POLICY IMPLEMENTATION: PERFORMANCE BASED BUDGETING IN INDONESIAN BUDGETING SYSTEM

Adek Rendra Muchtar
Faculty of Business, Government and Law
The University of Canberra

Supervisors: Dr. Chris Sadleir
Professor John Halligan

Abstract

Policy implementation was initially considered as an unproblematic notion in a policy perception, but since some studies indicated that the intended objectives were not achieved due to the problem in policy implementation, it became an important issue in the public policy arena (Howlett & Ramesh 1995). Drawing on data collected from the introduction of Performance Based Budgeting (PBB) in Indonesian budgeting system, this study seeks to redress the lack of research and literature in policy implementation area (academic background). Semi-structured interview with thirty-one participants from the Ministry of Finance, the Ministry of Health and the Ministry of Agriculture were conducted to understand important factors in implementing the new policy. The participants in this study consisted of budget officials in planning bureau and technical units from each ministry, senior officials in DG Budget, expert observers and those who directly involved in the new policy initiative.

From the practitioners' point of view, the need for better budgeting practice in Indonesia has required practitioners seek for an alternative way in the budgeting area. Budget reforms as a part of financial reform are very important and crucial because they are essential instrument to implement and achieve the government programs. The evaluation conducted by The World Bank and International Monetary Fund (IMF) on previous budgeting system in Indonesia particularly after the economy crisis in 1998 has indicated several weaknesses. To respond to the problems in traditional budgeting system, Indonesian government issued State Finances Law 17/2003. As mandated in the law, Performance Based Budgeting is considered to be as a suitable option to address several weaknesses in Indonesian budgeting practices. However, practitioners find it uneasy to implement this new budgeting system. Doing the research on public policy implementation by looking at the implementation model in Indonesia is a very interesting issue since Indonesia has initiated the new budgeting system for almost one decade and still experiences obstacles in the policy implementation.

Three issues are addressed in this research. First is what factors affecting policy implementation. Here, the implementation model is developed by identifying key factors that contribute to successful implementation by using the case of policy implementation in Indonesian budgeting system. The finding of this research suggested several critical factors in policy implementation that have been missed by the previous study on policy implementation. Those factors are the disposition of regulators, the nature of policy and external factors. Next, to what extent Performance Based Budgeting has been implemented in Indonesia is explored in this research. In this case, the use of performance information in decision making process is analyzed. Finally, using the contemporary framework adopted from Marsh and McConnell (2010) and Bovens (2010), the success of policy implementation in Indonesia is assessed.

Speaker details

Adek is an ADS (Australian Development Scholarship) scholar and currently undertaking a PhD in Government from the Faculty of Business Government and Law, at the University of Canberra. After completing his Diploma III in Accounting from the State College of Accountancy (STAN) Jakarta, he started his career in Directorate General of Treasury, Ministry of Finance, Republic of Indonesia in 1996. Currently he is posted in Directorate General of Budget, Ministry of Finance and enjoying study leave. He got his first scholarship from Indonesian Government and completed his master in Economics from the University of Indonesia (2003-2005). In 2006, he was awarded Chevening scholarship from British Government and completed his second master in International Development: Public Policy and Management from the University of Manchester, United Kingdom. Public Policy and Performance Based Budgeting is the focus of his PhD research.