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# Budgeting Management for the Top Priority and National Priority Programs of Nawacita

**Ali Tafriji Biswan[1)], Fitria Nur Farida[2)], Hendrik Heri Sandi[3*)]**
[1)]Accounting Study Program, Politeknik Keuangan Negara STAN, Indonesia
Sektor V, Jl. Bintaro Utama 5, Jurang Manggu Tim., Kec. Pd. Aren, Kota Tangerang Selatan, Banten 15222
[2)]Direktorat Jenderal Pembiayaan dan Pengelolaan Risiko, Ministry of Finance, Indonesia
Gedung Frans Seda. Jl. Dr. Wahidin Raya No. 1. Jakarta 10710
[3*)]Management Study Program, Faculty of Economics and Business, Universitas Negeri Padang, Indonesia
Jl. Prof. Dr. Hamka, Air Tawar Bar., Kec. Padang Utara, Kota Padang, Sumatera Barat 25171
***E-mail**: sandiheri@fe.unp.ac.id[3*)]*

## ABSTRACT

Among many government-sector programs are the Top Priority and National Priority Programs. These programs translate the government's vision, which is known as Nawacita. Undeniably, the Top Priority and National Priority Programs require a budget. However, whether the Top Priority and National Priority programs received preferential treatment in budgeting still became an issue. For this reason, this study was intended to analyze whether any special treatment was given to the budgeting process compared to other programs in general. This qualitative research utilized a case study model based on observations, interviews, and literature studies on Performance-Based Budgeting (PBB) management in the public sector. It was revealed that there was no special treatment for budgeting the Top Priority and National Priority Programs. This study also found several problems related to budgeting coordination, so activity plans must follow the budget carefully. Finally, this study suggested a greater need for budgeting skills, and detailing budget information was also crucial.

**Keywords:** Budgeting Management; Performance-Based Budgeting; Top Priority and National Priority Programs; Nawacita.

## INTRODUCTION

The government is committed to applying Performance-Based Budgeting (PBB) as budgeting management in the context of translating state financial reforms (Akbar, 2018). PBB is mainly characterized by the prepared budget that considers the relationship between funding (inputs) and projected results (creating a logic model) to provide information related to the effectiveness and efficiency of activities. The presence of performance indicators, cost criteria, and performance reviews in every program and activity type are further characteristics of implementing PBB.

Research on PBB in the public sector is still being developed to get closer to the ideal. Generally, PBB studies are applied to the overall budgeting of activities that become the tasks and functions of an organization. The peculiarity of this study lies in how PBB was applied to the thematic programs to make them more focused. These thematic programs have become a priority, even of national importance, called "Top Priority and National Priority" (TPNP). It is an innovation in President Jokowi's administration and the government's vision (the Nine National Development Priorities, or Nawacita).

As stated in the "Working Paper: Better Policies, Better Lives" released by the National Planning and Development Agency (Bappenas), the Knowledge Sector Initiative, and the Australian Government, President Joko Widodo in February 2016 asked all ministers of the Working Cabinet and local governments to move on from the old paradigm of "money follows function" to the new one, "money follows program", so that the priority programs of the central and local governments could be financed (Wasono and Maulana, 2018). According to the President, this movement could overcome budget inefficiencies often due to spending on unprioritized programs. Thus, organizational units receiving the mandate of the Top Priority and National Priority (TPNP) program (as special programs) must be able to overcome budgetary constraints by state financial management as one of the entities carrying out the TPNP, the Directorate General of Financing and Risk Management (DGFRM) was selected as the object of this case study. The selection of the DGFRM as the object of this case study was considered one of the performance indicator targets that directly supported Nawacita in improving export policies, adding new investors, and developing new state financial instruments. This indicator represents the discussion of budget management for other units receiving the mandate to implement the TPNP program.

At the same time, DGFRM was still facing challenges in implementing the PBB, one of which was the limited budget allocation from the Secretariat General of the Ministry of Finance. In addition, the budget planning was executed differently than the activity planning. During the budget planning process, the DGFRM must coordinate with the competent budgeting agencies since the beginning of the previous fiscal year. Meanwhile, the activity planning should be performed at the beginning of the budget year according to economic conditions. Indeed, to prepare for last year's budget, the current year's activities were considered, but the preparation of activities was only an approximation. In other words, new activities were planned after the Indonesian legislative assembly approved the budget.

Thus, planning activities that adjusted the budget were separate features, contrary to PBB's principles. The implementation of PBB was the formulation of activities supported by funding (money follows the program). The PBB implemented by the DGFRM could not be entirely blamed, considering that the TPNP program budgeting process had to go through the approval of parties outside the DGFRM, such as the Secretariat General of the Ministry of Finance, the Directorate General of Budget (DGB), the National Planning and Development Agency (NPDA), and the House of Representatives. Monitoring of its implementation was also explicitly reported to the Secretariat General every quarter. Reporting and accountability were also carried out periodically and separately for each of these programs.

Considering the TPNP's unique features, the unit receiving the task, the Directorate General of Financing and Risk Management (DGFRM), must actualize the program's targets using the budget mechanism. Indeed, the TPNP concerned national targets such as export policies, adding new investors, developing new bond instruments and local government bonds, and asset and liability risk management systems. Referring to the President's statement, it was not an exaggeration if the public thought the TPNP program should receive attention and convenience regarding funding allocation, access, and implementation. However, it turned out that the public's assumption was wrong. There was no special treatment for TPNP budgeting because it must align with the state financial management like other programs. This study was intended to explore the TPNP's budget management so that national priority targets could be scrutinized and improved.

Due to the uniqueness of PBB's planning and implementation aspects, this study reviewed the budgeting management based on the elements of planning and implementing PBB so that benefits could be drawn for future improvements. More specifically, this case study explored the step-by-step implementation of PBB for the TPNP program, the activities in the program, the constraints experienced in the budgeting aspect, specifically the alignment of the preparation of activity plans and budget plans, budget drafters, coordination with other parties, and detailed

budget information. In practice, budgeting studies for organizational units had typically been completed. However, given that this concerned the government's vision, research on the phenomena of the priority program, in this case, the TPNP, needed to be intensified. It was anticipated that this study would clear the way.

## THEORETICAL REVIEWS

The state financial reform began with issuing of a package of three laws in the field of state finance: Law Number 17 of 2003 concerning State Finance, Law Number 1 of 2004 concerning the State Treasury, and Law Number 15 of 2004 concerning the Audit of Management and Accountability. Referring to Law Number 17 of 2003 concerning State Finances, regulations emerged in the field of planning and budgeting through Law Number 25 of 2004 concerning the National Development Planning System.

As a follow-up to the implementation of these laws and regulations, the government issued Government Regulation Number 21 of 2004, stipulating that the work plan and budget can be executed through three approaches, namely: (1) a unified budget; (2) the Term Expenditure Framework (MTEF); and (3) Performance-Based Budgeting (PBB). Those approaches focus more on PBB, while the other two approaches (unified budget and MTEF) support the implementation of PBB. An integrated budget approach is a prerequisite for implementing PBB. In contrast, the MTEF approach guarantees the continuity of providing an activity budget because it has been designed for the next three to five years. The approach to and characteristics of budgeting have been developed in this country (Surianti and Dalimunthe, 2017).

Before PBB was developed, many organizations applied traditional budgeting. Unfortunately, conventional budgeting contained several shortcomings compared to PBB, including a lack of transparency, accountability, effectiveness, and efficiency and unclear performance measures to measure public services (Farwitawati et al., 2016). In this case, the traditional budget structure could not reveal the amount of funds expended for each activity, and even the traditional budget needed to provide information about the size of the planned activities (Suryanto & Kurniati, 2020). Driven by dissatisfaction with the traditional budgeting system, a new paradigm emerged: Performance-Based Budgeting (PBB). In the classical study, the idea of PBB began to emerge in 1949. It criticized the emphasis on inputs and advocated for a budget based on functions, activities, and projects, followed by a budget based on achieving objectives (Sapała, 2018). Then, the budget allocation could encourage the budgeted entities' expected (relative) performance (Grabner & Moers, 2021).

According to the Ministry of Finance and the National Planning and Development Agency, the principles of implementing PBB include showing the relationship between funding and performance to be achieved, increasing efficiency and transparency in implementation and increasing flexibility and accountability in carrying out tasks and budget management.Thus, PBB must show the relationship between funding and performance achievements to be achieved by public organizations (Suwanda, 2021).

Budgeting becomes increasingly crucial in the organization's context, considering that one of its functions is as a planning and control tool. In that context, the budget can be defined as a tool for managers to plan and control their resources (Lumen, 2020). Thus, the budget is a plan that shows the entity's objectives and how management obtains and uses its resources to achieve these goals (Hansen & Mowen, 2018; Umar, 2016).

Moreover, budgeting must be managed to be efficient and effective, beginning with planning, preparation, implementation, and monitoring. Budget management becomes the key to an exemplary implementation of PBB. In addition to emphasizing the importance of the budget, (Harun and Jemarin, 2016) suggest that the budget is associated with the essential functions of management, including planning, coordination, and supervision. If the budget is associated with the essential functions of management, it can involve planning, directing, organizing, and supervising every unit and area of the organization.

Budgeting management is a cycle or series of activities implementing management functions and elements based on rules and procedures (Djaenudin, 2020), which budget users must guide. As stated in Law Number 17 of 2003, as the Head of Government, the President holds the power to manage state finances as a part of government power. Then, he delegated this authority to the Minister of Finance as the Fiscal Manager and government representatives to own separate state assets. It includes Ministers or Heads of Institutions as Budget Users or Goods Users of Ministries or Institutions they lead, Governors, Regents, and Mayors as Regional Government Heads who manage Regional Finances and represent Regional Governments in the ownership of separated regional assets.

The budget quality is crucial to achieving the goals to ensure the government's responsibility to the public (Muslim et al., 2017). To encourage the implementation of work programs, the public sector budget must detail the activities to be carried out, which consist of a planned income and expenditure in one year (Ahmad Syamsurijal, 2019). The budget is expected to increase the trust holders' obligations to provide accountability when presenting, reporting, and disclosing all forms of public activities and activities through PBB (Melia & Sari, 2019). Lastly, plans will be thwarted if the budget is ineffective and not performance-oriented. Thus, the budget is a managerial plan for actions that facilitate achieving organizational goals (Liwaul et al., 2017)

Several related studies suggested implementing PBB improved government financial performance (Dewata et al., 2022; Oktavia, 2017; Sofyani, 2018). In addition to the central government, the implementation of PBB also improved regional financial performance and budget efficiency. Following this implementation, a study by (Dewi and Wiguna, 2019) revealed that PBB could improve the regional financial performance at the provincial level. However, the efficiency of PBB could not be measured. This is in line with what was conveyed by other studies, such as (Lestari, 2019), which found that PBB could provide performance improvements in efficiency, with the target of all activities being carried out.

## RESEARCH METHODS

This study utilized a case study approach to analyze and understand the use of PBB in the flagship program at the Directorate General of Financing and Risk Management (DGFRM). A case study implies the effort to ask "what," "how," and "why." The "what" questions are intended to obtain descriptive knowledge, the "how" questions to get an explanatory understanding, and the "why" questions to obtain exploratory knowledge (Kim et al., 2017; Rahardjo, 2017). After that, this study investigated whether there was any special treatment of the Top Priority and National Priority (TPNP) budgeting process compared to other programs in general. In general, the goal of this case study research was only to obtain a complete picture of the object in the sense that the data collected in the study was studied as a whole, as an integrated whole (Priya, 2021; Wohlin and Rainer, 2022). Through this case study, recommendations and suggestions were expected to apply to other public sectors in optimizing performance-based budgeting (PBB).

In this study, the data analysis technique was adopted from the Miles and Huberman Model, which started from collecting data, reducing data, presenting data, and concluding and verifying the application of PBB (Harahap, 2021). The data used in this study included primary and secondary data. Preliminary data were obtained from the budget for the TPNP program at the DGFRM, the involvement of researchers, observations, and interviews with resource persons. The informants were personnel at DGFRM who were qualified and directly related to preparing the budget and technical TPNP programs at the DGFRM. Table 1 displays the informants in this study.

**Table 1. The List of Informants**

| No | Names | Budget Planner/Manager in the Function/Area of |
|---|---|---|
| 1 | Ain | Secretariat of the Directorate General |
| 2 | Pandu | Secretariat of the Directorate General |
| 3 | Atika | Directorate of State Financial Risk Management |
| 4 | Rahman | Directorate of Government Securities |

Source: Survey documentation for informants (2020).

For research purposes, all informants' names were disguised as a form of commitment by researchers to convey the results of interviews and discussions in this study.

Meanwhile, secondary data included general data and supported the quality of the research results. These data were obtained from literature studies, books, journals, publications, and reports issued by the government, such as financial reports and DGFRM performance reports (DJPK, 2019; Kemenkeu, 2019). Then, secondary data related to the flagship program budget were from 2019 and early 2020, which were extracted through data processing, observation, and interviews.

The data value and realization of the budget were analyzed to answer the research questions. (Lestari, 2019) defines data analysis as cleaning, changing, and modeling data to find helpful information for business decision-making. This study's data analysis was intended to understand how the budgeting process for TPNP programs and activities was planned in advance. This analysis also focused on mixing data and conceptual elements to create a complete discussion regarding implementing PBB for the TPNP programs. The discussion model of this study used the following structure (see Figure 1).

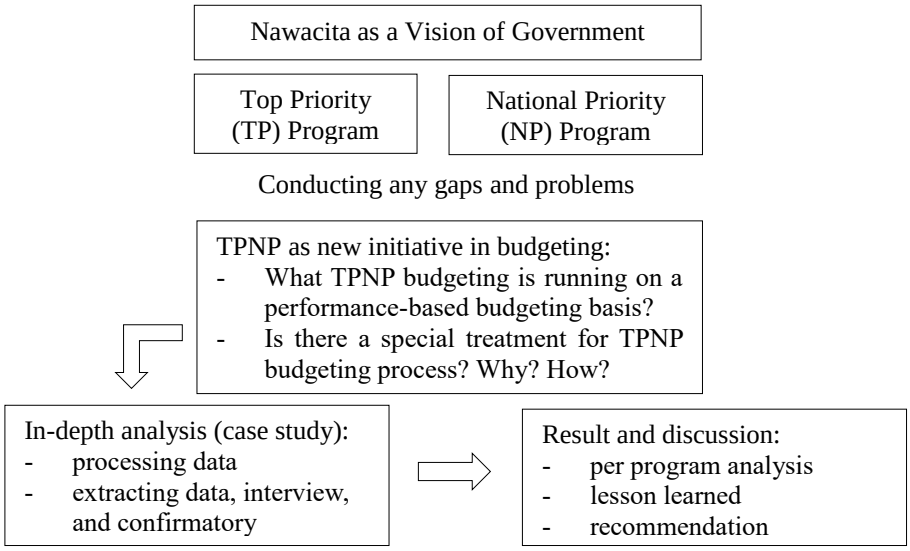



**Figure 1. The Structure of the Study**

## RESULTS

Regarding the mandate of the Ministry of Finance's work program as well as the Nawacita of the President of the Republic of Indonesia, there were four Top Priority programs (TP) and one National Priority program (NP) charged to the Ministry of Finance's DGFRM. The top priority programs were those considered capable of improving the work program of the Ministry of Finance, while national priority programs were those that originated from national issues and executed the Nawacita. In the superior priority program assigned to the DGFRM, there were two directorates that became the Unit In Charge (UIC): the Directorate of Government Securities (DGS) and the Directorate of State Financial Risk Management (DSFRM). DSFRM was not only

the UIC for the Top Priority program, but it was also the UIC for the National Priority program. Details of the division of UIC, output targets, and budget are displayed in Table 2 as follows.

**Table 2. Unit In Charge, Output Targets, and DGPR's National and Top Priority Program Budgets**

| No. | Programs | Unit In Charge | Target Outputs | Budget (IDR) |
|---|---|---|---|---|
| National Priority: | | | | |
| 1 | Preparing the regulations related to the Basic Policy of National Export Financing | Directorate of State Financial Risk Management | One policy | 1,110,142,000 |
| Top Priorities: | | | | |
| 1 | Developing an Online Retail Government Securities Distribution System Development | Directorate of Government Securities | 7,000 new investors | 1,323,727,000 |
| 2 | Preparing regulations for the development of thematic bonds financing instruments | Directorate of Government Securities | One study | 676,900,000 |
| 3 | Formulating policies for the development of two steps bonds financing instruments | Directorate of Government Securities | One study | 249,900,000 |
| 4 | Developing State Financial Risk Monitoring System Application | Directorate of State Financial Risk Management | One application system design | 318,200,000 |

Source: 2020 KPI DGFRM, author's data processing results.

Based on in-depth interviews supported by budgetary data, the study discovered no special budgeting treatment for the Top Priority and the National Priority Programs. This data could be ironic considering that the flagship program's urgency level was precise and in line with the government's mission (Nawacita). On the other hand, the state finance law implemented a strict system for the budgeting process. It affected the implementing of the budgeting process for all programs (both priority and non-priority). Other problems encountered in this study included several issues related to budget coordination that caused activity plans to only partially based on the budget, the need for budgeting skills, and the importance of detailing budget information.

## DISCUSSION

The vision, mission, and strategic plan of the Ministry of Finance guide the planning activities of DGFRM. These activities are included in the DGFRM Program Book, following the vision and mission of the Ministry of Finance, namely the fields of financing and risk management. The starting point for the success of this program is reflected in the determination of Key Performance Indicators (KPI) at the beginning of each fiscal year. Then, the planning process is performed using a top-down mechanism. In this mechanism, the highest-level policy in the government designs the general planning activity, which is then elaborated and implemented by the work units below it. Thus, DGFRM has generally implemented PBB in the planning and budgeting process.

Program or activity performance could be achieved if adequate funds support it through the expenditure ceiling per program or activity. Each work unit initially proposed the budget ceiling, with the details based on schedules, activities, outputs, and components at the account level. The budgeting process was bottom-up, meaning that the smallest work unit proposed and approved the budget in stages. DGFRM was also guided by the cost standards set in the relevant fiscal year to prepare the budget. After each work unit prepared the budget requests, the Finance Section of the DGFRM held a multilevel meeting with the Secretariat General of the Ministry of Finance, the Directorate General of Budget (DGB), the National Planning and Development Agency (NPDA), and the House of Representatives until the budget was approved as a Budget Implementation List. The budget planning process was also carried out in stages, starting with preparing indicative, budget, and definitive ceilings.

There are three essential components in preparing a performance-based budget to ensure that the PBB objectives can be achieved optimally. They include performance indicators, cost standards, and performance evaluation. The performance indicator is "a percentage of the quality of budget execution." The DGFRM set this indicator about the budget. In addition to budget absorption, output realization, consistency with the spending withdrawal plan, and efficiency were also observed.

The second component related to PBB is the standard cost, which supports planning and control. The cost standard in the public sector serves as (1) the highest limit whose amount cannot be exceeded in the preparation of state ministries' and agencies' work plans and budgets; (2) a reference for forward forecasting; (3) an indication of the ceiling for material ministries and agencies; and (4) a reference for setting standard output costs for similar outputs in different ministries and agencies. There are two types of cost standards in the Ministry of Finance: standard input and output costs, which are set annually. Viewed from this point, the result of this study indicated that DGFRM had implemented standard costs like other public-sector units.

The third component is performance evaluation. The intended performance evaluation refers to a periodic performance evaluation during the current year to determine the progress of the activities and budget implementation in accordance with the specified performance indicators. In this study, the budget implementation was monitored throughout the year by each work unit in the DGFRM. Budget revisions were carried out by the authorities regulated in the legislation. The Finance Division of theecuted level budget revisions up to the output level with the User Authority's approval. Higher-level modifications are made with the support of the Directorate General of Treasury (DGT) or the Directorate General of Budget (DGB).

Aside from the critical components implemented in preparing the PBB, DGFRM faced several obstacles in the budgeting process, including budget constraints. Since the budget was pre-approved and provided by the DGB, the DGFRM must better determine which activities to prioritize and which to postpone or minimize. In addition, the initial approval given by the Secretariat General in the indicative ceiling was given in batches per activity output so that the budget distribution followed the Finance Section's policy. In distributing the funding, the Finance Section considered the absorption of the previous year's budget. Although DGFRM's business process could be repeated, the Finance Department was still feeling the changes made, such as increasing the intensity of the retail Government Securities issuance process. Regarding the gap in planning and budgeting time, an informant said that:

"*The existence of a time gap results in a lack of synchronization between the planning and budgeting processes… of course, budget requests cannot be fulfilled except for activities that are clear and the budget must be fulfilled. This happened because of the limited budget given.*" (Pandu, 2020).

Thus, the output target must still be achieved despite the difference between the received and proposed budgets.

In addition, based on the concept of PBB, budgeting should be carried out following activity planning. It turned out that the budget preparation process had been carried out since the beginning of the previous year until it was approved at the end of the budget year. Meanwhile, the activity planning targets in the KPI were carried out at the beginning of the current fiscal year. This could make the activity planning better because it adjusted to the economic conditions of the year concerned, but the budget preparation process had been approved at this point. In other words, activity planning must fit the approved budget. In the end, the Finance Section "worked around" the problem by involving the Internal Compliance Section (responsible for the DGFRM KPI) to accomplish budget adjustments with activities. An informant, Pandu, added that:

"*Actually, program changes in the current year are allowed. However, its implementation requires a lot of resources because the process must be carried out from the beginning starting with proposals and discussions with various parties. With these considerations, it is feared that if*

*you focus too much on the budget planning process, important and approved activities will not be carried out properly*." (Pandu, 2020).

For this reason, if the intended activities were not urgent or could be reallocated from other budgets, the DGFRM chose not to do them. It was pretty concerning that implementing different budgets could only be addressed if they focused on the budget revision process.

**Budgeting for Top Priority and National Priority Programs**. One of the exciting investigations was that the TPNP program's budgeting was every day. The preparation of the budget for the TPNP program was no different from the preparation of the budget for the entire program at the DGFRM, with the exception that in the preparation of the TPNP budget, an additional document in the form of a Comprehensive Budget Document was used (DJPK, 2018). This budgeting system combines a system with top-down mechanisms for planning and bottom-up methods for budgeting. The top-down approach occurred when the vision, mission, and strategic targets were set out in the 2015–2019 DGFRM Strategic Plan document and lowered gradually into the DGFRM Annual Work Plan. The Strategic Plan and Annual Work Plan were used as the reference for directorates in formulating strategic initiative programs or activities and determining how much budget is needed to implement the program or activity. According to the informant :

"*The budget is prepared according to the activities to be carried out in terms of achieving outputs in strategic initiatives. The Directorate proposes a ceiling that has accommodated all of these activities to the Finance Section and then further processed by the Finance Section."* (Atika, 2020).

The proposed work plan and budget were converted into the Comprehensive Budget Document and Activity Operational Guidelines (AOG). This Comprehensive Budget Document and AOG were submitted to the Secretariat of the DGFRM. After that, the Secretariat of the DGFRM reviewed the proposal and discussed it with each Directorate that proposed it, including the Organization for Management and Information Services Section and the Finance Section. Then, the discussion results were submitted to the Planning and Finance Bureau of the Secretariat General of the Ministry of Finance. The strategic initiatives that had been approved were designed as the DGFRM Leading Program, which would later be included in the Ministry of Finance's Work Plan and Budget.

The development of the domestic government securities market became the focus of financing management in 2015–2019. For years, state financing had focused more on foreign loans, which usually had drawbacks, such as higher interest rates and the emergence of exchange rate risk. Moreover, the value of the rupiah also showed a downward trend. Therefore, it was necessary to look for safer financing, achieved by developing domestic government securities.

In practice, this study found that only a portion of the DGFRM budget proposal was approved. Even though the program was a priority, it showed that the department needed budget modifications. Even when there are financial limitations, output should nevertheless be attained. Because the budget received did not match the proposal, DGFRM had to make several changes that affected the program's execution and availability. The TPNP program and its funding are discussed individually in the following sections.

The Implementation of PBB in National Priority Programs. As described earlier, one National Priority Program (PN) is the Preparation of Government Regulations on Basic Policies for National Export Financing. The program refers to the Nine National Development Priorities (Nawacita) and supports the Ministry of Finance's Strategic Plan. In arranging the priority program, the activity plan for the previous year was first prepared. DGFRM also developed five key activities to ensure that outputs were achieved. The key activities included: (1) preparing regulations related to the Basic Policy of National Export Financing (KD PEN); (2) implementing government regulations concerning the Basic Policies of National Export

Financing (Preparation of LPEI RJP); (3) submitting proposed government regulations; (4) processing the determination of PP; and (5) preparing LPEI RJP (implementation).

Furthermore, to prepare for these critical activities, the DGFRM analyzed what should be done, why it should be done, and how it should be done. In addition to compiling key activities, DGFRM periodically evaluated problems that arose during the implementation of these priority programs and considered the budget that had been issued. Program realization is shown in Table 3.

**Table 3. The Realization of National Priority Program**

| Program | Output | Budget (IDR) | | Output | Realization (IDR) | Efficiency (IDR) |
|---|---|---|---|---|---|---|
| | | Submitted | Approved | | | |
| Preparation of Regulations Related to The Basic Policy of National Export Financing (BPNEF) | One policy | 1,110,142,000 | 1,110,142,000 | has provided input on the national export financing strategy to be determined in the long-term plan of the IEFA based on input from the relevant ministries and agencies in accordance with the mandate of the government regulation on BPNEF | 1,109,380,464 | 761,536 |

Source: Author's data processing results.

Table 3 demonstrates that the government has fully approved the budget proposed by DGFRM for implementing the NP program. A fully approved budget means that DGFRM does not need to adjust previously planned activities. Then, the achievement of the NP program output was evaluated every quarter, and this was carried out both on the implementation of activities and on the budget that had been issued. In addition, DGFRM also evaluated problems that arose during the NP program and anticipated these problems. Yet, there were several obstacles to implementing the NP program, including the number of ministries/agencies involved in preparing the national export financing strategy in the Long-Term Plan (LTP) of the Indonesian Export Financing Agency (IEFA). This problem prompted each Ministry/Agency's strategy formulation to vary (diversify). Efforts to equalize perceptions are certainly a challenge.

Based on the processed data, it is known that the DGFRM allocated a budget of IDR 1,109,380,464 (99.930 percent) of the planned budget target to carry out the NP program. Thus, there is an efficiency of IDR 761,536 (0.070 percent). However, considering that the output, which is regulations related to the Basic Policy of National Export Financing, is still speculative, its effectiveness must be seen in the long term. : The informant's statement that indicates it :

"*Budget preparation for projects/programs that are included in the Comprehensive Budget Document has so far been ineffective because it does not consider the output and impact of the program*." (Ain, 2020).

## The Implementation of PBB in Top Priority Programs

**The first program: Developing an online retail government securities distribution system**. Based on the processed data, it is known that the DGFRM allocated a budget of IDR 1,109,380,464 (99.930 percent) of the planned budget target to execute the NP program. Thus, there is an efficiency of IDR 761,536 (0.070 percent). However, considering that the output, namely regulations related to the Basic Policy of National Export Financing, is still intangible, its effectiveness must be seen in the long term. The informant's statement that indicates this **:**

"*The target refers to the estimated figures from the relevant technical units. The determination of this target is the first time using the SID database (single identity) so that in planning it pays more attention to prudence*." (Rahman, 2020).

The program refers to the Strategic Plan of the DGFRM and the policies of the Ministry of Finance. In preparing the Top Priority program, the activity plan for the previous year was first designed. DGFRM also developed three key activities to ensure that the outputs were achieved. The key activities were (1) evaluating the implementation of an online retail Government Securities distribution, (2) disseminating information on Government Securities management; and (3) exploring the possibility of expanding the scope of distribution partners. The information needed to analyze each critical activity included what should be done, why it should be done, and how it should be done. In addition to compiling key activities to encourage the achievement of the desired outputs, DGFRM also conducted periodic evaluations of problems that arose and evaluated the budgets issued.

In practice, the budget proposed by DGFRM for implementing the TP program was not fully approved by the government, in which only 83.830 percent of the total proposed budget was approved, i.e., IDR 1,118,812,00 out of a total submitted budget of IDR 1,334,543,000. Therefore, DGFRM should adjust the activities and budget details that had been proposed previously. The activity evaluation results indicated some inadequate marketing implementation constraints, considering that many areas still need to receive information related to retail Government Securities marketing. Thus, dissemination efforts through various media (offline and online) became a challenge that must be planned and realized. The program realization is displayed in Table 4.

**Table 4. The Realization of First Top Priority Program**

| Program | Output | Budget (IDR) | | Output | Realization (IDR, per cent) | Efficiency (IDR, per cent) |
|---|---|---|---|---|---|---|
| | | Submitted | Approved | | | |
| Development of an Online Retail Government Securities Distribution System Development | 7,000 new investors | 1,334,543,000 | 1,118,812,000 | 48,842 new investors (697.740 per cent) | 1,117,362,643 (99.870 per cent) | 1,449,357 (0.130 per cent) |

Source: Author's data processing results.

Based on the processed data, the budget realization was IDR 1,117,362,643,00 (99.870 percent) of the planned budget target or could achieve an efficiency of IDR 1,449,357 (0.130 percent). Even though 83.830 percent of the proposed budget was approved, DGFRM could still perform efficiently and carry out activities that produced outputs that exceeded the set targets. The target of this program was 7,000 new investors, while the output achievement was 48,842 new investors (697.740 percent). In this program, DGFRM implemented an output-oriented PBB with limited inputs. The efficiency of the budget was increased by reducing activities outside the office and outside working hours, as long as these activities were carried out inside and during office hours. It was expected that the proposed and realized budgets could increase without reducing the substance of the action. In line with PBB, the budget allocation was intended to obtain the maximum benefit using efficient resources. An informant supported this by saying:

"*The budget given for the project is considered quite a lot and exceeds the budget that should be, for that it may be really adjusted to the needs*." (Ain, 2020).

The second program: Preparing regulations for the development of thematic bonds financing instruments. Thematic bonds refers to the development of government securities instruments through the issuing of new instruments in response to investor demands while taking into consideration the risks and expenses of the government. Meanwhile, the development program of the thematic bond instrument refers to the strategic plan of the DGFRM and the policies of the Ministry of Finance. DGFRM arranged four key activities to ensure the

achievement of outputs, namely: (1) preparation and implementation of analysis of underlying potential; (2) determination of government securities instruments to be issued; (3) completion of draft supporting regulations; and (4) issuance of thematic bonds. The program for drafting regulations for the development of thematic bond financing instruments was a multi-year program.

The target for the first year program was a study on online retail government securities that could be traded using certain programs or projects as the basis for issuance. Then, the target for the second year was financing of certain programs and projects through the issuance of government securities (project financing). In 2019, the key activity that was executed was the preparation and implementation of the underlying potential analysis. To oversee key activities, DGFRM also conducted periodic evaluations and anticipated problems that might arise.

In practice, it was found that the budget approved by the government was only 19.910 percent. As a result, DGFRM adjustments and problem anticipation were prepared early on to ensure the output was achieved. Thematic bonds still became a new item developed by the government. The limited literature related to the issuance of diaspora bonds turned out to be a challenge to develop in the future. Program realization is shown in Table 5.

**Table 5. Realization of Second Top Priority Program**

| Program | Output | Budget (IDR) | | Output | Realization (IDR, per cent) | Efficiency (IDR, per cent) |
|---|---|---|---|---|---|---|
| | | Submitted | Approved | | | |
| Preparation of regulations for the development of thematic bonds financing instruments | One study | 676,900,000 | 134,800,000 | Study of thematic bonds completed | 131,699,300 (97.700 per cent) | 3,100,700 |

Source: Author's data processing results.

Table 5 shows that the budget realization was IDR 131,699,300 (97.700 percent), and the efficiency was IDR 3,100,700 (2.300 percent). Although the budget was limited, the study's output—a literature study—was produced by identifying the issues and the legal justification, then in-depth analysis, discussion, and coordination with associated units.

The third program: Formulating policies for developing two-step bond financing instruments. Two-step bonds refer to government securities instruments issued by the state, and the issuance proceeds are forwarded to local governments to support central government programs, including technical assistance related to this matter. In this study, there were two key activities to ensure the outputs that had been set were achieved: (1) preparation, publication, and coordination with local governments and (2) identification of draft supporting regulations. The program for developing policies for developing two-step bond financing instruments was a multi-year program. In the first year, a review of the two-step bonds was carried out, and in the second year, the issuance of two-step bonds was implemented.

The data discovered a 67.4 percent need for funds for the government-approved TP program. Adjusting activities and budget details was required to achieve the output target. During the evaluation process, coordination problems with several agencies (including those in the regions) were encountered due to the busyness of year-end activities. This was a classic budgeting problem. The escalation of budget activities increased at the year's end, so each needed help displaying realistic figures and clear stages. Table 6 shows the realization of the program.

**Table 6. Realization of Third Top Priority Program**

| Program | Output | Budget (IDR) | | Output | Realization (IDR, per cent) | Efficiency (IDR, per cent) |
|---|---|---|---|---|---|---|
| | | Submitted | Approved | | | |
| Formulation of policies for the development of two steps bonds financing instruments | One study | 249,900,000 | 101,040,000 | Study of two steps bond completed | 97,633,000 (96.620 per cent) | 3,407,000 (3.370 per cent) |

Source: Author's data processing results.

Based on the processed data, the budget realization was IDR 97,633,000 (96.620 percent), with an efficiency of IDR 3,407,000 (3.370 percent). Although the approved funding requirement was 67.400 percent, output and budget efficiency could be achieved. The future note was that coordination should be scheduled early so that it could be better organized without being preoccupied with year-end activities.

In article 300, Law No. 23 of 2014 (local government), it is stated that "Regional heads with the approval of the legislature can issue local bonds to finance infrastructure and/or investments that generate revenues after obtaining consideration from the Minister and approval from the Minister who administers government affairs in the financial sector". Now, in the Omnibus Law (Law Number 11 of 2020), this provision is revised to "Regional Heads can issue local bonds and/or local sukuk to finance infrastructure and/or investment in the form of public service provision activities that are the affairs of the Regional Government after obtaining consideration from the Minister and approval from the Minister administering government affairs in the financial sector." This implies that in the future, local governments will no longer need to seek approval from the legislature to issue bonds used to finance development. However, until now, the implementation of local bond issuance has still encountered coordination problems, as mentioned in this study.

**The fourth program: Developing State Financial Risk Monitoring System Application.** Sovereign Asset and Liability Management (S-ALM) is defined as the management of identified, mitigated, and managed risks, in which types and risk exposures are assessed and monitored. Then, in S-ALM, a plan for mitigating the identified risks is also created. It has been emphasized that the S-ALM approach manages public sector financial risk exposure as a whole so that the balance sheet is maintained as a support for sustainable policies and economic growth (Amante et al., 2019). There are five key activities in this kind of risk; they are: (1) preparation of the S-ALM framework; (2) development of contagion risk applications for state-owned enterprises (SOEs); (3) development of risk applications for financial institutions; (4) preparation of dashboards; and (5) development of the State Financial Risk Monitoring System. Since building an application is not an easy task, this development program is set to be multi-year, meaning more than a year. The preparation of the S-ALM framework will be carried out in the first year with the need for funds for the TP program.

This study found that the response to the need for activity funds was 112.540 percent. Because the figures were not precise, adjustments were still made according to the activities and budget details that had been previously proposed. Compared to other programs that experienced discrepancies in funding requirements and budget approvals, the fourth TP program was relatively smooth, and the activities were carried out based on the achieved output targets. Program realization is shown in Table 7.

**Table 7. Realization of Fourth Top Priority Program**

| Program | Output | Budget (IDR) | | Output | Realization (IDR, per cent) | Efficiency (IDR) |
|---|---|---|---|---|---|---|
| | | Submitted | Approved | | | |
| Development of State Financial Risk Monitoring System Application | One application system design | 282,750,000 | 318,200,000 | Development of State Financial Risk Monitoring System application system design | 318,171,500 (99.990 per cent) | 28,500 |

Source: Author's data processing results.

Based on the processed data, it was discovered that to carry out the TP program, DGFRM realized a budget of IDR 318,171,500, or 99.990 percent of the planned budget target. In other words, the DGFRM could make an efficiency of IDR 28,500. The proposed budget for the development program of the State Financial Risk Monitoring System application was IDR 282,750,000, which implied that the budget requirement was IDR 282,750,000. However, the government set the amount of funds needed to finance the program at IDR 318,200,000, exceeding the proposed budget. Surprisingly, the budget efficiency for this activity was only IDR 28,500, even though there was a potential for budget efficiency of IDR 35,450,000. Thus, it could be concluded that the budget planning did not reflect the program needs (the required budget was greater than the proposed one). Consequently, there was an inefficiency in the implementation of the budget (the set budget was greater than the required).

Efficiency is acknowledged to be a crucial component of budgeting (Olfah, 2018). In total, there were three basic tasks of the budget: maintaining aggregate fiscal discipline, allocating resources according to priorities, and promoting efficiency in service delivery (Bhuiyan and Shumshunnahar, 2018; Zambia, 2017). Priorities had been determined and resources had been allocated to complete the activity plan in order to evaluate this application development program. However, it found out that efficiency realization was still not at its best. Therefore, there is a need to strengthen PBB implementation in the State Financial Risk Monitoring System application development program.

**Lesson Learned Constraints to the Use of PBB in TPNP Programs.** The discussion in each program strengthened the use of PBB by clarifying the relationship between outputs, activities, and inputs. This program is consistent with the study's findings (Octariani et al., 2017), which discovered that PBB promotes service quality. It happened because there was a clear relationship between the outputs, activities, and inputs. It could be traced from the description of the discussion that the government's ideals (Nawacita) and the strategic plan of the Ministry of Finance initiated the TPNP program, which was identified as being the Top Priority (TP) and National Prioritiy (NP). Priority programs were reduced to a few key activities (activities) that absorbed budgetary inputs. Then, the realization of this activity was evaluated for its achievements. At the very least, the linkages between outputs, activities, and information must be directly visible (logic model) before continuing to link outcomes and benefits in the long term. This logic model is a feature of performance measurement systems (Beharov and Call, 2016), which is different if the budgeting is based on a traditional basis.

The discussion above confirms the study's results that there was no preferential treatment for TPNP budgeting. Then, the next important thing was to sharpen the role of the PBB and overcome budgeting problems.

In general, the implementation of PBB provided many benefits for this priority program, considering that the sustainability of the program in the future requires an evaluation of output achievements and current budget realization. Not to mention that the completed evaluation profiles would make it easier to identify potential future problems and make it easier for DGFRM to anticipate them. DGFRM properly started PBB by preparing an activity plan and the output

targets to be achieved, then preparing a budget for the activity plan. DGFRM also conducted periodic evaluations throughout the program to ensure that activity tracking was in place. This indicated that budget management was going well, especially in planning, implementation, and evaluation.

Another good lesson was that the budgeting mechanism for priority programs (both superior and national) followed the governance of state finances as regulated in Law Number 17 of 2003 concerning State Finance. Although there were indications that priority programs should also receive priority in terms of budget, prudent budgeting of priority programs, referring to managing state finances, could be the best practice and could be accounted for. This condition implies no need for special treatment, sometimes creating a negative stigma. Precise treatment also embodies the principle of prudence in managing state finances. It stated that if an action has been suspected of being carried out without paying attention to sense, it has led to an activity outside the law. Of course, this prudence or precautionary principle is essential to avoid failures or mistakes when taking a step or making a government decision (Pebrianto et al., 2022).

The obstacle to implementing PBB in the TPNP program is the difference between the budget provided by the DGB and the budget proposed by the DGFRM. The difference in the budget causes the DGFRM to adjust the activities to be carried out with the available budget to achieve the expected output target. This encourages more careful management of the following activity plan and budget.

As part of the evaluation of budget management, the achievement of the output target in conditions of budget reduction indicates a bit of an oddity. Reducing the budget while meeting the target suggests one of two things: (1) errors in the planning process, causing the proposed budget to become too large, and (2) budget efficiency can be carried out if the budget received is as large as the proposed budget. Thus, it is still necessary to improve the planning management of the preparation of activities and the determination of output targets. The natural step in budget management at the planning stage is the intensity of coordination meetings for planning activities and budgets with related parties who consider the use of the budget and the absorption capacity of the previous budget so that budget estimates can be made better. This is supported by the study of Jemarin, Harun, and Niswanto (2016), which found that the coordination of the discussion on the use of the budget and the absorption capacity of the previous budget encouraged a more accurate estimation of the budget.

In addition, budget management is inseparable from the tools and competencies used to prepare activity plans, budgets, and outputs. Training on the practice of activity plans and budgets is the prime approach to improving the quality of the course of activity plans so that they can implement PBB more optimally. Regarding thematic bonds, which are new items for DGFRM, they can also be explored through technical training**.**

## CONCLUSION AND SUGGESTIONS

Based on the results and discussions, PBB has been implemented in implementing the Top Priority and National Priority (TPNP) program. The implementation of PBB begins with the preparation of an activity plan and then continues with the preparation of a budget. The practice of the TPNP program is first stated in the Comprehensive Budget Document and Activity Operational Instructions. The Comprehensive Budget Document explains the basis for implementing these activities: activity plans, output targets to be achieved, marks distribution according to the periodic budget expenditure trajectory, risks that may be faced, and the proposed budget amount.

Although the DGFRM program in this study is prioritized and superior, budget management still refers to prudent national financial governance, and there is no preferential treatment other than the documents required in the program. This program is still positive because it encourages consistency in implementing PBB, emphasizing the linkage of input, process, and activity outputs. This is also a benchmark for other PBB programs.

Budget evaluation continues to be carried out to provide a basis for improvement in the preparation of activity plans and future budget preparation. Firstly, efforts must be made to increase the intensity of coordination with related parties (the Secretary General of the Ministry of Finance, the Directorate General of Budget (DGB), the National Planning and Development Agency (NPDA), and local government). The second effort is to improve the quality of preparing activity plans and budgets, namely personnel training. Tailor-made training will also increase the detail of the activity planning and budget. Exercise also encourages managerial performance improvement, a combination of knowledge and the ability to apply it in practice (Anggadini and Qurni, 2020). Technical deepening and practice related to thematic bonds, new items for DGFRM, can also be done through training. Finally, the person in charge of the TPNP program should prepare a more detailed activity plan and budget (and explain the reasons) to minimize the difference between the budget proposed by the unit and the budget approved by the DGB. The budget should include details on exposure and possible mitigation measures (Curristine et al., 2020). With these three efforts, PBB management is expected to improve, considering that TPNP is a form of government commitment to better public services.

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