

Spending Review Integration Model in Budget Decision Making at the Ministry of Health of the Republic of Indonesia

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| ARTICLE INFO | ABSTRACT |
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| <p>Keywords: Budget Decision Making, Integration, Spending Reviews</p> | <p><i>The aim of this study is to identify an effective model for integrating spending reviews into the budget decision-making process. Using a qualitative approach, the study collects data through interviews and documentation. The findings suggest that the budget decision-making process would benefit from implementing an integration model known as the Comprehensive Monitoring and Evaluation Model of Budget Management. This model facilitates a more thorough review and oversight of budget allocations, ensuring better-informed decision making. The study recommends further research to assess the impact of this model on the quality of budget decision making, particularly focusing on how it enhances the decision-making process and improves budget management outcomes.</i></p> |

INTRODUCTION

Budget problems are often described as fundamental economic problems in allocating scarce resources to alternative destinations to maximize the benefits received from budget-funded programs and services. This can be seen from the technical and economic efficiency that is very firmly held in the executive budget process and that austerity is one of its main functions (Rutgers & Van der Meer, 2010). Every aspect of the budget problem is related to social, political, legal, economic and technically can be considered a separate problem (Catalano & Erbacci, 2018). It is undeniable that the nature and economic decision-making, combined with the limited time in the formulation phase, requires budget drafters to overcome non-economic problems in the period before the formulation stage, namely in the budget implementation phase. Of the five types of non-economic decisions, the most dynamic and highly visible are political decisions which are the main focus of the political choice/incremental model (Tresch, 2022).

Basically, budget drafters use the implementation stage to discuss various non-economic problems in order to identify and develop alternative resource allocation (Bendor et al., 2001). Thus the consideration of the technical and economic aspects of various programs is conditioned by the rationality, social, political, and legal aspects that underlie the non-economic aspects of the program. In addition, the resolution of economic and technical problems has a lower priority than political decisions because the resolution of economic and technical problems depends on political decisions.

The State Revenue and Expenditure Budget (APBN) is a very important fiscal policy tool to achieve the goals of the nation and the country and realize the welfare of the people. Law No. 17 of 2003 concerning State Finance article 3 paragraph (1) stipulates that "State finance is managed in an orderly manner, obeying the laws and regulations, efficient, economical, effective, transparent and responsible with concern for a sense of justice and propriety".

Indonesia's state budget every year tends to increase. The increase in spending is not proportional to the increase in income, resulting in a deficit that tends to increase. In this regard, the Government needs to increase efficiency and optimize spending. Budget problems include the lack of credibility of the budget which is reflected by the failure to achieve estimated revenue and expenditure targets. Meanwhile, in the implementation of the budget, there are problems of budget absorption, absorption patterns that are not ideal, and efficiency and effectiveness of spending (Cepiku & Bonomi Savignon, 2012). The results of the spending review of the 2018 spending plan found that there was a potential for spending inefficiency of Rp 2,425.81 billion and Einmalig of Rp 9,392.57 billion (Catalano & Erbacci, 2018).

If this happens, scarce resources will continue to be wasted on ongoing but ineffective, low-priority and useless programs.

These opinions show the importance of improvement in the preparation of government expenditure budgets, especially in the process of making budget allocation decisions by considering the evaluation of ongoing programs in addition to assessing new program proposals. One of the activities carried out to evaluate the budget and its implementation is the spending review activity (Cohen et al., 1972). This spending review is very useful in formulating the next year's budget policy. Because spending review is not only related to efficiency and effectiveness but also related to decision-making and responsibility.

METHOD

In the study, a qualitative method was used, with data collection techniques using interviews and document review. The interviewed informants were: Head of the Planning and Budgeting Bureau of the Ministry of Health, Head of Division and Head of Section at the Planning and Budgeting Bureau who formulated and prepared the draft budget as well as several people from the Inspectorate General of the Ministry of Health who were involved in the implementation of the review of the proposed budget. The authors used triangulation techniques to test the validity of the data. According to Creswell (2015), triangulation is used because it is the most widely used and easiest to apply. Furthermore, the data analysis technique used is the data analysis model proposed by Miles and Huberman which states, that there are three steps in qualitative data analysis, namely data reduction, data display and conclusion drawn.

RESULTS AND DISCUSSION

Budgeting Process

Based on Law No. 17 of 2003 and Law No. 1 of 2004, the phases in the State Budget cycle are divided into several main stages, namely: planning, budgeting, ratification, implementation and accountability.

Budgeting Decision Making at the Ministry of Health

According to Ahmad, Ethisham, Vito Tanzi (2002), that poor government decisions will not always directly result in the efficiency and effectiveness of state revenue and expenditure, but poor implementation in the implementation of the revenue and expenditure budget is always the main factor causing bad government. Executive analysts take cues from the heads of ministries/state agencies and legislator partners in charge of them, that the heads of ministries/state agencies and legislative leaders usually operate with a limited list of priorities such as education, public safety and projects that affect and support these priorities. While Goodman and Clynch (2004) pointed out, when there are no clear political indicators or signals, analysts make decisions that rely on analytical information.

Health is one of the priorities of national development, so budget planning in the health sector is an inseparable part of national development planning which refers to the national development planning system (SPPN).

Budget decision-making at the Ministry of Health refers to the Regulation of the Minister of Health No. 48 of 2017 concerning Guidelines for Development Planning and Budgeting for the Health Sector. The preparation of planning and budgeting for the health sector has continuous stages starting from program and activity planning to budget allocation. The submission of planning and budgeting documents for Year $t + 1$ is divided into three periods, namely: 1). Before the indicative ceiling is set (until February 15); 2). Before the budget ceiling is set (until June 30); and 3). Before the budget allocation is determined (until September 30).

The budget is the main government policy document that is included in the realm of public policy. Public policy also discusses social, legal and political aspects.

The Importance of Implementing a Spending Review

The shift in the approach to government expenditure management in the State Budget system has changed the measurement of expenditure performance which was previously measured through the percentage of budget absorption level to the level of efficiency (achievement of output) and effectiveness (achievement of impact). Budget constraints and increasingly tight global competition have raised awareness for the government to improve its planning performance by conducting a more in-depth analysis of the implementation of state spending with the needs that must be done to succeed government programs and take into account the value of benefits felt by citizens (Mulyana, 2006). This prompted the Government of Indonesia, in this case the Ministry of Finance, to conduct a Spending Review.

Spending Review Implementation Rules

In order to support the acceleration and modernization of budget implementation in a more professional, open, effective, efficient and responsible manner while still paying attention to the principles of good state financial management, the government has stipulated Government Regulation Number 50 of 2018 concerning Procedures for the Implementation of the State Budget. Article 131 paragraph (1) mandates the Minister of Finance as the State General Treasurer (BUN) and the Minister/Head of Institution as the Budget Officer (PA) to monitor and evaluate the implementation of the budget of the Ministries/State Institutions to ensure the effectiveness of budget implementation, efficiency in the use of the budget and compliance with budget implementation regulations (Dixit et al., 1997).

Implementation of Spending Review

The stages of spending review activities begin with the collection of the necessary data, namely: 1) Output achievement data; 2). Budget realization data; 3). Planning and budgeting documents; 4) Budget implementation dokumen; and 5). Other relevant relevant data.

The stages of implementing spending review at the regional and national levels consist of:

1. Preparation for spending review with the following stages: a. The formation of a team as the implementer of activities is tasked with carrying out mapping, measurement that emphasizes effective, efficient and economical aspects (value for money) and compiling a comprehensive and strategic analysis of program and activity outputs. The Head of the Regional Office of the Directorate General of Treasury forms a team at the regional level, while the Director of Budget Implementation forms a team at the national level; b. The division of duties in the implementation of activities at the regional and national levels, consisting of the Person in Charge of Activities, Team Leader, Deputy Team Leader and Technical Team; c. The Directorate of Budget Implementation formulates methodologies/designs that will be used as a basis for the implementation of expenditure reviews that will be carried out at the regional and national levels.
2. The implementation of the spending review is carried out in the following stages: a. Identification of needs and data collection; b. Processing of shopping review material data; c. Implementation of allocation review of expenditure allocation data for the current fiscal year.
3. Reporting the results of the spending review that will be submitted to: a. Director of Budget Implementation for the report on the results of the regional level expenditure review; b. Director General of Budget for reports on the results of the national expenditure review in the context of policy improvement in the field of budgeting; c. Minister of Finance for the report on the results of the national expenditure review and d. Other stakeholders related to the implementation of the Ministry of Finance's budget

Integration Strategy and Model

Integration Strategy

Strategy is a perspective, position, plan and pattern that connects general policies with tactics that are real activities (Ferry & Eckersley, 2015). In addition to the spending review conducted by the Ministry of Finance, during the budget preparation process, the Ministry of Health also carried out several research activities carried out by the Planning and Budgeting Bureau of the Secretariat General and the RKA review conducted by the Inspectorate General of the Ministry of Health.

Based on the analysis of data and information obtained related to the budget decision-making process at the Ministry of Health, especially research activities conducted by the Planning and Budgeting Bureau and review conducted by the Inspectorate General of the Ministry of Health, as well as the spending review process conducted by the Ministry of Finance and the factors that drive and hinder, the strategy of integrating spending review in the taking process; The budget decision of the Ministry of Health is as follows:

1. Organizational dimensions: a. Improving the quality of planning and budgeting data through improving the quality of research and review in the main unit before the budget proposal document is submitted to the Planning and Budget Bureau of the Ministry of Health. In addition, the use of planning and budgeting applications such as the E-renggar application is more optimized, among others, through data input that has been validated in a timely manner; b. Improving the understanding, knowledge and skills of human resources in the Ministry of Health who are involved in research, reviewing and reviewing budget documents, both human resources in the main unit, the Planning and Budget Bureau and the Inspectorate General. The capacity building of human resources is carried out through education and training on spending reviews with Resource Persons from the Ministry of Finance who have experience in conducting spending reviews. However, it has only been done once, so it has not mastered the whole.
2. Process dimensions: a. The Ministry of Health coordinates with the Ministry of Finance to overcome obstacles in the form of restrictions in article 10 paragraph (4) of the Minister of Finance Regulation (PMK) Number 195/PMK.05/2018 concerning Monitoring and Evaluation of the Implementation of the Ministry/L Expenditure Budget which stipulates that expenditure review reports in the form of national level spending reviews are submitted to the Director General of Treasury, Director General of Budget and Minister of Finance. In addition, the Ministry of Health is currently exploring the possibility of conducting internships for its employees at the Ministry of Finance. In addition, the Ministry of Health is also proposing amendments to article 10 paragraph (4) of the PMK by adding K/L as the recipient of the spending review report and/or proposing to conduct a focus group discussion with personnel from the Planning and Budget Bureau, the Finance Bureau and the Inspectorate General of the Ministry of Health to discuss the findings and recommendations presented by the Ministry of Finance in the spending review report and follow-up that needs to be carried out by the Ministry of Health in utilizing the spending review report; b. The Ministry of Health is trying to adjust the methodology and scope of the review conducted by the Ministry of Finance.
3. Time dimension: At this time, both the spending review conducted by the Ministry of Finance and the review conducted by the Inspectorate General and by the Planning & Budget Bureau of the Ministry of Health whose nota bene object is the same is carried out at almost the same time. The lack of integration of time frames in the budget cycle that hinders spending reviews can be implemented properly. However, synchronization between these reviews is not impossible to achieve if there is regulatory support that requires some of these reviews to be carried out over a continuous period of time. This is a solution to be able to integrate spending reviews in Ministries/State Institutions so that the implementation of the budget can improve its quality.

Integration Model

According to Mc Leod (1996) the model is a simplification (abstraction) of something. A model that is formed will represent a number of objects or entities. Based on this opinion, a model is expected to function to provide an overview, provide a flow pattern and an explanation of thoughts in the form of a picture.

At this time, the Ministry of Health has not integrated spending review in its budget cycle, therefore the quality of planning still cannot be considered good, even though it has followed the applicable rules (Forsythe, 2012). This can add a spending review that will get complete information about the findings that need to be reviewed if the spending review is used as one of the components that are integrated into budget decision-making. The integration of the spending review model into budget decision-making at the Ministry of Health can be done by looking at two implementing regulations, namely Minister of Finance Regulation Number 195/PMK.05/2018 concerning Monitoring and Evaluation of Budget Implementation and Minister of Health Regulation Number 48 of 2017 concerning Guidelines for Planning and Budgeting in the Health Sector (Gruber, 2005). Spending Review can be seen from two sides, namely as an output from monitoring and evaluating the implementation of the budget and as a part or tool of monitoring and evaluation of the implementation of the budget.

Monitoring and evaluation at Ministries/State Institutions is a series of integrated activities in order to review, monitor and evaluate the implementation of the budget at the Ministry / Institution. Monitoring and Evaluation at this time is carried out by the Minister of Finance as BUN and each K/L as PA (Ihori, 2017). However, the evaluation in the form of a spending review has not been carried out by the Ministry of Health, so it has not been part of the planning and budgeting cycle of the Ministry of Health.

To increase the effectiveness of spending reviews in Indonesia, it is important if spending reviews are carried out by ministries/agencies, including the Ministry of Health, and are integrated into the Ministry of Health's budget decision-making process (Reddick, 2003).

Based on this model, it is known that there is a relationship between the budget cycle, monitoring and evaluation of budget implementation and spending review. Spending review is a unit in the budget cycle as part of the monitoring and evaluation stage. In connection with this, this new model is named "Comprehensive Monitoring and Evaluation Model of K/L Budget Management", the model is the novelty of this study.

The implementation of the Model in the management of the budget of the Ministry of Health, in this case the Ministry of Health, is described in detail in the following activities: 1) In March, the Ministry of Health invited officials of the Ministry of Finance to submit and discuss the results of the spending review to the Ministry of Health. The issues discussed include findings and recommendations that must be followed up by the Ministry of Health; 2). At the latest in early April, the Planning & Budget Bureau of the Ministry of Health conducts a review of the draft work plan of the main unit/work unit (Ingram et al., 2019). The review of the draft work plan of the Ministry of Ministries and Ministries involves the Inspectorate General. One of the aspects that is studied is to ensure that the main unit/work unit has followed up on the recommendations of the Ministry of Finance in the spending review report; 3) After the Ministry of Health prepares the RKA, between the end of June and July, at this stage the spending review is carried out with the aim of determining the activities/outputs/components and the budget that will be reduced in connection with the reduction in the value of the budget ceiling compared to the indicative ceiling used when preparing the work plan. With the expenditure review carried out at this stage, the reduction of activities/outputs/components and the budget has a clear basis (HA, 1959).

CONCLUSION

The factors supporting the integration of spending review in budget decision-making at the Ministry of Health include several important dimensions. The social dimension includes support from non-governmental and international organizations such as the World Bank, while the organizational dimension includes internal and inter-agency coordination that is running well as support from the Ministry of Finance and the Ministry of Health for the implementation of the spending review. The process dimension shows that the Ministry of Finance already has a methodology, and standard procedures related to spending review. However, there are several inhibiting factors, including the social dimension, which is characterized by a lack of public support, because the spending review is still unknown to the public. In the organizational dimension, the quality of budget data is an obstacle, with a negative perception of spending reviews which is considered an effort to find mistakes. In the process dimension, regulations that limit the distribution of reports only to the internal Ministry of Finance prevent the Ministry of Health from being involved and receiving the reports. Finally, the time dimension is an obstacle due to the limited time to implement the spending review. To overcome this obstacle, the strategy of integrating spending review includes improving the quality of planning and budgeting data as well as improving the understanding and skills of human resources involved in the process. The Ministry of Health has also coordinated with the Ministry of Finance to overcome regulatory constraints and begin to adjust the spending review methodology to a wider scope. The "Comprehensive Monitoring and Evaluation of Ministry/Institution Budget Management" model proposed in this study is an innovation, by making spending review an integral part of the budget decision-making cycle. The authors also suggest the development of further research to assess the benefits of this model, as well as the expansion of the integration of spending reviews at the local government level, the formulation of a theoretical framework regarding the dimensions that affect spending reviews, and the need for annual discussions between the Ministry of Health and the Ministry of Finance regarding the results of spending reviews. In addition, it is important for the Planning and Finance Bureau of the Ministry of Health to ensure the follow-up of spending review recommendations in the work plan and form a special team to conduct a spending review of RKA.

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