

## The Importance of Public Participation in Performance Based-Budgeting in Indonesia

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### ABSTRACT

Public participation is defined as participation in all processes and stages of decision-making, whether manipulative or spontaneous, in preparing the public sector budget to help the government achieve financial goals and improve coordination between departments within the government. Help create efficiency and equity in providing public goods and services through a prioritization process. The research method used qualitative with literature review studies. Secondary data analysis was carried out using triangulation techniques according to the concept of performance in public budgeting. The results show that performance is supported by good cooperation between community participation and stakeholder involvement in order to create good governance in public budgeting. In addition, it is also essential to supervise, monitor, and evaluate the budget to create quality government performance. So in its implementation, public budgeting-based performance in Indonesia must prioritize increasing professionalism in providing public services so that social justice can be created in the context of the welfare of the Indonesian people in the future.

Keywords: Public Participation, Performance, Budgeting, Literature Review

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### Introduction

The development of the world is changing very quickly due to the rotation of globalization and the global economy (Grundy-Warr et al., 1999). Although these global changes, actions taken locally will have much to do with people's welfare. Performance-based budgeting and a systems approach to solving problems, then the community can play a role in organizing, regulating, and implementing community resources, forming a symbiotic relationship between government and non-government or private institutions (Chamchong, 2016; Ishii, 2022). This is based on the understanding that improving the welfare or quality of a society is meaningful, starting with civil society, which rests on the foundations of good governance (Baker, 2015). Performance-based budgeting is of little consequence unless the government is committed to serving citizens, where a symbiotic relationship between government and society must be established (Borman & Motowidlo, 1997; Greene, 2015).

Success in performance-based budgeting and the positive impact of organizational change will depend on the shoulders of leadership. Leadership must embrace change and reward the chain of performance in order to build a better organizational climate for change (Behn, 2003; Melkers & Willoughby, 2005). This means that policymakers and the role of administrators must consistently support actions in improving

performance so that later it will become a source of satisfaction or additional incentives for both individuals and groups with a feeling of pride (Greene, 2015; Koopmans, 2014; Yudithia & Mahadiansar, 2019).

The information available through performance-based budgeting should be used to assist, not replace, leadership decision-making responsibilities (Melkers & Willoughby, 2005). Performance-based budgeting gives meaning to the decision-making process, but it is only one of many considerations that drive decisions (Rosati, 1981; Teisman, 2000). The nature of the decision will have a lot to do with the degree of influence of a sound system, such as performance-based budgeting. Some decisions rely heavily on knowledge of human behavior and are fed by an intimate understanding of the organization and its environment (Yudiatmaja, 2016). The usefulness of performance measurement and performance-based budgeting will depend on how closely the information relates to decisions.

At the outset, performance measures tend to be generic. Much has to be shaped through an iterative process so that government organizations are wrapped up in an ever-changing environment. Performance-based budgeting must continue to be shaped to suit the changing information needs of the organization. Stakeholders within the organization must be actively involved in the ongoing performance-based budget adjustment process. It is often the case that local government leadership fails to recognize the budgeting process on performance so that the result is a performance measure inconsistent with decisions (Glaser & Strauss, 1967). In this paper, the author wants to discuss how performance-based budgeting can be designed to facilitate collaborative solutions in solving several problems by involving the community in a performance-based budgeting process.

Active participation in development will foster community empowerment, providing ample space for the community to involve themselves in the development results' planning, implementation, monitoring, and evaluation processes (Stelzenmüller et al., 2021; Uwizeyimana, 2020). Participation is essential to ensure that local government administrators genuinely serve the interests of citizens, as users of public services, to submit complaints and dispute resolution mechanisms between the community and public service providers. The participation of the community in the implementation of active development, both in the preparation of implementation plans and in development assessments, is so meaningful as a measure of the community's ability to take the initiative and enjoy the results of the development that has been carried out.

Performance-based budgeting is a budgeting method for management to relate each cost contained in activities to the benefits generated. These benefits are described in a set of goals and objectives outlined in each work unit's performance targets (Behn, 2003; Chahal et al., 2016). Budget planning is estimating the expenditure of funds for implementing each activity and work program, considering the estimated available income—performance indicators in the concept of performance-based budgeting. The performance indicators for preparing a performance-based budget include inputs, outputs, and outcomes. Performance-based budgeting shows the link between funding and the performance to be achieved, improves efficiency and transparency in budgeting and increases flexibility and accountability of units in carrying out tasks and budget management (Rotundo & Sackett, 2002; Sonnentag & Frese, 2005).

In preparing a performance-based budget, some things need to be considered, namely the principles of budgeting, all activities in preparing a performance-based budget, the role of the legislature, the regional budget planning cycle, the structure of the APBD, and the use of a performance-based budget. In preparing a performance-based budget, some things need to be considered, namely the principles of budgeting, all activities in the preparation of a performance-based budget, the role of the legislature, the regional budget planning cycle, and the structure of the APBD, and the use of a performance-based budget.

According to PMK 94 of 2013, it is an approach in the planning and budgeting system of state expenditures that clearly shows the allocation of funding and the expected performance of the allocation and pays attention to efficiency in achieving performance. The advantages of performance-based budgeting include making it easier for all forms of performance reports, accountability, identification of problems or obstacles to performance achievement, and can be used for budgeting to eradicate performance barriers and performance budgets for the following year.

## Methods

The literature review method is relevant to presenting the latest developments or thoughts related to a specific topic. A literature review is a systematic, explicit and reproducible method for identifying, evaluating, and synthesizing research works and the results of ideas generated by researchers and practitioners (Galvan & Galvan, 2017; Zed, 2014). Revealed at least ten rules related to the literature review method, one of which is a critical and consistent rule, namely emphasizing the ability of the literature reviewer not only to present a summary of the literature but also to discuss the literature critically by revealing the focus of the discussion, methods, and methods (Boocock & Grahame, 2003; Denzin & Lincoln, 2005). To the research gap. The literature review aims to obtain a theoretical basis to support solving the problem being studied. The theory obtained is the first step so that researchers can better understand the problem being appropriately studied following the scientific thinking framework.

## Results and Discussion

### A System of Concern for the Community Approach

The systems approach to community concerns changes nature but does not diminish the importance of local government leadership. Leadership by regional authorities will play a role in uniting community institutions to unite and target community problems. In many cases, solutions require joint leadership from local and non-government agencies. Local governments that actively involve communities must accept change (Ortega et al., 2010; Shipton et al., 2012). Performance-based budgeting can be a tool to regulate change, including applying government resources and community collaborators for improvement among the community. Transparency in government actions is essential if citizens actively participate in community decision-making.

### Community Contribution in Performance-Based Budgeting

Citizens play an active role in shaping government action, performance-based budgeting must be a tool for citizen engagement, and budget evidence must be presented in a form that invites understanding. Describe performance-based budgeting as a way of capturing budget variance (financial accountability) and performance variance (accountability for program or service delivery). Stakeholders believe line items and program-based budgeting are necessary to form a complete picture of performance (Kelly & Westoby, 2018; Millar & Hall, 2013). The government provides an overview of financial accountability as a plan for how resources will be used (Samnuzulsari & Yudiatmaja, 2016). The line item budget provides a detailed assessment of compliance with the plan.

Expenditures and expenses (commitments to pay) are generally tracked every month to allow adjustments to ensure annual compliance. When an agency uses public resources for goods not part of the plan or exceeds its budget, it is not according to the plan, and the stakeholders responsible for the deviation must be held. In some cases, deviations from the plan may be justified. The budget must then be revised to reflect new realities, such as organizational or environmental changes or adjustments to priorities. Line item budgets help ensure that the government operates within the limits of available resources and that public resources are spent on the intended or budgeted goods.

Program budgeting is the part of accountability. They are measuring performance based on goal achievement. Performance targets are set using one or more of the methods discussed earlier, and performance measures are used to assess goal achievement. Goals are operationalized through measures and performance targets. A financial audit is needed to ensure that budgetary budget discipline is maintained. Audits promote spending within budgeted limits and on designated items. An independent agency generally carries out internal audits within the local government. Such bodies are usually structurally isolated or separated from other institutions within local government to limit the influence that internal

agencies can exert over the audit function. As a result, internal auditors have superior knowledge of the organization and its operations.

The main disadvantage of internal audit is the difficulty in ensuring that these institutions and audit results are genuinely independent. Found that internal audit related to local government. Audits related to line item budgets focus on financial accountability. The external audit is used when independent assessment is essential; Financial accountability usually requires assurance of independence (Kurniasih et al., 2016; Usman & Paranoan, 2014). External audits of financial considerations are critical in developing countries, where governments seek to strengthen bonds of trust between citizens and governments (Agranoff & McGuire, 2003; Prastyawan & Isbandono, 2018).

In addition, performance-based budgeting provides financial accountability (in some cases, line-item reporting) and program accountability, with expenditures tied to specific programs, activities, or cost centers. This form of accountability seeks to link spending to public products in a way that allows people unfamiliar with government and budgeting to review government products. Performance audits assess the extent to which the public gets a good tax return. Stakeholders assess the value and quality of products and examine methodologies related to data collection and the accuracy of performance reporting. Failure to perform a performance audit encourages inaccuracies in performance reporting.

### **Community Involvement as a Public Right**

The government is responsible for actions that are consistent with the long-term welfare of society and are responsive to citizens' demands. The tension between these performance dimensions increases when citizens become highly self-interested. While many factors contribute to the retreat of self-interest or the willingness of citizens to embrace the community, government action is critical. When the government invites citizens into the decision-making process and works to increase stakeholder knowledge about the government, and there are still concerns, citizens are more likely to support investments that are consistent with the long-term welfare of society.

The second concern hinges on the difficulties associated with measuring citizen demand. It is not uncommon for citizens to demand more from governments than stakeholders are willing to pay. When survey research offers a stretch of services without tax implications, citizens tend to favor improvements across most service categories. Survey research to identify service priorities should guard against measurement errors associated with increased demand (demand for service delivery increases beyond what citizens have to pay, sometimes referred to as tax demand discontinuity (Carmeli & Josman, 2006; Nordholt, 2008). Stakeholders use survey research to assess citizen demand) and suggest the use of triangulation of measures, including measures that establish service delivery priorities, usage patterns, and assessments of willingness to pay increased taxes.

The relationship between service demand and willingness to pay is not as easy as in developed countries. Revenue generated from the local tax base is one of the many sources that feed local government service delivery and programming. Therefore, assessing citizen demand for services may need to be adjusted to focus on opportunity costs. Deliberate processes are particularly well suited for assessing the opportunity. It makes a case for deliberative processes that promote learning through reasoned discussion of problems and alternative solutions. He reports that these deliberative processes help citizens think less of their self-interest and more about improving the long-term well-being of society and strengthening civic infrastructure.

### **Community Contribution Impacts Government Performance**

Many challenges must be overcome before performance-based budgeting can be expected to drive government performance improvements. Leadership resistance to change is one of the most significant barriers. Both elected and appointed officials often resist change because the status quo serves the self-interest of stakeholders (Andrews, 2010). In addition, leadership and organizational culture often interact in ways that make it challenging to promote improved performance. Finally, in some cases, corruption encourages resistance to change.

A deep-rooted culture of corruption is complicated to change. Transparency and citizen engagement can play a role in breaking down a culture of corruption, but citizens living in poverty generally lack the ability or willingness to oversee change or successfully challenge long-standing government behavior. As a result, it is not difficult to understand how communities in different countries are caught in a spiral of despair. Several structural and fiscal constraints make breaking this cycle of despair challenging. Local control is essential if citizens hold the government accountable and make it responsive to community needs and concerns (Andrews and Shah 2003c). The main impetus for government reform has included transferring control from the central government to local governments (Samin, 2021). However, structural independence must be accompanied by economic independence if local governments are to have the capacity to be responsive to the needs and demands of citizens. Unfortunately, many governments in some areas are deeply in debt and have little fiscal capacity for community improvement. These governments typically rely on a narrow revenue mix to fund the government. Fiscal concerns are exacerbated by limited technical capacity. For example, property tax valuation systems are generally plagued by imprecision, partly due to the methodology used for property valuation (Andrews and Shah 2003a). Technical problems include inaccuracies in revenue estimates, often resulting in multiple revenue shortfalls.

## Conclusion

Participation in successful budgeting will provide benefits to improve cooperation between organizations. In addition, in reducing or eliminating conflicts and tensions between members of the organization. The relationship between budget participation and performance is that with participatory budgeting, performance is expected to increase. When a goal is designed and participative approved, the stakeholders will internalize the goals and have a sense of responsibility. In addition, evaluating performance can increase work motivation, and managers' participation in the budgeting process will have a positive impact.

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