Institutional Governance Analysis of Planning and Budgeting Integration toward Indonesia Emas 2045: A Qualitative Policy Review

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ABSTRACT

Achieving Indonesia Emas 2045 requires not only sustained economic growth but also effective governance in development planning and budgeting. However, persistent institutional fragmentation, weak coordination, and discrepancies between planning priorities and budget allocation continue to challenge policy effectiveness in Indonesia. Therefore, this study aims to analyse the governance of planning and budgeting in supporting the achievement of Indonesia Emas 2045. This study employs a qualitative approach using a literature review design. Data were collected from scholarly articles, policy documents, and official government reports, and analysed through content analysis. The findings show that the relationship between planning and budgeting in Indonesia is influenced not only by technical and administrative factors but also by broader institutional and political economy dynamics. Fragmentation between these functions may weaken policy coherence, reduce the effectiveness of public expenditure, and hinder long-term development goals. By integrating principal-agent and common-pool perspectives, this study offers a more comprehensive analytical framework for explaining the structural misalignment between development priorities and fiscal allocation. This study concludes that strengthening the integration of planning and budgeting is essential to improving policy consistency, expenditure quality, and fiscal effectiveness in support of Indonesia Emas 2045.

Keywords: *Indonesia Emas 2045; Planning and Budgeting; Governance; Fiscal Policy; Political Economy.*

INTRODUCTION

Indonesia's proclamation of independence marked a fundamental milestone in establishing the nation's aspiration to become a free, united, sovereign, just, and prosperous country. These ideals are explicitly articulated in the Preamble of the 1945 Constitution, which emphasizes the protection of all Indonesian citizens, the advancement of public welfare, the education of the nation, and participation in global

peace (Azis, 2019; Sibuea, 2013). As a constitutional foundation, these principles serve as the primary reference for formulating national development policies, including planning and budgeting mechanisms aimed at achieving long-term national goals.

In line with these aspirations, the Government of Indonesia has formulated the vision of *Indonesia Emas 2045*, which is embedded in the National Long-Term Development Plan (RPJPN) 2025–2045. This vision targets Indonesia to become a developed country with high-income status, zero percent poverty, and strong global competitiveness by 2045. Achieving these ambitious targets requires sustained economic growth of approximately 6% annually and significant improvements in human capital, governance, and economic transformation (Alman et al., 2024; Nuriyanti et al., 2025; Sasrawan, 2025). Furthermore, the realization of this vision is closely linked to the government's ability to design effective planning and budgeting policies that are adaptive to dynamic socio-economic changes.

Public policy plays a central role in directing national development, particularly in the context of planning and budgeting. Policies are inherently dynamic and are designed to achieve specific objectives rather than reflecting arbitrary actions (Alesch et al., 2012; Bolton et al., 2012). In the context of Indonesia, policy formulation is influenced by complex interactions between political, economic, and institutional factors, requiring a systematic and evidence-based approach (Andhika, 2019). Previous studies have also highlighted that economic growth in Indonesia has experienced fluctuations across different periods, particularly between the New Order and Reform eras (Rajab, 2022; Susantie & Ferizaldi, 2022). Although some studies indicate periods of high economic growth, these achievements have not always been accompanied by sustainable and inclusive development outcomes (Az-Zahra et al., 2023).

From a fiscal perspective, government spending has increased significantly over time, especially during the Reform era. Empirical evidence shows that government expenditure has grown substantially, reflecting the state's expanding role in economic development (Moedy & Ling, 2024; Seran et al., 2025). However, several studies suggest that the increase in government spending has not always been directly proportional to improvements in economic growth and poverty reduction, indicating potential inefficiencies in planning and budgeting processes (Moro & Rachedi, 2022; Jamil, 2017). This condition highlights the importance of aligning planning and budgeting policies to ensure that fiscal allocations are both effective and outcome oriented.

Despite the government's efforts to improve development planning, several structural challenges remain. The Strategic Plan (Renstra) of the Ministry of National Development Planning/Bappenas (2025–2029) identifies key issues, including the lack of synchronization between planning and budgeting, weak implementation of evidence-based policies, discrepancies in development timelines, and administrative inefficiencies. These challenges often result in unfocused development priorities and suboptimal budget utilization, ultimately hindering the achievement of national development targets (Sasrawan, 2025; Nuriyanti et al., 2025).

Previous studies have examined various aspects of development planning, budgeting, and economic performance. For instance, Ramadhan (2024) emphasizes the importance of strengthening fiscal capacity to support national development, while Yufantria and Al-Amin (2025) highlight the need for systematic planning to achieve sustainable development goals. Other studies also underline the importance of

governance quality and policy integration in improving development outcomes (Khomarudin et al., 2025; Darwiyani et al., 2023; Putra, 2022). However, these studies have not explicitly addressed the need for comprehensive fiscal reforms that integrate planning and budgeting processes within a unified analytical framework, particularly in the context of achieving Indonesia Emas 2045.

Therefore, this study aims to analyse the relationship between planning and budgeting policies in Indonesia by examining their typology and alignment within the broader framework of national development. By employing a literature-based qualitative approach, this study seeks to provide a deeper understanding of how planning and budgeting policies can be optimized to support the realization of Indonesia Emas 2045. The findings are expected to contribute to the development of more integrated and effective policy frameworks that enhance fiscal performance and promote sustainable economic growth.

METHOD

This study employs a qualitative approach with a literature review design. A literature review is used to systematically examine and synthesise previous studies relevant to the research problem (Creswell, 2017). In this study, the literature review is intended to analyse government policies related to planning and budgeting in the context of achieving Indonesia Emas 2045. The literature studied is not limited to books related to policy, but also includes government documents, policy reports, and scholarly journal articles. This literature study emphasises the discovery of various theories and ideas that can be used to analyse and solve problems related to the realisation of Indonesia Emas 2045.

The theory addressed in this study relates to the macroeconomic theory of government expenditure, which reflects government policy. Furthermore, the theories of Rostow link the development of government expenditure to the stages of economic development (Rostow, 1991). Therefore, this study emphasises the process of interpreting, comparing, and synthesising the dynamics of the relationship between planning and budgeting towards Indonesia Emas 2045 using a logical and critical analytical framework.

Data collection in this study was carried out by searching for data related to policies on development planning and budgeting by the Indonesian government through national and international books and journal articles. The steps taken in this study began with selecting the topic to be studied, formulating the research focus, identifying relevant sources, collecting data, and organising the selected literature for analysis. The data sources used, such as journal articles, were retrieved from Google Scholar, Taylor & Francis, and Elsevier. Of the 150 articles obtained from these three sources, only 50 were relevant to the research and could be analysed further. The selection of these articles was based on their relevance to the topics of planning governance, budgeting policy, fiscal reform, and Indonesia Emas 2045. Generally, the articles used cover the period from 2020 to 2025.

In addition, data was also obtained from the National Development Planning Agency regarding the *Brief Review of Eight Years of Implementation of Law No. 25 of 2004 from a Stakeholder Perspective*. The analysis of the articles was conducted by identifying

research issues, which subsequently established the conceptual framework by expanding on previous findings from those articles. Data analysis was carried out 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

Indonesia has implemented a centralised planning system to support economic performance in addressing welfare challenges following independence. In the early years, development planning was initiated through the establishment of an ad hoc planning committee, which produced key documents such as the 1951 economic emergency plan and the first five-year development plan in 1956. However, these plans were not effectively implemented due to political instability and external conflicts.

During the New Order era, the planning system was institutionalised through the establishment of the National Development Planning Agency (Bappenas) as a permanent institution. Bappenas was granted authority in planning and development budgeting, reflecting a more structured and centralised approach to development management. The planning system during this period adopted a dual budgeting mechanism, consisting of development budgeting managed by Bappenas and routine budgeting managed by the Ministry of Finance.

In the Reformation era, governance shifted from a centralised system to a decentralised one. This transformation resulted in the separation of planning and budgeting functions across different institutions, as regulated by Law No. 25 of 2004 on the National Development Planning System. This institutional separation created structural differences in the planning and budgeting processes.

Empirical evidence from Bappenas (2013) shows a discrepancy of 29.4 per cent between the Government Work Plan (RKP) and the Work Plan and Budget of Ministries/Agencies (RKA-KL) in 2012. This indicates that a significant portion of priority performance targets in the RKP was not reflected in the budgeting process. To address this issue, the government introduced Government Regulation No. 17 of 2017 on the Synchronisation of the National Planning and Budgeting Process to improve coordination between planning and budgeting institutions.

Referring to Figure 1, three international models of the relationship between planning and budgeting authority can be identified. First, the model with a strong role of planning agencies in budgeting, which is characterised by dual budgeting systems. Second, the integrated model, where planning and budgeting functions are combined within a single institution. Third, the model where budgeting authority is dominated by the Ministry of Finance. These models illustrate variations in institutional arrangements across countries in managing planning and budgeting processes.
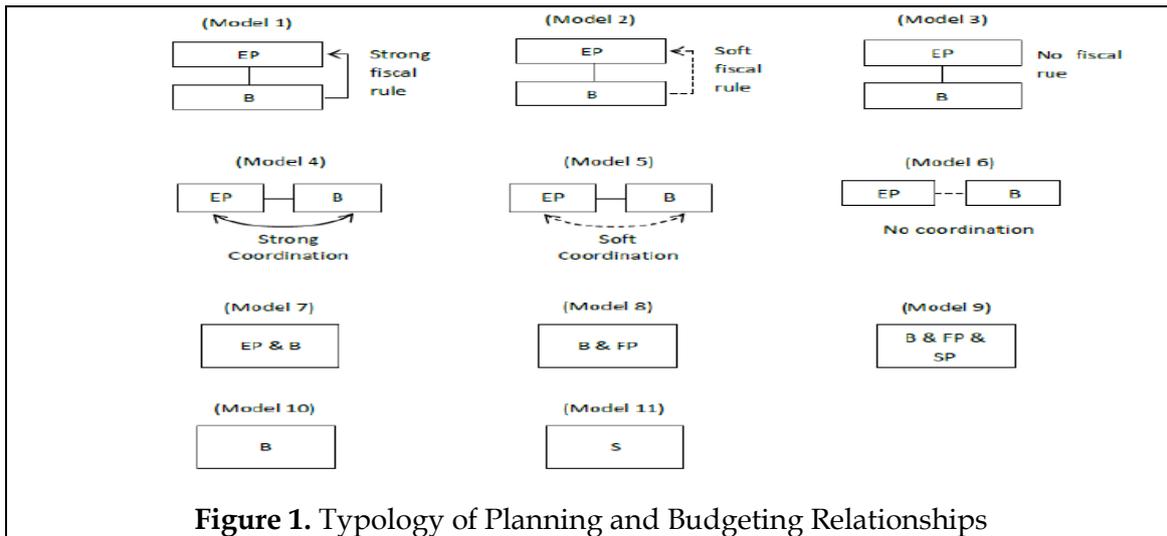
Figure 1. Typology of Planning and Budgeting Relationships

DISCUSSION

These findings indicate that each country has targets and objectives in line with its vision and mission. Consequently, there is a comparison of institutional authority based on these relationships. This research is in line with the concept of political economy, wherein political processes are interlinked with the economy (Hidayaturrahman, 2021). In a broader macroeconomic context, fiscal policy and government expenditure play a central role in shaping development trajectories and responding to economic cycles (Nguyen & Nguyen, 2023). Realising Golden Indonesia 2045 is also part of the state's objectives within the development process and relates to the direction of political policy. Siagian, as cited in Hidayaturrahman (2021), defines development as a series of planned and conscious efforts at growth and change undertaken by the nation, state and government towards modernity in the context of nation-building. In addition, the effectiveness of fiscal policy in supporting long-term development is closely related to the sustainability of government financing strategies and the alignment between planning and budgeting (Alam, 2025). To that end, this study provides an overview of the government's planning and budgeting processes to realise Indonesia Emas 2045. This study can also be examined from the principal-agent and common-pool perspectives to inform budgetary planning decisions and achieve better budgetary performance.

In other words, to achieve Indonesia Emas 2045, the principal-agent perspective can be utilised to view the interaction between actors and institutions as a relationship between the principal (voters or those with a say) and the agent (elected politicians) (Yu et al., 2026). Both parties will enter into a transaction when their intentions align, yet the relationship between them is governed solely by an imperfect contract. This condition reflects governance challenges in public financial management, where asymmetry of information and institutional fragmentation may weaken policy implementation (Pranowo, 2024). This is in line with the concept of development as set out in Government Regulation No. 17/2017, whereby the planning and budgeting processes cannot be carried out separately but must be conducted simultaneously. Consequently, an imperfect contract will provide scope or opportunity for elected politicians to break their promises or deviate from the will of the electorate. However, comprehensive

regulation faces the dynamics, uncertainty, and complexity of national and international economic and political situations, which require flexibility for policymakers. The greater the residual power held by politicians, the greater the opportunity for them to deviate from the will of the electorate.

On the other hand, this study also illustrates how the common-pool perspective views budgeting as a dilemma faced by politicians when allocating resources or public expenditure collected from the tax burden of the general public, yet the objects or targets of expenditure from the budget allocation are directed solely at a limited group of policy beneficiaries within society (Wildemeersch et al., 2026). Consequently, politicians must choose between ineffective and misdirected budgets or inefficient public spending, as they select or decide on policies for their limited constituencies whilst the budgetary burden is borne by all taxpayers. This condition often leads to inefficiencies and fiscal imbalances, which may increase the risk of budget deficits and government debt if not properly managed (Alam, 2025). The more wasteful or inefficient the allocation, exceeding society's capacity to bear it, the greater the likelihood that this will lead the state into a budget deficit and result in increased government debt. The consequences of the principal-agent relationship and shared resources give rise to demands to design interactions or establish institutional interaction structures through rules that can represent the demands of society, whilst providing opportunities to discipline the budget and prevent an increase in deficits and debt.

This picture illustrates how policy and politics are interrelated. Thus, to realise Indonesia Emas 2045, the integration of planning and budgeting forms part of the principal-agent relationship and the shared resource framework. These two perspectives view planning as the principal and budgeting as the agent, meaning that budgeting must follow what has been planned. Meanwhile, in the common pool framework, the budget serves as a shared resource amongst actors to achieve their respective institutional objectives. If left without joint management and certain constraints, this shared resource will increasingly lose its capacity to meet the needs of all actors, and competition for these limited resources will intensify. Therefore, strengthening institutional coordination and integrating fiscal governance mechanisms are essential to ensure alignment between development planning and budget execution (Rahman et al., 2026).

Based on the discussion of the strengths and weaknesses of models of the relationship between planning and budgeting authorities, studies from the principal-agent and common-pool perspectives, and the approaches outlined above regarding effectiveness and efficiency, it is considered that the integration of planning and budgeting is the most effective way to reduce discrepancies between planning and budgeting, and the most efficient way to cut transaction costs. Empirical evidence also suggests that integrated fiscal frameworks can improve governance quality and enhance accountability in public expenditure management (Pranowo, 2024). Reducing the gap between planning and budgeting and lowering transaction costs is expected to improve the quality of government expenditure, which is more effective in driving economic growth and supporting long-term national transformation agendas (Widjaja, 2025).

This study indicates that integration into the Ministry of Finance requires legislative changes, as Law No. 17/2003 and Law No. 25/2004 regulate the nomenclature of ministries in carrying out the functions stipulated therein. Consequently, these two functions are currently carried out by two separate ministries. This change is not straightforward, as both ministries have established large and robust

organisational structures to carry out these functions. Politicians who lived through the New Order era will view this as a return to the practice of a super-ministry once operated by Bappenas, which historically played a central role in coordinating national development planning (Mustopadidjaya, 2012). Therefore, this change requires not only an organisational approach but also a political one, given the consequences of the merger and its implications for the political process when a centralised authority exists within the government.

A merger outside the Ministry of Finance is more appropriate. The President, as the highest authority in planning and budgeting and the holder of the coordinating function, could establish an agency or task force under the President to integrate planning and budgeting. This approach aligns with the need for stronger institutional frameworks to improve fiscal governance and policy coherence (Rahman et al., 2026). With the integration of the planning and budgeting processes into a single framework, it is hoped that deviations in planning and budgeting will be easier to eliminate or minimize than when they are still in two institutions. Even though there are regulations that synchronize the planning and budgeting processes, as long as they remain in two institutions, issues such as sectoral ego, leadership, and technical and procedural problems will continue to create deviations between planning and budgeting.

CONCLUSION

This study concludes that the relationship between planning and budgeting in Indonesia is shaped not only by technical and administrative issues but also by broader institutional and political economy dynamics. The findings indicate that fragmentation between planning and budgeting functions may reduce policy coherence, weaken the effectiveness of public expenditure, and hinder the achievement of long-term national development goals, including Indonesia Emas 2045. In this regard, the study shows that discrepancies between planning priorities and budget allocation are closely related to weak coordination, institutional separation, and governance challenges.

The study also demonstrates that the integration of planning and budgeting can be more comprehensively understood through the combined use of principal–agent and common-pool perspectives. These perspectives explain how differences in institutional interests, information asymmetry, and competition over limited fiscal resources may contribute to misalignment between development priorities and budget implementation. Thus, this study offers a more integrated analytical framework for understanding how governance structures influence fiscal performance and development outcomes in the context of long-term national planning.

In practical terms, improving the integration of planning and budgeting is essential to strengthening policy consistency, expenditure quality, and fiscal effectiveness. This effort should not be limited to organisational restructuring, but also supported by stronger coordination mechanisms, evidence-based policymaking, and institutional accountability. Regulatory adjustment, including revising Government Regulation No. 17 of 2017 and strengthening the legal basis for policy synchronisation, may support a more coordinated framework. Overall, better alignment between planning and budgeting is crucial for improving the effectiveness of public spending and supporting the realization of Indonesia Emas 2045.

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