

# **<sup>1</sup>MAKING PERFORMANCE-BASED BUDGETING WORKS IN SOME LOCAL GOVERNMENTS OF INDONESIA**

**Dyah Mutiarin and Achmad Nurmandi**

**Jusuf Kalla School of Government, Universitas Muhammadiyah Yogyakarta**

**dyahmutiarin@umy.ac.id**

**nurmandi\_achmad@ymail.com**

## *Abstract*

*After the political reform in 1998, Government of Indonesia have implemented performance-based budgeting. This schema requires the existence of strategic plan and its clear indicators of each program. This paper try to investigate the implementation of performance based budgeting in some local governments. Performance indicators used are input, output, outcome, benefit and impact. Comparative study of local government of Indonesia pointed out that implementation of a performance-based budgeting facing constraints both internal and external factor, namely the limitation of funds, limited human resources, weak support of legislative institutions and the limitations performance data. From the results of this study the author can recommend that theoretically the implementation performance management in government organization of developing countries requiring internal support organizations and political support from the local council. Practically, although Indonesia already has a complete performance-based budget regulation, but local implementation of budget policy on the ground are facing locally factor constraints.*

*Keywords: Performance, Public budget, Performance-based budgeting, Performance Indicator.*

## **I. INTRODUCTION**

### **I.1. Background**

Indonesian government has initiated budgeting reform since 1998 by revising finance law act on budget process both at national government level and local government level. Law No. 17/2003 on State Finance System was one important law created by National Government with international support funding such as World Bank. One most important implication of this law is introduction of new budget system in government organisation as titled performance-based budgeting: a new system is rooted from New Public Management philosophy.

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