ELITE CAPTURE OF BUDGET CORRUPTION IN THREE INDONESIAN REGIONS

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Abstract. This paper explores corruption patterns and networks in Malang City, Malang Regency, and Batu City, Indonesia. It applies a qualitative approach to analyze secondary data regarding corruption from the Supreme Court of Indonesia, as well as data from five popular and trusted media sources. Nvivo 12 Plus was used to analyze data. The Ncapture feature was used to explore case directories and online media websites. Crosstab analysis was then used to analyze and tabulate the nodes, while group analysis was used to map corruption patterns and networks. This study finds that budget corruption in Malang City, Malang Regency, and Batu City has occurred in the planning and execution of budget policy through abuse of power, bribery, negotiations, project fees, and fundraising activi-
ties. Corruption in these three regions has involved elite groups: regional leaders, bureaucrats, entrepreneurs, and political communities. Further research should apply both mixed methods and a political network approach.

**Keywords:** elite capture, budget policy, corruption, elite groups, elite actors.

**Raktažodžiai:** elito dominavimas, biudžeto politika, korupcija, elito grupės, elito veikėjai

**Introduction**

On the one hand, the democratization and decentralization of Indonesia has been perceived as a positive step towards participative, transparent, and accountable regional governance (Cheema and Rondinelli 2008; Green 2005; Burns, Hambleton, and Hoggett 1994). However, on the other hand, this same democratization and decentralization has been seen as having a negative effect on regional governance in Indonesia (Slater 2006). Following Indonesia’s decentralization, reports of corruption, collusion, and nepotism in the formulation of local budget policies have become more common (Ghimire 2019), often resulting from the pragmatic behaviors of political elites (Ghimire 2019; Shah 2006; Suprayitno and Pradiptyo 2017). When planning and implementing budget policies, political elites have frequently prioritized the interests of themselves and their allies over those of the public (Jia and Nie 2017).

The practice of corruption and bribery in three parts of East Java (Malang City, Malang Regency, and Batu City) may be illustrative of the transactional relationships through which regional leaders, bureaucrats, members of local parliament, and entrepreneurs shape budget policies to promote their own interests (Adi 2018; Yandra et al. 2018). Regional leaders and other bureaucrats “sell” government projects to the private sector. Members of local parliament seek their own place in these transactions, and thus receive bribes from both government officials and private-sector actors. Finally, private-sector actors bribe politicians and legislators to influence their decisions and thereby profit from government projects (Dorotinsky and Pradhan 2007).

This paper explores the practice of corruption and bribery in Malang City, Malang Regency, and Batu City. The practices of corruption and bribery in these three regions’ budget planning illustrates the transactionalism in government policymaking, wherein informal institutions are used by executives, bureaucrats, legislators, and private-sector actors to exchange resources. To better understand this situation, this paper maps the practice of corruption and bribery in budget policymaking in Malang City, Malang Regency, and Batu City. It differs from previous studies in its perspective, focus, and approach. Existing studies have examined corruption and bribery in regional governance from the perspectives of participatory budgeting, clientelist politics, and/or cartel politics (Domai 2016; Grillos 2017; Rifai, Asterina, and Hidayani 2016), while this paper understands corruption and bribery from the perspectives of elite capture, local strongmen, and local bossism.
Existing studies have described corruption and bribery in macro-level policies and government programs, while this paper focuses on these practices within budget planning and execution (Suprayitno and Pradiptyo 2017). Similarly, while existing studies have used qualitative data (often using the interview and observation methods) and conventional analysis, this paper derives its data from decisions of the Supreme Court of Indonesia and media coverage. This paper’s discussion is divided into two sections, focused firstly on corruption practices and then on networks in Malang City, Malang Regency, and Batu City respectively.

This study focuses predominantly on the involvement of regional leaders, bureaucrats, legislators, and private-sector actors in cases of corruption and bribery in Malang City, Malang Regency, and Batu City. This paper seeks to answer the following questions: RQ1: What are the tendencies in budget corruption in Malang City, Malang Regency, and Batu City? RQ2: What networks are involved in budget corruption in Malang City, Malang Regency, and Batu City? To answer these research questions, a qualitative approach has been used to provide a detailed exploration and description. Data was collected from decisions regarding cases of corruption and bribery released by the Supreme Court of Indonesia. This study applied Nvivo 12 Plus’ explore feature to conduct crosstab analysis, cluster analysis, comparative analysis, and group analysis.

Elite Capture and Corruption Practices in the Budget Policy of Local Government

Elite capture refers to political elites’ efforts to promote the interests of themselves and their allies in public policymaking (Waheduzzaman, As-Saber, and Hamid 2018). This phenomenon has been widely studied, including within the context of budget policy (Bardhan and Mookherjee 2012; Sheely 2015). According to Dutta (2009), corruption, bribery, and transactional interactions between political elites and private-sector actors in budgeting are all manifestations of elite capture. Meanwhile, Rumbul, Parsons, and Bramley (2018) define elite capture as the dominance of political elites in all stages of the budgeting process, often resulting in budget policies that fail to promote the public good.

Many studies have examined the practice of elite capture within the context of decentralization, noting that political decentralization can fail when political elites abuse their power and authority to redirect resources (budget policies, development programs, natural resources) to benefit themselves, their political allies, and their business associates (Bardhan and Mookherjee 2012; Chowdhury and Yamauchi 2010; Lucas 2016). Decentralization is intended to grant greater power and authority to the common people and to improve political participation, thereby enabling them to access public services and to improve public facilities. However, where elite capture exists, this goal cannot be realized (Slater 2006). In such cases, political elites attempt to limit public involvement in decision-making processes while simultaneously seeking to position themselves and their allies more advantageously, particularly in budget policy governance (Wong 2010).

In budget governance, corruption may occur during planning, execution, and auditing. This study, thus, investigates all three of these aspects of budgeting. Dorotinsky and
Pradhan (2007) specifically define the politics of the public financial management system as involving policy actors’ politics in all aspects of budgeting, including in planning and in execution. According to Dorotinsky and Pradhan (2007), corruption may occur at every level and involve persons with the specific authority and power to influence government budgets and advance particular interests, be they personal, organizational, normative, or public. Legislators, government officials, elected officials, and entrepreneurs establish transactional relationships, through which they introduce corruption, collusion, and nepotism into budget governance. The following section describes the political practices and linkages of policy actors within the context of budget governance, with a focus on corruption in budget planning and execution.

First, corruption in budget planning. The drafting of budget policies is closely linked to political influence and dominance, and involves executive and legislative bodies as well as civil society, which seek to obtain political power and implement policies that advance their own interests (Yandra et al. 2018). The policy-planning activities of formal institutions are influenced by various interests, including those of non-formal institutions, and thus require negotiation and compromise to benefit those involved (Rubin 2019, 90).

Second, corruption in budget execution. Dorotinsky and Pradhan (2007) write that corruption in budget execution refers to corruption that occurs during the administration and implementation of government budgets. They recognize several categories of corruption in budget execution, namely: bribery, corruption of project funds, corruption in the disproportionate distribution of government funds and/or activities, and corruption in the provision of public services.

**Trends in the Budget Corruption of Three Indonesian Regions**

This study finds that corruption has occurred in different parts of the budgeting process in Malang City, Malang Regency, and Batu City. In Batu City and Malang Regency, corruption is most common in the execution stage (61.64% and 25.37%, respectively). Meanwhile, in Malang City, corruption is most prominent in the planning stage (Figure 1).

![Figure 1. Corruption in Three Cities, by Stage](image-url)
The practice of corruption in budget execution in Malang Regency and Batu City shows that political elites have used it as an arena for political negotiations and transactions that enable them to mobilize, monopolize, and direct policy resources to benefit themselves and their allies (Alatas et al. 2013; Bardhan and Mookherjee 2012). This reinforces previous findings that political elites in the executive and legislative branches establish transactional relationships at every level of budget policy, which facilitate their acts of corruption (Adi 2018).

Elites’ transactional relationships are established through the politics of dominance and cooption during the course of budget planning (Aspinall 2014; Dorotinsky and Pradhan 2007; Miller 2012). These transactional relationships, as well as the politics of dominance and cooption in budget planning, may be understood as illegal political activities that promote corruption (Aspinall and van Klinken 2011). Furthermore, the practice of corruption among the political elites in Malang Regency and Batu City is illustrative of elite capture, with regional leaders and bureaucrats abusing their power and authority to direct government projects and budgets to benefit themselves and their allies (Chowdhury and Yamauchi 2010; Dutta 2009; Fazekas and Tóth 2019).

In Malang City, corruption predominantly occurs in budget planning (Figures 1, 2). This corruption in budget planning is linked to corruption in budget execution, indicating the corruption of Malang’s political elites (Dorotinsky and Pradhan 2007; Santiso 2005). Although corruption amongst the elites in budget execution is limited, it indicates that the elites work during planning to secure projects and funds in a way that supports their interests (Dorotinsky and Pradhan 2007). This also suggests that corruption in budget policy has been systematic in Malang City, with elites designing projects and activities (from the planning through to the execution stages) to facilitate corruption. This finding shows that elites consciously design policies to advance the interests of themselves and their allies, thereby enabling them to access government funds (Farhan 2018; Yandra et al. 2018).

Although the areas of corruption differ in Malang City, Malang Regency, and Batu City, these three regions have similarities in their corruption. Malang Regency differs somewhat in that fundraising activities for incumbents are more prone to corruption. In Malang City, meanwhile, corruption is commonplace in budget planning activities, which is not the case in Malang Regency and Batu City. Corruption also occurs in almost every part of budget execution in Malang City, except for fundraising (Figure 3). This finding confirms that corruption in budget planning serves as an initial step towards guaranteeing that political elites direct and control funds in a way that benefits themselves and their allies (Montambeault and Goirand 2016; Rumbul et al. 2018; Sheely 2015).
As demonstrated in Figure 3, in Batu City, budget corruption involves abuse of power (66.95%), bribery (45.71%), lobbying (69.4%), and project fees (75.37%). In Malang Regency, meanwhile, corruption takes the form of abuse of power (21.89%), bribery (21.43%), fundraising (100%), lobbying (11.02%), and project fees (11.82%). In Batu City, corruption of project fees is most prominent, while corruption in fundraising activities is most common in Malang Regency. These activities both show that regional leaders use their power and authority to mobilize funds to promote the interests of themselves and their elite allies (Rumbul et al. 2018; Sheely 2015; Dasgupta and Beard 2007).

Overall, five types of corruption occur in these three regions: abuse of power, bribery, lobbying, fundraising, and project fees (Dorotinsky and Pradhan 2007). These practices show that political elites who become involved in corruption prioritize activities that offer themselves personal benefits and incomes (Montambeault and Goirand 2016; Nurmandi 2017; Waheduzzaman, As-Saber, and Hamid 2018).

The abuse of power by elites in these three regions is perpetrated by local elites (regional leaders, legislators, and bureaucrats) who use their power and authority to formulate budget policies that promote the interests of themselves and their allies (Dasgubta and Beard 2007). In practicing corruption, elites conduct political communications and ne-
negotiations over the course of their budget planning activities (Dorotinsky and Pradhan 2007). Communication between regional leaders, legislators, and bureaucrats enables them to communicate and work together to promote corruption and collusion, thereby ensuring that the budget can be used to promote the interests of themselves and their allies (Aspinall and van Klinken 2011; Berenschot 2018; Ibrahim, Yusoff, and Koling 2018; Trantidis and Tsagkroni 2017).

One result of elites’ abuse of power is bribery, whereby transactional interactions between regional leaders, legislators, bureaucrats, and private-sector actors are used to guarantee access to public projects and funds. Private-sector actors will often provide bribes to regional leaders and bureaucrats, which are then channeled to members of the legislature. In other cases, a specific portion of public funds are earmarked for regional leaders and political elites (Ghimire 2019). This illustrates the corruption networks prevalent in budget policies (Gong and Zhou 2015).

Private-sector actors’ lobbying of bureaucrats, regional leaders, and legislators can result in corruption during budget policymaking (Kostiuchenko 2014). In such cases, elites serve as interlocutors, facilitating communications between private-sector actors, regional leaders, and members of parliament (Frye 2002). Lobbying activities are done by bureaucrats in Batu City and Malang City, while in Malang Regency this involves bureaucrats and political communities (Rendra Center). In Malang Regency, private-sector actors establish communications and negotiate projects with bureaucrats and political communities. Representing the interests of the local leader, they then select private-sector actors who are willing to provide bribes to legislators and who are willing to share a portion of the project fees with regional leaders (Frye 2002; Kostiuchenko 2014).

The distribution of “project fees”—a portion of public funds made available to regional leaders and bureaucrats by private-sector actors (Dorotinsky and Pradhan 2007)—is commonplace in Malang City, Malang Regency, and Batu City. These fees are expected by bureaucrats, and are guaranteed through the abuse of power, bribery, and lobbying activities (Tans 2011; Thurmaier and Willoughby 2001). In Batu City, for example, the mayor demanded 500 million rupiahs from a 5.26-billion-rupiah project. Meanwhile, in Malang City, a member of local parliament asked for 1% of the regional budget, which was allocated through the diversion of waste management funds as well as an ongoing Islamic Center project. To become involved in these projects, private-sector actors were required to pay bribes to legislators and be willing to provide project fees to the regional leader. Meanwhile in Malang regency, the regional leader used bureaucrats and a local political community (the Rendra Center) to demand that private-sector actors involved in a Department of Education project paid project fees; the Rendra Center thus offered these projects to private-sector actors who were willing to provide a share to the regional leader (Arias 2018).

Fundraising is commonly used for corruption in Malang Regency, but not in Malang City or Batu City. In this case, fundraising refers to efforts by regional leaders to collect money for public projects through local bureaucrats and political communities (in this case, the Rendra Center). Such fundraising efforts allow political elites to monopolize and coopt the government budget, which in turn promotes corruption in policy imple-
mentation and regional development (Sarwono et al. 2018). Funds raised in such a manner are generally used by regional leaders during their re-election campaigns, illustrating the role of clientelism in corruption (Aspinall 2014; Aspinall and van Klinken 2011).

Networks of Corruption in the Budget Policies of Three Indonesian Regions

The corruption networks involved in budget policies in Malang City, Malang Regency, and Batu City involve private-sector networks (local bosses), political communities, regional leaders, government officials, and legislators (Figure 4). These five groups of elites have created corrupt and transactional networks that enable them to practice corruption in their budget planning and execution activities (Tans 2012). Each of these groups acts in accordance with their own position, power, and authority in order to reinforce networks and facilitate further corruption (Montambeault and Goirand 2016).

Figure 4. Elite Group Networks in Budget Corruption in Three Regions

Figure 4 shows the intensity with which elite groups act corruptly in their budget policy planning and execution activities in Malang City, Malang Regency, and Batu City. In Malang City, corruption during budget policy planning involved legislators more prominently than other elites. Where in Malang Regency and Batu City legislators rarely take an active role in corruption, in Malang City 98% of legislators have been involved in corruption networks; bureaucrats (24%) and regional leaders (22%) have also been prominently involved. This shows that legislators have taken an active role in the communications between bureaucrats and private-sector actors, thereby enabling bribery to occur. In one prominent case, for example, bribery involved the Director of the Department of Public Works, the Regional Secretary of Malang City, and forty-one legislators; the Mayor of Malang directed these bureaucrats to fulfill legislators’ demands for bribes. Meanwhile, private-sector actors were less involved in bribery (11.00%), showing that the
private sector has not taken a dominant role in corruption despite being involved in the practice (Sidel 2016).

In Malang Regency, the role of political communities (particularly the Rendra Centre) has been particularly important. The Rendra Centre is a political community that consists of the clients of Malang’s regent, who come from a range of backgrounds (including contractors, political parties, journalists, activists, academics, and consultants). This community has served as an interlocutor between bureaucrats (4%), private-sector actors (29%), and regional leaders (21%). It has also functioned to support the regent in Malang Regency’s government offices (Bardhan and Mookherjee 2012). Interestingly, in Malang Regency legislators have not been found to be actively involved in budget corruption.

The intensity of corruption in Batu City was particularly high among bureaucrats (71%), showing that bureaucrats have an important role in corruption as mediators between the private-sector actors and regional leaders. As interlocutors, bureaucrats negotiate and communicate with private-sector actors and involve them in government projects as partners (Aspinall and van Klinken 2011). Bureaucrats also ensure that private-sector actors are willing to allocate funds from their projects to the regional leader. Private-sector actors are also heavily involved in corruption networks (59%), showing that they are responsive to the demands of bureaucrats and regional leaders. Regional leaders similarly have a high level of involvement (56%), indicating that they actively communicate with bureaucrats and private-sector actors. Finally, legislators have lower levels of involvement (1%), suggesting that they are not actively involved in the process (despite some legislators having benefited from corruption). All of this demonstrates the role of elites in the corruption of the budget policies of local governments (Bardhan and Mookherjee 2012).

**Conclusion, Implications, and Future Research**

1. Budget corruption in Malang City, Malang Regency, and Batu city occurs during both the planning and execution stages. In Malang Regency and Batu City, it is limited to the execution stage, while in Malang City it occurs during both budget planning and execution. Meanwhile, in Malang Regency, corruption occurs during fundraising activities; this does not occur in Malang City and Batu City. However, these regions do share similarities. Corrupt practices in all three regions may be classified as abuse of power, bribery, lobbying, project fees, or fundraising for government organizations.

2. Corruption in Malang City, Malang Regency, and Batu City has involved elite groups, namely regional leaders, bureaucrats, legislators, private-sector actors, and political communities. Each of these groups have taken their own role in local corruption networks.

3. Elite capture and corruption is part of a broader problem that has a deleterious effect on budget administration. Experiences in Malang City, Malang Regency, and Batu City show that steps must be made towards improving budget policy and hindering the creation of corruption networks, i.e., networks of elites (regional leaders, bureaucrats,
legislators, private-sector actors, and political communities) that seek to coopt local budgets to benefit themselves.

4. This paper emphasizes that elite capture and budget corruption are linked phenomena, with elite capture being used to describe the elites’ corrupt activities during policy planning and execution. This paper has also successfully shown that elites establish networks that facilitate their corruption of government funds.

References


Kryžminės lentelės analizė buvo naudojama mazgų analizei ir lentelių sudarymui, o grupinė analizė buvo naudojama korupcijos modeliams ir tinklams apibūdinti. Šiuo tyrimu nustatyta, kad biudžeto korupcija Malango mieste, Malango provincijoje ir Batu mieste įvyko planuojant ir vykdant biudžeto politiką, piktnaudžiaujant valdžia, kyšininkaujant, derybomis, per projekto mokestių ir lėšų rinkimo veiklą. Korupcija šiuose trijuose regionuose apėmė elito grupes: regionų lyderius, biurokratus, verslininkus ir politines bendruomenes. Tolesniuose tyrimuose turėtų būti taikomi mišrūs metodai ir politinio tinkle požiūris.
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