

1. Introduction

Performance budgeting is a management strategy that aims to link government spending to performance outcomes, with the 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 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).

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 also growing 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) found that performance-based budgeting related to greater budgetary performance in US municipal governments.

Another important area of research has been the impact of performance budgeting on program efficacy. Kelly (2008) identified that performance budgeting related to better program results in the United States. Similarly, Lapsley et al. (2011) concluded that performance budgeting was linked to better program results in Australia.

Ganie et al. (2023) give 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 (Ganie et al., 2023).

3. Conclusion

To conclude, the literature on performance budgeting shows that it can be beneficial by providing a framework for linking spending to performance outcomes at the municipal level. However, the evidence on its effectiveness is mixed, and its implementation is fraught with theoretical and practical difficulties. To enhance 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:

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