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Analysis Of The Procurement Of Goods And Services In The City Of Medan Using The Value For Money Approach In 2024

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Abstract

This study aims to analyze public procurement practices in the Medan City Government using the Value for Money (VfM) approach. Value for Money is a concept widely applied in the public sector to ensure that public resources are utilized economically, efficiently, and effectively. This study employs a qualitative approach through a literature review of academic journals, books, government regulations, and publications related to public procurement and public sector performance measurement. The findings indicate that the implementation of Value for Money in public procurement can improve budget efficiency, enhance service quality, strengthen accountability, and optimize public resource utilization. The study also highlights the importance of balancing cost, quality, and outcomes in procurement activities. Therefore, the Value for Money approach can serve as a strategic instrument for evaluating procurement performance and supporting good governance within the Medan City Government.

Keywords: Value for Money, Public Procurement, Government Procurement, Medan City Government, Accountability

INTRODUCTION

Government procurement of goods and services is one of the important instruments in supporting the implementation of government and public services. Through procurement activities, the government obtains various goods, services, construction work, and consultancy services needed to carry out development programs and improve community welfare. Given the large budget allocated in these activities, the procurement of goods and services is one of the aspects that greatly determine the effectiveness of the use of state and regional finances.

In the era of bureaucratic reform and *good governance*, the government is required to not only spend the budget in accordance with applicable regulations, but also ensure that every expenditure is able to provide optimal benefits for the community. The inefficient use of the public budget can lead to waste of resources, low quality of public services, and a decrease in public trust in the government. Therefore, an approach is needed that can be used to assess whether the use of the budget has provided value commensurate with the benefits obtained.

One of the widely used approaches in measuring public sector performance is *Value For Money* (VFM). According to Mahmudi (2013), *Value For Money* is a concept of public sector management that emphasizes the economical, efficient, and effective use of resources in achieving organizational goals. This concept is an important indicator in assessing the success of public financial management because it is not only oriented to the amount of expenditure, but also to the benefits resulting from the use of the budget.

Mardiasmo (2018) explained that *Value For Money* consists of three main elements known as the 3E concept, namely *economy*, *efficiency*, and *effectiveness*. The economic aspect is related to the ability to obtain inputs at the most cost-effective without compromising the

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quality required. The efficiency aspect assesses the relationship between the inputs and the outputs produced, while the effectiveness aspect measures the level of achievement of a goal or objectives that have been set. These three aspects are the basis for evaluating the performance of public sector organizations, including in government procurement activities.

The Medan City Government as one of the largest local governments in Indonesia is also required to apply *the principle of Value For Money* in the management of the regional budget. Based on the 2024 Medan City Government Budget Realization Report, the total regional expenditure budget reached IDR 7.23 trillion with a realization of IDR 6.26 trillion or 86.50%. Meanwhile, in the Goods and Services Expenditure component, the budget set is IDR 2.65 trillion with a realization of IDR 2.42 trillion or 91.47%. The data shows that the procurement of goods and services has a significant contribution to the spending structure of the Medan City Government, so it needs to be evaluated from the *perspective of Value For Money*.

Evaluation of the procurement of goods and services is not only important to determine the rate of budget absorption, but also to assess the extent to which the budget has been used economically, efficiently, and effectively. By conducting an analysis using *the Value For Money approach*, local governments can get an overview of the quality of budget management and identify opportunities for improvement in the implementation of the procurement of goods and services in the future.

Based on this description, this study aims to analyze the procurement of goods and services of the Medan City Government based on *the Value For Money approach*. The analysis was carried out through an assessment of economic aspects, efficiency, and effectiveness based on data on the realization of the Medan City Government's budget in 2024. The results of the study are expected to provide an overview of the application *of the Value For Money principle* in the management of local government procurement of goods and services and become evaluation material to improve the quality of public financial governance.

Value For Money

Value For Money (VfM) is a concept used to assess the extent to which public sector organizations are able to use resources optimally to achieve predetermined goals. According to Mahmudi (2013), Value For Money is an appreciation for the value of money through economical, efficient, and effective management of resources. This concept is used to ensure that every fund spent is able to provide maximum benefits for the organization and society.

Mardiasmo (2018) explained that Value For Money is the core of measuring public sector performance. The implementation of this concept aims to increase accountability, transparency, and the effectiveness of the use of the government budget. In practice, Value For Money focuses not only on cost savings, but also on the quality of the results and benefits generated.

Economy

Economy or economics is the ability of an organization to obtain inputs at the lowest cost without reducing the quality needed. According to Bastian (2015), economic principles emphasize efforts to obtain resources economically and according to organizational needs.

In the procurement of government goods and services, the economic aspect is reflected in the process of planning the right needs, selecting competitive providers, and controlling costs during the procurement process. The smaller the cost incurred to obtain inputs of the same quality, the higher the economic level of an activity.

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Efficiency

Efficiency or efficiency indicates the relationship between the input and the output produced. Mahmudi (2013) explained that efficiency can be achieved if the organization is able to produce maximum output with minimal resource use.

In the procurement of government goods and services, efficiency can be realized through the use of electronic procurement systems (*e-procurement*), simplification of procurement procedures, and optimization of budget utilization. Efficiency is an important indicator because it shows the government's ability to manage resources productively.

Effectiveness

Effectiveness or effectiveness is related to the level of success of an activity in achieving a predetermined goal. According to Mardiasmo (2018), effectiveness shows the relationship between the output produced and the goals or outcomes to be achieved.

In government procurement activities, effectiveness can be seen from the ability of the goods or services obtained in supporting the implementation of government programs and improving the quality of public services. The greater the contribution of procurement results to the achievement of organizational goals, the higher the level of effectiveness.

Procurement of Government Goods and Services

Government procurement of goods and services is an activity of obtaining goods or services by ministries, institutions, regional apparatus, or other institutions financed by the State Budget and Regional Budget. The procurement process starts from identifying needs to handing over the results of the work in accordance with applicable regulations.

According to the LKPP, the procurement of government goods and services is carried out based on the principles of efficiency, effectiveness, transparency, openness, competitiveness, fairness, and accountability. These principles aim to ensure that the use of public budgets is able to provide optimal benefits to the community

RESEARCH METHODS

This study uses a qualitative approach with a descriptive analysis method. According to Sugiyono (2023), qualitative research is a research method used to understand social phenomena in depth through the analysis of descriptive data. This approach was chosen because the research focuses on understanding the concept of *Value For Money* in the procurement of government goods and services and its application to the Medan City Government based on regional budget realization data.

The type of research used is descriptive research. According to Nazir (2017), descriptive research aims to describe systematically, factually, and accurately the facts and relationships between the phenomena being studied. In this study, a descriptive approach is used to describe the condition of procurement of goods and services of the Medan City Government through the analysis of *economy*, *efficiency*, and *effectiveness indicators*.

The data source used is secondary data. According to Sekaran and Bougie (2019), secondary data is data obtained by researchers from previously available sources and collected for specific purposes. The research data was obtained from the 2024 Medan City Government Budget Realization Report, especially in the components of regional revenue, regional spending, and goods and services spending. In addition, this research also utilizes various sources of literature in the form of books, scientific journals, government regulations, and publications

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related to the procurement of government goods and services and the concept *of Value For Money*.

Data collection techniques are carried out through documentation studies and literature studies. According to Arikunto (2019), documentation is a data collection technique that is carried out by examining documents, reports, archives, and records that are relevant to the research object. Meanwhile, a literature study was conducted by examining various theories and previous research results that support the discussion of *Value For Money* in the public sector.

The data analysis technique uses *the Value For Money* approach which consists of three main indicators, namely *economy*, *efficiency*, and *effectiveness*. According to Mahmudi (2013), these three indicators are used to measure the performance of public sector organizations in managing their resources. Economic aspects are analyzed by comparing the budget and the realization of spending on goods and services to determine the level of budget savings. The efficiency aspect is analyzed through the relationship between the use of resources and the output produced, while the effectiveness aspect is analyzed based on the level of achievement of the target that has been set in the regional budget.

Furthermore, the results of the analysis of the three indicators were used to assess the level of implementation of *Value For Money* in the procurement of goods and services of the Medan City Government. The results of the analysis are then interpreted descriptively to obtain an overview of the quality of regional budget management and its contribution to increasing accountability and effectiveness of public services.

RESULTS AND DISCUSSION

Overview of Research Data

This research uses secondary data from the 2024 Medan City Government Budget Realization Report. The data analyzed included regional revenue, regional spending, and goods and services spending. The three components were chosen because they are directly related to the measurement of Value For Money in public sector financial management.

Table 1. Budget Realization Report

Description	Budget (Rp)	Realization(Rp)	Percentage
Regional Revenue	7.166.410.196.201	6.294.920.537.089	87,84%
Regional Spending	7.235.090.422.451	6.258.347.667.812	86,50%
Shopping for Goods and Services	2.647.001.058.562	2.421.257.635.489	91,47%

Based on the budget realization report, the Medan City Government's regional revenue target for 2024 is IDR 7,166,410,196,201 with a realization of IDR 6,294,920,537,089 or reaching 87.84%. Meanwhile, the total regional expenditure budget is IDR 7,235,090,422,451 with a realization of IDR 6,258,347,667,812 or 86.50%. In the component of goods and services expenditure, the budget set is IDR 2,647,001,058,562 with a realization of IDR 2,421,257,635,489 or reaching 91.47%.

The data shows that the Medan City Government is able to realize most of the budget targets that have been set. A fairly high level of realization is the basis for further analysis using the Value For Money approach which consists of economic, efficient, and effectiveness aspects.

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Analysis of Economy in the Procurement of Goods and Services of the Medan City Government

The economic aspect aims to assess the government's ability to obtain inputs at a lower cost than the predetermined budget without reducing the quality and quantity of the necessary needs. In the concept of Value For Money, an activity is said to be economical if the realization of expenses is lower than the available budget.

Based on research data, the Medan City Government's 2024 goods and services budget is IDR 2,647,001,058,562, while the realization is IDR 2,421,257,635,489. Thus, there is a budget difference of IDR 225,743,423,073 that is not used during the current budget period.
The percentage of the economy is calculated as follows:

Economy = 100% Expenditure Budget/Expenditure Realization ×

Economy = (Realization of Goods and Services Expenditure ÷ Goods and Services Budget) × 100%
Economy = (IDR 2,421,257,635,489 ÷ IDR 2,647,001,058,562) × 100%
Economy = 91.47%
These results show that the Medan City Government is able to carry out goods and services procurement activities with a budget absorption rate that is still below the set budget limit. According to Mahmudi (2013), an economic value that is below 100% shows that the organization is able to save budget so that it can be categorized as economical.

This condition indicates that the procurement process of goods and services has been carried out by considering cost efficiency without having to spend the entire available budget. In addition to reflecting good cost control, this result also shows the potential for optimizing resources owned by local governments.

Efficiency Analysis in the Procurement of Goods and Services of the Medan City Government

Efficiency describes the relationship between inputs and outputs produced in an activity. In the public sector, efficiency refers to the government's ability to use available resources to produce optimal benefits.
The efficiency calculation is carried out by comparing the realization of expenditure with the realization of regional revenue.

Efficiency = Revenue Realization/Expenditure Realization ×100%

Efficiency = (Expenditure Realization ÷ Revenue Realization) × 100%
Efficiency = (IDR 6,258,347,667,812 ÷ IDR 6,294,920,537,089) × 100%
Efficiency = 99.42%
The efficiency value of 99.42% shows that the use of financial resources by the Medan City Government is still within controlled limits. This value shows that the realized regional expenditure is almost proportional to the government's ability to obtain regional revenue.

According to Mardiasmo (2018), public sector organizations are said to be efficient if they are able to produce optimal output with proportionate use of resources. The results of the

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analysis show that the Medan City Government has been able to maintain a balance between the revenue obtained and the expenditure made during the 2024 fiscal year.
High efficiency also shows that government programs can be implemented without causing significant budget waste. Thus, the use of the regional budget can be said to have supported the principle of efficiency in the concept of Value For Money.

Analysis of Effectiveness in the Procurement of Goods and Services of the Medan City Government

Effectiveness is used to measure the level of achievement of a goal or target that has been set. In this study, effectiveness is measured through the level of achievement of regional revenue targets.

Effectiveness = Revenue Target/Revenue Realization×100%

Effectiveness = (Revenue Realization ÷ Revenue Target) × 100%
Effectiveness = (IDR 6,294,920,537,089 ÷ IDR 7,166,410,196,201) × 100%
Effectiveness = 87.84%

The effectiveness value of 87.84% shows that the Medan City Government has succeeded in realizing most of the regional revenue targets that have been set at the beginning of the fiscal year. Although it has not reached 100%, the level of achievement shows that the performance of regional revenue management is in the category of being quite effective.

The achievement of relatively high revenue targets provides support for the implementation of various government programs and activities, including the procurement of goods and services. With the availability of adequate funding sources, the government can carry out various development activities and public services more optimally.

In addition, high effectiveness also reflects the ability of local governments to carry out good budget planning and management. This is important because the success of the procurement of goods and services is determined not only by the procurement process itself, but also by the government's ability to provide adequate sources of funding.

Value For Money Analysis in the Procurement of Goods and Services of the Medan City Government

Based on the results of the analysis of economic aspects, efficiency, and effectiveness, it can be concluded that the procurement of goods and services by the Medan City Government in 2024 has shown a fairly good application of the Value For Money principle.

From the economic aspect, the value of 91.47% shows that there are budget savings in the implementation of the procurement of goods and services. In terms of efficiency, a value of 99.42% shows that the use of financial resources is still within proportional limits. Meanwhile, in terms of effectiveness, a value of 87.84% shows that most of the regional revenue targets have been achieved.

These three indicators show that the Medan City Government has made efforts to implement the principles of economy, efficiency, and effectiveness in managing the regional budget. Thus, the implementation of the procurement of goods and services can be said to have supported the achievement of Value For Money as one of the main principles in public sector management.

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The implementation of Value For Money is important because it is not only oriented to budget absorption, but also to the benefits generated for the community. Therefore, the Medan City Government needs to continue to improve the quality of planning, implementation, and evaluation of the procurement of goods and services so that the benefits obtained by the community can be more optimal.

CONCLUSION

Based on the results of the analysis of the procurement of goods and services of the Medan City Government in 2024 using the Value For Money approach, it can be concluded that budget management has shown quite good performance. The analysis is carried out through three main indicators, namely economy, efficiency, and effectiveness.

From the economic aspect, a value of 91.47% was obtained, which shows that the realization of spending on goods and services is lower than the budget that has been set. These results indicate that the Medan City Government is able to carry out goods and services procurement activities economically while maintaining the implementation of the program according to the planned needs.

From the efficiency aspect, a score of 99.42% was obtained. These results show that the use of regional financial resources is still within a controlled limit and relatively balanced with the revenue that has been successfully realized. Thus, regional budget management can be categorized as efficient because it is able to support the implementation of various government programs without causing significant budget waste.

Meanwhile, from the effectiveness aspect, a score of 87.84% was obtained. This value shows that the Medan City Government has succeeded in realizing most of the regional revenue targets that have been set. Although it has not yet fully reached the target, the level of achievement shows that the performance of regional revenue management is in the category of being quite effective in supporting the implementation of government programs and activities.

Overall, the results of the study show that the procurement of goods and services by the Medan City Government in 2024 has reflected the application of the Value For Money principle quite well through economical, efficient, and effective budget management. The application of these principles is important in increasing the accountability of regional financial management and ensuring that the use of the public budget is able to provide optimal benefits to the community. Based on the results of the research, the Medan City Government is expected to continue to improve the quality of needs planning, supervision of procurement implementation, and evaluation of procurement results so that the implementation of Value For Money can run more optimally and have a greater impact on improving the quality of public services in the future.

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