed no amendment. The interviews were conducted in Indonesian language and immediately transcribed and translated into English at the end of the day of the interview to enable data analysis.

Saunders *et al.* (2009) explain that semi-structured interviews have a predetermined set of questions and themes. They give respondents the flexibility to answer the questions, but within boundaries set by the researcher. I developed a list of topical questions that will be asked to interviewees as an interview guide based on my theoretical frameworks and methodology. These questions had been reviewed by my supervisor before I began the fieldwork. The questions may not follow the same order on the list, and the respondents were allowed to reply in a great deal of leeway to enable flexibility (Bryman and Bell, 2011). By doing so, I gained deeper information about the questions being asked (ibid.).

However, Bryman and Bell (2011) emphasise that the interview should be understood from the interviewee's point of view and how the interviewee frames the issue being discussed. Interpreting interviews can present multiple realities from different agents; there is a possibility that my and interviewee's views are different. Thus, I had to be reflexive about what information I needed to include and why, by referring to related literature and structural conditions identified by the document review (Bryman and Bell, 2011).

5.3.3. Observation

Mason (2002) argues that observation methods may help researchers to study social interactions, such as actions, interactions, behaviours and the way people interpret these. The objective of observation is to witness what is occurring in a setting. Observation is used in this study as a part of the triangulation approach to understand the empirical situation from a particular angle (ibid.). Hence, observation is useful to complement the data gained from document analysis and interviews, especially from the perspective of social interaction.

I obtained access from the local government to observe some of their budgeting and public hearing sessions. I attended four public hearing sessions across two weeks. Interestingly, the invitees of the public hearings earned a white envelope in the front door of the public hearing room. There was cash amounting to one hundred thousand rupiahs (£5) within the envelope. When I asked the Committee, they said that the money was for participant 'transportation costs' to the public hearings. Although the local government claimed that the public hearing was publicly open, most were invited participants. I also attended five budgeting meetings between the Executive and Legislative, to analyse their interaction during the budgeting meeting. Interestingly, two out of five meetings were cancelled unilaterally by the Legislative, although most of the Executive Budgeting team had presented in the meeting room.

Mason (2002) emphasises that researchers must have at least some sense of what they are looking for in the setting and some critical awareness of how that has informed what researchers have observed, and found relevant and interesting. However, Mason (2002) warns that undertaking observation can feel very vague and unfocused. It is difficult sometimes to determine exactly what to observe and focus interest on. A researcher must have at least some sense of what they are looking for in the setting and what they have found interesting and relevant.

Thus, I focused on observing the interactions between the Executive and Legislative during the budget meeting: how they negotiated the items; who was involved in the negotiation; and how they achieved (or lack thereof) a consensus. I had an informal chat with some of the Executive Budgeting team members and the Legislative Budgeting Committee to capture the possible discussions that may arise in the meeting. I then took notes once they were discussed or negotiated to look at the main arguments of the debate and the actors involved during the discussion. Mason (2002) asserts that there is no particular procedure or protocols in observation, thus it relies on a researcher's own approach in identifying data relevant for the research and how it may assist them in answering the research question.

5.4. Data Analysis

Eisenhardt (1989) argues that data analysis is a continual process that can be conducted with the data collection simultaneously in qualitative research. It is a stage of processing raw data into more meaningful information or theoretical significance. Previous studies from a critical realism perspective have explained the importance of structural analysis through document and historical analysis, as mentioned in the data collection section (e.g. Ashraf and Uddin, 2015; Modell, 2017). Also, following Archer's (1995) morphogenetic approach, I began the analysis with a structural analysis.

I reviewed historical literature and official documents about the SLG that were available on the General Library of the SLG and reviewed political-economic articles of scholarly works which were predominantly published nationally. The historical literature about the SLG is also available online via the SLG government website, and political economists' scholarly works about the SLG are mainly published on the national political journal and can be accessed through my online account of subscription. These documents include, for example, the history of Southern Kingdom before and after the independence of Indonesia, the history

of the integration of the Southern Kingdom and Indonesian democratic government, the SLG government's reports of practice since the 1950s, and SLG budgeting reports.

Ashraf and Uddin (2016) argue that news reports are also beneficial sources of data for developing a general understanding of the structural conditions, hence I decided to also conduct a review of the news articles reporting on the SLG government, especially on its budgeting practices. News reports are mainly published online by the Indonesian media so it was not difficult to obtain these articles or find those relevant to the SLG government. The review was conducted with the specific aim of identifying structural conditions surrounding public sector organisations (Ashraf and Uddin, 2015). For example, I found some newspaper articles that reported land conflicts between the local government and the local people, whereby in one example land occupied by the local people was claimed as not formally belonging to them. The local government argued the land should belong to the Southern Kingdom, although they had no formal evidence of land possession either. I then returned back to the historical literature and SLG news and realised that this was caused by the land regulation and Southern King IV's declaration that land which is not privately owned would then belong to the Southern or Western Kingdom. I also referred to the theoretical frameworks, whereby this is implied as one of the structural conditions in traditional settings and the material basis for the legitimacy of the royal families in the region, which in turn enables the intervention of familial control over the formal bureaucracy through the privileged affairs of the local government. This also depicts the retroduction approach of critical realism, whereby the social interactions of agents are traced back to the structures which caused a particular event to occur.

Furthermore, the preliminary analysis of the interview will be conducted immediately after each interview. Consistent with the philosophical stance and the theoretical framework of this study, this data analysis will have two objectives: the first analysis intends to identify the structural conditions; and the second analysis aims to uncover the agents' reception of these

structural conditions, their strategies, and actions (Silverman, 2010; Ashraf and Uddin, 2015, 2016). Sayer (1992) argues that agents may not be aware of the material and cultural (structural) conditions that affect their actions, but these can still be identified from their accounts, as briefly mentioned in the previous paragraph. Thus, a set of questions may help us to uncover structural conditions, i.e. "What does the existence of this object (in this form) presuppose? Can it exist on its own, as such? If not, what else must be present? What is it about the object that makes it do 'such and such'?" Danermark *et al.* (2002) argue that these types of questions represent retroduction mode of inference, which characterises critical realism. Retroduction mode of inference implies that researchers need to identify necessary conditions that lead a phenomenon to occur. This prompts us to trace actions back to rules and then structures (Sayer, 1992; Ashraf and Uddin, 2015). This analysis will be triangulated with the findings from other sources of data about structural conditions (Ashraf and Uddin, 2016).

Analysis of the reception of agents of these structural conditions is included in the coding process, i.e. the process of tagging raw data to capture its meaning (Silverman, 2010; Bryman and Bell, 2011). Coding can be done through straightforward category labelling or through more complex methods (Miles and Huberman, 1994). Coding is fundamental in data analysis since it forms the foundation of the analysis as the very first step (Miles and Huberman, 1994; Silverman, 2010). More importantly, it may help researchers to overcome the problem of 'data overload' after a researcher finishes their fieldwork (Miles and Huberman, 1994). The coding process can be conducted in two different ways, both of which rely on the nature of the qualitative research itself, i.e. deductively and inductively or grounded theory (Bryman and Bell, 2011). Deductive analysis starts with a provisional coding scheme that can be amended later as new data is obtained. The inductive approach, or grounded theory, tends to start with *a priori* provisional coding and 'let the data speak' so that the coding scheme relies only on the information that emerges from the data (Saunders *et al.*, 2009; Bryman and Bell, 2011).

This study already has pre-defined theories, namely Weber's (1964) traditionalism and Black's (2008) legitimacy and accountability relationships, guided by Archer's (1995) morphogenetic approach as the broad methodology. Hence, it produced the main coding scheme from the theoretical frameworks. Strauss (1987) and Corbin and Strauss (2008) suggest researchers create a coding scheme that distinguishes between 'structure' or 'condition', 'interactions among actors', and 'outcomes'. This coding scheme is consistent with the philosophical stance and theoretical frameworks of this study, whereby it depicts that social action consists of structural conditions and agent's actions, which cause outcomes. 'Interaction among actors' may help identify the actions of agents and their strategies. The 'outcome' coding scheme is expected to capture the outcome of agents' social interactions.

I also developed the main sub-codes based on the theoretical framework, i.e. Weber's (1964) and Black's (2008) framework (see also Chapter 4). For example, formal rationality, substantive rationality, traditionalism and cognitive legitimacy belong to 'conditions'; intervention of familial control, opportunism of family, and protecting legitimacy belonging to ''interaction among actors'; and familial control, serving family interests, personal loyalty, and the importance of budget are the sub-code of 'outcomes'.

Table 5.1. The Main Coding Schemes

Main Codes	**Main Sub-codes**
Structures/conditions	Formal rationality Traditionalism Legitimacy
Social interactions	Intervention of familial control, Opportunism of family Protecting familial interest Protecting legitimacies Employing accountability mechanism
Outcomes	Familial control Loyalty and obedience Serving familial interest Essentiality of fictive kin No visible resistances Importance of accountability mechanism Gaining legitimacies

Before tagging the raw data into the main codes, I began the coding process with open coding to reduce the complexity of the data. Open coding is the process of coding that produces concepts which are grouped into categories. Open coding requires a brainstorming approach to analysis since researchers want to obtain all possibilities of meaning contained in the data (Corbin and Strauss, 2008). After considering all potential meanings and analysing the context of the data, a researcher can then attach interpretive conceptual labels or codes to the raw data (ibid.). Hence, there is also an element of grounded analysis since I started with open coding guided by the main codes derived from the theoretical frameworks (Saunders *et al.*, 2009; Bryman and Bell, 2011).

I read through the interview transcripts to obtain a general picture as to what kind of information lied within the data. I looked at more specific remarks or observations, explored the possibilities of the ideas it contained, and coded them by allocating a name to a particular theme (Corbin and Strauss, 2008; Bryman and Bell, 2011). The coding scheme helped me to reduce the complexity of the raw data and to also reorganise it. Hence, this coding process was expected to obtain the contextualised interpretations of agents and their actions (Miles and Huberman, 1994). For example, I found an interviewee explaining the fund allocation scheme of the Southern Kingdom. Some other interviewees also explained the kingdom's budget allocation under a specific programme. I coded this kind of information as 'allocation to kingdom'.

The next stage of analysis converts the analysis of agents' actions and contextual conditions into a more abstract level that renders more theoretical insights (Corbin and Strauss, 2008; Bryman and Bell, 2011). This was an abstraction process of coding, whereby the codes were analysed further to gain theoretical insights (Silverman, 2010; Bryman and Bell, 2011). The codes are then referred to the existing literature and theories (Corbin and Strauss, 2008). I reviewed all open codes and linked them to the main codes derived from the theoretical

frameworks and methodology, as illustrated in Table 5.1. For example, the code 'allocation to kingdom' was referred to the codes 'opportunism of family' sub-code derived from Weber's traditionalism. The main sub-code was then linked to the main code 'social interaction'.

Another example was the analysis of the outcome of social interaction. The outcome was analysed as a result of social interactions as depicted in the theoretical frameworks. For example, most of the interviewees, especially those who were bureaucrats, expressed their high respects of the Governor and always complied with his instruction. Some legislators also expressed their respect to the Governor and that they were reluctant to challenge him in government affairs. I coded this type of information as 'loyalty and obedience' which belongs to the 'outcome' code. According to Weber, personal loyalty and obedience are one of the likely outcomes of organisational practices in traditional settings. These are a result of the SLG region's traditional setting (condition) which has conditioned the key actors to protect the interests of the royal family. It depicts the loyalty of 'subjects'. The data analysis will be an iterative process whereby there will be shifts back and forth continuously among the data, the codes, and the theoretical frameworks (Bryman and Bell, 2011; Ashraf and Uddin, 2015). Thus, I always referred to the philosophical stance, i.e. critical realism, and the theoretical frameworks of this study in the coding process.

I will check the consistency among the sources of data, the coding schemes, and the theoretical frameworks as the final step. Nevertheless, I need to be aware that the coding process may take a substantial amount of time and be sometimes confusing. The coding process may lead me to fragment the data; sometimes I could risk losing the meaning of the data with too many codes arising (Bryman and Bell, 2011). To overcome this, I always referred to the pre-defined theories as general guidance for coding analysis (Saunders *et al.*, 2009).

5.5. Ensuring Quality

The issue of validity and reliability are important for both quantitative and qualitative research since these could be important criteria in establishing and assessing the quality of research (Bryman and Bell, 2011). Hammersley (1992; p.57) explains validity as "the extent to which an account accurately represents the social phenomena to which it refers". Hammersley also argues that reliability is "the degree of consistency with which instances are assigned to the same category by different observers or by the same observers on different occasions". In other words, validity refers to 'the accuracy of findings', whereas reliability means 'the replicability and consistency' of research findings (Thyer, 2010).

In qualitative research, LeCompte and Goetz (1982) argue two aspects of validity are particularly critical, i.e. internal validity and external validity. Internal validity refers to the congruence between researchers' theoretical frameworks and the observations they make. It can be achieved through effective analysis and data collection techniques. Internal validity tends to refer more to the strength of qualitative research since it has a high level of congruence between concepts or theories and observations (LeCompte and Goetz, 1982; Bryman and Bell, 2011). Findings from two different methods will be compared and correlated with established literature and theories to enhance internal validity (Bryman and Bell, 2011). This study employs triangulation of methods, i.e. document reviews, semi-structured interviews and observation, and two theoretical frameworks, i.e. Black and Weber's models, thus it is expected that this study will have a strong internal validity.

External validity concerns the degree to which research findings can be generalised to other populations and settings (Bryman and Bell, 2011). LeCompte and Goetz (1982) depict a basic constraint for qualitative research because of its inclination to employ case studies and small samples so that generalisation across social settings is not possible. However, qualitative research is intended to be an intensive study of a small group (depth rather than breadth), and

tends to be oriented towards contextual uniqueness (Bryman and Bell, 2011). Consequently, social realities and knowledge are not resilient in the context of being replicable, predictable, and generalizable (Cunliffe, 2011). Thus, qualitative research tends to offer contextualised understandings (ibid.).

Furthermore, when reliability is concerned with the degree of 'consistency' and 'replicability' of research findings, it seems difficult to replicate qualitative research (LeCompte and Goetz, 1982). It is not possible to 'freeze' the settings of the initial study in order to make it replicable (ibid.). However, reliability of qualitative research can still be maintained by enhancing the credibility of findings, i.e. ensuring the research is conducted in good practice and submitting the results of the research to the respondents involved in the research process so that it maintains the transparency of the study (Guba and Lincoln, 1994; Bryman and Bell, 2011). Since I gained an excellence data access to the local government, including obtaining budget documents and interviewing the key officials, therefore in order to maintain the credibility of the findings, I documented as many research steps as possible by using documentation devices such as a voice recorder, transcripts, consent forms and a research diary (Bryman and Bell, 2011). I also shared the findings of my research with the respondents involved in my research.

5.6. Conclusion

This chapter has highlighted the data access, research methods and analysis strategies of this research. This research mainly employed the triangulation of methods approach to obtain data from empirical settings. The analysis involved structural, social interactions and outcomes analysis which were completed through a coding process. The following chapters will illustrate the empirics of this case study, followed by a theoretical discussion of budgeting practices in a traditional setting.

Chapter 6: Structural Conditioning of Indonesia and SLG

6.1. Introduction

This chapter describes the socio-political history of Indonesia and the Southern Local Government (SLG-anonymised). It aims to examine the structural conditions (material and cultural) which shape the budgeting practices in the SLG region, as explained in the theoretical framework and philosophical stance chapter of this thesis. Armstrong (2008) and Ashraf and Uddin (2015) argue that structural conditions could be investigated through historical and political-economy and its related literature, which may influence the organisation being studied. More specifically, based on the theoretical frameworks, the structural analysis can be done through Weber's (1964) analysis of rationality and Black's (2008) legitimacy and accountability framework.

This chapter is organised into six broad sections. The first and second sections provide a brief profile of Indonesia, its political history, and its budgeting practices. The third and fourth sections describe the formal and substantive rationality perspective in the local government, as suggested by Weber (1964), discussing the development of formal rationality when the central government imposed formal bureaucratic administration in the region. It is followed by the development of a specific form of substantive rationality, i.e. traditionalism, when the local government was granted a special administrative status due to is socio-political history with the Indonesian government, which arguably accommodates the interest of royal families. The last section details the legitimacy environment of familial domination in the region as proposed by Black (2008). In particular, it examines the cognitive legitimacy of the royal families. This

contextual account will be essential in providing the structural settings surrounding the SLG and explaining why the agents act in certain ways.

6.2. Profile of Indonesia

Indonesia can be categorised as the world's largest archipelago-state, consisting of more than 17,000 islands, straddling the equator. The capital city of Indonesia is Jakarta, located on Java island. The distance from East Indonesia to West Indonesia is slightly less than the distance between New York and Paris, i.e. 5,150 kilometres. Indonesia is the fourth most populous country in the world, following China, India and the United States, with a population of 270 million people. The population predominantly consists of Muslims (85%), making it the world's largest Islamic country, followed by Christians (11%), and Hindus, Buddhists and Confucianists (4%). The Constitution guarantees access to religion and religious freedom of speech.

Although Indonesia has become the largest Muslim country in the world, it boasts a diversity of multicultural background in traditions, institutions, customs, and businesses (Holt, 2007). Its national motto of 'Unity in Diversity' depicts the diverse ethnic and cultural backgrounds of its population. It comprises of different ethnic groups, such as Sundanese (14%), Javanese (45%), coastal Malays (7.5%), Madurese (7.5%), and other ethnic groups (26%). Javanese is arguably the largest and most influential ethnic group. Java Island has been the cultural-political and economic centre of Indonesia for centuries (Tsamenyi *et al.*, 2008). Over 70% of the population live on Java island, which accounts for only 6.9% of the landmass of Indonesia. The national language is Indonesian language, which is similar to Malay. Indonesia is also endowed with natural resources, such as coal, copper, nickel ore, bauxite, gold, oil and natural gas. The imposition of a central, one party, military-backed, and autocratic rule depicts 300 years of Dutch colonialism and traditions (King, 2003).

6.3. Political History of Indonesia

Indonesia was dominantly colonised by the Dutch colonial government for over 300 years. King (2003) explains that the colonial government had the *Volksraad* or a 'nation-level parliament sorts' which included only Dutch officials and planters, primarily appointees, and colonialists. However, this parliament did not include the indigenous population, so they had no means of conveying their concerns. They were ruled by *hukum adat*, a completely different set of local laws. These restrictive practices became well established.

The Dutch occupation ended to the Japanese colonialism from 1941-1945. The Volksraad had less authority, but still gave no opportunity to indigenous Indonesians to voice their concerns (King, 2003). Indonesia gained its independence on 17th August 1945, after a long Dutch, British, and Japanese colonialism. Sukarno was appointed as the first Indonesian President in 1945. The independence of Indonesia was expected to bring about democratic government practices. However, the Indonesian government was not formally acknowledged by the Netherlands until 1950.

Indonesia has a very long leadership history of a top-down, closely-held and military supported approach (Harun *et al.*, 2015). Serving the country for more than 20 years, Sukarno was forced to leave office by a 1966 military coup. The coups became a legitimate means to enable regime change. It enacted General Suharto as the second President of Indonesia in 1966, and he ruled the country for 32 years. It was military backing which enabled them to stay in power (Harun *et al.*, 2015). Wanandi (2002) and Baswedan (2007) argue that Sukarno (1945-1966) and Suharto (1966-1998) were essentially autocracies. Sukarno drafted the Indonesian constitution; however, public participation was highly restricted. Although democratic practices seemed to develop in the provinces, the military still kept rebellions in check (Harun *et al.*, 2015).

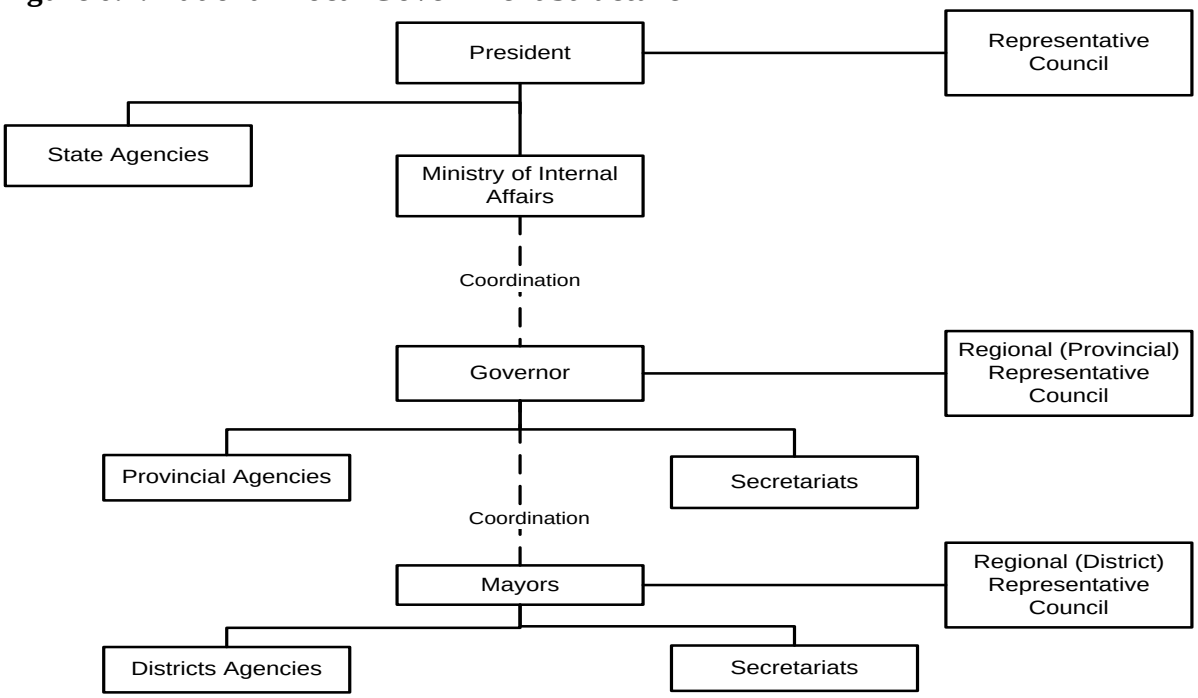
However, during the 1997-98 Asian financial crisis, Indonesia was the toughest-hit, resulting in social and political disorder (Blöndal *et al.*, 2009) and public pressure caused President Suharto to step down from his office following the crisis (Harun *et al.*, 2015). After Suharto's exit from office in 1998, Indonesia was introduced to the democratic principles of civil rule, ethnic tolerance policies, public elections, and citizen pluralism (Efferin and Hopper, 2007). It was marked as the beginning of democratic reforms in Indonesia. Nowadays, the parliament is freely elected, and its powers are increased, not limited, in the area of budgeting. The President is now directly elected by the people, instead of being elected by the parliament as was previous. So are Governors and Regents (districts), and Mayors (municipalities) at the local government level. Both at a national and local level, the Executive and Legislative remain separate and independently elected by the people.

Responding to the Asian financial crisis, sponsored by the Asian Development Bank and the World Bank, the Indonesian government introduced public sector reforms including a decentralisation programme (Wanandi, 2002; Baswedan, 2007; Blöndal *et al.*, 2009). The decentralisation programme marked the shift away from centrally imposed Indonesian government practices, whereby local governments have more power and authority to govern themselves, including budgeting practices (Blöndal *et al.*, 2009; Harun *et al.*, 2015). It enabled legislative control over local governments' practices and resources (Harun *et al.*, 2015). Hence, decentralisation depicts a significant shift away from centrally imposed government to more empowerment of local governments. Also, legislative control over local governments' resources and practices was permitted (Harun *et al.*, 2015). The President, through the Ministry of Internal Affairs, would monitor the Governor as the provincial leader, and the Governor would also supervise the Mayor at districts level.

Indonesian local government now consists of provinces and smaller rural districts or municipalities. The local governments elect their Governor, Mayor, Vice-Mayor and the

regional parliament members. As is employed nationally, there is a separation of power between the Executive and Legislative. The number of local governments has increased rapidly. Provinces increased to 34 in 2018, from 26 in the Suharto era. Furthermore, municipalities almost tripled from 35 to 93 in 2009, and the number of districts increased from 175 in 1999 to 388 in 2014.

Figure 6.4. National-Local Government Structure



6.4. Formal Rationality of Bureaucratic Administration in the SLG

According to the Weberian framework, the researcher must first locate the organisation in a wider context to ensure a broader understanding of organisational practices, including budgeting practices. The structural conditions of the case are discussed below through Weber's formal and substantive rationality analysis.

The SLG is one of the oldest provinces in Indonesia which earned special administrative status or autonomy. The Indonesian government granted this status because of its political history and significant contribution to the independence of Indonesia. The SLG region has an

area of 3,185 km^2 and comprises of four districts. The region was occupied by two kingdoms: the Southern Kingdom (anonymised), which ruled the majority of the region; and the Western Kingdom (anonymised), which occupied a smaller part of the region.

The Southern Kingdom was established following a peace agreement in 1755 between the Dutch colonial government and Prince Southern (anonymised, later as the first King of Southern). A long and strong rebellion led by Prince Southern forced the colonial government to sign this agreement. Due to conflict between the British colonial government and the Southern Kingdom, the Western Kingdom was founded in 1813 by the British colonial government when the son of King Southern was enacted as the first King of Western. He was granted a kingdom, which had power, symbols, citizen, regions, and an army. The area it occupied was the south region of the Southern Kingdom.

Since its inception, the Southern and Western Kingdoms have survived, even during the Dutch reign (for more than 300 years), British occupation in 1811, and the 1942-45 Japanese invasion. They earned their status as dependent states during these colonialism governments: the British saw the kingdoms as dependent states; the Dutch colonialism called them *Zelfbestuurende Lanschappen;* and the Japanese colonialism named them *Koti/Kooti.* Although the Southern Kingdom had the authority to govern its region, they were under the surveillance of the colonialism government, which was transformed into a political contract.

Shortly after Indonesia's independence in 1945, King Southern V and King Western VII sent their congratulations for the independence of Indonesia and the newly elected President and Vice President of Indonesia, Sukarno and Muhammad Hatta. This was a strategic move by King Southern V towards maintaining the existence and power of the monarchies in the region (Azizah and Al Akbar, 2018). Consequently, the region was recognised as a region equal to a province with special administrative status and headed by the Kings of the Southern and Western Kingdoms as the Governor and Vice Governor, respectively.

Since the SLG was recognised as a province, it reflects that the region was then formally governed through a local government which imposed formal rational bureaucratic administration. Referring to Weber's works, Radcliffe (1997) argues that formal, rational bureaucracy of an administrative organisation is formally perceived as the most rational device of Executive control. In other words, it depicts the deployment of formal rationality in the local government. As explained in Chapter 2 and 4, this is part of the modernisation of organisations whereby formal rationality of bureaucratic administration is imposed on the organisation (Sayer, 2002). Organisations adopt apparently rational and technocratic practices, such as budgeting (Radcliffe, 1997). Similarly, with regards to its budgeting, the local government follows the rules set by the Ministry of Internal Affairs, which reflect the formal rational and technocratic practices of the local government. The following subsections exhibit the technocratic process of the local government budgeting in the SLG.

6.4.1. Local Government Budget Structure

In general, according to the Ministry of Internal Affairs Regulation[1], local government annual budgets comprise of regional revenue, regional expenditure and regional financing. Regional revenue consists of the original regional revenue, fiscal transfer from the central government and other revenues. Original and other regional revenue mainly involves regional tax, regional retribution, the output of managing regional wealth, interest revenue, endowment funds, and special endowment funds.

Nevertheless, regional governments have very limited fiscal resources, thus a fiscal transfer is an important feature of decentralisation which enables local governments to govern themselves. They rely overwhelmingly (90%) on transfers from the central government, while most of the taxing power remains centrally based. In 2007, of the 376 billion rupiah budget,

[1] The Ministry of Internal Affairs Regulation 13/2006.

345 billion (US$28.75 million), or 92% came from the central government with the remainder generated from local revenues and levies (Harun *et al.*, 2015). Of the same 376 billion, 70% accounted for operational and administration expenditure, whereas the remainder was allocated to capital expenditure, health care, education and social welfare subsidisation. Hence, local governments in Indonesia are highly dependent on central government transfers (Bahl and Wallace, 2007; Harun *et al.*, 2015).

The fiscal transfer arrangements consist of three key elements: revenue sharing, general allocation grants, and specific allocation grants. Revenue sharing is effectively the national government sharing property tax, personal income tax and natural resources revenue (oil, gas, mining and forestry) with local governments. The revenue sharing rates for natural resources vary, whereas the producing regions earn a disproportionately higher rate of revenue sharing. On average, revenue sharing accounts for over 25% of all transfers from the central government (Blöndal *et al.*, 2009). The general allocation grants mandate the transfer of 26% of all national government revenue after revenue sharing. It consists of two categories. First, grants are transferred on a derivative basis to cover the salaries of officials previously employed in deconcentrated units, now assigned to local governments. Second, the grant contains a formula which considers the difference between a region's fiscal needs and its fiscal capacity. However, in practice, the grant is more focused on covering salary costs, with only a minor component allocated to equalisation. These general allocation grants account for two-thirds of all transfers from the central government (Blöndal *et al.*, 2009).

Specific allocation grants are allocated to support the special needs of individual local governments – including the budget for natural disasters and other emergencies – and for funding the central government's priorities at a local level. Local governments (LGs) need to apply to the national government for the grant and must match 10% of the funds from their

own resources. Specific allocation grants amount to less than 10% of all transfers from the central government.

Nevertheless, in 2004, several years after the start of decentralisation in 1999, laws which enabled LGs to decide their own budgets were withdrawn[2]. They were replaced by new regulations[3] which mandated LGs to follow centrally determined budget structures, to appoint particular officials, and particular cash and asset management control systems. This may be a necessary means to ensure the consistency across authorities (Harun *et al.*, 2015).

6.4.2. Local Government Planning and Budgeting Relationship

Public sector reforms by the Indonesian government resulted in the congruence of a planning and budgeting system, including in the SLG. From a time period perspective, local government plans can be divided into three levels, i.e. long-term plan which consists of 20-year plan; medium-term plan that breakdowns long-term plan into 5-year plan; and annual plan which is the foundation for which local governments base their annual budget on. Plans are largely dictated by policy directions and development priorities as set by the Head of the Government, e.g. Governor at the provincial level.

Public participation is accommodated in the LG plan through a public hearing process during the formulation process of medium and annual plan. It is a mechanism through which the executive absorbs the people's aspirations. In the SLG, the public hearing comprises of several steps. The participants of the public hearing usually come from diverse backgrounds, such as NGOs, academics, corporations, labour unions, etc. However, although it is claimed as an open and accessible event, most of the participants were invited. I attended the opening ceremony and four more public hearing events, whereby almost all participants had been

[2] Law 22 and Law 25 issued in 1999 which granting autonomy and elections rights to local authorities, giving them the right to determine their own budget allocations.
[3] Law 33/2004 and Law 34/2004, followed soon after by Government Regulation 58/2005.

invited and could be seen on a guest list. Interestingly, every participant received a white envelope containing 100,000 rupiahs (about £5). When I asked the committee about the money, they said it was for 'transportation costs'.

On the other hand, the Legislative also has its own mechanism to absorb public aspirations through facing their constituents in their elected regions. It is usually conducted four times a year. The result of this public hearing should be submitted to the Executive as one of the materials for formulating the annual plan.

The Regional Planning Agency (RPA) is responsible for producing the plans. According to regulation [4], the long and medium-term plan must be enacted as a regional regulation (a law product), whereas the annual plan is enacted through Head of Government regulation. Thus, long and medium-term plan are a consensus product between the Executive and Legislative which bind them into a political contract. Also, local government plans should also be consistent with the central government plans so that the Ministry of Internal Affairs would also review them.

Moreover, at the local government agencies level, plans include an Agencies Strategic Plan, which depicts 5-year plan, along with an Agencies Work Plan that consists of annual plan. The strategic plan consists of visions, missions, strategies, policies, programmes and activities which depend on the function of each agency. The compilation of the strategic plan is based on the local government's medium-term plan. Furthermore, the annual plan is set by compiling the Agencies Work Plan, and it becomes the foundation for the local government to set its annual budget. It is an iterative process between the medium-term plan and the agency strategic plan, as well as between the annual plan and the agency work plan.

The annual plan is an essential document since it establishes a basis for local governments to set its annual budget. The annual plan forms the foundation of the economic

[4] Law 23/2014 about local government.

development plan, and its priorities and financing. It also ensures the consistency among planning, budgeting, implementing and monitoring, mandated by the regulations[5]. The draft of the Annual Plan should be finalised at the end of May.

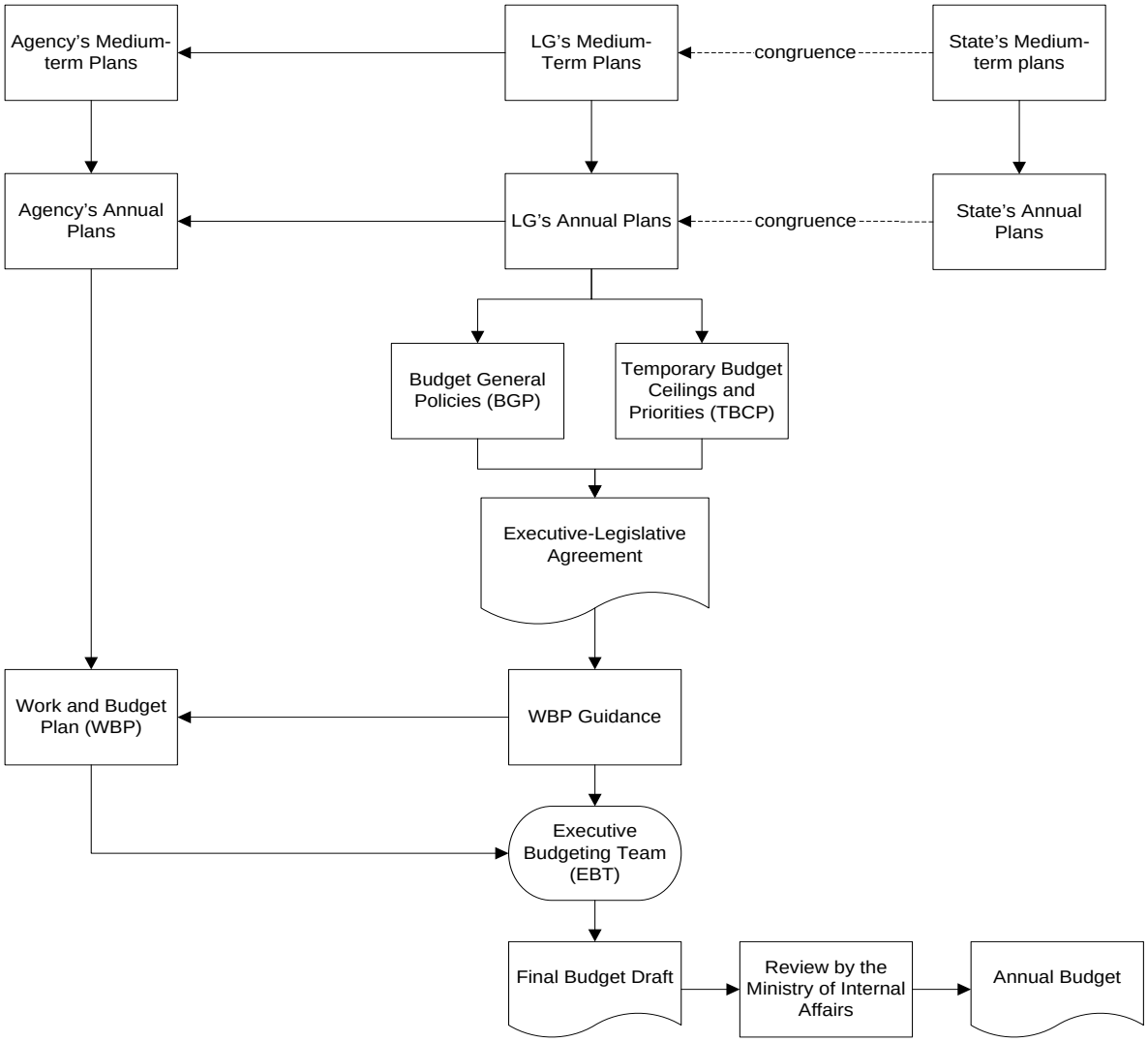
After finalising the annual plan, it then enters the budgeting stage. The next step of the budgeting process is to establish budget general policies (BGP) and temporary budget ceilings and priorities (TBCP). BGP-TBCP is set by the Head of the Government, along with their Executive Budgeting team (EBT) and local government agencies, followed by legislative approval. BGP is a document containing government policies on revenue, expenditure and financing, as well as its assumptions for one fiscal year. It depicts regional macroeconomy environments, assumptions of budget setting, regional revenue policies, regional expenditure policies, regional financing policies and the strategies of pursuing them. These strategies should involve realistic steps for achieving the targets. BGP also details the technical matters for setting the budget. TBCP shows priorities of programmes and the indicative budget ceilings for the agencies to arrange their budgets in the work and budget plan (WBP) document. It is arranged based on prioritised programmes of local government. More importantly, the ceilings are set according to the availability of resources in the region.

A more detailed discussion of the BGP-TBCP is undertaken within each legislative commission between a representative of the EBT, the related government agencies, and the legislative members in each commission. After detailed discussions within each legislative commission, the draft of BGP-TBCP is submitted to the Legislative Budget Committee by mid-July for discussion and approval, which usually involves EBT as the representative of the Executive and Legislative Budget Committee. The BGP-TBCP should be approved by the end of July. The Head of the Government should then immediately issue instruction letters to agencies with guidance for establishing the prioritised programmes and activities based on the

[5] State Finance Law 17/2003 and the State Planning Law 25/2004.

agreed BGP-TBCP. This instruction letter will be used by agencies as the basis on which to prepare their proposed prioritised programmes and activities in their work and budget plan (WBP) document.

Figure 6.5. Local Government Budgeting Process



The instruction letters generally contain regional development priorities and related programmes and activities; temporary budget ceilings for each programme or activities; and the deadline by which to submit their WBP to the Revenue Agency, who is responsible for compiling WBPs. The WBP itself depicts the planned revenue and expenditure for all

programmes and activities within the agencies, which will be used as the basis for formulating the draft budget. The Regional Revenue Agency compiles WBPs from all agencies, followed by a draft budget discussion with the Executive Budgeting Team (EBT). EBT examines the proposed programmes and activities from all agencies and matches them with the availability of resources, the Head of Government's visions and missions, medium-term plans, annual plans, performance indicators, and fiscal targets, etc. EBT is a powerful actor in the executive since they can make any adjustments to the budget draft if necessary, with the Governor's approval.

Once formulated, the budget draft is then passed through the legislative process for further discussions and approval. After approval, the budget draft is enacted as a regional regulation by both the Executive and Legislative as the basis for executing the budget. If deadlock occurs during the budget approval process, the local government would use the previous year's budget, enacted by a governor regulation.

Thus, it depicts that the SLG possesses formal rational bureaucratic organisational form which characterises modern organisations, especially within budgeting processes. According to Weber (1964), bureaucratic organisations can be characterised by their operation on the basis of law, and establishment of an impersonal office whose members owed allegiance to the office itself. Similarly, the budgeting processes in the SLG are ruled by the central governments through laws and regulations, which is seen as tangible quantitative, explicit, and intendedly rational (Waterhouse and Tiessen, 1978; Cooper, 1983; Giroux *et al.*, 1986) and involves dominant technocratic activities where there is a clear definition of each step in terms of content, process, results, and authority (Franklin and Raadschelders, 2003). It is the essence of formal rationality (Weber, 1964).

6.5. Substantive Rationality in the SLG

However, while the formal rationality of a growing bureaucracy seems to be spreading throughout modern governments, there are limits to its reach (Weber, 1964). Due to a result of country-specific cultural, political and historical conditions, substantive rationality would fill in the gaps (Uddin, 2009). Thus, in the context of less developed countries, a specific form of substantive rationality may arise, i.e. traditionalism. Referring to Weberian works, Uddin *et al.* (2018) explain that traditional domination is when politics, state and democracy are dominated by family and connections, enabling the accounting to serve the whim of specific family groups or kin which is commonly found in emerging economies.

Similarly, the political and historical context between the Indonesian government and the SLG may raise this specific form of substantive rationality, especially because of its privileged status. A law issued in 1950[6] marked the special status of the SLG granted by the central government. However, this regulation did not adequately detail the local government's special status. Consequently, a new regulation was necessary to assert this further.

After a long negotiation with the central government, the Privileged Law of the SLG was finally enacted in 2012, replacing the previous law claimed as too simplistic and lacking in detail. There are five privileged affairs enacted by the law: (1) the procedures of enacting the King of Southern and Western Kingdom as Governor and Vice-Governor; (2) institutional form of SLG Local Government; (3) cultural; (4) land; and (5) spatial. The privileged affairs are granted at the provincial level, but execution could span across districts, municipalities and other lower levels of governments.

The first privileged affair relates to the position of the leaders in local government. The law states that one of the main requirements for Governor and Vice Governor is that they are crowned the King of Southern and Western Kingdoms and rule the local government

[6] Law 3/1950 about special administrative status of SLG.

throughout their lifetime. In essence, if there was a change in the throne for both kingdoms, there would be a change in the SLG local government leadership too. Only regional legislative members at provincial and district levels and the Mayors of the five-districts within the SLG region are elected by the people. However, the law does not rule the mechanism through which the king is enacted within either kingdom. In other words, there is no intervention from the state in the internal mechanisms of the kingdoms in the process of enacting their kings. Hence, the leaders of the SLG will be indirectly decided by two strong traditional institutions. This is very much in line with Weber's traditionalism whereby the person exercising authority in a traditional setting, i.e. the Master or Chief, is determined by traditionally transmitted rules as in the enactment process of the leaders of the SLG. Weber (1964) further explains that when the Master's authority is maximised, it is called 'sultanism', very similar to the existence of kingdoms in the SLG.

Secondly, the local government may have different institutional forms from those of other local governments in Indonesia, for example by having more government agencies, such as an exclusive government agency, which specifically governs the privileged status of the SLG. This was intended to improve the local government's efficiency and effectiveness in running government affairs and providing public services. For example, to deal with the privileged affairs, the local government established a new institution called the Assistant of Privileged Affairs which is responsible to the Governor and Regional Secretary directly.

Thirdly, cultural affairs were granted to the local government. The law states that the SLG is mandated to preserve and develop the rooted culture (especially Kindness culture). It defines the culture as the result of creativity, taste, intention, and work in the form of values, knowledge, norms, customs, objects, art, and traditions rooted in the society of the SLG. However, this definition may sound abstract to some. This affair is open to interpretation since the law does not define it or detail its scope.

The last privileged affairs are land and spatial. The law enacts both monarchies as legal entities which enables them to possess, claim, and manage the Southern Land (SL) and Western Land (WL) and the spatial plans above them. Any land in the SLG region which is not privately owned should belong to the Southern Kingdom as SL or the Western Kingdom as WL since they were already independent kingdoms before the independence of Indonesia. Instead, King Southern VI, the current governor made a bold claim that there is no state land in the SLG. Later, this privileged affair, along with cultural affairs, raised the advantages and disadvantages, as well as conflicts, in its execution, which will be discussed further in later chapters.

For the first time, the Southern and Western Kingdom have now been granted formal status as a legal entity. However, the law does not further explain what kind of legal entity both kingdoms take. Consequently, both kingdoms are entitled to possess any land which is not privately or publicly owned in the SLG region. They claimed that substantially, all the land in the SLG belongs to both monarchies since they were independent kingdoms even before the independence of Indonesia. The land belonging to the Southern Kingdom is called Southern Land (SL), and that belonging to the Western Kingdom is named Western Land (WL). The spatial plans above the SL and WL also became the privilege of the local government, and the local government and both kingdoms have the authority to manage it formally.

The privileged law does not provide a detailed explanation of the privileged affairs of the SLG other than the first affair concerning the enactment of both kings as the leaders of the local governments. The central government granted a delegation of authority to the local government to arrange the details of all privileged affairs through special regional regulations, which equates to common regional regulation. Formally, a regional regulation is drafted by the Executive and then enacted together with the legislative body. In other words, the central government has delegated its power to the SLG to govern themselves regarding its special

status. The local government obtained enormous power to execute the privileged affairs since their technical details would be arranged by privileged regional and governor regulations proposed and enacted by the Governor and the regional legislative body, instead of being arranged by the central government through the Ministry of Internal Affair Regulations, like all other laws.

A series of regional regulations have been enacted, starting with the Special Regional Regulation relating to authority in the privileged affairs of the SLG, which was later revised in 2015[7]. This regulation, again, was too abstract; it lacked detail of the privileged affairs. The local government seemingly rushed the regulation enactment following pressure from the central government to have special regional regulations in place before funds would be allocated. Further regulations were then enacted over following years, notably, regulations about the enactment mechanism of the Governor and Vice-governor[8], institutional form of the SLG[9], management of SL and WL[10], spatial management of SL and WL[11], and cultural development and preservation[12].

According to the law, the main objective of the privileged status of the SLG is to pursue public welfare and democratic government practices, as well as empowering the Southern and Western Kingdoms to preserve and develop the culture of the SLG as the national cultural heritage. However, the realisation of these objectives, especially to improve public welfare, were highly criticised for several reasons, such as inappropriate or ineffective programmes. The analysis of this research also shows that the programmes accommodated the vested interest of specific actors within and outside the local government. This will be discussed in social

[7] Special Regional Regulation 1/2013 about authority in the privileged affairs of SLG and revised by Special Regional Regulation 1/2015
[8] Special Regional Regulation 2/2015 about the enactment mechanism of governor and vice governor
[9] Special Regional Regulation 3/2015 about institutional form of SLG revised by Special Regional Regulation 1/2018
[10] Special Regional Regulation 1/2017 concerning management of SL and WL
[11] Special Regional Regulation 2/2017 about spatial management of SL and WL
[12] Special Regional Regulation 3/2017 concerning cultural development and preservation

interactions chapter.

More importantly, the five-privileged affairs are specially funded by the central government through a direct transfer to the local government's annual budget. Thus, unlike other local governments, SLG's annual budget consists of common annual budget (APBD *Murni*) and privileged budget. The privileged fund has been transferred to the local government since 2013, after the enactment of the law of special status of the SLG in 2012. It is worth roughly 20 percent of the local government's total budget. Since 2013, the allocation of the privileged fund has been gradually increasing, from 231 billion rupiah (about 15 million pounds) in 2013, to one trillion rupiah (55 million pounds) in 2018. While the common annual budget follows the process depicted in section 6.4.2., interestingly, according to the privileged law and the Ministry of Finance Regulation about privileged fund mechanisms, the Legislative is not involved in the budgeting process of the privileged fund. The legislators may only be involved in the planning process for the privileged affairs programmes, but not the actual budget. The privileged fund is proposed by the Governor and then evaluated and approved by the central government through the Ministry of Culture, Ministry of Agrarian Affairs and Spatial Planning, and Ministry of Internal Affairs. Hence, the budgeting process of the privileged fund is mainly in the hand of the Executive. The details of the transfer of the fund are regulated through the Ministry of Finance Regulation.

With regards to the budgeting of the privileged fund, there was no significant issue related to the affairs of enactment of the Governor and Vice-governor and institutional form affair. The enactment of the local government's leaders only occurs every five years. The institutional form mainly depicts the adjustment of the number of government agencies and their responsibility to deal with the privileged status of the SLG. However, the other three affairs, i.e. cultural, land and spatial, have shown salient issues involving conflicts, the practice of power, and domination of the interest of family groups. This structural condition is expected

in a traditional setting as explained by Weber (1964), where property and productive capacities of individual economic units are primarily geared towards satisfying the Master's or families' needs and preferences. It sets the context for familial and arbitrary control (one form of substantive control), including its budgeting practices, at an organisational level. Uddin (2009) argues that this tends to be linked with harsh internal controls that transmit the whims of family groups rather than the management control, including budgeting, which is professionally managed, thus characterising a modern rational bureaucracy. This seems to realise in the SLG context and will be further discussed in the next chapters on the social interactions of agents and outcomes.

6.6. The Legitimacy of the Royal Families

As argued in Chapter 2 and 4, traditional domination coexists with cognitive legitimacy - the strongest form of legitimacy. Cognitive legitimacy is gained when the existence of an organisation is accepted as necessary or inevitable (Suchman, 1995; Black, 2008). The strong legitimacy of Southern and Western Kingdom is discussed below.

The legitimacy of both kingdoms, especially the Southern, was closely related to the manoeuvres of King Southern V in deciding to merge with the nascent Indonesia. This was a strategic decision to ensure both kingdoms would maintain their power and existence in the region (Azizah and Al Akbar, 2018). The rise of nationalism and democratisation in Indonesia potentially deteriorates the legitimacy of both kingdoms, as it did with other traditional institutions in the country. However, the shrewdness of King Southern V prevented this. First, to maintain the legitimacy of the kingdoms King Southern V acknowledged the independence and sovereignty of the Indonesian Republic, although he was offered a highly strategic position by the Dutch colonial government (Azizah and Al Akbar, 2018). He also fully accommodated

and supported the defence of Indonesian sovereignty, especially when the SLG became the temporary capital city after Jakarta was occupied by the Dutch forces in 1946.

These manoeuvres can be interpreted as conveying a message that the Southern Kingdom could act as the saviour of the new Republic of Indonesia, which in turn enhances its positive reputation in the country (Azizah and Al Akbar, 2018). It also further reflects the enhancement of Southern's legitimacy when the capital city was moved to the SLG and the Southern Kingdom was involved in designing and supporting guerrilla warfare against the Dutch. Instead, the Southern Kingdom funded the government as the state's funds were at almost zero at that time. It was then that the Southern Kingdom spent approximately 6-9 million guldens of their money for the Indonesian government. Endless support during Dutch occupation reinforced the position of the Southern Kingdom in the history of Indonesia as a country (ibid.).

Third, King Southern V implemented 'people politics' to honour the new democracy (Azizah and Al Akbar, 2018), such as one instance where a building erected in front of the palace was donated for use by a newly established state university. The politics of people became more salient in his willingness to allow people to use Southern Land (SL) for promoting public welfare (ibid.), for example, by allowing the local people to occupy the land.

According to Azizah and Al Akbar (2018), the genius King Southern V's manoeuvres had resulted in two benefits. First, he earned a positive image as an individual and the Southern Kingdom as an institution in the eyes of local people, the Indonesian government, and Indonesian people in general. His willingness to open the palace as a place for education was seen to prevent a 'destructive element' of the revolution to enter the monarchy. The positive image of the Southern Kingdom had enabled them to survive amidst the widespread rise of anti-monarchy movements. Second, this strategy resulted in recognition by the Indonesian government of the special status of the SLG region through regulations issued in 1950, and

further enhanced in 2012. This acknowledgement legitimised the power of the Southern and Western Kingdoms as formal traditional institutions and King Southern as formal leadership, since the authority of the SLG local government was granted to King Southern (Azizah and Al Akbar, 2018). It asserted the ingenuity of King Southern to 'curb' the demand for full democracy in the SLG.

Aside from cultural and historical bases, the power of the Southern Kingdom possessed material bases too, i.e. formal and informal control of land (Azizah and Al Akbar, 2018). Most of the land in the region was claimed to belong to the Southern Kingdom (Southern Land-SL), and some to the Western Kingdom (Western Land-WL), long before the independence of Indonesia. Now, any land not privately owned should belong to the Southern or Western Kingdom, as accommodated by the Privileged Law of the SLG. This material element could be considered equally important to the Southern as a means to preserve its legitimacy in front of local people (Azizah and Al Akbar, 2018). Thus, it is critical for the Southern Kingdom to maintain its privileged status to enhance its legitimacy in the region since it legitimised the power of the Southern Kingdom in terms of land ownership (ibid.).

King Southern and his kingdom also maintain their legitimacy by involving the middle and lower classes in traditional ceremonies and involving the upper classes in royal ceremonies and rituals. Hence, the kingdoms, especially the Southern and its King, enjoy the legitimacy within the hearts and minds of the local people (Azizah and Al Akbar, 2018). Several events have depicted the legitimacy of the kingdoms and royal families. For example, the extraordinary enthusiasm depicted by the local people for traditional ceremonies of the Southern Kingdom, such as the marriage of King Southern VI's daughters and traditional royal ceremonies, has proven the power and voluntary acceptance of royal tradition and Kindness culture within the minds and hearts of local people (ibid.).

Another example was the attempt of the central government to propose the democratic election of the local government leaders, which failed in 2008. The enactment of the Privileged Law once again depicts reassertion of the legitimacy of the kingdoms to retain their political power in the region and the failure of the central government to interfere with local political situations (Azizah and Al Akbar, 2018). According to Azizah and Al Akbar (2018), local people would not hesitate to get involved if there were any attempts to challenge the legitimacy of both kingdoms, especially the Southern. Another example is when King Southern VI's wife, Queen Southern (anonymised) initiated herself as the candidate of the Regional Representative Council from the SLG region. She has been successfully elected for four consecutive periods since 2004, earning more than 90% of the vote for each election. Hence, voluntary acceptance (or otherwise) of the traditional institutions from local people was salient (Azizah and Al Akbar, 2018).

As a result, it is difficult to abolish the kingdoms from the political map in the SLG region. This political system is similar to what is referred to as a hybrid democracy, whereby the democratisation process creates a new form of democracy which retains the traditional power (Rocha Menocal *et al.*, 2008; Ekman, 2009; Logan, 2009; Lilja, 2010). Kindness (anonymised) traditions and culture, which are filled with etiquettes and symbolic meaning, are deeply rooted throughout the province. They maintain a position within the practices and mindsets of local society (Azizah and Al Akbar, 2018). Kindness culture sets the relationship between elders/youth and elites/commoners so that society seeks to maintain harmony and avoid conflict, especially with the ones who occupy higher social positions. It maintains its coexistence with the Southern Kingdom and even enhances its legitimacy. Referring to various Indonesian historical literatures, Azizah and Al Akbar (2018) illustrate the power and legitimacy of both kingdoms, especially the Southern Kingdom who exert over the population at the top of the social hierarchy. Since its establishment, both kingdoms have obtained

relatively strong and stable support from local people, and King Southern is depicted as a good leader by his subjects (Azizah and Al Akbar, 2018).

Although the Kingdoms have seemingly earned cognitive legitimacy, multiple legitimacies exist in a real world setting which require further maintenance (Suchman, 1995; Black, 2008). Black (2008) argues that, unlike cognitive legitimacy, normative and pragmatic legitimacy is often challenged by the legitimacy audiences. Similarly, Azizah and Al Akbar (2018) explain that as a result of its hybridity or traditional domination, the SLG is expected to 'keep its books tidy' to please the central government. They are expected to maintain sound, bureaucratic administration which Suchman (1995) views as an attempt to maintain normative legitimacy. This sets the conditions for accountability practices in the SLG region with the central government as their legitimacy audience; Black (2008) argues that accountability mechanisms are an essential means to maintaining organisational legitimacy. In other words, these cultural and material conditions shape the budgeting practices in the SLG, which will be further examined in the next chapters.

6.7. Conclusion

This chapter describes the socio-political context of the Indonesian government and the SLG. It reflects that the long relationship between Indonesia and the Southern and Western Kingdom has produced a sustained special administrative status of the SLG to appreciate the role of both kingdoms during and after the independence of Indonesia. This marked the introduction of formal rational bureaucracy into the region since they were granted a status a local government.

The Southern Kingdom was seen to play a significant role during and after Indonesian independence, especially when the Dutch came to Indonesia with their two-military aggressions in 1945-1949. The Indonesian capital city was moved to the SLG during the aggressions with enormous financial aid from the Southern Kingdom to fund the new state.

This bonding developed the relationship between the Indonesian government and SLG local government, resulting in a special status granted to the SLG in 1950, although the exact detail of the privileged status was enacted in 2012. However, the law predominantly accommodates the interest of both kingdoms through five-affairs provided by the central government (enactments of the leaders of both traditional institutions as Governor and Vice-governor, cultural, land, spatial, and institutional form). In other words, it has rendered a specific form of substantive rationality into the bureaucratic mechanism of the local government, i.e. traditional domination.

Nevertheless, the legitimacy of the royal families and the current political system are deeply rooted in the region. Several events have depicted their strong legitimacy, e.g. the enthusiasm of the local people to celebrate the royal family ceremonies, the failed attempt of the central government to impose direct election of the head of government, and the willingness of the local people to elect Queen Southern as Regional Representative Council from the SLG region for four consecutive periods. Nevertheless, they still need to satisfy the central government to avoid them to interfere with the local affairs. Consequently, pursuing other forms of legitimacy is necessary. These structural conditions, in turn, condition the social interactions of the key players in the budgeting process of the local government that will be discussed in the next chapter.

Chapter 7: The Social Interactions of Key Players in the SLG

7.1. Introduction

This chapter sets out the interactions of the key players in the budgeting process in the SLG. The chapter proceeds to introduce the key players in the SLG budgeting process, i.e. executive and legislative, and their roles in the budget decision making. As expected in a traditional setting, the budgeting process not only involves the Executive and Legislative, but also involves the informal players from the royal families in the budget decision making especially in the privileged budgeting process. To recall, the SLG's annual budget consists of the common annual budget and a privileged budget (additional funds from the central government due to the privileged status of SLG).

This chapter begins by describing the budgeting players in the local government, followed by the social interactions between the key players. As discussed in Chapter 4 (see page 85), this chapter will then go on to explain the social interactions and role of the key players in the SLG, conditioned by its traditional setting, such as familial control intervenes the bureaucratic administration process; the opportunism for family groups to gain budget allocation; the attempt of the Legislative to interfere with the 'open arena'; the loyalty of other actors to the Governor; and, the manoeuvres of bureaucrats to protect the legitimacy of the traditional domination. The last sections conclude these processual dynamics between the key players.

7.2. The Players

7.2.1. The Executive Players

The SLG comprises of the Executive, led by the Governor, and the Regional Legislative Body. It has 43 agencies. To accommodate the privileged status, the SLG formed the Land and Spatial Agency, the Assistance of Privileged Status, and the Privileged Secretariat in 2016. The role of the Privileged Secretariat is predominantly an advisor of the Governor on the privileged status and programmes of the local government and is responsible to the Governor directly. The Assistance of Privileged status is responsible for formulating a privileged affairs policy for the local government, under the supervision of the Regional Secretary. The Land and Spatial Agency mainly focuses on planning and executing the privileged programmes in spatial and land affairs.

In managing the public fund, the Head of the Government (the Governor), holds the highest level of authority in relation to public finance management. This authority is executed by the Manager of Public Finance (MPF) and the Head of the Local Government Agencies, both of whom are coordinated by the Regional Secretary, as stated in the regulation[13]. The regulation also further explains the Regional Secretary's function as coordinator is to assist the Head of Government to formulate policies and coordinate the execution of local government affairs, including managing the public finance.

The appointment of the Regional Secretary is entirely overseen by the Governor. According to the relevant regulation[14], the Regional Secretary, as the coordinator of the public fund, is responsible for: (1) formulating and executing the policies of the annual budget; (2) formulating and executing the policies in managing the local government's assets; (3) formulating a yearly budget draft and amended annual budget draft; (4) formulating the enacted

[13] Government Regulation 58/2005

[14] Government Regulation 58/2005 and Ministry of Internal Affairs Regulation 13/2006 as amended by Ministry of Internal Affair Regulation 21/2011

annual budget, amended budget, and the accountability of the budget to the Legislative; (5) the affairs related to regional planning; (6) formulating the local government financial statements as the accountability of the budget implementation.

The Regional Secretary will also act as the leader of Executive Budgeting team (EBT), who is responsible for planning, drafting, and executing the budget on behalf of the Governor[15]. The primary function of EBT is to formulate and execute the Head of Government's policies in the annual budget. EBT comprises of RPA (Regional Planning Agency) officials, MPF, and other officials determined according to on each region's requirements. EBT is enacted by the Head of Government and led by the Regional Secretary. In other words, the head of the local government is authorised to determine the composition of the EBT. In the SLG, the EBT comprises of the Regional Secretary as a member as well as the leader; RPA as a member as well as the vice leader; the Regional Revenue Agency (RRA) as a member as well as MPF, an Inspectorate (internal auditor); the Law Bureau; and, the Organisation Bureau. Hence, the Governor and EBT, led by the Regional Secretary, have an influential role in the budgeting process. Since the EBT plays a critical role in local government affairs, its leader is usually the most trustworthy member with a close relationship to the Governor.

7.2.2. The Legislative Players

According to the legislative general election in 2014, SLG legislative members come from ten different political parties. The composition is as follows: Indonesian Democratic Party of Struggle (PDIP) 14 seats (25%); National Mandate Party (PAN) 8 seats (14%); Party of the Functionalist Groups (Golkar) 8 seats (14%); The Great Indonesia Movement Party (Gerindra) 7 seats (13%); Prosperous Justice Party (PKS) 6 seats (11%); National Awakening Party (PKB) 5 seats (10%); National Democrats (Nasdem) 3 seats (5%); Democrats Party (Demokrat) 2

[15] Government Regulation 58/2005 and Ministry of Internal Affair Regulation 13/2006 as amended by the Ministry of Internal Affair Regulation 21/2011

seats (4%); and United Development Party (PPP) 2 seats (4%). Hence, the Chairman of the legislative is from the PDIP, and the other three Vice-chairmen are derived from PAN, Golkar and Gerindra.

The legislative body is divided into four commissions, namely: Commission A, responsible for Government affairs; Commission B, managing the economic and financial sectors; Commission C, caring for the development sector; and Commission D corresponds to the public welfare. All government programmes and activities are discussed in finer detail within each related commission for further approval. With regards to budgeting, the legislative has a Budget Committee responsible for evaluating and approving the budget draft from the Executive. The Budget Committee is led by the Chairman and Vice-chairman of the legislative and consists of representatives from each political party faction. Thus, the Budget Committee has an influential role in the budget process within the legislative.

7.3. Familial Logic Intervenes the Rational Bureaucratic Logic

Previous studies argue that organisations situated in traditional settings tend to rely more on personal or familial control (Dyball and Valcarcel, 1999; Uddin and Choudhury, 2008; Uddin, 2009). This can lead to different substantive rationality of control, i.e. forms of control to accommodate the whim of family groups or clans, which does appear to occur within the SLG and their privileged affairs.

As also discussed in the previous chapter, what distinguishes the SLG budgeting system is the budget for executing privileged affairs. Hence, the SLG annual budget consists of the common annual budget (APBD *murni*) and a privileged fund budget. The process of the common annual budget follows the same process as the local government budgeting system, as explained in previous sections. However, according to the privileged law and the Ministry

of Finance Regulation[16], the privileged fund budget has a slightly different procedure, i.e. it does not go through the legislative process in the local legislative body, but goes directly to the respective ministries. For example, cultural programmes are discussed and approved by the Ministry of Education and Culture. Thus, the regional legislative body is not involved in the privilege fund budget process. According to Azizah and Al Akbar (2018) this privileged affairs can be classified as 'closed' arena, the arena that is rarely challenged or criticised by the public since it is closely related to personal of the Governor and his royal families. Although the SLG was granted five privileged affairs, cultural, land, and spatial affairs are the central discussion of this chapter since most of the discussion, dynamics, and controversies occur within these affairs. More importantly, familial logic within the budgeting process of these affairs is apparent.

7.3.1. Cultural Affairs

The cultural affair gained the most allocation of the privileged fund, accounting for roughly 60 percent of the total privileged budget. The Cultural Agency predominantly manages it, and since 2013, following enactment of the privileged law where the SLG earned the privileged fund, the cultural affair has been allocated most of the budget. As mandated by law, the local government had been delegated an authority to manage its privileged affairs locally, through a special regional regulation. The privileged law defines cultural affairs as preserving and developing the result of creation, feel, intention, and work in the form of values, knowledge, norms, customs, arts, and noble traditions, which are deeply rooted in the local people.

However, there was only one Special Regional Regulation at that time[17], which regulated the details of all privileged affairs but left the programmes and activities of privileged affairs somewhat unfocused. The regulation lacked detail, thus leading to multi-interpretations.

[16] Law 13/2012 and Ministry of Finance Regulation 173/2017
[17] Special Regional Regulation 1/2013

The fund was transferred at the beginning of November 2013, amounting to 231 billion rupiahs, which worsened the situation as the local government only had two months left to absorb the budget. According to Local Government Accountability Report 2013, the local government absorbed only 23.58 percent of the privileged fund. It was claimed as a great achievement since they had only two months to absorb the fund. The cultural affairs, which earned the highest allocation, were dominated by cultural events and ceremonies, as well as acquiring and maintaining some locations which were deemed as cultural heritage, which raised questions as to the essence of the privileged status. However, the Cultural Agency only absorbed 6.14% of the budget in 2013.

As time goes by, the execution of the privileged affairs was claimed to have improved due to the enactment of more detailed regulations for the affairs. The cultural affair is further regulated by a specific regional regulation[18]. Nevertheless, this regulation still contains multi-interpretations. The definition of a cultural object is the same as in privileged law. The regulation further explains cultural preservation as maintaining the cultural object in order to keep its existence in the cultural system of the local people. Cultural development is then defined as the endeavour of giving new meaning and function to the cultural object so that it is relevant to the demand of nature and era in order to increase the quality of life of the people now and in the future. Cultural affair is claimed as the 'heart' of the privileged status of the SLG since it distinguishes them from other regions.

Based on the definition given by the Special Regional Regulation, the local government further interpreted the cultural affairs into two broad classifications: physical or tangible, and non-physical or intangible culture. Physical culture is related to any physical cultural heritages in the SLG, such as ancient buildings and monuments, including the existence of both monarchies, local culinary, art tools, and cultural events or attractions. Establishing new

[18] Special Regional Regulation 3/2017

cultural tourism objects also falls into this category. Non-physical culture refers to the cultural values of SLG. However, the regulation does not provide a detail explanation about it. More importantly, the regulation[19] asserts that this cultural object is originated from both monarchies and the local people. While the cultural object originated from the people of the SLG is arguably a Kindness culture, there is no clear explanation as to what sort of cultural object originated from the monarchies. One senior official gave his view on this.

> "*The language used in the law and regional regulation indeed caused multi-interpretation. However, within the special regional regulation, it mentions that there are certain matters that need to be followed-up by governor regulation. That is the responsibility of the local government to describe the privileged in cultural affairs." (Mr 3, senior official)*

However, it seems naïve if culture is seen as the salient point of the privileged status of the SLG as other local governments and regions have their own cultures. Indonesia is well known for its diversity, including in its culture. It was not necessarily because of culture that the SLG was granted its special status. It is arguably due to its socio-political history between the SLG and Indonesia, as explained in Chapters 6. One senior official affirmed this.

> *"If one said that SLG was special because of culture, it seemed to put aside other regions since they might demand a special status too, right? Look at North city (anonymised), it is stated as a cultural and tourism city, the same (as SLG). Hence, it is not the point. The main point why SLG is special is because of its political history." (Mr 4, senior official)*

Furthermore, with regards to its budgeting practices, in reviewing the local government's programmes and activities in their budget over the last five years, it can be seen that most of them consisted of cultural and traditional events. The Cultural Agency's Planned Work and Budget for 2016 and 2017's budgets depicted hundreds of cultural and traditional events which formed the main programmes, such as traditional ceremonies of the Southern Kingdom, traditional religious ceremonies in certain districts, traditional dance festivals, art festivals, puppet events, producing local films, producing local magazines, and acquiring and

[19] Special Regional Regulation 3/2017 article 5

maintaining cultural heritage sites, etc., which showed the inclination of the local government to focus more on what they classified as the tangible or physical culture. Not many programmes were intended for non-physical or intangible culture since it indeed might have a broad and abstract definition. More importantly, physical activities were more obvious and more easily able to absorb the fund. One retired official gave his view on this.

> *"The physical culture becomes the priority, although we also focus on non-physical culture. However, allocation to intangible cultural programmes are relatively low, lower, and its value is lower. The physical is more easily (to identify and to execute), and its value is large." (Mr 14, retired senior official)*

Nevertheless, most of the executive officials argued that they planned the programmes very carefully, stressing more on the outcome of the programmes instead of the absorption of the budget and how the programmes could benefit the local people. Nevertheless, the above statement showed that implicitly their intention was still driven by the absorption mindset since physical culture has an obvious output and its value can be more easily identified. In contrast, it was difficult to identify and measure the output of non-physical culture. Hence, the local government seemed to prefer programmes whose outputs had physical substance in order to 'hide' their budget absorption mindset.

7.3.2. Familial Control Intervenes the Bureaucratic Process and Opportunism of Royal Families

One of the main points of cultural privilege is to preserve the cultural objects which were mainly derived from the Southern and Western Kingdoms, according to the regulation[20]. As previously explained, cultural affairs are dominated by cultural events and activities, including those undertaken by the monarchies. The Kingdoms have many ceremonial activities each month which are now funded through the privileged fund under local government cultural

[20] Article 5 of Special Regional Regulation 3/2017

preservation and development programmes. The monarchies have been recognised as a legal entity according to Privileged Law so that they have a legitimate legal standing to earn money from the local government. Instead, both kingdoms are the main and important point of the cultural affair, which enhances their legitimacy to obtain money as a significant cultural object.

One of the most popular cultural ceremonies by the Southern Kingdom involved mainly the middle and lower classes in the SLG. It was always celebrated gloriously by the local people to enhance the popularity and legitimacy of the Southern Kingdom (Azizah and Al Akbar, 2018). There were tens of other cultural events and rituals which were held by or derived from the monarchies. More importantly, they are now financed by the local government.

Consequently, with regards to budgeting, the informal logic of the kingdoms 'forced' the formal logic of the local government to adapt to the informal one. The intervention of familial control became apparent in the local government bureaucracy and conjoined with the modern formal bureaucracy. Azizah and Al Akbar (2018) gave an example of this. One of the royal rituals that would be financed by the privileged fund required a goat which must meet specific criteria set by the Southern Kingdom. Such a goat must have a white colour with a black ring around the stomach that resembles a belt, hence, it must be 'belted'. Naturally, this sort of goat was very rare in the market and so it costs significantly more than the average goat.

On the other hand, from formal bureaucratic logic, a local government is required to use the average market price of a goat when setting the budget. Spending money for purchasing goods or services higher than the average market price was not allowed by regulation. Thus, the purchase of a goat that was more than its market value could not follow the common bureaucracy logic. Instead, it might lead to the indication of corruption. Nevertheless, practically, the local government would obey the logic of the Southern Kingdom. Thus, it depicts the intervention of familial control over rational bureaucratic control.

Another example was expressed by a senior official of the local government, who

mainly undertook an internal audit function. He explained that the palaces earned some allocation of the cultural affairs fund due to its nature as a cultural object. However, it was often difficult to follow the informal logic of the Southern Kingdom, especially relating to financing the cultural activities of the Southern Kingdom, which created problems in executing the programmes.

> *"So, because the allocation to the cultural affair is large, one of them is an allocation to both palaces, it looks dominant. Unfortunately, many problems raised related to the standard of expenditure. The logic is like this, if we buy a computer, the standard (of expenditure) is clear, including its specification and price. If you buy* menyan *(incense) or flowers, are there any standards? There aren't. Since there is no standard, the palace usually proposed budget more than the market price. Within the local government, if there is no standard, we use the survey of market price, but if the* menyan*, is not included in the catalogue of the price of goods and services, what are we going to use? In the end, we used their proposal (of the price) by referring to the market price. It becomes a problem so far. Thus, expenditure allocation in the palace is constrained by the non-existence of the price standard of goods and services." (Mr 5, senior official)*

He added that due to the non-existence of price standards, it attracted the attention of KPK (Corruption Eradication Commission). The power and authority given to the palaces were so enormous that it enabled them to have special treatment in determining the budget they needed. However, there were concerns that this power might lead to opportunism or even uncontrollable behaviour of the actors within the kingdoms, such as increased risk of corruption.

> *"Rituals in the palace, what standards do they use? No standard. Hence, I think personally, why did KPK come to SLG recently? One of the reasons is they 'smell' something like that. It means, if the palace was given the authority to determine their needs, it could be uncontrolled by regulations. If someone was not controlled by regulation, he/she could be vulnerable to engage in corruption or fictive (transactions), etc. Thus, KPK came in." (Mr 5, senior official)*

It was quite possible since the mechanism of the fund transferred to the kingdoms was in the form of an endowment fund, which was naturally less rigid and required less bureaucratic procedure. This form of fund transferred was set by the local government since they claimed that it 'eased' the fund transfer to the kingdoms. Simultaneously, it depicts the personal loyalty of bureaucrats (subjects) to their Master since they attempt to accommodate the Master's whim

(Uddin, 2009; Uddin *et al.*, 2018); this will be further discussed in Section 7.5. The details of the programme activity were then retained by the kingdoms. Thus, it was not easy to trace the specific use of the funds. One senior official explained the technical mechanism of this allocation to the palaces.

> *"In managing the fund (allocation to both kingdoms), we don't facilitate the fund operationally because it might burden the local government. Thus, there are two schemes (of allocation to both kingdoms), i.e. direct endowment and programme endowment. If it is an endowment, it becomes a direct possession in the form of cash or goods, whereby the operationalisation (technical matters) of the endowment belongs to the recipient, it is not our (local government) business." (Mr 4, senior official)*

Therefore, the Southern Kingdom possesses great power and autonomy to access the privileged fund with fewer demands of accountability mechanisms and bureaucracy processes. The intervention of familial logic over a formal bureaucratic process and the enormous power and authority earned by the local government for the privileged affair may give rise to opportunist behaviour from the royal families to gain allocation. This was seemingly evidenced in practice whereby some privileged funds were allocated to the Kingdoms. It is seemingly inevitable to see the intervention of familial logic over bureaucratic mechanism of organisations situated in traditional settings (Uddin and Choudhury, 2008; Uddin, 2009).

7.3.3. Land and Spatial Affair

The other two privileged affairs of the SLG are the land and spatial affair, i.e. related to the possession of the land in the SLG region by both monarchies. The land belongs to the Southern Kingdom is called Southern Land (hereafter SL), and the land owned by the Western Kingdom is named Western Land (hereafter WL). Spatial affair deals with the spatial planning above SL and WL[21]. Chapter 6 has explained the long history between both kingdoms and Indonesia before and after its independence. Not long before the independence of Indonesia, there were regulations related to land set by the Southern and Western under the Dutch colonial

[21] According to article 34 Law 13/2012

government which stated that all land without evidence of ownership through ownership right belong to the monarchs. Thus, most of the land in the SLG region that was not owned by the Dutch belonged to the Southern and Western Kingdom.

After the independence of Indonesia and the integration of the Southern and Western to the new Indonesian government, both kingdoms demanded special status, including land rights in the SLG region. Consequently, both laws[22] which govern the special status of the SLG acknowledge the right of the monarchs to possess the land by allowing them to identify which land belongs to the kingdoms and granting them a legal entity status so that they are entitled to own the land legally. However, the Privilege Law does not provide further explanation as to what kind of legal entity both kingdoms take nor further regulations which regulate the Southern and Western Kingdom as a legal entity. Formally, Southern and Western Kingdom are entitled to manage and utilise SL and WL for cultural development, social interest and public welfare[23].

Looking at the political history between Indonesia and both kingdoms, the Southern King VI interpreted that all land not privately owned belongs to both kingdoms, as stated in a bold statement to the national media, whereby he claimed that there is no state land in the SLG region. Additionally, the King publicly argued that land was derived from the agreement between the Southern Kingdom and the Dutch colonial government, whereby the first Southern King was granted land by the colonial government with the hereditary right. One senior official of the local government also asserted this.

> *"Therefore, Southern Land, all land in the SLG region belongs to both the Southern and Western Kingdom. During the colonial government, some of them were granted to the western people, to the villages. Land granted to the villages was in the form of utilisation right, not ownership right. It is the same treatment when a government has a utilisation right." (Mr 7, senior official)*

[22] Law 3/1950 and Law 13/2012
[23] Article 32 number 5 of the Law 13/2012

What is the role of the local government budget? The main programmes within the land and spatial affair are to identify and officially register existing SL and WL and those which have not been identified clearly, according to the privileged law. This programme is fully funded by the privileged fund. Since 2013, the annual fund allocation for land and spatial affairs was roughly 30 percent of the total privileged budget. The regulation[24] specifies SL and WL, such as the palaces of both kingdoms and the land surrounding them, village land, land used by the citizen with rent permission from the kingdoms, land used by the citizen without legal consent from the kingdoms, and unused land.

However, the land and spatial programme of the local government has become a controversy as King Southern's claim of the land in the SLG region was contradicted by other land regulations in Indonesia. By looking at King Southern VI's claim, it seemed that the local government programmes on land affairs referred back to the land regulations during the colonial era, whereby any land which was not privately owned belongs to both kingdoms. Land other than the palaces later raised controversy and conflict between both monarchies, facilitated by the local government, with the people of the SLG.

The inclination of the local government to go back to land regulations from the colonial era could also be seen from some statements from executive senior officials. They mainly argued that local government programmes on the land affair were mainly about identifying the SL and WL based on the land regulations during the colonial era, for example:

> *"If we look at land regulations during the colonial era, all the land belongs to the King. King had a region consisting of several villages. The villages had villages' maps. The villages' maps depicted land that could be used by the villages (for its operation). Instead, the villages' maps were complete. There is land for herding, there is land for the protected forest. It was complete there (villages' maps). Thus, each village had been formed by the Southern Kingdom. There are maps about that." (Mr 8, senior official)*

Hence, the local government's programmes on land and spatial affairs tended to be

[24] Special Regional Regulation 1/2017

based on the regulations created even before the independence of Indonesia. Nevertheless, the Indonesian government issued a law about agrarian affairs in 1960[25], which govern the land affairs in Indonesia, including the SLG region. The law states that any land regulations which came from the regulation of colonial government no longer apply. This law was further strengthened by the Presidential Regulation in 1984[26] about the full implementation of agrarian law in the SLG region. The local government also responded to the central government by issuing Regional Regulation in 1984[27] which also asserted the application of agrarian law in the SLG region while King Southern V, King Southern VI's father, was in charge. The regional regulation also states that all other laws which regulated agrarian affairs in the SLG region no longer applied.

7.3.4. Land Conflicts and Weak Land Documentation

While the SLG predominantly consists of village land, the local government had clearly enabled individuals and government of villages to possess the land in the SLG region through a Regional Regulation[28]. The regulation also stated that the village's lands were owned by the government of the villages. King Southern VI as the current Governor had also issued a Governor Regulation concerning the land affair, specifically concerning village land[29], which stated that all village land in the SLG region belonged to the government of the village. One article[30] of the regulation stated that the villages' land had to be officially registered to Indonesian Land Agency (ILA) as land, which is owned by the government of the villages, not the kingdoms.

[25] Law 5/1960
[26] Presidential Regulation 33/1984
[27] Regional Regulation 3/1984
[28] Regional Regulation 5/1954
[29] Governor Regulation 65/2013
[30] Article 52

In contrast, the Governor later issued another regional regulation[31] which revoked and replaced the previous regional regulation[32]. One article[33] of the new regulation states that all village land which has been certified as belonging to the government of the villages must be changed to ownership by the Southern or Western Kingdom. Whilst the land regulations during the colonial era had been abolished by the central government and the local government itself, the current Governor, along with his local government, seemed to revert back old regulations to enable both kingdoms to reclaim their land in the SLG region. This depicted the inconsistency of the Governor, along with his local government, in producing land policies in the region.

By using the existing regulations and land affair programmes, the local government could also trace and examine the privately-owned land. If both monarchies could prove that the history of the land and that it belonged to them, the kingdoms had the right to repossess the land. Looking at the history of Southern and Western as kingdoms, as well as the claim of King Southern VI about inexistence state's land in the SLG region, it is not difficult for both kingdoms to provide claims for land possession in the region.

The regulation[34] states that the sources of data for identifying SL and WL are from both kingdoms, the villages (villages' maps), and the people who are living above the claimed land. The local government claimed that the land documentation of the officials of the villages was tremendous, even before the independence of Indonesia. Government officials of the villages had documented the possession of the land in the villages in great detail, including its owner, as previously expressed by a senior official. One other official also asserted this.

> *"Thus, land administration in both Southern and Western Kingdom was very good even before this country existed. All land was recorded in the villages by land* legger *(document) in the villages. In the villages, the ownership of the land has been identified, including those belonging to the Southern and Western Kingdom. Hence, just look at*

[31] Regional Regulation 112/2014
[32] Regional Regulation 63/2013
[33] Article 19
[34] Special Regional Regulation 1/2017

> *those* leggers *for the sake of certification (legal ownership) of the land. Now is just to make sure its surrounding borders." (Mr 7, senior official)*

However, this bold claim contained a fundamental drawback. According to a historian, the borders used to determine the border of land during the colonial government were unclear and subjective. For example, they used a river or the number of plantations planted as the border of the villages. Hence, there were no consistent maps, according to the historian.

Additionally, some officials also acknowledged the limitations of land documentation by the Southern and Western Kingdom. There is a land division in the Southern Kingdom who is responsible for managing SL and WL and is also entitled to issue formal or rent permissions for SL and WL. The local government realised that this division had inadequate documentation of SL and WL. Hence, it is now the job of the local government to assist both kingdoms in identifying their land. The local government even formed a new agency, the Land and Spatial Agency, to execute the privileged land and spatial affair.

> *"As I mentioned earlier, all of Southern's land was granted to villages, institutions, and even individuals. Nevertheless, the administration and legality did not exist. The data (of the land) did not exist. Hence, the first priority of the Land and Spatial Agency is to identify all land that should belong to the Southern and then certify it so that it has a legal status. It needs verification and so forth." (Mr 8, senior official)*

> *"The main sources to determine a land is either SL or WL is the village books (maps produced by the villages). However, the main problem we are facing is those books are no longer exist, hard to find, and most of them are gone. That is the problem in the field." (Mr 18, local government advisor)*

Instead, the local government might use testimonies or evidence provided by individuals and/or institutions in the form of a letter to identify the SL and WL, according to Governor Regulation[35]. This could be a piece of subjective evidence since there are no specific criteria of who is eligible to be those individuals or institutions. Due to unclear sources of documentation, the land and spatial affair programmes had raised conflicts and rejections from the public, especially the affected ones. While the land documentation of both Kingdoms was

[35] Governor Regulation 33/2017

not clear, there were concerns that there would be unilateral claims from the kingdoms as to the land status. While the local government undertook the identification of the land programme, there were usually many rejections from the local people in the affected regions. They dispelled the local government officials who intended to measure the border of the claimed land.

7.3.5. Familial Control Intervenes Land and Spatial Affair

It is suggested that the existence of the Southern and Western Kingdom and its intersection with local government affairs has enabled the involvement of informal actors and institutions with formal ones, which is reflected in the intervention of familial control over a formal bureaucratic administration. This seemingly occurs, and even be more in-depth, within the land and spatial affair.

The conflict between the local people and both kingdoms concerning the land affair would also be facilitated by the local government. By the regulation, the local government also assisted the kingdoms in solving any land conflicts. Again, it shows the power of the Southern and Western Kingdom, whereby they might 'employ' the local government for their interest. On the one hand, the SLG local government claimed that there would not be an eviction or deprivation of the land. There would be only identification and registration of both kingdoms as the owner of the land.

> *"The point is the existence of privileged status does not necessarily mean all SL and WL will be withdrawn. No, it is not—just the administration. If the land has been registered (privately owned), just go on. However, it should be noted that the origin of the land was Southern Land." (Mr 3, senior official)*

Practically, it did not reflect this.

> *"No, there is no returning (of ownership) since substantially, the people dismiss their possession (of the land). Hence, the local government used compensation scheme which is a problem as well, because there is no formal notification about the status of the compensation land, whether it becomes an SHM (ownership right) or only HGB (utilisation right). Instead, it could be WL. As we know, village land in the southern area has become a relocation area, and its status is WL." (Mr 21, NGO member)*

Most of the claimed lands were village land. However, many lands that were claimed as SL and/or WL had also been privately owned with legal ownership status (certification). The local government wished to give extra acknowledgement to private land by noting 'this land used to be SL or WL' on the land certificate. This idea has been widely rejected since there would be less clarity as to the legal owner of the land, so there would be no legal certainty for those who possess the land privately. It was not a common practice in the agrarian affair in Indonesia.

> *"The ownership of the land (will be) based on its origin. If it was a Southern Land, it should be returned, for example, Flower (anonymised) Village. The certificate of (the village's land) will say 'utilisation right of Flower Village above Southern Land. In other provinces, it usually says 'above state's land. In here, SLG, because it is mandated by the Privileged Law, it (the land) should be returned to become Southern Land." (Mr 4, senior official)*

In a similar vein, some local government officials argued that the agrarian affair practice in the SLG region was inefficient, which became the major cause of existing land conflict between both kingdoms and the local people. Most of the claimed-SLWL has been occupied by the local people and their descendants for many years, and so it was difficult to convince them that the land did not belong to them. Instead, some of the lands had been registered as private ownership. Hence, the local government also questioned the role of Indonesian Land Agency (ILA) in this regard.

> *"To be honest, identifying SL and WL was difficult. Because of what? Most of the lands which have SL and WL status has been occupied, right? Instead, some of them has been certified (as privately owned). It means if there is a certificate, who are we going to blame? It is difficult to investigate. If we wished to see who is the guilty one, it should automatically be ILA. However, is that the bureaucracy process? It is not like that." (Mr 5, senior official)*

The manoeuvres of both local government and the kingdoms raised the question of the willingness of the local government to execute the main objectives of the privileged status of the SLG to increase the public welfare. The privileged law clearly states that the privileged affairs, including the land and spatial affair, is intended for cultural development, social

interest, and public welfare. The local government also acknowledged that formally, SL and WL should be used for public welfare after the registration and certification of all lands are complete. Nevertheless, the local government argued that they had no authority over SL and WL since it did not belong to them. It was up to the owner of the land to decide the function of SL and WL.

> *"Now, we have not discussed the function of the land. We are now preparing the regional regulation. More importantly, we need to ensure the status (of the land) first. With regards to its function or utilisation of SL, it is up to the Southern Kingdom, the local government has no (authority). More importantly, we need to ascertain which land is either SL or WL. Until now, there is no adequate documentation about this." (Mr 3, senior official)*

A legislator expressed a similar view.

> *"They (the Executive) were very slow with that (achieving the target to finish the identification and certification of SL and WL). They were less progressive. It should have been quicker to give certainty (of SL and WL status) and to create the grand design of the utilisation of those lands by the Southern and Western Kingdom. However, up to now, we have not known yet as to what is the objective of the Southern and Western Kingdom on their land, we haven't seen the design. I think SLG local government has to keep reminding the Southern and Western Kingdom." (Mr 11, legislator)*

Hence, there was no certainty as to the utilisation of SL and WL in the future. Instead, that land might be used for the sake of the royal family. It will be discussed in the next section. While the local government claimed they had no authority over SL and WL, it should be noted that land and spatial affairs of the privileged status which are devoted primarily for identifying SL and WL was funded through the local government's annual budget. The local government should have had access or authority over the utilisation of SL and WL since Privileged Law mandated the local government to implement land and spatial affair for public welfare, not for creating land conflicts with the people.

Formally, SL and WL could be used by anybody when they earned formal or rent permission from the Southern Kingdom. A special division in the Southern Kingdom was formed to deal with the formal or rent permission, headed by King Southern VI's younger brother, Prince Southern (anonymised). For the village land, both local government and the

Southern Kingdom claimed that the government of villages was granted a utilisation permission right, i.e. customary or cultural right given by the Southern or Western Kingdom to the government of the village to manage and earn the output produced by the SL or WL. The output produced in utilising SL would be used to fund the village's government within a specified period of time. Hence, the Southern Kingdom claimed that there was no transfer of ownership of the land to the government of villages.

Nevertheless, since there is no clear information as to the function or the utilisation of SL and WL in the future, it would be acceptable for the land to be used for the sake of public welfare, as one NGO member expressed.

> *"With regards to privileged fund, the allocation for identifying and registering (of SL and WL) consumed billion of money. We need to see its accountability. What is the purpose of identifying (of SL and WL)? If the land was managed by the people for their welfare after the identification, it should be fine. However, if after the identification, the land was returned to the Southern Kingdom and would be used by a specific group of people, it was not proper, in my opinion." (Mrs 20, NGO member)*

Some of the SL and WL have been used by the villages even before the independence of Indonesia as the village's main asset and source of income, such as for agriculture. The land could also be used for the sake of public interest, for example, the new international airport in the SLG region. The formal permission to dismiss the land for public interest needed to be obtained from the Governor as the leader of the local government, and the Southern or Western Kingdom as the owner of the land. However, according to the Special Regional Regulation[36], SL and WL used for a public interest must be replaced with a new one. If there is no replacement land, it then would be replaced by money equal to the value of the land. Consequently, the Indonesian government needed to pay almost 1 trillion rupiahs (about 60 million pounds) to the Western Kingdom since they could not find the replacement land for the new airport project.

[36] Special Regional Regulation 1/2017 article 23

This project caused conflict with the local people living in the land for a long time ago. Both the local people and the Western Kingdom could not show any legal evidence of possession of the land. However, going back to the history of the Western Kingdom before the independence of Indonesia and land regulation in the colonial era, the Kingdom claimed that the land belonged to them (south region of the SLG was mainly the region of the Western Kingdom). It took years to clear the land and enable the central government to build the new airport.

7.3.6. Opportunism of Royal Families over the Utilisation of Land

Moreover, the utilisation of SL and WL was not necessarily about the public interest. It was also about the interest of the ruling families in the region. Both kingdoms, especially the Southern, wished to 'secure' the possession of the land, especially those in strategic locations. One of the salient interests was to rent SL and/or WL to capital providers to build their business facilities so that they might earn rent charges and business share.

> *"Identification of both SL and WL is simultaneously related to development (above SL and WL). It was not only about the identification of SL and WL. There is infrastructure development after the identification. It occurred in some locations, for example in Frog beach (anonymised). The development in Frog beach also used rent permission from Southern land division. However, the local people did not know about this. They only knew that the land they occupied belongs to the Southern Kingdom. The resident did not know that there was a development of tourism resorts there, which was related to the identification (and certification) programme of SL and WL." (Mr 21, NGO member)*

Another example was a business facility in a strategic location in the SLG, as pointed out by a retired senior official.

> *"Yes, the certificate of the village land (belong to the Southern Kingdom), but the utilisation is delegated to the village. Nevertheless, don't forget. By the time goes by, the people sometimes forget. People from the Southern Kingdom have been searching for strategic land and inviting investors. For example, SLG Bay (amusement park). It was built in the village's land……. So many (business facilities above SL). I couldn't say one by one. This was the recent one. As time goes by, SL and WL are retained." (Mr 14, retired senior official)*

He added that the Princess of Southern Kingdom was then enacted as a member of the Board

of Commissioners of that lessee-company. Recruiting a member of the royal family as one of the directors was expected to 'secure' the interest of the company in using the land for its business.

> *"King Southern's daughter was enacted as a member of the management of the company so that they could search for another land. His daughter becomes a member of the board of commissioner of the company." (Mr 14, retired senior official)*

As previously mentioned, SL and WL could be used by anyone as long as they could earn permission from the Southern Kingdom. However, the criteria set by the royal land division, which is headed by King Southern's younger brother, is unclear since it was never published. Although the local government has a critical role in issuing a recommendation of formal/rent permission as mandated by Special Regional Regulation, they only use some general criteria, such as verifying the formal identity of the lessee candidate and general objective of renting the SL or WL, as stated in Special Regional Regulation[37]. The final decision is always in the hands of the Southern Kingdom. The Special Regional Regulation[38] also states that form, type, and substance of the rent permission is further regulated by the Southern or Western Kingdom.

> *"It (permission) comes from the subject of ownership, not from an outsider. The outsider has no authority to give permission. The Southern or Western Kingdom will regulate (land permission) since it is their authority. They are the owner of the land so that they have the authority of that land." (Mr 18, local government advisor)*

Again, it further depicts the powerlessness of the local government over the utilisation of SL and WL. In contrast, the Privileged Law clearly stated that the used of SL and WL was for public welfare and interest. On the other hand, the authority for determining the utilisation of SL and WL was 'surrendered' to the Southern Kingdom.

Even before the Privileged Law was enacted in the SLG region in 2012, the Southern Kingdom showed their legitimacy and political power in the region whereby the Indonesian

[37] Special Regional Regulation 1/2017, article 22 number 1
[38] Special Regional Regulation 1/2017, article 21 number 4

Land Agency region of the SLG absolutely obeyed the Kingdom. At that time, both traditional institutions did not have a legal entity status, but their authority was acknowledged. In 2009, the Head of the Indonesian Land Agency region in the SLG said in a national media release that the agency would not issue any land certificates above SL and WL without recommendation and a formal/rent permission letter from the Southern or Western Kingdom. He later argued that the form of certificate would also depend on the content of recommendation from the kingdoms, whether in the form of utilisation right or building right. Interestingly, he acknowledged that SL and WL at that time had no legal status (certificate) since both kingdoms had no legal entity status which enabled them to possess land at that time.

Although the land and spatial affair programme was funded by the state's fund, the local government has no access nor influence in the land permission process other than issuing a recommendation. However, the local government claimed that the criteria of formal/rent permission were still being discussed and finalised. They promised that it would be published once the criteria were finalised by the Southern Kingdom and local government. Since the permission of using SL and WL has been taking place since before the independence of Indonesia up until now, what sort of criteria were used by the Southern Kingdom to produce land permission? Why could they not publish this even after the special status was granted to the region in 2012 to enable accountability, knowing that the identification of SL and WL programme were facilitated by the local government through a state fund. In a similar vein, there was also no clarity as to the cost of leasing SL and WL. No documents were published stating the rent charges of the land. It is, again, up to the royal land division to determine the nominal rent charge. Thus, it might imply that the local government had no authority over the formal/rent permission of SL and WL. Familial control dominates the formal bureaucratic process of the local government, as predicted, in a traditional setting (Weber, 1964). Control practices in cultural, land and spatial affairs might reflect the assertion of traditional views of

state governance whereby there is a mixture of private, household transactions and public ones (Dyball *et al.*, 2006). Several royal families' affairs are funded by the public fund.

7.4. Legislative Attempts to Interfere with 'Open Arena'

Although the Legislative is not involved in the privileged budget process, they are involved in the common annual budget process: the main budget of the local government. Azizah and Al Akbar (2018) pose that an 'open arena' is an arena in which other political actors are welcomed to provide input, feedback, and criticism on matters such as poverty and inequality issues, public services, health care, etc., provided it is addressed politely and not directly to the Governor. The common annual budget is arguably the 'open arena' whereby intensive discussion appears between the EBT and the Legislative, without much involvement from the Governor.

In the common annual budget discussion, most of the interviewees agreed that majority of budgeting dynamics occurred during the BGP-TBCP phase since this would determine the budget policy and the available resources for the proposed programmes and activities. In order to progress to the next budgeting stage, there had to be a formal consensus between the Executive and Legislative as to the BGP-TBCP. As explained in Chapter 6, BGP is a general policy and ceiling of the budget, containing the economic and other assumptions used to determine the proposed programmes.

The budget discussion appears complicated; delaying the decision of the legislation process is not uncommon. It was also reflected during my observations of the Budgeting Committee meetings between February and August 2018 how the meetings were cancelled three times due to a lack of consensus between the EBT and the legislators at the commission level (the legislative is divided into four commission as explained in the legislative player section), before it was progressed to the Budgeting Committee meeting. During the cancelled

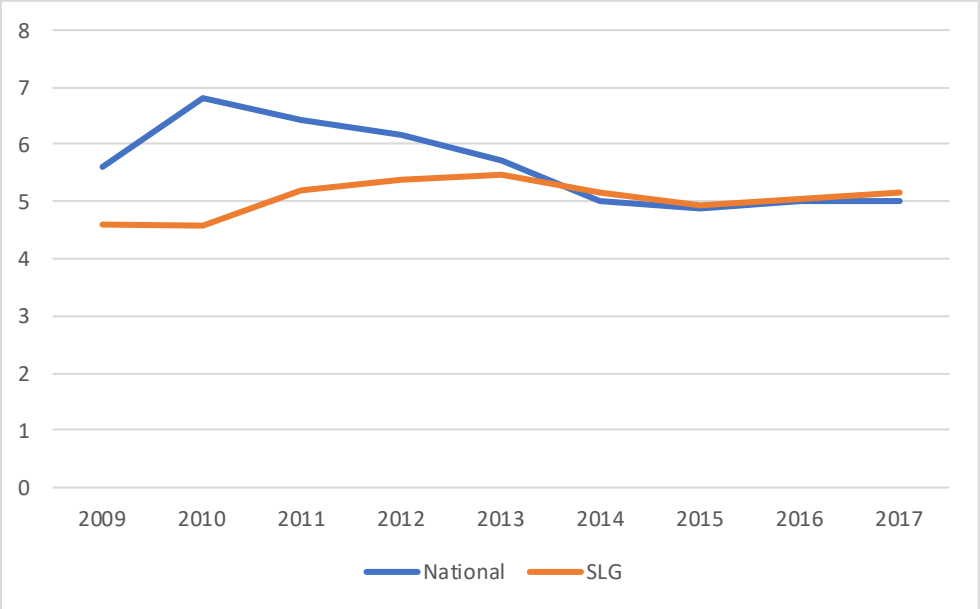
meeting I observed, the meeting usually began with a presentation by the EBT, on behalf of the Executive, about the proposed programmes and its budget. After the presentation were discussion sessions between the EBT and legislators in the Budgeting Committee, which consumed the majority of the meeting time.

The more detailed discussions occurred at the commission level, where the programmes were presented in detail and examined by the EBT representative and legislators in the related commission. The result of the Commission meeting would be brought forward to the Budgeting Committee meeting between the EBT and legislators who act as members of the Budgeting Committee for further discussion. To pass the legislation process, a consensus must be achieved between the EBT and the Budgeting Committee. The main narratives that emerged during this stage were poverty, inequality, and life expectancy issues, and the 'hot but classic' issues in the SLG region, which are discussed in the next sections.

7.4.1. Poverty, Inequality, and Life Expectancy Narrative (Attacking the Executive)

According to the local government analysis of economic growth report in 2017, during the 2009-2013 period economic growth in the SLG was below the national growth, although they exceeded the national growth average in 2014-2016. Furthermore, during the first semester of 2017, it continued to grow faster than the national average growth. Overall, the trend showed that national economic growth was declining during 2009-2016, whereas the SLG economic growth was increasing.

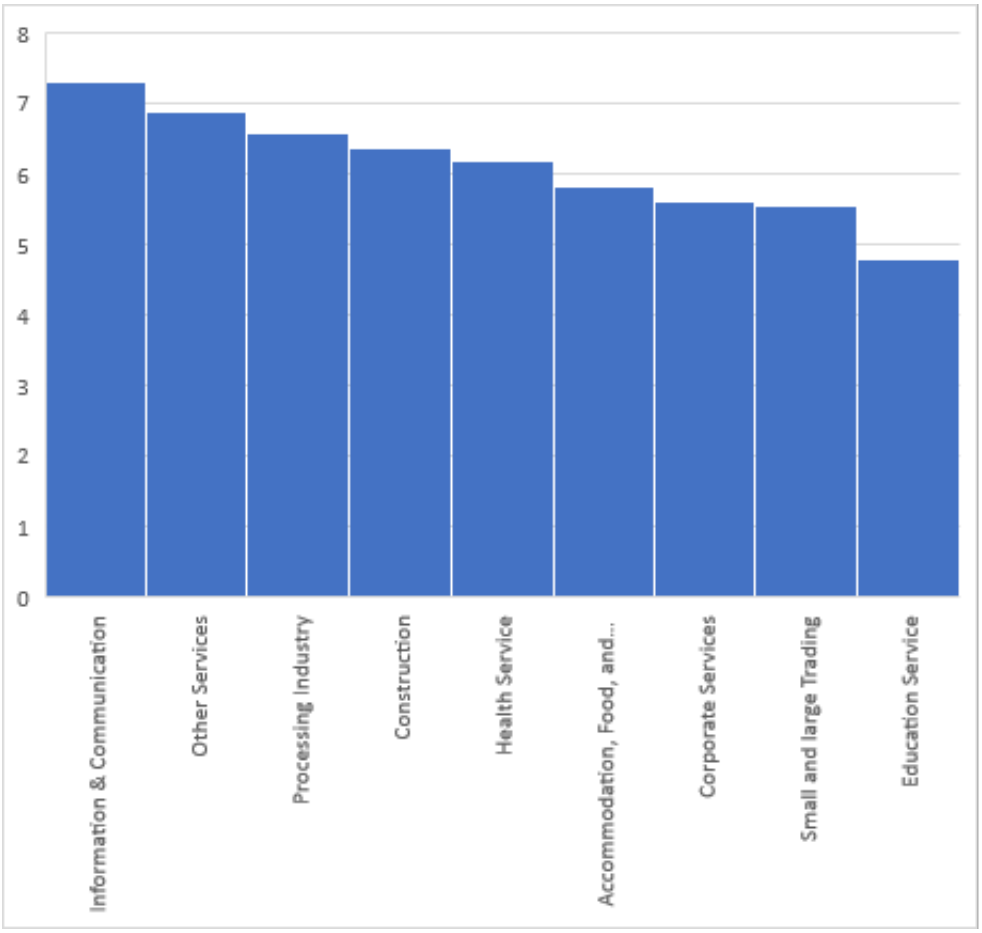
Figure 7.6. National and SLG Economic Growth



Source: Report of Economic Growth Analysis of SLG 2017

From a sectoral perspective, three sectors contributed the most to the economic growth during 2012-2016: the information and communication sector; the processing industry; and accommodation, food, and drink providers. Not only do these demonstrate the highest growth, but also contribute most to economic growth. The information and communication sector contributed 0.89 percent growth in 2016, followed by 0.65 percent and 0.52 percent growth in the processing industry and by food, accommodation and drink providers, respectively. In the first semester of 2017, the economic growth was mainly triggered by the information and communication sector which grew by 7.30 percent, followed by other services sector and food, accommodation and drink providers by 6.90 percent and 6.59 percent, respectively.

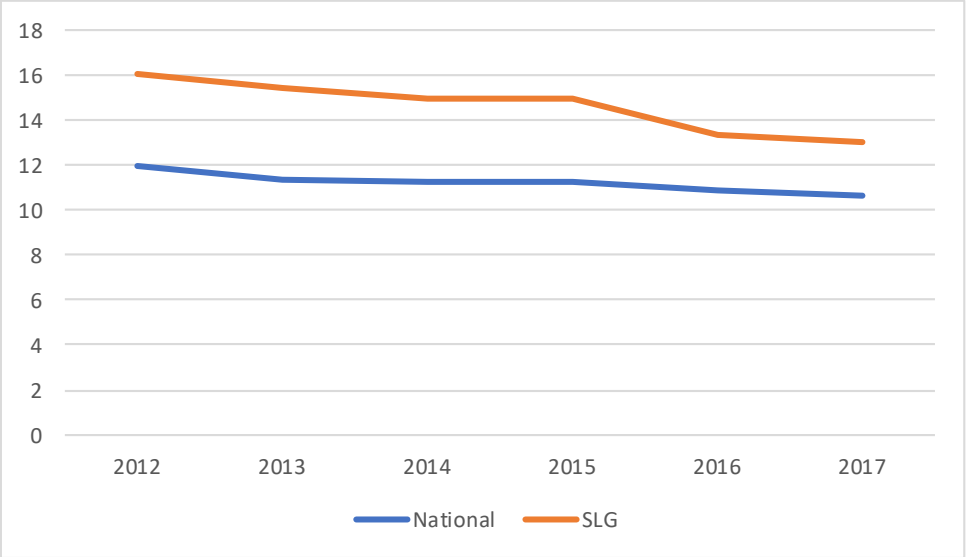
Figure 7.7. Sectoral Economic Growth Contribution



Source: Report of Economic Growth Analysis of SLG 2017

Good economic growth in the SLG is expected to render more public welfare as well as reducing poverty and inequality. However, poverty and inequality remain relatively high in the SLG. The poverty level in SLG was 15.88 percent in 2012, still above the national average, which ranked the SLG in the ninth for the highest poverty level in Indonesia. Over the next five years, it successfully decreased its poverty level to 13.02 percent in 2017, which placed them in 12th position for the highest poverty level. Nevertheless, this number is still above the national average.

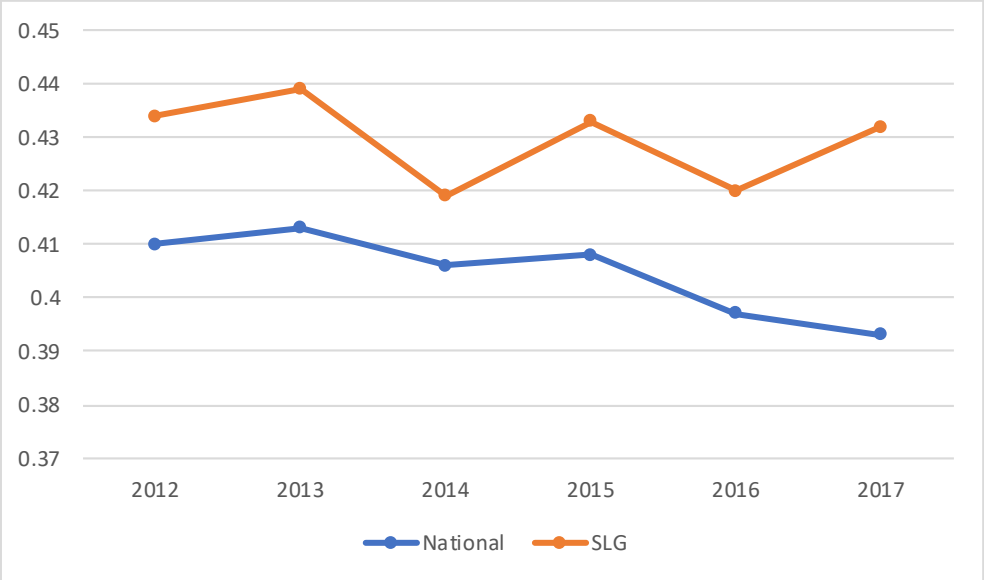
Figure 7.8. Poverty Level of Indonesia and SLG



Source: Report of Economic Growth Analysis of SLG Local Government 2017

Furthermore, high poverty levels lead the SLG to high inequality levels too. The inequality level, measured by the Gini coefficient, were 0.439 and 0.419 in 2013 and 2014, respectively, which are still above the national average. The lame level over the next three years was never below that in 2014. Compared to other provinces in Indonesia, the SLG ranked second as the lamest province in March 2016 and named as the lamest region in Indonesia in September 2016.

Figure 7.9. Inequality Level in Indonesia and SLG



Source: Report of Economic Growth Analysis of SLG 2017

These two 'hot but classic' issues became a powerful weapon for the legislator to attack the Executive and to pursue their vested interests in the budget, thus complicating budgeting discussions. Consensus between the Executive and Legislative was seldom achieved easily. Legislators were inclined to direct the proposed programmes to increase public welfare to overcome poverty and inequality in the region.

> *"…… So, we expect that the annual budget could run its function to create new jobs and increasing the earning of the people so that we could increase the public welfare, decrease the number of unemployment, decrease the inequality, and so on" (Mr 10, legislator)*

Hence, they often questioned the commitment of the Executive to eradicate poverty and inequality in the SLG region. On some occasions, they strongly recommended modifying several proposed programmes in the budget.

> *"Related to poverty, I scrutinised any programs related to it. I found that how come we have the highest inequality index in the state, the poverty level is above the national average, the fund allocation for poverty is very small, very, very, very small!" (Mr 16, legislator)*

Interestingly, there is no certain coalition among the local legislative of the SLG since the Governor is not directly elected by the people nor endorsed by any political party, although King Southern VI, as the current Governor, had previously joined the Party of the Functionalist Groups (Golkar) and the National Democrats (Nasdem). On some occasions, the largest political faction in the legislative, i.e. the PDIP, could have the same level of influence as Golkar. On the other occasions, they might have a different political position regarding the local government programmes. Thus, the 'coalition' relies on a certain situation and interest of each political faction.

However, most legislators always presented one voice related to poverty and inequality issues, which became their primary 'weapon'. They often demand an increased budget ceiling, especially for any programmes related to poverty and inequality, such as social endowment fund (direct cash incentive to the public), cheap-housing, health security, and job creation, etc. They also argued that the Executive should include the legislative thoughts (input) as stated on the Annual Plan document.

Interestingly, the Executive did not disagree with the concerns of the legislative on poverty and inequality issue. They acknowledged that these classic problems are recurring issues in the annual budget ritual and claimed that they had done their best to overcome poverty and equality, including considering the legislative's thoughts on the annual plan. It was even supported by the fact that the poverty level has decreased over the last five years. However, they are still notably above the national average, with an unstable inequality level.

7.4.2. Legislative's Reluctance on the Privileged Affairs

Although the legislative body is not involved in the privileged budget decision making, some legislators criticised the Executive's programmes of the privileged affairs. Their criticisms were mainly about their non-involvement in the budget process and the unfocused and

unsustainable programmes. According to regulations[39], the planning of the privileged budget does not involve the Legislative since the central government deems the privileged fund is substantially similar to special allocation fund from the central government, which does not require the involvement of the local legislative body, although the SLG's Legislative disagrees with this view.

However, the Legislative argued that it was difficult for them to execute their monitoring function when they have no involvement in the planning of the budget, despite involvement in the programme planning. They felt powerless, and their recommendations were not as strong as those of common annual budgets (non-privileged budget), as mentioned by a legislator.

> *"Hence, the monitoring function is on its planning (of the programmes). However, we are not in the position of legislating the privileged fund. The problem is when we monitor the execution, the recommendations were not necessarily be used (by the Executive)." (Mr 10, legislator)*

Consequently, they were reluctant to execute their monitoring function with regards to the implementation of privileged affairs.

> *"We are reluctant to undertake the monitoring (of the privileged fund). Just a moment ago, someone interviewed me related to the privileged fund. But, our position from legislative of SLG is there is a reluctance to execute the monitoring function. Because of what? Because we are never involved in the arrangement (of the privileged budget), and suddenly we are asked to examine the accountability mechanism and then some friends (other legislators) in the commission level 'put their hands up' because it is not our authority. Let the Executive be accountable to the central government directly." (Mr 11, legislator)*

Instead, some legislators had directly discussed this matter with the central government, but the central government did not show their willingness to change the existing regulations. On the other hand, the SLG's executives had previously convinced the central government to not involve the Legislative in the budget discussion of the privileged fund. The Executive did not want the privileged fund to become 'a new source of capital' for the legislators to pursue

[39] Law 13/2012 and the Ministry of Finance Regulation 173/2017

their vested interest. The central government preferred the Executive's view.

Furthermore, the programmes and activities of the privileged affairs since the SLG was granted the privileged fund were claimed to be unfocused with no direct impact on society. Especially related to the cultural affair, which always earned the highest allocation, legislators claimed there was no significant impact on the local people. The Legislators perceived the Executive as unable to appropriately grasp the idea of the cultural affair and translate it into appropriate programmes and activities. The Executive was seen to focus only on how to absorb the money as much as they could so that their performance looked good. Hence, they created many cultural events or activities as well as acquiring claimed-cultural heritage sites which would consume the money quickly. Interestingly, a senior executive official acknowledged this.

> *"The conclusion is up to these six years, the orientation (of the privileged budget) is how to absorb the money. It is not directed to outcome orientation, that is how to create something for the society as their identity. Absorbing money is identical to spending money on activities. The salient activities of cultural affairs are arts festivals which could be enjoyed in short-time only." (Mr 5)*

At this point, the Legislative deployed their classic and repeated 'weapon' to attack the Executive, namely through poverty and inequality issues. Most interviewed legislators raised these issues again, questioning the relevance of the Executive's programmes and activities within the privileged affairs. Their arguments now became stronger, not only backed up by the data from Statistics Indonesia, but also by the privileged law itself. They referred back to the main objective mandated by privileged law, i.e. the privileged affairs of the SLG must be intended for the sake of public welfare, according to Article 5 of the law.

The Legislative did not believe the Executive was actively, or seriously, trying to reduce poverty and inequality, or increase public welfare, reflected through unfocused programmes and activities. The Legislative claimed that the programmes were inconsistent with the budget, especially in the cultural affair, because they were not involved in budget discussions. They

discerned that there is no apparent rationalisation between the programmes with poverty or inequality issues, as highlighted by one legislator.

> *"Sometimes, I think that the existence of privileged fund will bring trillion of money inflows, but it does not seem to reduce poverty. The fund should be able to reduce poverty, help the people, but it is used more for cultural, and then to buy lands." (Mr 13, legislator)*

One retired senior official even acknowledged weaknesses of the Executive's programmes and that the Executive's lack of seriousness was reflected in the programmes.

> *"Substantially, the planning of the privileged fund is not maximum. For me, it is not maximum. Less maximum, no synchronisation. As long as there is a proposal, entered into the budget, type it until it finds the numbers, and then propose it to the central government. The execution would be 'oh, I (a government agency) have this event this month, you (other agencies) don't do it this month', but it is not the substance. However, the Cultural Agency is not able to execute these programmes (cultural events), and then all other agencies try to earn the privileged fund. For example, how could it be Health Agency ran mosquitos eradication programme, but the content of the programme was a puppet show, hahaha (laughing)." (Mr 14, retired senior official)*

Hence, the Legislative's concerns for the privileged affairs and its budget were reasonable. The Figure 7.8. which shows the poverty level in the SLG also reflects a steady and slow decreasing poverty level, even before the privilege fund was granted. In other words, the privileged fund could not accelerate the speed of reducing poverty and inequality level in the region. Also, the Legislative questioned the sustainability of the existing programmes of privileged affairs.

> *"The concept of the privileged fund should be sustainable. It should not be like give (the fund) once and then finished. It should have a clear measurement of its benefits." (Mr 11, legislator)*

Instead, it was claimed that cultural values were drifting due to the existence of the privileged fund. Most cultural events or ceremonies were previously held voluntarily by the local people. They spent their own money to fund these ceremonies and events which reflected their collectivism, one salient trait of Kindness culture. Nevertheless, since the existence of the privileged fund, the people have been inclined to wait for allocated privileged funds before organising cultural events. The public is entitled to earn privileged fund allocation in the

privileged affairs providing they have an art group acknowledged by the Cultural Agency and their proposed activities are approved by the Cultural Agency. The people were alleged as no longer unconditionally sincere. The Legislative argued that it was a shame that the good culture of the local people was drifting because of the privileged fund.

> *"We are drifted. We used to develop culturally-rooted people, but communities (art or cultural) nowadays are about money. 'Oh, there is money (privileged fund), let's make a (cultural or art) group.' It means art has become more capitalist. For example, there is an Islamic ceremony in a district called* Rosulan. *It is a day to celebrate the born of Mohammed Prophet. However, the (privileged) fund was not transferred on that month so that it was moved to another month. It was really strange." (Mr 23, legislator)*

However, the legislative seemed to not criticise or interfere with the 'closed arena', the arena which is related to the personal of the Governor or royal families (Azizah and Al Akbar, 2018). It may deteriorate their political career in the region. According to Uddin and Choudhury(2008), it is important to express loyalty to Master in traditional settings in order to enhance career, rather than applying professional judgements, skills and expertise.

7.4.3. Legislative's Vested Interest

Furthermore, although poverty and inequality issues had become a continuous weapon for the Legislative, the Executive realised that this is a political game played by the legislative in order to pursue their vested interest. Attacking the Executive was believed as an efficient means for suppressing the consideration of the Executive in making the budget allocation. The Executive saw some strategic but not uncommon interests of the Legislative. First, they argued that it was so obvious that the legislative was pursuing the interest of their constituent in their electoral regions. Previous studies find that it is not uncommon to see the legislative's manoeuvres are more driven by their electoral interest, i.e. attempting to accommodate the interest of their constituents (Anessi-Pessina *et al.*, 2012; Célérier and Cuenca Botey, 2015; Kuruppu *et al.*, 2016). The Executive claimed that the legislators wished to earn higher fund allocations from

any programmes for their elected regions. By doing so, the Legislative believed that it might strengthen their political field in the government as well as in their electoral area.

> *"The Legislative is surely accommodating their constituents. 'This is my constituent, are they included (on the programme)? Are these districts (electoral regions) included (on the allocation)?' they said" (Mr 17, senior official)*

Instead, this interest was not denied by the legislators. They argued that it was their primary job to have a say in the interest of their electoral districts.

> *"… maybe Legislative has many interests, don't they? They want to fight for their constituents, whether this (the budget) is consistent with the medium-term plan. The difficulty is when the Executive is unable to respond. However, for the legislators, it must be responded whatever it takes." (Mr 11, legislator)*

Furthermore, to overcome these debates, the Legislative inclined to focus more on their 'favourite' programme on the budget as one of the 'key' solutions for poverty and inequality, i.e. the social endowment fund. The Legislative often insisted that they demand a greater allocation for this programme during the budget meeting. A social endowment fund can take the form of cash, goods, or services to the poor individual, family, or social group. Legislators argued that social aid, especially in the form of cash or goods, could directly and easily reach the poor. The money could also be used easily for the consumption of the poor people, although its main objective is to distribute the aid to their constituents.

The aid would be further distributed specifically to their electoral districts and even to a specific address or name. The bureaucracy process of this programme is also less rigid than any other programmes which require more intensive bureaucracy procedures since this programme is categorised as an endowment. It often involves fake invoices or other evidence related to the use of the fund. Consequently, it increases the attractiveness of the social aid programme for the legislative.

The legislators did not lobby the Executive Budgeting team (EBT) as the representative of the Executive during the budget meeting, but instead contacted the related agencies that they could use to 'consign' their interest. Instead, the Legislative invited these agencies to discuss

their programmes related to the social endowment fund in Sunday (not working day), especially during the political year. Hence, the manoeuvres of the Legislative in the budgeting process are driven more by political interest. Both interviewees from the Executive and Legislative sides agreed on this.

> *"Our political system leads the legislators to not focus on their main job. Because of high political interest, the battle (between the executive and legislative) is more about social aid, endowment, etc. The executive is actually clever. They can 'hide' the substance (of the budget). Legislators are pushed to deal with social aid, endowment, etc. so that the other activities (of substantial programs) are ignored. All the political process is like this, especially toward general election" (Mr 23, legislator)*

> *"The main themes raised during the budget meeting are about poverty and inequality, which in turn produced social endowment fund component, for example, in the form of electricity aid." (Mr 1, senior official)*

However, the social endowment fund faced many problems in its implementation. First, the source of data that was used to determine the recipient of the aid. The local government claimed that they used the combined data from Statistics Indonesia and RPA (the Regional Planning Agency). Many individuals or families who were entitled to the aid could not earn the social endowment fund due to the manipulation of data. The data is usually supplied by the lowest level of government, i.e. administrative village level. Some Heads of Administrative Village were inclined to manipulate the data by including their family or relatives as recipients of the aid instead of including those who were rightly and more obviously entitled to the aid. The recipients were also usually the constituents of a certain legislator from that electoral area.

> *"I can conclude that they (the Legislative) tend to intervene with any activities related to social aid endowment, other than that they don't care! Because other than that is not directly related to them…*
> *They only care about pampering the citizen. Don't be surprised if one day you check the social aid endowment is intended for specific address and name. It goes to almost 90 percent of their constituent. It is already 'ordered'. But, it is fine if it is an order as long as the people are happy" (Mr 5, senior official)*

Second, it was suspected that the fund was not necessarily distributed to the constituent, but used for personal interest, such as for funding their campaign in the general election. Due to its minimal rigidity in bureaucracy, the EBT thought that the social aid endowment was a

potential cause of corruption. The Indonesia Corruption Eradication Commission (KPK) often warns local government officials of the potential corruption of the endowment and social aid funds. Many local government leaders, officials, and legislatives in Indonesia have been found guilty of corruption related to the endowment and social aid fund. Nevertheless, this phenomenon did not prevent the Legislative to 'fight for' the endowment and social aid fund. Over the years, they have always vocalised interests to increase endowment and social aid funding through deploying poverty and inequality issues, thus covering their vested interest. Unsurprisingly, the EBT suspected there might be something wrong with the allocation of this fund.

> *"The final stage of annual budget setting always ends up with a special meeting between EBT and Budgeting Committee where they (the Legislative) ask for 'allocation' of endowment and social aid fund for their constituents, they said. I did not know in what form it was before I retired in 2015. I smelled something 'fishy' there. Each legislator demanded 1.5 billion rupiahs. The total number of legislators are 55. Previously, they usually asked 500 (million rupiahs) per legislator, but why did it increase to 1.5 billion? I then reported this to the prosecutor. But no responses from them" (Mr 14, retired senior official)*

Fortunately, no legislators have been found guilty in a corruption case in the SLG to date. Zero corruption case found in the SLG region. Moreover, another vested interest of the Legislative is related to incentives or facilities as a legislator. Each year the legislators demand an increase in their allowance, especially in the form of cash incentives and facilities.

> *"Something that makes the (budget) discussion complicated is also related to the right of the legislators. Because Legislative views that the annual budget has reached a certain amount, according to the law, we demand more allowance such as transportation allowance, housing allowance. This leads the discussion to be complicated" (Mr 13, legislator)*

7.5. Expressing Loyalty to Governor

Weber (1964) explains that traditional domination is exercised by a Master and, unlike legal authority, is based on personal loyalty and the obedience of subjects to their Master. Similarly, in the context of the SLG, bureaucrats express their loyalty to the Governor predominantly by

defending and realising the programmes and activities in the budget that were derived from the Governor's visions, missions, and instructions. The Governor's instructions are non-negotiable and bureaucrats are expected to implement them without any resistance (Azizah and Al Akbar, 2018). Many of the Executive's manoeuvres reflect this loyalty and obedience to their Governor or Master, such as those outlined in the following discussions.

7.5.1. Justifying the Poverty and Inequality Issues

One of the salient attempts of the Executive to show their loyalty was when they were attempting to justify the poverty and inequality issues as expressed by legislators. The Executive had several views on these issues. First, they tended to blame the indicator used by the Indonesian government to measure the poverty level, citing it as inappropriate to apply in the SLG region. They claimed that the local people have a different culture and way of life from those of other regions in Indonesia. The public is claimed to have lower household consumption levels, whereas the poverty level is measured dominantly by consumption level. The local people are also seen to embrace what is called as *'nerimo'* (unconditional taken for granted condition without blaming others) culture so that their interest in this life is more for spiritual needs instead of material ones so that they do not really care about pursuing a material interest. Hence, it is not surprising to see a high poverty level in the SLG.

The Executive also argued that the SLG obtained a high human development index, the highest happiness index, and the highest life expectancy index. These indices are issued annually by a national statistics body called Statistics Indonesia (BPS). According to Statistics Indonesia, the Human development index (HDI) is an index which explains how the public can access development figures and results to obtain revenue, health, and education, etc. HDI was introduced by UNDP (United Nations Development Programme) in 1990 and is published annually through the *Human Development Report* (HDR). The three main criteria of HDI are

a long and healthy life, being knowledgeable, and having a decent standard of living. The SLG have ranked 2nd for the last eight years, below the capital city of Indonesia, Jakarta, as the highest HDI-region.

Second, the happiness index presents the level of happiness of the people of Indonesia, which is measured through three main dimensions, namely: dimensions of life satisfaction, dimensions of feelings, and dimensions of the meaning of life of the Indonesian population. This index was also proposed by the United Nations as a part of its sustainable development goals. SLG placed 8th out of 34 provinces as the region with most happiness in 2017, earning a score of 72.93, which was above the Indonesian average (70,69). Furthermore, the life expectancy index measures one's average lifetime in a certain period. According to Statistics Indonesia, the life expectancy index is intended to assess the performance of the government in improving the public welfare and healthy level. The SLG region has ranked 1st with the highest life-expectancy index region for the last eight years, with an average life expectancy of 74.74 years in 2017. One retired senior official argued:

> *"The poverty indicator used by Statistics Indonesia is not appropriate to apply in SLG. What is the evidence? The evidence is the human development index is ranked second after Jakarta. It depicts that SLG is developed. Then, the life-expectancy index is the highest in Indonesia. The happiness index is also the highest in Indonesia. But, does it mean that the people of SLG are happy to be poor? Really? Of course not. Hence, there is something wrong, and evidently, most of that (poverty) indicators are not fit to implement in the SLG. How could it be? Poor but happy is not comparable. The poverty indicator is a physical indicator, whereas happy is a matter of spiritual. Physical and spiritual are not apple-to-apple, isn't it?" (Mr 25, retired senior official)*

These indicators therefore become a legitimate argument for the Executive in defending their view that the poverty level measurement method may be inappropriate. Every time the legislative questioned the ability of the Executive to reduce poverty and gap levels, the Executive often eschewed from them by showing these indicators. Hence, this avoidance strategy had become a common debate between the Executive and Legislative, whereby the Executive demands a new poverty measurement with specific criteria appropriate in SLG

context. Nevertheless, legislators thought that this was simply a classic strategy of the Executive to avoid their responsibilities in improving public welfare.

> *So, what is the measurement tool of the Executive? Let's say that they have their own research, what is the poverty level they produced from their research? The fact that our poverty level is 13.02 percent. It means that we need to focus on the main problem so that the discussion should not focus on the methodology, but how to overcome this problem" (Mr 10, legislator)*

One of the NGO's based in SLG seemed to agree with the legislator:

> *The things that make me scold to the local government is they always show the indicators, i.e. high happiness index, high welfare index, high life-expectancy index. Then, so what? I always say, 'although we are poor, we are still happy?', it is wrong! So, although the people of SLG are poor and they can survive, does it mean the people of SLG do not care about poverty? We can't do this way! If we want to deal with poverty, there should be a serious concept." (Mrs 20, senior NGO member)*

Furthermore, these debates did not mean that the Executive considered poverty and inequality issues as unimportant. They had implemented many programmes, such as the social endowment fund, cheap housing, free health services in certain areas, capital access to small and medium enterprises, skills training for a group of people to establish a business, housing renovation for poor people, etc. These programmes seemed to lower the poverty level over the years, but the decreasing level is not significant. It was suspected that the poverty level in the SLG showed a decreasing trend due to the same trend at the national level, instead of local government efforts.

The Executive has also their own view on the Legislative's allegations on the execution of privileged affairs in the SLG as expressed in the previous section. Unsurprisingly, the Executive claimed that their programmes and activities also contributed to poverty and inequality eradication in the region. Their programmes, especially within cultural affairs, were claimed to trigger economic activities in the SLG. Many local groups of artists were granted a privileged fund to perform local cultural events and ceremonies. An art group could earn the privileged fund if they were officially registered with the Cultural Agency. The groups need to fulfil certain criteria set by the Cultural Agency in order to be officially recognised but could

then submit their proposed cultural and art events, and the agency would then decide which programmes to fund.

The direct impact is mainly on those groups of artists who are directly involved in cultural programmes such as cultural events and ceremonies. The local artists and other participants are paid to perform their local arts or dance at cultural events. The events also attract more people to attend the ceremonies which drives economic activities in the area in which the events take place. Some villages are also granted the privileged fund since some specific districts have their own cultural and traditional events as expressed by a legislator in the previous section, which further drives economic activities at a grassroots level. One senior official noted the impact of the privileged fund.

> *"Hence, how the cultural affair could impact public welfare. Of course, we can see many things, from the perspective of the artists, there were not many orders or cultural performances (before the existence of privileged fund). Now, there is a payment for them. In a cultural show, some artists would earn payments. They would rent a sound system, lighting, chairs, hoods, which from an economic perspective, it drives the economic engine. From the audiences' perspective, it's not about financial but more about happiness since happiness becomes one of the indicators of prosperity. If there were audiences, there would be meatball sellers (street vendor). It is an incredible economic engine. Hence, it (the impact) is not direct, but it would be an economic engine." (Mr 6, senior official)*

Nevertheless, the fund might not be well-distributed due to a narrow focus on cultural events or ceremonies. The primary recipients of the fund would be artists performing at the events. Thus, this seemed to extend the Legislative's concerns on the impact of the privileged fund to public welfare.

> *"The local dancers, who were used to gain nothing, now they earn money (from the fund). Now, even if they want to practice, they may earn transport cost. For their make-up, they will be given uniforms. However, it is limited to only those communities, not to the people in general." (Mr 14, retired senior official)*

Furthermore, the Executive argued that other programmes in cultural affairs had contributed to improving public welfare through the empowerment of local people. Other dominant programmes in cultural affairs are about acquiring and maintaining sites or buildings

which are deemed as cultural heritage and developing existing or new tourism objects. The Cultural Agency has a special team, which mainly consists of archaeologists, who are responsible for determining the feasibility of a site as a cultural heritage. The existing cultural heritages owned are maintained by the local government through the privileged fund. If they are not possessed by the government, the cultural agency would then acquire the sites or buildings from the existing owner, after passing the criteria as a cultural heritage by the special team.

These sites or buildings are then claimed to be handed over to the local people for its management. The sites could be new tourism objects which might attract more people to visit, and so it could become a new source of income for local residents. In other words, the local people were empowered by the local government by allowing them to manage the cultural heritage. The local government also developed some other new tourism objects. They were mainly natural tourism objects that previously existed but received significant improvement and maintenance from the Cultural or Tourism Agency. Again, the local government claimed that local residents managed the tourism objects. Empowering local people to manage a tourism site might also increase local economic activities which in turn could generate new sources of income.

> *"How could the state's asset be managed by the people? That's SLG. Hence, it is empowerment. We are not involved (in managing the sites). We might involve only in providing infrastructure such as road. There are roads, parking area that we built. Thus, one of the reasons for Obama (the former US president) to come was about how could state's asset be managed by the people." (Mr 2, senior official)*

However, it raised the question about the readiness of local people to manage the tourism object. As mentioned by several executive officials, some tourism objects were newly developed or maintained so that the people living around the objects might not get used to the existence of the tourism objects without the proper intervention of the local government. One senior NGO member argued this.

> *"It is a good attempt (local government programs), but it has not impacted yet. In other words, the existence of privileged fund is used for tourism development program, but, are the local people prepared well for this? Empowerment of the people needs to be done. Maybe they were not prepared (by the government), only infrastructure (are prepared) but the people are not. I think people need to be prepared well. For example, a* ketoprak *(traditional humour show) event is budgeted for 1 billion. It is not effective. They only care about fund absorption." (Mrs 20, NGO member)*

On the other hand, the Executive acknowledged their limitation in proving the short-term impact of the privileged budget. The output of the programmes, especially those which focused more on physical substance, could be more easily measured quantitatively. However, the outcome of programmes was more difficult to measure, despite a qualitative assessment. They also argued that the impact of the privileged programmes could be better seen in the long run.

> *"We still measure the outcomes qualitatively. We actually wished to have a quantitative one. However, we can see that the development of the cultural village can improve the economic condition in the village. I ask the quantification of this measurement but still in progress. I want that quantification even with cooperation with UGM (Gadjah Mada University) if necessary. Thus, what are the changes before and after the privileged fund is distributed to villages." (Mr 4, senior official)*

Nevertheless, it seems naïve to say that it is difficult to measure the impact of the privileged fund on the local people. The local government could easily use general indicators, such as poverty and inequality levels and the happiness index, as reasoned by the Legislative, to see the impact of the privileged fund.

7.5.2. Preventing Legislative's Involvement in the Privileged Budget

Furthermore, the Executive alleged that criticism from the Legislative was good, but was more motivated by their non-involvement in the privileged budget process. The Executive acknowledged that they did not wish to involve the Legislative in the privileged budget process since it might become 'a new source of capital' for them to pursue their vested interest. The privileged fund is a potential source of funding for both the Executive and Legislative since its mechanism is a more flexible and less bureaucratic process compared to the common annual

budget during its implementation.

The Executive lobbied the central government in Jakarta with their concerns for legislators' involvement in the privileged fund, so the SLG's Executive expected the central government to issue a regulation to prevent the involvement of the legislative body. This strategic manoeuvre was directed and approved by the Governor. The lobby seemed successful. The central government assumed the privileged fund as an executive domain so that the regulation from the Ministry of Finance stated that the privileged fund was proposed by the Governor of the SLG. The Executive of the SLG then interpreted this as not involving the Legislative body during the budgeting process. One interviewee asserted this.

> *"We literally conveyed that (legislative's interest) to the central government. 'Sir, if the common annual budget is treated like this (enforcing legislative's interest), the privileged fund is the central government's fund whereby the control is more 'loosely' than that of the common annual budget, are you willing, Mr Purwanto, Director General of Treasury, the central government's fund to be 'hijacked' by them?' He replied 'Oh no, hence, I don't want to involve the Legislative. If the Legislative wished to give input, that was fine. But if they wished to involve in the planning (of privileged budget), I did not want to.' Thus, the* Permenkeu *(Ministry of Finance Regulation) is then issued like that (not involving the legislative)." (Mr 14, retired senior official)*

Thus, planning and discussion of the privileged budget remains between the SLG's Executive and the related ministries, instead of between the Legislative and the SLG. The Executive had won the 'battle' again, showing their shrewdness in deploying strategies on the budget process. The privileged fund has become the absolute domain of the Executive. Again, the Governor showed an 'unseen' strategy whereby he does not deal with day-to-day discussions but is more strategically involved in decision making, such as allowing and supporting his subordinate to lobby the central government. It is less likely that the Head of Government is not involved in strategic decision making, especially with regards to budget decision making.

On the other hand, the Legislative were inclined to see the Executive's manoeuvres as those of the Governor's subordinates. Consequently, some legislators had tried to approach the

Governor to discuss their involvement in the privileged budget discussions. They conveyed the necessity and importance of the Legislative's participation, especially their check and balance role. Unsurprisingly, the Governor always replied to them normatively, such as noting he would further discuss this with the central government or refer the Legislative to the existing regulations. The Legislative would then approach the Ministry of Internal Affairs as to the possibility of their involvement in the privileged budget. Unfortunately, the central government kept referring them to the existing regulations that determine that they are not involved in the privileged budget process.

7.5.3. Responding Legislative in the 'Open Arena'

Another example of loyalty of bureaucrats to the Governor was when they were dealing with the legislative in the common annual budget, especially related to poverty and inequality issues which was always repeated and redeployed in the budget discussion. The EBT claimed that they were not afraid of the strategy deployed by the Legislative at all, especially as they are fully supported by the Governor. They believed they would not fall submissive to the legislators. The Governor clearly instructed them if there were any demands that did not conform to the local government planning or important programmes and regulations, to reject that demand. The Governor also added that any actions of the Executive had to comply with laws and regulations, to minimise opportunity for breaking the law. This relates to structural conditions in the region that will be further discussed in later sections. Hence, the EBT was clever enough to overcome the interest of the Legislative.

The EBT deployed some strategies to effectively mitigate the Legislator's manoeuvres. The first strategy employed was to threaten the Legislative with risk of budget deadlock. If there was no consensus between the Executive and Legislative on the budget by the regulation deadline, the local government would use the previous year's budget, enacted through

Governor regulation. According to the regulation[40], local government annual budgets must be enacted no later than 30th November.

Also, no consensus also means no salary or incentives for the Head of Government and legislators. While the Legislative kept delaying the approval of the budget draft, the Executive usually 'threatened' them by conveying the consequences of the budget deadlock, especially related to the rights of the legislators. The Governor fully supported this narrative.

> *"We have a 'weapon', if within one month before the end of the fiscal year (the consensus could not be achieved), the general allocation fund from the central government would be cut, that is the weapon to scare them (the Legislative). Unlike in Jambi[41], there is no 'approval money' here. If you (legislators) did not approve, no incentive for you (legislators). That is our way. No consensus means no salary, general allocation cut. We (executive officials) would still earn a salary by using previous year budget. Only Governor and the legislators would not earn their salary for six months. Governor fully support this!" (Mr 14, retired official)*

This strategy is complemented by the shrewdness and rigour of the EBT in dealing with the Legislative. Delaying the approval of the budget was not uncommon in the dynamics of the budgeting process in the SLG. Instead, this was discovered as another advantage for the Executive. More delays result in less time for budget discussion. For the Executive, the less time for budget discussion, the more likely the budget might be approved because, during the delay period, the legislators would be busy with their other activities and so their focus on the budget would drift, until they realised that the budget needed to be soon approved.

> *"The Executive is more patient. They let them (legislative) be (delays). They threaten the Legislative, 'if you do not approve, we will use previous year budget'. The Legislative is also not focused. Executive let them do visits (to their constituents), and then they disappear. No more time for discussion. After they have done the visits, they are tired. The time is up. Finally, (the budget draft) approved, the legislators are no longer fierce, hehe." (Mr 23, senior official)*

The inherent weakness of the Legislative in documenting their budget documentation and discussions also became advantageous for the Executive. As the budget discussion would

[40] Government Regulation 58/2005 article 45

[41] Governor of Jambi Province was detained due corruption case in which he bribed some Jambi's legislators in order to approve the local government annual budget.

likely take more than one meeting, the Legislative could not always focus or recall what they said in the previous meetings, thus discussions consumed less time to avoid budget deadlock. Subsequently, there have been no deadlocks occurred between the Executive and Legislative in the SLG to date.

> *"So far, due to time constraint, the Legislative does not have enough time for examining the budget draft compared to that of the Executive so that critics, inputs, etc., could not be included on the proposed programmes. If the question is about deadlock, Alhamdulillah, we never experienced that. It means that during my second period as a Legislative, we never use governor regulation (if a budget deadlock occurs). We always achieve a consensus at the end" (Mr 10, legislator)*

The Executive also pursued calm strategies to deal with the Legislative, i.e. strategies of compromise. The EBT acknowledged that they must always carefully consider any criticism, input and demands of the Legislative before taking any further responses or actions. Each time legislators requested amendments or revisions, the EBT always explained the available money during that year so that the legislators would be aware of the impact it might cause if there was a change on the budget. The EBT also offered a win-win solution by accommodating the vested interests of the Legislative, as explained in the previous sections. They did this because they knew that the sacrifice it needed to fulfil the legislative's demand would not significantly impact their overall programmes during the year. Also, both the Executive and Legislative acknowledged that the proposed programmes in the budget must be consistent with the local government's medium-term plans, and so any budget revisions were not about changing the programmes.

In this sense, what the EBT did was change the volume or locus of activities of certain programmes so that the Legislative's demand could be accommodated in the budget. They did not break any regulations since the programmes in the annual budget remained consistent with the medium-term planning, but only increasing or decreasing the volume of the activities or moving the locus of the programmes to another location. For example, programme A contains ten activities, however, these activities could still be increased or decreased, depending on the

availability of the fund. Related to change in locus, as previously explained, legislators requested that the programmes of the local government be implemented in their electoral districts. Hence, the Executive might accommodate this by moving the locus of the programme to another specific area, providing it would not violate any regulations and assumptions used by the Executive when setting the budget draft.

Both of these approaches, i.e. change in volume and/or locus, do not break any regulations in local government budget setting, as long as the programmes remain consistent with medium-term planning. The EBT also claimed this approach minimised complicated budget discussions without significantly interfering with their main programmes, and also reduced the opportunity of corruption. Ultimately, the budget deadlock could be avoided so that the budget draft smoothly passed the legislation process.

> *"It is difficult to amend the programmes on the budget draft because it has become a consensus between Executive and Legislative in the local government plans and budget general policy and ceiling. Not only the Legislative but also we (Executive) are afraid to change (the programmes) …. However, we can change the volume. For example, the volume of the livestock training program is only 50 groups. Based on the Legislative's input, legislators claim that it should be more than that. Thus, we can increase the volume of the training to 70 groups. It does not change the programme." (Mr 2, senior official)*

Equally, the legislators still had scope to interfere with the Executive's budget decision making. For example, the Executive agreed to increase the volume of activities in the form of a social endowment fund, a favourite item of the legislators, as discussed in the previous sections. More endowment funds might imply more money 'allocated' to their constituent. Some other local governments proposed allocations were also changed or rejected, as expressed by a legislator.

> *"We not only returned but also amend the proposed budget. For example, in 2015, Legislative cancelled a budget allocation for erecting an auditorium amounting 15 billion rupiahs. In 2016, sorry... that was for the 2016 budget. And in 2017, we amended a budget again in General Bureau to erect a building valued 3.9 billion rupiahs." (Mr 10, legislator).*

However, in pursuing this strategy, the executive always kept in mind the Governor's

instruction. He allowed his subordinate to compromise with the Legislative conditionally, i.e. it is normatively possible and did not violate any laws and regulations. It also reflected that King Southern VI, as the Governor, was open for criticism since he allowed the Legislative to render input on the proposed budget. Nevertheless, the issues or inputs discussed were rarely about something related to King Southern or his kingdom. Any issues, such as public services, health, or poverty, are open for criticism, although direct criticism to King Southern is avoided if possible (Azizah and Al Akbar, 2018). Some other issues, especially those related to the royal family, are closed for the public, such as possession of land by the kingdoms (ibid.), whereby its identification and registration are funded by local government budgets. It could also be seen from the legislative's manoeuvres on criticising the budgeting process of the local government but they were reluctance to 'interfere' with the matters related to Governor or royal families as discussed in section 7.4.2.

Furthermore, if the above strategies could not satisfy the Legislative, the ultimate means of the Executive to prevent budget deadlock is a mechanism called 'a half room', which may involve, but not often, the Governor. This is a meeting which usually involves the leaders of EBT, i.e. the Regional Secretary as the Head of EBT, RPA and RRA; the heads of the political party factions; and a Budgeting Committee representative. This meeting usually occurs near the deadline of the enactment of the annual budget. All matters that could not be resolved during the Budgeting Committee meeting are brought forward to this special meeting.

> *"There is a mechanism called 'half-room'. Governor meets (the Legislative) informally, but not because there is a problem. It means the Governor sometimes invites the Legislators for something informally. Mr Governor also undertakes political communication. If the Governor does not do this, we (EBT) will do this." (Mr 3, senior official)*

During the meeting, each leader of a political faction conveys their concerns on the budget draft, representing the voice of each political party. The Regional Secretary is usually successful in leading the EBT in this meeting and reaching a consensus with the representation

of political factions. The leaders of the political factions then convey the result of the 'half-room' meeting to their legislators that must be complied with as the overall political party's voice. This decision is then brought forward to the Budgeting Committee meeting in order to pass the legislation process. In other words, a consensus between the Executive and Legislative has been achieved, and the budget draft can be enacted as the annual budget.

The Executive felt that 'half-room' meetings were an efficient means to pass the legislative process as they could reduce long-retiring discussions with each legislator and they only needed to deal with fewer, albeit more influential, individuals from each political faction. No more debates occurred after this 'half-room' meeting, and the budget could therefore easily pass the legislation process. Mooney (2013) argues that the leaders of political factions are highly influential in the legislative outcomes and process, including in budget decision making. Thus, the shrewdness of and strategies deployed by the Executive enabled them to effectively redeem the legislators, which in turn allowed them to control the budgeting process. It demonstrates the personal loyalty and obedience of the subjects (bureaucrats) to their 'Master' by protecting their Master's interests. It may also depict the importance of subjects to 'please' their master in order to enhance the master-servant relationship in traditional settings (Uddin *et al.*, 2018).

7.6. Protecting Legitimacy of Traditional Domination and the Role of Budgeting

Chapter 6 has depicted strong legitimacy of the SLG and both Kingdoms to rule the local government. However, to prevent intervention by the central government in local political affairs, the local government has to keep its bureaucracy, including its budgeting practices, normatively appropriate (Azizah and Al Akbar, 2018).

Thus, the manoeuvre of the local government to undertake a 'normative' function of

the local government is closely related to the design of the SLG by the Kings Southern V in which the monarchy became part of the Indonesian government to ensure its survival within a democratic environment. In other words, Azizah and Al Akbar (2018) argue that local government has to 'pay the price' as a result of its hybridity. It was intended to ensure that bureaucracy 'keeps its books tidy' to please those in Jakarta so that it prevents the intervention of the central government in the region. These administrative manoeuvres must be complied by the bureaucracy (Ibid.).

As a part of Indonesia, the Southern Kingdom is a traditional institution and expected to comply with the central government regulations and must maintain a good relationship with the state so that they might keep their legitimacy as a local government. From the above discussion, it has been shown that the SLG has attempted to run its normative function as a local government by achieving and following criteria from the central government. Previous sections discussed the top concern of King Southern VI that all local government affairs must comply with regulations. The SLG wished to prevent 'intervention' and avoid being targeted by the Indonesian government should they had done something wrong in local government affairs, as stated by an informant in Azizah and Al Akbar (2018):

> *"…the important thing is that things are done, not blocked by the Corruption Eradication Committee, not blocked, that's… it".*

In a similar vein, a historian also argued that the SLG tried to limit the intervention of the central government on their affairs so that they 'keep its book tidy'.

> *"Privileged status is actually how the local government is led without significant intervention from Jakarta, that's the logic. Why they insisted on not having the governor's election is because the family from the palace wished to 'close' intervention from Jakarta, in my opinion." (Mr 26, historian)*

Consequently, the bureaucracy of the local government aimed to comply with all instructions and regulations set by the central government and follow their many and complex evaluation procedures (Azizah and Al Akbar, 2018). Unsurprisingly, the administration of the

SLG was recognized as among the best compared to other provinces, and even being ranked first in various assessments of effectiveness (ibid.).

It was also a major role of the Governor's subordinates to realise the 'good image' of the local government. King Southern VI allowed his officials to take a role in creating programmes and activities so long as it might improve how the public and central government perceived the SLG (Azizah and Al Akbar, 2018). He granted considerable space for the bureaucracy to create to the best of its abilities in the hope it might enhance the public and central government's perception of the SLG. The various online local government platforms, such as the online planning system, online budget implementation monitoring system *(monev APBD),* were efforts to provide an accountability mechanism of the local government. It is expected in traditional settings, whereby it is essential for subjects to please their master by, for example, enhancing public perceptions of organisations on wider stakeholders (Uddin *et al.*, 2018). However, there was one rule of thumb on this as implicitly discussed in the previous chapters, i.e. do not go against Governor's instruction or regulations to avoid unnecessary legal consequences. Full obedience to King Southern is expected (ibid.).

Hence, the local government need to ensure the bureaucracy are free from 'error' or violating any regulations set by the central government to prevent the intervention of Jakarta and to improve public perception of the SLG. Programmes and activities manifested in the annual budget are used as a means to enhance the legitimacy of the local government with its hybrid democracy. Thus, the role of budget as an accountability mechanism to maintain the organisational legitimacy becomes important (Black, 2008). In turn, the attempts of the bureaucrats to maintain sound budgeting and bureaucratic practices or 'keeps its book tidy' produced decent outcomes which may 'please' the central government. This will be further discussed in the next subsections which highlights the attempts of the local government to protect the legitimacy of familial domination in the region through deploying the budget, which

in turn lead them to win decent awards and indices.

7.6.1. Producing Decent Programmes

As the results of their efforts to maintain sound budgeting and bureaucratic practices, the SLG had been considered as having 'decent' local government practices according to some indicators set by the central government. They created decent programmes which in turn satisfied the central government. For example, the local government had an online planning system that could be accessed by everyone. This online system was formed to accommodate the demand for accountability from the public as to the local government programmes and its planned budget. It was claimed that the system assisted RPA (Regional Planning Agency) to maximise their function in planning, controlling, and evaluating the local government programmes. The system contained information, such as development information on the local government annual plan as the basis for the annual budget setting; general budget policy; temporary budget ceilings and policies; and, an electronic form for the public to give input to the local government. Hence, public participation was also facilitated by the system if they could not attend the traditional public hearing process. This is beyond what is expected by the central government, portraying the serious efforts of the local government to utilise the budget as an accountability mechanism, not merely to simply comply with the regulations. Thatcher (2002) argues that developing public accountability mechanisms beyond what is expected by regulation is an attempt to maintain normative legitimacy.

However, the system did not provide access to the budget draft during the legislation process or the final annual budget meaning the public could not have direct access or input to the budget before it was enacted by the Legislative. Nevertheless, the local government provided another online platform to monitor the implementation of the annual budget, called *monev APBD*. The platform provided access to the programmes and activities within the local

government's annual budget and its budget absorption progress. Nevertheless, the public could not obtain the detail of the programmes and activities, such as the budget implementation document, of the local government through planning and the *monev APBD* system. Also, there was no mechanism for the public to monitor their inputs through the online planning system, whether or not they had been responded to or followed up on by the local government. Although it was not required by regulation, the SLG increased the accessibility of the budget to the public.

Furthermore, the local government earned a very decent predicate on their accountability practices based on the central government criteria. Over the past four years, the SLG had obtained an 'A' grade on their implementation of the local government performance accountability system (LGPAS). In 2015, the local government was awarded the best performer of local government in Indonesia by the Ministry of Internal affairs. Additionally, the local government earned an 'AA' predicate, for their performance accountability report for the 2018 fiscal year, the highest possible grade and the first-ever for a local government in Indonesia. The Indonesian government had a range of grades for local government performance accountability reports, ranging from AA with 90-100 score, A (80-90), BB (70-80), B (60-70), CC (50-60), C (30-50) and D (less than 30). The SLG is commonly ranked as the top, or within the top three, of local government performance indicators according to the central government assessment.

As a part of bureaucratic reform, in 1999 the Indonesian central government decided to move from an input-based-budget to a performance-based-budget following the Asian financial crisis. It was expected that there would be shifting view on the budgeting practice from 'how much money would we spend' to 'what kind of performance do we expect at the end of the period'. Thus, the central and local government implemented LGPAS, which was an integrated

planning, budgeting and performance reporting system aimed to increase accountability to the public.

Five main components are used by the central government to assess the implementation of LGPAS by a local government. The first is performance planning; predominantly evaluating how a local government sets their strategic and annual planning. The second component is performance measurement, i.e. how the local government arranges performance targets, its quality and its implementation. Performance reporting is the third component to be assessed, examining how a local government reports, presents and uses the performance information. The final components are performance evaluation and achievement, considering how local governments evaluate their performance and what performance targets have been achieved over one fiscal year.

Furthermore, earning a good predicate in the LGPAS could not necessarily mean that there was no significant problem within a local government as expressed by a senior official. He argued that, substantially, it was not difficult to earn a good grade in LGPAS implementation. Hence, undertaking matters normatively without violating any regulations might assure a decent assessment from the central government.

> *"Actually, it was not that difficult to earn a good grade on the LGAPR (local government accountability performance report). Just follow the normative rules and guidance from the Ministries. Previously, there was no guidance as to how to implement LGPAS and its reporting so that we could not obtain a good grade." (Mr 14, senior official, fieldwork notes)*

However, the LGAPR, as the output of LGPAS also did not provide detailed information about local government programmes and activities. It only showed general targets of the local government and how they pursued them. Hence, any programmes and activities, for example, programmes within the Southern and Western Kingdom, could not be identified by external accountability mechanisms provided by the local government. As discussed in Chapter 7 and 8, these activities were 'obscured' under hundreds or even thousands of total

activities in the budget. The documents which depict the details of programmes and activities of the local government were not published, and are also difficult to obtain, even with formal oral permission from the head of the related agencies. Nevertheless, it reflected the success of the SLG in employing a budget to create and realise the programmes as planned. Meeting its duties and performance targets set in the budget is a form of accountability (Goddard, 2005; Ríos *et al.*, 2016). In turn, it produced some prestigious awards for the local government, which are further discussed below.

Moreover, the local government's programme to provide digital access to government affairs had also led them to obtain two digital awards from two national medias in Indonesia. The Governor, King Southern VI, earned an award as the Best Top IT Leader in 2017, and the SLG was as enacted as the Best Top IT Implementation in 2017 for Smart Province Development from ITECH Magazine. The awards were presented by the Minister of State Secretary. At the same time, the local government was also awarded Great Performing Website of a local government at the provincial level. Hence, these awards may reflect public acknowledgement of the IT implementation in the SLG.

Similarly, some other critical indicators from the central government had also depicted the 'decent' practices of the SLG. The local government's financial reports earned 'unqualified opinion' from the Audit Board of Indonesia (BPK) for the last eight consecutive years since 2010. If there were issues with audit findings, the local government usually followed them up immediately. Consequently, the local government earned an award from the Ministry of Internal Affairs in 2018 as the best province for Follow-up of Audit Results of the audit findings by BPK.

Normatively, the audit opinion on the local government's financial reports reflected that there was no significant issue related to the law compliance of the local government when spending the public fund. Nevertheless, the BPK argued that unqualified opinion did not

guarantee that a local government was free from corruption since the objective of local government financial report auditing was to ensure its compliance with government accounting standards: the audit was not intended to detect corruption. Similarly, the Indonesian Corruption Eradication Commission (KPK) stated that unqualified opinion did not necessarily reflect corruption activities within a local government.

Interestingly, the SLG region was categorised as the 'cleanest' region in Indonesia in terms of corruption cases and included in the top ten in Asia according to the Global Corruption Index in 2011. The SLG regional Head of Tax Office region stated in a national media release in 2011:

> *"SLG is the cleanest city (in term of corruption cases) and included in the top ten in Asia according to the Global Corruption Index."*

No corruption cases have been found in the SLG region to date which has led the local government maintain a low corruption index in the country. Although this was a remarkable achievement, the KPK warned the Governor of the SLG of the potential of corruption cases in the region. The Vice-chairman of KPK, Laode Muhammad Syarif, stated in a national media in 2018:

> *"Since 1st January 2015 to the beginning of 2018, we (KPK) has received 192 reports of corruption allegations in SLG."*

Out of 192, 26 reports had been reviewed. However, there was no public update as to the results of this review. As discussed in Chapter 8, there might be *pakewuh* culture toward the Southern Kingdom and its King which affect the investigation of corruption allegations in the SLG. Interestingly, the SLG was one of ten provinces selected as a pilot project of a corruption prevention system by KPK.

Furthermore, some specific local government programmes had been granted awards from the central government, such as health and child programmes. The Ministry of Health awarded the local government as the only province in Indonesia which was enacted as Open

Defecation Free in 2018. According to the Ministry, what the local government had done was very simple: they provided their people with access to toilets so that it reduced open defecation behaviour in the region. In a similar vein, the local government had been awarded as the driver of child-friendly districts in city development in Indonesia in 2018. The Governor of the SLG was also nationally recognised as delivering the best development of a Children's Forum. The appreciation was delivered by the Ministry of Women's Empowerment and Child Protection. The local government also depicted their seriousness in implementing programmes related to gender equality, women's empowerment, and child protection. They have earned *Anugerah Parahita Ekapraya*, an award related to gender equality from the central government, for seven consecutive years since 2010.

Thus, the SLG was considered at the top level of local government management and affairs performance according to the central government assessments and indicators. It might also depict the commitment of the local government to execute their normative function as the provider of public services.

7.6.2. The First Local Ombudsman in Indonesia

The 'goodness' of the SLG to undertake government affairs 'normatively' could also be seen from its commitment to the justice affair, especially relating to the participation of civil society in public affairs. The dynamics of civil society in the SLG are clearly conditioned by the 'hybrid' democracy and unique environment it has created. Although the participation of civil society organisations in their various forms (e.g. non-governmental organisations, religious organisations, etc.) are usually quite minimal in an authoritarian regime, there is still room for civil society organisations in the SLG to be actively involved in particular public issues (Azizah and Al Akbar, 2018). Such issues could be any matters open to the public related to basic public services, e.g. education, healthcare, handicap access, and poverty eradication.

Consequently, the first Local Ombudsman in Indonesia was initiated in the region by King Southern VI in 2005 through his decree. According to the decree, the local ombudsman had intended to work together with non-government organisations and other institutions in supporting the implementation of law enforcement and a local government which is free from corruption, abuse of power and unauthorised activities. Also, the local ombudsman must respond to complaints, reports or information from the community, or action by officials, local government, and law enforcers which are deemed to be unfair, against the law, or discriminatory.

In a similar vein, the local government also formed a private ombudsman that was intended to supervise and assist good business ethics and quality service in the private sector which is free from corruption. It also aimed to protect the individuals' legal rights by assisting them in gaining decent services in the private sector. Like the local ombudsman, which was fully supported by the local government, the private ombudsman was also enacted in 2004[42], although it was criticised because they might be seen as a form of intervention in the private sector by simply distinguishing the public and private sector. More importantly, both ombudsmen were funded by the SLG's annual budget.

Thus, it was not surprising when the SLG earned the first rank out of 33 provinces for its governance index according to Indonesian Governance Index in 2012. This was a big step for the local government, especially the Governor, to allow the inception of the very first local ombudsman in Indonesia to promote accountability and transparency in the region. One of the significant attributes of an ombudsman is the ability to investigate and review complaints without political interference, and their independence. Since its critical role in improving the accountability of the local government and business affairs in the region, the public might expect that the local ombudsman enhances accountability practices in the region.

[42] Enacted by Governor's Decree 135/2004

Nevertheless, the local ombudsman could not necessarily run its function, especially if the matters were connected to the royal family. As previously mentioned, the local ombudsman could only deal with certain public affairs. Azizah and Al Akbar (2018) argue that participation of the civil society organisation in the SLG region depicted a clear distinction between different types of issues, with only some being open to public participation. Non-governmental actors, including civil society organisations, non-governmental organisations, and even academics, were provided considerable space for participation in order to enhance the discussion in the region and improve the public perception of the local government (ibid.).

Meanwhile, some others were entirely closed, especially relating to the royal family's interests and affairs. The case of corruption allegation might illustrate this. A corruption allegation was made relating to the Code Division Multiple Access (CDMA) network project in the local government, which involved the General Secretary of the local government in 2005. There was an unauthorised transaction from the local government bank account to a telecommunication company, amounting to 17 billion rupiahs without appropriate and sufficient bureaucratic procedures, which the government auditor, BPK, had confirmed.

However, the case was stopped by the SLG High Prosecutor. With regards to the existence of the first ombudsman in the SLG, they were not able to execute its supervisory since the Governor was one of the suspects in the case (Azizah and Al Akbar, 2018). Consequently, the King Southern limited the budget of the ombudsman, which came from the local government budget, so that their role was also limited.

The experience of an NGO activist seemed to confirm this also. She shared her own experience in facing a condition where it was not deemed appropriate to criticise matters related to the royal family, even when in the bureaucratic context.

> *"For example, I had become an expert staff of Birokesra (Public Welfare Bureau). Birokesra is under the direct command of Regional Secretary, and its leader was the younger brother of King Western (Vice Governor). Coincidentally, I had a meeting in a room next to the room of the head of Birokesra. I discussed the new airport project*

because there was a theme that linked me to accompany the evicted residents due to the project. 'How about the airport case?' I criticised it sharply. Then someone told me, 'Madam, please don't talk like that in here, there is King Western's brother here. It (the airport project) has a close relationship with SL and WL', they told me. Thus, at the bureaucratic level, I am not brave enough to discuss any matters that criticise the Governor and Vice-governor." (Mrs 20, senior NGO member)

These illustrations reassert the inability of a party to 'interfere' with the royal family's affairs even in the public sphere, as also discussed in Chapter 8. Everything is open for public discussion and criticism, providing it does not involve the Southern Kingdom's affairs. In other words, civil society and non-governmental organisations are expected to not 'interfere' with certain aspects of society. It is clearly related to politics of etiquette and the Kindness culture which underlie the hybrid democracy embraced in the SLG. This culture has 'conditioned' many civil society organisations in the SLG; in areas not opened to them, they should keep away as instructed so as to not be 'impolite', according to Kindness culture (Azizah and Al Akbar, 2018).

7.6.3. 'Among the Best of Democratic Practices'

Moreover, it has been repeatedly described that the SLG was formerly two kingdoms before the independence of Indonesia and has since become the only province led by the kings of those monarchies. The interest of the kingdoms and its traditional logic has also pervaded into local government affairs and practices, as discussed in Chapter 7 and 8. While the monarchy system was often related to undemocratic or autocratic environments, interestingly, this logic 'did not apply' in the SLG, at least according to the assessment criteria by the central government.

The central government, through its Indonesian Statistics, always issued a yearly democratic score of a local government. They explained that the Indonesian Democratic Index (IDI) is a composite indicator used to examine the development of democracy in Indonesia. Three democratic indicators are employed to assess IDI, i.e. aspects of civil freedom, political

rights, and democratic institutions. The civil freedom aspect consists of four variables, namely: freedom of association and assembly; freedom of speech; freedom of belief; and, freedom from discrimination. The political rights criteria comprises of the right to vote and be elected variable, and political participation in decision making and monitoring of the local government. Lastly, there are five variables form the aspect of democratic institutions: free and fair general elections; a regional legislative role; a political party role; a local government bureaucratic role; and an independent judiciary.

According to IDI, the Democratic index in the SLG has consistently ranked above the national average and has never ranked lower than third nationwide since 2009. Furthermore, there was a significant improvement in 2014, whereby the SLG's IDI increased from 72.36 in 2013 to 82.71 out of 100 in 2014. Since then, the score had been consistently above 83. Thus, implying that the SLG are relatively successful in its democratisation compared to other regions, according to the central government indicator.

However, there are some issues if the criteria were broken down into smaller indicators. For example, the right to vote and be elected variable always scored slightly above 50 from 2009 to 2013. It was categorised as 'bad' (below 60) according to Indonesian statistics criteria. It was not surprising when looking at the structural conditions in the local government whereby the leaders of the local government were not elected but enacted from the Southern and Western Kingdom. Interestingly, since then, it has significantly improved to above 70 in 2014, and scored 78.20 in 2017. The central government then classified them as 'good' since they had scored above 60, although, this was despite that there had been no change in the election system of the Governor and Vice-governor.

Another important issue was on the 22nd indicator of the index, i.e. Legislative's recommendation to the Executive, whereby it scored only 25 and categorised as 'bad' since it was below 60 in 2016 and 2017. It implied that the Executive did not necessarily follow-up on

input from the Legislative in their policy decision making. Indeed, it was not surprising when considering the discussion and analysis in Chapters 7 and 8 regarding the domination of the Executive over the Legislative. Lack of following-up legislative's recommendation without the existence of any budget deadlocks in the local government again confirmed the power domination of the Executive in local government affairs, including its budgeting process.

Furthermore, another critical issue was the 26th index indicator, namely the effort to provide an annual budget from the local government. In 2017, it scored only 8.33, way below the minimum score to be classified as 'good'. It reflected that it was extremely difficult for the public to access the information of the local government's annual budget. As previously mentioned, the local government provided online access to some of its budgeting documents through the online planning system but offered planned programmes and activities before they were enacted through the legislative process. My personal experience also seemed to confirm this when I undertook my data collection. It was extremely difficult to gain detailed information about the annual budget of the local government, although I had obtained oral permission from the Head of Related Agencies. Their subordinates only promised to send me the required data. After contacting them many times, I was still unable to obtain the data.

This indicator seemed to contradict the award earned by the local government for their performance accountability system and reporting. While they always earned the highest predicate on their accountability practices, this indicator however, reflected the difficulty of the public to access annual budget information. A Regulation[43] concerning openness of public information implies that the local government annual budget is a public document which could be accessed by anyone. A good predicate on the performance accountability report did not necessarily guarantee the public access to information related to its budgeting practices. it begs the question, is there a problem with the means used by the central government to assess its

[43] Law 14/2008

local government performance which produced contradicting logic?

The indicators used by the central government had also attracted attention from an NGO member. She questioned the appropriateness of the democratic index criteria:

> *"Democratic index is the compilation of both quantitative and qualitative measurement, from media, from freedom of speech. However, what kind of freedom of speech? It is not measured from freedom of speech in term of evaluating the governor's policy. Can we have a say on monitoring the SLG? It needs a special measurement, actually. It is not on the level of IDI since IDI was created for all provinces so that all indicators are the same (one measurement for all). Measuring democracy in SLG requires a specific indicator, not IDI." (Miss 20, senior NGO member)*

Recalling from Chapter 7, criticism was welcomed in the local government, however, direct and open criticism to the Governor was avoided if possible (Azizah and Al Akbar, 2018). It was closely related to Kindness culture which led to politics of etiquette, whereby direct confrontation to the Governor was not 'appropriate' since he also occupied the highest socio-cultural position in the social structure of the region.

Although the overall score reflected a good democratic practice in the region, the persistence of critical issues of the problems seemed 'hidden' under the total average score. Hence, the SLG had enjoyed its high democratic index, while the leaders of the local government were not democratically elected by the people. Or, again, is there something wrong with the index used by the Indonesian government?

7.7. Validating the Legitimacy

Previous section has discussed the decent indices and awards earned by the SLG. They claimed that they were among the best local government in Indonesia according to the Indonesian government criteria. Most of the interviewees argue that all the decent indices and awards earned by the local government depict that the confirmation and validation of the central government to the local government affairs and bureaucracy. One senior official gave his view.

"Last year we earned an award as the best local government in managing autonomy

fund and hopefully the ministries in the central government give their appreciation, not merely a ceremonial award. We earned the award as the best manager of autonomy fund means that we comply (with regulations), from planning process, discussion in Jakarta, and the fund transfer to the local government budget." (Mr 4, senior official)

Performing well or even being the best performer might limit the rationale of the central government to intervene or even change the existing political system in the SLG. Thus, the compliance of local government programmes and activities translated in the budget to the laws and regulations was non-negotiable, as instructed by the Governor. The local government creates and realises the programs through the budget effectively, depicting their commitment to providing service to the public.

This is a form of government accountability, whereby a government fulfils its function and achieves its targets set in the budget (Ríos *et al.*, 2016). Obedience towards regulations led to a decent assessment by Jakarta, as well as improving public perception of the local government. Pleasing Jakarta and the public, in general, results in less intervention in local government affairs, and so it maintains the legitimacy of its current democratic system and the status quo (Azizah and Al Akbar, 2018). There is no strong argument for the Indonesian government to 'interfere' with any regional affairs if the local government 'performs well'. Hence, the budget was deployed as a means to maintain the existing political practices in the region. Like Janus, the SLG seemed to have the opposite side of its government affairs, i.e. it raised controversies on its budgeting practices, but it also performed very well on the local government affairs according to the central government evaluation criteria.

7.8. Conclusion

This chapter has described the dynamics of the key players involved in the common annual budget and privileged budget process in the SLG. Unlike the common annual budget, the Legislative is not involved in the budget process as per the central government's Regulations. The EBT plays a critical role since they are the 'right-hand' of the Governor, especially in

translating the Governor's instructions into programmes and activities and the funds required to execute these programmes. The intervention of familial logic over formal bureaucratic administration of the budgeting process has become prominent, especially in the privileged budgeting process, as expected in traditional settings. Out of five privileged affairs, cultural, land and spatial affairs have depicted more salient intervention of the familial control over the budget decision making. Although the programs within the cultural affairs have been criticised for its lack of focus and sporadic programs, the fund allocation to the Kingdoms tends to follow the demand and requirements imposed by the royal families, although it may not necessarily comply to the regulations. The form of fund allocation to the kingdoms, i.e. endowment fund, further enables them to consume the money more flexibly since it requires less bureaucratic procedures.

According to some interviewees of the top officials, the fund allocation also gives rise to the opportunism of royal families to earn allocation for the sake of their personal business. The fund was also used to build some business facilities owned by the royal families in strategic locations in the region through cultural affairs programmes. The nature of the endowment fund enables the key actors within the palace to do so, and the details of the programmes and activities are easily 'hidden' under hundreds of cultural affair programmes and activities. This was discovered by the local government auditor and caused indication of corruption. However, no significant follow-up was undertaken by the local government other than advising members of the royal families to not do this again in the future.

Accommodating the interest of family groups is even more prominent in the land and spatial affair. The programme of these affairs was to identify and register which land belongs to the Southern Kingdom, called Southern Land (SL), and which belongs to the Western Kingdom, named Western Land (WL). Privileged Law granted both kingdoms a legal entity status which enabled them to possess the land, as required by the Agrarian Law in Indonesia.

However, there was less clarity regarding land documents used by the local government to identify SL and WL, and so many land conflicts in the regions were created, especially in the land which had been occupied by the local people. In brief, any land which was not privately owned was claimed to belong to both kingdoms, mainly the Southern Kingdom.

According to the Privileged Law, all affairs of the SLG must be used for the sake of public interest and welfare. However, some of the SL and WL were employed to accommodate the interest of investors or corporations. Strategically located SL and WL were rented to corporations to build business facilities, mainly tourism facilities, since the SLG is one of the most famous tourism regions in Indonesia. These activities also attracted conflicts with local people since they had reduced access to these areas, particularly coastal areas from which their primary source of income came from.

Land and the spatial affair seemed to contradict what is mandated by the Privileged Law. Although the programmes of identification and certification of SL and WL were fully funded by the local government budget, the utilisation of this land inclined to accommodate the interest of the royal families and their business partners. It did not really evidence any attempt of the local government to improve the public welfare through this affair.

The Legislative attempts to execute their function as the balancing power of the Executive. Nevertheless, it only applies in the 'open arena' such as the common annual budget. All other political actors are welcome to give inputs and critics on issues unrelated to the personal of Governor or Royal family, such as public services, public facilities, poverty, economic development, inequality, etc. Hence, two salient but classic issues are deployed by the Legislators as their main strategy to 'attack' the Executive, i.e. poverty and inequality issues in common annual budget discussion. The SLG has been experiencing high poverty and inequality levels, above the national average, for more than eight years. The Legislative always

questions the commitment of the local government to reduce these numbers, accusing the Executive's programmes and activities as unfocused and inefficient.

Instead, behind this 'attack', the Executive could cleverly see the interest of the Legislative, i.e. accommodating their constituents. They believed that Legislators always pursued their substantive rationality in almost all budgeting discussions to accommodate their constituents' interest in their election districts. In pursuing the interests of their constituents, Legislators believed that it increased their legitimation as a representative of their election district in the local government, which in turn increased their opportunity to be re-elected in the next election. No interviewees from the Legislative denied this. They even asserted that it was their job to 'take care of' their constituents. Hence, although Legislators deploy sophisticated arguments to attack the Executive, their main target is the social endowment fund. This fund is a 'favourite' item since it requires a less bureaucratic process and fewer accountability requirements. It could also be directed to specific names and addresses.

As expected, the bureaucrats express their loyalty to their Master or Governor. First, they prevent the involvement of the Legislative in the privileged budgeting process by lobbying the central government. Second, the EBT also set the fund allocations to the Kingdoms in the form of an endowment fund with less bureaucratic and accountability process so that they can utilise the fund more flexibly. They also protect the Governor from Legislative's critics on poverty and inequality issues. Although poverty and inequality levels are steadily reducing year by year, the Executive acknowledged that this is a significant area of work for the SLG as the level is still above the national average. Interestingly, the Executive seemed to naively defend the Legislators' accusation by showing other indices which depict the success of the local government. They described that life expectancy in the SLG is the highest in Indonesia. For them, it sounded strange that poverty levels are high, but life expectancy is also high. Does it mean the local people love to live in misery? Hence, the Executive even seemed to question

the measurement used by the central government to assess the poverty level. They thought that the measurement did not fit the SLG context since the local people are highly influenced by a culture where they embrace a simple style of life. The Executive claimed that the local people first satisfy their spiritual needs, then followed by material needs. As long as people can fulfil their spiritual needs, they were more than happy. Hence, the Executive thought that was why the SLG earned a high happiness index according to Indonesia Statistics. Interestingly, they did not blame any other index, which worked in their favour.

Fourth, the bureaucrats express their loyalty by realising the Governor's instruction into programs and activities without questions or resistances and prevent the Legislative to interfere with the proposed programs. The Executive, especially the EBT, had some strategies to overcome the Legislative's demands and intervention. First, a threatening strategy, whereby the Executive threatens the Legislators with negative consequences. Some negatives consequences were cutting salaries of the Legislators, whereas the Executive Officials kept earning their salary, and the reducing numbers of funds transferred from the central government. The EBT felt that they had less burden if the legislature did not pass the budget draft. This strategy seemed successful to some extent. However, if this strategy did not work, the Executive had a second alternative through a mechanism called the 'half-room'. The leaders of the EBT, especially the Regional Secretary, would have a specific meeting with the leaders of political party factions to discuss any matters which made them reluctant to approve the proposed budget. If the Regional Secretary could not make a final decision, the half-room mechanism would be undertaken with the Governor. However, it was very rare for this to happen.

The outcome of this mechanism could be the third strategy of the Executive, i.e. accommodating the demands of the legislative. The EBT would then take necessary action to include the legislative's demands in the proposed budget, either by changing the volume of the

activities or the locus of the programmes. Sometimes, it could be both. There was no room to change the programmes since they were already enacted through the local government medium or annual plan, and thus changing programmes without strong rationalisation and legal standing reflects inconsistency, which could in turn prompt corruption accusations. As instructed by the Governor, the EBT could compromise with the Legislative, as long as there is no violation of laws and regulations. In other words, it had to be normatively and legally fine. Thus, by doing these, the bureaucrats were able to effectively protect the Governor's proposed programs without any significant interference from the Legislative.

Interestingly, due to structural conditioning in the region as explained in Chapter 6, the Governor instructed his subordinates to maintain a sound bureaucratic process by complying with the regulations and not taking actions that may violate laws, especially in their budgeting practices. However, what the local government did was not merely compliance, but they also undertook actions beyond that by creating decent programs, for example, to improve budget accountability through online planning and budget implementation monitoring system, that was not required by laws and regulations which in turn led them to receive many awards. This will be further discussed in the next chapter.

Chapter 8: The Outcome of Social Interactions in the SLG

8.1. Introduction

This chapter discusses the outcomes of the social interactions of key budgeting players in the SLG. Some features of the traditionalism have become the prominent outcome of the social practices in the SLG, as expected in organisations situated in traditional settings. This chapter begins with the most salient outcome of accounting practices in a traditional setting, i.e. familial control over formal bureaucratic administration. This is followed by the discussion of other outcomes such as personal loyalty and obedience, master-servant relationships, the critical role of fictive kin, etc. Interestingly, contrary to previous studies of accounting in traditional settings, this research exhibits the important role of the budget as an accountability mechanism.

8.2. Familial Control to Serve Familial Interest

Uddin (2009) explains that familial control over a bureaucratic process is a more likely outcome in organisations situated in traditional settings. Chapter 7 has depicted the intervention of royal family logic to the formal bureaucratic mechanism of the privileged budget decision making. Hence, the likely outcomes are accounting practices, including budgeting, to serve the interest of family groups (Dyball *et al.*, 2006; Uddin and Choudhury, 2008; Uddin, 2009).

Similarly, it also occurred in the context of SLG. The needs of royal family members are funded through the privileged fund, even minor ones such as cosmetics for the princes (King Southern's son-in-law), as one example. In this instance, the make-up was especially for the princes to attend cultural or wedding ceremonies. One retired official pointed this out.

"Finally, after I retired, I just knew that the make-up (cosmetics) for the princes was

funded (by the privileged fund).” (Mr 14, retired official)

He was really wondering why this kind of item could be funded by the state’s fund since it might attract severe criticism from the public. It was now not about granting money to the Southern Kingdom as a cultural object, but it was about accommodating the interest of royal families. He warned the danger of this practice.

> *“Yes, the make-up for attending wedding ceremonies are funded, haha (laughing). I said, ‘okay fine, it is up to you, but it could be an audit finding’.” (Mr 14, retired official)*

He argued that if the small and minor necessities of the royal family was funded by the privileged fund, it was not surprising if some other basic necessities were also financed by the fund, such as electricity.

> *“If coming to wedding ceremonies is funded, then if they wish to buy electricity, will it use the privileged fund too?” (Mr 14, retired official)*

His fury seemed to be realised when it was confirmed that electricity, water, and some other basic facilities of the kingdoms were funded by the privileged fund, under the cultural preservation programme, according to its Budget and Work Plan in 2016 and 2017. Both kings also earned a salary for their position as the leader of those monarchies. This salary is different from that of the SLG Governor and Vice-governor. The employees of both kingdoms also gained a monthly salary which had been allocated from the privileged fund. Nonetheless, it was difficult to find these items on the budget document since it was ‘hiding’ under cultural preservation programmes with hundreds of activities. Hundreds of activities ‘obscured’ its existence.

Since the funds allocated to both kingdoms were in the form of an endowment, there is thus an opportunity for actors to use the funds to pursue their vested interests. It seemed indirectly true. Some strategic public facilities were established above the lands owned by both kingdoms. Most of the land in the SLG is claimed as Southern Land (SL). Furthermore, another important example showed that the privileged fund accommodated the interest of the royal

family. Some of the funds were claimed to be used to establish some business facilities by royal family members. It is not surprising that the royal families possess companies in the SLG. Even the King Southern owns some companies which are mainly operating in the SLG region, as do his family members. Their businesses are mainly located in strategic positions in the region and their businesses had existed long before the local government gained the privileged fund in 2012.

The public facilities built by the privileged fund were often transportation or parking facilities in strategic locations, especially those close to tourism objects. One example of accommodating the interest of the royal family is building such facilities by using the privileged fund, and then allowing members of the royal families to manage these facilities. In other words, funding was probably used to expand the business of the royal family. One senior official asserted this.

> *"A lot of funds there (Southern Kingdom) is used to build certain facilities, and those facilities are managed by the insider (family members of the Southern Kingdom)." (Mr 5, senior official)*

Thus, he concluded the modus of this:

> *Hence, the tendency in there (Southern Kingdom), the modus is the sons-in-law or other close-kin within the palace are dominating the benefit of using that state's fund. That is already an indication (of corruption)"*

I tried to obtain the details of these programmes and activities to support the above citations in the Regional Revenue Agency (RRA) within a Budget Implementation Document from its Head of Agency. The Head of Agency granted me full access to any budgeting documents that I needed and referred me to a related official. Although this official gave me some budgeting documents, he did not allow me to have the Budget Implementation Document (BID) document which contained the detailed activities of each programme. Instead, one official in the Regional Planning Agency (RPA) asked of my capacity to have the BID document. He told me that I looked like an auditor because I demanded the BID document.

Moreover, it again depicts the strong capabilities of the royal family to gain access to the privileged fund in order to pursue their interest. On the other hand, the local government seemed powerless to prevent these practices. The privileged law and other local regulations state that the local government must facilitate all the privileged affairs of the SLG. Bear in mind that the leaders of the local government are also the leaders of the monarchies. Thus, the role of the local government is a facilitator of the privileged affairs, including assisting both Kingdoms' matters related to the privileged affairs. Again, familial logic intervenes the formal bureaucratic process, as expected in traditional settings.

Similarly, the internal and external auditors of the local government could not do their job optimally because of the nature of the privileged fund itself. There were some normative explanations for this. As previously explained, the allocation to both kingdoms was classified as an endowment fund with more 'flexibility' of its usage and a less bureaucratic process. Their audit object is the Cultural Agency, who was assisting and responsible for allocating the fund to the palaces, not the kingdoms. The normative reason from the auditor could be understood to some extent since there were thousands of activities for each programme in one agency. The activities proposed by the royal families were spread out under specific programmes with hundreds of sub-activities, so it was arguably not easy for the auditor to trace them without thorough examinations. These activities seemed 'hidden' under hundreds of programmes and activities of the local government, as asserted by a retired official.

> *"It (the programmes and activities in both kingdoms) is not scrutinised in detailed." (Mr 14, retired senior official)*

Although some senior officials had expressed their concerns over potential misappropriation of the privileged fund, interestingly, the local government's financial reports have always earned unqualified opinion over the past few years from Audit Board of Indonesia (BPK), which have acted as external auditors of the local government. Extremely low-levels of corruption cases from the SLG region seemed to support this.

However, this phenomenon could have been conditioned by the structural condition in the SLG which is mainly surrounded by traditional context and its Kindness culture. The culture of etiquette plays an important role here, whereby open and direct criticisms to the Southern Kingdom and its king are avoided if possible, as explained in the previous chapter. The auditor expresses their *pakewuh* (respect to someone else so that one tries to avoid any actions that might be seen as inappropriate to that person, although basically that actions were legally fine) toward the kingdoms. It also applies to an institution which gains highly open public support in Indonesia, i.e. Corruption Eradication Commission (KPK).

> *"Maybe the auditor is pakewuh or what." (Mr 14, retired official)*

> *"Psychologically, I saw KPK (Corruption Eradication Commission) was very careful and compromised when they came to SLG. No one knows this. I have informant from KPK, categorised as A 1.5 (level of information). In many occasions, when there are symptoms (of irregularity) from the Southern Kingdom, then there are always messages from the leaders (of KPK) to warn them. No one knows this. Hence, if this warning comes from individual but not an institution, it means it could potentially be a time bomb if they are no longer in charge (as the leader of KPK). Hopefully, it is not going to happen." (Mr 5, senior official)*

The public statements made by the KPK in a national media also sound normative with regards to privileged fund implementation. In a national media report, the Vice-Chairman of the KPK, Laode Muhammad Syarif, acknowledged that he often received reports concerning the implementation of the privileged fund. However, he only instructed the local government to utilise the privileged fund based on regulations, both transparent, and accountable.

In a similar vein, an anti-corruption activist expressed his concern over the follow-up of corruption allegations in the SLG. In a national interview, he mentioned that a leader of KPK once stated that there were 192 reports of corruption cases in the SLG, but only 26 cases were verified and under investigation. He argued that the KPK inclined to undertake prevention action instead of prosecution concerning corruption indication in the SLG. Up until 2018, no corruption cases were found in the SLG region. Thus, the programmes and activities within cultural affairs were dominated by cultural ceremonies, as well as simultaneously

accommodating the interest of the members of the royal family.

Accommodating familial interest is even more salient in the land and spatial affair. In a national media release, a local activist from the SLG region alleged that royal land permission mainly accommodates the interest of businesses as there is no clarity over land permission. He gave an example of the utilisation of SL in a village. The Southern Kingdom granted rent permission to a business which led to the eviction of residents. Another example was farmers in the coastal area in the SLG who were in danger of eviction due to a corporate project of iron sand digging by a business whose shares were also possessed by both kingdoms.

An investigation by a famous national media in Indonesia also seemed to confirm this allegation. Flower beach (anonymised) is located in Mountain District (anonymised), in the southern region of the SLG. It was surrounded by two karst hills in the valley. The coast had become the primary source of livelihood of the local residents and was a favourite spot for turtles to lay their eggs. However, there was also a tourism project by AA Company (anonymised), in Flower Coastal area. The company has been erecting hotels and resorts since early 2017. The karst valley was expected to be like the Atlantis Beach Tower Hotel on Paradise Island in the Bahamas. The project covered an area of 76 hectares. It was expected to be finished by the end of 2019. The company claimed that they had invested 200 billion rupiahs into the project.

However, according to the Executive Director of an NGO with environment and ecosystem concerns, Flower beach is part of a karst landscape, a protected geological area under the national protected region. He presented that the Indonesian government and UNESCO (United Nations Educational, Scientific, and Cultural Organizations) had enacted the area as a protected geological landscape for the sake of ecological balance and scientific

research. Instead, the Minister of Energy and Mineral Resources[44] issued a letter[45] which declared the karst landscape as protected region covering 1,100 square kilometres. Interestingly, the local government also issued a Regional Regulation[46] on spatial planning and regional spatial management, which enacted the karst landscape as a protected nature sanctuary prohibiting the alteration of the natural landscape. The owner of AA Company claimed that he had obtained necessary legal permission to undertake their business in the area.

However, since all the area was claimed as SL (not possessed by anybody, so it belongs to the Southern Kingdom), the Southern Kingdom was entitled to possess that region. According to the Special Regional Regulation[47], the company must have obtained a recommendation letter from the local government, either provincial level or district level, to earn the rent permission from the Southern Kingdom. In this case, the Mountain District government issued the recommendation, as stated by the Head of Land and Spatial Agency in a national media release. He argued that the entire shoreline of the district is classified as SL.

According to the investigation, it was not only AA Company which obtained a recommendation from the regency. Some other companies also earned this recommendation from the local government. BB Company (anonymised) received a recommendation to build a resort in a village. CC Company (anonymised) has also been granted recommendation to manage Frog beach, close to South Mountain Paradise, since 2011. This company wished to build a resort above a 7 hectares area. DD Company (anonymised) received zoning recommendation to develop hotels, villas, tourist huts, and camping grounds on an area of 28 hectares on the Yellow beach (anonymised). EE Company (anonymised) obtained permission to build a hotel on protected land amounting to 12 hectares in Mountain District. FF Company

[44] Based on Law 26/2017 about the spatial area and Government Regulation 15/2010 concerning the management of spatial area
[45] Letter number 3045/2014
[46] Regional Regulation 2/2010
[47] Special Regional Regulation 1/2017

(anonymised) had also earned a spatial recommendation to build a resort on the Green beach (anonymised) in Mountain District.

The Mountain Regent explained that these companies requested a recommendation to rent the SL. A local activist stated that issuance of recommendation by the Mountain District government quickened the damage to the protected karst region. Nevertheless, he argued that Mountain District was powerless against the request by the royal land division. He added that businessmen close to the Southern Kingdom requested the recommendation to Mountain District after obtaining 'approval' from a Royal Court officer. He later said,

> *"With no 'go-ahead' from the Royal Court, I don't think the Mountain District government would dare issue a recommendation,"*

Within the same investigation by the national media, interestingly, a business envoy seemed to support the activist's suspicions. The task of this man was seeking recommendation from the district government by a company wanting to rent the protected region above SL. He said,

> *"We give them bribes, Sir. If not, neither the recommendation permit nor formal/rent permission would ever be issued."*

However, the Head of the Royal Land Division denied the bribery allegation for processing rent permit. He argued that all land permissions had passed through the formal and legal processes both in the local government and the Southern Kingdom. With regards to the permission above protected areas, he inclined to render the responsibility to the local government who issued the recommendation. He said,

> *"I don't know. The permission comes from the local government. If the local government allows, just go on. My authority is on the land. The authority of erecting a hotel lies on the local government, not me. Whether the permission is for hotel, restaurant, or massage parlours, that is the authority of the local government, not me. Hence, I issued the permission after I had a recommendation from the local government."*

He later argued that the money earned from renting SL and WL would be used for operationalisation of the Southern and Western Kingdom since he claimed that the Southern Kingdom earned nothing from the privileged fund. He argued the Southern Kingdom possessed

its dignity and honour so that any Southern matters were not funded by the state's money. The privileged fund was only used for rehabilitation of buildings within the palace, according to him. This was contrary to the findings of this research.

Other than identification and certification programmes of SL and WL, this activity of granting permission to use SL and WL to corporations had caused many conflicts with the local people. The local people mainly lost their primary source of income due to inability to access the coastal area for sailing. They were mainly fishermen who relied on the coastal area for living. Some of them also challenged the local government for granting permission to the corporation to operate within a protected area. Unsurprisingly, no significant attempts were made by either the Executive or Legislative of the local government to these conflicts. The corporations which had obtained the rent permission were still continuing business in the protected region.

Furthermore, it seemed that SL and WL related practice tended to accommodate the interest of investors. Referring to the previous analysis, the identification and certification of SL and WL were funded through a land affair programme of the local government as mandated by the Privileged Law. The law clearly states that the utilisation of SL and WL is mainly for public interest and public welfare so that it directly impacts the local people. Practically, it did not necessarily reflect what is mandated by the law. Although both monarchies have been granted legal status as a legal entity, is it possible to demand accountability from both traditional institutions? Other than the use of funds transferred from the privileged budget, it is unlikely to ask for accountability to the kingdoms based on the current legal framework. Privileged Law only states that it acknowledges the kingdoms as legal entities. The law does not provide further definition and regulation as to that legal entity. Besides, *pakewuh* and other Kindness cultures are deeply rooted in SLG, which can make it even more difficult to 'interfere' with the internal affairs of the Southern and Western Kingdoms.

Thus, the existence of two traditional institutions, i.e. the Southern and Western Kingdom, critically influences local government affairs, including budgeting practices. The intersections between these two institutions has shaped a unique regime in which a traditional state meets a modern and bureaucratic state logic. It is evident that the regime has become a means through which informal actors and institutions connect with the formal ones (Azizah and Al Akbar, 2018). Hence, it depicts that in a traditional setting, property and productive capacities of individual economic units are utilised to accommodate the Master or family groups' interest governed by substantive rationality of economic action (Weber, 1978).

8.3. Personal Loyalty and Obedience to the Governor

Previous studies also argue that loyalty and obedience to personal, rather than formal, bureaucracy reflects Master-servant relationships as the likely outcome of accounting practices in a traditional setting (Uddin, 2009; Uddin *et al.*, 2018). One would expect to see loyalty and obedience demonstrated by subjects to their Master, which further strengthens the Master-servant relationship. Accordingly, this outcome also occurs in the SLG. It is particularly apparent when the Governor provides instructions to his bureaucrats in dealing with the Legislative and when he reviews the proposed programmes in the budget draft; bureaucrats are expected to obey their Master.

With regards to interaction with the Legislative, the Governor has ordered his subordinate not to be dictated by the Legislative's interest. He did not want his programmes to be interfered by the vested interest of the legislators. The Governor is also concerned with any formal and normative matters, such as asserting that any government programmes or activities must comply with all laws or regulations during his general instructions to his budgeting team. He further added that it was not acceptable to violate any rules which in turn might lead to corruption allegations. This is closely related to structural conditions in the region, as explained

in Chapter 6. Hence, he asserted that local government programmes and activities always had to be consistent with the medium-term plans because those plans were a product of law. Inconsistency might refer to violating the law. A senior retired official asserted this.

> *"He only gives us a 'clear' line, do not ever obey with the legislators if it (Legislative's demand or input) violates the law. If it is normatively fine, then go ahead." (Mr 14, retired senior official)*

Furthermore, RPA, as the technocratic planner function and Vice-leader of EBT, would then prepare the programmes and activities in more detail citing a technical base of the Governor's policies and general instructions. RRA, as an EBT member, checks the availability of funds and whether the programmes and activities set by RPA are feasible during the fiscal year. Afterwards, the Governor, along with the EBT, briefs and instructs all agencies about the proposed programmes and expectations throughout the year. All agencies would further arrange the technical detail of the programmes based on the Governor's instructions. After finalising the technical detail of the programmes, all materials are reviewed and compiled by RPA as an annual plan draft. The draft of the annual plan is then presented back to the Govemor before progressing to public hearing. During the presentation, the Governor usually feeds back on the proposed programmes and activities, focusing on the relationships between the proposed programmes and current, on-going programmes or problems encountered by the people of the SLG, and why the previous targets or problems have not been resolved. For example, when concerned with unfocused programs:

> *"Yes, (Governor) always gives instruction at the very beginning. A simple example, he was really upset why the local government programmes rarely end up with a quality result." (Mr 12, senior official)*

The Governor often amended or even abolished the proposed programmes or activities on the annual plan draft. Any programmes that he thought were inefficient or irrelevant would be dropped, especially those inconsistent with the medium-term plans. The Governor often questioned the output of the proposed programmes and activities and whether it might have a

direct impact on the citizens. For example, 2.5 per cent of the total proposed budget was allocated to official travels, then the related agencies had to explain the rationale of this activity and its direct or indirect impact for the people. If they could not convince the Governor, the programmes or activities might be dropped.

After receiving feedback from the Governor, the EBT then make the necessary adjustments on the annual plan draft before it moves on to the legislation process. The next stage of the budget, i.e. arranging general budget policies and ceilings (BGP-TBCP), is usually undertaken by the EBT. At this point, the Governor tends to deal with more strategic affairs of the budgeting process, rather than involving himself in the day-to-day budgeting process, as discussed in the previous subsections.

Furthermore, when the Governor gave general instructions, his subordinates were expected to obey his commands, understand the instructions, and adapt themselves to ensure the success of such instructions (Azizah and Al Akbar, 2018), as expressed by a senior official:

> *Yes, EBT (deals with the day-to-day budget process), because the Governor gives general policies or instructions. Then, the policies are translated and operationalised through several layers. RPA as vice-leader of EBT will formulate this. Hence, we are already systemised through enacted themes (focuses) so that we could not go out of the themes (set by the Governor), we couldn't." (Mr 9, senior official).*

Direct instructions from the Governor were non-negotiable since they are 'clear' and 'specific'. Bureaucrats are expected to position themselves to ensure the success of such instructions. When the instructions are issued, bureaucrats are expected to implement them without question (Azizah and Al Akbar, 2018). Such obedience is intended to ensure the bureaucracy 'keeps its books tidy' in order to satisfy the central government (ibid.). Chapter 7 has also shown how the bureaucrats expressed their loyalty to the Governor by protecting and realising his programmes and activities, including those for both Kingdoms. No visible resistance appears from the bureaucrats, as predicted in organisations situated in traditional settings.

8.4. Strong Governor and Executive

King Southern VI, as the current Governor of the SLG, has the highest authority of all government affairs, including its budgeting decision making. The historical, cultural and political situations in SLG further shape the enormous political power that King Southern possesses, including in the budgeting process, which will be explained later in this section.

However, the Governor does not seem to be involved in the day-to-day budgeting process. As explained in the previous chapter, the Governor tends to delegate his authority to the EBT for daily budgeting practices, including negotiation with the Legislative. He often attends only a ceremonial event of the budget, such as the introduction of the budget draft to the Legislative or the enactment of the annual budget during the final Budgeting Committee meeting. He only needs to read the already-prepared-text during these meetings. It was seldom to see him to directly discuss or negotiate the budget matters with the Legislative. Hence, it creates an image that he does not want much involvement in the budgeting process.

> *"Governor of SLG is indeed unique. So, the Governor never appears on the debates (with legislative), always with the Regional Secretary and his subordinate. If deadlock, then sometimes we speak to the Governor. Only one or two occasions we (discussed) with the Governor, very rarely." (Mr 16, legislator)*

In fact, the Governor is very influential in the budgeting decision making, even from the planning process stage. The long-term, medium-term and annual plan are derived from the Governor's visions and missions. The annual plan, which describes the local government plan in more detail, is the basis for the Executive to set the budget draft. Before the annual plan is arranged, the Governor summons his executive team, especially the EBT, to convey his general instructions including targets he wants achieved during the year, general policies of the local government, and what possible programmes could be implemented to realise its targets. He then explains general concepts of the possible programmes and links them to specific targets. For example, one on occasion he instructed his subordinate to form a focused and salient

programme which resulted in a 'real' outcome such as reducing the poverty level, a classic but recurring problem in the SLG, rather than focusing on spending and absorbing money without significant economic impact on the citizen.

Although the Governor is rarely involved during the day-to-day budgeting process, the Regional Secretary, as the leader of EBT, always reports any budget discussion outcomes with the Legislative to the Governor. The Regional Secretary then asks the Governor for any necessary, or follow-up responses to the budget discussions. If the Governor believes the problems or matters raised were not substantial, he will usually respond normatively, such as letting the Regional Secretary make any necessary actions, providing no regulations are violated and matters are consistent with the medium-term plan containing the Governor's visions and missions. Hence, the budget matters are usually solved by the Regional Secretary and his EBT.

The Governor has his own approach to monitoring the performance of his government. To ensure the success of the programmes and provide feedback for future programmes, the Governor has an internal evaluation mechanism whereby every three months he gathers the EBT and all agencies to examine programme achievements. Every agency presents its programmes and progress, conveying any difficulties or challenges which may prevent achievement. The Governor, facilitated by the EBT, would provide advice, input, criticism, or recommend further necessary actions to assist the agencies to realise their programmes. The output of this evaluation is that each agency is granted an assessment level, based on their current performance and achievements. The results of this assessment are then used when considering next year's programmes and budget.

Most agencies believe this mechanism helps them to assess their current performance and how to make improvements. The under-performing agencies would be assisted by EBT based on the Governor's feedback and instructions, guiding them to achieve certain targets and

resolve any internal problems preventing them from performing well. The Governor also often seeks input from experts so that local government programmes can be further improved. For example, on some occasions, the Governor invites expert economists to a lunch meeting to gauge their views on poverty and inequality issues in the SLG. The results of the meeting would be used in helping him to agree programmes and priorities. Hence, it is claimed that the Governor does not merely make a decision based on his own consideration, but also values input from other sources. Hence, the Governor is influential in the budgeting process of the local government.

Nevertheless, the Legislative criticises the Governor's approach to the budgeting process. Some legislators wished they could have more intense interactions with the Govemor in the budgeting process as in other local governments. They argued that if the Governor was involved more in the budget negotiation, the decision or consensus could be achieved quickly, although the EBT resolves most of the budget affairs and discussion. However, the Executive seems to disagree with this criticism. Every time the Legislative conveyed their views on the proposed budget, they would send a formal letter from each political faction to the Govemor. This Legislative's concerns would always be replied to by the Governor through a formal letter, containing his answer and necessary actions to the inputs from the Legislative. In other words, the Governor always kept in touch with the Legislative indirectly.

Furthermore, this Governor's approach to the budgeting process was also politically understandable if we looked at the structural conditions in the SLG context. As enacted by the law, there is no Head of Government election in the SLG province since the King of Southern and Western Kingdom will always be enacted as Governor and Vice-governor. Also, they do not possess any formal political association with any political party. Hence, there is no urgency for the Governor to look for political support for the sake of the election. Instead, if the local government does not perform well, there is little reason for the Legislative to take any necessary

action, such as withdrawing political support that might impact the Governor's election, or even overthrow the Governor from his position. A Legislator emphasised this:

> *"What can we do? There is no Governor's election. For example, if the Governor's report on local government performance was bad, we could not overthrow him as governor, that is the law (privileged law) where the Governor is not elected but enacted." (Mr 13, legislator)*

Hence, Governor is very strong in the context of SLG. Simultaneously, it strengthens his executive bureaucrats' positions, especially in the budgeting process. Bureaucrats' loyalty and their shrewdness in dealing with the Legislative as depicted on the 'open arena' or common annual budget dynamics further strengthens executive's domination in the budgeting practices. Thus, it seems difficult to prevent the Executive's domination in the budgeting process due to their shrewdness and powerful Governor. A senior official indicated a similar view.

> *"So, the conclusion is, I think the position of Executive in SLG is stronger than that in other local governments. I do not know what the 'x-factor' is, but for sure, it is related to the complex relationship between the privileged status of SLG with the status of the King as the governor." (Mr 5, senior official)*

With regards to privileged budget practices, the Governor's political manoeuvres were also strategic, although it could not be seen in day-to-day budget discussions, such as the enactments or several Special Regional Regulations which governed the privileged rights of the local government. For example, his subordinates inclined to focus more on special regional regulations concerning cultural affairs instead of land and spatial affairs. They thought that land and spatial affairs might face many obstacles in the legislation process. However, the Governor had a different view. He insisted that land and spatial affair regulations had to go first. One senior official expressed this experience.

> *"Governor's instruction is very straight to the point. The Governor instructed, 'do not start (Special Regional Regulation Draft) with cultural, but start with the land affair.' We were surprised, Sir! We were panic because the land affair was 'heavy'. We planned to propose land affair regulation draft in the last order, but it was rejected (by the governor). Hence, the governor's thought is very tactical. Start with the land. Because if we want to organise a privileged state, there must be a certainty where the land is. It must be clear first. Afterwards, how to manage the land through spatial management.*

> *Lastly, how to manage the people, that is the essence of culture. That was the instruction." (Mr 4, senior official)*

Consequently, special regional regulation concerning land and spatial affairs went through the legislative process 'smoothly' because of the Governor's shrewdness. The regulation was enacted in 2017.

Furthermore, the Governor rarely made a public statement about the privileged affairs and budget of the local government. One of his salient statements was his assertation as to the non-existence of the state's land in the SLG region. Interestingly, shortly after the enactment of the Privileged Law, the Governor issued an instruction letter to the Indonesian Land Agency in the SLG region to pause the land permission process in SLG until the identification and certification programme of SL and WL was finished.

No significant instruction or statement was made by the Governor with regards to land conflicts nor permission controversy related to business activities above SL and WL. However, it is thus difficult to deny that the role of the Governor is influential in the royal permission process since he is the Governor that signs the recommendation letter of the local government as a legal requirement to apply for formal/rent permission of SL and WL, and is also the top leader of the Southern Kingdom who finally approves the land permission. Interestingly, in a national media release, the Chief of the Royal Land Division said that the SL did not belong personally to King Southern, but was possessed by the Southern Kingdom as an institution. However, he asserted that:

> *"Applying for rent permission of Southern Kingdom land must be approved by King Southern VI through the land division of the Southern Kingdom."*

Thus, although the Governor did not depict his involvement in day-to-day privileged budget discussions, he again asserted his role as the key actor of the government budget. A legislator conveyed his sentiment on the privileged affair practice, especially the land affair.

> *"The Governor funded the land acquisition (of SL and WL) by using the privileged fund. The fund is then received by his other hand. Received as the King of Southern Kingdom.*

That's creative!" (Mr 23, legislator)

Nevertheless, this finding is consistent with previous studies which conclude that both the Executive and the Governors are very influential players in the government budgeting process (e.g. Hallerberg and Marier, 2004; Cheibub, 2006; Ryu *et al.*, 2008; Dometrius and Wright, 2010; Breunig and Koski, 2020).

8.5. Weak Legislative

Another important outcome of the social interactions is a weak Legislative body, as expected in a hybrid system or traditional setting such as in the SLG (Ekman, 2009). For example, the Legislative's criticism, requesting more intense interaction with the Governor in the budgeting process was seen as a 'bluffing'. Legislators even seemed 'scared' to negotiate with the Governor directly and did not wish to look as if they were 'against' the Governor, as mentioned by both a Legislator and a senior official.

> *"Because I am sorry to say that legislators here are really respect (segan) to the Governor, they are not brave (against the Governor). If we said this to them, they might feel offended. Legislators in other local governments are not like this. Hence, we (EBT) try to bridge this (the relationship between Governor and legislators)." (Mr 3, senior official)*

> *"With regards to the law, there is no obstacle in the relationship between the role and function of legislators with the position of King as the Governor and King (Western) as the Vice-Governor. However, psychologically, it matters, really matters. Consequently, the legislators could not be critical since they are worried if the public judge them 'brave' against the king. They might think 'I might not be elected again on the next election' because of this. Hence, due to this culture, the relationship between the governor and legislative in SLG is different from that in other local governments." (Mr 11, legislator)*

Legislators were reluctant to speak out directly in front of the Governor since it was viewed as 'inappropriate' to argue against the King Southern. It is also strongly related to the Kindness culture etiquette. The politics of etiquette in the SLG negatively affect the primary function of the Legislative, i.e. balancing the Executive power (Azizah and Al Akbar, 2018). King Southern is not only a political leader of the local government - he is more than that. He

was given inherent power and authority to lead the region and so his power seems beyond bureaucratic authority in the local government. The Governor is also a King, and thus occupies the highest socio-cultural position in the SLG region social structure (ibid.).

From the legislative perspective, standing against the Governor might be seen as standing against the local people, which is not good for their political career. Consequently, although legislators tend to demand a more present Governor in the budget negotiation, they appear more 'comfortable' to attack the Governor's subordinate, especially the EBT as explained at the beginning of this chapter. Therefore, it is rare to see legislators argue against the Governor about the proposed programmes. They always comply with what the Govemor has said during their direct interaction. It may also reflect a Master-servant relationship, whereby expressing loyalty to families or Masters rather than exercising professional judgements, skills and expertise, which contribute to career enhancement of subjects in organisations situated in traditional settings (Uddin and Choudhury, 2008). Hybridity of a government system, such as in the SLG, tends to produce a weak legislative body (Ekman, 2009).

Even if the legislators were to convey their vested interest directly to the Governor, they would do so politely, because they are people speaking to their King. It is expected that direct and open criticism is avoided (Azizah and Al Akbar, 2018). One senior official argued this.

> *"In SLG, there is an additional value of King Southern so that the people would never be brave enough to directly challenge him." (Mr 7, senior official)*

Thus, there was a mixed view when facing the Governor: on the one hand he is a Governor who is responsible for running and leading a formal bureaucracy of the local government; on the other hand, he is also a traditional leader who holds the highest power and authority of the monarchy in the area. Although the Governor and the Kingdom have a different formal structure, they are headed by the same figure. Inherently, it is difficult to distinguish him as a King or a Governor. Consequently, King Southern, as the Governor, has strong power

and charisma given by traditional setting to prevent anyone, including the legislators, opposing him. Instead, the people might be 'accursed' if they were brave against the King, as explained by a senior NGO member.

> *"In my opinion, there must be a differentiation in his position as Governor and King. Governor follows the regulations from the Ministry of Internal Affairs. However, as a King, he must place himself as a King. He cannot mix up himself as a Governor and a King then undertaking intimidation. For example, the Governor's instructions or legitimating his policies. However, we as a citizen cannot (against the King), if we are, the people thought they might be 'accursed' because of this. Sometimes it happens." (Mrs 19, senior NGO member)*

Moreover, legislators argue that the position of King Southern as a Governor, with unlimited time of service, leads to a more stable political environment which can support programme sustainability in the long run. If the Governor was elected, he could only rule the local government for five years, or ten years maximum (the Head of Government in Indonesia can only reign for maximum twos periods [ten years]) which could leave the sustainability of programmes questionable. Instead, the SLG is claimed to face a heavier challenge, to sustain their programmes in the long run.

However, as previously stressed by a legislator, if the local government could not sustain the programmes or perform well, there is no political consequence for the highest political leader. There is no mechanism to overthrow the King from his Governor position unless he is no longer the King of the Southern Kingdom. In other words, the next Governor will be decided by an internal mechanism to opt for a new King. It was even 'worsened' by the reluctance of the Legislative to openly criticise their Governor due to cultural constraints if the local government does not perform well.

Weak role of Legislative can be further viewed in the privileged budget process. The Legislative is not involved in the privileged budget process according to the related regulation. Formally, the legislators are powerless in the privileged budget discussion. With regard to land and spatial affairs, the Legislative had formed a special committee to monitor land and spatial

affair programmes; mainly to identify the progress of identification and certification of SL and WL, and land conflict between the people and the kingdoms during the identification process.

The Legislative claimed that they always sided with the local people. They argued that land and spatial affairs of the SLG might cause a detrimental effect and conflict to the local people. Consequently, the legislative body decided to postpone the examination of the draft of Special Regional Regulation concerning the land and spatial affair. In 2015, a legislator said that Special Regional Regulation about land and the spatial affair was postponed until the identification of SL and WL was completed. However, that Special Regional Regulation had been finalised and enacted in 2017[48], long before the identification and certification of SL and WL was expected to finish. Again, the legislative body of SLG seemed powerless to balance the Executive and both kingdoms. The question is, on whom the local people should rely?

Furthermore, although no approval and discussion are required with the local Legislative on the privileged budget, the privileged budget draft had to be reviewed, approved, and also monitored by the central government through related ministries. For example, the Ministry of Education and Culture would review and approve the cultural affair programme, the Ministry of Agrarian Affairs and Spatial Planning examine the land and spatial affair programme coordinated by the Ministry of Internal Affairs. Each Ministry would send their team to discuss the privileged budget draft with the local government. However, the role of the related ministries was not optimum in reviewing the proposed programmes.

> *"They could not be that detailed due to a large amount of money and activities to be reviewed. They have their main job responsibility, but this (reviewing the privileged budget draft) is not their 'side-job' so that the ministries were not that detailed. For example, from the Ministry of Culture Affair, they only sent a few people. So do the Ministry of Internal Affairs and the Ministry of Agrarian Affairs and Spatial Planning. It could not be that detailed, and they might not know whether the programmes being reviewed have been included in the common annual budget (overlap potential). It is impossible for them to have a specific event to examine it." (Mr 14, retired senior official)*

[48] Special Regional Regulation no. 1 and 2 Year 2017

Hence, the control from the central government could not be optimum too. Based on the central government report on monitoring and evaluation of the privileged budget fund from 2013-2017, the evaluation conducted by the related ministries related to the absorption of the money spent by the local government and the physical output of the programmes. No strategic evaluation was undertaken by the central government, such as the impact of the programmes on the people of the SLG. For example, no assessment was conducted related to the identification and certification of SL and WL programme and the conflicts it created with the local people due to lack of clarity on land documentation.

8.6. Vice Governor Involvement

Moreover, it is even seldom to hear the involvement of the Vice-governor of the SLG. Like the position of the Governor, the position of the Vice-governor will always be occupied by the King Western. The current Vice-governor is the King Western XI. He has been crowned as the King since 2016, following the cease of his father.

Looking at the power possessed by King Southern as a Governor, one may expect King Western, who occupies the Vice-governor position, might serve as a balancing power. However, culturally and legally, the power of the Western Kingdom is much more limited than that of the Southern Kingdom (Azizah and Al Akbar, 2018). As explained in the political history of the SLG, the Western Kingdom was an area occupied by the Southern Kingdom granted to the first King Western, so politically the Southern Kingdom is arguably much more powerful than the Western. Consequently, it was claimed that his role in government affairs, including budget decision making, was minimal according to most of the interviewees. He typically agrees or follows whatever the Governor says, recognising that he is less powerful than King Southern VI.

The Vice-governor only attends formal ceremonies, mainly to represent the Governor if he cannot attend. Although he had been serving as a bureaucrat for several years in the SLG before he was enacted as a King, he did not really master government affairs and how to overcome the problems faced by the citizens, especially as he was delegated to overcome the poverty and inequality issues in the SLG. Both the Executive official and Legislator shared the same view.

> *"The role (in the budget process) of the Vice-governor is very lacking, very lacking. His mastery in the material is also lacking. He is a good man because he was a bureaucrat at the Public Welfare Bureau so that he actually grasps the micro (economics) idea. However, his mastery in macro (economics) is very limited. Governor is more capable." (Mr 16, legislator)*

> *"He does not understand (poverty and inequality issue), I know him very well because I was his staff at Labour Agency, RPA, and Public Welfare Bureau. What can we say? His capability is just like that. He must be enacted as Vice-governor because of the law." (Mr 14, retired senior official)*

Despite his area delegation, he rarely attended any meetings held by related agencies which dealt with poverty issues. Instead, the meetings were usually led by the EBT or regional secretary, and they directed the agencies in setting the proposed programmes and its executions. Hence, the role of the Vice-governor in government affairs, including the budgeting process was very limited.

8.7. The Critical Role of EBT - Fictive Kin

From the social interactions chapter, it can be seen that EBT has possessed a vital role as the representative of the Executive and 'right-hand' of the Governor. They are also the means by which the Governor imposes his control over local government daily activities. This type of role is referred to as fictive-kin in Weberian terms (Uddin, 2009; Uddin *et al.*, 2018). Through its formal role as the representative of the Executive in the budget process, the EBT has a vital role in the budgeting process. Two critical aspects of the budget, namely planning and budget

function, belong to two agencies: RPA and RRA. RPA holds a planning function in the local government. They were formed to enhance the regional planning and developments and to bridge the coordination between national and regional development. The regulations [49] mandated the formation of a regional planning agency as a coordinating body of regional development called RPA. RPA is responsible to the Governor at the provincial level. The Governor provides general directions, including his visions and mission over the next five years, and RPA is responsible for interpreting and translating them into medium-term planned programmes and activities.

Furthermore, RRA has an even more strategic role in translating the planned programmes and activities into the budget. Substantially, RRA is the revenue centre of the local government, and thus are responsibly for allocating the available resources to the planned programmes and activities. Both agencies are led by a chairman. As previously explained, the Regional Secretary, as the 'right-hand' of the Governor, leads the EBT. They are the one who is responsible for interpreting the instruction from the Governor concerning his general policies. They also need to ensure consistency of the programmes and activities across all agencies with the Governor's visions, missions, and general policies.

The composition of the EBT is also interesting since the Inspectorate and Organisation Bureau were appointed to assure the accountability process of the budget. As the accountability mechanism, the Inspectorate is expected to maintain programme and prevent any programmes or activities that contradict laws or regulation.

> *"We (Inspectorate) are in a difficult position. On the one hand, we are a member of EBT, on the other hand, we are also an auditor. However, we are committed to our position. When we are in a monitoring function (APIP), we just undertake this function. If our monitoring function is not responded, then we run our auditing function. It has an enormous effect on the local government. Please look at the measurement, without our intervention, it is less likely that the local government earned 'unqualified opinion' on their financial reports in 7 consecutive years. Without our intervention, it is impossible to obtain 'A' grade on the local government accountability report for so*

[49] Presidential Decree 15/1974 and Ministry of Internal Affairs 142/1974

many times. In other words, the Governor considers the important role of Inspectorate" (Mr 5, senior official).

The interaction between the Executive and Legislative in the common budgeting process begins with discussions of BGP-TBCP. Most of the budget discussions occurred between the EBT and the Legislative. However, as repeatedly mentioned, the Governor was rarely involved in the day-to-day budgeting process with the legislators, as stated by a senior official:

> *"So, we have an Executive Budgeting team called EBT, led by the Regional Secretary. As long as the Regional Secretary can handle the matters, the governor does not involve (in the budgeting legislation process)" (Mr 12, senior official).*

A legislator also asserted this:

> *"I did not see much of the involvement of the Governor. I have been here for two consecutive periods; the Governor once attended a meeting to present the fundamental agenda of developments in the future. However, the Governor did not always attend in the (budgeting) process. He delegated more to EBT" (Mr 11, legislator).*

Seemingly, the Governor was inclined to delegate authority to the Executive Budgeting team for the day-to-day budgeting process. Shortly after the Governor presented his general policies of the annual budget within a meeting with his executive subordinate, the EBT set the draft of BGP-TBCP, which was then presented again to the Governor. After the approval, the proposed budget went through the legislation process. If there are any strategic matters, including the budgeting process, that need immediate response, they are not usually conveyed directly to the Governor, but are reported and solved by the Regional Secretary; the position of the Regional Secretary is very strategic. On the one hand, he is the 'right-hand' of the Governor; on the other hand, he is also the Head of the EBT. Consequently, the Regional Secretary is usually occupied by the one who is both personally and professionally close to the Governor. The Regional Secretary, along with his EBT members, must be able to implement the Governor's instructions and policies.

The bureaucrats also showed their obedience to the EBT as depicted in social interactions section, since they believed that EBT is the representative of the Governor and Executive. They always complied with the EBT's instructions and most of the interviewees argue that almost all bureaucrats fully obeyed EBT without any visible resistances. This critical role of the EBT is called fictive kin in Weberian terms, i.e. the ones who gain trust from the family groups to exert control in organisations, thus the subjects tend to also devote their loyalty to the fictive kin (Uddin, 2009; Uddin *et al.*, 2018).

8.8. Strategic Role of Budget to Preserve Legitimacy

The previous chapter has highlighted how the main concern of the Governor is to keep sound bureaucratic administration of the local government by complying with, and often exceeding, regulations to 'please' the central government. Pleasing the Indonesian government is essential since it may prevent them from interfering with local affairs, which in turn preserves the status quo or legitimacy of the existing political affairs (Azizah and Al Akbar, 2018). Thus, the role of a budget as an accountability mechanism may be important in this regard. For example, Black (2008) presents that an accountability mechanism is important in maintaining organisational legitimacy since it is a means through which stakeholders attempt to confirm the conformity of organisational activities with their legitimacy claims. In the context of the SLG, although previous studies argue that the role of accounting as an accountability mechanism is muted in traditional settings (Dyball *et al.*, 2006; Uddin, 2009), the key actors seem to employ the budget as an accountability mechanism to preserve the legitimacy of local political affairs, as discussed below.

8.8.1. Maintaining Status Quo

The 'decent' local government practices in the SLG were later claimed to have a positive

impact on the local people. As discussed in previous chapter, the Executive claimed that some indicators reflected the success of local government programmes and activities, such as the Happiness Index, Human Development Index, and Life Expectancy Index. The Executive argued that it was not impossible that the local people could possess a high life expectancy and happiness index without good local government programmes and activities. According to Ríos *et al.* (2016), this is the application of budget as an accountability mechanism whereby it is used as a means to confirm whether or not a government meets their targets and successfully realises their programs.

> *"…the problem in SLG is not only about poverty. Our Youth Development index is ranked first, the Happiness Index is ranked second (nationally). Hence, the Head of Indonesian Statistics also said that the performance of SLG is unique, it obtains high Happiness Index, ranked first on Youth Development Index, ranked first on Democratic index, but there are many poor people." (Mr 1, senior official)*

With regards to the privileged budget practices, the local government also claimed that they had made significant improvements to its implementation. As discussed in Chapter 8, the implementation of the privileged fund faced some accountability problems, including a lack of focused programmes and activities.

> *"……we witnessed a lot of things (on the implementation of the privileged budget), we then proposed to Governor to revise to Governor Regulation about privileged fund management. On the revision of Governor Regulation, we put many 'safety' mechanism so that our friends who manage the fund are not 'trapped' with a lawsuit, not affected by the law because when the previous Governor Regulation was set, there were many limitations and APIP (local government internal auditor function) had limited role.* Alhamdulillah, *after we (APIP) came in, we conveyed the limitations to the governor, and it was fixed by issuing a new Governor Regulation. Since then, the implementation of the privileged fund is established, the fourth and fifth year have been optimum and established." (Mr 5, senior official)*

Hence, although there were several controversies on its implementation, the privileged budget and its programmes have had a decent impact on the local people. The local government, especially its Executive, claimed that because of good governance of the local government affairs, based on the central government criteria, the privileged programmes have contributed to strengthening local government performance. One official expressed this.

"…please note that for the last five years since the privileged status of SLG, our economic development was relatively stable, according to RPA (Regional Planning Agency), not me. Instead, our economic growth was once above the national average. It is in the last five years. What's next? Good government? I think the privileged fund does not only contribute to only privileged affairs, but it also contributes to good government, our performance accountability earned 'A' grade." (Mr 4, senior official)

Good performances as a local government is an important manoeuvre for the local government to keep existing political arena. Maintaining decent performances or 'keeping its book tidy' is expected by the central government to avoid their intervention over the local political affairs (Azizah and Al Akbar, 2018). In turn, pleasing the central government ensures the legitimacy of the existing political dynamics (ibid.). In other words, it maintains the existing structural conditions or morphostatis (Archer, 1995).

8.9. Conclusion

This chapter has demonstrated the outcomes of budgeting practices in a traditional setting. Familial control to serve the familial interest becomes the salient outcome of privileged budgeting practices of the local government, especially on cultural, land and spatial affairs. Some of the allocations of the fund were used to pay the salary of the palace's employees, both kings, and their princesses and princes. Household matters of the palaces were also funded by the local government, such as water and electricity bills. Furthermore, the cosmetics for princesses and princes were also allocated from the budget. According to some interviewees, some royal family members also gain allocation for the sake of their personal business. Similarly, land and spatial affairs depict the attempt to accommodate the interest of royal families by assisting them in acquiring land in the region. Instead, strategic-located land is rented to corporations to build their business facilities.

As expected, other actors, especially the bureaucrats, display their loyalty to the Governor by complying with the governor's instructions without questions or resistances and realising those instructions into programs and activities in the budget. Their loyalty is also

depicted on their manoeuvres to defend the Governor's proposed programs and when they set fund allocation to the kingdoms in the form of an endowment fund, which requires minor bureaucratic procedures.

The outcomes also show strong government and Executive branches in the SLG context. Although the Governor was not involved in the day-to-day budgeting process, the Governor was very influential in budget decision making. All the local government programmes in the medium or annual plan are derived from his instructions. The Governor always delivered general policies and instructions before and after the budget draft was arranged. His subordinates, especially the EBT, were expected to grasp his ideas and translate them into programmes and activities, without questions. His subordinates always obeyed him.

Interestingly, King Southern delegated some of his authority to the EBT in the budget process so there was room for them to make some discretions on the budget discussions. However, they always retained consideration to ensure laws and regulations were complied with, so as to not attract the attention of the central government. All the programmes and budgets should be normatively decent. 'Keeping the book tidy' was the main concern of the Governor to avoid central government intervention. For example, the Executive could compromise with the Legislative as far as no regulations were violated, and no corruption accusation.

Even though the Governor's approach to the budgeting process was criticised by the Legislators who demanded more involvement from the Governor in day-to-day discussions, the Executive saw this as a bluff. The Executive claimed that the Legislators were not brave enough to directly negotiate or discuss with the King. Again, the politics of etiquettes and Kindness culture prevented them from balancing King Southern as the Head of the Executive and local government. Direct and open criticism are avoided to the occupant of the highest socio-cultural position in the social structure since it might have a severe consequence for them,

especially relating to their political interest of being re-elected. Opposing the King may negatively impact their image in front of the local people.

The King Western, who occupies the Vice-governor position, seemed powerless to balance the Governor's power. Culturally and politically, the power of the Western Kingdom was limited compared to the Southern Kingdom. Substantially, no significant influence was deployed by the Vice-governor in the budgeting process. Hence, the Executive, headed by King Southern as the Governor, clearly dominated the budgeting process in the SLG.

Nevertheless, a hybrid political system whereby there is an intersection between democratic values and traditional dominations has produced weak Legislative body (Ekman, 2009). Legislative can only involve in the common annual budget or 'open arena'. By the regulation, they are not allowed to involve in the privileged budgeting process. Although they attempt to demand more Governor's presence in the budgeting discussion, the Executive views this as only a 'bluffing' since they are even not brave enough to confront the governor directly.

The processual dynamics between the key players also demonstrate the critical role of the EBT in realising Governor's instructions, representing Executive, and negotiating with the Legislative. Bureaucrats also show their obedience to the EBT as the representative of the Governor. In the Weberian term, such EBT's role is called fictive-kin.

Interestingly, the role of the budget as an accountability mechanism is essential in the SLG, contrary to previous studies, which argue the weak role, if not muted, of accounting as an accountability mechanism. Although it has some controversies with its budgeting practices, the evaluation criteria from the central government depict that the SLG's performance is among the best, or even ranked first in some instances, compared to the other provinces in Indonesia by the Indonesian government. The local government creates decent programs and activities, which in turn leads them to earn awards from the central government. It is not merely about the compliance of the local government to the regulations, but also they attempt to be

accountable. They did more than what was required by the regulations, for example, by creating an online planning system and online budget implementation monitoring system. According to previous studies, realising programs and activities in the budget is an attempt to be accountable so that it demonstrates the role of a budget as an accountability mechanism (Goddard, 2005; Ríos *et al.*, 2016).

It was a considerably great achievement of the SLG, knowing that the leader of monarchies ruled the region. While a monarchy was closely related to the authoritarian regime, which might limit the public participation in the public affair, the hybridity regime in the SLG had depicted the possibility of civil society participation in some public issues.

Furthermore, the willingness of the bureaucracy to 'perform' well was closely related to the design of the hybridity system in the region by the father of King Southern VI, i.e. King Southern V. The main purpose of performing 'normatively well' was to avoid the intervention of the central government in regional affairs. In other words, the bureaucracy attempted to maintain the legitimacy of the existing democratic system in the region whereby the Southern and Western Kingdoms sustained their political power.

Chapter 9: Theoretical Discussion and Analysis

9.1. Introduction

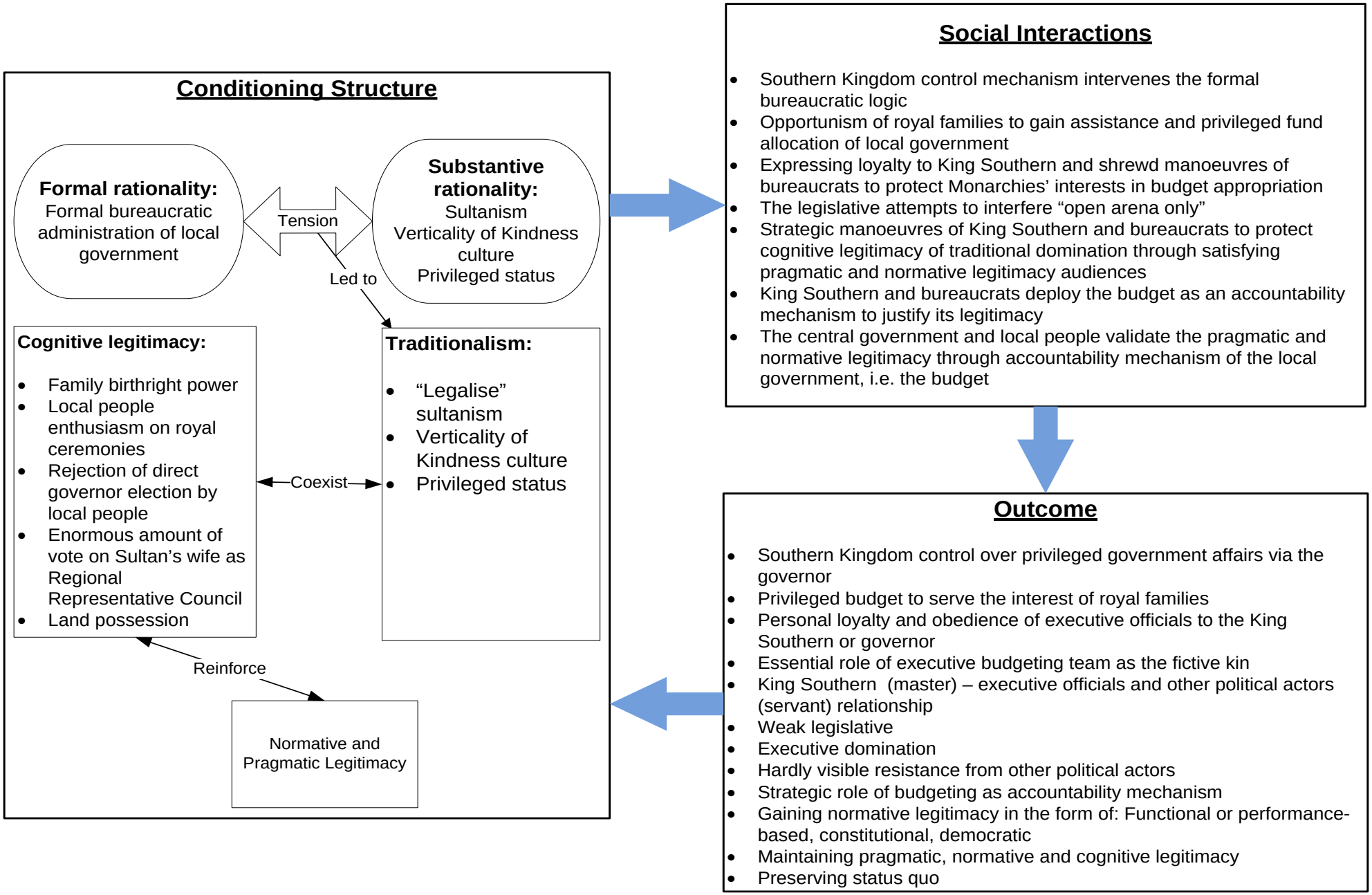
This chapter discusses the empirics and theoretical frameworks used by this research. Drawing on a critical realist perspective, this research combines the morphogenetic approach of Archer (1995) as a meta-theoretical (methodological) guideline, and substantive theories to enrich the explanation of the empirical situation as suggested by Sayer (1992). Thus, this research employs Weber's (1964) traditionalism and Black's (2008) legitimacy and accountability relationship, as the substantive theories. Archer's morphogenetic approach begins with the analysis of conditioning structure which in turn constrains or enables the agential actions. This will be further elaborated on the analysis of historical and structural conditions, as suggested by Weber's traditionalism in Chapter 4. Structural conditions will be deeply explored from the tension of formal rationality and substantive rationality which produces a specific form of substantive rationality in traditional societies, i.e. traditionalism (Dyball and Valcarcel, 1999; Uddin, 2009). Similarly, Black (2008) emphasises the importance of institutional analysis in understanding accountability and legitimacy dynamics. The institutional analysis examines the form of legitimacy an organisation wishes to claim, i.e. pragmatic, moral/normative, or cognitive legitimacy. The dialectical nature of accountability depicts the accountability relationship between an organisation and its legitimacy communities.

The social interaction section discusses the response of the actors towards structural pressures. It includes intervention of the Southern Kingdom's (anonymised) control over the formal bureaucratic mechanism in the budgeting deliberations; showing loyalty and obedience to King Southern (anonymised); and the strategies undertaken by King Southern and bureaucrats to maintain cognitive legitimacy through deploying budgeting practices as an

accountability mechanism. Figure 9.10 depicts the theoretical discussion and findings of this research.

This chapter is organised into three broad sections. The first section provides the structural analysis, which discusses structural and historical environments surrounding the Southern Local Government (SLG - anonymised) and its impact on the legitimacy of the existing political system. The second section describes the social interactions of agents in the SLG that are constrained or enabled by the conditioning structure. The third section discusses the outcome of social interactions, which mainly maintain the existing conditioning structure (morphostatis).

Figure 9.10. Actual Budgeting Practices in the SLG



9.2. Conditioning Structure

9.2.1. Formal vs Substantive Rationality

Previous studies argue that research needs to analyse the organisation in a broader context to understand its management control practices, including budgeting, which involves a structural and historical analysis (external layer analysis) of the case being studied (Colignon and Covaleski, 1991; Dyball and Valcarcel, 1999; Dyball *et al.*, 2006; Uddin, 2009). Black (2008) also emphasises the importance of institutional analysis to understand the dynamics of legitimacy and accountability relationships. Guided by the morphogenetic approach, these analyses are essential in depicting structural conditions surrounding the SLG context, which in turn condition or constrain the action of the agents.

Previous studies suggest that investigating structural analysis in a traditional context can be done through examination of rationalisation concept, whereby there is a tension between formal and substantive rationality (Dyball and Valcarcel, 1999; Dyball *et al.*, 2006; Uddin, 2009; Uddin *et al.*, 2018). Indonesia has a long relationship history with the Southern Kingdom against the colonial government, which led to the integration of the Southern and Western Kingdoms (anonymised) to the new independence of Indonesia in 1945. The region ruled by both monarchies was then granted a status equal to a province, i.e. SLG local government, to run its local government affairs with several privileged authorities. In other words, the region was then formally governed by a local government which possessed formal rational bureaucratic administration and promoted formal rationality in the local government, including its budgeting practices. To Weber, formal, rational bureaucracy of an administrative organisation is formally viewed as the most rational means of executing control (Radcliffe, 1997).

However, the essential point of the privileged status granted by the Indonesian government is that the leaders of the SLG local government would automatically be occupied

by the leader of Southern Kingdom as the Governor and the leader of Western Kingdom as the Vice-governor. This may promote a specific form of substantive rationality in local government affairs since the royal families retain their power in the local government. It promotes a particular form of substantive rationality, i.e. traditional domination, that is exercised by an individual or family (Weber, 1964). Uddin *et al.* (2018) argue the institutions of family and clans as powerful and enduring in traditional settings. Weber later explains that the person exercising authority (master or chief) is determined based on traditionally transmitted rules, also called '*sultanism*' when the Master's authority is maximised. Similarly, the privileged status granted by the central government allows King Southern to always be automatically selected as the Governor of the SLG. Hence, this sets the condition for the penetration of traditional logic into the formal bureaucratic process of the local government. It could be seen further in instances where the local government was required to execute other privileged affairs which arguably served the interest of royal families.

The existence of Kindness (anonymised) culture in the SLG region further strengthens familial domination. According to Azizah and Al Akbar (2018), one important aspect of Kindness culture, i.e. the traditional hierarchy, has been merged into politics in the SLG region. It determines the relation between elders/youths and elites/commoners. The public was inclined to maintain harmony and avoid conflict with others, especially those who had higher social status (e.g. the elites). The cultural etiquette rooted in this hierarchy has affected the relations between the Southern leader as Governor and other actors. It has been applied either unconsciously or consciously by all political actors in the SLG such as Mayors/Regents, NGO activists, politicians, legislators, and bureaucrats within their interactions with King Southern. If possible, direct and open criticism to the Southern Kingdom and its King were avoided (Azizah and Al Akbar, 2018). Similarly, traditional domination leads subjects to

unconditionally obey their Master, as depicted by the relation between King Southern (master) and other political actors, especially bureaucrats (subjects).

9.2.2. Legitimacy Environment and Southern Kingdom Domination

Nevertheless, the traditional domination in the SLG and its budgeting controversy might raise a question as to why such political systems, which enable traditional domination, maintain their legitimacy within the democratic political system in Indonesia as adopted by the state and other local governments. It has been argued that, enhanced by Kindness culture, the Southern leader and both monarchies have coexisted with cognitively based legitimacy, i.e. the local people as the main legitimacy communities accepted them as inevitable. Suchman (1995) argues cognitive legitimacy is the most subtle and powerful form of legitimacy and is rarely challenged. It resonates with family-led local governments, like the SLG, whereby the Southern King has an apparent birthright to power. Siddiqui and Uddin (2016) argue that family relationships are sufficient, and no further justification is needed to exercise power.

Strong legitimacy of the traditional institutions could not also be distinguished from the initial design of the local government when the monarchies merged with the Indonesian government. The political manoeuvre of King Southern V during the independence of Indonesia had successfully maintained the political power of traditional institutions in the region which conjoined with formal bureaucratic logic, i.e. hybrid political system. King Southern V might be seen as a critical figure during the aggression war by the Dutch shortly after the independence of Indonesia and had even contributed his personal wealth to fund the newly formed nation. Strengthened by structural conditions, King Southern V's role during the independence of Indonesia might have contributed to creating cognitive legitimacy in the nation, as well as enhancing it in the SLG region.

The cognitive legitimacy rooted in the region could also be seen through some events: first, a failed attempt by the central government to impose a direct election of the Governor by the local people in 2008; second, remarkable enthusiasm of local society when celebrating traditional ceremonies of the Southern Kingdom and the marriage of King Southern VI's daughter; third, the success of King Southern's wife, Queen Southern, as a member of Regional Representative Council from the SLG region for four consecutive periods since 2004, earning over 90% of votes in each election, the highest vote of any other Regional Representative Council candidate in the country. Additionally, the possession of land (Southern Land and Western Land) in the region has also become the material basis for the Kingdoms to enhance their legitimacy (Azizah and Al Akbar, 2018). It depicts the power of royal tradition and Kindness culture within the hearts and minds of local people, which in turn renders relatively stable and strong support of the local people to the monarchies (Azizah and Al Akbar, 2018).

Amidst the wave of democratisation in the country, the SLG has successfully maintained the cognitive legitimacy of traditional institutions to rule the region through a local government from its direct legitimacy communities, i.e. the local people, while other organisations tend to pursue a pragmatic legitimacy, the weakest form of legitimacy, from its direct legitimacy communities (Suchman, 1995; Black, 2008). However, Black (2008) argues that an organisation may have different legitimacy communities which require different legitimacy demands. Similarly, Siddiqui and Uddin (2016) explain that while cognitive legitimacy is deeply rooted in traditional societies, pragmatic and normative legitimacy entails further assessment.

These multiple legitimacy demands need to be satisfied by an organisation when seeking legitimacy claim (ibid.). Suchman (1995) also states that in most real-world settings, different forms of legitimacy coexist and often reinforce each other. Similarly, while cognitive legitimacy is deeply rooted from its direct legitimacy audiences (the local people), the local

government needs to satisfy the other important legitimacy audience (the Indonesian government). Thus, Azizah and Al Akbar (2018) argue that the 'price' the local government 'had to pay' as a result of its hybridity was to ensure the bureaucracy 'keeps its book tidy' to please the central government and prevent them from intervening in regional affairs. No political intervention from outside the region, i.e. from the central government, refers to the security of the status quo or existing legitimacy (Azizah and Al Akbar, 2018). In other words, the Indonesian government requires the SLG to ensure its bureaucratic affairs or procedures to be normatively appropriate, which Black views as a demand to satisfy normative legitimacy communities. Black also acknowledges that normative legitimacy is indeed frequently contested, unlike cognitive legitimacy (Black, 2008, p. 145).

The central government wishes to see a tidy bureaucratic process which could be reflected in their decent accountability ranking. It perhaps explains why the SLG local government has been performing well in local government affairs, including accountability practices, according to the Indonesian government criteria. This is the nature of the SLG's accountability relationship with the Indonesian government, which conditions the accountability practices in the region. Thus, it is essential to analyse how budgeting practices as an accountability mechanism contribute to shaping the legitimacy of the political system in the SLG within the democratic environment in the country. The budgeting practices in the SLG need to be understood in the context of legitimacy and accountability relationships. Drawing on Black's (2008) notion of legitimacy and accountability relationships, Weber's concept of traditionalism will be further discussed from the positions of the legitimacy and accountability relationships of the traditional regime in the SLG.

9.3. Social Interaction

The subsequent analysis is the social interaction of agents as depicted in the theoretical framework. Agential actions are constrained or enabled by the structural conditions surrounding the agents in SLG context. Drawing on empirical data and the aforementioned conditioning structure, this research finds several key social interactions and actions. These are: Southern Kingdom control mechanism which intervenes the formal bureaucratic logic; opportunism of monarchies to gain assistance and privileged fund allocation from local government; expressing loyalty to King Southern and shrewd manoeuvres of bureaucrats to protect Southern King's interests in budget appropriation; Legislative attempts to interfere in an 'open arena only'; strategic manoeuvres of King Southern and bureaucrats to protect cognitive legitimacy of Southern Kingdom through satisfying pragmatic and normative legitimacy audiences; King Southern and bureaucrats deploying the budget as an accountability mechanism to justify its legitimacy; the central government and the local people validating the pragmatic and normative legitimacy through accountability mechanisms of the local government, i.e. the budget. These are discussed below.

9.3.1. Southern Kingdom's Logic Intervenes Bureaucratic Mechanism

Structural analysis has depicted the macro conditions in the SLG region, whereby the tension between formal rationality and traditionalism leads to traditional domination. Hence, organisations situated in a traditional society such as the SLG are also more likely to depend on personal or familial control which gives rise to different substantive rationality of control, i.e. forms of control to serve the interest of family or clans (Dyball and Valcarcel, 1999; Dyball *et al.*, 2006; Uddin, 2009).

The empirical data shows that Southern Kingdom logic often intervenes with formal bureaucratic administration of the local government, especially privileged budgeting practices.

It is not surprising since the Governor of the local government was also the leader of the Southern Kingdom. Although formal bureaucratic administration constrains the allocation process of the budget, the local government fund allocation to both monarchies is also heavily influenced by the logic imposed by both traditional institutions, especially the Southern Kingdom. For example, when the local government was constrained by regulations to set the expenditure of the Southern Kingdom for purchasing goats and scents for royal ceremonies, the local government inclined to approve the costs set by the Southern Kingdom, although they may not fully conform to regulations, which reflects the intervention of traditional logic over the rational bureaucratic administration. In other words, Weber's bureaucracy is intervened by family control, as expected in an organisation in a traditional setting.

The intervention of traditional logic can also be seen through the design of funding transfers to the traditional institutions. The fund allocated to Southern and Western Kingdom within the cultural affair was in the form of an endowment fund, which inherently required fewer bureaucratic procedures. The Executive Budgeting team claimed that the form of endowment fund decreased their 'burden' in managing the funds allocated to both monarchies. Also, the details of activities in the kingdoms were not their authority, so it was easier to grant a lump sum of money to them. In other words, the local government again accommodates the traditional institutions by allowing them to use the state's fund more flexibly. This sort of unrestricted personal control is envisaged in a traditional society where the intervention of formal bureaucratic administration is confined (Uddin, 2009, p. 791).

9.3.2.The Opportunism of Royal Families to Gain Allocation

Some interviews also revealed that the flexible nature of the fund, as designed by the Governor and his Executive Budgeting team, leads to opportunist behaviour of royal family members. According to some interviews with senior officials, a portion of funding from the cultural affair

was used to establish certain business facilities which would be managed by the royal families. They argued that this was an indication of corruption since the state's money was used for personal interest. On the other hand, the local government seems powerless since the law requires them to facilitate the monarchies' affairs. The nature of the endowment fund also prevents the local government and state auditor from easily detecting these activities since the budget document does not necessarily provide the detail of the endowment fund. However, the government auditor himself seemed reluctant to interfere with the Kingdoms' affairs. Again, this reflects the influence of traditionalism over the formal bureaucratic mechanism. It also depicts an essential role of the Executive Budgeting team to enable the domination of the Governor and his royal family.

Similarly, intervention with bureaucratic mechanisms also occurred in land and spatial affairs, which were deemed to serve the interest of the royal family. Azizah and Al Akbar (2018) argue the existence of Southern Land (SL) and Western Land (WL) are essential for both monarchies as they have become the primary material basis for their legitimacy and existence in the region. Empirical evidence has depicted the controversies surrounding SL and WL, including the conflicting land claims by the monarchies; strategically-located lands primarily rented to investors or corporations, ignoring environmental impact and some regulations; and the powerless of the local government over the utilisation of SL and WL, despite its identification, registration and certification having been funded by local government budget, implying the inability of formal bureaucracy to interfere with Kingdom's affairs. Therefore, it depicts the opportunism of royal families, via the Governor, to gain allocation of local government budget and influence the formal bureaucratic process. Referring to Weberian terms, Dyball *et al.* (2006) argue these sort of control practices depict and affirm traditional views of state governance where private household transactions are mixed with the public.

9.3.3. Expressing Loyalty to King Southern and Bureaucrats' Manoeuvres over Legislative Intervention

According to Weber (1964), traditional authority is exercised by an individual or family and "the person exercising authority is not a 'superior', but a personal 'Chief', unlike legal authority, is primarily based on personal loyalty." Previous studies argue the loyalty and obedience of subjects to their Master is an essential element for enabling traditional domination (Dyball and Valcarcel, 1999; Dyball *et al.*, 2006; Uddin, 2009; Uddin *et al.*, 2018), which also appears in the case of the SLG.

Expressing personal loyalty and obedience of local government officials to King Southern as the Governor can be seen in the budgeting process whereby the bureaucrats are expected to appropriately translate and obey his instructions into detailed programmes and activities within the budget. Azizah and Al Akbar (2018) argue bureaucrats are expected to assure the success of such instructions and implement them without question. The empirical data has shown how the Governor's Executive officers, led and directed by the Executive Budgeting team, ensure the success of the Governor's proposed programmes and its budget, especially when it comes to the legislation process. No resistance appears from local government officials with regards to the Governor's instructions. This obedience of 'subjects', e.g. bureaucrats, to their master, is expected (Weber, 1964). Weber argues traditionalism drives a subject to be loyal to the 'Chief' or 'Master' in order to be seen as trustworthy. Uddin *et al.* (2018) also explain that personal loyalty to the Master is essential for the career enhancement of 'subjects', so subjects must demonstrate their loyalty and obedience to the Master publicly.

The Executive Budgeting team, who earns enormous power and personal trust from the Governor for orchestrating the budgeting affairs, is a prominent means of the Governor in the budgeting process. Empirical evidence also depicts obedience of the local government officials to the Executive Budgeting team, as the representative of Governor. The Head of the Executive

Budgeting team is usually the one who has a close personal connection with the King Southern. Hence, it suggests that the obedience of bureaucrats in the SLG is to King Southern as both the local government leader and the traditional leader. The obedience is also mediated through the Executive budgeting team.

The Legislative, as the balancing power of the Executive, attempts to undertake their function. Although the Legislative exercises their power during budgeting discussions and negotiations with the Executive Budgeting team by deploying several strategies to modify the appropriation of the fund in the proposed common annual budget, this only applies in the 'open arena'. Azizah and Al Akbar (2018) argue considerable matters are open for public feedback related to government affairs, such as poverty and inequality issues, health care, public services etc., provided it is conveyed politely, not through the 'front door' or direct confrontation with the Governor. In this arena, all political actors are welcomed to contribute suggestions and input to the Governor, as depicted in empirical data where intensive negotiation between legislators and the Executive Budgeting team in the common annual budget occurred concerning poverty and inequality issues. However, the 'closed' arena is not 'open' to the public when the issues are related directly to King Southern/Governor, such as the land affair. Consequently, when a public institution (e.g. the local ombudsman) attempts to 'interfere' with this matter, the Governor 'suppresses' this institution, for example by limiting its budget which is derived from the local government budget (Azizah and Al Akbar, 2018).

The shrewdness of the Executive Budgeting Team even 'exacerbates' the balancing function of the Legislative by accommodating their demands of fund allocation to their electoral districts. Consequently, the legislators tend to focus on their pragmatic interest in the political arena, i.e. gaining fund allocation for the sake of their constituents, which in turn enhances their opportunity to be re-elected, as also suggested in previous studies on Legislative

manoeuvres on budgeting practices (e.g. Askim and Hanssen, 2008; Anessi-Pessina *et al.*, 2012; Célérier and Cuenca Botey, 2015; Kuruppu *et al.*, 2016).

9.3.4. Strategic Manoeuvres of the Key Actors to Protect Legitimacy by Deploying Budget

The structural and historical analysis shows that the local government seems to have earned cognitively based legitimacy from the local people. Siddiqui and Uddin (2016) argue that this apparent cognitive legitimacy has produced low pressure to be accountable to the general population. It results in the role of accounting as an accountability mechanism becoming weak in traditional societies (Dyball *et al.*, 2006). Nonetheless, this is not the case in the SLG context. The structural analysis depicts the accountability relationship between SLG local government and the Indonesian government, whereby the central government requires the goals or procedures of the local government bureaucracy, including its budgeting practices, should be normatively appropriate. According to Black (2008), this is as an attempt to achieve normative legitimacy. Suchman (1995) argues that in most empirical settings, multiple legitimacies present. Thus, it is essential for an organisation to achieve different types of legitimacy, as these are also often used to reinforce each other (Suchman, 1995; Black, 2008).

Unlike cognitive legitimacy, normative legitimacy is often challenged by the legitimacy constituents (ibid.). Referring to various literature on legitimacy, Black (2008) associates four types of claim with normative legitimacy, i.e. performance or functional, constitutional, justice, and democratic claims. These claims mainly regard the conformance of an organisation to sets of values derived from each claim. One of the key strategies to manage legitimacy is to conform to the demand of legitimacy communities (Suchman, 1995; Black, 2008). The SLG local government seems to undertake this strategy to conform to the expectation of its main

legitimacy communities, i.e. the central government and the local people, by achieving these forms of normative legitimacy.

At this point, the role of the accountability mechanism is essential. According to Black (2008, p. 149), the accountability mechanism is a critical element in the construction and contestation of legitimacy claims by both organisations and legitimacy audiences, since they are the means by which legitimacy communities seek to ensure that legitimacy claims are met, and that their evaluations of the legitimacy of organisations are valid. Hence, the role of government budgeting as an external accountability mechanism is important (Ma and Hou, 2009; Anessi-Pessina *et al.*, 2016). Unlike previous studies which find the role of accounting as an accountability relationship in traditional societies is minor, the SLG case depicts the strategic role of budgeting as an accountability mechanism to enhance organisational legitimacy. The local government deploys their budget as an accountability mechanism to obtain these normative legitimacy claims.

First, the most salient attempt of the key actors in the SLG is to achieve performance or functional claim, namely focusing on the outcomes and consequences of the organisation, e.g. efficiency, expertise or effectiveness (Black, 2008). They employ the budget to form decent programmes and maintain accountability for those programmes by complying with any rules and regulations during its proposal and implementation. It reflects their commitment to the primary function of a government, i.e. providing public service and improving public welfare. Consequently, the local government earned a number of awards their programmes, such as women empowerment, child protection, IT programs, etc. Winning awards reflected the success of the programmes and that the local government meets its duties or performance targets set in the budget; a form of accountability (Goddard, 2005; Ríos *et al.*, 2016). Decent rankings and programme awards may indicate satisfactory performance as well as the

effectiveness and expertise of the local government to manage the public fund, consistent with the performance or functional claim.

More importantly, the SLG local government had successfully maintained their decent local government indexes and awards over the years. It implies the consistent effort of the local government to achieve their performance targets and follow complex evaluation criteria set by the central government, which in turn produces decent performance indicators. The consistency in achieving performance indicators reflects the protection of past accomplishments of the local government, which Suchman (1995, p. 595) sees as an attempt to maintain legitimacy.

The more notable deployment of local government budget in facilitating the corroboration of normative legitimacy can be seen from the manoeuvres of King Southern as the Governor, namely the establishment of the first-ever local ombudsman in the country to monitor the public affair practices in the region, funded by the local government budget. King Southern also provided considerable space for his subordinates to put the best of their ability into producing programmes and activities, providing they might enhance how the public and central government perceive the local government (Azizah and Al Akbar, 2018). Developing online budget implementation monitoring programmes, to provide more public transparency are examples of this. It further depicts the essential role of budget as an accountability mechanism. Uddin *et al.* (2018) view this as an enhancement of the master-servant relationship since the 'servant' amplifies the public perception of the organisation on wider society, which in turn pleases the 'Master'. Simultaneously, it also reinforces normative legitimacy. According to Thatcher (2002), developing things such as public consultation, decision-making, and reporting systems which go beyond what is required by the regulation are examples of attempts to maintain normative legitimacy. Similarly, establishing a local ombudsman and developing an online platform for monitoring planning and budgeting systems were not required by the law, but the SLG local government did this nonetheless to enhance public

perception of the local government, which can thus be seen as an attempt to maintain their normative legitimacy.

Interestingly, the creation of these decent programmes may also imply an attempt to achieve pragmatic legitimacy, i.e. legitimacy earned from its direct constituents. The programmes created by the local government are of course intended for the local people, and proved as 'decent programmes' based on central government criteria, thus satisfying its direct legitimacy communities. Thus, although the local government and traditional institutions have earned cognitive legitimacy from its direct constituents, so there is no need to justify its existence, the provincial government still attempts to further satisfy its immediate legitimacy communities, which in turn strengthens other forms of legitimacy.

Second, the prominent strategy of the Governor in instructing government officials to comply with laws and regulations depicts an attempt to construct normative legitimacy through constitutional and justice claims. The constitutional claim relates to conformance of an organisation to legal values of procedural justice and other broadly-based constitutional values (Black, 2008). He always instructs his subordinates concerning budgeting affairs that all proposed programmes and activities must comply with all regulations; an attempt to present accountability (Suchman, 1995; Black, 2008). Similarly, the Governor also warned his Executive Budgeting team while dealing with the Legislative during budgeting negotiation, i.e. he allowed them to negotiate or accommodate the interest of Legislative provided there was no violation of regulations, for example by changing volume or locus of the programmes based on legislators' request.

Thus, compliance with rules was the primary 'message' of the Governor to bureaucrats and other political actors in the local government, especially during the budgeting process. 'Keeping the book tidy' is an obligation that requires compliance from all political actors in the region, which in turn pleases the central government (Azizah and Al Akbar, 2018).

Unsurprisingly, most political actors, including the Legislative, seem to obey this instruction and render no significant resistance to this instruction, as predicted in a traditional society (Dyball and Valcarcel, 1999; Uddin, 2009; Uddin *et al.*, 2018). Some indicators, such as no corruption cases and decent performance accountability system rankings, often the best in the country, indicate the obedience of local government officials and other political actors to the regulations, as instructed by the Governor.

Third, a high Democratic Index earned by the local government may reflect the attempt of local government actors to achieve another form of normative legitimacy, i.e. democratic claim. It refers to the extent to which an organisation conforms to a particular democratic governance model (Black, 2008). Although the leaders of the SLG are automatically occupied by kings, the local government always earns a high democratic index and has even retained a position within the top three, or the best, in the country for many years compared to the other local governments. According to central government criteria, a high democratic index depicts good democratic practices in a region in terms of civil freedom, political rights, public participation in government affairs, and democratic institutions. For example, public participation in government affairs is an essential element of the index. The local government provides some additional space for public participation through a planning online platform, so that the people can participate in the planning and budgeting process and convey their complaints or criticism through that platform, an important element of democratisation. Despite some issues relating to the particular criteria of the index, such as the right to vote and be elected and providing an annual budget to the public, the local government had successfully maintained their decent score over the years. It implies that the democratic index is a critical means to claiming decent democratic practices in the region. Hence, Azizah and Al Akbar (2018) argue the local government have been relatively successful in its democratisation according to central government criteria.

9.3.5. Validating Legitimacy Claims by the Legitimacy Communities

There is no strong reason for the Indonesian government to interfere with local government affairs if they maintain a 'tidy' bureaucratic administration and 'perform well', as indicated by the awards (Azizah and Al Akbar, 2018). No intervention might reflect a 'security' to the existing legitimacy. Hence, 'performing well' via budgeting practices as a local government is a critical and strategic means for establishing pragmatic and normative legitimacy, as well as preserving the cognitive legitimacy earned by traditional institutions, especially the Southern Kingdom, and the local government.

Consistent with Suchman (1995) and Black (2008), different forms of legitimacy often reinforce each other. The local government attempts to conform to what is expected by the central government, and perhaps by the local people, by employing the budget, showing that they have done what a local government should do, but to an even higher standard required, possibly the best in the country. The legitimacy communities then validate and evaluate the normative legitimacy of the local government through its accountability mechanisms, i.e. budgeting practices, ensuring the legitimacy communities perceive that the organisation has done 'the right thing to do' (Suchman, 1995; Black, 2008). The Indonesian government validates their expectation to the SLG that they must 'keep the book tidy' by achieving some targets and awards as well as their affairs complying with the regulations as reflected by their excellent accountability rank. The local people also validate the achievements of the local government, implying they have produced decent programmes as reflected by the awards won.

9.4. Outcomes

The social interactions of the key actors in the SLG context have produced several outcomes, namely: the Southern Kingdom's control over privileged government affairs; a privileged

budget to serve the interest of the Southern and Western Kingdoms; personal loyalty and obedience of Executive officials to the Governor; the essential role of the Executive Budgeting team as the fictive kin; the King Southern (master)–Executive officials (servant) relationship; a weak Legislative; Executive domination; hardly visible resistance from other political actors; the strategic role of budgeting as an accountability mechanism; gaining normative legitimacy in the form of functional or performance-based, constitutional and democratic; maintaining pragmatic, normative and cognitive legitimacy; and preserving the status quo. These will be discussed below.

The most salient one is the intervention of Southern Kingdom logic on the bureaucratic administrations which has produced familial control. Familial control allows the royal family to benefit from the fund allocation of the budget. Weber (1978) argues the property and productive capacities of individual economic units are then primarily geared towards satisfying the "Master's" necessities and preferences, including the ruler's family members, i.e. they are governed by substantive rationality of economic activity. Cultural, spatial, and land affairs illustrate the significant influence of informal players, i.e. royal family members, on the consumption and utilisation of the privileged fund. Also, some basic needs of the Southern Kingdom are allocated from the budget, such as salary of Kings (excluding their salary as local government leaders) and Princesses, salary for the monarchies' employees, electricity, water, and some other basic facilities of the kingdoms, according to the budget documents, although this information was refuted by a royal family member. Furthermore, cosmetics for Princes and Princesses of the Southern Kingdom were also seemingly funded by the local government. These sort of control practices, including budgeting, are nonetheless anticipated of traditional-led organisations in a traditional society where the enabling conditions of traditional domination are present, and formal rational bureaucracy is restricted (Dyball and Valcarcel, 1999; Dyball *et al.*, 2006; Uddin and Choudhury, 2008; Uddin, 2009).

Furthermore, the important elements of traditionalism which characterise the domination and resistance of various actors have been realised in traditional societies such as the SLG region, i.e. personal loyalty, the master-servant relationship, and obedience to personal rather than formal authority, as depicted in the social interaction section. It shows how various other political actors in the region have presented their loyalty and obedience to King Southern as both the King and Governor. The role of the Executive Budgeting team further enhances the domination of King Southern and his royal family over the local government. This sort of role of is called 'fictive kin' in Weberian term. Previous studies argue that family and Chief, fictive kin, and relatives are the paramount structure of a traditional society (Dyball and Valcarcel, 1999; Uddin, 2009; Uddin *et al.*, 2018).

The loyalty and unconditional obedience of almost all political actors in the local government, especially from the Executive branch, depicts an example of a master-servant relationship, as predicted by Weber in a traditional society. Weber (1964, p. 341) argues that "obedience is not owed to enacted rules, but to the person who occupies a position of authority by tradition who has been chosen for such position." Obedience and economic activities were geared towards the 'Master' rather than wider society, further strengthening the tie between 'Master' and 'servant' (Weber, 1964). On the one hand, a government is a form of bureaucracy, whereby its operation is based on law and the establishment of an impersonal office whose members owed allegiance not to the officeholder, but rather to the office itself (Weber, 1964). On the other hand, the SLG case shows that when a formal bureaucracy is situated in a traditional context, the allegiance of the members is not necessarily to the office itself, but to the officeholder.

The local Legislative body, which should normatively balance the Executive power, could not optimally execute its balancing function. Consistent with Ekman (2009), the

hybridity of a political system, whereby there is a blend of modern bureaucracy and traditional domination, has produced a weakened balancing power of the Legislative over the Executive.

The obedience of Executive officials and the reluctance of the Legislative to directly resist the Governor is also strongly linked to the influence of Kindness culture, which remains the largest ethnic group in the SLG region as illustrated in structural analysis. The deeply rooted Kindness culture etiquette is further demonstrated when they mention or call their Governor. Instead of saying 'Mr Governor' or 'Sir', they tend to call him *Romo* (anonymised), the original name of King Southern, since it was the politest way to address a traditional leader in the SLG region. This was done not only by the Executive, but also by the Legislative. This also appeared during research interviews when most of the interviewees said *Romo* instead of Mr Govemor or King Southern. It also reflects the difficulty to distinguish the figure of King Southem from the King or Governor.

Azizah and Al Akbar (2018) explain that an unwritten expectation exists within society to use the term *Romo* when addressing King Southern, although no formal policies require them to do so. It 'forces' the other actors to use the term, depicting their position relative to the King implicitly and explicitly. Hence, political etiquette which derives from Kindness culture has been functioned as a means to 'train' other actors to 'know their place' relative to the King (Azizah and Al Akbar, 2018). For legislators, challenging the Governor means challenging the figure who not only occupies the highest authority of the local government, but is also the occupant of the highest socio-political position in the region, which might severely deteriorate their political career as legislators. Thus, according to Uddin *et al.* (2018), loyalty to a Master rather than the application of professional judgements, skills and expertise, plays an essential role in career advancement.

Hence, these structural conditions enable the domination of Executive, led by the Governor, over the Legislative in the government budgeting process. This is consistent with

previous studies which conclude that the Executive, especially the Governor, are the major players in the government budgeting process (e.g. Sharkansky, 1968; Abney and Lauth, 1989; Mccarty and Poole, 1995; Ferguson, 2003; Hallerberg and Marier, 2004; Cheibub, 2006; Barrett and Eshbaugh-Soha, 2007; Goodman, 2007; Ryu *et al.*, 2008; Dometrius and Wright, 2010; Krupnikov and Shipan, 2012; Hale, 2013). These interactions between the Executive and Legislative also depict a picture of processual dynamics between the key players in the public sector budgeting practices, which were rarely examined in previous studies (Anessi-Pessina *et al.*, 2016).

More importantly, the overwhelming power of King Southern and the royal families, coupled with the pragmatic political interest of the legislators, and the strong presence of Kindness culture attached to the Southern Kingdom may have contributed to this hardly visible resistance from other actors. Previous studies find that unlike in rational bureaucracies, resistance in a traditional society takes different forms and shapes, whereby resistance from other actors in a traditional context rarely occurs (Uddin, 2009).

Interestingly, while previous studies argue that the role of rational accounting, including budgeting, as an accountability mechanism, is often absent, ignored, or muted in traditional contexts (Dyball and Valcarcel, 1999; Dyball *et al.*, 2006; Uddin and Choudhury, 2008; Uddin, 2009), the SLG context interestingly depicts the critical role of accounting as an accountability mechanism to enhance and maintain the legitimacy of a political system. Despite the controversies of the privileged budget implementation, the local government also allocates money to fund programmes and activities, which in turn have seen them receive many awards. The complex assessment of the central government on their programmes and compliance of the local government with regulations has produced decent performance indices as a local government. Anessi-Pessina *et al.* (2016) explain that budgeting as an accountability means a government is held accountable toward its legislature and external stakeholders. Transparent

and open budgets are needed as well as the involvement of internal and external stakeholders (ibid.). Also, previous studies argue that realising programs and achieving budget targets are viewed as the essential role as an accountability mechanism (Goddard, 2005; Ríos *et al.*, 2016). This very much in-line with what the SLG has done. For example, they created decent programs and activities which in turn led them to earns awards. They also developed online planning system and budget implementation monitoring system to improve public accountability. These are beyond what is required by the regulations which in turn maintains the organisational legitimacy. As previously explained, Thatcher (2002) also argues that developing accountability system such as public participation, decision making and reporting system which are not required by the laws and regulations also demonstrates the attempt to maintain legitimacy.

Thus, the budget is not merely used as a compliance mechanism of the local government since they did more than that. It illustrates 'the price' the local government has to 'pay' for its hybridity in order to maintain and enhance the legitimacy of the existing political system (Azizah and Al Akbar, 2018). This is the nature of the accountability relationships between the SLG, the local people, and the central government which also reflects the deployment of the budget as an accountability mechanism to gain and maintain the legitimacy of the local government.

In other words, the key actors attempt to maintain the status quo in the region by satisfying the pragmatic and normative legitimacy audiences of the local government, i.e. the local people and the Indonesian government. Satisfying these legitimacy claims leads to maintaining and strengthening the cognitive legitimacy of the local government and traditional institutions simultaneously. Previous studies argue legitimacy claims often reinforce each other (Suchman, 1995; Black, 2008). Similarly, consistent with Archer's morphogenetic approach, the ultimate outcome of social interaction is either morphogenesis (change) or morphostatis

(no change). This study reveals the attempt to preserve the status quo, or no change in the conditioning structure.

9.5. Conclusion

This chapter has examined the theoretical discussion of the case study of budgeting practices in the SLG. Drawing on Weber's (1964) traditionalism and Black's (2008) legitimacy and accountability relationships as the substantive theoretical framework, and Archer's (1995) morphogenetic approach as the meta-theory, the structural conditions in the SLG have depicted the tension between formal rationality with traditionalism that produces a strong existence of traditional domination, which in turn affects the local government's budgeting practices. Strengthened by Kindness culture, traditional domination of family groups also renders a strong legitimacy of King Southern to rule the local government, i.e. cognitive legitimacy. This sets the context of budgeting practices in the local government.

The social interaction and outcome analysis show that family control via the Governor, fictive kin, personal loyalty, the obedience of 'subjects', and the master-servant relationship have become the essential fabric of traditional society. Family control reflects the utilisation of the local government budget to serve the interest of royal families through the privileged budget allocation. The role of the Executive Budgeting team as the fictive kin enables the success of fund allocation to the traditional institutions. Personal loyalty is an essential structure of the traditional authority, and this case study evidence shows the full obedience of the subjects, i.e. the local government officials to their 'Master' King Southern as Governor, through ensuring the Governor's programmes and complying with all of his instructions. It also implies a master-servant relationship in a traditional society, e.g. when the 'servants' please their 'Master' by depicting their loyalty and obedience, which in turn enhances 'master-servant' bonding.

The Kindness culture so deeply rooted in the SLG region and firmly attached to the Southern Kingdom strengthens traditional domination. It also impacts the Legislative body as the balancing power of the Executive, whereby it weakens the ability of the Legislative to balance the Executive, which leads the Executive to dominate the budgeting process. Unsurprisingly, this practice renders no visible resistance from other actors.

Family domination, strengthened by Kindness culture, has also produced a cognitive legitimacy of the traditional institutions to control the local government. This case study illustrates the essential role of budgeting as an accountability mechanism to enhance organisational legitimacy. While cognitive legitimacy is deeply rooted in the SLG, normative legitimacy is often challenged and needs to be pursued to maintain the cognitive one since, in most real-world settings, multiple legitimacies exist and often reinforce each other. Employing local government budget to create decent programmes and activities, and full compliance with regulations has led the provincial government to earn decent awards and indexes according to central government criteria. These were essential manoeuvres from the Governor and bureaucrats to achieve and maintain almost all forms of normative legitimacy to satisfy the central government, which simultaneously preserve the cognitive legitimacy.

On the one hand, previous studies argue that the role of accounting, including budgeting, in ensuring accountability tends to be absent or ignored in a traditional society (Dyball and Valcarcel, 1999; Dyball *et al.*, 2006; Uddin and Choudhury, 2008; Uddin, 2009). On the other hand, this study provides evidence that accounting practices are also a strategic and powerful means to ensure accountability, and to maintain control in order to preserve the legitimacy of a traditional regime in a traditional setting.

Chapter 10: Conclusion

10.1. Introduction

The final chapter of this thesis considers three essential points. The first is the contribution this thesis makes to accounting and political literature on government budgeting practices. The second point highlights the policy contribution of this thesis. Finally, this chapter acknowledges the limitations of this thesis and proposes areas of possible future research.

10.2. Research Summary and Findings

This research aims to investigate the role and interactions of key budgeting players, namely the Executive and Legislative, in the local government budgeting practices in a traditional setting. This specific area of research is surprisingly neglected by previous studies on government budgeting. Previous studies argue that the role and interactions of key budgeting players, such as the Executive and the Legislative, is essential since the outcome of this interaction may affect the budget balance and policies (Cheibub, 2006; Posner, 2011). It is the most essential stage of the budgeting process whereby the key players are required to interact to discuss, negotiate, exercise their power, and compromise in order to finalise the budget proposal. Also, during their interactions, key players make the most important decision: determining how much resource to allocate to or limit on particular programmes (Posner, 2011), which in turn influences the economic performance of a government (Cheibub, 2006).

More importantly, the studies of budgeting key players need to be understood in the context of a traditional setting, that is generally situated in less developed countries, since it has very different socio-cultural, political, and other structural conditions, i.e. the form of rationality to serve the substantive interest of family groups. Consequently, accounting practices, including government budgeting, are used to satisfy the whim of family groups,

which Weber views as traditional domination. However, such specific structural conditions are neglected by previous studies in government budgeting. Thus, there is a need for further in-depth research to depict the interaction between key players (processual dynamics) in the government budgeting process in a traditional setting.

Furthermore, this research also attempts to examine why traditional domination in organisations preserves their legitimacy amidst the wave of modernisation through the deployment of formal rationality. Black (2008) argues that an accountability mechanism is an essential means to obtaining organisational legitimacy. However, the role of government budgeting as an accountability mechanism is under-researched (Anessi-Pessina *et al.*, 2016). Thus, this study also investigates the role of budgeting as an accountability mechanism in a traditional setting. This thesis proposes the following research questions:

1. How does the interaction of the key players influence the local government budgeting processes in a traditional setting?
2. Do key players employ local government budget as an accountability mechanism in a traditional setting? If so, how and why?

A qualitative case study is conducted in the SLG local government, a province in Indonesia. This thesis uses a theoretical pluralism approach to explain the complexity of public sector empirical settings (Jacobs, 2012), including Weber's (1964) traditionalism and Black's (2008) legitimacy and accountability relationships. It also employs Archer's (1995) morphogenetic approach as the meta-theoretical approach or methodology.

Theoretically, this thesis argues that the interaction between the key players in budgeting practices provides new insights if investigated in the context of a traditional setting. This thesis has discussed the structural conditions in the SLG region to understand the development of the local political situation and the dominance of royal families in economic and political affairs in the local government. It has also demonstrated the social interactions of

the key budgeting players, which produce several outcomes, such as familial control, personal loyalty and obedience to a 'Master', and the 'master-servant' relationship. More importantly, this study shows the strategic role of the budget as an accountability mechanism to preserve the legitimacy of familial domination in the region, as opposed to the findings of previous studies on accounting in traditional settings (Dyball and Valcarcel, 1999; Dyball *et al.*, 2006; Uddin and Choudhury, 2008; Uddin, 2009).

As mentioned in Chapter 1 and 2, based on previous studies, this thesis views traditional settings as specific structural conditions, and the socio-historical context that is commonly found in less developed countries gives rise to a specific form of substantive rationality, i.e. accounting practices to serve the interest the whim of family groups. This thesis demonstrates the prominent influence of a traditional setting in the interactions between key budgeting players in the SLG, especially on their privileged budget. Interestingly, the Legislative is not involved in the privileged budgeting process. The strong presence of the King as the Governor and both Kingdoms in the region also leads to interventions of royal family control over the privileged budget and local government affairs, as expected in a traditional setting. The rational bureaucratic logic of the local government administration was 'forced' to follow the logic of both Kingdoms, especially the Southern Kingdom; for example, in the decision-making process of the Kingdom's royal ceremonies that would be financed by the local government. Thus, informal players, i.e. the royal family, are actively involved in the privileged budgetary process. The SLG tends to agree with the expenditure set by the Southern, although the amount of the proposed expenditure often exceeds the maximum amount, or purpose, permitted by the regulation, such as expenditure for buying incense and goat. The SLG even set the budget specifically for the Kingdoms in the form of an endowment fund, which requires less bureaucratic administration and accountability so that the Kingdoms might consume the fund

more flexibly. Hence, it depicts the intervention of familial control over the formal bureaucratic process.

Consequently, this creates opportunism for the royal families to gain allocation of the privileged fund. Some of the funds are transferred to the royal families through cultural preservation programmes for financing the basic facilities and some internal affairs of the Kingdoms. Although, some interviewees claimed that some portion of the fund was instead employed to establish business facilities owned by the royal family members. This might lead to corruption allegations, according to the interviewees. Accommodating the interest of family members was more prominent in the land affair, whereby the local government was required to assist both Kingdoms to identify and register the land belonging to the Southern Kingdom (Southern Land-SL) and the Western Kingdom (Western Land-WL). Any land which was not privately owned in the region was claimed to belong to either Kingdom. Practically, it became problematic since it was a unilateral claim by the kingdoms. Many land conflicts occurred during the identification and registration process of the SL and WL, particularly with local people who had occupied the land for many years before.

Only the Southern and Western Kingdom were entitled to the utilisation of SL and WL. Anyone could use the SL or WL as long as they earned formal rent permission from the kingdoms. Some of the strategically located SL or WL were rented to corporations to build business facilities, although the erection of the business facilities itself might violate some regulations. On the other hand, the main objective of privileged affairs granted to the SLG, including the land affair, was to improve the public welfare. The local government claimed that they had no authority over the SL and WL, although they financed the identification and registration process of the land using public money. Instead, the local government simply provided full assistance for both kingdoms in issuing recommendation letters for anyone who wished to rent the land, and law assistance if there were any conflicts during the identification

process of the land. This budgeting practice shows that familial control is one of the outcomes of accounting practices in organisations situated in traditional settings (Dyball *et al.*, 2006; Uddin, 2009). The property and productive capacities of individual economic units are primarily geared towards satisfying the Master's necessities and preferences (Weber, 1964).

The 'closed arena' is related to personal considerations of the Governor and royal families, such as the privileged budget, and is rarely challenged by the public. Thus, the Legislative can only interfere in the 'open arena', such as the common annual budget. In this arena, other political actors are welcomed to provide input and feedback, provided it is not directly conveyed to the Governor (Azizah and Al Akbar, 2018). Discussions between the Executive and Legislative in the common annual budget involves the issue of poverty and inequality as a classic and unresolved problem in the region. The Legislative raises this issue in almost all budget meetings. Although the Executive has acknowledged the issue as one of the most salient issues in the region, they tend to 'blame' the poverty and inequality indices used by the central government, arguing that the region requires a specific measurement index. For example, the Executive stated that it is strange to have a high score in the happiness and life expectancy index when the people are poor. Hence, the poverty and inequality index were probably not suitable for measuring the region. Instead, the Executive suspected that behind this attack, the Legislative were attempting to pursue their vested interest. The Legislative tried to 'gain' allocation from the budget to fulfil their constituents' interest.

This is mainly motivated by electoral politics, such as legislators aiming to increase their legitimacy as representatives of the people, and thus their chance of being re-elected in the next election (Askim and Hanssen, 2008; Bourdeaux, 2008; Célérier and Cuenca Botey, 2015). Most legislators did not reject this view. They even acknowledged that, as the representative of the people, it was their main responsibility to accommodate their constituents' interest. Interestingly, the legislators had always targeted a specific item on the budget, the

social endowment fund, in the form of direct goods or cash transfers to a specific individual. This item was a regular 'favourite' because of its flexible nature which requires less bureaucratic procedures and accountability. The Executive responds to this using a number of strategies, which simultaneously depict their personal loyalty and obedience to the Master.

Another important outcome of accounting practices in traditional settings is personal loyalty and obedience to the Master (Uddin, 2009; Uddin *et al.*, 2018). It seems to also occur in the context of the SLG. First, the Executive bureaucrats tend to follow the logic imposed by the royal families when they set the budget allocation for the Southern Kingdom. They also arrange these fund allocations in the form of an endowment fund so that the palaces are able to consume the fund more flexibly without complex bureaucratic requirements. In other words, the bureaucrats also accommodate the interest of royal family. Bureaucrats' loyalty can also be seen when they attempt to defend the Governor's proposed programmes in the common annual budget discussion. Amidst the physical absence of the Governor in most of the budget meetings, the Executive employed three main strategies to deal with the Legislative. First, the EBT threatened that if the Legislative kept delaying the budget approval, which might lead to deadlock, there would be salary cutting of the legislators while the Executive officials would still receive a salary. The second strategy was a mechanism called a 'half-room' meeting. The Regional Secretary, as the leader of EBT, would arrange a specific meeting with the leaders of political factions in the Legislative to discuss that matters which had prevented the budget approval. If the first and second strategy should fail to achieve resolution, the ultimate strategy of the Executive was to accommodate the demands of the legislators or employ a compromise strategy. In doing so, the Executive would change the volume of activities which might end up with increased/decreased demand of the funding required for the activities, as demanded by the legislators. They might also change the locus of particular programmes according to the demand of the legislators, for example, moving the programmes to a particular electoral

district. These strategies are proven effective in the SLG region since they had not experienced budget deadlocks for decades. It also depicts the shrewdness of the Executive to deal with the Legislative, allowing the Executive to control the budgeting practices.

However, intensive Legislative involvement as the balancing power of the Executive can only be employed in the common annual budget. Nonetheless, their manoeuvres even can be easily overcome by the Executive. Although the Legislative have criticised the Governor's approach to the budgeting process, whereby he rarely presented physically during the budgeting discussion, the Executive claimed that the legislators were not brave enough to negotiate or discuss with the King directly. This was also strongly linked with the deeply rooted Kindness culture in the region; it sets the relationship between the elders and youth and elites and commoners so that society seeks to maintain harmony and avoid conflict, especially with the ones who occupy higher social positions. The politics of etiquette and Kindness culture prevent them from balancing King Southern as the Head of the Executive and local government (Azizah and Al Akbar, 2018). Direct and open criticism to the occupant of the highest socio-cultural position in the social structure is avoided since it might have a severe effect for them, especially relating to their political career and interest to be re-elected (ibid.). Opposing the King may negatively impact their image in front of the local people. Uddin *et al.* (2018) argue that loyalty to a 'Master' rather than the application of professional judgements, skills and expertise, plays an essential role in career advancement in traditional settings. Also, this hybrid political system has produced weak balancing power of Legislative (Ekman, 2009).

Although the Governor rarely attends or presents the budgeting meetings physically, he is the key actor in the budgeting process. He retains very tight control over his Executive Budgeting team who undertake day-to-day negotiations with the Legislative. All local government programmes are then derived from his visions and missions. However, he allows the EBT to undertake day-to-day negotiation on his behalf with the legislators providing they

do not violate any regulations. Thus, the EBT, headed by the Regional Secretary, plays a critical role in day-to-day budgeting discussions with the Legislative as the primary representative of the Executive. The bureaucrats also express their obedience to the EBT during the overall budgeting process. This sort of EBT's role is called fictive kin in Weberian terms.

Unsurprisingly, the lack of any visible resistance from other political actors reflects a strong Executive branch that is further strengthened by the existence of the Governor, his royal family, and their domination in the region. The bureaucrats seem to obey the Governor's instruction, reflecting their personal loyalty and obedience. Obeying and pleasing the Governor further strengthens the 'master-servant' relationships. The EBT had also shown their essential role as the 'right-hand' of the Governor to execute his domination in the region. This sort of role is viewed as the fictive kin in Weberian terms (Uddin, 2009). Weber (1964) argues that traditional domination is exercised by the 'Master' or family groups and is based on personal loyalty and obedience. Hence, local government budgeting practices in a traditional setting depicts a strong Executive domination and weak Legislative power.

Surprisingly, contrary to previous accounting studies in traditional settings, this research finds the strategic role of local government budgeting as an accountability mechanism. Traditionalism had coexisted with cognitive legitimacy, the strongest form of legitimacy. However, since in a real-world setting multiple forms of legitimacy exist, they need to be maintained. Maintaining one form of legitimacy often reinforces other forms of legitimacy (Suchman, 1995; Black, 2008). Thus, pragmatic and normative legitimacy require further maintenance. Azizah and Al Akbar (2018) argue that the cost the SLG has to pay as the result of its hybridity of the political system (Kings rule the local government) is to ensure its bureaucracy remains 'tidy' to please the central government. In other words, the local government is expected to maintain a sound bureaucratic process; Suchman (1995) views this as an attempt to achieve normative legitimacy. Black (2008) suggests that an accountability

mechanism is essential for organisational legitimacy since it is a means through which stakeholders validate the conformity of organisations' activities with its legitimacy claims. Hence, budgeting as an accountability mechanism is essential to maintaining legitimacy.

By employing the budget, the SLG attempt to achieve some forms of normative legitimacy, i.e. performance, constitutional or justice, and democratic claims. First, they attempted to achieve performance legitimacy. The local government creates programmes and activities using the budget, which in turn generates awards from the central government. It reflects the critical role of government budget as an accountability mechanism (Ríos *et al.*, 2016), for example, by creating a budget implementation monitoring system and realising the programmes. Instead, their performance accountability practices index is among the best in the country. Producing decent programmes and activities might also reflect the attempt of the local government to execute its basic function as a public service provider and to satisfy its direct legitimacy communities, i.e. the local people. Thus, it also shows how the SLG simultaneously try to gain pragmatic legitimacy. Second, the SLG try to achieve constitutional or justice legitimacy, i.e. conformance to legal values of procedural justices. Concerning budgeting affairs, the Governor instructed his subordinates that all proposed programmes and activities must fully comply with the laws in an attempt to be accountable (Suchman, 1995; Black, 2008). No corruption cases and the best performance accountability system rank in the country depict the attempt of the local government to comply with the regulations. More interestingly was the SLG's effort to pursue a democratic claim of legitimacy by earning a decent democratic index, for which they have consistently placed within the top three nationally. Although King Southern automatically leads the local government, this index illustrated good democratic practices in the region based on the central government criteria.

Therefore, this depicts the attempts of the local government to produce sound bureaucratic administrations, despite its controversies on privileged affairs. In other words, the

local government undertook its normative functions to deliver public services and were accountable for what they had done. It seems successful that this is reflected in the awards and other decent indexes gained by the local government. Black (2008) argues that this is an attempt to gain legitimacy through the deployment of an accountability mechanism as a means for the stakeholders to validate the conformance of organisational activities with its legitimacy claims. It is not merely a compliance mechanism of the local government to the regulations, but also their attempt to be accountable by realising and delivering the programmes in the budget, and often even more. The local government created an online planning and budget implementation monitoring system to improve the budget accountability. It was beyond what is required by regulation, but the SLG developed it nonetheless. Previous studies argue that this is the role of the budget as accountability mechanism, where the government ensures realisation of all programmes in the budget so that they meet their targets (Goddard, 2005; Ríos *et al.*, 2016). For the SLG, 'performing well' as a local government prevents intervention from the central government in their local affairs. No intervention reflects the legitimacy of the existing political system or status quo.

10.3. Research Contributions

10.3.1. First Contribution

This thesis proposes two contributions to the accounting and public administration literature. First, this study provides an in-depth picture of the interactions and the role of the key players in local government budgeting practices in a traditional setting. Previous studies on key budgeting players have focused on either Legislative manoeuvres (e.g. Roubini and Sachs, 1989a; Lapsley *et al.*, 2011; Célérier and Cuenca Botey, 2015; Saliterer *et al.*, 2019) or the Executive role (e.g. Abney and Lauth, 1998; Goodman, 2007; Dometrius and Wright, 2010; Breunig and Koski, 2020) in shaping the budgeting practices. Thus, very limited studies

provide us with an in-depth understanding of the role and interaction of these key players in the budgetary process (Anessi-Pessina *et al.,* 2016). Hence, the power battle between the Executive and Legislative in the budgeting process becomes a fruitful research avenue (Rubin, 2015). It is very important to examine the role and interactions of key players in the government budgeting process since this is the critical stage of the process whereby the main players are required to discuss, negotiate, and agree or compromise on the proposed budget. They make decisions on how to spend and allocate limited resources to particular programmes, and how much of the economy to devote to the government through tax (Posner, 2011). Consequently, the budget outcomes and policies produced from the interactions of key players are central to the economic performance of a government (Cheibub, 2006). However, the role and interactions of key players in the budgeting process are under-researched (Rubin, 2015; Anessi-Pessina *et al.*, 2016).

More importantly, filling such research gaps are also needed to be understood from a traditional setting context, a context that is commonly found in less developed countries, since this context has different structural and socio-cultural conditions from modern/rational society context that is generally found in Western countries. However, previous studies in government budgeting neglect consideration of this traditional setting, where the accounting may take a different form of substantive rationality to serve the interest of families or clans (Dyball and Valcarcel, 1999; Uddin, 2009). While government organisations are expected to exercise their functions as public service providers and to provide public accountability in the financial sectors (Fassin and Gosselin, 2011; Uddin *et al.*, 2018), state or state-like bodies in traditional settings are dominated by the whim of family groups and their kin (Uddin *et al.*, 2018). Consequently, accounting practices, including budgeting, may be employed to satisfy the interest of strong family groups. Hence, the role and interactions of key players in government

budgeting process needs to be understood from a traditional setting context, a context which has specific structural conditions that need to be addressed.

This study employs a Weberian notion of formal rationality vs. traditionalism to understand the role and interactions of key players in local government budgeting practices in a traditional setting. Previous studies have attempted to examine government budgeting practices from Weber's formal rationality perspective (e.g. Giroux *et al.*, 1986; Abney and Lauth, 1989, 1998; Cheibub and Limongi, 2002; Cheibub *et al.*, 2004; Cheibub, 2006; Wehner, 2006; Breunig and Koski, 2020) and substantive rationality perspective (e.g. Meyer and Naka, 1998; Tambulasi, 2007; Askim and Hanssen, 2008; Célérier and Cuenca Botey, 2015; Kuruppu *et al.*, 2016). However, as previously explained, previous government budgeting studies neglect the consideration of traditional settings, settings with specific structural and socio-historical conditions that produce a different form of substantive rationality, i.e. rationality to serve the interest of dominant family groups or traditionalism. It leads the government budgeting practices, especially in less developed countries, to demand better theorisation by employing Weber's formal rationality vs traditionalism. Hence, this study attempts to contribute to accounting and political literature by providing an examination of the role and interactions of key players in the government budgeting process in a traditional setting.

This study depicts the in-depth interactions and the role of key players in government budgeting practices in a traditional context. The case study demonstrates the key features of traditionalism, such as familial control, personal loyalty, master-servant relationship, and the role of fictive-kin have permeated in the budgeting process, especially the privileged budget processes, as summarised above. As expected, the accounting practices, including budgeting, are also employed to serve the substantive interest of the ruling family (Dyball and Valcarcel, 1999; Dyball *et al.*, 2006; Uddin, 2009), involving the logic imposed by royal family groups in the privileged budget process. The local government fund was also allocated to both

monarchies, especially the Southern Kingdom, through the privileged status of the local government. The budgeting process for this fund was mainly dominated by the logic imposed by the Southern Kingdom. For example, the local government tended to follow the Southern Kingdom's request for specific disbursement items of the kingdom for royal ceremonies, although the local government had no strong legal basis for accepting such requests. Weber views this as familial control, whereby the informal familial control intervenes with the formal bureaucratic mechanism. Instead, some of the funds transferred to the monarchies under the local government cultural affair were alleged to be misused by royal family members for financing their business activities. This is possible since the flexible nature of the endowment fund transferred to the monarchies fundamentally requires less bureaucratic procedures.

Serving the interest of the royal family is more salient in the land affair. The local government financed both monarchies to identify and legally register the land belonging to them. They claimed that any land not privately owned belonged to them, which created some land conflict with the local people who had occupied the land for many years. Interestingly, although the SLG local government provided full assistance to the monarchies, they had no actual authority over the utilisation of the land. It is contrary to the regulation which requires the local government to spend the privileged affairs, including cultural and land affairs, to improve public welfare. Instead, most of the strategic land claimed by the Southern Kingdom was rented to private corporations for business purposes. Drawing on Weber's work, Dyball *et al.* (2006) argue that these sorts of practices reflect a traditional form of state governance, whereby private and household matters are mixed with public ones. The economic units are geared towards satisfying "the Chief's" needs (Weber, 1964).

Bureaucrats express their loyalty to the Master or Governor by protecting his proposed programmes, setting fund allocation to both kingdoms in the form of an endowment fund which requires less bureaucratic process, and creating decent programmes which in turn please the

Master. Simultaneously, it also strengthens the master-servant relationship (Uddin *et al.*, 2018). The EBT also shows their essential role as the representative of the Governor in exercising the day-to-day budgeting process. In Weberian terms, this role is called a fictive-kin.

The Legislative attempts to interfere with the budget decision making process. Nevertheless, it only applies to matters discussed in the 'open arena' such as poverty and general public service issues. They are reluctant to intervene with 'closed arena' matters related to the royal family affairs, such as funds allocated to the monarchies and their possession of land. Although the Governor rarely presents the budget meeting physically, he is the key figure in the budgeting process since the final decision making of the Executive budget proposal, both before and after the budget discussion with the Legislative, is always undertaken by the Governor, as deeply summarised in the previous section. As expected, the hybrid political system, such as in the SLG, produces a weak Legislative body (Ekman, 2009).

Hence, this study has depicted the importance of a traditional context in conditioning the role and interactions of key players in the government budgeting process. Weber's traditionalism offers further understanding of budgeting practices in a traditional setting, whereby its key features, such as personal loyalty and obedience, familial control, and master-servant relationships, influence the budget decision making. Although government budget is intended as a means to provide public services, this case study also demonstrates that the government budget is employed to serve the interest of strong family groups (Dyball *et al.*, 2006; Uddin, 2009; Uddin *et al.*, 2018).

10.3.2. Second Contribution

This study also contributes theoretically to government budgeting studies, especially in traditional settings. This research has further examined why the traditional domination in government organisation maintains its legitimacy, amidst the wave of modernisation of

organisation through the deployment of formal rationality (Sayer, 2002). While previous studies have examined the role of accounting practices either as a means to gain legitimacy or as an accountability mechanism (e.g. ter Bogt, 2003; Bräutigam, 2004; Johnson and Talbot, 2007; Tambulasi, 2007; Benito and Bastida, 2009; Ma and Hou, 2009; Ward, 2015; Kuruppu *et al.*, 2016; Ríos *et al.*, 2016; Cuganesan, 2017), very few studies investigate the interaction between legitimacy and the accountability relationships of accounting practices. Instead, in previous studies, legitimacy and accountability are sometimes viewed as a contrasting or competing concept (e.g. Deegan, 2007; Costa *et al.*, 2019). This study also simultaneously responds to the finding of Anessi-Pessina *et al.* (2016) that there is a lack of research exploring the potential of budgeting used as an external accountability mechanism, which in turn may contribute to enhancing organisational legitimacy (Black, 2008).

Hence, contrary to previous studies of accounting practices in traditional settings, which primarily argue the minor or absent role of accounting as an accountability mechanism (e.g. Dyball and Valcarcel, 1999; Dyball *et al.*, 2006; Uddin, 2009), this thesis provides evidence of the strategic role of budgeting as an accountability mechanism to enhance the legitimacy of a government's practice in a traditional setting. Weber's (1964) traditionalism and Black's (2008) legitimacy and accountability relationships framework, framed by Archer's (1995) morphogenetic approach, provide an important theoretical basis to explain why traditional domination, although it possesses the strongest form of legitimacy, maximises the role of budgeting as an accountability mechanism to maintain the existing local political system or status quo.

It has been argued that traditional domination coexists with cognitive legitimacy, the strongest form of legitimacy. Siddiqui and Uddin (2016) argue that family relationships are adequate enough to exercise power without any further justification. Although the monarchies and the local government have gained cognitive legitimacy, it does also need to be maintained

by pursuing other forms of legitimacy, i.e. pragmatic and normative legitimacy. Previous studies argue how each form of legitimacy often reinforces the other (Suchman, 1995; Black, 2008). Black (2008) explains that an accountability mechanism is essential to gaining and maintaining legitimacy since they are the means by which legitimacy audiences validate the conformity of organisational activities with their legitimacy claims.

This case study depicts the deployment of government budget as an accountability mechanism to maintain organisational legitimacies. Although controversies appeared within their budgeting practices, especially the privileged budget, the SLG had produced decent performances as a local government according to the central government criteria. Budgeting is used to create decent programmes and activities which please the local government and assure accountability for their budgeting practices. In turn, it renders decent awards and grades, with even the best accountability report in the country. They also developed an online budget implementation monitoring platform which enabled the public to monitor the realisation of the budget and to provide input into the next year's budget. More interestingly, the region had earned a very high democratic index within the top three or sometimes even the best in the country, although the local government was headed by traditional leaders. Azizah and Al Akbar (2018) argue that to 'compensate' the privileged status, the Indonesian government expects the local government to 'keep its books tidy' and maintain sound bureaucratic affairs to please the central government. Suchman (1995) sees this as an attempt to gain normative legitimacy.

However, the budgeting practices in the SLG are not merely a compliance mechanism to the regulations but implement beyond what is required by the regulations. For example, they created decent programmes such as online planning and budget implementation monitoring systems to improve budget accountability and public participation, which is not required by the regulations. They also earned awards for their programmes. Anessi-Pessina *et al.* (2016) explain that budget as an accountability mechanism requires certain attributes, such as an open

and transparent budget, and involvement of internal and stakeholders in the budgeting process. This is very similar to what the SLG has done in their budgeting practices. In other words, they employed budget as an accountability mechanism. Previous studies also argue that achieving budget targets and realising programmes are the function of a budget as an accountability mechanism to the public (Goddard, 2005; Ríos *et al.*, 2016).

Sound accountability practices, in turn, enhance the organisational legitimacy (Black, 2008). In other words, this is the attempt of the SLG to legitimise the political conditions in the region, by pleasing the central government through their decent performances (Azizah and Al Akbar, 2018). There is no reason for the central government to interfere with local politics if the local government continues to perform well (ibid.). Also, this perhaps satisfies their pragmatic legitimacy constituents, i.e. the local people, when the SLG successfully provides and delivers decent programmes. The primary function of a government is to deliver public services. Thus, gaining normative and pragmatic legitimacy enhances the cognitive legitimacy of traditional domination.

Thus, this study has attempted to go further by examining the legitimacy of traditional domination in less developed countries, including how traditionalism maintains its legitimacy amidst the wave of modernisation of organisations through the deployment of formal rationality. It then simultaneously investigates the essential role of budgeting practices as an accountability mechanism in traditional settings, depicting the essential role of budget as an accountability mechanism, which in turn enhances the organisational legitimacy. More importantly, this finding is contrary to previous studies of accounting practices in traditional settings, which argue that the role of accounting as an accountability mechanism is weak if not ignored (Dyball *et al.*, 2006; Uddin and Choudhury, 2008; Uddin, 2009).

10.3.3. Practical or Policy Contribution

This study produces some practical implications for budgeting practices in a traditional context. This government system, whereby the Head of Government is enacted through the traditional process, seems to produce political stability within the government as it eliminates the dominant substantive rationality of the key budgeting players, i.e. to be re-elected in the next election which may incur high-cost political practices since the fund is allocated to pursue this objective (see Askim & Hanssen, 2008; Célérier & Cuenca Botey, 2015; Kuruppu et al., 2016; Lapsley et al., 2011; Tambulasi, 2007). Particularly so given that democratisation is a complicated process in less developed countries as it involves various actors with 'vested interest' so that democratic practices are hardly institutionalised (Abootalebi, 1995).

However, this system may require stronger institutional frameworks and state interventions. The state needs to reconsider the performance indicators for local government practices since the current indicators cannot fully reflect the actual practices. Some allocated funds contain accountability issues, especially those allocated to the Kingdoms. Some consumption of the fund could not necessarily be held accountable due to the nature of the fund itself, such as with the endowment fund which inherently requires a less bureaucratic process. Furthermore, funds may be 'hidden' under a particular programme and hundreds of activities making it difficult to trace the actual programme. However, the local government continue to earn the highest-grade for its accountability report from the central government. Interestingly, the local government also obtains the highest democratic index when the Head of Government is automatically occupied by a leader of a monarchy.

A lack of willingness by the state to govern the privileged law applications also contributes to worsening the accounting and accountability practices in the local government with respect to privileged budget practices. The power delegated by the state is almost unlimited, such as the application of the privileged law, which is further enacted by local

regulations. Normally, the law application is enacted by the Ministry of Internal Affairs regulation in the Indonesian context, which also shows the control of the state over its local government. Nevertheless, the central government is reluctant to intervene with this matter and let the local government regulate the privileged status application. The empirical evidence depicts that the local regulations concerning privileged affairs also attempt to accommodate the interest of the royal families. The drafts of the local regulations easily pass the Legislative process. The legislators seem powerless as long as the Executive accommodates their interest for their constituents. Hence, the current budgeting practices contribute to strengthening the traditional attitude of pursuing substantive rationality of the ruling family (Dyball and Valcarcel, 1999; Dyball *et al.*, 2006).

Also, the monarchies are already acknowledged by the law. Once again, the law only says that both of the Kingdoms are a legal entity, without any further explanation or justification about its forms and practices. Thus, it is not surprising when the accountability mechanism of the monarchies is questioned. The law acknowledges their existence and practices, but their practices are not adequately regulated.

More generally, the wave of modernisation of government through the deployment of rational accounting techniques, such as NPM reforms in Indonesian public sectors, may need further consideration. The reforms, sponsored by international donor agencies, imposing Western business-like techniques, are expected to overcome public sector problems in less developed countries such as Indonesia (Harun *et al.*, 2015; Kuruppu *et al.*, 2016). This case study depicts that the obsession with Western rational accounting models to improve public sector practices in emerging economies has led to insufficient consideration of how traditional settings, characterised by families, may affect Western accounting models in Indonesia, especially in the SLG region. Thus, future consideration is needed by the policy-makers in

imposing business-like accounting models in the public sector to ensure local culture and peculiarities are equally considered.

This study also depicts the important contribution of the budget as an accountability mechanism, which gains less attention in previous studies (Anessi-Pessina *et al.*, 2016). Sinclair (1995) demonstrates that the initiatives of public sector reforms have depicted the need to go beyond traditional views of public accountability. However, according to Broadbent and Guthrie (2008), the responses to this have dominantly relied on year-end financial reporting, whereas the budget decision making can hardly be reversed at the year-end or reporting stage. Hence, the role of a budget as an accountability mechanism is essential, which may require clear and comprehensive communication, and forms of citizens and participation (Anessi-Pessina *et al.*, 2016) as the SLG has done. This study demonstrates the need for enhancing the role of government budgeting as an accountability mechanism, which is evidently very useful in improving public accountability of the local government and ensuring sound bureaucratic practices, at least to some extent, this is of great importance for policy-makers with regards to government budgeting practices.

10.4. Research Limitations

This research has its own set of limitations. The main limitation of this research is that it was not possible to interview the Governor of the SLG local government, while one of the main objectives of this research was to investigate the role of the Head of Government in the budgeting process. This was because it was not possible to find a suitable time for an interview since he was extremely busy during the data collection period. Attempts at securing several appointments for an interview were made, but his secretary rejected them. There could have been some essential insight from the Governor, for example, why he rarely presents physically during the budgeting meetings and how he rationalises this approach. It could have offered an

understanding of the "Master's" approach in the accounting practices in a traditional setting. Hence, I could not obtain the perspective of the Governor about his role and manoeuvres during the budgeting process, and thus relied on interviews with senior officials and other sources of data to analyse his involvement in the budgeting process.

Second, is a limitation in the data collection whereby it was not possible to investigate the role of the royal family members concerning their involvement in the budgeting process or government affairs. Interviews with senior officials unveiled that the representatives of the Kingdoms were involved in the budgeting planning process to identify how much funding was needed by the Kingdoms from the local government for their internal affairs. Thus, the analysis contains a weakness since the interviews and documents provided by the senior officials in the local government to investigate the funds allocated to the monarchs were thus relied upon. It could have also further enriched the explanation of this research to have interviewed senior officials from the Ministry of Internal Affairs of Indonesia to analyse their views on the budgeting practices in the SLG. More specifically, how the central government perceives the problems faced during the implementation of privileged affairs and evaluation of their approach in monitoring the practices.

Another weakness of this study is failure to obtain budget implementation documents which contain very detailed information about programmes and activities of the local government. This document might help to identify the detail of the allocation of activities and its budget so that it would be easy to determine the flows of the local government's money. The budgeting officials were reluctant to give me the budget implementation document, despite that in Indonesia budget documents are public documents so that anyone can access them. I relied on interviews with senior officials and other budgeting documents to analyse the budget allocations of the local government.

More importantly, this research contains an inherent limitation related to the setting. Alike other qualitative studies, this study faces external validity issues. External validity concerns the degree to which research findings can be generalised to other populations and settings (Bryman and Bell, 2011). This thesis undertakes a very specific case study, i.e. a traditional setting, which makes it difficult to generalise these findings to different social settings.

10.5. Future Research

This study has opened the way to further research on the role of the key players in local government budgeting practices in both developed and traditional settings. It would be useful to examine an in-depth study of the interactions of the Executive, led by the Head of Government, and Legislative in a different context such as post-colonial countries, and perhaps linking them with political motivations, corruption, and bribery. This similar research in a different setting might have produced different results and conclusions concerning the government's budgeting practices. An in-depth study on the role of the Head of Government in budgeting affairs could also be examined in the context of different government systems or power-sharing between the Executive and Legislative, whether or not they shared power independently. In turn, it may affect the way the Head of Government interacts with the Legislative.

This study has also suggested that budgeting practices are influenced by family groups as one of the dominant social groups. We also need to obtain a better understanding of the role of familial relationships and investigate broader government affairs issues, such as management control in general and the potential of corruption, especially in traditional societies. The issue of succession in familial domination is also a fruitful area of research, whether the family groups have a plan for the succession (or lack thereof) of the next generation

and how this succession links with attempts to maintain the legitimacy of familial domination through the deployment of an accountability mechanism.

References

Abney, G. and Lauth, T. P. (1989) 'The executive budget in the states: Normative idea and empirical observation', *Policy Studies Journal*, 17(4), pp. 829–840.

Abney, G. and Lauth, T. P. (1998) 'The end of executive dominance in state appropriations', *Public Administration Review*, pp. 388–394.

Abootalebi, A. R. (1995) 'Democratization in developing countries : 1980-1989', *The Journal of Developing Areas*, 29(4), pp. 507–530.

Al-Amoudi, I. and Willmott, H. (2011) 'Where constructionism and critical realism converge: Interrogating the domain of epistemological relativism', *Organization Studies*, 32(1), pp. 27–46.

Alawattage, C. (2011) 'The calculative reproduction of social structures–The field of gem mining in Sri Lanka', *Critical Perspectives on Accounting*, 22(1), pp. 1–19.

Anessi-Pessina, E., Barbera, C., Sicilia, M. and Steccolini, I. (2016) 'Public sector budgeting: a European review of accounting and public management journals', *Accounting, Auditing and Accountability Journal*, 29(3), pp. 491–519.

Anessi-Pessina, E., Sicilia, M. and Steccolini, I. (2012) 'Budgeting and rebudgeting in local governments: Siamese twins?', *Public Administration Review*, 72(6), pp. 875–884.

Archer, M. S. (1995) *Realist social theory: The morphogenetic approach*. Cambridge university press.

Archer, M. S. (1998) *Critical realism: Essential readings*. Routledge (Critical Realism Series).

Armstrong, P. (1994) 'The influence of Michel Foucault on accounting research', *Critical Perspectives on Accounting*, 5(1), pp. 25–55.

Armstrong, P. (2008) 'Calling out for more: Comment on the future of interpretive accounting research', *Critical Perspectives on Accounting*, 19(6), pp. 867–879.

Ashraf, J. and Uddin, S. (2015) 'Military,"managers" and hegemonies of management

accounting controls: A critical realist interpretation', *Management Accounting Research*, 29, pp. 13–26.

Ashraf, J. and Uddin, S. (2016) 'New public management, cost savings and regressive effects: A case from a less developed country', *Critical Perspectives on Accounting*, 41, pp. 18–33.

Askim, J. and Hanssen, G. S. (2008) 'Councillor's receipt and use of citizen input: Experience from Norwegian local government', *Public Administration*, 86(2), pp. 387–409.

Auyeung, P. and Ivory, P. (2003) 'A Weberian model applied to the study of accounting stagnation in late Qing China', *Accounting, Business & Financial History*, 13(1), pp. 5–26.

Azizah, N. and Al Akbar, N. (2018) *In search of local regime in Indonesia: Enhancing democratisation in Indonesia*. First Edit. Edited by L. N. Bayo, P. Santoso, and W. P. Samadhi. Jakarta: Yayasan Pustaka Obor Indonesia in cooperation with PolGov Fisipol UGM and University of Oslo.

Bäck, H. (2008) 'Intra-party politics and coalition formation: Evidence from Swedish local government', *Party Politics*. Routledge, 14(1), pp. 69–84.

Bahl, R. and Wallace, S. (2007) 'Intergovernmental transfers: the vertical sharing dimension', in *Fiscal equalization*. Springer, pp. 205–249.

Barrett, A. W. and Eshbaugh-Soha, M. (2007) 'Presidential success on the substance of legislation', *Political Research Quarterly*, 60(1), pp. 100–112.

Baswedan, A. R. (2007) 'Indonesian politics in 2007: The presidency, local elections and the future of democracy', *Bulletin of Indonesian Economic Studies*, 43(3), pp. 323–340.

Baxter, J. and Chua, W. F. (2003) 'Alternative management accounting research—whence and whither', *Accounting, Organizations and Society*, 28(2), pp. 97–126.

Benito, B. and Bastida, F. (2009) 'Budget transparency, fiscal performance, and political

turnout: An international approach', *Public Administration Review*, 69(3), pp. 403–417.

Bernick, E. L. (2016) 'Studying governors over five decades: What we know and where we need to go?', *State and Local Government Review*, 48(2), pp. 132–146.

Bhaskar, R. (1978) *A realist theory of science*. Harvester Press.

Bhaskar, R. (2009) *Scientific realism and human emancipation*. Routledge.

Bhaskar, R. (2010) *Reclaiming reality: A critical introduction to contemporary philosophy*. Taylor & Francis.

Bhaskar, R. (2014) *The possibility of naturalism: A philosophical critique of the contemporary human sciences*. Routledge.

Black, J. (2008) 'Constructing and contesting legitimacy and accountability in polycentric regulatory regimes', *Regulation & Governance*, 2(2), pp. 137–164.

Blöndal, J. R., Hawkesworth, I. and Choi, H. (2009) 'Budgeting in Indonesia', *OECD Journal on Budgeting*, 2009/2(2), pp. 1–31.

ter Bogt, H. J. (2003) 'Performance evaluation styles in governmental organizations: How do professional managers facilitate politicians' work?', *Management Accounting Research*, 14(4), pp. 311–332.

Bourdeaux, C. (2008) 'Integrating performance information into legislative budget processes', *Public Performance & Management Review*, 31(4), pp. 547–569.

Bovens, M. (2010) 'Two concepts of accountability: accountability as a virtue and as a mechanism', *West European Politics*, 33(5), pp. 946–967.

Bräutigam, D. A. (2004) 'The people's budget? Politics, power, popular participation and pro-poor economic policy', *Development Policy Review*, 22(6), pp. 653–668.

Brender, A. and Drazen, A. (2005) 'Political budget cycles in new versus established democracies', *Journal of Monetary Economics*, 52(7), pp. 1271–1295.

Breunig, C. and Koski, C. (2020) 'Topping off and bottoming out: Setting budget priorities

through executive power', *Policy Studies Journal*, 48(2), pp. 342–366.

Broadbent, J. and Guthrie, J. (2008) 'Public sector to public services: 20 years of "contextual" accounting research', *Accounting, Auditing & Accountability Journal*, 21(2), pp. 129–169.

Bryer, A. R. (2014) 'Participation in budgeting: A critical anthropological approach', *Accounting, Organizations and Society*, 39(7), pp. 511–530.

Bryman, A. and Bell, E. (2011) *Business research methods 3e*. OUP Oxford.

Callanan, M. (2005) 'Institutionalizing participation and governance? New participative structures in local government in Ireland', *Public Administration*, 83(4), pp. 909–929.

Célérier, L. and Cuenca Botey, L. E. (2015) 'Participatory budgeting at a community level in Porto Alegre: a Bourdieusian interpretation', *Accounting, Auditing & Accountability Journal*, 28(5), pp. 739–772.

Cheibub, J. A. (2006) 'Presidentialism, electoral identifiability, and budget balances in democratic systems', *American Political Science Review*, 100(03), pp. 353–368.

Cheibub, J. A. and Limongi, F. (2002) 'Democratic institutions and regime survival: Parliamentary and presidential democracies reconsidered', *Annual Review of Political Science*, 5(1), pp. 151–179.

Cheibub, J. A., Przeworski, A. and Saiegh, S. M. (2004) 'Government coalitions and legislative success under presidentialism and parliamentarism', *British Journal of Political Science*, 34(4), pp. 565–587.

Christensen, T. and Laegreid, P. (2004) *The fragmented state–the challenges of combining efficiency, institutional norms and democracy*.

Chua, W. F. (1986) 'Radical developments in accounting thought', *Accounting Review*, 61(4), pp. 601–632.

Cleveland, F. A. (1915) 'Evolution of the budget idea in the United States', *The Annals of the American Academy of Political and Social Science*, 62(1), pp. 15–35.

Colignon, R. and Covaleski, M. (1991) 'A Weberian framework in the study of accounting', *Accounting, Organizations and Society*, 16(2), pp. 141–157.

Collier, A. (1994) *Critical realism: an introduction to Roy Bhaskar's philosophy*. Verso.

Cooper, D. (1983) 'Tidiness, muddle and things: commonalities and divergencies in two approaches to management accounting research', *Accounting, organizations and Society*, 8(2–3), pp. 269–286.

Corbin, J. M. and Strauss, A. L. (2008) *Basics of qualitative research: techniques and procedures for developing grounded theory*. Sage Publications, Inc.

Costa, E., Pesci, C., Andreaus, M. and Taufer, E. (2019) 'Empathy, closeness, and distance in non-profit accountability', *Accounting, Auditing & Accountability Journal*, 32(1), pp. 224–254.

Covaleski, M. A. and Dirsmith, M. W. (1986) 'The budgetary process of power and politics', *Accounting, Organizations and Society*, 11(3), pp. 193–214.

Cuganesan, S. (2017) 'The design of performance budgeting processes and managerial accountability relationships', *Public Management Review*, 19(7), pp. 954–971.

Cunliffe, A. L. (2011) 'Crafting qualitative research', *Organizational Research Methods*, 14(4), pp. 647–673.

Danermark, B., Ekstrom, M. and Jakobsen, L. (2002) *Explaining society: an introduction to critical realism in the social sciences*. Routledge.

Debus, M. and Gross, M. (2016) 'Coalition formation at the local level: Institutional constraints, party policy conflict, and office-seeking political parties', *Party Politics*, 22(6), pp. 835–846.

Deegan, C. (2007) 'Organisational legitimacy as a motive for sustainability reporting', *Accounting, Auditing & Accountability Journal*, 15(3), pp. 372–405.

Derrida, J. (1976) 'Of grammatology, trans', *Gayatri Chakravorty Spivak (Baltimore, 1976)*,

141.

Van Doeveren, V. (2011) 'Rethinking good governance: Identifying common principles', *Public Integrity*, 13(4), pp. 301–318.

Dometrius, N. C. and Wright, D. S. (2010) 'Governors, legislatures, and state budgets across time', *Political Research Quarterly*, 63(4), pp. 783–795.

Dubnick, M. (2005) 'Accountability and the promise of performance: In search of the mechanisms', *Public Performance & Management Review*, 28(3), pp. 376–417.

Dyball, M. C., Fong Chua, W. and Poullaos, C. (2006) 'Mediating between colonizer and colonized in the American empire: Accounting for government moneys in the Philippines', *Accounting, Auditing & Accountability Journal*, 19(1), pp. 47–81.

Dyball, M. C. and Valcarcel, L. J. (1999) 'The "rational" and "traditional": the regulation of accounting in the Philippines', *Accounting, Auditing & Accountability Journal*, 12(3), pp. 303–328.

Edin, P.-A. and Ohlsson, H. (1991) 'Political determinants of budget deficits: Coalition effects versus minority effects', *European Economic Review*, 35(8), pp. 1597–1603.

Efferin, S. and Hopper, T. (2007) 'Management control, culture and ethnicity in a Chinese Indonesian company', *Accounting, Organizations and Society*, 32(3), pp. 223–262.

Eisenhardt, K. M. (1989) 'Building theories from case study research', *Academy of Management Review*, 14(4), pp. 532–550.

Ekman, J. (2009) 'Political participation and regime stability: A framework for analyzing hybrid regimes', *International Political Science Review*, 30(1), pp. 7–31.

Farjaudon, A.-L. and Morales, J. (2013) 'In search of consensus: The role of accounting in the definition and reproduction of dominant interests', *Critical Perspectives on Accounting*, 24(2), pp. 154–171.

Fassin, Y. and Gosselin, D. (2011) 'The collapse of a European bank in the financial crisis: An

analysis from stakeholder and ethical perspectives', *Journal of Business Ethics*, 102(2), pp. 169–191.

Ferguson, M. (2003) 'Chief executive success in the legislative arena', *State Politics & Policy Quarterly*, 3(2), pp. 158–182.

Ferlie, E., Ashburner, L., Fitzgerald, L. and Pettigrew, A. (1996) *The new public management in action*. Oxford University Press, USA.

Fleetwood, S. (2004) 'An ontology for organisation and management studies', *Critical realist applications in organisation and management studies*, pp. 27–53.

Fleetwood, S. (2005) 'Ontology in organization and management studies: A critical realist perspective', *Organization*, 12(2), pp. 197–222.

Franklin, A. L. and Raadschelders, J. C. N. (2003) 'Ethics in local government budgeting: Is there a gap between theory and practice?', *Public Administration Quarterly*, pp. 456–490.

Giroux, G. A., Mayper, A. G. and Daft, R. L. (1986) 'Organization size, budget cycle, and budget related influence in city governments: an empirical study', *Accounting, Organizations and Society*, 11(6), pp. 499–519.

Goddard, A. (2005) 'Accounting and NPM in UK local government–contributions towards governance and accountability', *Financial Accountability & Management*, 21(2), pp. 191–218.

Goddard, A. (2010) 'Contemporary public sector accounting research–An international comparison of journal papers', *The British Accounting Review*, 42(2), pp. 75–87.

Goodman, D. (2007) 'Determinants of perceived gubernatorial budgetary influence among state executive budget analysts and legislative fiscal analysts', *Political Research Quarterly*, 60(1), pp. 43–54.

Goodman, D. (2008) 'Executive budget analysts and legislative budget analysts: State budgetary gatekeepers', *Journal of Public Budgeting, Accounting & Financial*

Management, 20(3), pp. 299–322.

Gray, A. and Jenkins, B. (1995) 'From public administration to public management: reassessing a revolution?', *Public Administration*, 73(1), pp. 75–99.

Gray, R., Owen, D. and Maunders, K. (1988) 'Corporate social reporting: emerging trends in accountability and the social contract', *Accounting, Auditing & Accountability Journal*, 1(1), pp. 6–20.

Green-Pedersen, C. (2001) 'Minority governments and party politics: The political and institutional background to the "Danish Miracle"', *Journal of Public Policy*, 21(01), pp. 53–70.

Guba, E. G. and Lincoln, Y. S. (1994) 'Competing paradigms in qualitative research', in *Handbook of qualitative research*. Thousand Oaks, CA: Sage, pp. 105–117.

De Haan, J. and Sturm, J.-E. (1994) 'Political and institutional determinants of fiscal policy in the European Community', *Public Choice*, 80(1–2), pp. 157–172.

De Haan, J. and Sturm, J.-E. (1997) 'Political and economic determinants of OECD budget deficits and government expenditures: A reinvestigation', *European Journal of Political Economy*, 13(4), pp. 739–750.

De Haan, J., Sturm, J.-E. and Beekhuis, G. (1999) 'The weak government thesis: Some new evidence', *Public Choice*, 101(3), pp. 163–176.

Hale, G. E. (2013) 'State budgets, governors, and their influence on "Big-Picture Issues"', *Administration & Society*, 45(2), pp. 127–144.

Hallerberg, M. and Marier, P. (2004) 'Executive authority, the personal vote, and budget discipline in Latin American and Caribbean countries', *American Journal of Political Science*, 48(3), pp. 571–587.

Hammersley, M. (1992) *What's wrong with ethnography?: Methodological explorations*. Routledge.

Hansen, S. B. (1999) '"Life is not fair": Governors' job performance ratings and state economies', *Political Research Quarterly*, 52(1), pp. 167–188.

Haque, M. S. (2001) 'The diminishing publicness of public service under the current mode of governance', *Public Administration Review*, 61(1), pp. 65–82.

Hardy, C. and Clegg, S. R. (2006) *Some dare call it power*. Sage Publications.

Harun, H., Van-Peursem, K. and Eggleton, I. R. C. (2015) 'Indonesian public sector accounting reforms: dialogic aspirations a step too far?', *Accounting, Auditing & Accountability Journal*, 28(5), pp. 706–738.

Van Helden, J. (2005) 'Researching public sector transformation: the role of management accounting', *Financial Accountability & Management*, 21(1), pp. 99–133.

Van Helden, J. and Uddin, S. (2016) 'Public sector management accounting in emerging economies: A literature review', *Critical Perspectives on Accounting*, 41, pp. 34–62.

Helland, L. (2004) 'Minority-rule budgeting under a de facto constructive vote of no confidence: A cure for the Norwegian illness?', *Scandinavian Political Studies*, 27(4), pp. 391–401.

Ho, A. T. (2018) 'From performance budgeting to performance budget management: Theory and practice', *Public Administration Review*, 78(5), pp. 748–758.

Hoggett, P. (1996) 'New modes of control in the public service', *Public Administration*, 74(1), pp. 9–32.

Holt, C. (2007) *Culture and politics in Indonesia*. Equinox Publishing.

Hood, C. (1991) 'A public management for all seasons?', *Public Administration*, 69(1), pp. 3–19.

Hood, C. (1995) 'The "new public management" in the 1980s: Variations on a theme', *Accounting, Organizations and Society*, 20(2–3), pp. 93–109.

Hopper, T., Ashraf, J., Uddin, S. and Wickramasinghe, D. (2014) 'Social theorisation of

accounting: Challenges to positive research', in *In S. Jones (Ed.), Routledge: Routledge Companions to Financial Accounting Theory*. Routledge, pp. 452–471.

Hopper, T., Tsamenyi, M., Uddin, S. and Wickramasinghe, D. (2009) 'Management accounting in less developed countries: what is known and needs knowing', *Accounting, Auditing & Accountability Journal*, 22(3), pp. 469–514.

Hopwood, A. G. (1987) 'The archeology of accounting systems', *Accounting, Organizations and Society*, 12(3), pp. 207–234.

Huber, G., Kocher, M. and Sutter, M. (2003) 'Government strength, power dispersion in governments and budget deficits in OECD-countries. A voting power approach', *Public Choice*, 116(3–4), pp. 333–350.

Humphrey, C. and Scapens, R. W. (1996) 'Methodological themes: theories and case studies of organizational accounting practices: limitation or liberation?', *Accounting, Auditing & Accountability Journal*. MCB UP Ltd, 9(4), pp. 86–106.

Jacobs, K. (1995) 'Budgets: a medium of organizational transformation', *Management Accounting Research*, 6(1), pp. 59–75.

Jacobs, K. (2012) 'Making sense of social practice: theoretical pluralism in public sector accounting research', *Financial Accountability & Management*, 28(1), pp. 1–25.

Jacobsen, D. I. (2006) 'Public sector growth: comparing politicians' and administrators' spending preferences', *Public Administration*, 84(1), pp. 185–204.

Johnson, C. (1982) *Miti and the Japanese miracle: The growth of industrial policy : 1925-1975*. Stanford University Press.

Johnson, C. and Talbot, C. (2007) 'The UK Parliament and performance: challenging or challenged?', *International Review of Administrative Sciences*, 73(1), pp. 113–131.

Johnson, P. and Duberley, J. (2000) *Understanding management research: An introduction to epistemology*. Sage.

Jones, R. H. and Pendlebury, M. (1992) *Public Sector Accounting, (Pitman, London)*. Pitman, London.

Jönsson, S. (1982) 'Budgetary behaviour in local government—A case study over 3 years', *Accounting, Organizations and Society*, 7(3), pp. 287–304.

Jørgensen, T. B. and Bozeman, B. (2002) 'Public values lost? Comparing cases on contracting out from Denmark and the United States', *Public Management Review*, 4(1), pp. 63–81.

Key, V. O. (1940) 'The lack of a budgetary theory', *American Political Science Review*, 34(6), pp. 1137–1144.

Kilduff, M. (1993) 'Deconstructing organizations', *Academy of Management Review*, 18(1), pp. 13–31.

King, D. Y. (2003) *Half-hearted reform: Electoral institutions and the struggle for democracy in Indonesia*. Praeger.

Koop, C. (2014) 'Theorizing and explaining voluntary accountability', *Public Administration*, 92(3), pp. 565–581.

Krupnikov, Y. and Shipan, C. (2012) 'Measuring gubernatorial budgetary power: A new approach', *State Politics & Policy Quarterly*, 12(4), pp. 438–455.

Kuruppu, C., Adhikari, P., Gunarathna, V., Ambalangodage, D., Perera, P. and Karunarathna, C. (2016) 'Participatory budgeting in a Sri Lankan urban council: A practice of power and domination', *Critical Perspectives on Accounting*, 41, pp. 1–17.

Lapsley, I., Midwinter, A., Nambiar, T. and Steccolini, I. (2011) 'Government budgeting, power and negotiated order', *Management Accounting Research*, 22(1), pp. 16–25.

Laver, M., Rallings, C. and Thrasher, M. (1987) 'Coalition theory and local government: Coalition payoffs in Britain', *British Journal of Political Science*, 17(4), pp. 501–509.

LeCompte, M. D. and Goetz, J. P. (1982) 'Problems of reliability and validity in ethnographic research', *Review of Educational Research*, 52(1), pp. 31–60.

Lee Jr, R. D., Johnson, R. W. and Joyce, P. G. (2012) *Public budgeting systems*. Jones & Bartlett Publishers.

Leston-Bandeira, C. (1999) 'The role of the Portuguese parliament based on a case study: The discussion of the budget, 1983–95', *The Journal of Legislative Studies*, 5(2), pp. 46–73.

Lienert, I. (2005) 'Who controls the Budget: The Legislature or the Executive?', *IMF Working Papers*, 05(115), p. 1.

Liguori, M., Sicilia, M. and Steccolini, I. (2012) 'Some like it non-financial… Politicians' and managers' views on the importance of performance information', *Public Management Review*, 14(7), pp. 903–922.

Lilja, M. (2010) 'Discourses of hybrid democracy: The case of Cambodia', *Asian Journal of Political Science*, 18(3), pp. 289–309.

Linstead, S. (1993) *Deconstruction in the study of organizations, Postmodernism and organizations*. Edited by J. H. and M. Parker. London: SAGE.

Logan, C. (2009) 'Selected chiefs, elected councillors and hybrid democrats: popular perspectives on the co-existence of democracy and traditional authority', *The Journal of Modern African Studies*, 47(1), p. 101.

Lu, H. and Facer, R. L. (2004) 'Budget change in Georgia counties: Examining patterns and practices', *American Review of Public Administration*, 34(1), pp. 67–93.

Lu, Y. and Xue, C. (2011) 'The power of the purse and budgetary accountability: Experiences from subnational governments in China', *Public Administration and Development*, 31(5), pp. 351–362.

Lyotard, J.-F. (1988) *Le différend*. University of Minnesota Press.

Ma, J. and Hou, Y. (2009) 'Budgeting for accountability: a comparative study of budget reforms in the United States during the progressive era and in contemporary China', *Public Administration Review*, 69, pp. S53–S59.

Mainwaring, S. (1993) 'Presidentialism, multipartism, and democracy the difficult combination', *Comparative political studies*, 26(2), pp. 198–228.

Margolis, J. (2007) *Pragmatism without foundations 2nd ed: Reconciling realism and relativism*. Bloomsbury Publishing.

Mason, J. (2002) *Qualitative researching*. SAGE Publications.

Mccarty, N. M. and Poole, K. T. (1995) 'Veto power and legislation: An empirical analysis of Executive and Legislative from 1961 bargaining to 1986', *Journal of Law, Economics & Organization*, 11(2), pp. 282–312.

Meyer, S. A. and Naka, S. (1998) 'Legislative influences in Japanese budgetary politics', *Public Choice*, 94(3), pp. 267–288.

Midwinter, A. (2005) 'Budgetary scrutiny in the Scottish Parliament: an adviser's view', *Financial Accountability & Management*, 21(1), pp. 13–32.

Miles, M. B. and Huberman, A. M. (1994) *Qualitative data analysis: An expanded sourcebook*. SAGE Publications.

Miller, P. and O'leary, T. (1994) 'Accounting, "economic citizenship" and the spatial reordering of manufacture', *Accounting, Organizations and Society*, 19(1), pp. 15–43.

Mink, M. and de Haan, J. (2006) 'Are there political budget cycles in the Euro area?', *European Union Politics*, 7(2), pp. 191–211.

Modell, S. (2014) 'Critical realist accounting research: whence and whither', in *Critical perspectives on accounting conference, Toronto. Ref. CPA2014–2202*.

Modell, S. (2017) 'Critical realist accounting research: In search of its emancipatory potential', *Critical Perspectives on Accounting*, 42, pp. 20–35.

Mooney, C. Z. (2013) 'Explaining legislative leadership influence', *Political Research Quarterly*, 66(3), pp. 559–571.

Mutch, A. (2007) 'Reflexivity and the institutional entrepreneur: A historical exploration',

Organization Studies, 28(7), pp. 1123–1140.

Niemi, R. G., Stanley, H. W. and Vogel, R. J. (1995) 'State economies and state taxes: Do voters hold governors accountable?', *American Journal of Political Science*, 39(4), p. 936.

Northcott, D. and Llewellyn, S. (2003) 'The "ladder of success" in healthcare: the UK national reference costing index', *Management Accounting Research*, 14(1), pp. 51–66.

OECD (2014) *National accounts at a glance 2014*. OECD Publishing, Paris (National Accounts at a Glance). Available at: https://www.oecd-ilibrary.org/economics/national-accounts-at-a-glance-2014_na_glance-2014-en (Accessed: 13 September 2019).

Parker, M. (1992) 'Post-modern organizations or postmodern organization theory?', *Organization Studies*, 13(1), pp. 1–17.

Parker, M. (1997) 'Organizations and citizenship', *Organization*, 4(1), pp. 75–92.

Partin, R. W. (1995) 'Economic conditions and gubernatorial elections: Is the state Executive held accountable?', *American Politics Quarterly*, 23(1), pp. 81–95.

Pech, G. (2004) 'Coalition governments versus minority governments: Bargaining power, cohesion and budgeting outcomes', *Public Choice*, 121(1), pp. 1–24.

Pettersen, I. J. (1995) 'Budgetary control of hospitals—Ritual rhetorics and rationalized myths?', *Financial Accountability & Management*, 11(3), pp. 207–221.

Pollitt, C. (2003) *The essential public manager*. McGraw-Hill Education (UK).

Popper, K. R. (1979) *Objective knowledge: An evolutionary approach*. Clarendon Press.

Posner, P. L. (2011) 'Federalist no. 30: What is to be done about the federal budget?', *Public Administration Review*, 71, pp. s53–s61.

Posner, P. L. and Park, C.-K. (2007) 'Role of the Legislature in the budget process', *OECD Journal on Budgeting*, 7(3), pp. 1–26.

Poterba, J. M. and von Hagen, J. (2008) *Fiscal institutions and fiscal performance*. University of Chicago Press (National Bureau of Economic Research Conference Report).

Radcliffe, V. S. (1997) 'Competing rationalities in "special" government audits: The case of NovAtel', *Critical Perspectives on Accounting*, 8(4), pp. 343–366.

Raudla, R. (2012) 'The use of performance information in budgetary decision-making by legislators: Is Estonia any different?', *Public Administration*, 90(4), pp. 1000–1015.

Reed, M. (2005) 'Reflections on the "realist turn"in organization and management studies', *Journal of Management Studies*, 42(8), pp. 1621–1644.

Reed, M. I. (2001) 'Organization, trust and control: a realist analysis', *Organization Studies*, 22(2), pp. 201–228.

Ricciuti, R. (2004) 'Political fragmentation and fiscal outcomes', *Public Choice*, 118(3–4), pp. 365–388.

Ríos, A. M., Bastida, F. and Benito, B. (2016) 'Budget transparency and legislative budgetary oversight: An international approach', *American Review of Public Administration*, 46(5), pp. 546–568.

Rocha Menocal, A., Fritz, V. and Rakner, L. (2008) 'Hybrid regimes and the challenges of deepening and sustaining democracy in developing countries', *South African Journal of International Affairs*, 15(1), pp. 29–40.

Rorty, R. (2009) *Philosophy and the mirror of nature*. Princeton University Press.

Roubini, N. and Sachs, J. D. (1989a) 'Government spending and budget deficits in the industrial countries', *Economic policy*, 4(8), pp. 99–132.

Roubini, N. and Sachs, J. D. (1989b) 'Political and economic determinants of budget deficits in the industrial democracies', *European Economic Review*, 33(5), pp. 903–933.

Rubin, I. (2005) 'The state of state budget research', *Public Budgeting & Finance*, 25(4s), pp. 46–67.

Rubin, I. (2015) 'Past and future budget classics: A research agenda', *Public Administration Review*, 75(1), pp. 25–35.

Russell, P. H. (2008) *Two cheers for minority government: the evolution of Canadian parliamentary democracy*. Emond Montgomery Publication.

Ryu, J. E., Bowling, C. J., Cho, C. and Wright, D. S. (2008) 'Exploring explanations of state agency budgets: Institutional budget actors or exogenous environment?', *Public Budgeting & Finance*, 28(3), pp. 23–47.

Sakamoto, T. (2001) 'Effects of government characteristics on fiscal deficits in 18 OECD countries, 1961-1994', *Comparative Political Studies*, 34(5), pp. 527–554.

Saliterer, I., Korac, S., Moser, B. and Rondo-Brovetto, P. (2019) 'How politicians use performance information in a budgetary context: New insights from the central government level', *Public Administration*, 97(4), pp. 829–844.

Saunders, M., Lewis, P. and Thornhill, A. (2009) *Research methods for business students*. Financial Times Prentice Hall.

Sayer, A. (1992) *Method in social science: A realist approach*. Routledge.

Sayer, A. (2000) *Realism and social science*. SAGE Publications.

Sayer, D. (2002) *Capitalism and modernity: An excursus on Marx and Weber*. Routledge.

Scapens, R. W. (1990) 'Researching management accounting practice: the role of case study methods', *The British Accounting Review*, 22(3), pp. 259–281.

Scapens, R. W. and Bromwich, M. (2001) 'Editorial report—management accounting research: The first decade', *Management Accounting Research*. Elsevier, 12(2), pp. 245–254.

Schick, A. (2002) 'Can national legislatures regain an effective voice in budget policy?', *OECD Journal on Budgeting*, 1(3), pp. 15–42.

Serritzlew, S. (2005) 'Breaking budgets: an empirical examination of Danish municipalities', *Financial Accountability & Management*, 21(4), pp. 413–435.

Serritzlew, S., Blom-Hansen, J. and Skjæveland, A. (2010) 'Portfolio allocation or policy horizons? Determinants of coalition formation in Danish local government', *Local*

Government Studies, 36(6), pp. 843–866.

Serritzlew, S., Skjæveland, A. and Blom-Hansen, J. (2008) 'Explaining oversized coalitions: empirical evidence from local governments', *The Journal of Legislative Studies*, 14(4), pp. 421–450.

Sharkansky, I. R. A. (1968) 'Agency requests , gubernatorial support and budget success in state Legislatures', *American Political Science Review*, 62(4), pp. 1220–1231.

Siddiqui, J. and Uddin, S. (2016) 'Human rights disasters, corporate accountability and the state: Lessons learned from Rana Plaza', *Accounting, Auditing & Accountability Journal*, 29(4), pp. 679–704.

Silverman, D. (2010) *Doing qualitative research*. SAGE Publications.

Sinclair, A. (1995) 'The chameleon of accountability: Forms and discourses', *Accounting, Organizations and Society*, 20(2–3), pp. 219–237.

Stapenhurst, R. (2004) 'The Legislature and the budget', in *Legislative oversight and budgeting: A world perspective*. World Bank Institute, pp. 51–66. Available at: https://elibrary.worldbank.org/doi/pdf/10.1596/978-0-8213-7611-9#page=68.

Steele, G. R. (2005) 'Critical thoughts about critical realism', *Critical Review*, 17(1–2), pp. 133–154.

Stepan, A. and Skach, C. (1993) 'Constitutional frameworks and democratic consolidation: Parliamentarianism versus presidentialism', *World Politics*, 46(01), pp. 1–22.

Strauch, R. R. and von Hagen, J. (2000) *Institutions, Politics and Fiscal Policy*. Springer US (Kluwer International Series in Engineering & Computer Science).

Strauss, A. L. (1987) *Qualitative analysis for social scientists*. Cambridge University Press.

Suchman, M. C. (1995) 'Managing legitimacy: Strategic and institutional approaches', *Academy of management review*, 20(3), pp. 571–610.

Tambulasi, R. I. C. (2007) 'Who is fooling who? New public management-oriented

management accounting and political control in the Malawi's local governance', *Journal of Accounting & Organizational Change*, 3(3), pp. 302–328.

Thatcher, M. (2002) 'Regulation after delegation: independent regulatory agencies in Europe', *Journal of European Public Policy*, 9(6), pp. 954–972.

Thomas, P. E. J. (2007) 'Measuring the effectiveness of a minority parliament', *Canadian Parliamentary Review*, 30(1), pp. 22–31.

Thompson, J. A. (1987) 'Agency requests, gubernatorial support, and budget success in state legislatures revisited', *The Journal of Politics*, 49(3), pp. 756–779.

Thyer, B. (2010) *The handbook of social work research methods*. SAGE Publications.

Tsamenyi, M., Noormansyah, I. and Uddin, S. (2008) 'Management controls in family-owned businesses (FOBs): A case study of an Indonesian family-owned University', *Accounting Forum*, 32(1), pp. 62–74.

Uddin, S. (2009) 'Rationalities, domination and accounting control: A case study from a traditional society', *Critical Perspectives on Accounting*, 20(6), pp. 782–794.

Uddin, S. and Choudhury, J. (2008) 'Rationality, traditionalism and the state of corporate governance mechanisms: Illustrations from a less-developed country', *Accounting, Auditing & Accountability Journal*, 21(7), pp. 1026–1051.

Uddin, S., Gumb, B. and Kasumba, S. (2011) 'Trying to operationalise typologies of the spectacle: A literature review and a case study', *Accounting, Auditing & Accountability Journal*, 24(3), pp. 288–314.

Uddin, S. and Hopper, T. (2001) 'A Bangladesh soap opera: privatisation, accounting, and regimes of control in a less developed country', *Accounting, Organizations and Society*, 26(7), pp. 643–672.

Uddin, S., Mori, Y. and Adhikari, P. (2019) 'Participatory budgeting in a local government in a vertical society: A Japanese story', *International Review of Administrative Sciences*,

85(3), pp. 490–505.

Uddin, S., Siddiqui, J. and Islam, M. A. (2018) 'Corporate social responsibility disclosures, traditionalism and politics: A story from a traditional setting', *Journal of Business Ethics*, 151(2), pp. 409–428.

Uddin, S. and Tsamenyi, M. (2005) 'Public sector reforms and the public interest: a case study of accounting control changes and performance monitoring in a Ghanaian state-owned enterprise', *Accounting, Auditing & Accountability Journal*, 18(5), pp. 648–674.

Wanandi, J. (2002) 'Indonesia: a failed state?', *Washington Quarterly*, 25(3), pp. 135–146.

Ward, T. (2015) 'The Irish parliament and the scrutiny of departmental performance reports', *Public Money & Management*, 35(2), pp. 153–160.

Waterhouse, J. H. and Tiessen, P. (1978) 'A contingency framework for management accounting systems research', *Accounting, Organizations and Society*, 3(1), pp. 65–76.

Weber, M. (1964) *The theory of social and economic organization*. New York: Free Press; London: Collier Macmillan.

Weber, M. (1978) *Economy and society: An outline of interpretive sociology*. University of California Press.

Weber, M. (2012) *Max Weber: The theory of social and economic organization. Translated by A.M. Henderson and Talcott Parsons. Edited with an introduction by Talcott Parsons.* Martino Publishing.

Wehner, J. (2001) 'Reconciling accountability and fiscal prudence? - A case study of the budgetary role and impact of the German Parliament', *The Journal of Legislative Studies*, 7(2), pp. 57–78.

Wehner, J. (2004) 'Back from the sidelines? Redefining the contribution of legislatures to the budget cycle', *The World Bank Institute of the International Bank for Reconstruction and Development*, p. 8.

Wehner, J. (2006) 'Assessing the power of the purse: An index of legislative budget institutions', *Political Studies*, 54(4), pp. 767–785.

Weiss, L. and Hobson, J. M. (1995) *States and economic development: a comparative historical analysis*. Polity Press Cambridge.

Westwood, R. and Linstead, S. (2001) *The language of organization*. SAGE Publications.

Wickramasinghe, D. and Hopper, T. (2005) 'A cultural political economy of management accounting controls: a case study of a textile Mill in a traditional Sinhalese village', *Critical Perspectives on Accounting*, 16(4), pp. 473–503.

Wildavsky, A. (1961) 'Political implications of budgetary reform', *Public Administration Review*, 21(4), pp. 183–190.

Wildavsky, A. (1975) *Budgeting: a comparative theory of budgetary processes*. Little Brown and Company.

Wildavsky, A. (1992) 'Political implications of budget reform: A retrospective', *Public Administration Review*, 52(6), pp. 594–599.

Wildavsky, A. B. (1964) *Politics of the budgetary process*. Little, Brown.

Willmott, H. (1997) 'Rethinking management and managerial work: capitalism, control, and subjectivity', *Human Relations*, 50(11), pp. 1329–1359.

Willmott, R. (2000) 'The place of culture in organization theory: introducing the morphogenetic approach', *Organization*, 7(1), pp. 95–128.

Xavier, J. A. (1996) 'Budgetary control and management at the Malaysian central budget process—principles and practice', *Financial Accountability & Management*, 12(4), pp. 303–321.

Young, L. (1999) 'Minor parties and the legislative process in the Australian Senate: A study of the 1993 budget', *Australian Journal of Political Science*, 34(1), pp. 7–27.

Zucker, L. G. (1983) 'Organizations as institutions', *Research in the Sociology of*

Organizations, 2(1), pp. 1–47.

Zucker, L. G. (1987) 'Institutional theories of organization', *Annual Review of Sociology*, 13(1), pp. 443–464.

Appendix

Interview Guide (Executive)

1. Introduction to the research project.
2. What distinguishes budgeting practices in the SLG compared to the other local governments?
3. What is the role of the executive/legislative in the budgeting?
4. How do you propose each item in the budget?
5. Who is involved in the budget proposals?
6. Who sets the priority of the government's programmes? How are the priorities set?
7. The head of government usually has discretion in setting priorities in the budget. When do you normally use your discretion in setting the programs or priorities? In what circumstances do you use your discretion?
8. How does your subordinate in the executive or from the legislative response to your discretion?
9. What do you do when you need to modify the budget during implementation stage? In what circumstances do you propose an amended budget?
10. Who is monitoring the budget implementation?
11. Why do particular programmes become priorities?
12. Do you have any specific targets of people or groups on the programmes? Why do these people/groups become the target?
13. Do you get any inputs from the citizens in order to set the budget?
14. Do you consider the citizens' satisfaction? If so, how?

15. How do you evaluate budget implementation? Is budget evaluation used as performance measurement?
16. Some national media reported that the absorption of the privileged budget fund is low, what do you think?
17. Do the government report the budget implementation externally? If not, do the government have a specific procedure if outside parties (e.g. NGO, citizens) wish to scrutinise the budget?
18. Is the parliament involved in budget implementation and evaluation?
19. Do you take any actions if there is a dispute on the parliament associated with the budget?
20. How do you deal with the parliament if they ask you to amend the budget?
21. Are there any other actors from outside the government who are involved in the budgeting process?
22. Who sets the privileged budget?
23. What items are included in the privileged budget?
24. Are there any items in the privileged budget fund which are similar to those in the common annual budget?
25. What kind of programs is the focus of the privileged budget? Why do these programs become the priorities?
26. Since this budget is specially formed for SLG, is there any formal guidance for setting and implementing this budget?
27. How do you measure the performance of the privileged budget?
28. What benefits can the SLG and/or the citizens accrue from the privileged budget?
29. Why do you think the SLG need the privileged budget?
30. Have you ever heard any pros or cons related to the privileged budget?

Interview Guide (Legislative)

1. Introduction to the research project.
2. Is the legislative involved in the pre-budget discussion?
3. How does the legislative review the proposed budget? Do you have power or authority to amend the budget?
4. What is the focus of the legislative scrutiny on the proposed budget? Do you focus on specific items or programs?
5. What if the consensus associated with the budget is not achieved among legislative members? Is there any resolution mechanism? Does political coalition or position affect this process?
6. What is the role of a political coalition in scrutinizing the budget?
7. How does the legislative ask the executive to explain the items or programs on the budget?
8. How does the legislative communicate any concerns or amends on the budgeting items to the executive?
9. Does the legislative have an informal discussion with the government agencies regarding the budget?
10. Has the proposed budget been rejected? If so, why?
11. How do you scrutinise the budget during its implementation?
12. What do you do if the executive proposed amended budget during its implementation?
13. How do you assess the proposal of special fund budget? Is there any separate disclosure of this budget?
14. Are there any other actors from outside the government who are involved in the budgeting process?

15. Do you consider the citizens' satisfaction? If so, how?
16. Are there any other actors from outside the government who are involved in the budgeting process?
17. Who sets the privileged budget?
18. What items are included in the privileged budget?
19. Are there any items in the privileged budget fund which are similar to those in the common annual budget?
20. What kind of programs is the focus of the privileged budget? Why do these programs become the priorities?
21. Since this budget is specially formed for SLG, is there any formal guidance for setting and implementing this budget?
22. How do you measure the performance of the privileged budget?
23. What benefits can the SLG and/or the citizens accrue from the privileged budget?
24. Why do you think the SLG need the privileged budget?
25. Have you ever heard any pros or cons related to the privileged budget?