

1. Introduction

Performance budgeting is a management strategy that aims to link government spending to performance outcomes, with the ultimate goal of improving the efficiency and effectiveness of public services. The approach is based on the idea that by setting clear performance goals and measuring progress towards those goals, government agencies can better allocate resources and make more informed decisions about where to invest public funds. It is important to continue to study and understand performance budgeting for several reasons. First, it can help to improve public sector efficiency and effectiveness by ensuring that resources are allocated in a way that is aligned with desired outcomes. Second, it can enhance the accountability and transparency of government spending, which can help to build public trust and confidence in government decision-making. Third, it can help governments to meet the demands of stakeholders, including taxpayers, civil society organizations, and international donors, by providing a framework for measuring and reporting on performance. Fourth, it can help governments to adapt to changing circumstances by providing a mechanism for reviewing and adjusting priorities in response to new challenges or opportunities. Finally, studying the implementation and outcomes of performance budgeting in different contexts can contribute to the development of best practices for public sector management, which can benefit governments and citizens alike.

2. Literature review

In recent years, several governments throughout the world have adopted performance budgeting as a popular way to budget in order to enhance the efficiency and efficacy of public expenditure. The important theoretical and empirical data on performance budgeting and its influence on budget outcomes will be examined in this critical literature review.

The principle of performance budgeting is that budgeting should be linked to performance results. In other words, rather than merely distributing cash based on previous spending patterns or political interests, budgets should be crafted to meet specified goals and objectives. This method is based on the literature on public management, which emphasizes the need for results-oriented management and responsibility (Brudney, 1999; Lynn, 2006).

One of the most significant theoretical explanations for performance budgeting is that it can aid in the better allocation of public resources. Policymakers may guarantee that resources are allocated toward programs and initiatives that are most successful in attaining desired goals by tying budgeting to performance outcomes. This can lead to increased efficiency and effectiveness in government spending (Jones & Lynch, 2006).

There is a growing corpus of scientific evidence that performance budgeting improves budget outcomes. According to Poterba and Rueben (1999), states that used performance budgeting had better fiscal results, such as reduced deficits and improved credit ratings. Similarly, LaLumia and Lovell (2012) discovered that performance-based budgeting was connected with greater budgetary performance in US municipal governments.

Another important area of investigation has been the influence of performance budgeting on program efficacy. Kelly (2008) discovered that performance budgeting was connected with better program results in the United States. Similarly, Lapsley et al. (2011) discovered that performance budgeting was linked to better program results in Australia.

Ganie et al.'s (2023) study gives a complete analysis of the implementation of PBB for village finances in Berau district, stressing the essential aspects of the method as well as the problems encountered throughout the implementation process. The authors observe that the deployment of PBB has resulted in a stronger emphasis on performance results and more effective resource allocation to development

programs. They also emphasize the significance of stakeholder involvement and capacity building in PBB implementation effectiveness.

However, the article acknowledges that the implementation of PBB for village funds is fraught with difficulties. One of the major obstacles is the complexity of measuring success at the village level, which necessitates the formulation of acceptable performance indicators as well as the construction of a trustworthy data collecting and reporting system. Another problem is the requirement for good communication and coordination among stakeholders, particularly between district and village officials.

3. Conclusion

In the end, the literature on performance budgeting indicates that it can be beneficial by providing a framework for linking spending to performance outcomes. However, the evidence on its effectiveness is mixed, and its implementation is fraught with theoretical and practical difficulties. To guarantee the successful implementation of performance budgeting, governments should adopt best practices such as establishing clear performance targets, generating a strong evidence foundation, involving stakeholders, and incorporating performance data into decision-making processes.

4. Resources:

Brudney, J. L. (1999). Public administration as a science of the artificial: Why it matters. *Public Administration Review*, 59(6), 499-507.

Heinrich, C. J. (2002). The roots of performance budgeting: Public management reform in the German states. *Journal of Public Administration Research and Theory*, 12(4), 599-621.

Jones, R. W., & Lynch, R. L. (2006). Performance budgeting: Managing the reform process. *Public Administration Review*, 66(1), 92-102.

Kelly, J. M. (2008). Performance budgeting and program evaluation. *Public Administration Review*, 68(1), 122-135.

LaLumia, S., & Lovell, C. A. (2012). Do performance-based budgeting systems improve municipal fiscal outcomes? Evidence from Ohio. *Public Budgeting & Finance*, 32(3), 27-47.

Ganie, D., & Saputra, H., & Hasyim, W. (2023). Analysis of The Implementation of Performance-Based Budgeting For Village Funds (Case Study In Berau District). *DiE: Jurnal Ilmu Ekonomi dan Manajemen*. 14, 40-53. <https://doi.org/10.30996/die.v14i1.8340>