

# **The Effect of Performance-Based Budget Management on The Achievement of Strategic Planning Targets at The Indonesian Quarantine Agency**

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## **Abstract**

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Law No. 17 of 2003 on State Finance introduced a performance-based budgeting approach to improve the efficiency, effectiveness, and transparency of public budget management. The Indonesian Quarantine Agency (BARANTIN) as a government institution has adopted this approach, but still faces obstacles in realizing the budget and achieving optimal performance targets. Uneven budget absorption every quarter and accumulating at the end of the year is the main challenge that hinders the maximum function of the State Revenue and Expenditure Budget (APBN). This study uses a descriptive method with a qualitative approach to analyze the role of performance-based budgeting in increasing the achievement of strategic targets in BARANTIN. Data were collected through observation, interviews, and literature studies, then analyzed descriptively. The results of the study are expected to provide recommendations for BARANTIN in optimizing the achievement of performance targets in accordance with strategic planning.

## **Keywords:**

Budget Management; Performance; Target Achievement; Strategic Planning.

## **1. INTRODUCTION**

In recent years, the efficiency and effectiveness of public budget management has become one of the main concerns in the government sector in various countries. Performance-based budget management has been recognized as one of the effective approaches in improving the quality of public services. This approach focuses on results and performance, not just on the administrative and procedural aspects of budget management. This is becoming increasingly important given the growing global challenges, such as the economic crisis, climate change, and pandemics, which force governments to respond with more responsive and data-driven policies (World Bank, 2020).

Globally, many countries have implemented performance-based budget management systems to ensure more targeted, transparent, and accountable budget allocations. For example, Australia and Canada have implemented this system in their planning and budgeting with significant results in terms of cost control and achievement of development goals (OECD, 2021). This performance-based budget management allows for a clearer evaluation of how public funds are being used to achieve the strategic objectives that have been set.

Law No. 22 of 1999 regulating regional autonomy in Indonesia, which was later changed to Law No. 32 of 2004 concerning Regional Government, as well as Law No. 25 of 1999 which has now been replaced by Law No. 33 of 2004 concerning the financial balance between the central and regional governments, with a decentralized system of government, came into effect on January 1, 2001. This law is considered a highly democratic policy, reflecting and fulfilling the principles of true decentralization of government.

The main mission of Law No. 32 of 2004 and Law No. 33 of 2004 is not only to transfer development authority between the central and regional governments, but more importantly to achieve efficiency and effectiveness in the use of financial resources. Since 2003, there has been a paradigm shift in government management over the past two decades, from originally focusing on process to results-oriented. This change has also overhauled the country's financial management system, both in developed and developing countries, including Indonesia. The reform in Indonesia's state financial management, which began with the issuance of

Law No. 17 of 2003 on State Finance, has brought significant changes, including the introduction of a performance-based budgeting approach in government budgeting.

Performance-based budgeting in Law No. 17 of 2003 concerning State Finance stipulates that work plans and budgets are prepared based on the results to be achieved or are performance-oriented. The explanation in the law states that performance-based budgeting is a step to improve the budgeting process in the public sector. With the enactment of Permendagri No. 13 of 2006 concerning guidelines for regional financial management (Sipayung & Cristian, 2022), good budgeting, in accordance with the regulation, will provide a clear basis for the use of the budget and produce valid and accurate performance information, which can later be used for the preparation of performance reports in the context of control.

Budgeting with a performance approach focuses on efficiency in the implementation of an activity. Efficiency itself is a comparison between output and input. An activity is considered efficient if the output produced is greater with the same input, or the output produced is equal to the less input. According to Ho (2018), "A performance budget system is basically a system that includes the preparation of programs and performance indicators as a tool to achieve program goals and objectives." Performance-based budgeting is a budgeting system that integrates performance planning with an annual budget, where the linkage between available funds and expected outcomes can be clearly seen.

The Indonesian Quarantine Agency has a very vital role in maintaining the safety and quality of agricultural products circulating in Indonesia. With the existence of a performance-based budget management system, the Indonesian Quarantine Agency is expected to be more focused on achieving its strategic goals, which include increasing the supervision of goods traffic, controlling the risk of the spread of pests and diseases, and improving the quality of services to the community. However, the implementation of performance-based budget management at the Indonesian Quarantine Agency has not fully run as expected. Several factors, such as limited human resources, lack of understanding of this system, and bureaucratic obstacles, are challenges that must be faced in achieving the strategic planning targets that have been set.

The problems that arise in performance-based budget management at the Indonesian Quarantine Agency are not only related to the technical aspects of planning and budget allocation, but also involve organizational culture factors and managerial abilities in monitoring and evaluating performance. In this context, it is important to analyze how performance-based budget management can be optimized to support the achievement of strategic planning targets, as well as how it affects the achievement of overall organizational goals.

Along with the increasing public demands on the public sector, the Indonesian Quarantine Agency (BARANTIN) as one of the government agencies is expected to improve its performance, not only in terms of budget implementation, but also in the performance of the ministry as a whole. In BARANTIN, there are still several problems in the preparation of the budget that result in the budget not being realized properly and optimally, which in turn has an impact on the ministry's performance that is not optimal. One of the main problems is the accumulation of budget implementation at the end of the semester, which hinders the achievement of performance targets. Many studies have been conducted related to this issue, such as research by Husein Mahmoedi, Nunung Nurhayati, and others, which discuss the variables that affect the achievement of performance targets. The implementation of good governance is an important requirement for the government in realizing people's aspirations to improve welfare, therefore, the development and implementation of an appropriate, clear, and legitimate accountability system is needed so that the government avoids corruption, collusion, and nepotism, so that the government can be clean and responsible (Hidayat & Putra, 2023).

The phenomenon currently developing in Indonesia's public sector is the increasing demand for achieving targets in public institutions. Achieving these targets can be understood as an obligation that must be fulfilled by individuals or entities entrusted with managing public resources, closely tied to their accountability. Target achievement is strongly related to control instruments, particularly in terms of delivering optimal results in public services and presenting them transparently to the public (Sulistyo, 2022). Therefore, target achievement is expected to align well with the established development objectives. This concept of target achievement provides direction for almost all public sector reforms and drives pressure on key actors to take responsibility and ensure effective public service performance.

The principle of target achievement represents the implementation of accountability, where those involved in the activities must be able to account for the execution of the authority granted in their respective areas of responsibility. This principle is closely related to accountability for the effectiveness of activities in achieving the goals or targets of policies and programs set forth in strategic planning. An essential aspect of the concept of target achievement is the public's right to know the policies made by those entrusted with responsibility.

Although performance-based budgeting has been implemented across all ministries in Indonesia, its execution still faces numerous challenges. The Agricultural Quarantine Agency, as one of the government institutions applying performance-based budgeting, also encounters various obstacles that result in suboptimal budget realization, deviating from the established plans. Consequently, budget absorption tends to accumulate toward the end of the fiscal year. Expenditures misaligned with programs and activities affect the achievement of outputs/outcomes, which fail to align with the work program objectives of

ministries/agencies. Monthly budget realization does not align with the planned absorption schedule, and the end-of-year accumulation of budget absorption leads to uneven quarterly distribution, thus hindering the optimal functioning of the State Budget (APBN). In other words, while government programs may achieve their objectives, the outcomes remain suboptimal.

This study aims to examine the impact of performance-based budget management on achieving strategic planning targets at the Indonesian Agricultural Quarantine Agency. The primary focus of the research is to understand the extent to which the implementation of a performance-based budget management system can enhance efficiency in achieving strategic objectives, as well as to identify the factors influencing the success or failure of its implementation. This study is expected to contribute to improving budget management effectiveness at the Agricultural Quarantine Agency and provide recommendations for refining the existing system.

He & Ismail (2023) revealed that performance-based budgeting is a budget system that shows how resources are allocated and the results of services provided by each organizational unit. This budget system is generally applied by government agencies to describe the relationship between funds obtained from taxes and revenue provided by the government, both at the federal, state, and local levels.

Performance-based budgeting presents the goals and objectives of the use of funds, the cost of the proposed program, the activities undertaken to achieve those goals, and the outputs or services provided by each program.

Thus, according to the author, performance-based budgeting is a process that operationalizes plans through quantification that links the state budget with desired outcomes, which are related to the outputs and outcomes that have been set. The main goal is so that the expected benefits can be felt by the public and the taxpayer community, because state revenue comes from people's taxes.

The performance-based budgeting system is designed to create efficiency, effectiveness, and target achievement in the use of the public expenditure budget, with clear outputs and outcomes in accordance with national priorities, so that every budget expenditure can be accounted for transparently to the public. The application of this method also aims to improve services to the community and have a greater impact on service quality. In addition, to achieve the predetermined output, Ministries/Institutions are given freedom in managing programs and activities, supported by a higher level of certainty regarding the financing of programs and activities carried out.

The stages of performance-based budget preparation refer to the process of regional financial management, and according to Mahmudi (2010:98), the stages consist of:

- a. Strategy Formulation, strategy formulation is a very crucial step in the process of controlling the organization because mistakes in developing a strategy can lead to mistakes in organizational goals. An organization establishes its main direction and goals by formulating its mission, vision, and goals. The strategy formulation stage focuses on efforts to design or create the future of the organization.
- b. Strategic Planning, strategic planning is a systematic process that follows clear procedures and schedules. Organizations that do not have strategic planning are likely to face problems in budgeting, such as excessive budget workload, improper allocation of resources, and the possibility of choosing the wrong strategy.
- c. Program, program creation is a step taken after strategic planning. Strategic plans, objectives, and strategic incentives that are conceptual in nature must be described into programs which are activity plans to achieve certain goals along with the resources needed for their implementation.
- d. Budgeting, each program that has been established must be associated with the necessary costs. The program fee is a combination of the cost of activities needed to implement the program. All program costs are summarized in the budget, which also includes the revenue budget and investment budget required for the implementation of the program.
- e. Implementation, at the implementation stage, the agency leader is responsible for monitoring the implementation of activities, while the accounting department records the use of budget (inputs) and outputs in the financial accounting system. Agency leaders are also obliged to create an adequate accounting system for budget planning and control, as well as ensure a reliable accounting system in the future budget preparation stage. This accounting system must include sufficient internal control.
- f. Performance Reporting, the collected accounting information will be presented in financial statements, which is a form of public sector performance reporting, especially financial performance. Financial performance reports generated from accounting information systems should be supplemented with non-financial performance information to provide a comprehensive picture of the organization's performance.
- g. Performance Evaluation, organizational performance reports have two main benefits: for internal and external parties. For internal parties, this report provides information to managers to compare between planned inputs and outputs with the results achieved. For external parties, this report serves as an organizational accountability tool. If there are significant deviations, agency leaders can take corrective steps as feedback.
- h. Feedback, the final stage after the performance evaluation is the provision of feedback. This stage aims to follow up on the results of the evaluation and make improvements to achievements that are not in

accordance with the mission, vision, and goals of the organization that have been set. If needed, the organization can re-establish the strategy that has been developed.

## 2. RESEARCH METHOD

This study uses a qualitative approach with a descriptive method, where the purpose of using the descriptive method is to describe and explain the phenomenon of the role of performance-based budgeting in achieving strategic planning targets in the Indonesian Quarantine Agency. Qualitative research aims to obtain in-depth and meaningful data. The variable observed in this study is the role of performance-based budget implementation in improving the performance achievements of government agencies. Data was collected through three techniques, namely observation, interviews, and literature studies. The data analysis was carried out with a descriptive approach to assess the effect of the implementation of performance-based budgeting on the achievement of strategic planning targets at the Indonesian Quarantine Agency.

## 3. RESULTS AND DISCUSSION

Performance-based budgeting at the Indonesian Quarantine Agency provides information on the implementation of programs/activities and the impact or results it causes to the community. The performance information provided not only includes outputs and outcomes at the program/activity level, but also describes the relationships between these levels. The implementation of performance-based budgeting at the Indonesian Quarantine Agency includes the following stages:

- a. **Strategy Formulation.** The relationship between outputs and results can be seen in the formulation of the vision and mission of the Indonesian Quarantine Agency, which is translated into programs and budget allocations. At the lower level of the program, there is a more detailed explanation, including the name of the activity, the stages implemented, the budget allocation for each stage, and the details of the cost.
- b. **Strategic Planning.** The strategic planning of the Indonesian Quarantine Agency includes four elements, namely: 1) vision and mission; 2) the results of environmental studies (external and internal and assumptions used); 3) strategic issues; and 4) development strategies.
- c. **Program Creation.** The preparation of programs and activities aims to achieve the organizational performance targets of the Indonesian Quarantine Agency. These programs and activities are part of achieving the policy planning objectives at the leadership level. The framework in the preparation of programs and activities must be prepared to achieve performance impacts that are in line with the vision, mission, and strategic goals of the organization.
- d. **Budgeting.** The information that has been compiled will be used as a guide to detail the activities in the stages/sub-activities and the costs needed.
- e. **Implementation.** At the budget implementation stage, the most important thing for public finance managers is the existence of an effective accounting system and management control. The public finance manager is responsible for creating a reliable accounting system to support the planning and control of the agreed budget, as well as for the preparation of the budget in the next period.
- f. **Performance Reporting.** The Performance Report prepared by the Indonesian Quarantine Agency contains a summary of the outputs and results of each activity, in accordance with the implementation document of the State Budget/Regional Budget. The form and content of this report are adjusted to the work plan and budget set out in government regulations. The Performance Report must be submitted no later than two months after the end of the fiscal year.
- g. **Performance Evaluation.** The Indonesian Quarantine Agency measures and evaluates performance based on the goals and/or standards that have been set. These measurements provide information on the performance achievements that have been implemented, while performance evaluations are used to analyze the efficiency and effectiveness of achieving the goals listed in planning and budgeting documents.
- h. **Feedback.** Budget feedback is an important element in controlling the implementation of activities to improve the performance of the Indonesian Quarantine Agency. When presented constructively and objectively, feedback can be an effective motivator, aid in verification and improvement of performance, and provide predictions for future budgets.

The process of preparing reports at the Indonesian Quarantine Agency is carried out through a series of stages, namely the preparation of a strategic plan, annual performance plan, performance determination, and performance measurement and evaluation. The strategic plan provides guidance for the direction of organizational development in the medium term, while the annual performance plan and performance determination set targets and commitments that must be achieved in a given year. An annual performance plan is a further detail of a strategic plan, which includes all the performance targets to be achieved in a year, as measured by a number of relevant strategic performance indicators.

## 4. CONCLUSION

Performance-based budgeting at the Indonesian Quarantine Agency is the main tool to achieve the organization's strategic planning targets. By integrating the vision, mission, and strategic goals into the entire planning and reporting process, this system ensures that every program and activity implemented has a direct contribution to the achievement of strategic targets. The preparation of the program is based on a framework that focuses on achieving impact, so that the budget not only supports the implementation of activities, but also tangible results that are relevant to the organization's long-term goals.

Through transparent performance reporting and efficiency and effectiveness-oriented evaluations, the Indonesian Quarantine Agency can measure the extent to which strategic targets have been achieved. The feedback from this evaluation process is the basis for refining future budget planning and strategy, ensuring that available resources are used optimally to achieve maximum results. Thus, performance-based budgeting is not only a financial management tool, but also a strategic mechanism that encourages the success of overall organizational development.

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