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INSTITUTIONAL INTEGRATION OF PLANNING AND BUDGETING TOWARD INDONESIA EMAS 2045

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ABSTRACT

The 2025-2045 Long-Term National Development Plan has established the Vision of Golden Indonesia 2045, which among other things targets per capita income equivalent to developed countries and poverty towards 0% by 2045. This target requires a minimum economic growth of 6% annually, but since the reform era, economic growth has never reached 6% even though the government budget has increased tenfold. One of the causes of the ineffectiveness of government spending is the lack of synchronization of planning and budgeting caused by the separation of planning and budgeting institutions after the issuance of Law No. 17 of 2003 concerning State Finance and Law No. 25 of 2004 concerning the National Development Planning System. Therefore, the purpose of this study is to find institutional patterns of planning and budgeting that can increase the effectiveness of government spending. The study was conducted using a qualitative approach with a literature review design. Data collection was carried out by searching for government policy data related to development planning and budgeting through books and journal articles, while data analysis through content analysis. The results of the study indicate that based on the analysis using William N. Dunn's policy evaluation theory and the principal agent and common pool theories, as well as political considerations, the integration of planning and budgeting institutions outside the Ministry of Finance is considered the most likely way to minimize deviations between planning and budgeting. Therefore, it is recommended that the Ministry of National Development Planning/Bappenas can propose a revision to PP No. 17 of 2017 concerning Synchronization of Planning and Budgeting Processes by adding articles related to institutional synchronization of planning and budgeting which is then followed up with a proposal to stipulate a Presidential Decree as the legal basis for the establishment of an institution or task force that integrates planning and budgeting.

Keywords: Bugdeting; Institution; Integration; Planning

ABSTRAK

Rencana Pembangunan Nasional Jangka Panjang Tahun 2025-2045 telah menetapkan Visi Indonesia Emas 2045 yang antara lain menargetkan pendapatan per kapita setara negara maju dan kemiskinan menuju 0% pada tahun 2045. Target tersebut mensyaratkan pertumbuhan ekonomi minimal 6% setiap tahunnya namun sejak era reformasi pertumbuhan ekonomi belum pernah mencapai 6% padahal secara anggaran belanja pemerintah naik 10 kali lipat.

perencanaan dan penganggaran yang disebabkan pemisahan lembaga perencanaan dan penganggaran setelah terbitnya UU No. 17 Tahun 2003 tentang Keuangan Negara dan UU No. 25 Tahun 2004 tentang Sistem Perencanaan Pembangunan Nasional. Oleh karena itu, tujuan dari penelitian ini adalah menemukan pola kelembagaan perencanaan dan penganggaran yang dapat meningkatkan efektivitas belanja pemerintah. Penelitian dilakukan dengan menggunakan pendekatan kualitatif dengan desain tinjauan pustaka. Pengumpulan data dilakukan dengan mencari data kebijakan pemerintah terkait perencanaan pembangunan dan penganggaran melalui buku dan artikel jurnal sedangkan analisis data melalui analisis isi. Hasil penelitian menunjukkan bahwa berdasarkan analisis dengan menggunakan teori evaluasi kebijakan William N. Dunn dan teori *principal agent* dan *common pool*, serta pertimbangan politis, integrasi kelembagaan perencanaan dan penganggaran di luar Kementerian Keuangan dinilai paling memungkinkan untuk meminimalisir deviasi antara perencanaan dan penganggaran. Oleh karena itu, direkomendasikan agar Kementerian Perencanaan Pembangunan Nasional/Bappenas dapat mengusulkan revisi PP No. 17 Tahun 2017 tentang Sinkronisasi Proses Perencanaan dan Penganggaran dengan menambahkan pasal terkait kelembagaan sinkronisasi perencanaan dan penganggaran yang kemudian ditindaklanjuti dengan usulan penetapan Keppres sebagai dasar hukum pembentukan lembaga atau *task force* yang mengintegrasikan perencanaan dan penganggaran.

Kata Kunci: Integrasi; Kelembagaan; Penganggaran; Perencanaan

INTRODUCTION

The development journey of the Indonesian nation from the beginning of independence until the present day has not been an easy one. Various internal and external dynamics in national and state affairs have generated numerous development challenges. On August 17, 2025, Indonesia commemorated its 80th Independence Day, leaving 20 years until the centennial celebration of independence in 2045. Approaching the 100th year of independence, Indonesia has established an ambitious target through the Indonesia Emas 2045 Vision, as stated in the National Long-Term Development Plan (RPJPN) 2020–2045, namely to become a “Sovereign, Advanced, and Sustainable Archipelagic Nation” with key targets including achieving per capita income equivalent to developed countries and reducing poverty to 0% by 2045, exactly 100 years of the Republic of Indonesia’s independence. To achieve this target, Indonesia’s economy is required to grow by at least 6% annually. However, is this target realistic and achievable by 2045? It is necessary to re-examine development achievements over the past eighty years, particularly economic growth and poverty reduction.

In terms of economic growth, amid simultaneous political and economic crises, economic growth during the Old Order government from 1961–1968 can be considered relatively low, with an average growth rate of only 3.3% per year. During the New Order government from 1969–1997, Indonesia’s economic growth increased significantly to 6.62%

per year. During the Reform Era from 1999–2023, economic growth slowed again to 4.72% including the pandemic period and 5.00% excluding the pandemic.

It is interesting to compare economic growth performance between the New Order and Reform Era. Despite various reform measures implemented, economic growth in the Reform Era remains lower than in the New Order era. In addition to economic growth indicators, the New Order government also performed better in poverty reduction. In 1970, there were 70 million people or 60% of the total population classified as poor. This then decreased to 54.2 million people or 40.1% of the total population, and further declined sharply in 1990 to only 27.2 million people or 15% of the total population. In the Reform Era, after an increase in the number of poor people due to the 1998 economic crisis, poverty reduction has proceeded slowly, approximately one percent per year.

It is even more interesting to compare economic growth and poverty reduction between the New Order and Reform Era in relation to government expenditure levels. The slowdown in economic growth and gradual poverty reduction is contrary to the trend of government expenditure. Government spending in the Reform Era is significantly higher than in the New Order era. Prior to the 1998 crisis, government expenditure was relatively small, only in the range of tens of trillions, whereas in 2003–2023 it increased tenfold, from around 376 trillion to 3,100 trillion. This indicates that government spending has been less effective in driving economic growth and poverty reduction. This inefficiency is confirmed by empirical studies using simple regression analysis conducted by the Secretariat of Economic Transformation, Ministry of National Development Planning (Bappenas), which concluded that government expenditure elasticity in the period 1970–1997 was 0.3%, higher than the elasticity in the period 1970–2019 of 0.17%, and the period 2004–2019 of 0.08%.

Several factors are considered to cause the inefficiency of government spending. Research by Hafizrianda in Kende et al. (2024) shows that weak planning is one of the causes of ineffective education spending in 29 districts/cities in Papua. In line with this study, Hesda (2017) also states that the planning process significantly influences the quality of government expenditure. The preparation of programs or activities with appropriate outputs and output indicators determines the effectiveness of government spending. Good outputs produce good outcomes and benefits, while poor outputs result in suboptimal outcomes, making spending ineffective.

In addition to planning quality, lack of synchronization between planning and budgeting is also considered one of the causes of ineffective government spending. Research by Wasono and Maulana (2018) reveals that one of the impacts of poor synchronization between planning and budgeting is the ineffectiveness of government spending in supporting national development implementation. This issue was highlighted in a study conducted by Bappenas in 2013 on the planning and budgeting process for the 2012 fiscal year (Bappenas, 2013). The study showed an overall deviation of 29.4%, meaning that on average 29.4% of priority performance indicators in the 2012 RKP were not reflected in the 2012 ministry/institution budget documents (RKA K/L).

Various efforts to reduce deviation and improve synchronization of central government planning and budgeting have been undertaken, including the issuance of Government Regulation (PP) No. 17 of 2017 concerning Synchronization of Planning and Budgeting Processes. However, the issue of planning and budgeting synchronization remains a major finding in performance audits by both the Supreme Audit Agency (BPK) and the Financial and Development Supervisory Agency (BPKP). Alignment between national development planning and budgeting still faces challenges, as not all national priority projects can be implemented by ministries, institutions, and regional governments. Based on measurements of alignment between national priority projects in the RKP and related RKA K/L through KRISNA RKA and KRISNA RKP, up to 2022 optimal alignment has not yet been achieved. This is due to inaccuracies in targets, units, and budget allocations. If these three variables are not properly aligned, the implementation of planned national priority projects will not be optimal.

Furthermore, if the above two issues are considered the causes of ineffective government spending at the planning stage, there are also implementation-stage problems that contribute to inefficiency, including weak implementation of established plans and budget leakage due to corruption committed by government officials.

Weak implementation of established plans has been highlighted by Hesda (2017), who notes low budget absorption and end-of-year spending spikes that reduce the impact of government expenditure on development. Data from the Ministry of Finance and the Ministry of Home Affairs shows that as of September 2025, APBD realization reached only 51.3% of the total budget ceiling of IDR 1,389 trillion, or IDR 712.8 trillion. This figure is 13.1% lower than the same period in the previous year. In August 2025, idle regional funds deposited in banks reached IDR 254 trillion, and by October 2025, the figure was around IDR 234 trillion, the highest in the last five years.

Furthermore, budget leakage caused by corruption practices by government officials is considered one of the causes of ineffective public spending. Hesda (2017) states that fraud spending or illegal expenditure is one of the causes of inefficiency in government expenditure. More specifically, Mauro (1996) states that corruption in bureaucracy increases transaction costs, burdens public finances, and slows economic growth. According to Indonesia Corruption Watch (ICW), state losses from corruption cases during the 10-year administration of President Joko Widodo reached IDR 290 trillion, representing total losses from cases that have been legally convicted.

From the four identified problems causing ineffective government spending, according to Hesda (2017) and Kende et al. (2024), in terms of urgency and seriousness, the first problem (weak planning) and the second problem (lack of synchronization between planning and budgeting) must be addressed first because both occur at the planning stage and have significant impacts on implementation. A well-known adage states that if planning is done well, 60% of the work is already completed. In terms of growth, the second problem is considered to continue expanding if not immediately addressed, as budget misalignment will persist without intervention.

The lack of synchronization between planning and budgeting is caused by several factors, including institutional separation between planning and budgeting (Haddad, 1990), political intervention (Wasono and Maulana, 2018; Suhartono, 2024), and the lack of integration between planning, budgeting, and performance systems (Kartika et al., 2021). Among these, the most significant cause is institutional separation. This separation is caused by two laws regulating planning and budgeting separately: Law No. 25 of 2004 on the National Development Planning System (UU SPPN), which governs planning under the National Development Planning Agency (Bappenas), and Law No. 17 of 2003 on State Finance (UU KN), which governs budgeting under the Ministry of Finance.

Based on the above explanation, the problem statement is that the lack of synchronization between planning and budgeting due to institutional separation caused by the dualism of Law No. 25 of 2004 and Law No. 17 of 2003 results in ineffective government spending in driving economic growth, which may threaten the achievement of the Indonesia Emas 2045 Vision. Several studies have discussed institutional models of planning and budgeting, but they are limited to comparing models across countries, such as Suliantoro (2024), which analyzes the strengths and weaknesses of each model in the Indonesian context, and Suhartono et al. (2022; 2024), which discuss challenges and possibilities of integration.

However, these studies have not provided a detailed comparison of each model nor assessed which model is most suitable for Indonesia.

Therefore, this study aims to compare international institutional models of planning and budgeting, identify the most appropriate and feasible model for Indonesia, and recommend implementation strategies to improve government spending effectiveness in achieving the Indonesia Emas 2045 target.

RESEARCH METHOD

This study employs a qualitative approach with a literature review design. The literature review is used to systematically examine and synthesize previous studies relevant to the research problem (Creswell, 2014). In this study, the literature review aims to analyze government policies related to planning and budgeting in the context of achieving the Indonesia Emas 2045 Vision. The literature reviewed is not limited to policy-related books but also includes government documents, policy reports, and scientific journal articles. This literature study emphasizes the identification of various theories and ideas that can be used to analyze and address issues related to institutional arrangements in planning and budgeting. The theories discussed in this study include institutional relationship theory between planning and budgeting, while William N. Dunn’s policy evaluation theory, principal-agent theory, and common-pool resource theory are used to analyze institutional relations in planning and budgeting. Therefore, this study emphasizes the process of interpretation, comparison, and synthesis of the dynamics of the relationship between planning and budgeting toward Indonesia Emas 2045 using a logical and critical analytical framework. Data collection in this study is conducted by searching for data related to government development planning and budgeting policies in Indonesia through books and national and international journal articles. The research process begins with selecting the research topic, formulating the research focus, identifying relevant sources, collecting data, and organizing selected literature for analysis. Data sources such as journal articles are obtained from Google Scholar, Taylor & Francis, and Elsevier. From 150 articles obtained from these three sources, only 50 were relevant to the study and further analyzed. The selection of these articles is based on their relevance to the topics of governance planning, budgeting policy, and planning-budgeting institutional arrangements. Article analysis is conducted by identifying research issues, which are then used to establish a conceptual framework by extending previous findings from the selected articles. Data analysis is conducted through content analysis with the following steps: data selection, data reduction, comparison of findings, synthesis of key ideas, and interpretation of meanings relevant to the research objectives.

RESULT AND DISCUSSION

Since its independence in 1945 until 1998 (the Reform Era), Indonesia adopted a centralized planning system to achieve high economic growth and address social welfare issues as a newly independent country, by referring to development strategies from socialist countries. In the early independence period, institutionalization began with the establishment of an ad hoc planning committee. This institution successfully formulated two development planning documents, namely the 1951 Economic Urgency Plan and the 1956 First Five-Year Development Plan. Both documents failed to become effective development guidelines due to unstable domestic and international political conditions, which were still affected by the impacts of war and international conflicts. Although both plans were well prepared, none succeeded in becoming legally binding policies or in producing satisfactory economic conditions due to political and economic instability (Economist, 1969), as well as the low capacity of local bureaucracy in managing the inherited colonial financial system for development planning purposes (Mustopadijaja, 2012).

In 1969, the Soeharto government transformed the ad hoc planning committee into a permanent and strong institution, namely the National Development Planning Agency (Bappenas), composed of highly qualified economists and technocrats. Bappenas was granted authority to carry out planning functions as well as budgeting functions, particularly development budgeting. Under this centralized planning system, Bappenas successfully managed planning processes and ensured alignment between planning and budgeting. The effective relationship between development planning and budgeting resulted in high economic growth during the 1980s and 1990s, enabling Indonesia to become one of the newly industrialized countries in Asia after South Korea, China, and Taiwan, as well as one of the Asian Tigers alongside Malaysia and Thailand. The relationship between development plans and state budgets became effective because it was compatible with an authoritarian political system that granted strong executive power to the president to control all public institutions, political parties, bureaucracy, and the military, including parliament. As a result, the executive had a high level of governability to support decision-making processes and government policies, including development planning and budgeting. Under this governance model, the government had the capacity to formulate long-term development plans of twenty years and six five-year development plans as the State Policy Guidelines (GBHN) through parliamentary decrees or laws. During this period, development plans were approved by parliament and implemented as budget laws. The effectiveness of the political process was a result of the president's dominant authority in controlling political parties and appointing more than half of the members of parliament.

The effective governance described above in managing relations among public institutions within the executive branch and between the executive and parliament granted the government special authority ranging from planning to budgeting processes, including coordination of foreign aid and loans within the development planning process as well as supervision of implementation across ministries (Datta et al., 2011). During this period, budgeting adopted a dual budgeting system, namely development budgeting and routine budgeting, where Bappenas had authority and responsibility for development budgeting, while routine budgeting was under the authority of the Ministry of Finance (Kemenkeu).

The fall of President Soeharto and the beginning of the Reform Era brought major changes to Indonesia, including to Bappenas, which was considered the most important institution of the New Order regime. The transformation from an authoritarian economic and political system to a democratic system required Indonesia to follow international demands to reduce the role of the central government as part of globalization and free-market reform (Robinson, 2001; Stiglitz, 2002). This transformation was followed by changes in governance from centralization and hierarchy toward decentralization and market-based principles. In line with this transformation, the government proposed to parliament the adoption of Public Financial Management (PFM) through the State Finance Bill. In accordance with PFM principles, the law proposed that planning be integrated into the budgeting process and managed by the Ministry of Finance. This was also aligned with demands from donor institutions and international organizations that called for the elimination of central planning institutions and emphasized PFM, which prioritizes fiscal sustainability and discipline rather than ambitious planning targets. The planning institution was accused of being one of the main actors responsible for the 1998 economic crisis, which at that time led to discourse on dissolving Bappenas.

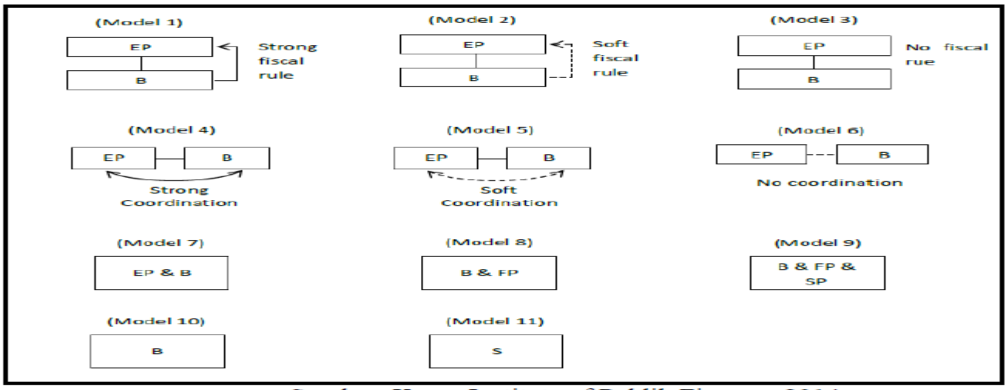
However, this government proposal was rejected by parliament, which considered that combining planning and budgeting functions in a single institution, namely the Ministry of Finance, would repeat the same mistake as during the New Order era, when both planning and budgeting functions were concentrated in Bappenas. Therefore, planning and budgeting must be separated to ensure checks and balances. In addition, several national figures and members of parliament also considered the importance of having a planning institution to ensure development continuity across administrations, because in a democratic system the president is directly elected by the people and serves only two terms. Therefore, on the initiative of parliament, Law No. 25 of 2004 on the National Development Planning System (SPPN) was enacted. This law became the legal foundation for the existence of Bappenas until today.

The enactment of Law No. 17 of 2003 on State Finance, which separates planning and budgeting processes, creates its own challenges for the planning process. Differences in orientation between planning and budgeting regulations and their implementation lead to the emergence of fragmentation issues. This problem has been widely identified in several studies in the budget planning stage as a stage of integrating planning outputs with budgeting (Blondal et al., 2009; Zen, 2013; The World Bank, 2018; Ginting, 2014). This fragmentation has caused difficulties for the government in building a sequential, coordinated, and consistent process between planning documents and budgeting documents. The impact of fragmentation pressure originating from differences in orientation between the State Finance Law and SPPN can be seen in the mapping results between ministry/institution work plans that refer to the RKP and their budget plans in the RKAKL documents. According to mapping conducted by Bappenas (2013), in the 2012 fiscal year, there was a 29.4% deviation between planning in the 2012 RKP document and the RKAKL. This means that approximately 29% of priority performance indicators in the 2012 RKP were not mapped in the 2012 RKAKL. The highest deviations occurred in bureaucratic reform priorities (39.6%), infrastructure and social welfare priorities, health (47%), underdeveloped, conflict, and frontier regions (39.3%), as well as culture, creativity, and technological innovation (39.6%). The government attempted to address this fragmentation pressure by regulating the linkage of both systems through several government regulations. Specifically, Government Regulation No. 17 of 2017 on the Synchronization of National Planning and Budgeting Processes attempts to integrate planning and budgeting processes to promote effective and efficient governance. However, according to the World Bank (2018), the planning and budgeting process for infrastructure development under PP 17/2017 still shows weaknesses in coordination and synchronization between development planning and budgeting.

Specifically, Government Regulation (PP) No. 17 of 2017 concerning the Synchronization of National Development Planning and Budgeting Processes is intended to ensure the effectiveness of coordination and collaboration between the Directorate General of Budget and Bappenas. These two institutions sometimes experience coordination constraints (working in silos) as separate entities located in two different ministries with different organizational structures. The smoothness of coordination depends heavily on the personal relationships and communication among officials and leaders. Therefore, according to the World Bank Indonesia (2017), this is not an efficient and effective model, as it represents a unique and highly complex structure that is considered the only one of its kind in the world. Accordingly, an appropriate institutional model is required to ensure that planning and budgeting processes can produce effective government expenditure quality in supporting economic growth.

In the context of development planning and budgeting, according to Premchand (1983), planning can be divided into substantive planning and fiscal or budgetary planning. In the decision-making stage, planning is first debated and decided politically before entering the budget discussion stage (Johnson, 1954; Handa, 1984; Jones & McCaffery, 2005; Husseiny, 2016). In this context, the budget is determined on the assumption that objectives have already been decided in advance, meaning that the budget is subordinate to pre-established planning objectives. Therefore, both are opposing activities, yet simultaneously complementary and functionally symbiotic within organizational arrangements (Schick, 1966).

Given this opposing character on one hand and the need for functional symbiosis on the other, combinations of institutional relationships, functions, and processes can take various forms depending on the political and institutional context of each country (Ha, 2014). According to the Korea Institute of Public Finance in Suhartono (2024), there are at least 11 possible models of institutional relationships when planning and budgeting are either separated or merged within a single organization. The relationship between economic planning (EP), financial planning (FP), spending planning (SP), and budgeting (B) ideally appears in models 1 and 9, where EP authority is stronger than B, but still bound by strict fiscal rules. Second, EP may be eliminated, while budgeting becomes a combination of FP and SP in the form of an MTEF for all sectors. Alternatively, EP planning and budgeting (B) may both be strong and placed within one ministry, or partially separated in different institutional arrangements.



Sumber: Korea Institute of Publik Finance, 2014

Figure 1. Typologies of the Relationship Between Planning and Budgeting

Referring to the typology above, internationally there are three models of the relationship between planning and budgeting, namely: (1) a strong role of planning in budgeting; (2) integration of planning and budgeting; and (3) budgeting as the dominant actor. In the first model, the main characteristics include a dual budgeting system (routine budget and development budget) and strong involvement of planning institutions in the development budgeting process. Countries representing this model include Bangladesh, Vietnam, Laos, Cambodia, Myanmar, and several African countries. In the second model, the key characteristic is that the entire budget cycle, starting from planning, allocation, distribution, analysis, and monitoring of the budget, is integrated into a single unified system. Countries adopting this model include South Korea, Brazil, and the United States. In the third model, the defining characteristic is that planning functions are often placed under the Ministry of Finance. Countries adopting this model are generally members of the Organisation for Economic Co-operation and Development (OECD). Based on the discussion of planning and budgeting relationship patterns above, the following patterns of institutional authority can be identified:

a. Planning authority and budgeting authority are separated into two different institutions. In Russia, these are the Ministry of Finance and the Ministry of Economic Development. In Japan, these include the Ministry of Finance and the Cabinet Office. In Indonesia, these are the Ministry of National Development Planning (Bappenas) and the Ministry of Finance.

b. Planning authority and budgeting authority are merged within a single institution, namely the Ministry of Finance. In South Korea, planning and budgeting authority is located in the Ministry of Economy and Finance, while in Australia it is located in the Ministry of Finance. In the People’s Republic of China, planning and budgeting authority is located in the State Council, under which the Ministry of Finance operates.

c. Planning authority and budgeting authority are located within a single institution but outside the Ministry of Finance. In the United States, planning and budgeting authority is located in the Office of Management and Budget, while in the United Kingdom it is located in HM Treasury.

To evaluate which model is most appropriate for Indonesia, William N. Dunn's policy evaluation theory can be applied. According to Dunn (2000), there are six policy evaluation criteria, namely effectiveness, efficiency, adequacy, equity, responsiveness, and appropriateness. Effectiveness refers to the achievement of stated objectives. Efficiency refers to the amount of effort required to achieve a certain level of effectiveness. Adequacy refers to the extent to which a level of effectiveness satisfies the needs, values, or opportunities that give rise to the problem. Equity relates to legal and social rationality and refers to the distribution of effects and efforts among different groups in society. Responsiveness refers to the extent to which a policy satisfies the needs, preferences, or values of certain groups in society. Appropriateness is the criterion used to select alternatives as recommendations by assessing whether the resulting outcomes of an alternative constitute a suitable policy objective.

Referring to the six public policy evaluation criteria by William N. Dunn above, the assessment of the three institutional authority patterns for planning and budgeting is as follows

Policy Alternative A: Separation of Planning and Budgeting Authority in Two Different Institutions

For the effectiveness criterion, this model can be assessed as low to moderate due to frequent coordination barriers (linkages) between macro-level planning targets and actual budget allocations, resulting in national priority programs often not being fully funded. Effective policy implementation requires that the deviation between planning and budgeting be minimized. However, the level of deviation is likely to be relatively high when planning and budgeting are separated into two different institutions. This is confirmed by a Bappenas study, which found that out of 14 development priorities stated in the 2012 RKP, five priority sectors experienced deviations approaching 40%.

In addition, according to Suliantoro (2024), the separation of planning and budgeting authority generates several issues, namely: (1) weak integration between planning documents and budgeting documents; (2) the "money follows function" concept hinders cross-program priority tracking; (3) the role of Bappenas is limited to planning aspects of priority programs, while actual budget allocations within the Ministry of Finance may be reallocated from the original plan; (4) the determination of fiscal capacity and/or indicative ceilings often does not align with funding needs stated in the initial draft Government Work Plan, resulting in potential priority activities not receiving funding allocations; and (5) changes in budgeting documents (from indicative ceilings to budget ceilings and budget allocations) are not reflected in planning documents (Government Work Plan), creating a gap in monitoring changes to national priority funding (World Bank Indonesia Governance Global Practice Team in Suliantoro, 2022). Although efforts have been made to synchronize planning and budgeting between the Ministry of National Development Planning/Bappenas and the Ministry of Finance through Government Regulation No. 17 of 2017 on Synchronization of Planning and Budgeting Processes, the complexity of coordination between these two separate institutions means that synchronization issues remain a major audit finding by both the Audit Board of Indonesia (BPK) and the Financial and Development Supervisory Agency (BPKP) on an annual basis.

For the efficiency criterion, this model can be assessed as low. Bureaucratic processes become lengthy because work plan documents must be discussed and re-evaluated by the budgeting institution, leading to duplication of administrative review functions. Efficiency, as stated by Williamson (1985), is achieved when transaction costs are minimized. The separation of planning and budgeting institutions potentially increases transaction costs in coordination between the two institutions.

For the adequacy criterion, this model can be assessed as moderate. This separation provides a mutual control mechanism (checks and balances), consistent with the objectives of those advocating institutional separation (Suhartono, 2024). However, public problem-solving is often partial due to limited integration between planning outputs and budget availability. For the equity criterion, this model can be assessed as high. A pure planning institution is generally more objective and focuses on inter-regional development equity (spatial inclusiveness), without being constrained by fiscal revenue targets. As Premchand (1983) states, planning is more economically oriented, whereas budgeting is more financially oriented. For the responsiveness criterion, this model can be assessed as low. Responses to urgent needs or emergency situations are slower because changes in planning documents must pass through rigid cross-ministerial bureaucratic cycles, as reported by several ministries/agencies that are required to report to multiple institutions when planning documents are revised (Wasono & Maulana, 2018).

For the appropriateness criterion, this model can be assessed as high in substantive terms. Policies produced are strongly technocratic and have a clear long-term vision because planning institutions focus on analyzing real societal needs, in line with parliamentary expectations that planning institutions formulate long-term visions connecting each presidential administration period (Suhartono et al., 2022).

Policy Alternative B: Integration of Planning and Budgeting within the Ministry of Finance

For the effectiveness criterion, this model can be assessed as high. The linkage between programs and budgets (money follows program) operates very strongly. Planned programs can be directly ensured of budget availability in order to achieve performance targets. Effective implementation requires that the deviation between planning and budgeting be minimized. The deviation between planning and budgeting is more likely to be reduced when planning and budgeting are integrated. In the Indonesian context, if planning and budgeting authority is placed within a single institution, ministries/agencies (K/L) benefit significantly because administrative processes for planning and budgeting documents are handled through a single entry point (Suliantoro, 2024; Wasono & Maulana, 2018). In addition, planning documents and budgeting documents have the potential to be merged into a single document, particularly the Ministry/Agency Work Plan (Renja-K/L) and the Budget Work Plan (RKA-KL). Currently, planning documents (Renja-K/L) have a structure that is similar or nearly identical to budgeting documents (RKA-K/L), namely at the levels of Program, Activity, Output (KRO and RO), and Components. However, substantial effort is required because integration must reconcile Law No. 17/2003 on State Finance with Law No. 25/2004 on the National Development Planning System. In addition, the existence of Regional Development Planning Agencies (Bappeda) at provincial and district/city levels must also be considered.

For the efficiency criterion, this model can be assessed as very high. It shortens bureaucratic chains, saves time in the planning-budgeting process (single-window system), and minimizes duplication of document review by administrative evaluators. Efficiency, as stated by Williamson (1985), is achieved when transaction costs are minimized. The unification of planning and budgeting institutions can reduce transaction costs that would otherwise arise from coordination between separate institutions.

For the adequacy criterion, this model can be assessed as high from a fiscal perspective, but low from an impact perspective. Public financial management is well controlled; however, substantive problem-solving on the ground risks being deprioritized in favor of maintaining fiscal discipline.

For the equity criterion, this model can be assessed as moderate. Budget allocation tends to be dominated by a cost-efficiency approach and absorption capacity, rather than distributive justice for underdeveloped regions with slower absorption rates. As Premchand (1983) states, budgeting is more financially oriented.

For the responsiveness criterion, this model can be assessed as high. The government becomes highly responsive to macroeconomic dynamics and financial crises because policy adjustment authority is concentrated under a single institutional leadership structure.

For the appropriateness criterion, this model can be assessed as low in the long term. It has the potential to generate short-term fiscal bias (fiscal-driven policy). Long-term strategic planning vision risks being overshadowed by annual state fiscal stability priorities, as budgeting is more dominated by short-term financial considerations (Premchand, 1983).

Policy Alternative C: Integration of Planning and Budgeting within a New/Separate Institution (Outside the Ministry of Finance, e.g., under the Presidency) Untuk kriteria For the effectiveness criterion, this model can be assessed as high in terms of commitment. This integration ensures that strategic programs are directly attached to their budgets without sectoral ego interventions. This institution becomes a superbody controlling priority programs. The deviation between planning and budgeting is more likely to be reduced when planning and budgeting are integrated.

For the efficiency criterion, this model can be assessed as moderate. It is efficient in internal bureaucratic processes within the institution itself; however, it may generate new inefficiencies in the form of institutional conflict with the Ministry of Finance, which holds full authority over state treasury functions. The integration of planning and budgeting institutions can reduce transaction costs that would otherwise arise in coordination when these functions are separated (Williamson, 1985).

For the adequacy criterion, this model can be assessed as moderate. It is capable of formulating comprehensive public problem-solving strategies; however, its implementation is often constrained by the reality of state revenue capacity, which remains managed by the Ministry of Finance. For the equity criterion, this model can be assessed as very high. Allocation focus can be fully directed toward social welfare targets, regional equity, and public rights fulfillment without being distorted by taxation collection functions. For the responsiveness criterion, this model can be assessed as high. This institution is highly sensitive to public demands and the directives of the head of state, as its organizational structure is designed to execute development visions and missions rapidly.

For the appropriateness criterion, this model can be assessed as high. Policies have high utility value because they integrate what is needed (planning) with the implementing instrument (budget). However, the risk of fiscal sustainability failure increases if it is not balanced with disciplined cash control.

Table 1. Comparative Matrix of Intitutional Planning and Budgeting Relationship Patterns

Dunn Criteria	**Alternative A (Separated)**	**Alternatif B (Integrated in Ministry of Finance)**	**Alternative C (Integrated outside Ministry of Finance)**
Effectiveness	Moderate	High	High
Efficiency	Low	Very High	Moderate
Adequancy	Moderate	High (Fiscal)	Moderate
Equity	High	Moderate	Very High
Responsiveness	Low	High	High
Appropriateness	High	Low	High

Based on the results of the analysis using the six criteria of William N. Dunn above, it can be concluded that both alternatives in which planning and budgeting authority are integrated, either within the Ministry of Finance or outside the Ministry of Finance, receive the highest overall evaluation. This indicates that the integration of planning and budgeting authority within a single institution is considered the best option.

In addition to being evaluated using Dunn's six policy evaluation criteria, the issue of planning and budgeting processes can also be analyzed using the principal-agent and common-pool perspectives to produce better budgeting decisions and improved budget performance (Hagen, 2007; Raudla, 2010a; Raudla, 2010b). The principal-agent perspective views interactions between actors and institutions as relationships between principals (voters or owners of votes) and agents (elected politicians). Transactions between both parties occur when their interests are aligned; however, the relationship is governed by incomplete contracts (Persson et al., 1997; Seabright, 1996). Incomplete contracts create opportunities for elected politicians to deviate from the preferences of voters. However, comprehensive regulation is considered utopian due to the dynamics, uncertainty, and complexity of domestic and international political-economic conditions, which require flexibility in policymaking or residual power. The greater the residual power held by politicians, the greater the opportunity for divergence from voter preferences.

The common-pool perspective views budgeting as a dilemma faced by politicians in allocating public resources collected through taxation from the general population, while the beneficiaries of budget allocations are limited groups within society (Raudla, 2010a; Hagen, 2007). As a result, politicians face the choice of either inefficient or ineffective budget allocation or suboptimal public spending, because they must serve limited constituencies while the fiscal burden is borne by all taxpayers. The more inefficient, misallocated, or excessive the spending becomes beyond society's capacity to bear, the greater the risk of fiscal deficits and increased public debt. The consequence of principal-agent and common-pool problems is the need for institutional design that can both represent societal demands and enforce budget discipline while preventing rising deficits and debt (Hallerberg et al., 2009). Furthermore, institutional arrangement in planning and budgeting helps political elites and society determine governance direction and control development trajectories among competing objectives under limited resources (Peters & Pierre, 2016).

The integration of planning and budgeting is part of the principal-agent and common-pool framework. Both perspectives see planning as the principal and budgeting as the agent, meaning that budgeting must follow what has been planned. In the common-pool perspective, the budget is a shared resource among actors in achieving institutional objectives. If left unmanaged and unregulated, this shared resource will experience depletion in its ability to meet all actors' needs, while competition for limited resources will increase.

From the analysis based on William N. Dunn's six policy evaluation criteria and the principal-agent and common-pool perspectives, the integration of planning and budgeting institutions is considered the most effective option to reduce deviations between planning and budgeting and also the most efficient in reducing transaction costs. The reduction of deviations and transaction costs is expected to improve the quality of government expenditure in supporting economic growth. However, the appropriate form of integration in Indonesia remains a key question, whether integration within the Ministry of Finance or outside it.

Integration within the Ministry of Finance requires legal reform, because Law No. 17/2003 and Law No. 25/2004 regulate institutional mandates across ministries. As a result, the two functions are currently implemented by two separate ministries. This reform is not easy, as both institutions have already developed large and strong organizational structures. Politicians who experienced the New Order era may perceive this as a return to a super-ministry model similar to Bappenas in the past. Therefore, this change is not only an organizational issue but also a political one, given its implications for power distribution in government.

Thus, integration outside the Ministry of Finance is considered more feasible. The President, as the highest authority in planning and budgeting and as the holder of coordination authority, may establish an institution or task force under the Presidency to integrate planning and budgeting functions.

CONCLUSION

Based on the above discussion, following the analysis using William N. Dunn’s policy evaluation theory as well as principal-agent and common-pool resource theories, and considering political constraints, the integration of planning and budgeting institutions outside the Ministry of Finance through the establishment of a dedicated institution or task force under the President is assessed as the most appropriate and feasible option. This arrangement is expected to eliminate or at least minimize deviations between planning and budgeting, thereby improving the effectiveness of government expenditure in supporting the realization of the Indonesia Emas 2045 Vision. To implement the establishment of such an institution or task force, a revision or adjustment of Government Regulation (PP) No. 17 of 2017 concerning the Synchronization of Planning and Budgeting Processes is required, along with the issuance of a Presidential Decree (Keppres) regulating the establishment of the institution or task force responsible for integrating planning and budgeting functions. The Ministry of National Development Planning/Bappenas may propose amendments to PP No. 17 of 2017 by incorporating provisions related to the institutional framework for planning and budgeting synchronization, which would then be followed by a proposal for a Presidential Decree as the legal basis for establishing the integrating institution or task force. In order for the proposed revision of the Government Regulation and the issuance of the Presidential Decree to become a priority agenda, the Ministry of National Development Planning/Bappenas may include this proposal within the regulatory framework of the National Medium-Term Development Plan (RPJMN) or the Government Work Plan (RKP). Through the integration of planning and budgeting processes within a single institutional framework, deviations between planning and budgeting are expected to be more easily eliminated or minimized compared to the current condition in which the two functions are handled by separate institutions. Although regulations have been introduced to synchronize planning and budgeting processes, as long as these functions remain institutionally separated, issues such as sectoral ego, leadership differences, and various technical and procedural constraints will continue to generate deviations between planning and budgeting.

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