



(REVIEW ARTICLE)



## Enhancing budget policy alignment: Insights from local government practices

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### Abstract

Effective budget policy alignment is crucial for ensuring that strategic objectives are translated into actionable financial plans. This literature review explores the roles of public transparency and human resource competence in achieving alignment within local government financial practices. Drawing on institutional and agency theories, the study highlights transparency as a mechanism for fostering accountability and human resource competence as a driver for operationalizing strategic plans. Challenges such as symbolic compliance, fragmented planning, and political interference are identified as significant barriers. The review concludes with insights into the synergistic relationship between transparency and HR competence, offering recommendations for future research to advance governance practices.

**Keywords:** Budget alignment; Planning; Budgeting; Human resources; Transparency; Accountability

### 1. Introduction

Budget policy alignment serves as a fundamental aspect of effective governance, enabling the seamless integration of strategic objectives with budgetary allocations. By ensuring coherence between planning and execution, budget policy alignment helps maximize resource efficiency, streamline program implementation, and achieve developmental priorities. When misalignment occurs, the consequences can be severe, including inefficiencies in fund utilization, delays in project execution, and the erosion of public trust in government institutions. As governance systems face increasingly complex challenges, the need for synchronized planning and budgeting processes has become more critical than ever [1].

Two primary factors play pivotal roles in facilitating budget policy alignment: public transparency and human resource (HR) competence. Transparency in public financial management is recognized as a cornerstone of accountability, fostering trust by providing stakeholders with access to relevant, accurate, and timely financial information. Beyond the mere availability of data, transparency requires the provision of information in formats that are accessible and comprehensible to diverse audiences, including those with limited technical expertise. By reducing information asymmetry, transparency allows citizens and other stakeholders to monitor government actions and evaluate the alignment of budgetary decisions with stated policy priorities [2,3].

HR competence, meanwhile, represents the technical expertise, strategic insight, and operational skills necessary for translating strategic objectives into executable budgets. Competent personnel are instrumental in navigating complex financial regulations, designing coherent budget plans, and addressing emerging governance challenges. However, disparities in HR capacity remain a persistent issue, driven by unequal access to training opportunities, professional development, and institutional resources. These disparities can hinder local governments' ability to achieve effective budget policy alignment, particularly in regions where financial management systems are underdeveloped or inadequately supported [4,5].

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The theoretical foundations of transparency and HR competence are deeply rooted in institutional and agency theories. Institutional theory examines how external pressures—such as regulative mandates, normative expectations, and mimetic influences—shape organizational behaviour. For instance, regulatory frameworks often compel governments to adopt transparency measures, while professional standards and norms drive efforts to enhance HR capacity. However, many organizations adopt these practices superficially, a phenomenon referred to as symbolic compliance. Such compliance fulfils external requirements but lacks the substantive internalization needed to drive meaningful change, limiting the effectiveness of both transparency and HR initiatives [6,7].

Agency theory further elucidates the significance of transparency and HR competence in reducing principal-agent problems within governance systems. In this context, citizens act as principals, delegating authority to government officials (agents) to manage public resources and execute policies. Transparency mitigates the risks of moral hazard and adverse selection by enabling principals to monitor agents' actions and decisions. Concurrently, HR competence ensures that agents possess the necessary skills and knowledge to carry out their responsibilities effectively, aligning their actions with the interests of the principals. Together, these elements create a governance environment where budget policies can be aligned with strategic objectives in a manner that is both accountable and efficient [8,9].

Despite the theoretical clarity surrounding the roles of transparency and HR competence, challenges persist in embedding these principles into governance systems. Fragmentation in planning and budgeting processes frequently undermines alignment, resulting in inconsistencies between policy objectives and resource allocations. Political interference further exacerbates these challenges, as short-term political agendas often override evidence-based decision-making. Additionally, systemic issues such as institutional inertia, resource inequality, and resistance to change pose significant barriers to the effective implementation of transparency measures and HR capacity-building efforts [10].

The literature reveals an interdependent relationship between transparency and HR competence, suggesting that the success of one is often contingent upon the effectiveness of the other. For example, transparency initiatives are more impactful when supported by competent personnel who can interpret and act upon the data provided. Conversely, HR competence relies on transparent systems to provide the necessary information for informed decision-making. This interdependence underscores the need for integrated approaches that address both dimensions simultaneously, fostering an environment conducive to budget policy alignment and good governance [11].

This discussion highlights the significance of public transparency and HR competence as critical components of governance frameworks aimed at achieving budget policy alignment. By synthesizing insights from institutional and agency theories, the interplay of these factors can be better understood, providing a foundation for addressing the challenges associated with alignment. The exploration of these dynamics contributes to the broader discourse on public financial management, offering practical and theoretical insights for improving the integration of planning and budgeting processes.

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## 2. Theoretical Framework

### 2.1. Theory

#### 2.1.1. Institutional Theory

Institutional theory plays a significant role in understanding organizational behaviour, particularly in the public sector. This theory suggests that institutions, which consist of rules, norms, and structures, shape the behaviour of individuals and organizations [1]. It views organizations as entities embedded within broader institutional frameworks that dictate their operational norms and behaviour (Peters, 1999). In the public sector, institutional theory helps to explain how organizations such as governments and public agencies behave in ways that conform to social expectations to gain legitimacy.

[1] outlines three pillars of institutionalism that influence organizations: the regulative, normative, and cultural-cognitive pillars. These pillars guide the establishment of legitimacy and compliance in organizations. The coercive, mimetic, and normative isomorphisms, as identified by [5], describe how organizations, including public institutions, tend to become like each other through regulatory pressures, imitation of successful practices, or professional standards. This theory is especially relevant in the public sector, where government organizations are subject to political and regulatory environments.

[14] expand on institutional theory by emphasizing the interactions between institutions and actors within the context of public sector governance. They argue that institutional environments significantly influence how public organizations operate and adapt to changes in policy and societal expectations. Their work highlights the dynamic nature of institutional frameworks, where organizations must navigate not only formal regulations but also informal norms and expectations from various stakeholders. This perspective reinforces the idea that legitimacy is achieved not just through compliance with regulations but also through alignment with societal values and norms.

In the context of public budgeting, institutional theory is particularly relevant. Local governments, for instance, experience pressures to conform to both national regulations and local expectations, leading to behaviours that sometimes prioritize symbolic compliance over functional effectiveness [13].

### *2.1.2. Agency Theory*

Agency theory examines the relationship between principals (those who delegate authority) and agents (those who execute decisions), and how conflicts of interest can arise when agents prioritize their own goals over those of the principals. This theory is particularly important in public administration, where elected officials (principals) rely on public servants (agents) to execute policies and manage budgets [9].

In public sector budgeting, agency theory suggests that public officials (agents) may engage in actions such as manipulating budget allocations to maximize political gain, particularly in election years. This behaviour is often manifested in the form of political budget cycles, where spending on visible public goods like infrastructure is increased at the expense of less visible but critical areas like education [15].

## **2.2. Methods**

This study employs a systematic literature review to investigate the roles of public transparency and HR competence in enhancing budget policy alignment within local government practices. Institutional and agency theories serve as the theoretical framework to guide the analysis. Relevant literature was identified through a structured search of academic databases using keywords such as “budget policy alignment,” “public transparency,” “human resource competence,” and “local government financial management.” The selection criteria included peer-reviewed articles, books, and relevant reports that address transparency, HR competence, and governance practices in financial management contexts.

The analysis employed thematic synthesis to extract and organize insights from the literature into key themes, including the conceptual foundations of transparency and HR competence, their interdependence, and the challenges and opportunities associated with their implementation. Data extraction and analysis were performed systematically to ensure consistency, with recurring themes identified and discussed in relation to the theoretical frameworks. This approach highlights the dynamic interplay between transparency and HR competence and their collective impact on budget policy alignment. While relying solely on secondary data may limit the specificity of certain insights, this review provides a broad understanding of the topic and adheres to ethical standards by ensuring proper acknowledgment and citation of all referenced works.

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## **3. Results and discussion**

The analysis identifies two primary factors influencing budget policy alignment: public transparency and HR competence. Both elements are interconnected and contribute significantly to improving governance frameworks.

Public transparency serves as a foundation for accountability and effective budget management. The findings reveal that higher levels of transparency, as mandated by regulations such as the Public Information Disclosure Act and local government directives, enable better public monitoring and participation in the budgeting process. However, transparency is often implemented superficially, serving as symbolic compliance rather than substantive reform. This limits its impact on achieving genuine accountability and alignment. The institutional theory perspective suggests that transparency measures are often adopted to meet external expectations, with mimetic isomorphism driving local governments to emulate practices of perceived successful peers.

HR competence is critical in operationalizing budget policies and ensuring the alignment of financial strategies with organizational goals. Skilled personnel are better equipped to address complexities in budget formulation, negotiation, and execution. Normative isomorphism highlights the role of professional standards and capacity-building initiatives in enhancing HR capabilities. The findings show that higher levels of competence among public officials lead to improved

planning and negotiation during budget discussions, aligning with institutional theory's emphasis on normative pressures.

Transparency and HR competence exhibit a synergistic relationship. Transparent processes provide the necessary information base for effective decision-making, while HR competence ensures this information is analysed and utilized efficiently. The integration of both factors fosters a governance framework that supports accountability and operational excellence. However, systemic challenges such as fragmented planning and political interference disrupt this synergy. These issues stem from inadequate coordination among departments and a prioritization of short-term political objectives over long-term strategic goals, as highlighted by agency theory's principal-agent dynamics.

The results also identify that budget transparency can mitigate opportunistic behaviour in budget formulation by involving stakeholders in the decision-making process. Participatory mechanisms such as public forums and deliberations strengthen horizontal accountability between government institutions and citizens. However, the lack of consistent implementation and the limited scope of stakeholder involvement reduce the effectiveness of these initiatives. Similarly, efforts to enhance HR competence are hindered by resource disparities, high turnover rates, and resistance to institutional reforms, which exacerbate misalignment between planning and execution.

In summary, the interplay between transparency and HR competence is pivotal for achieving budget policy alignment. The institutional and agency theories provide valuable insights into the systemic barriers and opportunities for reform. Future initiatives should focus on integrating these factors into cohesive governance frameworks to address the existing gaps and improve alignment between strategic objectives and financial execution.

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#### **4. Conclusion**

Budget policy alignment is a critical aspect of effective governance, ensuring that strategic objectives are translated into actionable financial plans that address public needs and priorities. Public transparency and HR competence play pivotal roles in achieving this alignment. Transparency fosters accountability by reducing information asymmetry and enabling stakeholders to monitor government actions, evaluate financial decisions, and provide informed input. However, its implementation is often hindered by symbolic compliance, inconsistent reporting standards, and limited mechanisms for public engagement, necessitating a shift from superficial adherence to genuine integration of transparency measures. Simultaneously, HR competence ensures that public officials possess the technical knowledge, strategic planning skills, and operational expertise necessary to align budgetary processes with policy priorities effectively. Barriers such as resource disparities, institutional inertia, and high turnover rates challenge the development of HR capacity, underscoring the need for targeted training programs, professional development, and retention strategies to enhance competence. The synergy between transparency and HR competence is essential for creating a governance framework that promotes operational efficiency, accountability, and trust, as transparency provides the foundational data required for decision-making while HR competence ensures that this information is effectively utilized to design and execute aligned budgets. Nevertheless, systemic challenges, including fragmented planning, political interference, and resistance to reform, continue to disrupt alignment efforts, highlighting the need for institutional reforms that promote coordination, reduce political influence, and emphasize evidence-based approaches. Expanding participatory mechanisms to meaningfully involve stakeholders in budgetary processes further strengthens accountability and alignment. In conclusion, integrating public transparency and HR competence into governance frameworks is indispensable for achieving effective budget policy alignment, requiring a comprehensive approach to address existing barriers, leverage their interdependence, and ensure that financial management systems are responsive to public expectations and strategic goals.

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#### **Compliance with ethical standards**

##### *Disclosure of Conflict of Interest*

The author confirms that they have no identifiable conflicts of interest, financial interests, or personal affiliations that could have influenced the research reported in this article.

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