

Reconstruction of Performace-Based Budgeting in Indonesian Local Government: Application of Soft Systems Methodology in Producing Guideline for Policy Implementation

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Abstract : Effective public policy creation required a strong budget system, both in terms of design and implementation. Performance-based Budget is an evolutionary approach with two substantial characteristics; first, the strong integration between budgeting and planning, and second, its existence as guidance so that all activities and expenditures refer to measurable performance targets. There are four processes in the government that should be followed in order to make the budget become performance-based. These four processes consist of the preparation of a vision according to the bold aspiration, the formulation of outcome, the determination of output based on the analysis of organizational resources, and the formulation of Value Creation Map that contains a series of programs and activities. This is consistent with the concept of logic model which revealed that the budget performance should be placed within a relational framework of resources, activities, outputs, outcomes and impacts. Through the issuance of Law 17/2003 regarding State Finance, local governments in Indonesia have to implement performance-based budget. Central Government then issued Government Regulation 58/2005 which contains the detail guidelines how to prepare local governments budget. After a decade, implementation of performance budgeting in local government is still not fully meet expectations, though the guidance is completed, socialization routinely performed, and trainings have also been carried out at all levels. Accordingly, this study views the practice of performance-based budget at local governments as a problematic situation. This condition must be approached with a system approach that allows the solutions from many point of views. Based on the fact that the infrastructure of budgeting has already settled, the study then considering the situation as complexity. Therefore, the intervention needs to be done in the area of human activity system. Using Soft Systems Methodology, this research will reconstruct the process of performance-based budget at local governments is area of human activity system. Through conceptual models, this study will invite all actors (central government, local government, and the parliament) for dialogue and formulate interventions in human activity systems that systematically desirable and culturally feasible. The result will direct central government in revise the guidance to local government budgeting process as well as a reference to build the capacity building strategy.

Keywords : soft systems methodology, performance-based budgeting, Indonesia, public policy

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