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## THE EVALUATION OF THE PERFORMANCE BASED BUDGETING IN HEALTH, EDUCATION, AND PUBLIC WORKS AGENCIES OF POLEWALI MANDAR REGENCY, WEST SULAWESI PROVINCE

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### ABSTRACT

*New paradigm of modern society pushes financial reform of regencies. One form of the reform is the application of performance-based budgeting. The budget compilation process and target demonstrate regencies' opportunities to develop vision and mission as well as to materialize society expectation and desire in accordance with the regencies potentials. However, the implementation of the budget faces uneasy challenges. The subjects of this paper consist of budgeting process included planning, implementation, performance measurement and evaluation, and reporting. This paper also describes problems in budgeting process. The technique of collecting data were collected by observation, in depth interview and analyzed by using qualitative method that was developed based on descriptive paradigm to describe comprehensive meaning of Polewali Mandar Regency, budgeting process. This research shows that in general, the idealism of performance based budgeting is not yet achieved. There are many mistakes in budgeting process sequences included planning, implementation, performance measurement and evaluation, and reporting. The less comprehensive communication, integration computerized application system, rewards and punishment system, and work ethic became the causes of the problems.*

**Keywords :** Qualitative; Evaluation; Performance Based Budgeting

### I. INTRODUCTION

Performance-based budgeting (PBB) is an important form of the new public management (NPM). It aims to improve the efficiency and the effectiveness of government expenditure by linking the budget to the desired results and by using performance information (Robinson & Last, 2009).

In Indonesia, the implementation of NPM began with reforms in the financial sector in 1999 right after the Soeharto era. It was marked with the birth of Law No. 17 Year 2003 on State Finance and other related laws<sup>1</sup>. The persistence of these laws brought fundamental changes in governance and financial relations, including the local government budget. However, the implementation of PBB in Indonesia was only done in the budget format and at a technical level. There is no fundamental change to the implementation (Rahayu, Ludigdo & Affandy, 2007), not yet completely and consistently (Sancoko et al, 2008).

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Under these conditions, further investigation is needed. How and to what extent has the PBB system been implemented since it began in 2002 in regencies / municipalities, with a sample case in Polewali Mandar, particularly in health, education, and public works agencies.

This study will investigate the present status of the implementation of PBB in Polewali Mandar Regency and the problems that hinder its implementation. Based on the assumptions above, the researcher wants to find out the answers of the following questions: 1). To what extent health, education, and public works agencies achieve the PBB?, and 2). What are the obstacles of the PBB implementation in Polewali Mandar Regency and how can they be solved?

The reasons for the selection of health, education and public works agencies are: 1). these agencies absorb the largest portion of the budget funds among all the agencies / entities in Polewali Mandar Regency, 2). these agencies are in direct contact with the people's basic needs, and 3). the indicator of the successful implementation of PBB in these agencies are the benchmark of successful implementation relatively for Polewali Mandar Regency.

In order to understand the PBB implementation in Polewali Mandar Regency, the approach for this research is descriptive qualitative analysis by using basic statistic and interviews data such as financial reports of those agencies and interviews result. This study collected data through interviews which were conducted with key persons from health, education, and public works agencies, and the representative of beneficiaries. Another data such as performance reports, regulations, and relevant laws were collected from those three agencies and other relevant offices in Polewali Mandar Regency.

The second section of this study comprises the literature review of the study. The third section will evaluate and analyze the factors that affect the implementation of PBB in those agencies. It also examines 5 years financial report of each agency from 2007 to 2011. The last section provides the conclusion and policy recommendation.

## II. THEORITICAL STUDY

### New Public Management

Since the middle of 1980s, public sector management has been changed from traditional management systems into a model of public sector management system. The new paradigm, which is emerging in the public sector management, is the approach of the New Public Management (NPM). The objective of NPM is to change the administration so that public administration, as a provider of services to the community, should produce an efficient and effective service, but not be profit-oriented (Osborne and Gaebler, 1992).

Hakulinen et al (2011) stated that there are seven most essential elements of NPM which are three E's as NPM's values (economy, efficiency, effectiveness), accountability of action in public services, professional management and cooperation based on contracts between different actors, separation of political and administrative decision making, entrepreneurship of public sector, focus on the citizen role, and wide definition of NPM covering most of the previous elements.

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## Performance-Based Budgeting

Performance-Based Budgeting (PBB) in fact, was introduced in the United States in 1949, but was practically a failure (Schiavo-Campo & Tommasi, 1999 as cited in Bastian; 2006). The current state budget of planning system has changed according to the public sector management reform and the demands that arise in society; that is the budgeting system with the NPM approach.

There are several characteristic of budget under this NPM approach, such as: decentralized and developed management, input, output, and outcome oriented (value for money), integrated and comprehensive with long-term planning, based on performance target, cross department, zero-based budgeting, planning programming budgeting system, and systematic and rational (bottom-up budgeting) (Mardiasmo, 2004).

The main characteristic of the PBB is the budget arranged by attending the relationship between funding (input) and the expected results (outcomes), so that observers will be able to provide information about the effectiveness and efficiency of activities. (Haryanto, Sahmudiin & Arifuddin, 2007). According to Robinson and Last (2009), the essential requirements for this most basic form of PBB are information about the objectives and results of government expenditure and a budget preparation process designed to facilitate the use of this information in budget funding decisions.

Performance evaluation is an assessment process and the disclosure of the issue of policy implementation to provide feedback for improving the quality of performance, both in terms of efficiency and effectiveness of a program / activity. The evaluation methods can be done by comparing the results against the target (in terms of effectiveness) and the realization of resources utilization (in terms of efficiency).

A recent study (Blumenfield, 2012) found that there are four keys to successful implementation of PBB, namely: a). Strong cooperation and agreement between the administration and the legislature; b). Focus on department's mission, goals, and outcomes, not inputs and processes; c). Focus on performance measures that are relevant and provide accurate, verifiable results; d). Willingness to accept a longer-term view of implementation and results.

Robinson (2002) mentions the must-have preconditions for the succeed implementation of PBB, namely: (1) a good performance information system, (2) a good performance indicators preparation, (3) a good management accounting system, (4) evaluation and the analysis tools.

## Implementation of Performance-Based Budgeting

The implementation of PBB starts from Australia and New Zealand in the late 1980s, followed by Canada, Denmark, Finland, France, Holland, Sweden, Britain and the United States in early to mid-1990s. At the end of the 1990s until the early 2000s, it was applied in Austria, Germany, and Switzerland (Sancoko et al (2008). Australia is one of the most advanced countries in terms of PBB, it integrated accounting system with the budgeting systems and restructured both with the outcome-oriented budget (Trisacti Wahyuni, as cited in Sancoko et al; 2008). In the United States, most cities which had implemented performance measurement tapped the appropriate performance measurement in which the emphasis is more on the effectiveness of the service (Poister

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& Streib, 1999), and stressing accountability for results achieved by programs could produce a more effective government (Legislative Research Commission, 2001).

In contrast, PBB in Thailand is effective only in some specific functional areas such as defense and administration sections whose costs are measurable, controllable, and comparable across programs under the same goals. It works effectively when used in parliamentary system budget processes are centrally controlled, the master plan is unique, and consistent throughout the period, and the service contracts can be identified and monitored by the central agency (Srithongrung, 2009).

## Performance-Based Budgeting in Indonesia

In Indonesia, the implementation of performance budgeting in the budget process had not run as desired (Rahayu, Ludigdo & Affandi, 2007) and actually the Government of Indonesia has been implementing PBB but not yet completely and consistently (Sancoko et all, 2008). Moreover, Durachman (2005) suggested that the implementation of PBB in Indonesia is not linked to its concept, but it is implemented partially. This is because most of the local government in Indonesia are still be affected by incremental budget system, the traditional model (Riyanto, Utomo & Ratminto, 2006).

This study is an agreement with the study by Llanto and Brownette (2007) in Philippines, it is quite similar to Polewali Mandar Regency case in which its implementation of PBB is still in low level. This study aims to examine the comprehensive process of PBB from planning stage up to the reporting stage, and also do a comparative assessment on financial reports and performance achievement among three agencies in Polewali Mandar Regency in order to find the best model to be implemented in those agencies in Polewali Mandar Regency.

## III. RESEARCH METHODOLOGY

The approach used in this research is Qualitative Research. This research is aimed to analyze the implementation of public policy. By using Qualitative Data, we can preserve chronological flow, see precisely which events led to which consequences, and derive fruitful explanations. The strength of Qualitative Research is its ability to provide complex textual descriptions of how people experience a given research issue. The objectives of this research are giving a description on the performance-based budgeting implementation in Health, Education, and Public Works Agencies of Polewali Mandar Regency, describing the constraints and challenges faced by implementers and evaluating the on-going implementation by using appropriateness and responsiveness criteria of the program. Its data refers to some collection of words, symbols, pictures, or other nonnumeric records, materials, or artifact that are collected by a researcher and that have relevance to the social group under study (McNabb, 2002). According to Scwandt (1997) in McNabb (2002), the descriptive research is a kind of strategy in Qualitative Research. Creswell (1994) defined Qualitative Research as an inquiry process of understanding a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting

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## IV. RESULTS

Indonesia reform in 1998 encouraged, indirectly, the shifting of national development paradigm from the growth paradigm to the paradigm of more equitably and balanced development. This shifting paradigm was realized through regional autonomy and financial balance between the center and local government which set out in the legislation package namely Law No. 22 of 1999 on Regional Government and Law No. 25 of 1999 on Fiscal Balance between Central and Local Government.

The decentralization of local governance and public demands for transparency and accountability, force the central and local governments to create a financial management system that is more transparent and accountable. Regarding this new financial management, the Government of Indonesia under Law Number 32 and 33 Year 2004, and Act No. 17 of 2003 on State Finance established the use of PBB approach or performance in the budgeting process.

Polewali Mandar regency as a local government entity was trying to implement the financial management system. In 2004 and 2005, the local budget process of Polewali Mandar adjusted to a PBB system but it is still limited to the adjustment to the code number and the account name in the budget, but the object details were not described for each activity. Local budget of Polewali Mandar in 2006 adapted the PBB, both code and account name and details of any program, activity and object of activity. However, head of the work units as budget users in Polewali Mandar Regency focused only on meeting the format and the structure of the budget according to regulations.

### Budget Review Of Health, Education and Public Works Agencies

#### 1. Health Agency

Polewali Mandar health agency's main duty is to offer healthy environment and healthy behavior in society. Health agency has functions to formulate health policies, to prepare programs and activities in health sector and to control and to manage the implementation of the health policies. To realize its functions, health agency of Polewali Mandar Regency made many programs, physical and non-physical program, in which the proportion for non-physical program indicates a decreasing number in percentage of the total budget year by year from 2007 to 2011.

Physical programs in Health Office include expenditure in health center building, office equipment, and vehicles. As for the non-physical programs, divided into several activities such as: Administration Services, Basic Health agencies, Drugs and Medical Supply, Health Promotion and Community Empowerment, Operational Model Development of village health center (Posyandu), and many more. All these programs actually had been offered to fulfilling its main duty and its functions, but it seems that most funds were absorbed for physical programs in the beginning and then for salaries in the end. It should not be like that as mentioned above, otherwise they could not offer its main duty and functions completely to the society.

Annual expenditure data were derived from the Financial Division of Polewali Mandar Regency from years 2007 to 2011. The budget proportion for physical and non-physical programs decreased significantly from 62.82% in 2007 to 37% in 2011. There are several reasons for this case, firstly, the possibility that health center buildings

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which were built in the previous year still in good condition so there is no more funding for new building or for the building maintenance. Secondly, the reason for budget allocation from Local Government of Polewali Mandar Regency is dominantly allocated for salaries and allowances since 2009.

As for salary, it increased because there was yearly recruitment from Local Government and there was a policy from central government to increase the salary 5% to 10% each year. It can be seen its composition since 2007 to 2011, which is 457 employees in 2007, 460 in 2008, 522 in 2009, 594 in 2010, and 634 in 2011. Salaries and allowance budget absorbed 37.18% of the total budget in 2007, and 63% of the total budget in 2011. All programs and activities in health agency were actually well designed but they should pay attention or put funds more on the non-physical program in which many people's needs of health agency are in those fields.

## 2. Education Agency

As PBB system was introduced in Polewali Mandar, society involved directly to the agencies planning process, including education agency. One of the most important programs proposed by society is free compulsory nine years basic education program which has been implementing since 2005. Due to its functions, education agency has the authority to control, to manage, and to evaluate all the programs and activities in education sector. To realize its functions, Education agency of Polewali Mandar Regency made many programs, physical and non-physical program, in which the proportion for non-physical program indicates a small number in percentage of the total budget year by year, from 2007 to 2011, compare to the budget for salaries and allowances. But interestingly, the non-physical programs budget increased significantly from 3.89% in 2007 and 1.32% in 2010 to 11.24% in 2011 (see table 1). It is mostly affected by the drastically increasing budget on Education Services Management Program which is from 0.02% in 2007 and 0.47% in 2010 to 10.22% in 2011.

The main program of education agency was offering compulsory nine-year basic education for year 2007 to 2011 which is mandated by the society, and it was free. This is a very good program and it can be an example for other agencies or other regencies to be implemented. As for salary, it was fluctuating yearly. In 2007, salaries and allowances budget absorbed 79.40% of the total budget, 86.02% in 2010, and 75.76% in 2011.

By scrutinizing the budget proportion in education agency as presented above, the same in health agency, salaries and allowances absorbed the largest budget proportion each year. They have to put more funds on programs and activities outside the salaries and allowance in order to fully achieve the desired quality of education in Polewali Mandar regency.

## 3. Public Works Agency

Among all agencies in Polewali Mandar regency, public works agency absorbed the largest portion of budget in terms of the physical development program. The main duty of Polewali Mandar's public works Agency is to provide a good infrastructures access to the society. To realize its main duty, public works Agency of Polewali Mandar Regency also made many programs, physical and non-physical program, in which the budget proportion for each program tends to be constant from 2007 to 2011.

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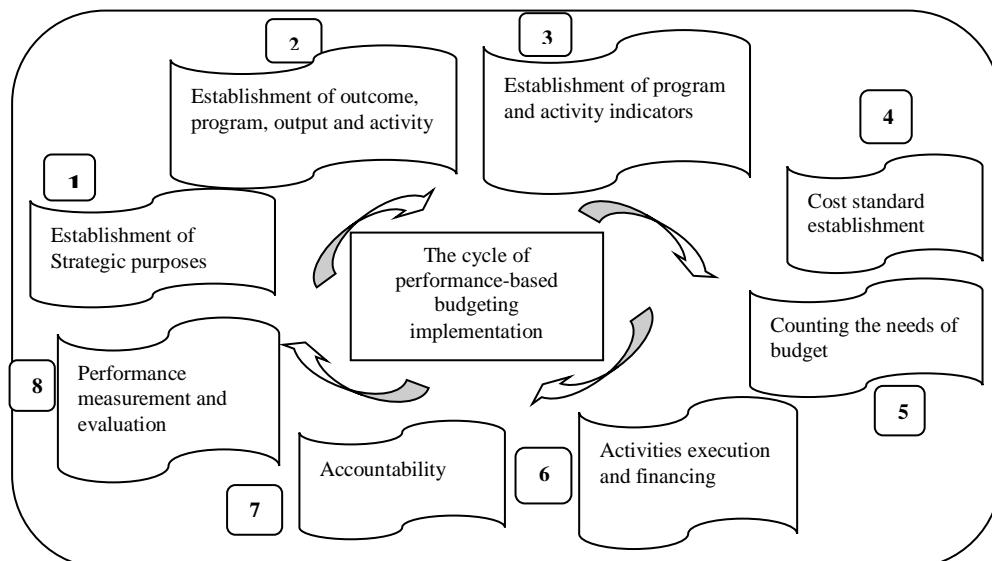
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Those programs and activities in public works agency are mostly absorbed for roads and bridges development. It is linked to its main duty and functions which is to provide good infrastructure access. Public works agency has a very good programs and activities and they already put the largest proportion for infrastructure in Polewali Mandar regency. However, they should pay attention to the quality of the infrastructure that was built by tightening controls and monitoring in order to the funds is not being spent on the same infrastructure each year due to poor quality.

## Implementation of Performance-Based Budgeting

The main characteristic of the PBB is that the budget prepared by taking into account the relationship between funding (input) and the expected results (outcomes), so as it provides information about the effectiveness and efficiency of the activities.



Source: *The Guidelines of PBB Implementation, Book 2* (p.20)

Figure 1. Diagram of PBB Implementation

The data in table 2 shows the data analysis for the first research question, that is to what extent health, education, and public works agencies achieve the PBB?. The research results of the evaluation of PBB in Polewali Mandar Regency will be described in the following stages:

## Performance Planning

Performance planning is the basis for PBB application that contains of performance information. These performance information must determine indicators in order to make the agency is easier to achieve organization goals. According to Smith (1999) in Asmoko (2006: 4-5), in this PBB system, there are several benefits of the performance planning, namely: 1. Linking strategic planning and operational planning in detail; 2. Helping to achieve the program implementation; 3. Facilitate the process of

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performance measurement and assessment; 4. Assist in setting performance targets; and 5. Assist performance monitoring and evaluation.

The preparation of work plans and performance plans at education, and public works agencies of Polewali Mandar Regency still tend to be a formality in which only to meet the mere administration. While in health agency, it tends to be linking with the Strategic Plans (see table 2).

By seeing the above phenomenon, the budget making in public works and education agencies are not considered to the achievement of strategic plan performance in the previous year. The budget-making was made first and then to be connected to the strategic plan, this is not in line with the PBB principles in which the budget should be considered to the strategic plan first. Thus, the strategic plan, which is a medium term (five years) planning document, are not used as a reference in each annual planning.

From this information, the work units / agencies tend to make a lot of activities according to financial capacity. Thus, what happened is just plan without planning with a purely bottom-up budgeting approach, from the work units / offices. They are trapped within the framework of the annual expenditure, so that the performance targets that should be achieved in the strategic plan become unclear. This is because the staffs who were involved in this new system of budgeting are still the same persons in old system. The system changed but their paradigm does not.

The work plan's proposed draft prepared by a working unit or office is discussed in the Annual Meeting (Musrenbang) forum that is held once a year. However, the annual meeting made had not evaluated the work plan in depth because of the very limited time. Finally the annual meeting is only a forum for compiling the work plan proposed draft.

## Budget Execution

Budget execution is the process of realizing what is already planned in the planning documents. The execution of the budget is closely related to Minimum Service Standard (MSS) and Operating Procedures Standard (OPS). OPS is the operational step for completing a task quickly, accurately and effectively. While MSS is an OPS that contains attribute quality and performance indicators. MSS and OPS are the elements that must be determined before implementing PBB. These MSS and the OPS are primarily related to the principal tasks and functions per work unit. The principal tasks and functions outline the work plan basis of a work unit. The budget lays out how the work unit will allocate its owned resources to implement the principal tasks and functions

Table 2. Data Analysis for the Research Question No. 1

No	Theme Found	Benchmark	Agency		
			Health	Education	Public Works
1	<b>Performance</b>	The connection	Yes	Yes	No

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<b>Planning</b>	between planning and strategic plan	But it is still lack of coordination, communication, and evaluation.		
	Standard cost	Yes Organized by a team in Local Government of Polewali Mandar.	Yes Organized by a team in Local Government of Polewali Mandar.	Yes Organized by a team in Local Government of Polewali Mandar.
	Helping to achieve the program implementation	Yes	Yes	No
	Facilitate the process of performance measurement and assessment.	Yes	Yes	No
	Evaluated in Annual Meeting	No	No	No
	Assist in setting performance targets.	Yes	Yes	No
	Assist performance monitoring and evaluation	Yes	No	No
	OPS & MSS establishment	Yes	No Only from Ministry of Education which is used for particular allocation fund (DAK)	No
	The linkage between planning and execution	Yes	Yes & No Sometimes execution deviates from its plans	Yes & No Sometimes execution deviates
<b>2</b>	<b>Budget Execution</b>			

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				from its plans
	Disbursement process	Yes It took a long time in Secretar y Office	Yes It took a long time in Secretary Office	Yes It took a long time in Secretary Office
	Checkable indicators	Yes	Yes But many misunderstandin g	No
3	Performance Measurement	Yes	Yes But it commonly happen that what was planned in planning documents and the implementation are different.	Yes But sometimes the difference s between what was planned in planning documents and the implementation still happen.
	Outcome / output value	Showing equality, balance and harmony relationship between vision, mission, goals, objectives and activities of the agency	Yes	No
				No strategic plans
4	Performance Evaluation	Results and targets comparison	Yes Needs an improvement	Yes But ineffective
		Yes	Yes But only to the continuing activities	No
	Comparison of this year and last year realization			
	Comparison with other	No	No	No

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	agency (bencmarking)			
	Existing financial audit system	Yes There is a verificati on team	Yes But only from National Audit Board & Local Inspectorate	Yes But only from National Audit Board & Local Inspectorate
	Realization and its standard comparison	Yes	Yes	Yes Not effective
5	<b>Perfotmance Reporting</b>	Performance report (LAKIP)	Yes	Yes

Source: Interviews with key persons in health, education, public works agencies.

Note: Author's analysis based on interviewing results.

From the interviews (see table 2), it is known that education, and public works agencies do not have MSS and OPS based on predefined principal tasks and functions. These MSS and OPS should be set in advance in order to establish performance measures for each principal tasks and functions as well as additional activities. The OPS is used as a reference in the implementation of PBB.

The activities planned in detail are available in the supporting data which are not related to payment systems. This resulted in a very big chance of deviation between planning and execution, as well as reporting. During this time, the work units often make changes or carry out activities that had not been previously planned. The execution of activities that are not planned yet is commonly happen in local government of Polewali Mandar, including health, education, and public works offices.

With conditions like this, activities become uncontrolled. Activities already planned change for several times without a clear record. Planning document in the planning subdivision becomes different with the implementation document in technical sections. Evaluation is difficult to be done related to the large amount of funds and too many activities.

## 1. Performance Measurement

Performance measurement is an objective and systematic process of collecting, analyzing and using information to determine how effective and efficiently the activities and objectives are achieved. To be able to do a good measurement, Bastian (2006) stated that performance indicators must meet the following requirements, namely: a). specific, clear, and there is no wrong interpretation; b). able to be measured objectively; c). relevant; d). able to be achieved, important, and useful to show its success; e). flexible and sensitive to the changing and the outcome of the activities; and f).

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Effective, the information can be gathered, managed, and analyzed by using available budget.

From interviews and document review indicate that the measurement of performance in Polewali Mandar local government had not done well. Performance of the budget execution is measured only limited on its finances uptake. As for the outputs and outcomes achievement had not been measured definitely. Output and outcome indicators tend to be qualitative and not measurable.

## 2. Performance Evaluation

According to James B. Whittaker (1993) as cited in the Public Sector Accounting (Bastian, 2006), performance evaluation is a management tool to improve the quality of decision-making and accountability. Performance evaluation is also a process of feedback on the current and the past performance output as a basis and a lesson to improve the quality of performance in the coming years, both in terms of efficiency and effectiveness of a program / activity. The results of performance evaluation can provide information about the success and failure of programs and activities in a work unit or organization.

The budget process is a good opportunity to evaluate whether the government is doing its responsibility economically, effectively and efficiently. It is not easy to be met for the public sector. The wrong things can be done in the wrong way for years without any evaluation. Less effective and efficient programs and activities are still found in Polewali Mandar Local Government due to lack of performance evaluation.

The interviews (see table 2) illustrate that education and public works agencies have not properly carried out the performance evaluation. The interview also reinforces the findings regarding the lack evaluation of the efficiency and effectiveness of the proposed activities. Performance indicators were made different from one unit to another unit even though they have the same characteristics of activities, it indicates the absence of a benchmarking in budget planning made. Thus, the budget makers are given a freedom to determine their own performance indicators which will result in easy indicators to be achieved.

The evaluation of PBB in health, education, and public works agencies of Polewali Mandar also found that the control system is not already running optimally. It is informed that monitoring and evaluation is not optimal yet in performing budget evaluation.

## 3. Performance Reporting

Local Government of Polewali Mandar had made performance reports in the form of LAKIP. These performance reports made by each work unit and be compiled by Organization Division at the Local Government level. But as long as it is made, Local Government of Polewali Mandar did not evaluate the performance reports prepared on its achievement.

From the interviews, it revealed that the performance reports are made only to meet the administrative requirements. Performance reports made were never evaluated for its performance achievement. But in contrast to the opinions above, health agency had

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already prepared performance report in accordance with the planning and its percentage of achievement had been evaluated.

By scrutinizing the phenomenon above, it can be said that the performance reporting in Polewali Mandar is still far from expected. The local government of Polewali Mandar did not evaluate the performance report on its achievement and it seems that it is made only because of administrative reason. There should be a unit that handles this function, so the achievement of each unit can be evaluated before it is submitted to Ministry of Home Affairs and to State Audit Board.

**Obstacles in the Implementation of PBB**

Table 3 presents information regarding the obstacles found in Polewali Mandar Regency. The implementation of PBB which is not as expected in Local Government of Polewali Mandar is caused by various preconditions that become obstacles, namely: 1. Limited socialization and training; 2. Unclear information or communication on the implementation of this system; 3. No computerized and integrated application system; 4. the system of reward and punishment is understood but it is still limited to individual performance, and; 5. the work ethics had not led to improve the performance quality.

Table 3. Data Analysis for the Research Question No. 2

No	Theme Found	Benchmark	Agency		
			Health	Education	Public Works
1	Training (regarding performance based budgeting)	Training	Yes	No	No
2	Communication	Socialization	Yes	No	No
3	Integrated System	Guidance & monitoring	Yes	Yes& No	Yes & No
			No	No	No
			Only for execution & reporting section	Only for execution & reporting section	Only for execution & reporting section
4	Reward & Punishment System	Accounting system	Yes	No	No
					Only punishment
5	Work ethics	Reward & punishment	Yes	No	No
			No	No	No
					Only punishment
					No
					Yes

Source: Interviews with key persons in health, education, public works agencies.

Note: Author's analysis based on interviewing results

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## **V. CONCLUSION**

This paper evaluates the implementation of PBB system in three agencies of Polewali Mandar Regency in Indonesia. The empirical results indicate that PBB has not been implemented properly. These results suggested that implementation of PBB in most agencies of Polewali Mandar Regency was irrelevant to the strategic plan of each agency.

At the beginning, the researcher would like to make a brief conclusion regarding the budget reality, years 2007 to 2011. In health agency, all programs and activities were actually well designed but they should pay attention or put funds more on the non-physical program in which many people needs of health agency are in those fields. In education agency, salaries and allowances absorbed the largest budget proportion each year. They have to put more funds on programs and activities outside the salaries and allowance in order to fully achieve the desired quality of education in Polewali Mandar Regency. Public works agency has a very good programs and activities and they already put the largest proportion for infrastructure, however, they should pay attention to its administration and to the quality of the infrastructure that was built by tightening controls and monitoring in order to the funds is not being spent on the same infrastructure each year due to poor quality.

To answer the research question number one regarding the PBB system in Polewali Mandar Regency, it is found that: 1). The preparation of work plans and performance plans in education, and public works agencies still tend to be a formality in which only to meet the mere administration. Meanwhile in health agency tend to be linking with the Strategic Plan. From the interviews, it is known that education, and public works agencies do not have MSS and OPS based on predefined principal tasks and functions. This resulted in a very big chance of deviation between planning, execution stage, and reporting; 2). The execution of activities that are not planned yet is commonly happened in local government of Polewali Mandar. Planning document in the subdivision planning becomes different with the implementation document in technical sections; 3). The performance measurement in Polewali Mandar local government had not done well. Performance of the budget execution is measured only limited on its finances uptake. As for the outputs and outcomes achievement had not been measured definitely; 4). The control system is not already running optimally. It is informed that monitoring and evaluation is not optimal yet in performing budget evaluation; and 5). From the interviews, it revealed that the performance reports are made only to meet the administrative requirements. Except health agency, performance reports made were never evaluated for its performance achievement.

Overall, in Polewali Mandar Regency, PBB has not been properly implemented. By seeing the reality in health, education, and public works agencies of Polewali Mandar Regency, it can be concluded that among 3 agencies evaluated, health agency tends to be the best agency who implement well all the stages of PBB in Polewali Mandar Regency because it most compliances to the PBB system in all stages and already implemented the Operational Procedures Standard (OPS) and Minimum Service Standard (MSS) in all its activities and programs, though it did not run perfectly. The budget process in health agency is consistently controlled throughout the period by its

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monitoring unit that worked properly. So, the term of effectiveness and efficiency can also be achieved by health agency. The result showed that PBB is effective in cutting inefficiency only in certain agency that implemented well the format of PBB in all stages of budgeting.

As for the research question number two, the implementation of PBB in health, education, and public works agencies of Polewali Mandar Regency found several problems; namely, 1. the lack of guidance on PBB; 2. The absence of the integrated and computerized applications system; 3. There is no reward and punishment system for performance achievement; and 4. Unclear Primary Duties and Functions, as well as the absence of OPS and MSS in several local government agencies.

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