
PERFORMANCE-BASED BUDGETING AND GOOD REGIONAL GOVERNMENT REQUIREMENTS

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Abstract

The implementation of good governance is the main requirement for realizing the aspirations of the people in achieving the nation's goals. The realization of good governance in regional government without the role of budgeting is one of the important issues that must be tested. Since the promulgation of the performance-based budgeting process, all regional governments are required to have the ability to produce better financial performance and non-financial performance of local government. From these circumstances, local governments need to develop a performance-based budgeting system so that it will lead to proper, clear and tangible regional financial responsibility, implementation and development of regional government can run efficiently, effectively, cleanly, responsibly and free from corruption.

Keyword: *Performance-Based Budgeting, Good Governance, Public Services.*

A. INTRODUCTION

The community paradigm generally forms a certain understanding of the dynamics of the development of people's lives, it can even develop certain principles or understandings to be broader or more detailed. A new paradigm in the development of modern society, among others: transparency, efficiency, responsibility, and fairness.

This paradigm is a result of the development of the democratic process and professionalism in the era of globalization as it is today. The reform process and the multidimensional (economic, monetary, legal and political) crisis in Indonesia encouraged the development of the paradigm. This paradigm is often called Good Governance. This paradigm encouraged regional financial management reform. Regional financial reform is characterized by regional autonomy and the issuance of various laws and other implementing government regulations.

Regional autonomy in Indonesia is based on Law No. 32 of 2004 jo. Law No. 23 of 2014 concerning Regional Government jo. Law No. 9 of 2015 concerning the Second Amendment to Law No. 23 of 2014 and Law Number 33 of 2004 concerning Fiscal Balance between the Central Government and Regional Government, which opens wide opportunities for regions to develop and develop their regions according to their respective needs and priorities. With the enactment of the two laws mentioned above, it has consequences for the regions in the form of accountability for financial management-owned, especially in efforts to improve welfare and public services to the community.

In the implementation of public services, the orientation to very strong power has so far made the bureaucracy increasingly distant from its mission to provide satisfactory services to its people/public. In the bureaucracy and officials, they put themselves in the position of rulers rather than as public servants. As a result, bureaucratic attitudes and behaviour in administering public services tend to ignore the aspirations and interests of the community.

The development of paternalistic culture contributed to the deterioration of the public service system through the placement of the interests of the political elite and bureaucracy as the dominant variable in the implementation of public services. Political and bureaucratic elite or close to them, often get preferential treatment in the implementation of public services. Access to services and the quality of public services often differ depending on their proximity to the bureaucratic and political elites. This kind of thing often disturbs the sense of justice in a community that feels unfairly treated by the public bureaucracy.

To create excellent public services, it is necessary to have the effectiveness and efficiency of public services that should be provided by public sector organizations (government organizations) to the community in obtaining all matters relating to public services. The process of administering state power in carrying out the provision of public goods and services is part of good governance. In order for good governance to become a reality and

success, it requires commitment from all parties, namely the government and society. Good quality governance demands good coordination, integrity, professionalism, and high work ethic and morals. The implementation of good governance is the main requirement to realize the aspirations of the people in achieving the goals and ideals of the nation and state. In public sector organizations (government), the budget is one of the most important issues to be studied. Since the implementation of performance-based budgeting, all local governments are required to be able to produce a financial performance in their local governments well.

In this context, the development of a performance-based budgeting system is needed that can produce appropriate, clear and tangible regional financial accountability so that governance and development can take place efficiently, effectively, cleanly, responsibly and free from KKN.

B. LITERATURE REVIEW

1. The Concept of Performance-Based Budgeting

Budget can also be interpreted as the term planning for overall earnings control can be broadly defined as a systematic and formal budget for planners, coordinating, and controlling management responsibilities (Welsch, 2000:5). According to Nafarin (2000:11), a budget is a written plan regarding the activities of an organization that is expressed quantitatively for a certain period of time and is generally expressed in money, but also expressed in units of goods and services". According to Sofyan (1996:4), the budget is a systematic and formal approach to achieving the implementation of planning functions as a tool to assist the implementation of management responsibilities.

Definition of performance-based budgeting according to Halim (2004:177) is a budgeting method for management to associate each funding as outlined in activities with expected outputs and outcomes including efficiency in achieving the results of these outputs. The output and results are stated in

the performance targets for each work unit. While how the goal is achieved, poured in the program followed by financing at each level of achievement of goals.

Programs in performance-based budgets are defined as policy instruments that contain one or more activities that will be carried out by government agencies/institutions to achieve goals and objectives and obtain budget allocations or community activities coordinated by government agencies. These activities are structured as a way to achieve annual performance. In other words, the integration of the annual work plan (Renja SKPD) which is the operational plan of the strategic plan and the annual budget is a component of the performance-based budget.

The elements to be considered in performance-based budgeting according to Halim (2004:177) are agreed on goals and measures of achievement and systematic collection of information on the realization of reliable and consistent performance achievements so that costs can be considered between performance and achievement.

Furthermore, a performance-based budgeting system (Performance-Based Budgeting) or commonly called Performance-Based Budgeting (ABK) is a budgeting system that is currently growing rapidly and is widely used by developed countries in the world (Bastian, 2006:170). Robinson and Last (2009) state that performance-based budgeting aims to improve the efficiency and effectiveness of public spending by linking funding to public sector organizations with results achieved by the systematic use of performance information. Certar (1994), in Young (2003), states that performance budget uses mission statements, these goals and objectives are ways to allocate resources to achieve certain goals based on program objectives and measurable results. Performance budgeting is distinguished from traditional approaches that focus on the amount of money spent by generating output while performance budgeting is not only focused on output but also focuses on outcomes/outcomes.

To measure the success/failure of a public sector organization (government), namely by compiling performance indicators. According to Moeheriono (2014:32) performance indicators are a measure used to determine the degree of success of an organization in achieving its objectives, both quantitatively and qualitatively, which describes the level of achievement of a goal or goal set by the organization and subsequently Moeheriono (2014:117) to determine the main performance indicators (IKU) of strategic objectives there are several things that must be considered and through several stages as follows:

- a. The organization must adhere to the SMART-C principle (smart, measurable, achievable, reasonable, time-phased).
- b. Having a close relevance between IKU is made with the preparation of Strategic Objectives (SS).
- c. Arrange non-normative sentences. This means that the IKU sentence must be concrete and not cause multiple understandings (multi interpretations).
- d. Having a clear person in charge of IKU (who and what position)
- e. IKU must reflect the overall tasks and functions of the organization/individual in the Strategic Target (SS).
- f. In each Strategic Target, it should consist of 1-2 IKU so as not to cause many interpretations.
- g. Organizations that have a strategy map should be no more than 25 IKU, except having a core business that is very heterogeneous and becomes the focus of a unit.
- h. Organizations that do not have a strategy map should have no more than 10 IKU because there is no clear map of their strategy.

Young (2003) states that 4 (four) characteristics of performance-based budgeting are: 1) performance-based budgeting sets goals or a set of goals that will be associated with or used to allocate expenditure of money; 2) performance-based budgeting provides information and data regarding the

performance and results that have been achieved so as to enable comparison between actual and planned progress; 3) Performance-based budgeting provides an opportunity for regular or ad hoc performance evaluations to be used for decision making and 4) performance-based budgeting focuses on the efficiency of implementing an activity.

From these understandings, it can be concluded that performance-based budgeting is a systematic approach to budgeting that links expenditures made by public sector organizations to the performance they produce using performance information.

Governance according to Mardiasmo (2009: 17) is a way of managing public affairs. According to the World Bank in Mardiasmo (2009: 17) defines governance as "the way state power is used in managing economic and social resources for the development of society". While the understanding of good governance according to Mardiasmo (2009: 18) is good governance or in other words a concept-oriented approach to public sector development by good governance. Furthermore, according to the World Bank quoted by Wahab (2002: 34), Good Governance is a concept in the implementation of solid and responsible development management in line with democracy and efficient markets, avoidance of one allocation and scarce investment and prevention of corruption both politically and administrative, implementing budget discipline as well as creating legal and political frameworks for the growth of entrepreneurial activities.

In addition, the world bank also synonymous Good Governance as a synergic and constructive relationship between the state, sector, society (Effendi, 1996:47). Good governance is only meaningful if its existence is sustained by institutions that involve public interest. The main key to understanding good governance is understanding the principles in it. Starting from this principle, we will get a measure of the performance of a government. Good or bad governance can be assessed if he has been in contact with all elements of the principles of Good Governance.

One of the principles is transparency that is built on the basis of free information flow. All government processes, institutions and information need to be accessible to interested parties, and the information available must be sufficient to be understood and monitored. Concern for stakeholders also gets the attention of the government, institutions and the entire government process must try to serve all interested parties.

Effectiveness and efficiency, government processes and institutions produce results according to the needs of citizens and by using the available resources as optimally as possible. The next principle is accountability, decision-makers in government, the private sector and community organizations are responsible both to the community and to interested institutions. The form of responsibility differs from one another depending on the type of organization concerned.

2. Legislation concerning Regional Financial Management

In accordance with the mandate of Government Regulation Number 54 of 2005 concerning Regional Financial Management as stipulated in the Minister of Home Affairs Decree Number 13 of 2006 concerning Regional Financial Management Guidelines and Procedures for Preparation of Regional Revenues and Expenditures, Implementation of Regional Financial Administration and Preparation of Budget Calculations and Regional Expenditure, which is substantively appropriate, provides guidance for the implementation of a performance budget system, which is a budget system that prioritizes efforts to achieve work results from the planned cost allocation. Through performance measurement, it is expected that government agencies can know, measure and evaluate performance in a certain period so that rewards and disciplinary actions can be carried out more objectively.

Before the implementation of the Performance-Based Budget system, the budgeting method used was traditional methods or line budget items. The method for preparing this budget is not based on an analysis of a series of

activities that must be linked to the intended purpose, but rather emphasizes the need for expenditure/expenditure and the accountability system is not examined and examined whether the funds have been used effectively and efficiently or not. The measure of success is only indicated by the budget balance between income and expenditure, but if the budget deficit or surplus means that the implementation of the budget fails. In its development, a system of budgetary performance emerged, which was interpreted as a form of budget whose sources were linked to the results of service.

To be able to prepare a performance-based budget, strategic planning (Renstra) must be prepared first. Strategic planning is done objectively and involves all components within the government and society. In order for the system to run properly, it is necessary to stipulate a number of things that are very decisive, namely the standard price, performance benchmarks and minimum service standards determined based on legislation. Performance measurement (benchmark) is used to assess the success or failure of the implementation of activities/programs/ policies in accordance with the goals and tasks that have been set in order to realize the vision and mission of the local government. One aspect that is measured in evaluating the performance of the local government is the financial aspect in the form of a crew. To carry out performance measurement, it is necessary to set the first indicators, including input indicators in the form of funds, human resources and work methods. In order for input to be accurately informed in a budget, it is necessary to evaluate its fairness. In assessing the fairness of inputs with outputs produced, the role of Standard Cost Analysis (ASB) is very necessary. ASB is a fairness assessment of workload and costs used to carry out an activity. The ABK scope includes:

- a. Determine the vision and mission (which reflects the organization's strategy), goals, objectives and targets.
- b. Determination of vision, mission, goals, objectives, and targets is the first stage that must be determined by an organization and become the

highest goal to be achieved so that each performance indicator must be associated with that component. Therefore, determining the components is not only determined by the government but also includes the community so that information can be obtained about public needs.

c. Determining Performance Indicators.

Performance indicators are quantitative measures that describe the level of achievement of a predetermined goal or goal. Therefore, performance indicators must be something that will be calculated and measured and used as a basis for assessing or seeing the level of performance both in the planning stage, implementation phase and stage after the activity is completed and useful (functioning). Performance indicators include:

- 1). Input is a resource that is used in a process to produce output that has been planned and set beforehand. Input indicators include funds, human resources, facilities and infrastructure, data and other information needed.
- 2). The output is something that occurs due to a particular process by using predetermined inputs. Output indicators serve as the basis for assessing the progress of an activity or benchmark associated with well-defined and measurable goals.
- 3). The result is an output that can be directly used or the tangible results of the output. Outcome indicators are defined as program targets.
- 4). Benefits are the added value of an outcome whose benefits will appear after some time later. Benefit indicators show things that are expected to be achieved if the output can be completed and function optimally.
- 5). Impact of effects or consequences caused by the benefits of an activity. Indicator of impact is the accumulation of several benefits that occur, the impact is only visible after some time later.

- 6). Evaluation and decision making on program selection and priorities.

These activities include the preparation of alternative rankings and then making decisions on programs/activities that are considered to be a priority. The selection and priority of programs/activities are given in view of limited resources.

C. RESULTS AND DISCUSSION

1. The Importance of Performance-Based Budgets

Performance-based budgeting is a planning, budgeting and evaluation system that emphasizes the relationship between the budget and the desired results. The implementation of performance budgeting must begin with performance planning, both at the national level (central and regional government) and agency level (ministry/institution/ SKPD), which contains commitments about the performance to be produced, which are described in programs and activities that will be done. For central government agencies, each K / L prepares budget requirements based on programs and activities planned in the format of RKA-K / L which are then discussed with budget authorities (Ministry of Finance, Bappenas, and DPR). The RKA-KL from all ministries/institutions is the material for preparing the RAPBN for the (Central) government. As for the regional government, each SKPD prepares the RKA that refers to the SKPD plan and in accordance with the ceiling and priorities set by the Regional Head which is the material for preparing the RAPBD which is then discussed with the budget authority (Local Government and DPRD).

Reforming the system for drafting good budgeting will provide a strong foundation for decision making and budget priorities, including aggregation of all inputs that will contribute to the output and final results. To support this achievement, the regional government must have a good accounting system. Accountability is the principle of public accountability, which means that the

budgeting process from planning, drafting, and implementation must be reported and accountable to the DPR OR DPRD and the community. Public accountability that decision-makers behave in accordance with the mandate received. For this reason, policy formulation, together with the methods and results of the policy, must be able to be accessed and communicated vertically and horizontally properly. As it is known that one of the principles of good governance, as stipulated in Law Number 28 of 1999, is the principle of accountability which mandates that all state administration activities must be accountable to all people as holders of the highest sovereignty.

Unfortunately, the DPR/DPRD which is actually the people's representative in discussing budget allocations has not made the performance as a reference basis. The discussion pattern still uses the old pattern, with the determination of allocations more based on previous allocations. Not many DPR/DPRD members are concerned with performance budgets and question performance issues when discussing budgets and even very rarely DPR/DPRD members associate between RK-KL/RKA SKPD and Government Agency Accountability Reports (LAKIP) from the relevant KL/SKPD. This is due to the limited ability of DPR/DPRD members to understand ABK and the political interests of board members. The significant role of board members in the budgeting process makes budget allocations distorted and often ineffective in solving problems in society. Today our DPR/DPRD members prefer the budget for public investment because they can provide commissions (read: cases of involvement of legislators in budget discussions) are greater than spending on social services, education, and health. The legislative preference leads to expenditure allocations that can provide greater rent. That is, the legislative tendency to prefer the allocation of capital expenditure is the realization of their self-interest.

2. Performance-Based Budgeting, Good Governance and Prime Public Services

Reformation towards outcome-oriented budgeting has become a development trend in many countries in line with the development of a culture of government that emerged in the last twenty years, namely the new public management culture or government-oriented (reinventing government) results, public services, and accountability.

No one can deny the rapid changes in the political system in Indonesia, especially since 1998. However, the problem of policy and public services has also increasingly developed into a central issue that requires structuring the system of state administration and a more participatory system of public policymaking. That is why the reform movement has become a collective commitment of the Indonesian people to encourage the government to create policies and public services that are getting better and in favour of the broad interests of the community. For this reason, one of the dimensions of the desire for change is the partiality of the regional government to the public interest through more favourable management of public policies and services. This condition arises as a natural consequence of the low level of public participation in the public policymaking process. Therefore, the political will of the national government to create regional autonomy needs to be supported. Because it is feared that the absence of government authority in the regions in determining policies for public services in their regions is one of the causes of the inefficient and effective functioning of the government bureaucracy.

Until now, the service of government bureaucracy, especially in regions, is generally still less productive and far from public expectations. The task of the regional government run by the bureaucrats is mostly carried out in accordance with the way of their own thoughts and desires. Conditions that enable the creation of a bureaucratic climate and state apparatus that serve the public (public servants) must continue to be sought and optimized, because

our local government bureaucracy still seems procedural, slow / not timely, unclear, unproductive, high-cost and neglecting interests public. As long as government interference (bureaucracy) is too broad in the sector of public life, it is ensured that bureaucratic services will be increasingly complex (over administration) and the possibility of public activity activities will also be high cost, especially in the economic activity sector. Because experience shows that bureaucratic orientation in the sense of red tape, many tables that must be passed to service are inefficiencies in public activities, and basically the government does not have good service standards. This condition is still symptomatic in many service sectors of the regional government bureaucracy. This can not be tolerated because it can contribute to public distrust in regional government and more broadly, the investment will decrease.

However, even though the paradigm in policymaking by the regional government has gone through the right process, there are still many who do not use the method according to the theory at the implementation stage. Suppose there are still many processes for making/formulating policies or making regulations both in the form of legislation and regional regulations that are still not aligned with the theoretical basis. At the time the formulation does not involve elements of community participation or professional groups, then after the policy is made the stage of socialization is also sometimes ignored so that at the time the policy will be implemented will be turmoil and acts of rejection from the professional community in particular. Policies that have been made by the government are sometimes not too siding with the community, are more in favour of the interests of certain groups or groups, so that the policy cannot be implemented because the policy itself has not been good since the beginning. At the implementation stage, sometimes there are still obstacles both from the community who reject the existence of the policy (bad policy) and from the implementer, because indeed from the bureaucracy there is no desire to implement it (bad implementation). If you find things that

really make the policy difficult to implement because of various things that happen to the implementer (implementation gap).

D. CONCLUSION

The main source of ABK preparation is data, both financial and non-financial. Because the data will be processed into information that is useful for determining indicators (size), as well as for evaluating and making decisions on allocating funds to be more objective. But the available data sometimes cannot be used as an information, this is because the data collected is not in accordance with what is needed, or even there is no data in the preparation of the crew.

The inhibiting factors for the application of ABK generally include: first, human behaviour also presents constraints, namely a lack of caring attitude and being aware of quality data and information, so that planning is often missed and ultimately does not reach its intended goals; second, political factors caused by political interests participating in development planning. This obstacle is quite difficult to avoid, because it usually comes from the attraction of interests between the political elite and the ruling elite in influencing government policy; thirdly, it is difficult to determine the priority scale or even the absence of priority scales that are explicitly formulated in the process of managing state/regional finances which creates a waste of public resources; fourth, there is no uniform standardization of performance measurement, so that the assessment of success per SKPD is also not uniform; fifth, unclear goals and performance indicators. Performance indicators are sometimes less specific and less measurable, who are the responsible agencies and how each agency contributes to achieving performance; sixth, the issue of the format of the RKA-SKPD is almost unreadable about what performance will be generated from the use of the budget for the proposed program and activities. The indicators listed do not meet SMART criteria in the RKA-SKPD budget.

Implementing performance-based budgeting is not as easy as turning the palm of the hand, because it requires a process and serious effort from various parties involved. Particularly local government, as something that has just been implemented in SKPD, it is certainly very reasonable that there are still weaknesses. The most important thing is the effort to continue to improve so that performance-based budgeting does not deviate from its philosophy and purpose. Many aspects need to be addressed in performance-based budgeting in the regional government, which includes performance planning, budget preparation and discussion processes, budget document formats up to reporting.

To improve budget discipline and efficient budget allocation, budget projections must be determined, not only for the proposed fiscal year but also for the next fiscal year. Meanwhile, in public services, the quality of public services carried out by regional governments is still low. This can be seen from the time factor which is still very slow and also the convoluted process because there are still many service units that do not have minimum service standards. The problems faced and the obstacles contained in the implementation of public services have not been fully addressed.

The effort that must be made by the regional government in order to improve the quality of service to the community is to change the behaviour of local government bureaucrats from the civil service to the civil service (read: public servants) and to improve the quality of human resources optimally.

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