

Analysis of Strategies to Improve the Quality of Budget Performance Information using Logic Models

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Abstract

This research discusses the analysis of strategies to improve the quality of Budget Performance Information using logic models framework in implementing the Redesign of Planning and Budgeting Systems, which will be carried out in all institutions starting in the 2021 fiscal year. Other researchers have found that redesigning the planning and budgeting system is insufficient to create an effective and efficient budget. The problem is that the performance information inscribed in planning and budgeting documents is still challenging to understand from internal and external institutions. The question in this study is about strategies to improve the quality of the formulation of Programs, Activities, Outputs, and Outcomes by using a logical model in government institutions X. The performance information between the Output of the Activity and the Output of the Program with the Outcomes can lead to less logical and non-mutually supportive without using a logical model framework. The research method used was a qualitative descriptive case study. Data collection is through document analysis and interviews with parties directly involved in the core process. The analysis results show that logical models have not been the leading framework in planning and budgeting. It is also that not all parties related to the process understand the logical model framework. The results imply that the use of logical models sufficiently affects the quality of the resulting budget performance information.

Keywords

budgeting; logic model;
planning; redesign



I. Introduction

The planning and budgeting system in Indonesia has undergone several reforms and changes. Since 2003, the government began to adopt and implement the concepts of Integrated Budget, Medium-Term Funding Framework (MTEF), and Performance-Based Budgeting (PBB) to improve the quality of planning and budgeting more effectively, efficiently, and economically. PBB uses the logic model framework to strengthen its implementation and as a foundation for forming synergies between planning and budgeting.

The budget evaluation has also begun to be carried out by the Ministry of Finance as one of the essential instruments to measure the success of the implementation of the PBB concept in Indonesia, including (1) measuring the strategic role of ministry/institution spending for the economy and development; (2) as a basis for consideration for improving the next stage of performance indicators; (3) used as input and consideration in making recommendations for continuity or budget allocation of a policy (Kementerian Keuangan, 2021).

The government's internal evaluation system results show that the planning and budgeting system has not been able to meet the expectations of all parties because there are still problems and challenges in state financial management unanswered. Several problems are the fiscal capacity limitation, increased essential expenditures, and inefficient operational expenditures. Another challenge is the differences in nomenclature in planning and budgeting documents that make the achievements and results of Output performance difficult for the public to understand.

As a follow-up to the evaluation results, then in 2020, the Ministry of Finance and the Ministry of National Planning and Development (Bappenas) compiled a new guideline and concept called the Redesign of Planning and Budgeting System (RPBS), starting from the 2021 fiscal year. The benefits of this RPBS are to provide: (1) clarity of the logical relationship between Programs, Activities, Outputs, and Outcomes; (2) increased synergy between Echelon I work units or between institutions in achieving development goals; (3) increased spending efficiency; (4) integrate planning and budgeting IT Systems; (5) Organizational efficiency (Kementerian Keuangan; Bappenas, 2020).

For evaluation purposes, logic models can help design and improve a Program by identifying Program activities critical to achieving goals, recurring, or having inconsistent or unreasonable relationships with Program Objectives (Wholey, Hatry, & Newcomer, 2010).

This study will identify strategies to improve the elements of budget performance information, including Programs, Activities, Outputs, and Results compiled in the implementation of the RPBS using a logical model framework. Furthermore, this study will also analyze whether institution X can implement the logic model framework and provide solutions to the problem of logical relationships between elements of performance information which is still unclear. The logical relationship is vital because without using a logical model framework, the results can lead to less logical and non-mutually supportive performance information between the activity's Output and the Program's Output with the outcomes.

II. Review of Literature

2.1 Strategic Planning

Strategic planning is a systematic process of making future decisions using anticipatory knowledge and organizing them systematically to implement these decisions and then measure the results through systematic feedback (Badan Pengawasan Keuangan dan Pembangunan, 2011). Therefore a strategic planning process can also be considered a "way to know" intended to help leaders and managers distinguish what to do, how, and why (Bryson, 2011).

For a public institution, the strategic planning function has essential benefits and roles as explained by (Young, 2003) as follows:

- a. Provide integrated guidance in the future for the government in formulating and planning its policies;
- b. Facilitating governments and legislatures to become more accountable and responsive to the needs of the community;
- c. The budget process implementation in a more rational and results-oriented way by allocating limited resources;
- d. Improve better communication and coordination among all stakeholders in the decision-making process on various policies;

- e. To measure the level of progress of the government's strategic policies and revise policies that are considered less effective.

Furthermore, according to Bryson (2011), there are at least ten steps that must take in the strategic planning process, including:

1. Initiate and approve the strategic planning process;
2. Identification of organizational mandates;
3. Clarify the mission and values of the organization;
4. Assess the external and internal environment to identify strengths, weaknesses, opportunities, and threats;
5. Identify strategic issues facing the organization;
6. Formulate strategies for managing problems;
7. Review and adopt strategic plans or plans;
8. Building a compelling organizational Vision;
9. Develop an effective implementation process;
10. Reassess strategies and strategic planning processes.

Organization must have a goal to be achieved by the organizational members (Niati et al., 2021). Strategic planning at the national level begins by describing the Vision and mission of the President of the Republic of Indonesia in the National Medium-Term Development Plan (RPJMN) and the Government Work Plan (RKP) as a guideline for the preparation of the State Budget.

In terms of planning, each Ministry/Institution must to re-describe the RPJMN into a Ministry/Institution Strategic Plan (Renstra K/L) and detail the RKP into a Ministry/Institution Work Plan (Renja K/L). Meanwhile, in terms of budgeting, each Ministry/Institution must compile a Work Plan and Budget of the Ministry/Institution (RKA K/L) to compile a Budget Implementation Fill List (DIPA).

2.2 Planning and Budgeting System in Indonesia

The planning and budgeting system in Indonesia is currently based on three concepts, namely:

a. The application of the *Unified Budget (Unified Budgeting)*

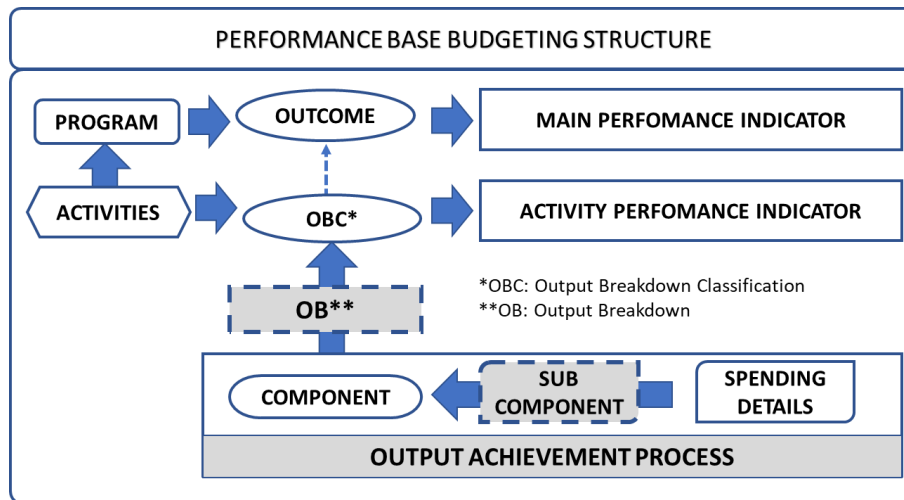
In this concept emphasizes the process of budgeting, which is carried out in an integrated manner to ensure that there is no duplication in the allocation of budgets between functions, sub-functions, Programs, Activities, and types of expenditure. The application of the Standard Account Chart refers to the internationally applicable classification system (Governmental Financial Statistics) to aim that budgets can be comparative to the international classification standards.

b. Application of Performance-Based Budgeting

In this concept, budget preparation is carried out by taking into account:

1. The linkage between funding and the performance to be achieved or expected results;
2. The preparation should equip with performance indicators, cost standards, and performance evaluation;
3. Budgeting performance focuses on Outputs and Outcomes.

The budget structure described in the application of PBB is as follows:



Source: (Kementerian Keuangan, 2021) has been reprocessed by the author

Figure 1. Performance-Based Budgeting Structure

c. Medium Term Expenditure Framework

In this concept, the budget allocation is carried out for more than one year. The goal is that the prepared budget is always consistent, committed, and realistic, following the policy direction and priorities chosen to support the balance between the medium-term macroeconomic goals and the availability of funds or the state's fiscal capacity.

According to Madjid (2020), these three concepts are not necessarily able to produce effective and efficient quality planning and budgeting because various issues are still found, such as:

1. The Ministry/Institutional Strategic Plan (Renstra K/L) and the Medium-Term Development Plan (MTEF) have not considered fiscal resources and capacity (resource envelope);
2. Programs, activities, and performance indicators are underutilized to measure the effectiveness of achieving development goals, spending efficiency, and performance accountability;
3. The Program is still compiled based on an input approach (input base) or spending details based on items and not based on Output-oriented activities, so there is a less visible linkage between Output and expected results;
4. There is still a duplication of Programs that seem to be the same and are used in some ministries/institutions without clear indicators, so it becomes difficult to measure the achievement and accountability of Program performance;
5. There are still many inappropriate Program formulations with a lower level of activity, resulting in Program-level performance equal to the activity level;
6. On the contrary, there are still many Program formulations that are too broad to cause the performance of the Program to be logically unexplained by the Output produced at the activity level, or the Program is not related to the activities under it;
7. Generic Programs that accommodate administrative costs such as general services and management support are still so diverse that it is difficult to measure performance and compare.

To improve the quality of planning and budgeting, the Ministry of Finance and Bappenas periodically evaluate the planning and budgeting system. According to various parties and stakeholders, the evaluation results still have many shortcomings and need to be refined again. The results of the evaluation of the Ministry of Finance (2021) include:

- a) Spending Programs at both the Central and Regional levels are still out of sync, so their performance achievements are not optimal;
- b) The Programs used in both planning documents and budgeting documents are different, making them challenging to consolidate;
- c) The formulation of the nomenclature of the Program and the outcomes of a Program is unseen directly and clearly so that it is visible only normatively;
- d) The development performance information contained in the document is complex for the public to understand.

The Planning and Budgeting System (RPBS) redesign will be implemented simultaneously in all Ministries/Institutions starting in the fiscal year 2021 to strengthen the implementation of performance-based budgets and improve the alignment of Program and Activity formulations between planning and budgeting documents. It also compiles planning and budgeting performance information that is easy to understand by the public, realizing the alignment of Program nomenclature formulations, activities, and Outputs that reflect "real concrete work." (Kementerian Keuangan; Bappenas, 2020).

Ministry of Finance; Bappenas (2020) also stated that the implementation of the RSPP will help to provide benefits and bring better changes to the national planning, budgeting, and development system as follows:

- 1) The realization of a logical and clear elaboration between Programs, Activities, Outputs, and Outcomes;
- 2) The realization of synergy between Echelon 1 work units in achieving development goals;
- 3) The realization of a more optimal spending efficiency for Ministries/Institutions;
- 4) The realization of the integration of technology and information systems that can support the synchronization of national development planning and budgeting;
- 5) The realization of organizational arrangements that can support the improvement of performance accountability at the work unit level and the Ministry / Institution level;
- 6) The realization will be more efficient by eliminating overlap between Program, Activities, and Outputs.

2.3 Logic Model Framework

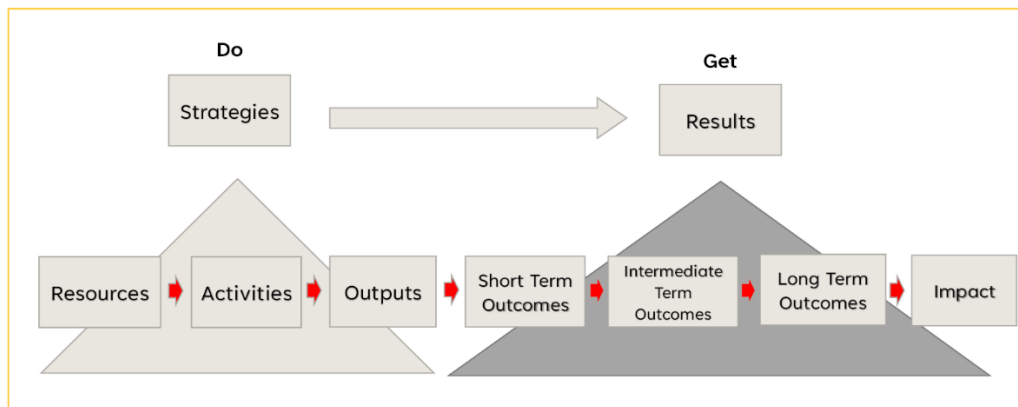
According to Bickman, a logic model is a model that can be trusted and is used to know about how a Program will work under certain environmental conditions to solve the identified problems. He also added that the logic model could describe the expected performance of a Program (Wholey, Hatry, & Newcomer, 2010).

Logic models can display the visual flow of action until it results (Knowlton & Philips, 2013). They also argue that logic models are a great way to review and improve thinking, find a common understanding, document plans, and communicate and explain what has worked and under what conditions to achieve success.

Logic models, according to Knowlton & Philips (2013), can be divided into two types of models based on their detail, namely:

- a. **The theory of Change Model (TOC)** is a conceptual model to describe an idea or Program simply with limited information. This theory does not detail the process but rather the belief that by executing (doing) a strategy, it will get (getting) an outcome or change. TOC is beneficial at the formulation/design stage of a Program because it directly connects the strategy with the results. However, the logic model program can be used for the next stage when things become more detailed.
- b. **Program Logic Model (PLM)** is an operational model to describe ideas or Programs with more detailed information and features that include more design, planning, strategy development, monitoring, and evaluation. PLM can help by providing models with more precise decisions regarding the most effective activities and strategies.

LOGICAL MODEL FRAMEWORK



Source: (Knowlton & Philips, 2013) has been reprocessed by the author

Figure 2. *The Relationship between the Theory of Change and the Model Program*

How to read this logic model is from left to right. Each stage will cause a causal effect to "Do" the strategies and "Get" the result. In other words, every activity that absorbs resources must produce output. These outputs must also directly support the achievement of outcomes that must have an impact.

The benefits of using the logic model, according to the opinions expressed by Wholey, Hatry, & Newcomer (2010), are as follows:

1. Can show balanced key evaluation problem points and critical performance measurement points, thereby improving data collection and usability and helping managers and staff meet performance reporting requirements;
2. May help by designing or identifying Program activities that are critical to the achievement of goals or improving a Program that is repetitive or has an inconsistent or unreasonable relationship with the Program objectives;
3. Help communicate or describe the position of a Program within the organization or hierarchy of problems, using logic charts at various levels of management;

It helps build a shared understanding of the Program and expectations for resources, customers reached, and good results for sharing ideas, identifying assumptions, team building, and communication. (Knowlton & Philips, 2013).

2.4 Budget Performance Evaluation

Evaluation is generally the activity of collecting, analyzing, interpreting, and reporting data used to provide information to those who fund, provide or manage Programs. In this case, the logic model plays the role of a focal point in the evaluation because it can explain when, where, and how to search for the information most needed to manage the Program and determine its effectiveness (Knowlton & Philips, 2013).

In the program evaluation phase, the logic model overcomes the problem because they illustrate the concepts to consider when looking for the program results itself. The logic model includes the specified resources/inputs, activities, outputs, outcomes, and impacts (Andhika, Nurasa, Karlina, & Candradewini, 2018).

The Ministry of Finance uses a logic model in planning and budgeting to improve the redaction of performance targets (Outputs and Outcomes) and the logical relationship between Input, Output, and Outcome. The regulation is through the Minister of Finance Regulation No. 22 of 2021 concerning Measurement and Evaluation of Budget Performance for the implementation of work plans and budgets of ministries/institutions that divide this level of evaluation into three aspects, namely:

a. Budget Performance Evaluation Aspects of Implementation at the Level of Work Units and Echelon I Units

At this level, it takes into account the achievement and efficiency of the Work Unit Output Breakdown (OB) and also the achievement and efficiency of the Program Output for the Echelon I level;

b. Budget Performance Evaluation Aspects of Benefits at the Echelon I Unit level

At this level, what is evaluated and measured is the achievement of Program Targets for the Echelon I level and the achievement of Strategic Goals for the Ministry of Institutions level.

c. Budget Performance Evaluation Aspects of Context at the Ministry / Institution Level

This evaluation analyzes the quality of budget performance information listed in the RKA KL document. The evaluation includes the completeness of performance information formulation, availability of targets for each indicator, clarity of performance information formulation, relevance, and the relationship between supported performance information formulations due to changes in government policies and the size of each indicator contained in the document.

III. Research Method

This research uses a descriptive qualitative method with a case study approach on a single case study object. Using the methodology of case studies allows one to investigate more deeply and focus on the case to maintain and obtain an actual perspective holistically (Yin, 2018). This method is selected because it is most widely used to explore and understand the meaning of a phenomenon or event by analyzing the data and opinions of selected participants (Creswell, 2014)

The theme of the chosen case was concerning the analysis of strategies to improve the quality of budget performance information using logic models in formulating budget performance information in the context of implementing the Redesign of the Planning and Budgeting System (RPBS) in the fiscal year 2021. In planning and budgeting documents, logical models are also used to articulate and clarify general principles of logical reasoning about the relationship between inputs with outputs and outputs with outcomes. This study tries to develop and compare arguments based on the results of the government's

evaluation with the actual conditions in institution X, which were chosen intentionally and treated as evidence. The research stage begins with collecting data obtained through planning and budget document reviews and interviews with Staff in Finance Bureau and Strategic Planning Unit, directly involved in Institution X's planning and budgeting process.

The semi-structured interview will use the Program Logic Model (PLM) elements as the main framework to form questions at each level or stage sequentially, starting from Inputs, Processes, Outputs, Short-Term, Medium-Term, and Long-Term Outcomes. The data collected from interviews and the Budget Performance Evaluation conducted by the Directorate General of Budget for the 2021 financial year is analyzed and interpreted using triangulation to draw conclusions and recommendations.

The final analysis will identify appropriate strategies to improve the quality of Program formulation, Program Objectives, Outputs, and Outcomes to have a logical, straightforward, mutually supportive relationship.

IV. Results and Discussion

The most striking changes in the Redesign of the Planning and Budget System (RPBS) concept related to the formulation of Programs, Activities, Outputs, and Outcomes are as follows (Kementerian Keuangan, 2021):

- a. Program Formulation, Program formulation no longer reflects the duties of the Echelon I unit function but instead reflects the duties and functions of ministry/institution formulated by the Ministry of Finance and the relevant Ministry of National Planning and Development (Bappenas);
- b. Outcome Formulation, Outcome Formulation must reflect the results of the Program performance to achieve nationally;
- c. Program Performance Indicators are a measuring tool for assessing Program performance achievements;
- d. The formulation of activities no longer reflects the functional tasks of the Echelon II unit or the vertical work unit of ministry/institution;
- e. The Output consists of Program Output (PO), Output Breakdown Classification (OBC), and Output Breakdown (OB).

Based on the 2021 planning and budget documents review in Institution X show that the performance information contained in the document has followed the Joint Circular Letter issued by the Ministry of Finance and the Ministry of National Planning and Development Number S-122 / MK.2 / 2020 and B-517 / M.PPN / D.8 / PP.04.03 / 05/2020 concerning Guidelines for The Redesign of the Budgeting System. The indication is by including OBC and OB in the performance information in both documents. There are 2 Programs with 43 Outputs Breakdowns are reported in the Renja KL and RKA KL documents.

Interviews were conducted with the speakers to determine and confirm whether the formulation of performance information such as Programs, Activities, Outputs, and Outcomes have used a logical model in each element. It helps with a Program design or improvement by identifying program activities critical to goal attainment, redundant, or inconsistent or implausible linkages to Program Goals. It also communicates a program's place in the organization or problem hierarchy, mainly if there are shared logic charts at various management levels (Wholey, Hatry, & Newcomer, 2010).

The interviews results with employees in the Bureau of Finance and the Center for Strategic Planning are as follows:

1. In formulating the Program, it does not use a logical model because the formulation of the Program is determined by the Ministry of Finance and the Ministry of National Development Planning;
2. The Program Objectives (Outcomes) formulation was not all of them use a logical model, so there are still Program targets unsupported by the resulting Output;
3. The formulation of the nomenclature of Activities still uses the old paradigm that makes Activities synonymous with the duties and functions of the Directorate or Bureau at the level of Echelon II;
4. The OBC and OB formulations are more the result of conversion from pre-existing Output formulations rather than the result of mapping using logical models;
5. There are still stakeholders who do not use the logical model in planning and budgeting because they do not understand the concept of the RSPP and the logical model itself.
6. The use of logical models in preparing the Renja KL and RKA KL is currently still in the stage of formal requirements for the fulfillment of RPBS. It has not been adopted into the institution's standard procedures or internal regulations.

The report on the results of the 2021 Budget Performance Evaluation as measured by the Ministry of Finance through letter number S-7 /AG/AG.8/2022 for each aspect is as follows:

- a) **Performance Evaluation Implementation Aspects** present budget performance achievements focusing on absorption variables, consistency of Output achievements, and efficiency. For the achievement of Program Output, OBC and OB have been achieved 100% but accompanied by a decrease in efficiency. Then there is also an anomaly in 12 Outputs with a target volume = 1, which indicates that improvements in the quality of performance information are needed.
- b) **Performance Evaluation of Benefit Aspects** outlines the Achievement of Strategic Goals and the Achievement of Program Goals. Institution X has 7 Strategic Goals with 96% and 7 Performance Indicators of Strategic Goals with only 43%. Institution X has 22 Program Goals with 100% achievement. The suboptimal achievement of strategic goals indicates that between the Program Goals and strategic goals, there is still performance information that is not logical and supports each other.
- c) **Performance Evaluation of Context Aspects** evaluate the quality of performance information in the Work Plan with the findings:
 - 1) There is one formulation of Strategic Goals that are not clear;
 - 2) Application of Program Output Units that are not relevant to the formulation of Program Outputs;
 - 3) There are obscure and specific types of OB;
 - 4) There is a formulation of the type of OB that is not relevant to the OBC formulation;
 - 5) OB Units and targets are not relevant to the OB formulation.

V. Conclusion

The conclusion obtained from this case study is that using the logical model adopted in the Planning and Budgeting System Redesign is still not effective in overcoming the problems of performance information so far. The results of the study indicate that the strategy for the quality of budget performance information in the form of Programs, Activities, Outputs, and Outcomes in the context of implementing RPBS at Institution X is still not optimal, including the following:

- a. The logical model has not yet become the standard procedure standard in the process of planning and budgeting
- b. At the strategic planning stage, the logic model is underutilized as an analytical tool;
- c. The preparation of current performance information is only for the fulfillment of formal requirements and the fulfillment of planning and budgeting documents;
- d. The parties involved in the process of compiling performance information do not yet understand the concept of the logical model and RPBS;
- e. The preparation time given is often concise and tight, thus compromising the quality of the performance information itself.
- f. The Ministry of Finance's recommendation on the Budget Performance Evaluation Report to improve the quality of performance information has not received special attention.

There are several strategies to improve the quality of information on better budget performance that supports the improvement of the Planning and Budgeting System in Indonesia, namely:

1. The logical model is best used as the primary management tool during the strategic planning phase because logic models as both a tool and a strategic process offer considerable value to Programs and, subsequently, organization effectiveness. Program logic models help with more precise decisions about which activities in a given strategy are most effective. (Knowlton & Philips, 2013) ;
2. Each government Institution's evaluation and performance appraisal can use a logical model framework as one of the standard measuring tools. Logic models and modeling can be vital elements in performance management because they rely on evidence, support informed decisions about strategy, and assist with assessment. Performance management seeks predetermined results and adapts actions to obtain them (Knowlton & Philips, 2013).

The researchers realize that this article may be full of limitations and contains incomplete information. However, at least this article can complement previous studies, which also discussed the quality of performance information and logical models to explain the logical relationship between each element of performance information and budgets. The authors expect further research to refine and reconstruct this article in other empirical studies. The recommendations conveyed to the government that carries out the tasks and functions of planning and budgeting are always to use a logical model in planning and evaluating a program, activity, output, and outcome. The aim is to see performance information that is easily understood by the public and provide information that every resource consumed in the input has produced the right and appropriate output to support the achievement of outcomes for all beneficiaries and stakeholders.

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