

**THE USE OF PERFORMANCE INFORMATION IN THE
INDONESIAN PUBLIC SECTOR: THE ROLE OF
RATIONAL/TECHNOCRATIC AND POLITICAL/CULTURAL
FRAMEWORKS**

By

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Abstract

Public administrative reform in Indonesia accelerated after the country experienced economic and political turbulence in 1999. Since then the government has taken a series of measures to improve policy effectiveness, budget efficiency and public accountability. As part of the reform policy, influenced by the New Public Management paradigm, the central government introduced performance management systems in order to improve the capacity of public institutions, particularly local governments. However, the performance management system has not been well implemented up to now.

The thesis uses semi-structured interviews in central and local governments to answer two questions. How effective is the performance management system in Indonesian local government? How do rational/technocratic and political frameworks affect the effectiveness (or ineffectiveness) of performance management system?

The research focuses on implementation of the performance management system in local governments in Indonesia. Under the large-scale decentralisation policy, local governments are responsible for most public service provision. Interviews in central agencies were also conducted in order to have insight into the design and oversight of the performance management system.

The evidence suggests the performance management system in the Indonesian public sector is ineffective. This is indicated by gaps between performance indicators and actual performance, by the non-use of performance information and by the behaviour of those who are supposed to be influenced. The ineffectiveness may be explained by both rational/technocratic factors (resources, information and measurement, goal clarity, and external requirements), and political/cultural factors (internal commitment, external interest groups, and attitude and cultural change). Based on our findings, those elements affect effectiveness of the performance management system. However, respondents emphasised that political/cultural elements were more fundamental to successful use of performance information, but present more difficult and challenging issues to reform.

Indonesian government agencies compete with each other to maintain a role in the context of decentralisation, each seeking to prevent too much accumulation of power by any other agency. Therefore, although the government agencies may favour a technocratic approach, they will resist any comprehensive technocratic scheme of system integration, particularly in the performance management system. The Indonesian public sector may thus represent a case of 'political technocracy' in which rationality is limited by political interests.

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List of Abbreviations

ADIK	: Architecture and Performance Information
AKIP	: Performance Accountability of Government Institution
AMJ	: Inter Term
APBD	: Regional Budget
APBN	: State Budget
APIP	: Government Internal Supervisory Apparatus
ASN	: State Civil Apparatus
BAPPEDA	: Regional Development Planning Agency
BIMTEK	: Technical Assistance
BKD	: Regional Civil Service Agency
BKN	: National Civil Service Agency
BKPP	: Education and Training Civil Service Agency (Regional)
BPK	: The Audit Board of Republic Indonesia
BPKP	: State Development Audit Agency
CFO	: Chief Financial Officer
COO	: Chief Operating Officer
DAK	: Special Allocation Funds
DAU	: General Allocation Funds
DIPA	: List of Budget Implementation
DI Yogyakarta	: Special Region of Yogyakarta
DKI Jakarta	: Special Capital Region of Jakarta
DP3	: Assessment Checklist of Work Implementation
DPD	: Regional Representative Council
DPR	: House of Representatives
DPRD	: Regional People's Representative Assembly
ILPPD	: Information Report of Regional Government
K/L	: Ministry/Agency
KPI	: Key Performance Indicators
KSP	: Presidential Staff Office
LAKIP	: Report of Performance Accountability of Government Institution
LAN	: National Institute of Public Administration
LKjPP	: Central Government Performance Report
LKPD	: Local Government Financial Report
LKPJ	: Accountability Statement Report
LKPP	: Financial Report of Central Government
LPPD	: Report of Regional Government
LRA	: Budget Realisation Report
M&E	: Monitoring and Evaluation
MA	: Supreme Court
MENPAN-RB	: Ministry of State Apparatus Empowerment and Bureaucratic Reform
MK	: Constitutional Court
MNDP/BAPPENAS	: Ministry of National Development Planning/National Development Planning Agency
MOF	: Ministry of Finance
MOHA	: Ministry of Home Affairs
MPR	: People's Consultative Assembly
MTEF	: Medium-Term Expenditure Framework
MUSRENBANG	: Development Planning Meeting
NPM	: New Public Management

NPS	: New Public Service
PNS	: Civil Servant
PSM	: Public Service Motivation
RAB	: Budget Plan
RAPBN	: The Draft of State Budget
RENJA K/L	: Ministry/Agency Work Plan
RENSTRA K/L	: Ministry/Agency Strategic Plan
RKA K/L	: Ministry/Agency Work and Budget Plan
RKA	: Work Plan and Budget
RKP	: Government Work Plan
RKPD	: Local Government Work Plan
RPJMD	: Regional Medium-Term Development Plan
RPJMN	: National Medium-Term Development Plan
RPJP	: Long Term Development Plan
RPJP	: National Long-Term Development Plan
SAKIP	: System of Performance Accountability of Government Agencies
SKP	: Employee's Work Target
SKPD	: Regional Work Units
SPAN	: Treasury System and the State Budget
TEPRA	: Team of Evaluation and Monitoring of Budget Realisation
TOR	: Terms of Reference
UUD 1945	: The Constitution of 1945

Chapter 1

Introduction

1.1. Introduction

The concept of performance continues to receive considerable attention (Jarrar & Schiuma, 2007; Van Dooren, Bouckaert, & Halligan, 2010). Performance measurement takes on importance as an organisation becomes larger and more professionalised (Wiese & Buckley, 1998).

Although there is no single definition of performance, it may be understood as a set of information about achievements (Bouckaert & Halligan, 2008b). In an organisational context, the word performance may refer to the realisation of work in pursuit of its goals. As such, performance in an organisation reflects accountability. From the start performance (measurement) was used for administrative purposes such as retention, discharge, promotion, and salary administration (Wiese & Buckley, 1998). This concept was transferred from private to public institutions, and in recent decades has become a wider and more important issue under public sector reform (Goh, 2012). Effective performance management systems are used as a strategic tool to affect internal changes and to reach desired outcomes and high performing organizations (Bouckaert & Halligan, 2008b). In large organisations such as public institutions, the system has to be institutionalized and needs to be supported by all managerial levels. However, the concept of performance management has experienced many changes since it was introduced (the concept like Management by Objectives (MBO) originated by Peter Drucker in 1954 has a similar meaning to performance in some extent (Wiese & Buckley, 1998)).

Van Dooren et al. (2010) describe the movement of the concept of performance. The wave of performance movement in public sector management in the United Kingdom (New Public Management) and USA (Planning Programming Budgeting System; Zero Based Budgeting) in the 1980s-2000s spread to other countries including Indonesia (Koike, 2013) where the idea of performance has been inserted into Indonesian public administrative reform.

Public administrative reform is associated with the need for improved performance and performance data (Moynihan & Hawes, 2012). As the budget is

limited, the outcomes of every programme that are accomplished by the government must meet or exceed people's needs and expectations (Fryer, Antony, & Ogden, 2009). Accordingly, public organisations' accountability must be reflected in measurable performance (Bolton, 2003; Verbeeten, 2008). Nonetheless, performance measurement in the public sector faces complicated challenges (Rhodes et al., 2012). Bringing a practice from the private to the public sector does not always result in the same desired outcomes. Based on a study by Rhodes et al (2012), socio-economic forces and the political and administrative systems affect performance management in the public sector (p. 237). Meanwhile, other factors that influence the use of performance information, such as resources, information availability and performance measurement, goal clarity, law requirements, internal commitment, external interest groups, attitude and culture have been identified by Berman and Wang (200), De Lancer Julnes & Holzer (2001), Moynihan (2005), Melkers and Willoughby (2005), Ammons and Rivenbark (2008), Taylor (2011), Moynihan and Hawes (2012), and Kroll (2014).

Performance information consists of data, which is produced through performance measurement and evaluation, conducted by officials or agencies that are responsible for internal or external assessment. Appropriate use of performance measurement, potentially supports better decision-making process and is thus important for public organisations as an input and reflection to improve policies and programmes (De Lancer Julnes & Holzer, 2001). Performance information provides a basis for accountability in administrative reform (Moynihan & Hawes, 2012).

Performance information may even determine the quality of democracy in that it gives citizens the opportunity to make choices, although this aspect tends to be neglected (Pollitt, 2006). There are several possible reasons for underuse of performance information. The first is the quality of the information itself. The second is the indistinct 'end-user'. The third is diversity and lack of integration of the information (Askim, 2007; Bouckaert & Halligan, 2008b; Van Dooren et al., 2010).

The challenge of integrating or using performance information in the Indonesian public sector dates back to when the country sought to initiate a performance measurement policy. The era of performance management in Indonesia began in the late 1990s through the Presidential Instruction No 7 Year 1999 on the Performance Accountability of Government Institutions (AKIP). This policy ordered all managers in public institutions to produce a Report of Performance Accountability of

Government Institution (LAKIP). Unlike in the past, government institutions had to measure the effectiveness and efficiency of their programmes and to reflect those in strategic plan documents. This presented a difficulty in that strategic plan documents had never been created before. Performance measurement was therefore problematic in that the plan and the measurement were conducted at the same time.

In order to improve organisational accountability and performance particularly in public finance, the government enacted Law Number 17 Year 2003 on State Finances. The work plan of every public institution was henceforth required to consider the performance target to be accomplished. The same law introduced the idea of performance-based budgeting, focusing on performance measurement in terms of outputs and outcomes. However, although the regulations are in place, performance measurement has not yet been fully operationalized as the basis for producing the budget plan.

Following those regulations, the House of Representative and Government passed Law Number 25 Year 2004 on the National Development Planning System. Under this law, the implementation of national development is based on a grand design of long and medium term plans. In this context, the use of performance information is vital to generate and evaluate a strategic plan in the policy cycle (Van Dooren et al., 2010). In 2014, Law Number 5 Year 2014 on the State Civil Apparatus was passed. The regulation concerns job performance assessment of civil servants that requires each employee to draw up an individual performance contract. Additionally, central government also issued Law Number 23 Year 2014 on Local Government in order to monitor and to evaluate local authorities' performance.

However, since the performance management system was introduced in 1999, the system has faced many problems that inhibit performance. Information is not completely utilised by government agency, particularly local government. A study from Surawijaya and Wibisono (2013, p. 31) at one Indonesian ministry, found the absence of any special agency in charge of designing, implementing and monitoring performance management system; unclear vision and mission statement and organisation's strategic goals; and ambiguous key performance indicators. Moreover, local governments have to deal with conflicting accountability requirements obliged by central agencies (Manafe & Akbar, 2014, p. 56). Meanwhile, self-reporting bias also occurs, causing performance evaluation subjectivity (Solikin, 2005). Additionally, Akbar, Pilcher, and Perrin (2015, pp. 3-4) showed that local governments were lack

of management motivation and complied with performance measurement through coercive isomorphism system enforced by the central government.

The aforementioned studies of the Indonesian performance management system give valuable insight about problems that occurred. However, those studies only focused on individual specific issues or aspects (e.g. LAKIP) and specific cases (e.g. a ministry or a provincial government). We have not seen a comprehensive explanation on performance management system ineffectiveness problem, particularly performance information use.

Underutilisation of performance information is related to ineffective performance management systems in the country. Problems such as differences between performance indicators and actual performance, the use and non-use of performance information, the gap between desired and actual behaviour occur in an ineffective system (Behn, 2002; Bouckaert & Halligan, 2008b; Plant, 2006; Van Thiel & Leeuw, 2002). Performance management system effectiveness depends on successful adoption and implementation that influenced by rational/technocratic and political/cultural factors (Carlucci, Schiuma, & Sole, 2015; De Lancer Julnes & Holzer, 2001). Moreover, public sector performance information could be integrated into development planning policy, financial management and human resource management (Van Dooren et al., 2010)

Therefore, based on the problems identified by previous research on the performance management system in Indonesian public sector, this study will apply a more comprehensive approach compared to other researches by exploring problems related to performance management system effectiveness and by analysing factors that influence performance information use from rational/technocratic and political/cultural frameworks in local governments.

The performance management system in Indonesian local governments is taken as the focus of this thesis, because local governments (provinces and cities/regencies) carry out most public service functions in the decentralised system. Meanwhile, central government controls local governments' performance through ministries and agencies by setting up policy, regulation and budget provision. Therefore, an effective performance management system is needed to assure local governments carry out their duties with specific standards and to improve public service quality.

1.2. Objectives of the Study

Based on the issues above, this study aims to explore performance management effectiveness in the Indonesian local government. The study will consider the adoption and implementation processes, particularly the utilisation of performance information in development planning policy, financial management and human resource management in local government. Thus, the thesis will develop and enrich existing theories and concepts on public sector performance management in decentralised government systems by investigating and analysing the factors that limit the pursuit of efficiency.

1.3. Research Questions

This study will address the following research questions:

1. How effective is the performance management system in Indonesian local government?
2. How do the rational/technocratic and political/cultural frameworks affect the effectiveness (or ineffectiveness) of performance management system?

1.4. Scope and Limitation of the Study

Research on performance management in public sector can be approached from different angles and perspectives (Bouckaert & Halligan, 2008a). However, the thesis will focus on the arguments of central agencies in developing performance management policy and local government's comprehension and implementation of this policy, as the targeted institutions. Thus the research will examine the adoption and the implementation stages of performance information utilisation, including supporting factors.

Moreover, although the use of performance information can be applied in many government policies and sectors, the discussion of this research is limited to development planning policy, financial management and human resource management in Indonesian public sector.

1.5. Thesis Structure

The thesis will be divided into the following chapters:

1. Chapter One: Introduction (Introduction, Objectives of the Study, Research Questions, Scope and Limitation of the Study, Thesis Structure).
2. Chapter Two: Literature Review (Introduction; New Public Management and Performance Management; Defining Performance Concepts: Performance Information Utilisation; Two Stages of Performance Information Utilisation; Performance Management Ineffectiveness Problems; Factors that Influence Performance Information Utilisation; Performance Management Researches on Indonesian Public Sector).
3. Chapter Three: Overview of Indonesian Government Structure and Performance Management System (Introduction; The Indonesian Governmental System; Indonesian Central and Local Government Relationship; Authorised Ministries and Agencies in the Performance Management System).
4. Chapter Four: Research Methods (Introduction; Research Philosophy; Research Paradigm; Research Strategy; Research Method; Problem and Limitation; Data Collection; Data Form, Type and Source; Data Analysis; Ethical Consideration).
5. Chapter Five: Public Sector Performance Management Problems (Introduction; Gap Between Indicators versus Actual Performance; Non-use of Performance Information; Gap between Desired and Actual Behaviour; Dysfunctional Effects)
6. Chapter Six: Rational/Technocratic Perspective on Performance Information Utilisation (Introduction; Resources: Technical Knowledge and Infrastructure; Information Availability and Measurement System; Goal Clarity; External Requirements)
7. Chapter Seven: Political/Cultural Perspective on Performance Information Utilisation (Introduction; Internal Commitment; External Interest Groups; Attitude and Cultural Changes).
8. Chapter Eight: Conclusion (Challenges to Performance Management System in the Indonesian Public Sector; Implication of Findings; Contribution to Public Sector Management Theories)

Chapter 2

Literature Review

2.1. Introduction

This chapter starts by reviewing the new public management ideas that underlie performance management systems. Afterwards, we review some performance concepts to give a better understanding. Theories and concepts that are related to factors that influence performance information use will be discussed as well. Finally, in the final section, we will review some researches about performance management system in Indonesia to compare and find out the difference and position of this study.

2.2. New Public Management and Performance Management

The discussion of performance management theory in the public sector cannot be separated from the emergence of the idea of New Public Management (NPM). NPM concept became known in the 1980s beginning with countries such as Australia, Canada, Netherlands, New Zealand, Sweden, United Kingdom and USA. Pressure for NPM was broadly linked to the economic recession that occurred in the 1970s and the associated belief that government had taken too large a role in serve the public, causing overload and incompetence and ineffectiveness in maintaining welfare states (Lane, 2000; Pollitt & Bouckaert, 2011). The situation had impacted on budget efficiency and reduced public service quality.

In the 1990s, NPM ideas spread to other countries and altered the understanding and traditional concepts in public administration (Lane, 2000).. NPM implementation was considered as a solution for economic and fiscal crisis and a way of minimising the cost of public services. However, in developing countries, NPM implementation was often initiated as a result of external factors related to donor funded programmes aimed at increasing institutional capacity in the context of economic and financial crisis (Larbi, 1999).

According to Gruening (2001) a rage of perspectives, including public choice theory, management theory, classical public administration, neoclassical public

administration, policy analysis, principal-agent theory, property-rights theory, and transaction-cost economics all influenced the development of NPM. Consequently, NPM application varies in practice. For example, concepts of performance measurement, accountability improvement and financial management are related to classical and neoclassical theories of public administration, principal-agent, and policy analysis. Ideas of privatisation, contracting out and competition have been influenced by the theories of public choice, property rights, and transaction costs. Similarly the customer concept is advanced by new public administration theory (Lane, 2000).

In Indonesia, adoption of NPM is reflected in performance measurement, government and financial accountability policies. Additionally, it is aimed to improve good governance practice, efficiency and effectiveness. Furthermore, another reason for NPM adoption is the need to counter corruption, collusion and nepotism (Crouch, 2010; Schütte, 2012), which result from weak capacity of internal public administration institutions. The financial crisis of 1998 became multidimensional, leading to social and political crisis because of these internal problems. Eventually, the Indonesian government had no choice but to reform in order to restore economy and public confidence (Hamilton-Hart, 2000).

Internal weaknesses may occur because the government apparatus is too extensive, intrusive, expensive and inefficient. Grindle (1997, p. 3) calls it “too much state”. Supporting Grindle’s idea, research from ILO (1995) showed evidence of excessive numbers of civil servants, resulting in larger budget allocation for salaries of employees than for development. Larbi (1999) noted the role of inefficient budgeting for public service infrastructure maintenance. Moreover, issues such as low capacity of government personnel who create ineffective policy-making, slow ways of working, poor infrastructure and public services, high transaction costs and growing corruption were also causing increasing problems (ILO, 1995).

NPM was thus adopted by governments in order to improve managerial capacity, efficiency and quality of public services (Lane, 2000; Osborne, 1993; Osborne & Gaebler, 1992). The improvements may be achieved by performance management implementation in the public sector. Kaboolian (1998) argues that application of performance management creates competition between units of government work and enables performance bonuses and penalties.

The principles and positive expectations of NPM had a major influence on public sector reform in many countries. Pollitt and Bouckaert (2011, p. 2) identify two aspects on public sector reform, namely 'structure or processes' and 'getting them to run better'. The first can be interpreted with regard to institutional reform, organisational structure, recruitment process for civil servants, legal and administrative relationship between government and citizens. The second aspect is related to the management or how the organisation becomes more efficient, responsive to community needs, and focuses on the goals that have been set.

Public sector reform is aimed to create government that is efficient and public accountability-oriented. Achieving good governance is one of the most important factors in improving effectiveness of development and policy (Das, 2010). In line with the NPM paradigm, a performance management system needs to be implemented in the public sector in order to create efficiencies and improve good governance (Laegreid & Christensen, 2013). Therefore, each government agency is expected to be able to measure output and outcome from available input.

Performance management can be assumed as an important element in public sector reform and an effort to improve public managers ability to manage resources in efficient, effective and measurable results to achieve organisational goals (Bouckaert, Ormond, & Peters, 2000). In other words, performance management is intended to steer and control the accountability of public organisation.

Public sector reform is generally carried out through structural changes in the organisation (Pollitt & Bouckaert, 2011) and management (Self, 2000). Organisational structural reform or institutional reform is completed to find the right construction in accordance with organisation needs and dynamic environment. Management reform is then applied to improve efficiency (input-output ratio) and effectiveness (degree that outcomes result from outputs) of government policy and programme. In principle, these changes are interrelated, when the organisational structure is changed then working method will be adjusted. Performance targets will be set and performance measurement applied to see if targets are achieved. However, as Ferlie & Geraghty (2005) argued, government management reform depends on how strong or weak the overall application of NPM is in a country. Applications of accounting, auditing and performance measurement represent 'hard NPM', while 'soft NPM' emphasises changes in human factors, user-orientation, quality improvement and individual development.

Based on the literature cited, it is clear that the development of performance management systems, particularly in the public sector, is related to NPM, which emphasises quality and accountability. Moreover, Van Dooren et al. (2010) argue that performance movement in public sector needs political consensus because they relate to power and authority. Performance management can be implemented if there is an interaction between legislatures and executives. On the other hand, performance management involves interaction both horizontally and vertically between departments across government.

2.3. Defining Performance Concepts

2.3.1. Performance Measurement and Evaluation

To begin with, we need to understand what performance means? Bouckaert and Halligan (2008b, p. 14) argue that performance 'is not a unitary concept', which has different meaning according to range of disciplines. Some writers give definition about performance. For instance, Bernadin, et.al (1995) in Armstrong and Baron (1998, p. 16) define performance as,

“...outcomes of work because they provide the strongest linkage to the strategic goals of the organisation, customer satisfaction, and economic contributions”.

Alternatively, performance could be seen as productivity. As Kearney and Berman (1999, p. 2) explained,

“Performance is similar to that of the term productivity as for example, the effective and efficient use of resource to achieve outcomes. However, performance is broader than some narrow meanings of productivity (efficiency, for example).”

Carton and Hofer (2006, p. 3) stated that performance could be defined contextually.

“In the context of organisational financial performance, performance is a measure of the change of the financial state of an organisation, or the financial outcomes that result from management decision and the execution of those decisions by members of the organisation.”

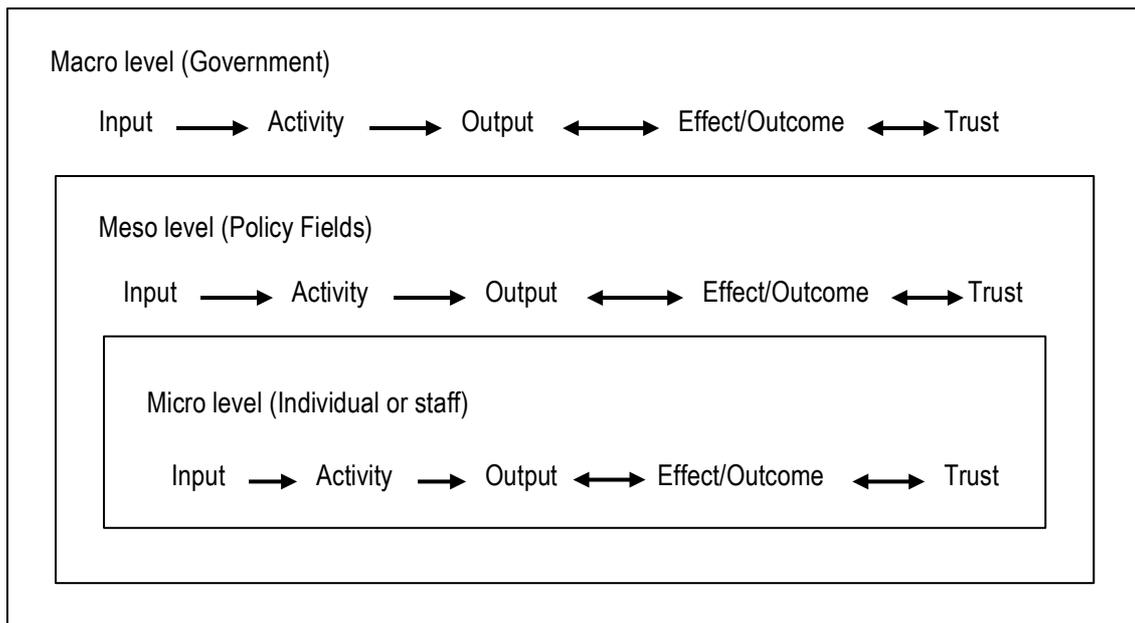
Moreover, Judith Hale (2004, p. 2) defined performance as the potential capability of organisation or individual.

“Performance is about the ability to deliver on a promise while having the resiliency to withstand challenges, with few, if any, negative aftereffects. It applies to organisations, people, individually and collectively, systems, processes, products, and services.”

Based on the definitions above, we find that performance is related to an organisation or individual ability to produce outcomes by using resource in effective and efficient ways. Performance also concerns how organisation and individual activities should be carried out to achieve a predefined plan.

Moreover, performance also has span and depth dimensions. Bouckaert and Halligan (2008b) explain that there are three layers of depth of performance in the public sector i.e. micro, meso and macro (see Figure 2.1). From the figure, performance span is defined as horizontal relationships from input to outcome at staff or individual, policy, and government level. Input is being processed through activity to produce outcome and create outcome/effect. This horizontal expansion eventually impacts on trust from superior, citizens and stakeholders. Any disruption occurring in the relationships lead to inefficiency and ineffectiveness. Meanwhile, performance depth concerns the vertical relationship between government (macro level), policy (meso level) and individual/staff (micro level).

Figure 2.1 The Span and Depth of Performance Dimension



Derived from Bouckaert and Halligan (2008b, p. 26)

However, Bouckaert and Halligan (2008b) also identified a problem in government performance, which they term the 'Grand Canyon' phenomenon. It is a problem related to disconnection "between outputs on the one side, and a disrupted and distant, almost unreachable, but visible sequence of intermediate and ultimate effects and outcomes on the other side" (p. 17). The phenomenon can be seen, for example in health and education sectors. We may see the improvement in society (i.e. increasing literacy level, declining a certain disease) but those are not solely because of government's action. There are many influential actors and factors that also contribute to the outcomes, such as non-government organisations and the private sector. Therefore internal performance measures cannot be assumed to reflect real service outcomes.

Performance Measurement

Some writers, such as Hatry (1999), Radnor (2008), Bouckaert and Halligan (2008b), define performance measurement from similar view as assessment or observation in a systematic way. Additionally, the United States General Accounting Office (1998) mentions on-going monitoring in performance measurement.

Regarding the term of performance measurement, Hatry (1999, p. 304) in his study that focuses on governments' performance, explains,

"Performance measurement for governments is the systematic assessment of how well services are being delivered to a community—both how efficiently and how effectively"

Radnor (2008, p. 98) also defines performance measurement as valuation that similar with Hatry (1999) explanation.

"Performance measurement is the valuation of quantity or quality of the input, output, outcome or level of activity of an event or process".

Moreover, Bouckaert and Halligan (2008b, p. 26) consider a systematic measurement. They define performance measurement as,

"...systematically collecting data by observing and registering performance related issues for some performance related purpose".

The United States General Accounting Office (1998, p. 3) definition stresses on-going monitoring.

“Performance measurement is the on-going monitoring and reporting of programme accomplishments, particularly progress towards pre-established goals. It is typically conducted by programme or agency management”.

Based on the definitions above, we can arrive at a view of performance measurement as involving ongoing and systematic data collection, assessment, and reporting on programme accomplishment or performance. Measurement focuses on results of specific target or indicator over the time. Performance measurement has a different meaning from performance evaluation, although both are aimed to find out about improvement. They share similarities but serve different purposes.

Performance Evaluation

Essentially, the term performance evaluation is related to programme evaluation. Tatian (2016, p. 1) defines performance evaluation,

“Evaluation tells the programme’s effect on the people, families, or communities it is serving, that is, whether a programme is producing results or having an impact”.

The Department of Justice, Canada (2004, p. 2) also uses the term performance evaluation and links it with policy, programme and strategy evaluation.

“Evaluation is a specific, in-depth way to gather and analyse information and draw conclusions about the performance of a policy, programme or strategy. Evaluations may also be focussed at the project level”.

Meanwhile, the United States General Accounting Office (1998, p. 3) declares that,

“[Performance or] Programme evaluations are individual systematic studies conducted periodically or on an ad hoc basis to assess how well a programme is working. They are often conducted by experts external to the programme, either inside or outside the agency, as well as by programme managers”.

According to the definitions above, we find that performance evaluation has a broader sense than performance measurement. Evaluation is normally before and after comparison, which is aimed to evaluate the impact from a policy or programme. Performance evaluation implies explanation, conclusion and feedback. It may include

measurement activities; meanwhile measurement tends to look for signals. However, organisation and management researchers mostly use the term of performance measurement rather than evaluation.

Performance Information

The term performance information can be viewed from two sides. The first is the information or data about programme achievement that is being used for performance measurement. Secondly is information as a result of performance measurement or evaluation. Pollitt (2006, p. 39) states that:

“Performance information is systematic information describing the outputs and outcomes of public programmes and organisation—whether intended or otherwise—generated by systems and processes intended to produce such information”.

Furthermore, information from a performance measurement process is presented in performance reports. Regarding this, Radnor (2008, p. 98) explains,

“Performance reporting is providing an account, and often some analysis, of the level of input, activity, output or outcome of an event or process, usually against some form of target”.

Performance information is important as a tool for controlling an organisation. Van Dooren et al. (2010) describe control using a metaphor of driving a car. Destination, the route, road sign, car instruments (speed, gas, oil pressure, temperature) are the things that we must look carefully when we control organisation. Performance information gives us a signal about organisation condition in order to achieve the goals by following certain path and using most efficient resource. By the end of journey, we evaluate goal achievement based on performance measurement. Did we arrive at the right destination? How fast did we arrive? Did we break the rules or not? Did we drive economically? Such questions will occur when we evaluate organisation achievements.

There are two kinds of performance information that can be collected in public organisations: routine and non-routine (Kroll, 2013). Routine information refers to systematic collection and reporting of organisational performance. Instead, non-routine performance information is any kind of data that would give feedback from any operated programmes or practices but are not collected regularly. It is an ad hoc

approach and often passively received through various media. The non-routine performance information complements the routine because it does not automatically make public decision making more objective, rational, and transparent.

Additionally, performance information can also be classified as qualitative and quantitative (Carter, Day, & Klein, 1992; Verbeeten, 2008). Qualitative performance refers to “operational quality” such as accuracy, and “strategic capacity” such as innovation and long-term effectiveness. While quantitative performance refers to use of resources such as budget depletion, number of output produced, and efficiency (Verbeeten, 2008, p. 430).

The types of information will affect the arrangement of performance indicators. Kroll (2013) argues that most indicators that have been used by government in general are quantitative and routine because those are relatively easier to be measured. This may lead to weaknesses since not all indicators, particularly outcomes, can be quantified. Using the inappropriate type of information will lead to misjudgement and misinterpretation of organisation or individual performance.

Based on the literature above, what we mean by performance information in this thesis is: any reported facts or knowledge derived from performance measurement, which describe outcomes of individual, policy field, or institution activities in using inputs to achieve output and outcomes.

2.3.2. Performance Management

The terms of performance management has been described by many writers such as Marr (2009), Verbeeten (2008), Behn (2002) Amstrong and Baron (1998) and Radnor (2008). Marr (2009, p. 3) in his book gives performance management definition.

“Performance management is about identifying, measuring and then managing what matters in order to improve the effectiveness, efficiency and overall performance of an organisation”.

Verbeeten (2008, p. 430) defines performance management as,

“The process of defining goals; selecting strategies to achieve those goals; allocating decision rights; and measuring and rewarding performance”.

Behn (2002, p. 5) explains multi interpretations of performance management concept.

“It has been called results-driven government, performance-based management, governing for results, performance-based budgeting, outcome-oriented management, reinventing government, the new public management, the new managerialism, and marketization”.

Armstrong and Baron (1998, p. 7) define it from the human resources aspect as,

“A strategic and integrated approach to delivering sustained success to organisations by improving performance of the people who work in them and by developing the capabilities of teams and individual contributors”.

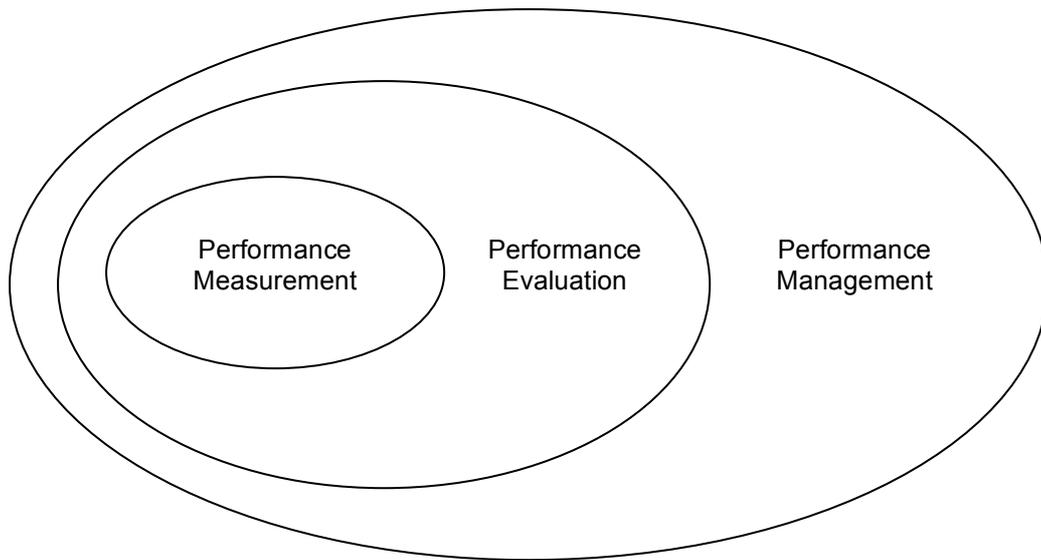
Additionally, Radnor (2008, p. 95) explains,

Performance management is action, based on performance measures and reporting, aimed at improvements in behaviour, motivation and processes and promotes innovation”.

Based on the definitions above, we find performance management is an integrated approach based on defining goals, selecting strategies, allocating resources, measuring achievements and interpreting measurement results to improve organisation effectiveness and efficiency.

The relationship between performance measurement, evaluation and management can be understood in Figure 2.2. Performance measurement is part of performance evaluation because evaluation includes measuring activities, drawing conclusion and giving feedbacks. Meanwhile, performance management is more comprehensive action, which include measurement and evaluation activities.

Figure 2.2 Performance Measurement, Evaluation and Management



Essentially, performance management, particularly in the public sector is not a novel concept and it continues to develop (Behn, 2002). Van Dooren et al. (2010) mention that there are eight movements of performance since the nineteenth century until the late of twentieth century: 1) Social Survey Movement; 2) Scientific Management and Administration; 3) Cost Accounting; 4) Performance Budgeting; 5) Social Indicator Movement; 6) Quality Movement; 7) New Public Management; and 8) Evidence Based Policy. Based on the movements, there is growing awareness in government and public administrators of the important of measuring programme outputs and outcomes and using performance information to improve public services. However even though we may agree about the idea, there are some problems in implementation. From De Lancer Julnes and Holzer (2001), we can see two stages of performance information promotion: adoption and implementation. Many governments reportedly failed in the latter stage although they succeed in the first stage.

Performance management has become more systematic, specialised, professionalised and institutionalised particularly in the United States, United Kingdom, Canada and Australia (Bouckaert & Halligan, 2008a; Marr, 2009; Van Dooren, 2006). However, the research that emphasizes performance management utilisation has received less attention, some of arguments are because of the

challenge and cynical perception about using the performance information (Van Dooren & Van de Walle, 2008).

In the context of public administration reform, performance management system can be the main tool for controlling agencies from the ministries. The system enables the ministry to allocate resources based on specified targets and goals from the various agencies. Thus, in turn, agencies are expected to make performance reports about their accomplished programmes. As a controlling tool, performance management is rooted in principal-agent theory (Demartini, 2013, pp. 12-13). Performance management systems ensure that agents (local government and staff) act in favour of principals' interests (central agency or public managers).

Furthermore, Bouckaert and Halligan (2008b) argue that there are certain types of public sector performance management. They can be differentiated according to measurement aspects, how they incorporate or use the performance information and the limitations of performance measurement. The types can be described in the table below.

Table 2.1 Four ideal types of managing performance

	Measuring	Incorporating	Using	Limitation
1. Performance Administration	Administrative data registration, objective, mostly input and process	Some aspects	Limited: reporting, internal, single-loop	Ad hoc, selective, rule based
2. Management of Performance	Specialized performance measurement systems	Within different systems for specific management functions	Disconnected	Incoherence
3. Performance Management	Hierarchical performance measurement systems	Systemic internal integration	Coherent, comprehensive, consistent	Complex, perhaps not sustainable as a stable system
4. Performance Governance	Consolidated performance measurement system	Systemic internal and external integration	Societal use	How controllable and manageable?

Derived from: Bouckaert and Halligan (2008b, p. 73)

Based on the table, the types can be understood as “stages” of performance management. Starting with Performance Administration, there are only modest performance management activities, which have many limitations in terms of integration. In the next stage, Management of Performances, the management becomes more specialized and there is some integration although in specific management function only. However, there is no link between performance measurements and decision-making process. The third stage is Performance Management. In this stage, there are hierarchical performance measurement systems with systemic internal use of performance information. The utilisation of information becomes coherent, comprehensive and consistent. The final stage is the most advanced type, that is Performance of Governance. Measurement in this stage is consolidated while the use is not only for internal but also external. Society is fully aware of and actively using performance information.

According to the literature above, performance management is intended to improve government efficiency and effectiveness. From Bouckaert and Halligan (2008b), we understand that application of performance management can be characterised as based on the elements of measuring, incorporating, using and limitations, which may be different in every government (Hammerschmid, Van de Walle, & Stimac, 2013).

2.4. Performance Information Utilisation

The term performance ‘use’ can be interpreted as ‘utilisation’, ‘integration,’ and some authors also use the word ‘incorporation’. Essentially, the information can be used for external and internal purposes (Hammerschmid et al., 2013) Externally, performance information is used to create image of organisation and transparency, to compare and benchmark, and as accountability tool. Meanwhile, internally, performance information is also be used by organisation to monitor and improve effectiveness and efficiency (De Bruijn, 2007).

Performance information can play a significant role in society. The users of performance information can include politicians, public managers, and citizens (Moynihan & Pandey, 2010). Politicians use this information for budget making and

to control public agencies. Public managers use it for operational and strategic decisions, and citizens may use the performance information to assess how taxes are being used for public services. Performance information has influenced policy makers to some extent or even in less formal ways. Managers use information as their basis for decision making in several ways. Some of them use performance reports, while others prefer talking to people directly (Hood, 1991; Mintzberg, 1973). The most effective choice between those two methods depends on the quality of report and openness in the society.

Why might we need to integrate performance information in public sector? Moynihan (2008) argues that the reason behind the use of performance information is its motivation potential regarding users, and the utility of performance information in the pursuit of their goals. Ideally, we need to have objective performance information that means neutral, scientific or definitive. However, it is difficult to have such information particularly when it is used for advocacy reason. Legislatures or executives tend to present the performance information that supports their intentions (Majone, 1989). Performance information is used by executives for advocacy in order to present their perspective in the policy arena (Stone, 1997). It also has a purpose for goal-based learning that means as measurement on target achievement and how to achieve and improve the targets.

In order to have positive outcomes, performance information needs to be supported by managers. The effort of public managers to use performance information is one of the critical indicators in measuring performance (Hatry, 2006). The difficult part in performance management because it requires greater understanding from individuals or organisation to change their decision-making behaviour by considering such abundant information. Within the performance information system, there is a weak spot that connection between performance measurement and the use of the performance information in decision-making is very low (Van de Walle & Van Dooren, 2008).

The use of performance information may not automatically create agreement and consensus, but it gives a reasonable interpretation of similar information (Moynihan, 2008). Agreement and consensus will be reached depending on the consistency of the actors involved, their ability to persuade others and their power in the decision-making process. Performance information may not drive decisions in

some automatic and mechanical way (De Lancer Julnes, 2008). It may form the basis for discussions that lead fairly directly to decisions.

Many writers agree that performance measurement is a political activity (Bouckaert & Halligan, 2008b; Moynihan, 2008; Van Dooren et al., 2010). In regarding to that, different actors who involve in political arena possibly have different perceptions of the factors that formed performance. The background of their value and priority also influence their framework in assessing performance measurement. Consequently, performance measurement cannot satisfy all actors and the measurement of it relies on subjective verdict. Moreover, political ideology and partisanship may have a negative impact on performance measurement utilisation. The use of performance information will be supported by legislative in the case of the executive come from the same party or political interest and likely can be easily to manipulate legitimation of programmes that benefit the both sides (De Lancer Julnes, 2008).

Moynihan and Hawes (2012) add that the environment influences performance information use. They stated that the pressures both internally and externally could also create impact to organisation to use performance information. From the internal side, managers may use their power to improve quality by evaluating previous performance and learn from mistakes to achieve better output. While from the external side, demand for accountability from citizens or clients may push government to become more transparent about budget spending and meet public expectations. Stakeholders play important role of performance information use.

The purpose of performance measurement is to manage the organisation in order to remain on track in achieving the goals that have been set (Joyce, 2015; Joyce, 1999). In relation to that, Behn (2003) identified eight managerial purposes of performance measurement system. The purposes are not necessarily distinct from one another and may in fact overlap. They include: evaluating, controlling, budgeting, motivating, promoting, celebrating, learning; and improving. In the reality, organisations may use performance information to evaluate their activities and to control whether they are on the right track or not. Based on performance information, organisations may decide budget allocation. While performance information is also used to motivate and improve individual or work unit capacity to have better performance. Eventually performance information results will identify the better

performers and the organization will celebrate them, for example by promotion. By doing this, others can learn from them and finally the organisation performance will improve.

In addition, in order to have more clarity about performance information use, Weiss (1998) differentiated between four distinctive types of performance information use. These are: instrumental, conceptual, persuasion and enlightenment. Firstly, instrumental use concerns whether performance information influences the decisions of a programme or policy. Secondly, conceptual use means if performance information could change perceptions of the programme or policy. Thirdly, persuasion use refers to whether the information provides support to programme or policy implementation. Finally, enlightenment use means if performance information could influence other institutions, provide knowledge and enable the thinking and action alterations.

Based on Weiss's (1998) categorisation, De Lancer Julnes (2008) argued that an organisation is considered a success in using performance information if the organisation uses it for instrumental purposes such as programme budgeting, personnel rotation, expanding or terminating programme or policy. While other purposes are considered as non-instrumental. She makes a distinction between instrumental and non-instrumental in performance information use. Additionally, she differentiates the audience of performance information between internal and external. Her classification can be seen in the following table.

Table 2.2 Purposes of performance measurement

	Primary audience	
Nature of knowledge use	Internal	External
Instrumental	Improvement	Accountability
Non-instrumental	Understanding	Mobilisation

Derived form: De Lancer Julnes (2008, p. 68)

As we can see from the table above, for internal audience, the instrumental purpose is for improvement of programmes. It focuses on programme outcomes, processes and efficiency. Also, it may concern resource re-allocation to improve programme implementation. On the other hand, for external audience, the

instrumental purpose is for accountability matters. Performance information shows the extent to which input is being used to achieve outcomes. Additionally, it illustrates efficiency of organisation. Programme results and outcomes may become the most attention for citizens. Government publishes performance information to be more transparent and responsive, which is done on regular basis to fulfil accountability purposes (Smith, 1990).

Furthermore, from the table it also implies the non-instrumental purposes for internal audience that is for understanding. Performance information offers an opportunity for managers to share the possible programme or policy direction and possible changes. Understanding may be major reason for conducting performance measurement to improve programme or policy because it sends information about how the programme work and any obstacles faced. Afterwards, the last non-instrumental purpose for the external audience is mobilisation. It means performance information is used to get support from citizens and legislators for public officials. High performance measurement results may help public officials to propose their next programme.

Based on the literature above, we can agree that performance information has many purposes and can be classified by nature of use and by audience. Therefore, this thesis focuses on the classification that could explain performance information use instrumentally and non-instrumentally by internal and external audiences (local and central government).

The use of performance information occurs in public policy and management practices. In general, as stated by Van Dooren et al. (2010), performance information normally integrates in the policy, financial and contract. In those areas, the information has role as feedback to the decision makers. In line with Van Dooren et al. (2010), this thesis considers performance information use in narrower perspective, which is in development planning policy, financial, and human resource managements.

Development planning policy is a sequence of functional activities beginning with problem identification and agenda information, and concluding with the evaluation and the continuation, modification, or termination of policy or programme (Knill & Tosun, 2012). Performance information acts as feedback from the evaluation function point of view. Evaluation could be applied either comprehensively or

specifically. Any information is valuable for organisation improvement and developing better strategic plan.

Financial management plays a role in development planning. In public sector, financial management includes budgeting, accounting and taxation activities (Bovaird, 2009). However, performance information use is more relevant in budgeting process. Van Dooren et al. (2010) argued, in a hard use performance management application, performance information becomes feedback for programme improvement and decision makers to approve or reject budget proposal. Meanwhile, in a weak application of performance management, the information will be valued as input for learning process to improve financial management practice in the future.

Moreover, performance information use in human resource management can be applied an individual performance contract or agreement (TĂȚAR, 2011, p. 113). Van Dooren et al. (2010) defines the contract as an agreement between key actors or organisations in a policy field that incorporate essential performance information (p. 83). Contracting can be viewed in wider terms such as contract between government and third parties in service provision programme or in narrower application for example between superior and subordinates. Individual/employee performance contract positively contributes to organisational performance (Kim, 2005, p. 255). An individual contract should have a clear statement of targets, activities, outputs that are produced, and expected outcomes.

Based on some literature above, we find that, an ideal performance management system integrates or uses performance information optimally in development planning policy, financial management and human resource management. Therefore, this thesis uses that knowledge to analyse how Indonesian government agencies integrate performance information.

2.5. Two Stages of Performance Information Utilisation

As described earlier, performance information in public sector has many functions (De Bruijn, 2007). However, the application of performance management, particularly the use of performance information, always requires several steps before taking effect.

According to De Lancer Julnes (2008, p. 63), there are two stages of utilisation of performance measurement: adoption and implementation. Adoption means, “developing a performance measurement—a capacity to act” and implementation means, “actually using the information—knowledge converted into action”. The two stages are very important although the adoption does not necessarily lead to implementation. The capacity to act does not necessarily lead to the conversion of that knowledge into action. These two stages are affected differently by organisational factors. The success of performance management adoption and implementation is influenced by some factors, so called rational/technocratic and political/cultural factors (De Lancer Julnes & Holzer, 2001). In particular, Carlucci et al. (2015) carried out a study about the processes of adoption and implementation of performance measurement in the Italian public sector. They found that there were cause and effect relationship between the adoption and implementation. Their study showed that rational/technocratic factors not only affect policy adoption but also implementation. In Italian public sector, policy adoption was driven by rational factors and the implementation stage was determined both by rational factors such as resources and by political considerations, for example external interest groups.

2.5.1. Adoption Stage

Before a performance management system can be operated effectively, government institutions must prepare a measurement system. This can include measures of output, outcomes and efficiency. Moreover the institution may be required to build internal capacity. The intention of this stage is to gain attention of public managers about performance information utilisation (Beyer & Trice, 1982, p. 596). Moreover, Knill and Tosun (2012) explain, the adoption stage involves political decisions. It means before the implementation, the government should enact policy and regulation regarding to performance measurements. Since it is considered as an issue, public sector performance becomes institutional agenda that need to be resolved.

At the adoption stage, the most influential factors are rational/technocratic capacity including internal requirements; support from internal interest groups (management and employees); availability of adequate resources; technical knowledge about performance measurement, and a goal orientation. While the

factors that affect the implementation stage are political support and involvement of external interest groups (citizen and elected officials) (Carlucci et al., 2015; De Lancer Julnes & Holzer, 2001).

2.5.2. Implementation Setting

After being internalised in the form of law and regulation, performance management systems need to be implemented in order to become effective. The implementation represents knowledge converted into action and refers to the actual use of performance measurements for strategic planning, resource allocation and reporting to internal management, elected officials, and citizens or media (Beyer & Trice, 1982; De Lancer Julnes & Holzer, 2001).

Although the implementation stage comes after adoption, a successful adoption phase is not necessarily followed by effective application. Consistency and commitment of public officials will decide whether performance information is being utilised in policymaking process. Knill and Tosun (2012, p. 149) stated that implementation stage involves transformation of policy output into a policy outcome.

Based on the De Lancer Julnes and Holzer (2001) and De Lancer Julnes (2008), we see that rational/technocratic factors influence most the stage of adoption. On the other hand, the factors that affect implementation are predominantly political support and involvement of external interest groups (citizen and elected officials). However, both factors may influence either the adoption and implementation stages as shown by Carlucci et al. (2015). For example, conflict of external interest groups may also impede performance management adoption. On the other hand, technical knowledge, which could be translated into rules and regulation, may complicate the implementation phase.

2.6. Performance Management Ineffectiveness Problems

Many authors have found that, even though performance management has received great attention and has been implemented, there are several further

obstacles that hinder government institutions to use performance information (Drucker, 1999; Kearney & Berman, 1999; Taylor, 2011; Van Dooren et al., 2010).

One challenge is to integrate the performance information into comprehensive knowledge that can be used as an effective feedback for organisation. Many public organisations produce performance reports for accountability but hardly use them for improvement. Performance information is more than the generally agreed-upon colourful graphs and tables in annual reports (Majone, 1989, p. 15). Performance information can turn into a mere formality without any utilisation or integration to the policies or decision-making process (Grizzle, 1999; P. G. Joyce, 1999).

Behn (2002) claimed that factors such as technical, political, managerial, psychological hinder performance information use and make performance management system ineffective. His explanation is supported by other writers such as De Lancer Julnes (2008), Van Dooren et al. (2010), and Taylor (2011).

Despite good intentions, performance management systems may reduce innovation, create too many procedures and increase the possibility of cheating behaviours (De Bruijn, 2007). Moreover, public officials may use performance information merely to support their actions and give little concern about policymaking process improvement. For example, in order to get budget approval, public managers prepare performance reports to show their achievement on selected programmes, but after that there is only minimal management improvement (Moynihan, 2008). Challenges also come from technical aspect such as performance indicators, measurement techniques (quantitatively or qualitatively) and coherence of performance reporting. Inadequate technical capacity, lack of political support and conflict of interest between related authorities may impede performance management system effectiveness (De Lancer Julnes, 2008).

The aforementioned conditions make a performance management system ineffective. In this connection, some writers have stated that there can often be contradictions between performance management intention and reality (Bouckaert & Halligan, 2008b; Plant, 2006; Van Thiel & Leeuw, 2002). Problems thus occur in many forms in public sector performance.

The first problem relates to rational/technocratic factor that is a gap between performance indicator and actual performance. Performance management systems

may not run as expected only by developing performance indicators. In fact, the major problem may be in the performance indicator because it fails to represent real performance. Issues such as complexity of performance measurement, tunnel vision, sub optimisation and fixation, deterioration of performance indicators are the reason behind the problem (Van Thiel & Leeuw, 2002).

The second problem is non-use of performance information. Despite the potential benefits offered by performance management system, public organisation tends to not fully use the performance measurement. Difficulties in public sector outcome measurements, lack of trust from public managers to evaluate results and inability to have common understanding and share the accountability make performance information is underutilised (Van Dooren et al., 2010).

Third problem is a gap between desired and actual behaviour. Ineffective performance management could also create inconsistency of behaviour. It strongly relates to political and cultural factors that the desired behaviour is not manifested into actual behaviour. It also means that performance information may not being used to evaluate government policy or programmes although the system of performance management has been applied in public organisation (Taylor, 2014).

Finally, the fourth problem is dysfunctional effects. In a well-functioning system, performance information use could improve public institutions' learning, steering and controlling in order to improve policy and programme and thus achieve their goals. Dysfunctional effects mean that performance management fails to meet its purposes. The main reason is because of manipulation as a result of ineffective performance management. Manipulation might happen in measurement process and output, leading to distortion of performance information and distortion of outputs. Issues such as inaccurate performance reports, failing measurement, unreliable indicators, unjustifiable aggregation or disaggregation data, deliberate data manipulation and erroneous conclusion of performance achievement are considered as distortion of performance information. Problems such as measure fixation, myopia, sub-optimisation, cream skimming and cherry picking, complacency, and rigid performance measurement are associated with distortion of outputs (Van Dooren et al., 2010).

2.7. Factors that Influence Performance Information Utilisation

The development and actual use of performance measurement in the public sector has drawn great attention from researchers (Fryer et al., 2009; McAdam, Hazlett, & Casey, 2005). Although the idea of performance measurement in public institutions is widely accepted, many governments have failed to integrate performance information into policy decisions and improve public accountability (Moynihan & Pandey, 2010). The failure is caused by several factors. In this section, we will review literature that might explain the factors that influence performance information use.

Kroll (2015a) made a valuable study about the determinants of performance information use. In line with the arguments of De Lancer Julnes & Holzer (2001), he identified the factors that influence adoption and implementation of performance measurement. In his work, he categorised the driver factors of performance information use into important factors, promising impact factors, and insignificant or inconclusive factors. Under the important factors, variables such as measurement system maturity, stakeholder involvement, leadership support, support capacity, innovative culture, and goal clarity significantly influence performance information use. While variables that are considered as promising impact factors are learning forums, attitude toward performance measures, pro social motivation, networking behaviour, general political support, and fragmented environment. Finally, the insignificant or inconclusive factors are organisation size, financial distress, political competition, familiarity with performance measures, job experience, hierarchical position, and educational level. However, the factors may seem to be unclear in terms of classification while De Lancer Julnes & Holzer (2001) categorised the influence factors into rational/technocratic and political/cultural themes.

Moreover, Ho (2007) claimed that, without the appropriate technical capacity and political support, performance measurement risks becoming a paper-pushing exercise. The most important challenge is to overcome political power struggles resulting from disagreement on performance measurement system. He argued that leadership factors obviously play a major role in managing results. Executive branch leadership affect positively on strategic planning and performance measurement. Lack of leadership brings little impact of the utilisation of performance information. In addition to that, employee motivation also influences the perceived usefulness.

Based on Kroll (2015a), De Lancer Julnes and Holzer (2001), Ho's (2007) studies, we consider the important factors as our perspective to explain the effectiveness and ineffectiveness performance management system. In fact, other studies also mentioned factors that influences performance information use. However, principally those factors could be categorised into broader theme. Hence, in order to have comprehensive explanation, this thesis use rational/technocratic and political/cultural framework as suggested by De Lancer Julnes and Holzer (2001).

2.7.1. Rational/Technocratic

Following De Lancer Julnes and Holzer (2001) argument that characterised factors that influence performance information use into rational/technocratic and political/cultural, we review literatures to examine factors that can be classified in the framework. According to Fischer (1986), organisational theory and scientific management encourage managers to act in rational and technical ways, which including programme evaluation and performance measurement.

Further, we examine some literatures that can be classified as rational/technocratic factors. According to De Lancer Julnes and Holzer (2001) model, there are four determinants rational factors that influence the adoption and implementation of performance information in public sector, those are:

1. Resources
2. Information and Measurement
3. Goal Clarity
4. External Requirements

Resources

Researchers have shown that resources have positive impact to performance information use in public sector. According to Berry and Ikerd (1996); Curcio (1998); Holzer and Halachmi (1996); Weidner and Noss-Reavely (1996), adequate human resource in terms of quantity and quality affect positively to government institutions to implement performance management, particularly regarding the task of collecting and preparing performance reports. The writers also showed that attention to human resource factor might facilitate use of performance information.

Beside the human factor, Kroll (2012, 2015b) pointed out the importance of support capacity for data analysis. It relates to the establishment of performance-reporting unit in organisational structure to internalise and legalise data and information collection of performance. The unit expedites organisation to produce performance reports. Although it may not necessarily lead to use but the existence of this supporting unit is very vital.

The next element of resources is technical knowledge. Weidner and Noss-Reavely (1996); Wilkins (1996) in their studies showed that public institutions that have enough technical capacity would be more capable to adopt and implement a performance management system. Here the technical knowledge relates to ability of how to conduct and carry out measurement. Public officials that have enough skills of doing the performance assessment may produce more reliable reports and useful for decision makers.

The last aspect in the resources factor is technical infrastructure such as information technology (IT) support. Berman and Wang (2000) conducted study on performance measurement in US counties and indicated that IT has positive impact to use of performance information in government agency. IT support in output and outcome measurement and evaluation processes enables public institutions to have comprehensive performance reports. Also it creates more efficiency in terms of time and cost.

Information and Measurement

This factor relates to data availability and reliability, technical measurement and efforts of technical improvement. Kroll (2012, 2014) explained that information availability and quality of performance reports created incentives for managers to use performance information in the policymaking process. Public managers were reluctant to consider any information from performance reports if the data were not valid or were insufficient.

The other important element is technical measurements that conduct by organisation. Kroll (2014); Taylor (2011) mentioned in their works that technical measurement includes development and decision of performance measurement instrument such as indicators, how the input, output and outcome are being

assessed and when evaluated. Additionally it needs the familiarity with performance measures.

Furthermore, the maturity of performance measurement also has great impact on the utilisation of performance information. Maturity means the extension of performance measurement use (Melkers & Willoughby, 2005) such that public organisations that are familiar with measurement actions may have greater chance to consider evaluation results to improve their programme or policy. Additionally an emphasis and reliance on high-order measures such as outcome efficiency and effectiveness makes for more advanced evaluations, so that users are more confident to use the performance information rather than simply output measurements (Ammons & Rivenbark, 2008; Melkers & Willoughby, 2005).

Goal Clarity

A number of studies also found that clear definition of policy and programme goals improved the organisation's ability to adopt and implement performance management system. In progressive organisations, they tend to develop and modify goals and strategies to achieve the targets. Vision and mission statements of organisation are vital to make goal clarity. As a result, the clear definition and measurable goals has a positive relation to quantity and quality performance (Berry & Ikerd, 1996; Blanche-Kapplen & Lissman, 1996; Bryant, 1998; Curcio, 1998; Kroll, 2014; Verbeeten, 2008).

External Requirements

The last factor in rational/technocratic framework is external requirements. It includes political will and the legal basis of performance management. Since the public sector works more on the basis of formal rules, the performance management system will be more easily implemented if there is general political support from involved stakeholders (Kroll, 2014). Likewise, policy decisions or directives will automatically create certain desired behaviours (Mann, 1986). For instance, public institutions will prepare annual performance reports if required by law. Therefore the

existence of laws and regulations that govern performance management system is very significant for performance information use (Jackson, 1996).

2.7.2. Political/Cultural

The second framework that influences the adoption and implementation of performance information is political or cultural variables such as internal commitment, external interest groups and attitude and cultural changes. Studies have indicated that political/cultural aspects have great impact on performance information utilisation including interaction among actors (Mahler, 1997) and organisational culture (Moynihan, 2005). According to De Lancer Julnes (2008), performance information may not be used by decision makers if there is political support and commitment. While Taylor (2014) supported Moynihan (2005) claimed that organisational culture such as openness and motivation to learn, change, and taking risks may create supported condition to performance management implementation.

As mentioned by Moynihan (2008); Kroll (2014), performance information use is a result of commitment between related actors that need internal support and consensus. Political-will from internal organisation may influence decision from public officials to appreciate and use performance information. Thus, we may consider that internal commitment is one important variable that affect performance information use.

Regarding to external interest groups variable, Verbeeten (2008) claimed that the implementation of performance management in the public sector depends on relationships between legislatures and executives which also can be viewed as political interactions. The relationships may create mechanisms in the policy cycle and decision-making process because executive needs parliament's approval before programme or policy execution. In a formal and rigid control regime, legislatures may have detailed scrutiny of performance reports from executives (Laegreid, Roness, & Rubecksen, 2008). On the other side, executives may use performance reports as supported evidence of programme or policy proposals. The dynamics of the relationship between actors may create the incentive or disincentive for public institutions to adopt and implement a performance management system. For example, issues such as conflict of interest, coordination, and authority overlapping in central government may impede system implementation in local government. On

the other hand, citizens and mass media may have an interest in government performance reports to see whether the budget is being used for the public interest (De Lancer Julnes & Holzer, 2001, Behn, 2002).

Behn (2002) claimed that cultural factors such as values and trust might influence actions by actors in using performance information in decision-making, willingness to learn and improve performance, awareness of accountability. Taylor (2014) in her study also emphasised the importance of organisational cultural in performance management system implementation. Actual use of performance information is reflection from values and beliefs that prevail in organisation. De Lancer Julnes & Holzer (2001) also pointed out aspects related to culture, which are openness and willingness to learn and improve. These aspects may be assessed by “the presence of systems that reward innovation and risk taking and attitude toward innovation and change” (p. 697). Therefore, we see the evidence that cultural factors have impact on performance information use.

Based on literature that refers to political/cultural factors in relation to performance management adoption and implementation, we highlight three factors that positively influence performance information use as also suggested by De Lancer Julnes and Holzer (2001), namely:

1. Internal Commitment
2. External Interest Groups
3. Attitude and Cultural Changes

Internal Commitment

Commitment from internal users in organisation has major influence on performance information use. Like any other policies or programmes, performance measurement needs support from internal organisation. In the organisation where there is high involvement from relevant decision makers and information users, the possibility of successful adoption and implementation of a performance management system is very high (De Lancer Julnes & Holzer, 2001). It can only be realised if there is commitment and support from leadership (Dull, 2009; Hammerschmid et al., 2013; Kroll, 2014).

In line with that, public managers may encourage employees to become involved in performance measurement policy. Kroll (2014) showed that one significant element of performance information utilisation is employee involvement. Melkers and Willoughby (2005) also argued that performance management in local governments would improve if staff were involved in measurement development and performance target setting.

Moreover, internal commitment reflects the extent to which organisations use information of performance measurement in key management systems (Ammons & Rivenbark, 2008). The use of performance information as a material for composing and revising strategic planning, budget allocation and development of employee's capacity indicates that the organisation has a high commitment to adopt and implement a performance management system.

The commitment from internal organisation can also be traced from learning forums establishment. Moynihan (2008) mentioned as a proof from commitment, organisation encourages member of organisation to improve their performance through routine learning forums where data are examined and interpreted. Performance is dynamic which mean that it needs to be maintained. One effort to maintain and improve performance is by providing forums where organisation or individuals can share experiences and learn from mistakes (Kroll, 2014; Moynihan, 2005).

External Interest Groups

The determinants of performance management system adoption and implementation in public sector not only come from inside but also outside the organisation. The outside factor is related to political aspect. Research has found that support from stakeholders (other agencies, citizens and elected officials) would be essential for performance information use (Berman & Wang, 2000; Bowden, 1996; Cannon, 1996; Kroll, 2014; Moynihan & Hawes, 2012; Weidner & Noss-Reavely, 1996). Since performance management involves political decisions, it may only work if there is adequate political support from the concerned parties in both central and local government (Akbar et al., 2015).

Likewise, Moynihan and Hawes (2012) argued that performance information use was positively influenced by partnerships of stakeholders. Having the same perception among stakeholders in supportive environment is very important so that they will contribute and develop performance measurements. Some aspects that need to be considered are the external political environment complexity and stakeholder conflict (Moynihan & Hawes, 2012; Taylor, 2011). This means that building perception and consensus in high political competition may be difficult because of different interests and stakeholders. For example, some central agencies share same interest on one particular programme or policy conducted by local government. Without partnership among central agencies, it may cause confusion in output and outcome measurement in local government.

Kroll (2014) adds some points about political competition that affects the use of performance information. Political competition may be seen in the form of such overlapping rules and regulations as well as authority among relevant stakeholders, which may result negative impact to the use of performance in public sector. For example if there is no law umbrella that gives clear authority to central agency to conduct performance measurement on local government, each central agency may set up their own measurement system and judgement based on their interest which may be conflict with other agency systems.

Afterward in democratic society, the role of mass media also affects government behaviour in applying performance management system (De Lancer Julnes & Holzer, 2001). Increasing demand for budget transparency and public disclosure has positive impact on the use of performance measurement in the public sector. Citizens through mass media have bigger control over government programme and policies and put pressures on underperformed agencies.

Attitude and Cultural Changes

The last factor in the political/cultural framework is related to organisational and individual culture. Taylor (2014) and De Lancer Julnes (2008) stated that the use of performance information is vary depend on behaviour and culture that prevails in the organisation. Any evaluations or assessments will not satisfy for every party—organisation or individual (Moynihan, 2008). Therefore cultures such as openness,

evaluation behaviour and attitudes are needed before the performance management system can be implemented.

Pettigrew, Ferlie, and McKee (1992) argue that cultural changes refer to dominating beliefs or ideologies prevalent in organisations, which can shape and reflect organisational power relationships and their response to change. As part of administrative reform, performance management is considered as a “new” thing to organisation that might contradict with traditional beliefs in public sector. Therefore the application of performance measurement is highly related to cultural change. It depends on the adaptation of beliefs and values in the organisation (Taylor, 2014).

Furthermore attitude and cultural change might be reflected by the presence of system that reward innovation and by evaluating perceptions and attitudes of managers and employees toward innovation, change and performance measures. Organisational incentive systems can be used to control and facilitate the use of information (De Lancer Julnes & Holzer, 2001).

The results of performance measurement and evaluation are frequently described in ranking table or league forms that show the best and worst performer. It has consequences to all of public officials because there is a risk to those that have underperformed. Even the high performers receive challenge to maintain their achievement. The willingness of officials to embrace comparison with other governments or service providers influences the application of performance management system (Ammons & Rivenbark, 2008).

Attitudes like openness, acceptance of new ideas and changes, taking criticism may be important for the public sector to move forward. Encouragement from other agencies is needed to maintain the commitment. Performance measurement should to be internalised to organisation’s value and beliefs gradually because it cannot be achieved by merely issuing formal rules and regulations. Therefore cultural influences in the form of organisational culture and stakeholder support for the agency’s performance measurement plays an important role (Moynihan, 2005; Taylor, 2011).

In cultural terms, there is also motivation behind public servants in doing their service to citizens. Kroll and Vogel (2014) show that the use of performance information is favourably influenced by public managers’ motivation and values to serve the public (public service motivation). This motivational aspect is not always

related to financial matters but to fulfil a desire and dedication to serve the interests of wider community. Likewise, transformational leaders who can communicate and clarify the public institution's goal to civil servants may direct public service motivation orientation (Moynihan, Pandey, & Wright, 2011).

Finally, public institutions have to be flexible with innovations in order to have supportive cultural transformation. Performance measurements are dynamic in terms of indicators, measurement and judging system as well as organisation environment. Indicators and assessment methods should be parallel with the internal and external changes. Therefore use of performance information can be easily implemented if innovation culture is widely accepted (Kroll, 2014).

2.8. Performance Management Researches on Indonesian Public Sector

As last point of this chapter, we review some research and literature about performance management in Indonesian public sector that have been carried out. The review is aimed to find research or literature gaps, which become a consideration for this research. Additionally, it will help us to explain our position among other researches.

Although performance management in the public sector had been a great focus from many writers in western countries for many decades, researches about this topic in Indonesia are relatively scarce. Public sector performance management in Indonesia is a fairly new topic for research because it just started in 1999. Based on our literature research, we only found few articles about performance management in Indonesia that are written by Indonesian scholars.

Solikin (2005) conducted a research on accountability practice in Indonesian government units. He found a danger of self-serving attribution in performance measurement because government units might judge themselves very well and accuse external factors for any failures. His finding indicates a problem in current performance measurement.

Nurkhamid (2008) carried out a research to examine factors that influence performance measurement system development, performance accountability, and performance information utilisation in DI Yogyakarta province. He applied

quantitative analysis on questioner data. The results showed factors that have significant impact were management commitment, training, and organisation culture. Similar to previous research, Primarisanti and Akbar (2015) also conducted research on the same focus and province. Using mixed method research, they found that training, incentives and authority in decision-making were significant factors. However, they only focused on technical factors in on particular province, which may have generalisation problem.

Meanwhile, Surawijaya and Wibisono (2013) conducted a research on the performance measurement system at Ministry of Energy and Mineral Resource. A discrepancy between LAKIP evaluation result and real performance is motivated them to conduct the research. They indicated a false alarm phenomenon because the ministry state, they have achieved performance indicator but public and stakeholder do not notice any improvement. Additionally, they mentioned the necessity of a special agency to design, implement and monitor the performance management system. Their finding is very important but the phenomenon may also occur in other ministries.

A study from Manafe and Akbar (2014) focused on Indonesian local government's accountability and performance. They assumed LAKIP implementation was ineffective because it has been used to describe and to justify actor behaviours. Moreover, they observed public officials' perception on accountability requirements, hierarchical, legal, professional and political. Using mixed method research in East Nusa Tenggara Province as the sample, they found that accountability requirements lead to negative perceptions and do not have significant impact on work performance.

Jurnali and Siti-Nabiha (2015) conducted research on performance management system implementation in local government. Their study is motivated by application of performance measurement as part of bureaucratic reform and good governance practices after political transition in 1998. They found that performance management system is quite comprehensive, despite some weaknesses such as lack of reward and punishment system, disintegration between planning and budgeting and inaccurate indicators and data reporting. However, they only focus on LAKIP, in fact there are many performance measurement system in Indonesia, such as LPPD and LKPD.

Furthermore, Akbar et al. (2015) conducted a study on performance measurement system implementation in Indonesian local governments. It is aimed to explore drivers behind the implementation, which are institutional, coercive, and mimetic isomorphism. The study showed that perceived coercive isomorphism of rules and regulations compliance is being a driver of performance measurement system implementation.

Based on the researches above, we find that the studies have a similar study background but different focus. Public sector reform after 1998 and demands on accountability become background in those studies. Meanwhile, the authors have different focus regarding performance measurement implementation such as LAKIP, indicators, accountability requirements, and isomorphism factors behind the implementation. Most those research uses quantitative method to answer their research questions. Therefore, there is still a gap on those researches, particularly in describing performance management effectiveness and factors influenced effectiveness or performance information use from rational/technocratic and political/cultural framework. Furthermore, those researches only focused on one particular local government and disregard central government side. Therefore, this thesis has different perspective and method with previous studies.

2.9. Conclusion

Based on our review on literatures related to performance management particularly performance information use in public sector, we find that a performance management system is one characteristic of NPM as described by Osborne & Gaebler (1992). Pollit and Bouckaert (2011) added that implementation performance management system in line with public sector reform that follows NPM paradigm.

Das (2010) claimed that performance management system was aimed to create an efficient and public accountability oriented government. However, the implementation of the system is not easy particularly in a country with much incapability. Regarding to this, we may expect what Bouckaert and Halligan (2008b) described about ideal types of managing performance, that government might achieve performance governance as ultimate type.

Further, our literatures tell that performance information use has major impact to organisation performance improvement. Nonetheless, the challenge is on how to make a performance information user really use the data. The literature also shows how effective and ineffective the performance management system is in a country. De Lancer Julnes & Holzer (2001) claimed two stages of performance information utilisation that are influenced by some variables, which are explained by other writers. In general, those factors can be classified into rational/technocratic and political/cultural factors.

Carlucci et al. (2015) applied the De Lancer Julnes & Holzer (2001) approach to explain adoption and implementation stages and found that rational/technocratic and political/cultural factors have impact to the two stages in Italian government organisation. Their studies become a consideration, so this thesis would also apply the same approach to have a comprehensive explanation on performance information use in Indonesian public sector, which has a highly decentralised system of local government, but in different research methods—qualitative approach, which is explained more in Chapter Four.

Chapter 3

Overview of Indonesian Government Structure and Performance Management System

3.1. Introduction

This chapter provides the contextual background on the Indonesian public sector necessary for understanding the case study. The chapter starts with an overview of the structure of the Indonesian government system before addressing the central and local government relationship, and finally the specific ministries, agencies and other entities authorised to develop and implement performance management systems.

3.2. The Indonesian Governmental System

The Republic of Indonesia declared its independence on 17th August 1945, ending a long period of Dutch colonial rule. Indonesian governmental structures have been changed several times since independence due to constitutional amendments and political upheavals. In the early days of independence, from 18th August 1945 to 27th December 1949, Indonesia was a republic with a presidential system of government, according to the *Undang-Undang Dasar/UUD* or Constitution of 1945 (UUD 1945). However, in accordance with the separation of powers between the executive and the legislature, the government system shifted to a quasi-parliamentary system on 27th December 1949. Indonesia became a federal country but the system did not last long, only two years from 1949 to 1950. The constitution was changed following the Round Table Conference in (*Konferensi Meja Bundar*) between the Indonesian and Dutch governments that resulted in Dutch recognition of Indonesian sovereignty, to Republic of United States of Indonesia.

In the period of 1950-1959, Indonesia experienced a different parliamentary system. This system was applied due to the Provisional Constitution of 1950 (UUDS 1950). This happened because Indonesia withdrew from Round Table Conference and returned to being unitary state. During this period, Indonesia had the first general election in 1955, which is considered as the most fair and democratic throughout

Indonesian political history. Accordingly the parliament was given the task to create a new constitution but without success. President Sukarno therefore issued a Presidential Decree on 5th July 1959, the point of which was to return to the Constitution of 1945 as the Provisional Constitution of 1950 was seen as no longer effective.

Since 1959, therefore, Indonesia has been using UUD 1945 as the basis for its constitutional government. That constitution became the legal basis for all laws in Indonesia. However, the UUD 1945 was amended four times. These changes concerned education and culture, the national economy and social welfare.

The UUD 1945 is the highest level in the hierarchy of Indonesian legislation, according to the Law No 10 Year 2004 about the Establishment of Legislation. This means that any legislation must refer to UUD 1945 as a basic guideline. The hierarchical order can be explained as follows:

1. The Constitution of 1945 (UUD 1945)
2. Law/Government Regulation in Lieu of Law
3. Government Regulation
4. Presidential Regulation
5. Local Regulation that covers:
 - a. Provincial Regulation, which is issued by Regional People's Representative Assembly and Governor;
 - b. District/City Regulation, which is issued by District/City Regional People's Representative Assembly and Regent/Mayor;
 - c. Village regulation, which is issued by village head and village councils.

Furthermore, as it is written in the Elucidation of UUD 1945, there are seven key principles in the Indonesian government system, namely:

1. Indonesia is a state based on law (*rechtsstaat*).
2. Constitutional System.
3. The supreme state power in the hands of the Assembly.
4. The President is the supreme organizer of the state government under the People's Consultative Assembly.
5. The President is not accountable to the House of Representatives.
6. Minister of the country is the president's assistant; the minister of state is not responsible to the House of Representatives.

7. The power of the head of state is not unlimited.

Based on the constitution, Indonesia has been operating a presidential system in which the president is both head of state and head of the government, responsible for appointing all ministers.

However, until 2008 there was no legislation regulating the ministries. Even though it is the right of the president to form his cabinet, there is a potential for abuse of presidential power. After Suharto was forced to step down by popular demand, Indonesia experienced an era of reform. People felt liberated after 32 years of feeling constrained by the Suharto government. The reform era was characterised by freedom of the press, freedom of speech, and this led to changes within government. President Abdurrahman Wahid dissolved two ministries, the Ministry of Social Affairs and the Ministry of Information. This had a tremendous impact on the effectiveness of the cabinet. Most parties felt it was the right move as an effort for efficiency. But on the other side, it also created huge impact on the uncertainty of the cabinet including the government employees. Therefore, the parliament agreed to issue Law No 39 Year 2008 on State Ministries. Indeed, the law is ambiguous in the presidential system, because the law limits the authority of the president to form his own cabinet. Article 17, Paragraph (1) says “the conversion as a result of separation or merger of the Ministry carried out with consideration of the House of Representatives.” Also in Article 21, “the Ministry referred to in Article 13 may be dissolved by the President with consideration of the House of Representatives, but the ministry which handles religious affairs, legal, financial, and security must be with the approval of the House of Representatives.” This clearly limits the president’s power to create an effective cabinet. Regardless of this debate, the law does provide guidance to the president in preparing the cabinet.

According to Law No 39/2008, the president then appoints ministers to fill the positions in each ministry. It is stipulated in Presidential Decree No. 7 Year 2015 on the Organisation of State Ministries. The regulation states that there are 34 ministries in the Indonesian government. The ministries are as follows:

1. Coordinating Ministry for Political, Legal and Security
2. Coordinating Ministry for Economic Affairs
3. Coordinating Ministry for Human Development and Culture
4. Coordinating Ministry for Maritime and Indonesian Resources;
5. Ministry of Home Affairs;

6. Ministry of Foreign Affairs;
7. Ministry of Defence;
8. Ministry of Religious Affairs;
9. Ministry of Justice and Human Rights;
10. Ministry of Finance;
11. Ministry of Education and Culture;
12. Ministry of Research, Technology and Higher Education;
13. Ministry of Health;
14. Ministry of Social Affairs;
15. Ministry of Labour;
16. Ministry of Industry;
17. Ministry of Trade;
18. Ministry of Energy and Mineral Resources;
19. Ministry of Public Works and Public Housing;
20. Ministry of Transportation;
21. Ministry of Communications and Information Technology;
22. Ministry of Agriculture;
23. Ministry of Environment and Forestry;
24. Ministry of Maritime Affairs and Fisheries;
25. Ministry of Rural, Rural Development, and Transmigration;
26. Ministry of Agricultural and Spatial Planning;
27. Ministry of National Development Planning;
28. Ministry of State Apparatus Empowerment and Bureaucratic Reform;
29. Ministry of State-Owned Enterprises;
30. Ministry of Cooperatives and Small and Medium Enterprises;
31. Ministry of Tourism;
32. Ministry of Women Empowerment and Child Protection;
33. Ministry of Youth and Sports; and
34. Ministry of the State Secretariat.

Likewise, in order to improve the effectiveness of the cabinet, there are clusters among those ministries: Coordinating Ministries; Cluster I Ministries; Cluster II Ministries; and Cluster III Ministries. Coordinating ministries are the ministries that carry out the functions of synchronisation and coordination among other ministries according to their own affairs.

The Coordinating Ministry for Political, Legal and Security coordinates the following ministries: Ministry of Home Affairs; Ministry of Foreign Affairs; Ministry of Defence; Ministry of Justice and Human Rights; Ministry of Communications and Information Technology; Ministry of State Apparatus and Bureaucratic Reform; State Intelligent Agency; Indonesian National Army; Indonesian National Police; State Code Institution; and Maritime Security Coordinating Board.

Then, the Coordinating Ministry for Economic Affairs coordinates the following ministries: Ministry of Finance; Ministry of Industry; Ministry of Trade; Ministry of Environment and Forestry; Ministry of Labour; Ministry of Cooperatives and Small and Medium Enterprises; Ministry of Agricultural and Spatial Planning; and Ministry of State-Owned Enterprises.

The Coordinating Ministry for Human Development and Culture coordinates the following ministries: Ministry of Health; Ministry of Education and Culture; Ministry of Social Affairs; Ministry of Religious Affairs; Ministry of Women Empowerment and Child Protection; Ministry of Youth and Sports; Ministry of Research, Technology and Higher Education; and Ministry of Rural, Rural Development, and Transmigration.

Subsequently, the Coordinating Ministry for Maritime and Indonesian Resources coordinates the following ministries: Ministry of Energy and Mineral Resources; Ministry of Transportation; Ministry of Maritime Affairs and Fisheries; Ministry of Tourism; Ministry of Public Works and Public Housing; and Ministry of Agriculture.

Cluster 1 ministries are the ministries that are clearly mentioned in the Constitution and cannot be changed. These are Ministry of Home Affairs; Ministry of Foreign Affairs, and Ministry of Defence.

Cluster 2 comprises those ministries which handle government affairs and their scope is mentioned in the UUD 1945, that is the Ministry of Religious Affairs, the Ministry of Justice and Human Rights, the Ministry of Finance, the Ministry of Education and Culture; the Ministry of Research, Technology and Higher Education, the Ministry of Health, the Ministry of Social Affairs, the Ministry of Labour, the Ministry of Industry, the Ministry of Trade; the Ministry of Energy and Mineral Resources; the Ministry of Public Works and Public Housing, the Ministry of Transportation, the Ministry of Communications and Information Technology; the Ministry of Agriculture; the Ministry of Environment and Forestry; the Ministry of

Maritime Affairs and Fisheries, the Ministry of Rural, Rural Development, and Transmigration and Ministry of Agricultural and Spatial Planning.

Finally, Cluster 3 ministries are those ministries that handle government affairs in order to sharpen, coordinate and synchronize government programmes. These are the Ministry of National Development Planning, the Ministry of State Apparatus and Bureaucratic Reform, the Ministry of State-Owned Enterprises, the Ministry of Cooperatives and Small and Medium Enterprises the Ministry of Tourism, the Ministry of Women Empowerment and Child Protection the Ministry of Youth and Sports and the Ministry of the State Secretariat.

3.3. Indonesian Central and Local Government Relationship

Indonesia is an archipelagic country of which DKI Jakarta is the capital city. It has 17.508 islands that make it as the largest archipelago country in the world. In 2016, Indonesia has a population of 255,461,700 people (official estimation from Indonesian Central Bureau Statistic) and places the fourth most populous in the world. As a unitary state, Indonesia consists of 34 provinces, 514 regencies/cities (416 regencies and 98 cities). This gives Indonesia a unique context characteristic regarding to central and local government relationships.

Development policy in the era of President Suharto was focused on economic growth, which in turn caused the disparity of development between several regions in Indonesia. Indonesia's western region is relatively more advanced in comparison to the central and eastern regions. DKI Jakarta as the capital of the country and the centre of business activity is growing so rapidly that it leaves the other cities behind. In terms of human resources, facilities and infrastructure, access to education and health services. The island of Java has better conditions than the islands in other regions.

Poverty problem is the biggest challenge for the government until now. Provinces with highest poverty rates are majority in the eastern region of Indonesia. Based on the data from Central Bureau Statistic (2016), provinces with the most number of poor people are located in the eastern region, namely Papua (28.5%), West Papua (25.4%), East Nusa Tenggara (22.19%), Maluku (19.18%), and Gorontalo (17.72%).

The centralised government system also contributes to the high disparity among regions in Indonesia. The assumption that the central government was more aware of what was needed by the region came to seem unfounded. Regarding this, the government passed Law No. 22 Year 1999 that made a new decentralised era in Indonesia. The law seeks to close the development gaps that emerged during the era of centralised government.

Law No. 22 Year of 1999 was very influential legislation in changing the relationship between central and local government. Local government became more autonomous. Decentralisation was also intended to improve governance (Faguet, 2014, p. 3). The principle of the regional autonomy law is the division of authority that is based on the decentralisation principle but still within the framework of unitary state. Decentralisation refers to the transfer of power from the central government to local governments in a regional hierarchy (Agrawal, 1999, p. 475). Transfer of power can take different forms. First, administrative decentralisation or deconcentration, as it often referred to transfer of authority to lower levels, or to the local authorities who are directly responsible to the central government directly (Ribot, 2002). Second, political or democratic decentralisation is the transfer of authority to regional representatives or elected local government (Larson, 2005, p. 35). Third, fiscal decentralisation is the transfer of central government power to local government in terms of collecting and spending their own income (Nguyen & Anwar, 2011, p. 3).

Decentralisation in Indonesia has involved, applying all of those forms mentioned above. The provincial government is formed based on the principle of decentralisation and deconcentration. However, the region formed based on the principle of decentralisation is the district/city government. All the local (provincial, district, city) governments have their own authority to manage their budget as the implementation of fiscal decentralisation. There are also, so-called support assignments (delegated tasks) to be done by local governments.

In order to improve effectiveness of decentralisation, the government passed Law No. 32 Year 2004. Principally, the law clarifies and reinforces hierarchical relationship between districts and provinces, as well as between provinces and the central government based on the principle of united administrative and territorial integrity. Furthermore, the central government reserves the right to coordinate, supervise, and evaluate the rule below it, as well as the province of the district/city. In addition, partnership and parallels relationship between the head of region and the

Regional People's Representative Assembly (DPRD) are increasingly emphasised and clarified. This law also states that the Republic of Indonesia is divided into provinces and provinces are divided into districts and cities. Thus each has a regional administration.

After ten years of implementation, the government again, enhanced the law regarding local government by issuing Law No. 23 Year 2014. It was done because the legislation still has not regulated many aspects such as good governance, transparency, public services, community participation, local innovation, institutional and personnel, as well as local finance. Furthermore, Law No. 32 Year 2004 is too excessive to regulate local election.

From a political perspective, the law needs to be improved because there were many new autonomous regions after the regional autonomy era. Since 1999, the number of autonomous regions in Indonesia has increased by 205 new autonomous regions: 7 provinces, 164 regencies and 34 cities. The formation of a new autonomous region is certainly motivated by the overly broad geographic scope that is too broad, underdevelopment, lack of public service facilities, and failing communal conflict management. However, there is also evidence that the division of the region is based on the desire to get the General Allocation Funds (DAU) and Special Allocation Funds (DAK) from the central government, extra employee formation, and political positions opportunity for both heads of regional and local legislators. According to the data from Ministry of Home Affairs in 2010, the government had to spend IDR 47.9 trillion as DAU for region expansion. At this point, regional division becomes an arena for rent-seekers and opportunist politicians to pursue self or sectional interest without considering, the needs of the region.

In order to achieve the goal of improving people's welfare, public services and region's competitiveness, local governments are running the widest possible autonomy, except in matters that remain become the competence of central government. It includes foreign policy, national defence, national security, judicial, national monetary and fiscal policy, and religion.

Additionally, local government's authority is divided into two levels, namely provincial and district/city governments. Provincial government has authority in terms of government affairs, which are location, ownership, and the benefits and negative impacts across districts/cities. They also have power over government affairs to use

resources more effectively. The same authority also applies for district/city governments but with different scope.

In terms of performance measurement, the minister or the head of central agency carries out the supervisory function of the central government to provincial regions. Meanwhile, the governor conducts supervision to regencies/cities as the representatives of central government. However, the Ministry of Home Affairs coordinates the guidance and supervision nationally.

Furthermore, the regional head shall submit Reports of Regional Government (LPPD), the Accountability Statement Reports (LKPJ), and the Summary of Reports of Regional Government. The LPPD includes Local Government Agency Performance Report and the implementation of support assignments. The governor submits the provincial LPPD to the President through the Ministry of Home Affairs. Likewise, regent/mayor submits the regency/city LPPD to the Ministry of Home Affairs through the governor. Both reports should be done once a year. The LPPD must be submitted no longer than 3 months after the end of fiscal year. Thus central government uses the reports as an input for evaluation and to foster local governance. According to Law No. 23 Year 2014, the Minister of Home Affairs coordinates local governance development capacity based on LPPD evaluation. It can be an award or a sanction for local government.

As mentioned above, the regional head must also prepare Accountability Statement Report (LKPJ) for Regional People's Representative Assembly (DPRD). The reports should be submitted once a year and it will be discussed by DPRD to recommend improvement actions. Furthermore, the head of region also publishes Summary of Reports of Regional Government for the public in conjunction with the submission of LPPD.

There is a written warning from the central government for the head of region that neglects preparation and submission of those reports. If the written warning is not heeded twice in a row, the head of region must follow a special training programme on governance from the Ministry of Home Affairs. Moreover, DPRD could use interpellation rights if the head of region does not fulfil his obligations to report to the legislative.

3.4. Authorised Ministries and Central Agencies in the Performance Management System

Awareness regarding the importance of performance management in Indonesian public sector began in 1999 with the issuance of Presidential Instruction No. 7 of 1999 on Accountability of Government Agencies. The government saw the need of accountability reporting in order to improve governance effectiveness and efficiency, to improve accountability and to tackle corruption. In accountability reporting, the government has also developed performance accountability reporting system that is associated with the identification and development of indicators, methods, mechanisms, and procedures for performance reporting.

In the presidential instruction, each level of a work unit must prepare a performance report that must be submitted to the State Development Audit Agency (BPKP). The report also discusses organisational planning including the following:

1. Description of the vision, mission, strategy and key success factors of the organisation;
2. Description of the goals, objectives and activities of the organisation;
3. Description of how to achieve those goals and objectives.

Meanwhile, the National Institute of Public Administration (LAN) is commissioned to create guidelines for the reporting of performance accountability of government agencies. Thus, BPKP evaluates the Performance and Accountability Report of Government Institution (LAKIP) from each agency and reports to the President through the Ministry of State Apparatus Empowerment and Bureaucratic Reform (MENPAN-RB).

The presidential instruction was the answer of people's strong demand in 1998 to create clean and trustworthy government. It was a milestone for performance management implementation in Indonesian public sector. Previously there had never been any term of performance management, both in central and local government. Government agencies were held responsible for their activities in each report, regardless the strategic planning. Even the term 'strategic planning' was newly introduced in this presidential instruction. Strategic planning in this regulation means a result-oriented process that needs to be achieved within 1 to 5 years period, by taking into account the existing, or probably arising potential, opportunities, and

constraints. It includes vision, mission, goals/targets, and realistic programmes that are anticipated in the desirable future.

Furthermore, after this presidential instruction, performance management in government sector is regulated by a number of regulations. In 2008, the government enacted Government Regulation No. 8 Year 2006. It regulates the obligation of every government agency, both central and local, to create financial and activities performance reports. The Ministry of Finance is responsible for producing the Financial Report of Central Government (LKPP). At the local level, every local government institution has to prepare its own financial report (LKPD). Related to the performance report, each ministry/institution must submit a report based on the output of each activity and the outcomes of each programme to the Ministry of Finance (MOF), Ministry of National Development Planning (MNDP), and Ministry of State Apparatus Empowerment and Bureaucratic Reform (MENPAN-RB). The performance report is made based on the work plan stated in the State and Local Budget. It means that performance report preparation emphasises more on the use of budget rather than the achievement of outputs and outcomes based on the target indicators.

According to Government Regulation No 6 Year 2008, performance accountability system of government institution is developed in an integrated manner, together with planning system, budgeting systems, treasury systems, and government accounting system. The performance accountability system is proposed by MOF after coordinating with MNDP, MENPAN-RB and Ministry of Home Affairs (MOHA). The system uses financial accountability approach to measure performance in every government agency. It implies that the performance is seen more from “function follows money” rather than “money follows function” perspective.

Presidential Regulation No. 29 Year 2014 regulates System of Performance Accountability of Government Agencies (SAKIP). The system is defined as a systematic series of activities, tools, and procedures designed for the purpose of determination and measurement, data collection, classification, summarisation, and reporting on government agencies performance, in the framework of accountability and performance improvement of government agencies at both central and local levels. The SAKIP consists of:

1. Strategic plans;
All ministries/agencies and local government institutions (SKPD) have to develop strategic plans for 5 years period as a planning document. It becomes the ground of SAKIP implementation.
2. Performance agreement;
Every ministry/agency and SKPD prepares a Work Plan and Budget (RKA) in order to set the Performance Agreement. The agreement must state the performance indicators and targets, and criteria to be met, and these are to be specific, measurable, attainable, time bound and track able.
3. Performance measurement;
Measurement is carried out through comparing performance realisation with performance targets stated in the Performance Agreement in current year. Then, it compares the programme performance realisation with the five-year performance targets in the Strategic Plan document.
4. Performance data management;
Data management is done through recording, processing, and reporting performance information. The management considers the needs of every level of organisation, managerial needs, and financial statements resulting from the accounting system and government statistics.
5. Performance reporting;
Performance reporting consists of Interim Performance Report (quarterly report) and Annual Performance Report. The reports should be submitted together with the financial statements (quarterly and annually).
6. Performance review and evaluation.
The Government Internal Control Official reviews and evaluates the performance report to convince the report's information reliability. Internal control officials are BPKP, General Inspectorate of Ministry/Agency, and Inspectorate in Province/Regency/City. Afterwards, the evaluation report is submitted to MENPAN-RB.

Under this regulation, the procedures of performance review and evaluation are then arranged by MENPAN-RB. Looking at these two regulations, it is interesting that both MOF and MENPAN-RB have the authority to set up performance management policy in Indonesian government. Not to mention, there are many regulations related to performance management in Indonesian public sector. Initially, those regulations are intended to clarify and to strengthen the implementation of

performance management. However, they create a number of problems later on, particularly when in terms of the rules governing technical evaluation and performance reporting.

Currently, there are 49 regulations related to performance management in Indonesian public sector. The regulations look at performance from various aspects such as the implementation of development planning, budget execution, regional development and government officials' performance. According to those regulations, there are 98 documents of performance reports produced in both central and local governments (see Appendix 2).

Based on legislations and regulations, there are 10 entities (ministries, agencies, and ad-hoc team) with the authority and jurisdiction in performance management in Indonesian public sector. Those are:

1. Ministry of National Development Planning/National Development Planning Agency (MNDP/BAPPENAS);
2. Ministry of Finance (MOF);
3. Ministry of Home Affairs (MOHA);
4. Ministry of State Apparatus Empowerment and Bureaucratic Reform (MENPAN-RB);
5. State Development Audit Agency (BPKP);
6. The Audit Board (BPK);
7. National Civil Service Agency (BKN);
8. Ministry of Village, Development of Disadvantaged Regions and Transmigration
9. National Team of Evaluation of Regional Government; and
10. Team of Evaluation and Monitoring of Budget Realisation (TEPRA).

With many institutions involved, the problem of overlapping authority is inevitable. Authority here means that the entity is entitled to issue regulations, to review and to be involved in performance measurement. This problem will be discussed in the next chapter. Now, we will discuss each of them.

1. Ministry of National Development Planning/National Development Planning Agency (MNDP/BAPPENAS)

In accordance with Law No. 25 Year 2004 about National Development Planning System, the Minister of National Development Planning has a strategic position in preparing the plan of national Long Term Development Plan (RPJP) before the President sets it. The minister prepares the initial draft of National Development Plan as the elaboration of President's vision, mission, and programmes in national development strategies, public policies, and programme priorities of the President, as well as the macroeconomic framework, which includes overall economic situation, including the direction of fiscal policy. The minister also coordinates the preparation draft of Government Work Plan (RKP) by using the Ministries/Agencies Work Plan (RENJA K/L). Thus, the Government Work Plan becomes a guideline for the preparation of State Budget draft (RAPBN).

In terms of controlling and evaluation, each ministry/agency is responsible for their own work plan implementation. Furthermore, MNDP collects and analyses the evaluation result, prepared by the ministry/agency. Performance measurement is done by the head of ministries/agencies every year, and is used as input for the evaluation of development plans implementation. By doing this, MNDP prepares the following period's national development plan.

Because of its duties and functions, MNDP has the authority to conduct monitoring and evaluation towards all ministries and agencies regarding to the implementation of their work plan. Based on Government Regulation No. 65 Year 2015, the Ministry is assigned to conduct government affairs in national development planning to help the President running the government. The ministry also has the following functions:

- a. To formulate and determine policies on national development planning, national development strategies, direction of sectorial policy, and across sectors and regions, as well as macroeconomic framework, which includes the overall economic situation, comprising the direction of fiscal policy, regulatory frameworks, institutional, and funding;
- b. To coordinate and synchronize the policies in national development planning and budgeting areas.

As stipulated in the government regulation, MNDP should apply coordination, integration and synchronization of both internal and external (between central and local government agencies) principles in carrying out its duties and functions. However, the implementation of these principles seems to still be problematic, particularly regarding the national budgetary policy, which involves the MOF. The effort to strengthen coordination and synchronisation in planning and budgeting policy was started with trilateral meeting in 2007. The meeting brought three parties: MDNP, MOF, and the sectorial ministry. It discussed Government Work Plan (RKP) and Ministry/Agency Work and Budget Plan (RKA K/L). A problem appearing in the trilateral meeting is the existence of discrepancies between programme priorities and budget availability, which will eventually affect how the performance is assessed. This happens because the focus of performance measurement will be divided into programme effectiveness and budget disbursement rate.

Regarding, the performance information reports, due to its jurisdiction, MNDP/BAPPENAS has to attend on 26 performance reports documents submitted by central and local government institutions (see Appendix 3).

2. Ministry of Finance (MOF)

Currently, the system and mechanism of state financial budgeting in Indonesia is based on Law 17/2003 on State Finances, wherein the preparation of draft budget is constructed on the Government Work Plan (RKP). RKP is not regarded as ministry/agency's wish list that may not be implemented. Under Law 17/2003, RKP is prepared by using a new approach, namely: the implementation of the medium-term expenditure framework (MTEF); the implementation of integrated budgeting; and the implementation of performance-based budgeting.

The MTEF is used to achieve fiscal discipline in a sustainable manner. Ministry/agency proposes budget to finance programmes and activities within the planned budget and gives the advanced forecasts or in other words the budget needs for the implementation of programmes and activities in the next year.

Integrated budget preparation is done by integrating the entire process of planning and budgeting in the ministry/agency to produce Ministry/Agency Work and Budget Plan (RKA K/L) documents with classified expenditure based on the organisation, functions, programmes, activities and types of expenditure.

Classification that is based on organisation is carried out according to ministry/agency's organisational structure. Classification based on functions is implemented based on the main tasks of government such as public services, national defence, public order and security, economic, environmental, housing and public facilities, health, tourism and culture, religion, education, and social security. Furthermore, the Ministry of National Development Planning coordinates with the Ministry of Finance to decide the classification of programmes based on ministry/agency's proposal. Finally, the classification of activities and type of expenditure is based on central and local government expenditure (personnel expenditure, spending on goods, capital expenditures, interest, subsidies, grants, social assistance, and other expenditures), and central government transfer.

Meanwhile, performance-based budgeting is done by paying attention to the linkages between funding and outputs and expected results, including efficiency in achieving the results and outcomes. In performance-based budgeting, performance indicators, standard cost, and performance measurement of each programme and type of activities are required.

In Law 17/2003, the Minister of Finance as the assistant of the President in financial sector is essentially the Chief Financial Officer (CFO) of the Government of the Republic of Indonesia. Meanwhile, each minister/head of agency is essentially a Chief Operating Officer (COO) for a particular field of the government. Therefore, in order to implement power over fiscal management, the Minister of Finance has the following tasks:

- a. Preparing fiscal policy and macro-economic framework;
- b. Drafting the state budget and the draft state budget changes;
- c. Approving the document on budget implementation;
- d. Making international agreements in the field of finance;
- e. Implementing the state revenue collection that has been established by law;
- f. Carrying out the functions of the state's general treasurer;
- g. Preparing financial statements that are the accountability of the state budget;
- h. Carrying out other tasks in the areas of fiscal management based on the provisions of law.

Related to state budget accountability, the President submits a financial statement to the Parliament after the fiscal year ends. The report covers State Budget Realisation Statement, Balance Sheet, Cash Flow Statement, and Notes to Financial Statements. The report is also attached with financial statements of state enterprises and other entities. The Ministry of Finance prepares the reports. Moreover, the Budget Realisation Report does not only present revenue and expenditure, but also explains the performance of each ministry/agency.

The Government Regulation No. 28 Year 2015 states that the Ministry of Finance has the task to hold government affairs in the field of public finance. The ministry has functions namely to formulate, to establish, and to implement policies in the area of budgeting, taxation, custom and excise, treasury, country's wealth, financial balance, and financing and risk management. Then, the ministry also has a function to formulate, to establish, and to provide recommendations in fiscal policy and financial sector. Another function that makes the ministry has the authority of evaluating performance is by carrying out technical guidance and supervision on the implementation of the ministry's affairs in the local government.

Additionally, regarding to performance evaluation system at the national level, Government Regulation No 6 Year 2008 about Financial and Performance Reporting of Government Institutions gives the authority to the Ministry of Finance to conduct evaluation on financial and performance aspects. On the financial side, the Ministry of Finance receives financial statements from each ministry/agency. From those reports, the Ministry of Finance can prepare the Financial Statements of the Central Government (LKPP). The financial statement consists of:

- a. Budget realisation report.
It describes the revenue, expenditure and financing that compared to budget and realisation in the previous period.
- b. Balance sheet.
The statement presents assets, debt, and equity funds that compared to the previous period.
- c. Notes to financial statements.
It explains fiscal/financial policy, macro economy, and the target achievement of the State Budget Act. Second, it describes the overview of the financial performance. Third, it shows the accounting policies. It also describes the explanation of estimated budget realisation report,

balance sheet and cash flow statement. Lastly, it explains other disclosures that affect the financial statements, such as government managerial change during the year.

Meanwhile, performance report contains the summary of outputs of each activity and the outcomes of each programme as set forth in the state budget or regional budget. The report explains the performance indicators of each programme and activity; compares the budget plan and its realisation; and associates the outputs/outcomes plan and realisation.

According to the Government Regulation No 6 Year 2008, all government agencies both at central and local level, must prepare and submit financial and performance reports. Relevant technical ministries must prepare the reports of deconcentration fund or auxiliary task implementation in the local government. In terms of performance information, the MOF is involved in 47 performance reports in Indonesian central and local government (see Appendix 4).

3. Ministry of Home Affairs (MOHA)

In performance management system, particularly in local governments, the MOHA also takes an important part. In the pattern of relationships between central and local government, Indonesia has a unique characteristic. As mentioned in the previous sub chapter, although Indonesia implements as widest as possible regional autonomy, some aspects are still under the central government's control, such as financial management standards and local governance performance. Therefore, MOHA is given the power to manage and to control provincial, cities, and regencies governments through regulation.

According to Law No. 23 Year 2014 about Local Government, MOHA asks for regional performance report in the form of LPPD from local governments. It becomes inputs for the evaluation and the development of local governance. To some extent, governors carry out the control over cities and regencies as the representation of central government. It is confirmed in the rules regarding control and evaluation of regional development. Corresponding with its authority, the Minister of Home Affairs undertakes the control and evaluation over regional development at the provincial level. Furthermore, governors take control and evaluation of development at city and

regency level, and also in their own province. Lastly, the majors and regents carry out the control and evaluation of regional development in city and regency.

MOHA is mainly assigned to conduct domestic governance affairs. Based on Presidential Regulation No. 11 Year 2015, it has several functions, such as formulation, determination and implementation of policies in politics and public administration, decentralisation, regional administration development, coaching village government, government affairs and regional development, regional financial development, as well as population and civil registration. Additionally, the Ministry also has functions such as coordination, coaching and general supervision, facilitation, and evaluation of regional administration. In terms of local government performance, MOHA has the widest performance reports compared to other ministries or agencies. There are 59 types of performance reports that are relevant to MOHA (see Appendix 5).

4. Ministry of State Apparatus Empowerment and Bureaucratic Reform (MENPAN-RB)

In order to accelerate and to strengthen the process of bureaucratic reform in Indonesia, the government formed MENPAN-RB in the cabinet, with its fundamental duty to empower state apparatus and to make bureaucratic changes. MENPAN-RB has the function of policy formulation and decision in bureaucratic reform, personnel accountability and supervision, institutional and governance, human resources of apparatus, and public services.

MENPAN-RB organisational structure consists of four deputies and ministry secretariats under the minister, namely: Deputy for Bureaucratic Reform, Personnel Accountability, and Supervision; Deputy for Institutional and Management, Deputy of Human Resources of Apparatus, and Deputy for Public Services. The structure is expected to push bureaucratic reform at central and local government.

Bureaucracy in Indonesia, so far, is considered as one of the factors that are critical in supporting development successfulness. Challenge in creating clean and authoritative bureaucracy is not easy and requires a relatively long process. The challenges faced by current administration includes inappropriate institutional structure in terms of function and size, and the systems and working procedures in the bureaucracy that are not transparent, efficient and accountable yet. Additionally,

apparatus human resource management has not been implemented properly, and public servant's mind-set has not been focused on performance and public service improvement.

Accordingly, the MENPAN-RB has an important role in improving government performance. It has given the authority to take part in performance management policy. There are 13 regulations that mention MENPAN-RB as a stakeholder in conducting performance measurement, both in central and local government. Consequently, MENPAN-RB is involved in 25 performance reports produced by other ministries/agencies and local institutions (see Appendix 6).

5. State Development Audit Agency (BPKP)

BPKP is a Non-Ministerial Government Institution under the President. It has a duty to implement government affairs in the field of state and local finances control, as well as national development. BPKP has several functions as follows:

- a. Formulating internal audit policy towards state and local finances, and national development. It includes cross-sectoral activities and general treasury activities based on MOF decision.
- b. Conducting audit, review, evaluation, monitoring and other supervisory activities of the planning, implementation and accountability of states or regional revenues and expenditures, as well as national development. It also includes other activities that are entirely or partly financed by state or local budget.
- c. Carrying out internal control over the planning and execution of state and local assets utilisation.
- d. Coordinating and synergising the internal control implementation of the state or local financial accountability and national development.
- e. Reviewing the financial statements and performance reports of the central government.

In carrying out its duty, BPKP has five deputies and one secretariat, namely: Deputy for Supervision of Government Agencies in Economic and Maritime Sector, Deputy for Supervision of Government Agencies in Politics, Law, Security, Human Development, and Culture Sector, Deputy for Supervision of Regional Government, Deputy for State Accountant, and Deputy of Investigation. BPKP also has

representative offices in each province to support audit and supervision in local government.

In 1999, according to Presidential Instruction No. 7/1999, BPKP has a strategic role in accountability improvement efforts conducted by the government. BPKP is appointed as the internal government auditor in performance and accountability system. However, after the Government Regulation No. 8/2006 was passed; BPKP has no direct role in reviewing and evaluating financial statements and performance report. Currently, BPKP is involved in 16 performance reports produced by other government institutions (see Appendix 7).

6. The Audit Board of Republic of Indonesia (BPK)

BPK has a different position compared to ministry or government agency. It is a free and independent state agency. According to 1945 Constitution, BPK is one of the high state institutions, together with Indonesian People's Consultative Assembly (MPR), House of Representatives (DPR), Regional Representative Council (DPD), The President and Vice President, Supreme Court (MA), and Constitutional Court (MK). Its primary function is as external auditor of the executive and legislative branch. It is also structured in Law No. 15/2004 and 15/2006, with its primary duty to examine the state's financial management and responsibility conducted by Central Government, Local Government, Other State Institutions, Bank of Indonesia, State-owned Enterprises, Public Service Agency, Regional-owned Enterprises, and agencies or other entities that manage state finances. The financial management includes budget planning, execution, control, and accountability.

In the context of performance management, BPK is the external auditor of state finances, while BPKP is the internal auditor. Consequently, BPK has greater authority to examine government accountability, including high state institutions, and central and local government. The examination covers financial audit, performance audit, and examination with a specific purpose outside those two previous audits, such as investigation. The outputs of each examination are different from each other. The output from government financial audit is opinion; the outputs of performance audit contain findings, conclusion, and recommendation; and finally the output of examination with specific purpose is conclusion. The numbers of performance reports that BPK jurisdiction is concerned for are 17 reports (see Appendix 8).

After conducting central government's financial statements and performance examination, BPK sends the report to DPR and DPD. At local level examination, BPK gives the result to the Regional People's Representative Assembly (DPRD). All of the reports are also delivered to the President, Governor, and Mayor/Regent.

7. National Civil Service Agency (BKN)

Performance management system in Indonesia apparently dismisses employee or government official performance although it is an important part that cannot be separated from performance management in general. The government merely focuses on organisational and financial performance. To some extent, government officials as individual actors influence the performance achievement of an organisation, which certainly includes financial performance.

Even though the connection between public servant and organisational performance is not too noticeable in most of relevant performance management legislations, some regulations emphasise the importance and the connectivity of individual performance with the attainment of organisational performance. BKN is given the responsibility to formulate the policy for civil servant performance assessment. Therefore, within the performance management system, BKN has the authority over civil servant performance assessment report (see Appendix 9).

8. Ministry of Village, Development of Disadvantaged Regions and Transmigration

Issues of gap and equitably development are enormous homework for every administration in Indonesia. Different development and results between the western and eastern Java and outside Java has become major attention since the era of President Megawati. Under her cabinet, she formed the State Ministry of Acceleration of Development of Eastern Indonesia. Later, the ministry changed its name into State Ministry of Accelerated Development of Disadvantaged Regions in the era of President Susilo Bambang Yudhoyono. During President Jokowi's administration, in order to accelerate the development of rural and disadvantaged areas, especially remote areas, the government continues the establishment, and

changes the nomenclature into Ministry of Village, Development of Disadvantaged Regions, and Transmigration.

Based on its function, the ministry is responsible for formulating policies on village, disadvantaged areas, and transmigration area development. The development is highly prioritised by the President. Therefore, the budget mostly comes from the central government. In relation to that, the ministry holds responsibility on the utilisation of village funds. It also has to monitor the performance of Regional Work Units regarding village and underdeveloped regions development. Consequently, the ministry concerns on three performance reports prepared by local governments (see Appendix 10).

9. National Team of Evaluation of Regional Government (*Tim Nasional EPPD*)

The National Team of Evaluation of Regional Government (*Tim Nasional EPPD*) was established through Government Regulation No. 6/2008 and Ministry of Home Affairs Regulation No. 73/2009. The team's main duty is to assist the President in evaluating regional government national, and it consists of several ministries and agencies that are relevant to regional development performance, namely:

1. MOHA
2. MENPAN-RB
3. MOF
4. Ministry of Justice and Human Rights
5. Ministry of State Secretariat
6. Ministry of Cabinet Secretariat
7. MNDP/BAPPENAS
8. National Civil Service Agency
9. State Development Audit Agency
10. Central Bureau of Statistics
11. National Institute of Public Administration
12. Military Secretariat

In carrying out its task, *Tim Nasional EPPD* conducts evaluation that includes measuring the performance of local governance processes, determining ranking, and deciding provincial, city/regency governance performance status nationally. The

evaluation result is used as inputs to develop and to monitor government policy in decentralisation. Also, it becomes a consideration for autonomous region establishment or amalgamation. Therefore, the team has interest in LPPD, LKPJ, and ILPPD reports (see Appendix 11).

10. Evaluation and Monitoring Team of State and Local Budgets Realisation (TEPRA)

One problem in state financial management is the uneven disbursement throughout the fiscal year. Budget disbursement by central and local government in large numbers mostly occurs on the second half. It creates ineffective government programmes and activities, particularly in providing public services. The situation happens every year without any significant change. Therefore, the government needs to establish an ad-hoc team to conduct monitoring and supervision of National and Local Budget realisation, as well as evaluation on government programme achievement. The TEPRA consists of ministries and agencies, namely:

1. MOF
2. Cabinet Secretary
3. MOHA
4. MNDP/BAPPENAS
5. Ministry of Environment and Forestry
6. Ministry of Agricultural and Spatial Planning
7. Attorney General
8. Chief of Staff of the Presidency
9. State Development Audit Agency
10. Policy Institute for Government Procurement

Based on Presidential Decree No. 20/2015, TEPRA is in charge of receiving, monitoring, evaluating, and consolidating budget and programme realisation report from central and local government. They also need to facilitate and to find solution for the obstacles that hamper budget disbursement and programme achievement. Afterwards, the team must report the progress to the President periodically on the second week of every month. Therefore, the team concerns about budget and programme realisation reports from central and local government institutions.

3.5. Conclusion

Indonesia, like any other country in the world, has specific and unique characteristics. With republic as the form of state, Indonesia adheres to a presidential system, and since 1999 has applied the local autonomy principle, which is a highly decentralised system. It has a distinct impact on public administration practice. Moreover, the demands of reform movement in 1998 had brought significant changes towards more transparent and accountable government.

In relation to that, the government has issued SAKIP. After that, the government has released several laws and regulations in order to enhance the performance accountability system, including to control, to learn, and to improve policies. However, some regulations appear to overlap one another. This has a huge impact on the problem of the division of authority in performance measurement and evaluation. From observation, there are 49 sets of laws and regulations related to performance management and evaluation. In addition, there are 10 entities (ministries, agencies, ad-hoc teams) that are involved in the performance management system. Overall, there are about 198 types of performance reports specified in the statutory laws and regulations.

Based on the reality above, we find that there is a dilemma in government structure and policies, between centralised and decentralised performance management system on development planning and financial management, including human resource management. This is reflected on many agencies, regulations and type of performance reports in Indonesia. Before the reform, central government such as MDNP/BAPPENAS has too much power over regions, which creates inefficient and ineffective problem. After the reform, the power is decentralised to many central agencies including monitoring and evaluation authority (horizontal decentralisation). However, this may causes another problem on performance management implementation. This situation becomes our attention to know how effective is the performance management system, and to find out what factors influence the effectiveness.

Chapter 4

Research Methods

4.1. Introduction

Research methodology in social science is inherently problematic (May, 2011) There are different perspectives on investigating a given phenomenon and alternative methods of data collection and analysis. Debates on choosing an appropriate method to explain specific phenomena continue among researchers in order to optimize explanation and to maximize objectivity. Therefore, there is no single research method that can answer all issues in social science.

Research method selection cannot be detached from the research purpose, whether it is explanatory, exploratory, and descriptive. Explanatory research mainly focuses on cause-effect relationship based on the well-established theories, and usually makes prediction about variables in the future. Exploratory research is generally used to search for new concepts and theories in new areas. Descriptive research tries to provide detailed events and situations to gain a better understanding (Denscombe, 2009). According to the purpose, which is aimed to describe performance management effectiveness and performance information use in Indonesian public sector, this thesis may be classified as descriptive research.

The research method is a way of organising a research project in order to maximize the possibility of generating evidence that provides convincing answers to the research questions (Gorard, 2013). It provides guidance for the researcher in doing investigations in the messy world of social phenomenon. Choosing the right method is extremely important before conducting research.

This research is at the organisational level of analysis and focuses on the interaction of governmental organisations and the area of management system (Brewerton & Millward, 2001; Bryman, 1988). Therefore, organisational research or study becomes our focus in this thesis. Regarding this, we have also decided the research questions in Chapter 1 i.e.

1. How effective is the performance management system in Indonesian local government?

2. How do the rational/technocratic and political/cultural frameworks affect the effectiveness (or ineffectiveness) of performance management system?

Starting with the research question, this chapter discusses the chosen research method and the arguments behind it, including research strategy, data collection method and its analysis. We also examine the problems and the limitations of applying this particular method.

4.2. Research Philosophy: Ontology and Epistemology Perspectives

It is very important to establish ontological and epistemological perspectives of research. This helps to underpin the perspective that is adopted regarding the research topic to shapes the nature of investigation, methods and questions that are asked. Thus research philosophy points to the kind of conclusions that can or cannot be drawn from the analysis (Denscombe, 2009).

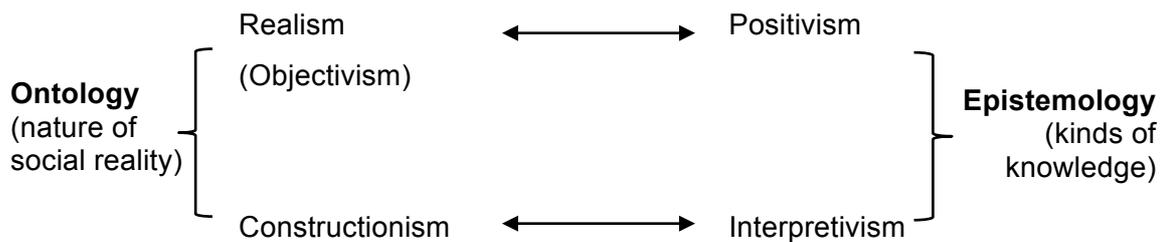
Regarding ontology and epistemology perspective. Gray (2004, p. 16) offers the following definitions,

“Ontology is the study of being, that is, the nature of existence. While ontology embodies understanding what is, epistemology tries to understand what it means to know.”

Bryman (2012, p. 32) states that ontology concerns the nature of social entities, whether social entities can and should be considered as objectives entities that have a reality external to social actors or whether they can and should be considered social constructions built up from the perceptions and actions of social actors. Additionally, he argues that epistemology concerns the question of ‘what is’ or ‘should be’, regarded as acceptable knowledge in a discipline (Bryman, 2012, p. 27). Epistemology concerns and focuses on the question how can we know about reality and what is the basis of our knowledge (Ritchie, Lewis, Nicholls, & Ormston, 2013). Therefore epistemology gives a background for us to decide on the legitimate and adequate knowledge to be used to explain our research topic.

In order to gain a better understanding, Denscombe (2009) offers a simplified model of basic social research philosophies in terms of the relationship between ontological and epistemological perspective.

Figure 4.1 A Simplified Model of Basic Social Research Philosophies



Derived from: Denscombe (2009 p. 118 modified)

From the figure, we can understand that the choice of ontological and epistemological perspective may be based mainly on the researcher's point of view in looking at social entities. We may identify two main ontological philosophy assumptions, namely realism (objectivism) and constructionism and two main epistemological perspectives, namely positivism and interpretivism. In general, it may be argued that realism connects with positivism and on the other side constructionism is related to interpretivism.

Realists or objectivists see the social world as something that exists out there beyond our reach or influence. They assume social world to be like the natural world that can be measured, with consistent and stable structures and relationships. Moreover, social phenomena exist that are independently, separated from social actors. For example, an organisation may be regarded as an objective entity, in which there is rule and regulations, hierarchical relationship, or mission statement. Consequently, an organisation can be assumed to have a reality that is external to its members. The organisation is separate and independent from the actors. However, it may be influenced by actions those inside or outside the organisation.

On the other hand, constructionists see social reality as something that is constantly being produced and reproduced by the human mind. Different from

realists or objectivists, constructionists acknowledge the possibility of social reality to vary between different cultures or groups, instead of having a single objective social reality. (Bryman, 2012) gives example of organisation from the constructionists' point of view. Organisations are seen as a social reality produced through social interaction and keep changing throughout time. Consequently, any result from management practice within an organisation, such as policies, rules, and regulations, are the outputs of interactive processes and negotiation. Such outputs are also constantly being established, reviewed, and revised.

Investigating social reality, such as performance management in the public sectors, might start with an ontological perspective about whether it really exists and this will then lead to particular knowledge about it. We may assume that social and contextual understandings create the public sectors, considered as one type of organisation that occurs in this modern society (constructionism). Organisation is also a reality that is constructed through people's perceptions and is reinforced by their interaction with other people (Bryman, 1989). Therefore, constructionism becomes our ontological position in this aspect of the research, even though some organisational studies might use realist approach (Tsoukas, 2000).

As mentioned above, regarding epistemological perspectives, there are two main positions that have emerged in social science, i.e. positivism and interpretivism (Bryman, 2012; Denscombe, 2009; Gray, 2004). Both perspectives relate to particular ontological positions in social research. Positivism uses some principles, such as phenomenalism (whereby only phenomena confirmed by the senses may be considered as knowledge), in which hypotheses that can be tested are the purpose of theory. On the other side, social researchers often use interpretivism because interaction between people and objects is different with natural science. Therefore, it is considered as a strategy to grasp the subjective meaning of social action.

In order to understand an organisational aspect, such as performance, we need first to explore it from the point of view of knowledge. Interpretivist epistemology is selected as our standpoint in this aspect of research, because the subject in this research (performance information) is unambiguously the result of political and managerial interaction between social actors (executives, legislature and citizens) (De Bruijn, 2007; Moynihan, 2008; Van Dooren et al., 2010). This epistemological perspective guides the research paradigm, strategy, method, data collection, and analysis of the data. However, positivist approach may also be applied in

organisational research that aims to conduct hypothesis testing, inferential statistics or mathematical analysis (Lee, 1991).

4.3. Research paradigm

There are two major streams of paradigm in social research: quantitative and qualitative. Quantitative research emphasizes quantification in data collection and data analysis. It requires a deductive approach to the relationship between theory and research, and it is also related to the practices and norms of natural scientific model. Quantitative research is generally linked with realist (objectivist) ontology and positivistic epistemology based on the assumption that social reality can be measured (Denscombe, 2009). The main rationality of such research is “to collect data using standardized approaches on a range of variables; search for patterns of causal relationships between those variables; and test given theory by confirming or denying precise hypotheses” (Henn, Weinstein, & Foard, 2005, p. 117). Generally, quantitative research also implies theory testing by examining relationships between variables that may be measured and analysed using statistical procedures (Creswell, 2013). In addition, “quantitative researches collect facts and study the relationship of one set of facts to another in order to produce quantified and generalizable conclusions” (Bell, 2005, p. 7).

On the other hand, qualitative research normally emphasizes words rather than quantification in data collection and analysis. It mainly stresses an inductive approach to the relationship between theory and research, which is more concerned with theory generation and rejects the practices and norms of natural scientific model, particularly because individuals interpret their social world. Qualitative research has been applied as part of a trend of pluralisation of life that has required new social contexts and perspectives (Flick, 2009). Instead of starting from theories and testing them, qualitative research tends to do work in the opposite direction: building theories from empirical studies. Indeed, the process is influenced by previous theoretical knowledge or established concepts. Moreover, the choice of using either quantitative or qualitative research depends on the question that has been stated. For investigations such as making systematic comparison in order to account for the variance in some social phenomenon is better conducted by using quantitative research (Silverman & Marvasti, 2008).

However, if the research questions are to explore and to apply in-depth evaluation then qualitative research is preferable. Qualitative research also means exploring and understanding social phenomena that include individual or groups (Creswell, 2013). Consequently, qualitative research tends to work with relatively small number of cases rather than conducting large-scale survey (Perecman & Curran, 2006). Furthermore, qualitative research applies in more natural setting to collect factual characteristics of the research object.

Even though quantitative research is related to numerical data, it also may use data in words, such as open questions in survey. Yet, it will be transformed into numerical form through coding process. Conversely, qualitative research may use table of frequencies and percentages to describe some information of non-numerical data. Therefore, both research paradigms use both kinds of data (numerical and non-numerical) based on the needs of analysis.

Each particular strategy has its own strengths and weaknesses that depend on the perspective adopted in research. Bryman (2012) argues that quantitative research will be better used to explain the relationship and effect of one variable to another and it gives a good prediction for the future. Quantitative research is also seen as superior in terms of generalization due to the 'power' of number and it is considered as value free from the researcher's point of view (Bell, 2005; Blaikie, 2009). Meanwhile qualitative research is better in explaining a particular phenomenon because it is deeper and closer to the object. In terms of generalization issue, quantitative is more preferable than qualitative. However, qualitative research provides a stronger explanation and description about specific issues (Silverman & Marvasti, 2008).

As mentioned above about the major strengths and weaknesses between the two strategies, Bryman (2012, pp. 178-179) notes some critiques for each strategy. Criticisms of quantitative strategy may include: firstly, quantitative researchers fail to distinguish people and social institutions from 'the world of nature'; secondly, the measurement process may offer an artificial and spurious sense of precision and accuracy; thirdly, reliance on instruments and procedures may obscure the connection between research and everyday life; fourthly, the analysis of relationships between variables creates a static view of social life that is independent from people's lives. Meanwhile, qualitative research is criticized for the following: firstly, researcher's subjectivity; secondly, difficulty to replicate; thirdly, it faces problems of

generalization of the findings; fourthly, there may be a lack of transparency in reaching the study's conclusion (Bryman, 2012, pp. 405-406).

Of course, there is an alternative called mixed method. It refers to research that combines methods associated with both quantitative and qualitative research. Johnson and Onwuegbuzie (2004) state that mixed method has benefit of triangulation, which adds insight and understanding that might be missed from a single method and increase generalizability of results. However, many scholars oppose this strategy because each research strategy carries its respective epistemological commitments, and quantitative and qualitative researches are separate paradigm (Bryman, 2012). Moreover, mixed method may be more expensive and time consuming. The method may also need a research team regarding difficulty to mix the multiple methods and approaches and to interpret any conflicting results (Johnson & Onwuegbuzie, 2004). Therefore, this method is not considered as strategy in this research.

In this study, a qualitative research strategy is adopted, the argument being that this is more suited to explore and to explain the research object (performance information in public sector) as a social institution in real situation in organisational life. However, the approach is not without its limitations, such as the results may be not be generalized to other cases and influenced by researcher's personal biases (Johnson & Onwuegbuzie, 2004).

4.4. Research strategy

In regards to research strategy, we find two main strategies in relation with theory building or testing: deductive and inductive approaches. These strategies are derived from the epistemological assumption associated with empiricism and rationalism. Empiricism depends on sensory experience to gain knowledge (inductive), while rationalism uses reasoning to gain knowledge (deductive) (Walliman, 2010).

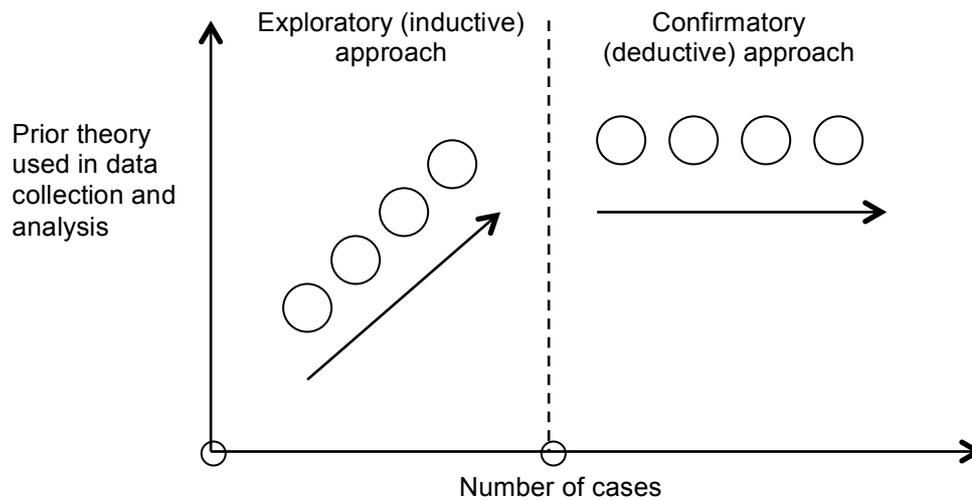
The deductive approach moves toward hypotheses testing after a theory is established. Hypotheses are deduced from theoretical consideration, and the research will test the hypotheses; whether it confirms or rejects the theory (Bryman, 2012; De Vaus & de Vaus, 2001; Gray, 2004). Empirical observation will test the

concept as an elaboration of principles that is derived from hypothesis and theories. This approach sees theories as speculative statements to the perceived problems so it needs to be tested through observation and experiment (Walliman, 2010). Eventually, the goal of this approach is to either reinforce or revise the theories concerned.

The inductive approach is the opposite. It moves toward theory building from observation or findings (De Vaus & de Vaus, 2001). The inductive approach is normally applied after data are analysed in order to understand pattern of relationships between observed variables. However, although inductive theory means building a theory, it is not true that this approach totally neglects the pre-existing theories or ideas before conducting research. Indeed, we certainly have particular values and concepts in mind before selecting an issue that becomes a research topic. However, with the inductive approach, we do not attempt to seek support for or to be against a specific theory, instead, the approach seeks to establish patterns, consistencies, and meanings (Gray, 2004). This research aims to analyse experiences and opinions from interviewees about performance management implementation in Indonesian government, then to describe a pattern that may explain effectiveness and factors that influence performance information use.

Nevertheless, inductive and deductive approaches are not mutually exclusive. Particularly in case study research, we may apply both approaches in order to fill the respective gaps left by each approach (Gray, 2004). Under case study research, the starting case is purely inductive or exploratory because there is no theoretical view. The next case study is then informed by the first or previous case study in terms of data collection and analysis. However, because the findings may be different in each study, it is difficult to draw inferences. Employing deductive or confirmatory approach will solve the issue. The first case study can be a pilot model for the subsequent case studies and the initial theory will be confirmed or rejected by cross-case data analysis. However, cross case comparison is conducted after adopting a particularly theoretical position (Yin, 1994). This combination is described in Figure 4.2.

Figure 4.2 Comparison of two case study positions: inductive and deductive



Derived from: Perry, 1998 in Gray, 2004 p. 126

Following the logic from the Figure 4.2, we can expect to have explanation about implementation and problem on performance information use in each organisation. Then we conduct interviews to other organisations—central and local governments. Central agencies can provide insights on performance measurement implementation in local government. Meanwhile, local governments can share their thoughts and experiences on the actual implementation. Through this process, pattern and meaning may be observed. Thus we may have confirmation from each organisation that is being studied in this research to make generalisation for the Indonesian public sector.

4.5. Research Method

Considering research paradigm, strategy, and approach above, and associating them with the research questions, this research adopts the case study as a method. Case study method is ideal for answering 'how' and 'why' research question (Woodside, 2010; Yin, 2002). It enables researchers to explore a programme, event, activity, and process in depth (Creswell, 2013). The method can also be seen as an alternative due to impossibility of studying society as a whole,

besides that it offers broader conclusion about societal trends and developments (May, 2011). Robert K. Yin (2002, p. 2) believes that

“case study method allows investigator to retain the holistic and meaningful characteristics of real-life events—such as individual life cycles, organisational and managerial process”

As the topic in this study is about performance information in public sector organisation, the case study appears more suitable than other research methods. Moreover, the nature of organisation research is unlike social science researches in the wider community (Bryman, 1988). It deals with great negotiation to obtain access to organisations and their members, which affects the unit of analysis. Therefore, we need to carefully select one of some cases for the study; or in other word, to identify a character unit and put it into a context (Wieviorka, 1992).

The case study itself means in-depth exploration from multiple perspectives on the complexity and uniqueness of a particular project, policy, institution, programme, or system in a “real life” context (Simons, 2009, p. 21). Thomas (2010) defines case study as analysis of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods. The case that is being the subject of inquiry will be an instance of a class of phenomena that provides an analytical frame—an object—within which the study is conducted and the case illuminates and explicates.

Using case study as research method brings some consequences, as this method is not free from flaws. The problem of generalisation appears because it is difficult to generalise the finding from a single case. Case study is discredited because it has high degree of bias and subjectivity for producing common sense such as scientific knowledge (May, 2011). However, case study can be replicated as multiple experiments in order to justify its finding within similar case or phenomenon. It can also be found in medical science in which doctors’ skill is improved from taking care of individual cases. Additionally, there is analytical generalisation in case study, which means that if two or more cases generate the same result to support theory, it can be said that the theory has been replicated (Yin, 1994).

Criticisms of the case study method may concern about the time consumed and the volume of documentation it may produce. Compared to other methods, the case study needs a relatively long time for data collection. Case study method normally uses interviews as its instrument rather than surveys. Even though the

sample is smaller, the depth and topic during interview will consume more time. Regarding the depth and width of information that may be generated from the interview, case study could have high quantity of data documentation. It becomes another challenge for researchers to scrutinize and to analyse them because not all recorded information will be useful and relevant for the study.

Nonetheless, we note some advantages of applying case study method, particularly in evaluation research such as assessing performance information use in the public sector. The case study is suitable to explain causal links assumption in real life situation, which are too difficult to do if we choose survey or experimental method. Case study is applicable in describing an intervention and the real-life context where it occurs, for instance government regulation or policy. It is also superior to illustrate specific topics within an evaluation in descriptive way. Likewise, case study can be used to explore a situation in which the outcomes of single intervention have not been clear (Yin, 2002). In addition, even though theoretical development is not the primary goal of case study, it still possible to do generalisation in different form (May, 2011).

A major consideration in case study work is deciding the unit of analysis for the research (De Vaus & de Vaus, 2001). This is a fundamental problem because sometimes the 'case' is not well defined in the research. For example, a case could be an individual so in this situation the individual is the primary unit of analysis. However, the case could also be managers. Hence, information about each manager would be collected and such managers or cases might be included in multiple-case study. However, the selection of the appropriate unit of analysis depends on the primary research question. A case study about new computer invention from a group of engineers may result in misunderstanding if the case is not clear whether about the computer or the group of engineers.

According to Yin (2009), there are two main types of case study, single and multi-case study. He also explains the rationale behind using single case study: when it represents critical case in testing a well-formulated theory; when the case represents an extreme case or a unique case; when the case is typical and revelatory; and when it is longitudinal case. In addition, case study may involve more than one unit of analysis. This can happen when we focus not only on the main unit as a case, but also its subunits. In the context of this research, performance management system is the main case whereas its utilisation in development planning

policy, financial management, and human resource management is our subunit of analysis. Therefore, our study can be categorized as embedded single case study design.

4.6. Problems and Limitations

Research methods in the social science always has its own problems and limitations including the method that we choose (Denscombe, 2009). Problems potentially will occur when the method does not match with the initial purposed study. We might get the result, but it does not necessarily answer our research questions. Even if we carefully select an appropriate research method, some issues may still occur.

Some of the indicated problems and limitations in this research are related to the research method, which can be described as follows:

1. Researcher subjectivity. It is an inevitable problem and becomes the attention of using qualitative research as a strategy. However, applying triangulation (cross-checking) from multi sources will minimise subjectivity.
2. Replication and generalisation problem. Another issue of qualitative and single case study research is that the method cannot always be replicated in other cases or situations. Consequently, the results may be different if we conduct the study in a different case. For instance, this case study discusses about performance information use in Indonesian public sector that may not be applicable on other cases (countries) because each country has its own uniqueness and characteristic.
3. Drifted topic. The explanation-building technique use the iterative process progresses in which researcher has to 1) make initial theoretical statement; 2) compare the findings of an initial case against such a statement or proposition; 3) revise the statement or proposition; 4) compare other details of the case against the revision, and; 5) compare the revision to the facts of other cases. This technique may distract researcher who can slowly begin to drift away from the original topic of interest (Yin, 2009). Therefore, we need to keep oriented constantly

towards the original purpose of the research question and the possible alternative explanations.

4.7. Data Collection

The case study method uses multiple sources of evidence in regards to data collection. It means that there are some instruments used to gather information, such as semi-structured interview and field observation, or document analysis (Yin, 2009). The semi-structured interview is particularly well-matched for case study research because we ask predetermined, but flexibly worded questions (Hancock & Algozzine, 2006).

In this research, we try to collect data not only from the individual but also from the organisation. From individual, this study will explore public officials' behaviour, attitudes and perceptions about how and why performance information integrated to development planning, financial management, and human resource management. Meanwhile, from the organisation, we will observe and analyse the empirical situation and documents about the use of performance information to inform policies in Indonesian public sector.

Semi-structured interviews and document analysis are selected as data collection techniques in order to explore how performance management is used in practice, particularly the use of performance information in Indonesian public sector. Thus, we will conduct in-depth interviews with key persons in each institution. We expect data and information about how important performance information is and the extent to which it has been used in policymaking and managerial process.

An interview guide is used in the interview (see Appendix 13). The semi-structured interview is intended to direct the discussion to keep focusing on the issues about the role of performance information in development planning, financial management, and human resource management. Other information about their perception of the utilisation of performance information in those areas in the future will be investigated. We also expect to identify their opinion about obstacles that hamper the use and how it can be solved to improve institutions' accountability.

Documents that provide information about the use of performance information in planning, financing and contracting policies will also be assessed. Presidential

decrees, government regulations, ministerial decrees, instructions and other related documents are collected and examined. It is important to validate information from the interview based on rules and regulations.

We expect to obtain data and information from interview transcript and documents. Then, we classify them into three selected topics or themes—development planning, financing, and contracting. Explanation building based on thematic analysis will be conducted in order to explain performance information application in policy and management activities. From each case (institutions), information will be collected and analysed. Further, we try to generalise it in the context of Indonesian government sector. As a consequence of case study method, making sense of the information collected from multiple sources is a repetitive process that involves interaction with the information throughout the research process (Hancock & Algozzine, 2006).

4.8. Data Form, Type and Source

As discussed above, the research will use qualitative study and apply case study method. Consequently, we expect more ‘words’ rather than ‘numbers’ of data form. Interview transcripts will be documented; and documents related to performance measurement information will be collected. Consequently, the data will be of both primary and secondary types.

Therefore, it was decided to take a sample of public sector organisations in Indonesia as cases. In order to explore data and information not only from single perspective, we select institutions at central and local level that represents our subunit of the case i.e. development planning, financial management, and human resource management. Central institutions are selected because they have the authority and responsibility on performance evaluation in those areas. Those institutions are:

1. House of Representative: Commission II
2. Ministry of National Development Plan/National Development Planning Agency
3. Ministry of Finance
4. National Civil Service Agency

5. National Institute of Public Administration
6. Ministry for State Apparatus Empowerment and Bureaucratic Reform
7. Ministry of Home Affairs
8. State Development Finance Audit
9. The Audit Board of Republic Indonesia

Furthermore, the selection of local governments is based on performance accountability achievement result from MENPAN in 2012-2014. MENPAN releases LAKIP evaluation based on five components namely:

1. Performance Plan that consists of Strategic Plan, Yearly Performance Plan, and Performance Establishment (35 points);
2. Performance Measurement that comprises of Measurement Accomplishment, Measurement Quality, and Measurement Implementation (20 points);
3. Performance Report that consists of Report Completion, Performance Information Presentation, Performance Information Utilisation (15 points);
4. Performance Evaluation that consists of Evaluation Completion, Evaluation Quality, and Evaluation Application (10 points); and
5. Performance Achievement that comprises of Reported Performance (output and outcome) and Other Performance (20 points).

Meanwhile the evaluation criteria of LAKIP is as follows:

- AA (Satisfy), score >85-100
- A (Very Good), score >75-85
- B (Good), >65-75
- CC (Fair), score >50-65
- C (Poor), score >30-50
- D (Very Poor), score 0-30

According to the evaluation result, three provinces and three cities government were selected that received grade "C" or above because those institutions are assumed to have better implementation of performance management compared to other regions. The local governments are:

Table 4.1 Performance Accountability Achievements of Local Governments

No	Local Government	Performance Accountability Achievement		
		2012	2013	2014
1	DKI Jakarta Province	CC	CC	CC
2	West Java Province	CC	CC	CC
3	DI Yogyakarta Province	B	B	A
4	Bogor City	CC	CC	C
5	Depok City	C	CC	CC
6	South Tangerang City	CC	CC	CC

From central agencies, we focus on key informants who have the expertise and adequate knowledge in arranging performance management policy at national level in order to gain insight regarding the policy. On the other side, local governments are treated as the targeted institution. Thus, we try to gain information from resourceful people who have the capability to explain the policy implementation of development planning, budgeting, and human resource management. Technically, we will conduct in-depth interview to 2-3 people from each institution while each interview will be conducted for 30-40 minutes.

Regarding sample size, the thesis uses purposive sampling. It means that research participants are not selected on random basis, but in a strategic way that is relevant to the research questions. Thus, the decision regarding the number of local governments, this thesis follows the argument from Bryman (2012, p. 421) argument about theoretical saturation. The sample will be sufficient if there is no new relevant data that seems to emerge regarding the implementation of performance management in other local governments, particularly the use of performance information. As the central government imposes the rule and regulation nationally, we expect that there is no huge variation among the targeted institutions. Moreover, the categories are bounded to planning, financing, and contracting policies in which any local institutions refer to the same national policy as guidance.

4.9. Data Analysis

Data analysis is a mean to examine, categorise, tabulate, and test evidence in order to draw conclusion based on empirical data. It must be based on the effort to answer research questions. There are many options of data analysis techniques for qualitative data (e.g. analytic induction, grounded theory and narrative analysis). We choose thematic analysis as a tool to analyse our data.

Within thematic analysis, we focus on repetitions, similarities and differences, and theory-related materials from interview transcript (Ryan and Bernard, 2003 in Bryman, 2012). The information is examined based on particular research question in order to have tentative explanation or answer to the question. Thus, we can categorise the answer to different themes. In this research, the themes are based on theoretical perspectives on how performance information is integrated into the themes and sub themes.

Thematic analysis is an iterative process so that the process of information examination continues until the themes are supported by all available information. In other words, we will examine evidence on performance information in the selected themes and subthemes. After information from all sources is reviewed, dominant information that supports tentative answers is retained and presented as findings (Hancock & Algozzine, 2006). The information is derived into research themes and subthemes as described in Table 4.2.

Table 4.2 Research Themes and Subthemes

Themes	Sub Themes
Rational/Technocratic Framework	Resources
	Information and Measurement
	Goal Clarity
	External Requirements
Political/Cultural Framework	Internal Commitment
	External Interest Groups
	Attitude and Cultural Changes

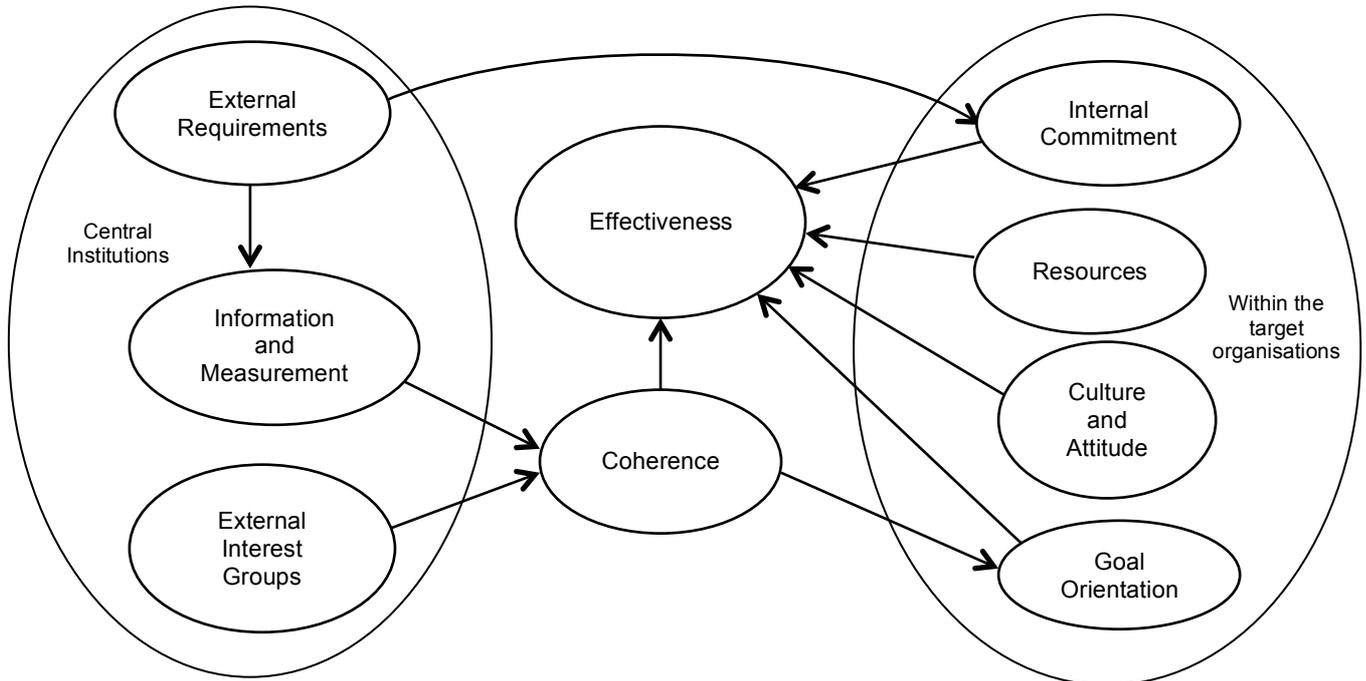
Rational/technocratic framework uses traditional organisational theory that is rooted from rational model (De Lancer Julnes & Holzer, 2001; Fischer, 1986). Based on this model, the utilisation of evaluation is a matter of technical issues. Therefore, this framework considers rational factors that support performance information use in development planning, financial management practice, and human resource management, namely: resources, information and measurement, goal orientation and external requirements. Meanwhile, on the other side, political/cultural framework considers political will and organisation culture in explaining the use of performance information. The elements under this framework are internal commitment, external interest groups, and attitude and cultural changes as the sub themes.

Besides using thematic analysis, we also apply explanation-building technique in our case study. This technique is desirable to explain a phenomenon that demands a presumed set of causal links, or 'how' and 'why' it happened (Yin, 2009). Furthermore, the study will analyse performance management system ineffectiveness in Indonesian public sector.

From the aspect of the iteration mode, explanation-building technique has the same procedure as thematic analysis. It means that both strategies are applicable and complement each other. Following the procedure of explanation building as suggested by Yin (2009), we have initial theoretical statements about performance information. Afterward, we will compare the findings from the case to our statements or propositions. After that, statements or propositions examination and revision will be conducted. Next, we compare other details or the case against the revision. This process will be repeated until we have evidence to answer the research questions.

Furthermore, the thesis builds a logic model to describe the relationship among the factors that affect performance management effectiveness in public sector. The model will give us a better understanding and guidance for data analysis process. It can be described as follows.

Figure 4.3 Logical Model of Factors that Influence Effectiveness of Performance Management



4.10. Ethical consideration

Some ethical considerations that should be considered come from the research problem itself, the setting in which the research takes place, the procedures required by the research design, the data collection method, the kinds of people serving as research participants, the type of data collected, the communication of results, the pressures put upon research participants by external agencies to become involved in research, and the misrepresentation of others' experiences by the researcher (Henn et al., 2005).

This study used many in-depth interviews as data collection instrument aside from documents analysis. In this regard, ethical aspect that we must consider is related to gaining informed consent from respondents. It is done before we undertake the interview. Afterward, we protected their privacy and confidentiality because the given information could be a sensitive matter. For example, their opinion about how performance information is used may influence their position in the organisation.

4.11. Conclusion

Based on explanation above, this research applies different approach compared to other research on similar topic about performance management system in Indonesian public sector, in terms of performance measurement aspects, research locus and methods. As conclusion of this chapter, in brief, research method that had been selected in this study can be seen in the table below.

Table 4.3 Research Method

Research Philosophy	
Ontological position:	Constructionism
Epistemological position:	Interpretivism
Research Paradigm	Qualitative
Research Strategy	Inductive
Method	Case Study
Sampling technique	Purposive sampling
Data Collection	Semi-structure interview Documentary analysis
Data Form and Type	Primary (in-depth interview) Secondary (documents)
Data Source	Central and Local Level Agencies Related documents
Data Analysis	Explanation-building technique based on thematic analysis

Chapter 5

Public Sector Performance Management Problems

5.1. Introduction

This chapter identifies and analyses some problems that occur in Indonesian public sector performance management system. As explained in the previous chapter, Indonesian government has been applying the SAKIP in all public institutions in order to control, learn and improve government policies and programmes. However the performance information generated from measurement activities has not been optimally utilised by the government particularly regional governments.

In addition to incoherency problems such as overlapping institutions and conflicting regulations related to performance management system in Indonesia as explained in Chapter 3, there are some issues that cause ineffectiveness. Some authors such as Taylor (2014), Van Thiel and Leeuw (2002), Van Dooren et al. (2010), and (Plant, 2006) explained the problems in public sector performance management. Accordingly this chapter will analyse the problems that occur in Indonesian performance management system based on evidence from the interviews, namely: 1) Gap between performance indicator and actual performance; 2) Non-use of performance information; 3) Gap between desired against actual behaviour; and 4) Dysfunctional effects. Thus, this chapter attempts to answer the first research question of the thesis, “How effective is the performance management system in Indonesian local government?”

5.2. Gap Between Indicator and Actual Performance

The first problem of performance management is mainly associated with performance indicators. The indicator has become a major obstacle for performance information use. Indicator selection is crucial part in performance management particularly in public sector because one characteristic of public organisation, which is not profit oriented, so that performance indicator selection is not as easy as in private sector.

Based on interviews result, it has been found evidence that the indicators in public sector performance management system have not reflected the real performance yet. Deputy from MNDP/BAPPENAS said,

“Performance indicator has been set to measure programme output and outcomes, Then evaluation has been carried out based on the indicator. However, evaluation result could not describe actual performance because of inappropriate or limitation of indicator. In many cases, we observed that performance evaluation result is beyond the fact that we think. For example, performance indicator for Food Security Programme in Ministry of Agriculture is total area of agricultural land. The report said that they made it above the target. However, real performance in terms whether the land becomes productive or not is questionable” (1).

The evidence supports Van Thiel and Leeuw's (2002) argument. Ineffectiveness of performance management in the public sector is caused by weak correlation between performance indicators and performance itself.

Complication of Performance Measurement

Government's inability to set performance indicators may not be separated from performance measurement complexity in public sector, even though it is agreed that government performance should be evaluated in measurable and deliberate efforts (De Bruijn, 2007). For instance, in development planning policy, the performance indicators were derived from planning documents from central government. Thus it also considers regional planning documents. Official from BAPPEDA in West Java Province explained,

“We arranged performance indicators from planning documents such as RPJP and RPJMN and adjust with local development planning documents [RPJMD]. Our challenge is to select appropriate and measurable indicators because output and outcome of government programmes are difficult to be explained in numbers” (21).

Derivation from the planning documents is not easy to translate into performance indicators. In reality many government agencies particularly in local government experience difficulty to arrange performance indicators although the guidance on indicators has been given from the central agency.

Performance indicators of the public sector in general are intangible and hard to be quantified. The goal of development policy in certain sectors is very difficult to be measured quantitatively such as national security, public health or education. In

many cases it cannot reflect the real performance even though the indicators for those particular sectors have been arranged based on consensus among related institutions. Moreover, the government performance in specific sector is accumulated from various institutions' performance. For example, health sector performance is not only shaped simply by Ministry of Health but it is affected by performance of Ministry of Education, Ministry of Social Welfare and Ministry of Public Works.

Indeed the performance indicator may be easier to be measured in quantitative type. Therefore, many government agencies prefer to choose indicators that easy to be quantified such as input and output, for example number of activities, budget spending, reports, goods, graduated students, patients that helped and so on. In fact, the government is required to measure performance until outcome level. Then the problem is to measure outcome is not an easy task since it is qualitative and intangible.

The government often faces dilemma in deciding the number of performance indicators. Chasing fewer indicators causes an inaccurate performance report (Meyer & Gupta, 1994). However, too many indicators will be troublesome for the government in generating and evaluating performance reports. As mentioned in previous chapters, performance reports related to development planning (LAKIP, LPPD, LKPJ) have different focus and number of indicators. It also occurs in financial performance-related reports (LKPP and LKPD). Yet, there is only one performance report in human resource management. Differences in the number of indicators may affect performance evaluation accuracy and reliability because evaluation results maybe different.

The complexity of performance measurement may also be triggered by multidimensional goals of public policy, and interaction between executive as implementer and parliament member as legislator. Moreover the public policy dimension can be seen from both effectiveness and efficiency viewpoints. In many cases it causes conflict of goal and orientation. For instance, highway development in remote areas is considered as inefficiency because it spends a lot of budget but only few vehicles in that area. On the other side, the development is judged as very effective to increase public trust and government legitimation in the region or to gain ballot in general election.

Tunnel Vision, Sub optimisation and Fixation

A gap between performance indicator and real performance has also occurred because of some phenomena such as tunnel vision, sub optimisation and measure-fixation (Smith, 1995a). In the history of performance management implementation, those issues become bottlenecks for use of performance information in many countries including Indonesia.

According to Smith (1995), tunnel vision is a phenomenon of quantification in performance measurement scheme at the expense of unquantified aspects of performance (p. 284). Sub optimisation is narrow local objectives by managers, at the expense of the objectives of the organisation as a whole (p. 287). Thus measure-fixation is defined as emphasis on a single measure of success rather than on the underlying objective (p. 290).

The three phenomena can be found in Indonesian public sector in general. Related to development planning policy performance, tunnel vision emerged when government institutions tried to simplify the output or outcome achievement indicators. Although it is not easy to be quantified, they tend to decide the indicators in a more quantitative way such as number of reports, sets of policy recommendations, number of employee who have been trained, and so on. It is a consequence of moderate performance measures as mentioned above. Thus government agencies prefer to choose the simplest and easiest indicator because they are more confident they can achieve it although the indicator may not reflect the real performance. An official in MNDP/BAPPENAS stated,

“Government agencies find it difficult to decide their performance indicator due to the unclear strategic plan and misunderstanding of planning documents. That is why they rather select simpler and more measurable indicators for their programmes. In fact, it could not explain their contribution to the policy objective” (1).

Meanwhile, the phenomenon also happened in financial management practice. Money can be a more tangible indicator compared to other resource factors. It is easy to put the amount of budget as performance indicator in input. However real performance is not always reflected on budget disbursement. For example, in the agriculture programme, the high level of disbursement of the Ministry of Agriculture did not mean the food security policy was successful. As stated by some interviewees the Ministry's programmes may have good financial performance but it

does not necessarily lead to agriculture productivity improvement. An official from BPKP stated,

"Oftentimes, the achievement of financial performance does not reflect the performance of programmes that are conducted by government agencies. In many cases, the ministry was not able to achieve the goals and objectives that are set out in planning documents but they have good budget utilisation" (10).

Human resource management also experienced the tunnel vision phenomenon. Assessing individual or employee performance is also problematic. Performance indicators stated in Employee's Work Target (SKP) are generally in terms of measurable input and output such as time, money or unit. The indicators are strongly biased to measure the quantity of the work produced by an employee. In fact, employee performance should be evaluated in a comprehensive manner both from quantitative and qualitative aspects. Although a person may be capable of producing output in large quantities, if it is low quality then it would be futile. Interviewee from BKN commented,

"Work quality is one of the difficult thing to measure with SKP. Although there is a qualitative assessment, but it is very subjective. There are no clear performance indicators able to explain it. Performance indicators that we use are more quantitative indicators because they are easier to use" (8).

The second phenomenon is the sub optimisation issue. It is related to the demand of performance management system that encourages each organisation or individual to pursue the targets that have been set out. There is evidence from interviewees that the government agencies merely chase their own targets without having concern about organisational, regional or national policy goal in general. The problems occurred not only within internal organisation but also among work units or even ministries. As long as they succeed to achieve their targets, they do not really worry about the objectives in macro level. An official from the Inspectorate of DKI Jakarta said,

"SKPD is more concerned with their own achievements due to the implementation of a performance management system. It may has a negative impact because SKPD has less cooperation or coordination with other working units to achieve organisational goals together" (28).

In financial management, sub optimisation has occurred in the government institution when they focus more on bigger budget absorption instead of the outcomes of the budget to wider public interests. The managers have narrow

perspective about budget utilisation because of pressures from the central government in order to have high level of budget absorption. An official in BAPPEDA DI Yogyakarta explained the issue,

"With the current financial performance appraisal system, the managers are trying to reach 100 per cent of budget absorption. It is excellent because we often face the problem of low absorption. However the trend is that they only focus on activities to absorb a larger budget and have less attention to the benefits of the budget. For example, the activities such as business trips, meetings outside the office, and so on" (17).

Moreover, the sub optimisation phenomenon in human resource management that can be observed when the employees only worry about their own individual targets. To some extent, the performance management creates individualism among them. Since they have to meet specific goal in their job, they tend to become individualistic because the targets are given to each individual rather than collectively. An official from BKN identified the negative impact,

"The implementation of individual performance measurement brings positive and negative impacts. The positive impact is the employee becomes aware of their own responsibility to achieve the targets. On the other hand, they are become more selfish and sometimes do not care about other people's job because they have been required to perform personally" (8).

The third phenomenon is measure-fixation. This issue also occurs in Indonesian public sector when government agency more focuses on single measurement but less on fundamental objective. Regarding to this, an official from MNDP/BAPPENAS mentioned,

"Sometimes, government organisation stresses on a particular measurement aspect in LAKIP, such as planning document conformity... Local governments often ask assistance from MENPAN-RB on document planning preparation to get better evaluation result... A problem is the local government tends to focus only on documents evaluation instead of actual outcome and impact on better public services, which is more essential" (1).

An official at BAPPEDA, DI Yogyakarta, explains the measure-fixation problem in financial management evaluation.

Principally, financial performance measurement is aimed to assure budget spending conformity with programmes that have been planned, and to improve budget efficiency. An evaluation aspect is budget disbursement. Regarding this, some SKPD(s) focus on big spending to have a good evaluation rather than on budget efficiency or programme

effectiveness. For instance, they try to spend budget on unnecessary activity such as hold meetings at hotels or resort areas, which have no significant impact on programme outcome (18)”

An official from BKPP, Bogor City Government mentioned the measure-fixation issue in human resource management.

“Currently, one aspect in employee assessment is discipline such as attendance rate and punctuality. This is a very basic measurement because individual performance should be evaluated in bigger perspective, such as productivity. As a consequence, some employees only care about attendance rather than output” (25).

Based on evidence in government agencies, three phenomena—tunnel vision, sub optimisation, and fixation—occur in Indonesian public sector as mentioned by Smith (1995). The problem leads to a gap between performance indicator and actual performance.

Deterioration of Performance Indicators

A gap of performance indicator and performance itself is also caused by deterioration of performance indicators. Meyer and Gupta (1994) in their work stated that performance indicators might deteriorate (pp. 330-342). Indicators should give accurate information of performance but what happened was the opposite. The deterioration of performance indicators emerged because of four factors namely: negative learning, perverse learning, performers selection, and overrepresentation or underrepresentation of performance reports.

Although Meyer and Gupta (1994) mentioned positive learning as one factor, but in fact it has negative meaning. Thus we called it as negative learning, which is a situation when the performance improves but the indicators lose their sensitivity in detecting bad performance. In other words, the indicators are obsolete and could not follow the dynamic environment of organisation. Based on the observation on the targeted institution, the same indicator that have been using for over years would eventually decline the performance. The organisation is growing and learning so that the tool to measure the performance must be updated.

In development planning policy, indicators for particular programmes are similar from year to year. For example, the performance indicators for education

policy throughout 2010-2014 are similar. The only modification is the performance targets of each year. Performance indicators were taken from strategic goals, derived from five-year strategic plan document. In fact, external and internal conditions changed within that period. As a result, the performance report might not reflect the performance itself because the indicators were not different.

Similarly, negative learning also emerges in the financial management practice and human resource management. Performance indicators used by government agencies become less sensitive because they apply the same indicators for relatively long period. It can be understood due to difficulties in deciding performance indicators of those two fields.

Another factor that deteriorates performance indicators is perverse learning. It is a situation when organisation or individual has learned which the aspects of performance that are measured and which are not, so that they can use the information to manipulate assessment. Some scholars called this phenomenon as gaming and cheating in the performance measurement. Being evaluated can be threatening. Therefore organisation or individuals naturally choose the most advantageous position for them. If they know the particular aspects being assessed, they will focus more on them and neglect other aspects.

In the development planning policy, we found an example of perverse learning in the government agency. As one of official in BKPP Bogor City explained,

“One part of institution performance assessment is LAKIP. Its evaluation emphasis more on the planning documents, the compatibility of strategic plan and performance indicators. So that, we focus more on preparing LAKIP the best as we could rather than other performance reports. We often invite the official from MENPAN-RB to guide us on how to produce the best LAKIP” (25).

In fact, the LAKIP may not necessarily reflect real performance. The pressure on government institutions from performance management system makes them stress only on certain aspects in the performance reports. Public institutions rarely receive feedback about their real performance.

Meanwhile, in financial practice, perverse learning occurs when an organisation emphasises only activities with substantial budget in order to accelerate disbursement. Moreover, the trend is that high budget absorption happens only in last quarter of fiscal year. It may create problem in performance achievement of state

finance at the macro level because the targets could not be accomplished as planned.

Perverse learning also has been found in human resource management. There is evidence that an employee puts effort merely on what is written in their performance contract no matter what. For instance, employee performance is measured only from attendance record. Attendance is recorded in the morning and afternoon time. Even though employees might not perform during the working hour, as long as they have full attendance record, they still receive performance benefit. An official from BKPP South Tangerang City mentioned the issue,

“Some of our colleagues learned that one of the individual performance measurement is based on percentage of attendance. Thus they tried to cheat by asking their friend to sign the attendance form. That is the reason why we change the system, from signature to fingerprint” (11).

The next factor that causes deterioration in performance indicators is so called performers selection. It is a situation when performance measurement results could not differentiate poor and better performers. Organisations or individuals learn from experiences in performance measurement. In the beginning of performance management implementation, the indicator becomes a threshold to decide who performs. Those who underperformed will try their best to pass above the target. However, eventually all or most organisation or individuals will pass above the level if the indicators are not changed for a certain period of time. As a consequence, the performance indicator becomes insensitive to distinguish them.

Performers selection is an issue in development planning, financial management and human resource management occur in relation to unchanged performance indicators. Inability to revisit and to modify indicators will make performance measurement ineffective. A Director from MNDP/BAPPENAS said,

“Difficulty to define appropriate indicators makes performance management system less effective. This is the most important part. If the indicator and terminology remain same for a long time while external and internal environment change rapidly, we might expect that all institutions will have “good” performance because all of them will pass the indicators. Thus the measurement will be meaningless” (3).

Moreover an interviewee from MOF stated,

“In financial practice, performance measurements generally use same indicators from year to year. There is a need to modify them by using different viewpoints, such as considering the evaluation with programme

outcomes or level of efficiency to keep performance measurement relevant with current situation. If not then it will be hard to differentiate good or bad performers" (18).

Meanwhile an official from BKN mentioned the issue,

"Performance indicator is a tool, like a knife. It has to be sharp every time. For example, indicator such as attendance rate is used to see and differentiate diligent and lazy employees. In the meantime, employees learned to cheat the attendance record to get better score in performance measurement. Asking their friend to fill in attendance record or coming early but then going home and coming back again to office in the afternoon are some examples. So, the indicator loses its function to judge good and bad employees. That is why we always need to sharpen the indicator" (8).

5.3. Non-use of Performance Information

The second problem in public sector performance management is the non-use of performance information. Van Dooren et al. (2010) in their work explain that performance measurement and management may lead to a problem due to difficulties in measuring public sector performance, distrusting professionals, paralysis in analysis and sharing accountability (pp. 204-206).

Those issues are also found in the Indonesian public sector. From the interviews, there are many ambiguous statements or explanations about whether the performance information is being used in development planning, financial management practice, and human resource management. By pointing to the evidence, some agreed that performance information has been used or integrated, but others disagreed. As a result, we have a contradiction situation about this matter. It is also related to incentive and disincentive factors of using performance information.

Some interviewees from central and local government have stated that essentially performance information has been used in policymaking process of development planning, financial management practice and human resource management. In development planning, strategic planning has been prepared by considering the results of performance evaluation from the previous years. Programmes and policies are also set after studying and considering level of achievement of previous programme and activities.

However, other interviewees said that the preparation of planning and evaluation still operates independently and is not interconnected. Planning process is more centralised with reference to RPJP and the National Development Plan, instead of referring to the results of performance evaluation.

To some extent, there is evidence that performance measurements are used in meetings and discussions regarding government programmes and activities planning. Performance achievement data become important input for it. Van Dooren et al. (2010, p. 141) argue that performance information has important benefits for organisation, such as:

1. Setting programme priorities
2. Allocating resources
3. Adopting new programme approaches or changing work processes
4. Coordinating programme efforts with other internal or external organisations
5. Setting individual job expectations
6. Refining programme performance measures
7. Setting new or revisiting existing performance goals
8. Rewarding staff
9. Developing and managing contracts

Based on interviews, it is confirmed that such information is used to determine government agencies' programmes and activities performance. In financial terms, the evaluation of budget absorption becomes the basis of reward and punishment implementation. Associated with human resource management, some local governments have used individual performance measurement to provide performance benefits.

However, even though performance information has potential use as mentioned by Van Dooren et al. (2010) above, public sector in Indonesia has not been able to use it optimally. It is not intensively used, for example to apply new ways of working, to improve coordination in the programme, or to increase employee competence. A Deputy from LAN asserted,

“Our government has not fully utilised performance management system because some problems either in the system and users. Although we’ve seen the use in some aspects but it is still far from ideal. Public

administration practices should have been better if we understand how important is performance information” (9).

Although a number of interviewees stated that performance information has been integrated in policy-making processes, the others said the opposite. It is evidence of ineffective implementation of performance management. The ineffectiveness is related to some issues that impede performance information utilisation. Van Dooren et al. (2010) explain the reasons why public managers, politicians, citizens or the media do not use the information. There are many arguments for that, namely: (1) Insufficient quality, (2) Psychological barriers, (3) Cultural barriers and (4) Institutions (pp. 158-168).

In Indonesian public sector case, the quality of performance information becomes a major issue. Many interviewees stated that the lack of people in charge and limited budget affect the quality of information in performance reports. The attention to performance management system is not followed by the efforts to allocate adequate resources. As a result, the performance reports are considered to fulfil formal regulations only.

One of non-use factor is physiological barriers that are related to “bounded rationality” as explained by Simon (1997). Performance measurement uses logic of rationality. The logic assumes that decision makers will use information at very best situation and know all relevant aspects of decision environment, all courses of action, all consequences of alternatives and risks, and choose alternative with most preferred set of consequences. However, in reality, the assumption never happens. Policy makers have limited rationality, incomplete information, and inadequate capacity to process the information in volatile environment. Therefore, performance measurement should consider these limitations. The failure to understand and to acknowledge bounded rationality will lead to ineffective performance measurement system. Public sector in Indonesia has an ambitious system but it needs to be realistic, flexible and adjustable.

Based on the observation on the development planning, financial management practice and human resource management, the performance measurement system does not consider public officials’ rationality. Both the system and the users should compatible. A Deputy of MNDP/BAPPENAS said about this,

“Successful performance information use depends on public managers capability to understand measurement system. In reality, we have wide

range of differences in terms of human resources capacity across regions. Inadequate knowledge and information limitation sometimes hinder the willingness of using performance information in decision-making process” (1).

Next reason of non-use is cultural barrier. It is associated with the cultural traditions of a society, administration or organisation that do not want to implement performance management system (Van Dooren et al., 2010, p. 162). Cultural characteristic will affect the use of performance measurement. Hood (2000) divides culture into individualist, fatalist, egalitarian and hierarchist. Each society, individual or organisation has distinctive culture. An individualist culture is driven by economic rationality and prefers to adopt a reward and punishment system of performance measurement—performance incentives and pay. In a fatalist culture, performance measurement will be exercised in ritualistic way and has little influence on management activities. Afterward, egalitarian culture may easily adopt performance dialogue that includes performance benefits. Finally, hierarchist culture requires performance information to be integrated in the routines and values of the organisation (Van Dooren et al., 2010, pp. 164-166).

Related to the above explanation, the use of performance information may depend on how and what culture prevails in government institution. However, we may expect variations because the culture in each organisation could be different from one to another. It explains why the implementation of performance measurement system in regions, such as DKI Jakarta, DI Yogyakarta and West Java are relatively better than others. They have more egalitarian and hierarchist cultures that are also influenced by strong leadership and good exemplary. An official from BAPPEDA DKI Jakarta stated,

“Our organisation culture is more influenced from the leader. We have strong leadership from Governor. He would like to change the bureaucratic culture by imposing performance management to improve programme effectiveness and employee welfare” (27).

Another official from BAPPEDA DI Yogyakarta added,

“Our Governor is a role model in public organisation, he is open-minded person and willing to take criticism from other. I think his character affects organisation culture and also accomplishment of performance management system” (17).

The last factor of non-use problem is the institutions, namely regulatory and normative. Regulatory institutions distribute power in the political administrative arena (Van Dooren et al., 2010, p. 166). It reflects on rules, regulation and authority

about performance management system. Meanwhile normative institutions are the values, norms, and roles that guide behaviour (Scott, 2013, p. 152). In Indonesian case, we found that institutions might have enormous influence on the use of performance information.

Overlapping authority and regulations in public management system are the evidence of how institutional factor hinders the effectiveness of performance measurement. A Director in MNDP/BAPPENAS explained,

“Until now there is an issue of overlapping authority, rules and regulations among central agencies in performance monitoring and evaluation. This is a problem and we’ve been raised this issue in the coordination meeting among related agencies but there is no satisfactory decision” (5)

The problem is also acknowledged by interviewees as described in next chapter and can be concluded from observation in the Chapter 3.

5.4. The Gap Between Desired and Actual Behaviour

The third problem related to organisation culture is a gap between desired behaviour and actual behaviour, as explained by Taylor (2014). Previously, Van Dooren et al. (2010) argue that one reason for non-use performance information problem is organisational and individual culture. Therefore, this section will further examine the behaviour gap in Indonesian public sector performance management.

The behaviour gap occurs because of inconsistency between desired and actual behaviour. First, desired behaviour means the expected behaviour from the implementation of performance management system, which is primarily aimed to evaluate programme. Second, actual behaviour is the real action of public managers in using the information to evaluate their programmes. This gap may relate to organisational culture (Taylor, 2014, p. 9).

O'Reilly and Chatman (1996) define organisation culture as an element that can affect how organisation members feel and behave. Indeed, Chapter 6 suggests and demonstrates that cultural factors have significant impact on the use of performance information in Indonesian public sector. Schein (2010, p. 53) argues that there are three elements of organisation culture. The first element consists of visible artefacts that are observable characteristics or physical manifestation of an

organisation's culture. The second element consists of espoused beliefs, values, rules and behavioural norms. It can include slogans or catch phrases of cultural values and norms statement that can increase awareness of member of organisation. The third element consists of tacit knowledge, taken-for-granted, basic underlying assumptions that give deeper understanding of organisation's culture.

In relation to performance information use, Schein's approach is useful to explain the complexity and the uniqueness of organisational culture in adopting performance management systems. In general, almost no organisation or public institution has identical cultures. An official from LAN asserted this,

"Related to our culture in bureaucracy, we may find each institution has specific characteristics that is influenced by many factors such as values and beliefs. This could affect effectiveness of policy implementation including performance management system" (14).

Another interviewee from BKN also stated,

"We may impose a single system or policy to all government agencies but the impact could be different, particularly in local governments. Factor such as culture may affect understanding and actions" (8).

Therefore, we believe that level of acceptance and implementation of the system is different among government agencies. Cultural elements may contribute to success story of performance management.

Subsequently, failing or ineffective performance measurement might be caused by inconsistency of organisation's cultural elements. The gap of desired and actual behaviour happens because one or more elements do not support the application of performance information. Based on observation, Indonesian public sector also experiences this problem.

Principally, visible artefacts, beliefs and values, and tacit knowledge are connected and should be aligned. In order to have visible artefacts, an organisation should have espoused beliefs but before that there should be basic assumptions. Visible artefacts can be seen through rituals or routines measurement and the use of performance information in policy decisions. Additionally they can be observed through incentives, communication, and decision-making mechanisms. Afterward, the espoused beliefs, values, and norms are reflected in organisation goals and priorities, such as emphasis on outcomes rather than process. There should be clear, understandable and distinctive organisational mission. In addition, there should

be a common language, particularly to describe key concepts such as performance indicators and benchmarking. Finally, the element of basic underlying assumptions may be realised in the form of subjective interpretation by managers who acquire and use performance information. Likewise there are judgements on what to measure, how to measure and interpret it.

In development planning policy, we find that tacit knowledge could support the performance management regime but it was not sufficient to support beliefs and visible actions of performance information use. A Deputy Assistant in MENPAN-RB said,

“Basically, we have strong desire to utilise performance information in order to improve policy decisions. However, we are weak in mechanism due to cultural barriers. In short, the culture of evaluation has not been there yet” (4).

Organisation cultural barriers may associate with lack of reward and punishment system. Government officials have less motivation to implement performance management system and to use performance information because there are no sanctions or rewards mechanisms.

Similar situation occurs in financial management practice. A performance culture has not been internalised yet in the public sector, so that the actual behaviour does not reflect the desired behaviour. Performance measurement is mostly for administrative purposes. Based on interviews, financial evaluation does not affect budget allocation as expected, even though there is willingness to implement performance-based budgeting. Deputy from LAN argued,

“Financial performance evaluation has not been used for budget approval. Even though the government said that currently we are using performance based budgeting but in reality it is not implemented yet” (9).

The worst gap likely happens in human resource management. We could not find strong evidence of supportive cultural elements. The tacit knowledge or basic underlying assumptions are still weak as well as beliefs, values and norms to use individual performance information as valuable input to improve individual contract. As a result, we did not find visible artefacts on information utilisation. An official from BKN confirmed this, saying

“At this time, SKP could not be considered as a perfect instrument for employee performance measurement. The contract arrangements do not

use performance information as a base. In fact, there is a gap between expectations and reality. The expectation is to use evaluation results to improve individual contract performance but in reality it never happens. There are many problems in the implementation process” (8).

Inconsistency of an organisation’s cultural elements causes a gap between the desired and the actual behaviour. Merely, having an intention does not necessarily realise the expected performance management system. The gap leads to a symbolic performance management, as Taylor (2014, p. 16) described,

“symbolic performance management occurs when an organisation explicitly states the desired purpose to use performance management to learn (espoused values) but fails to put in place the necessary mechanisms to enable organisation members to learn (artefacts), or most of them remain unconvinced of its value (basic assumptions)”

Therefore, based on the evidence we find a gap between government’s intention and reality related to the performance management system, particularly performance information use in development planning, financial management practice and human resource management. Furthermore, as mentioned by Bouckaert and Halligan (2008b), this situation may be considered as performance administration stage, where performance information is limited and disconnected with policymaking process.

5.5. Dysfunctional Effects

The final problem of public sector performance management is called dysfunctional effects. Van Dooren et al. (2010) observe that the use of performance information might lead to certain actions in organisation. The impact could be functional or dysfunctional and depend on the way performance information is used.

Authors argue that performance information can be used for many purposes (Atkinson, Waterhouse, & Wells, 1997; Behn, 2003; De Lancer Julnes & Holzer, 2001; Van Dooren, 2006; Van Dooren et al., 2010). The purpose of learning, steering and controlling or accountability may lead to behavioural effects, which are considered as intended (positive) and also unintended (negative).

Performance measurement is considered as functional if it has a positive impact on goal achievement of an organisation, policy sector or the society in a

larger scale (Van Dooren et al., 2010, p. 176). Thus, in order to judge its functionality, there are some questions that should be addressed.

First, does the utilisation of performance measurement initiate learning and innovation in public sector? Second, does performance measurement improve the steering and control to maintain the direction of organisation's goal? Third, does the performance measurement trigger accountability that is based on performance?

Based on interviews in some Indonesian local governments, we found that performance measurement can trigger communication between staff and managers to discuss performance achievement. An interviewee from BAPPEDA West Java explained,

“Through performance management system, we often have discussions between head of SKPD and staffs to arrange and to align performance indicators with programme goals. During programme implementation, we also have regular meetings to review our achievement and find solution to solve problem.” (21).

An official from MENPAN-RB stated the effect of accountability improvement through performance measurement,

“Currently there is an obligation for all government institutions, central and local, to expose performance reports [LAKIP] in their official website. Additionally MENPAN-RB evaluated and published performance government evaluation reports every year. It creates tremendous effect to accountability improvement” (4).

By applying performance measurement, management may be able to improve its control on programme to achieve the target. Moreover, performance reports can increase programme accountability.

Performance evaluation also creates innovation, for instance in performance base budgeting application. Regarding this, an official from MOF said,

“Now, we are developing performance based budgeting system. Obviously, we use performance measurement data as a consideration to decide budget allocation. Related to that, we also develop IT-based application to improve monitoring and evaluation functions as well as accountability. I think, all of these are positive impacts from performance management implementation” (18).

Based on his explanation, central government begins to use reward and punishment system in budget allocation process. However, the implementation still needs

improvement in terms of consistency and budget amount. Otherwise, public institutions may not consider the system as a solution. Moreover, performance measurement also enhances monitoring and evaluation from central to local governments. The IT-based application gives real time and accurate data for a performance management system.

Similarly, performance measurement in human resource management enables innovation and learning process in some regional governments. An official from BKD DKI Jakarta explained,

“Performance management system created positive impact on human resource management system. We are now applying individual performance assessment based on performance targets. The assessment is now more objective. Based on evaluation, we will arrange consultation with employee who could not meet their work targets. Additionally it becomes basis for provision of benefits” (22).

Performance measurement to some extent gives better control for management over employee’s work results. Some local governments such as DKI Jakarta and West Java have linked performance measurement to an individual performance allowance. Performance measurement application also increased employee’s responsibility of job objectives. Therefore, based on the evidence, we find that performance measurement has created learning and innovation, improved control and accountability.

Dysfunction refers to effects that weaken the achievement of goals of the larger structure (Van Dooren et al., 2010, p. 183). It emerges because performance measurement does not only have good intentions but also inevitable consequences. The application of performance measurement in many countries shows similar symptoms, including Indonesia. Dysfunctional effects area created by either manipulation of measurement process or performance output (Van Dooren, 2006).

Manipulation in measurement process causes problem in information reliability because it does not represent the real performance. However, this situation does not influence the real quantity, quality or output of an organisation. It is not as danger as output manipulation because the behaviour really changes the quantity, quality and output of achievement. In turn, dysfunctional effects cause distortion in performance measurement.

Some manipulations of the measurement process has been described by some authors such as Smith (1988, 1995b), Bouckaert and Balk (1991). In this thesis, we analyse the manipulations that appear in Indonesian public sector based on information from interviews.

1. Over- and underrepresentation. Overrepresentation of performance report is a situation when the real performance is worse than reported. On the other hand, underrepresentation means that the performance is better than reported. Both situations may have happened because public officials may want to create a perception of their performance different from the reality.

For instance, overrepresentation occurred in financial performance reports. An official from MNDP/BAPPENAS explained this situation,

“We find some cases where budget disbursement reports may not correspond with real expenditure. In order to have high performance reports, public officials intentionally include budget submission plan in the report. In fact, they should only report the budget that is already used” (5).

Underrepresentation example may be found in local government performance reports as mentioned by official from MOHA,

“In order to accelerate local development particularly villages, central government provides additional budget for less developed regions. Budget allocation considers some elements such as number of poor people, infrastructure availability and others. Based on this, some local governments manipulate data and their achievements, so they seems to have low performance to get additional budget” (30).

2. Mushrooming indicators. Performance measurement may become a control mechanism from superior to subordinate, or central to local. Relationship between central and local government might also be considered as principal-agent relation. However, agents likely exploit information asymmetry for their advantage by setting many performance indicators. A Director of MNDP/BAPPENAS stated,

“Performance indicators are given to the technical ministries or regional governments because they knows best of what they do. However, there is a problem when they intentionally use so many indicators for a programme then become distractive. We are unclear what is the most important indicator” (5).

From his statement, we find that having too many indicators may be problematic because we might lose focus and get distracted in seeing the real performance.

3. Performance information may be manipulated through unjustifiable aggregation or disaggregation data. Organisations sometimes have to choose between broad and detailed indicators. Regarding to this, an official from BPKP gave the example,

“Government agencies will try to show their best performance by selecting their most achievable indicators or reporting the general statement of clustered programme. It does not show their real performance, it is just window dressing” (10).

Universal statements and general information about performance help policy makers and general public in understanding performance measurement. However, it could hide problematic aspects of their performance because in most cases only the best achievements are shown. On the contrary, they will choose the specific indicator if the aggregate measure is not satisfactory.

4. Incorrect inference about performance. This is a situation when an organisation inaccurately claims high achievement of outcomes particularly of a policy. In fact, outcomes are not influenced by one specific agency or single factor. Consequently it is not easy to decide the extent of each agency’s contribution achieved outcomes. The situation was explained by Deputy Assistant in MENPAN-RB,

“In performance measurement, shifting from output to outcome oriented is challenging. Although we support government institution to do that but we realise that it is difficult to measure policy outcome from each institution’s point of view. In most cases, each of them will claim that they have contributed to outcome. In fact, many agencies and aspects influence outcome achievement, particularly in long term” (4).

A further issue is manipulation of output. This kind of manipulation may affect the quality, quantity, and output of government institutions. As a result, it is considered more threatening for the real performance. Some forms of the manipulation are as follows:

1. Myopia (Bouckaert & Balk, 1991). This means that the short-term goals become more important than the long-term. The phenomenon usually favours restorative services above preventive services, such as fire extinguishing rather than fire prevention. An interviewee from BAPPEDA DI Yogyakarta commented about this,

“Performance measurement should be appropriate, otherwise we might expect negative results. For instance, the Fire Service Unit’s performance cannot be treated as other service unit. Their performance should be measured on the efforts of preventing fire not extinguishing. The same manner should be applied to the Police Department that they prioritise crime prevention rather than solving” (17).

2. Cream skimming or cherry picking (Behn & Kant, 1999). It occurs when an organisation tempted to select best input rather than producing good output. In order to have better performance, an organisation chooses best intake for their programme. An official from MNDP/BAPPENAS described this manipulation,

“In education policy, we support the establishment of excellent schools. The programme will accredit school as excellent school if the students get good scores for national examination. The policy was intended to improve education standard. Yet, the schools now become selective when accepting students, they prefer smart to average kids” (7).

3. Complacency. Typically, organisations or individuals may often endeavour toward reach adequate performance, which means as long as it is over the minimum target, rather than excellence because it also implies risks. The example is explained by official from BKD DI Yogyakarta,

“Most employees feel satisfy of their performance, as long as exceed the performance target. They are worried about achieving too high and are afraid of maintaining high achievement because the target will be increased. So they intentionally aim little above the target although they could do better. Average level may preferable and safe” (20).

Being outstanding maybe very risky because organisation or individual should maintain high performance while the performance target increases.

5.6. Conclusion

Evidence from Indonesian government supports the theories that problems in public sector performance management can lead to ineffectiveness. Starting with the gap between the indicator and the actual performance, the evidence shows that public institutions in Indonesia experience difficulty in utilising performance measurement to make better decisions. The next issue is related to the non-use of performance information in the local government. Based on the findings, we observed that low quality of information, then psychological and cultural obstacles, as well as institutional problems, have caused public organisations to not optimally utilise performance information.

Afterwards, we also found a gap between the desired and the actual behaviour. The problems are associated with an organisation's cultural elements such as basic assumptions, beliefs and visible actions. Ineffectiveness happens if the elements are not parallel because performance information use is a real action that cannot be accomplished by only having assumptions or beliefs. Finally, the last problem that was observed is dysfunctional effects. Evidence from several local agencies shows that dysfunctional effects occur in most government agencies including manipulation of measurement and output.

Based on the above evidence and discussion, we can conclude that performance management systems in Indonesian public sector are ineffective. Additionally, this chapter supports researches from Van Thiel and Leeuw (2002), Van Dooren et al. (2010), and Taylor (2014). Thus the following chapters will analyse the cause of ineffectiveness from rational/technocratic and political/cultural perspectives.

Chapter 6

Rational/Technocratic Perspective on Performance Information Utilisation

6.1. Introduction

Following the findings that performance management system in Indonesian public sector is ineffective, we now analyse the factors cause the problem. From the literature, we follow the approach from De Lancer Julnes and Holzer (2001) that utilises two frameworks for promoting performance information use—rational/technocratic and political/cultural.

Based on interviews in central agencies and local governments, Chapter 6 and 7 will address the second research question, namely, “how do the rational/technocratic and political/cultural frameworks affect the effectiveness (or ineffectiveness of performance management system?” Chapter 6 analyses the evidence from the rational/technocratic point of view, and Chapter 7 will look at performance information utilisation from the political/cultural standpoint.

According to Van Dooren et.al (2010), the utilisation of evaluation results can be applied in development planning policy, financial management practice, and human resource management through adoption and implementation stages. The rational/technocratic factors that support organisations in adopting and to implementing performance measurement and in use of performance information are resources, information availability and performance measurement system, goal orientation, and external requirements.

6.2. Resources: Technical Knowledge and Infrastructure

Performance measurement in Indonesian public sector has become a focus for central and local governments, specifically in development planning policy, financial management, and human resource management. To some extent, performance measurement results have been used relatively as inputs and considerations in each of the area. Nonetheless, it was widely recognised by the interviewees that the utilisation of performance information is not yet ideal.

Based on interviews with several parties from central government, provincial governments, and municipalities/districts, it can be seen that the availability of resources to implement performance management has received considerable attention. However, there are still some problems that cause obstacles.

As described in Chapter 3, performance reports of public sector in Indonesia are abundant and varied. The availability and the utilisation of those reports depend on resources in government agencies. Therefore, resources become a very important factor in the adoption and the implementation of performance management.

Resources, here, are considered in several dimensions, namely human resources in terms of quality and quantity, the existence of organisational units that deal with performance reporting, and the availability of information technology support.

Based on Berry and Ikerd (1996); Curcio (1998); Holzer and Halachmi (1996); Weidner and Noss-Reavely (1996), human resources availability in terms of quality and quantity is an absolute requirement for successful adoption of performance management process. Generally, civil servants' characteristics in Indonesia have diverse variations, viewed from the level of education and geographic distribution from west to east part of Indonesia. Based on the data, there is inequality in terms of quality and numbers of civil servants.

Table 6.1 Number of Civil Servants Based on Educational Background (2014)

Level of Education	Male	Female	Total
Elementary School	52 603	3 767	56 370
Junior High School	77 429	10 826	88 255
Senior High School	711 030	491 915	1 202 945
Diploma I or equal	191 015	312 062	503 077
Diploma III or equal	156 871	270 679	427 550
Bachelor/Post Graduate	1 099 683	1 077 423	2 177 106
Total	2 288 631	2 166 672	4 455 303

Derived from: Central Bureau of Statistics (2015)

Table 6.2 Number of Civil Servants in Central and Local Government (2014)

Level	Male	Female	Total
Central Government	550 367	359 059	909 426
Province Government	168 150	129 624	297 774
City/Regency Government	1 570 114	1 677 989	3 248 103
Total	2 288 631	2 166 672	4 455 303

Derived from: Central Bureau of Statistics (2015)

From the total of 4,455,303 civil servants, there is not more than 50 per cent with bachelor degree and above. The majority of civil servants with higher education are working in the central government. This may affect the central and local governments capacity to understand and implement policy and regulation particularly on performance measurement.

We also found that civil servants in the western region have better educational background compared to those in the middle and eastern region of Indonesia. This makes regulation implementation in western region is better than eastern region. Deputy Assistant form MENPAN-RB mentioned,

“There is a fact that local governments in Sumatera, Java [western region] have better implementation on policy and regulation... It is related to human resource capacity in those regions” (4).

In terms of civil servants distribution, most of them are posted in province and city/regency capital rather than in rural areas (see Table 5.3). This is very understandable because they want easier access to education, health, and transportation; and large cities have much better access than remote areas, although this may not reflect services needs.

Table 6.3 Number of Civil Servants based on Province (2014)

Province	Male	Female	Total
Aceh	75 060	92 013	167 073
North Sumatera	106 401	141 545	247 946
West Sumatera	54 767	84 253	139 020

Riau	48 371	55 455	103 826
Jambi	41 366	40 436	81 802
South Sumatera	64 954	77 984	142 938
Bengkulu	31 718	30 980	62 698
Lampung	63 848	64 276	128 124
Kepulauan Bangka Belitung	15 718	16 691	32 409
Kepulauan Riau	19 527	16 556	36 083
DKI Jakarta	158 944	116 819	275 763
West Java	240 386	205 103	445 489
Central Java	239 437	211 873	451 310
DI Yogyakarta	44 314	38 997	83 311
East Java	266 584	226 731	493 315
Banten	52 757	46 564	99 321
Bali	53 859	40 525	94 384
West Nusa Tenggara	55 702	36 435	92 137
East Nusa Tenggara	69 075	56 046	125 121
West Kalimantan	51 618	42 814	94 432
Central Kalimantan	40 315	38 271	78 586
South Kalimantan	48 442	47 660	96 102
East Kalimantan	49 333	40 412	89 745
North Kalimantan	7 630	6 417	14 047
North Sulawesi	33 268	46 393	79 661
Central Sulawesi	44 501	45 029	89 530
South Sulawesi	94 550	109 730	204 280
Southeast Sulawesi	45 351	39 388	84 739
Gorontalo	14 588	20 991	35 579
West Sulawesi	17 959	16 610	34 569
Maluku	32 121	37 466	69 587
North Maluku	22 870	22 618	45 488
Papua	23 366	16 676	40 042
West Papua	59 931	36 915	96 846
Total	2 288 631	2 166 672	4 455 303

Derived from: Central Bureau of Statistics (2015)

Employee's education and distribution may have an impact on the adoption and the implementation of performance management in the government. We may say that performance management at the central government level and in the western region of Indonesia is better than in local authorities, particularly in the eastern region.

Human resources issues related to implementation of performance management are occurring in development planning, financial management, and human resource management aspects. In regard to the preparation of development planning, the Deputy Assistant in MENPAN-RB said that,

"The problem is in eastern regions, the east was a bit difficult. When developing RPJMD, they just copy and paste from another region.

Especially preparing the strategic plan, they rarely make up the strategic plan document. Internal capacities to plan are actually still low, whereas it is the key. How can we produce a purposeful activity when the planning is so bad" (4).

As explained in the previous chapter, RPJMD is an important document for regional development policy. Imagine if those who lack capacity prepare such planning documents. Meanwhile, performance measurement uses the document. Therefore, human resource availability is a very important element. In some regions, third parties prepared the government document planning and performance report due to lack of staff. An official from MNDP/BAPPENAS said,

"... the number of people is limited. They have to carry out their job and make reports [simultaneously]. If they do not have enough people, they must hire other people just to prepare the report... Inefficiency becomes inevitable" (5).

Moreover, staff rotation and movement cause the occurrence of quality and quantity problems related to employees who handle performance reporting in government agencies. This is often undertaken without considering organisational needs, particularly in dealing with performance reports. Another official from MNDP/BAPPENAS explained,

"[Resource] allocation for evaluation is also limited, including human human resources... Normally, the best people are not posted in evaluation unit. Most best staffs in organisation are posted in the implementation or planning section" (7).

An official at BAPPEDA DI Yogyakarta province also added some points in connection with the condition of human resources in the local government that affect the level of accuracy of the reports generated.

"Capacity of human resources in each SKPD is different, especially those dealing at operational level. Then, there are head of SKPDs who do not concern [about performance report]. They just let staffs carry out the evaluation... We have no staff replacement if the staff that handle [the report] is old and sick. Therefore, data input becomes disorderly and not accurate. It leads to incorrect analysis" (17).

Essentially, the central government has tried to overcome the problem, particularly at the local level. One of the actions is to involve elements of regional governments, which are set in the government's internal control system. An official from Inspectorate of West Java said,

"MENPAN-RB involves BPKP and provincial inspectorate as Government Internal Auditor (APIP) to conduct a review on city/regency LAKIP... APIP from BPKP and provinces are involved to handle 548 cities/regencies that can not be undertaken by MENPAN-RB itself " (19).

He explained more about APIP,

"Inspectorate functions as an APIP [internal auditor]. APIP at ministry level is inspectorate general; at provincial level is provincial inspectorate, and similar at city and county level... The [auditing] task from central government is delegated to provincial inspectorate, which includes budget examination, performance inspection, and governance in general... there is also a review on LAKIP of Regional Work Units [SKPD], including municipalities/districts, before it is submitted to MENPAN-RB... The review involves MENPAN-RB, BPKP and provincial inspectorate" (19).

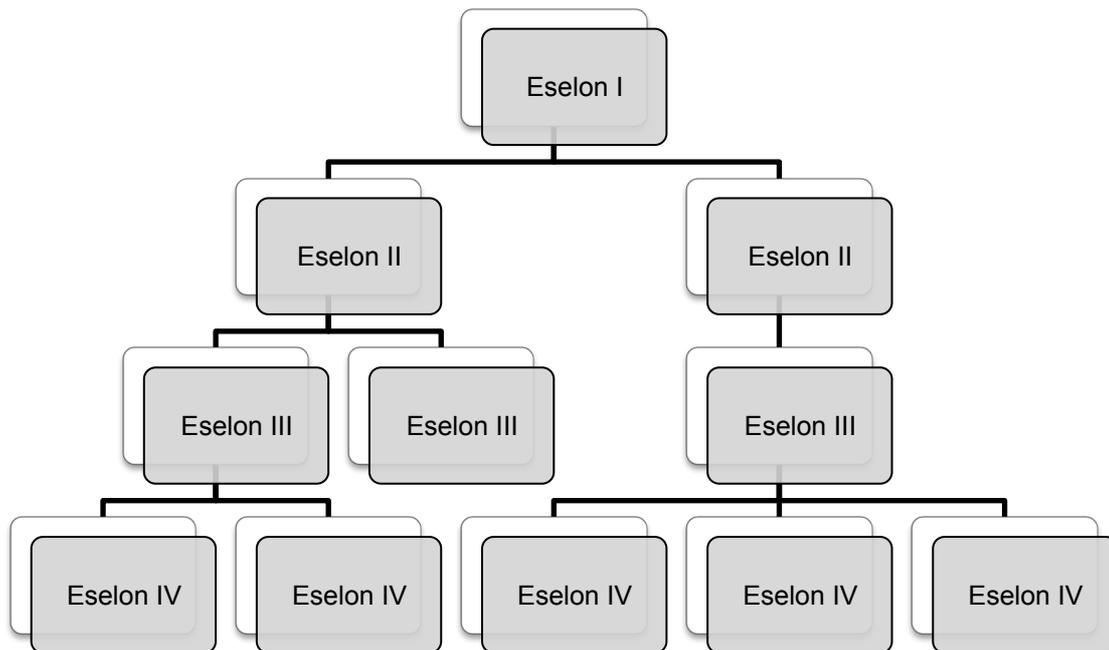
Another problem that causes the shortage of employee is the civil servants' moratorium policy, which postpones new civil servant recruitment. Principally, the moratorium policy aims to create a lean organisational structure and efficient government. However, this policy, in fact, brings its own problems. In this regard, an official from West Java Inspectorate revealed the problem,

"Our job is piling up, but the number of auditors is limited and they are not increasing [in number] but retiring... Additionally, there is a moratorium policy from MENPAN-RB that assumed overstaffed condition. However, in fact, we are understaffed. We have fewer people but more tasks" (19).

Furthermore, the availability of human resources in the process of performance measurement adoption and implementation particularly in planning should be supported by the existence of structural organisational units. Performance reports will not be generated if there is no reporting unit. Therefore, this variable is included in the resource aspects.

Broadly, the existence of the reporting unit can be found in all organisations, both in national and local governments. However, there are variations on the level of structure or *Eselon*. *Eselon* here means a hierarchical structure level in Indonesian government that consists of 4 levels. *Eselon I* is the highest (top level manager/Deputy) under ministry, *Eselon II* and *Eselon III* are middle manager (Director/Head of SKPD/Work Unit and Head of Division) and *Eselon IV* is low manager (Head of Section). This structure can be described in the following figure.

Figure 6.1 The Structural Level in Indonesian Government Organisation



Generally, the duties and functions of reporting and evaluation are rolled into the planning function at low *eselon*. "Organisation and Management Unit duties consist of planning and budgeting that have a great interest to maintain the organisation performance" (5). However, there are only a few government agencies that separate the function of evaluation and planning.

"In general, the evaluation function at each ministry is placed in the lower eselon. Only in MNDP/BAPPENAS, we have the Deputy (Eselon I) of evaluation for the national level, but in other ministries, it is not Eselon II and even placed in Eselon IV. Some are in Eselon III, but most of them are in Eselon IV. Usually they are under the Planning Unit. So in that situation, the planning becomes more dominant over evaluation because the planning is generating money, bringing the budget to the organisation" (7).

On one hand, amalgamating evaluation and reporting on planning is positive. Those who carry out the evaluation process are should be familiar with what is planned by the organisation. In addition, uniting those two functions can also be efficient. On the other hand, this condition has a negative side. Often, the evaluation and reporting functions are not considered to be as important as the planning function because, as stated above, the managers are more concerned about how much budget is given, which is the responsibility of the planning function; rather than

on programmes and activities evaluation function. Another negative side is linked with the objectivity of evaluation and reporting results, as evaluation will be more objective if third party or different units carry it out.

The lower *eselon* of reporting and evaluation unit has also consequences on the organisation's attention to the process of performance management adaptation and implementation. Generally, the evaluation and reporting unit receives little attention from the head of institution. A possible reason is because the process of evaluation and reporting is inherent in the technical units executing the activities. Therefore, those who do the activities are expected to automatically prepare reports and conduct evaluations. This argument may be true but in reality it is difficult to carry out, *"most people who carry out the job are late or less concern to prepare the report"* (4). Besides that, time constraint is another factor, notably in local government reporting unit. An official from the Inspectorate in DKI Jakarta discussed this,

"We are a bit overwhelmed and must fulfil many data requests and reporting requirements from the central government, whereas we also have to do other things, so that we think the first priority is completing the reports quickly. Then if there is an error, it would be fixed later" (28).

However, human resource problems may be overcome through the application of information technology (IT). In the development planning policy, the use of IT has been notably adopted in the preparation of RPJMN and RPJMD. The MNDP/BAPPENAS as the main stakeholders in development planning policy has set an online system to monitor and to evaluate development outcomes.

"We use e-monitoring and evaluation (e-monev) system for ministries/agencies. Then Deputy of MNDP/BAPPENAS uses the results to evaluate national development achievement" (5).

Some regions are more progressive in using IT in development planning policy and performance measurement, including DI Yogyakarta and DKI Jakarta Provinces. The Province of DI Yogyakarta began to apply it in 2011 and many parties welcomed this. Initially, the system was applied in order to boost the recovery programme after a major earthquake that hit that region in 2006.

"We have two systems, namely Jogjaplan and E-Monev. Jogjaplan is used for development planning each year. E-Monev looks the development programmes achievement quarterly. We can assess each activity, physical progress and financial performance. We also evaluate

the operational plan implementation of each activity to support programme achievement " (17).

Meanwhile, DKI Jakarta Provincial Government also applies the application of IT in regional development planning process. It is called E-planning, as described by an official in BAPPEDA DKI Jakarta.

"E-planning is a system to help us in development planning process. Actually, it is usual mechanism. It's just putting all activities proposal from SKPD through the online system. Now, we also have e-consultation, at the level of Citizens Association. The people can input into the system by themselves. What the people want, they just can go to the online system. The community constructs their own needs, for example sewer repairmen or Citizens Association's office renovation. It goes online and then it is filtered by system. The proposal selections are conducting at urban village, district and city levels" (27).

Similar to DI Yogyakarta, DKI Jakarta also uses E-Monev in evaluating programmes and activities implementation,

"At the stage of activity implementation, we evaluate SKPD's progress by comparing the actual achievement and the target. We have S-Curve that defines preparation, implementation and reporting. After that, SKPD has to input data into e-monev system in every month and to make a progress report. Later the curve will be formed by itself. We can see the progress after December. If SKPD is not on the right track, there will be a red sign on the system. If they missed monthly targets, then the sign will be in red colour. If they are on the right track, it will be green and yellow if they are near the target. That is E-Monev system" (27).

Based on the interviews and data above, we find that human resources may be a problematic factor in development planning. Meanwhile, the existence of the performance-reporting unit has not received significant attention from the managers of the organisation. An aspect that is very supportive towards the utilisation of performance information is the application of IT in terms of being able to overcome the weakness of the previous two aspects.

Generally, issues in human resources are similar in development planning policy, financial management, and human resource management. According to other interviews related to financial management practice, it turns out that human resource issues not do only occur at local government level, but also in central agencies. MOF, as one of the actors in the use of performance information on financial practice, also encounters the same issue. The Director of National Budget, MOF stated,

"People might think that we are the best in financial performance measurement. In fact we encounter some problems as well. Indeed, the problem is related to human resources particularly in secretariat [of MOF]... Finance bureau, human resources bureau and planning bureau are under the secretariat. However, most people in secretariat are not qualified and considered as second class. So although they have motivation to learn, but they are very slow" (2).

Emphasising poor staff management, he continued,

"Once an employee becomes expert in performance reporting, he/she then was moved to other unit... Human resource department give a reason [of the rotation], because this person is good, so he/she need to be transferred to technical units. Finally, we have to teach or train other staff again from the scratch" (2).

The situation in the local governments is not better than in the central. The shortage of people in charge in financial statements creates major obstacle in producing good performance reports. An Official from BAPPEDA Bogor City said,

"We do not enough staff specifically who deal with financial performance report. So in the end, staff from other units, especially from treasury or planning unit, had to prepare the statements. Of course this is very troublesome for us" (26).

An official in the Inspectorate of West Java Province stated a similar problem,

"In preparing financial performance report, we are facing problems related to employees who handle the report, both in quality and quantity. Employees who become backbone were retired and cannot be replaced quickly by new people. Moreover we cannot easily get new employee because currently there is moratorium of civil servants recruitment policy from MENPAN-RB" (19).

Again, other regions such as South Tangerang City government also experience human resource issues related to financial performance information.

"Colleagues in treasury; planning and technical unit often make financial performance reporting because there are almost no staff specifically who can prepare financial statements. So those who carry out activities should make implementation report, including financial statements" (11).

Those issues are common in other regions that are included in the research. Existence of a performance reporting unit local governments regarding financial management is also problematic because financial performance reports are normally prepared by planning unit. Certainly there is a financial unit in each organisation but the function is merely as treasurer not performance reporter.

Despite the weaknesses of people in charge and of the organisational structure, the development of IT in public sector brings good impact. Regarding IT support, most interviewees acknowledged that the use of IT is very helpful in overcoming the problems of staff shortage and heavy workload. It is recognized by one of the officials in the Audit Board, *"in terms of reporting, we can reduce overloaded work by improving the existing system through IT application"* (13).

In financial management practice, online systems have also been applied to the monitoring and evaluation functions. Director of State Budget, MOF stated,

"Currently, all institutions already use online system. Monitoring and evaluation by Ministry of Finance is already online, so-called ONSPAN (Online Monitoring System of Treasury and the State Budget)" (2).

Not very different from development planning and financial management, the human resource also becomes an issue in performance information use in human resource management. An official from BKN explained, *"in terms of human resources, many civil servants do not completely understand about strategic planning, and even their own duties and functions"* (12). Consequently, civil servants are difficult to determine indicators in performance contracts.

An obstacle in performance contract is because the employee decides performance target. When the employee does not have sufficient knowledge to write down performance indicator, certainly the document does not correspond with expectations. An official at BKD Depok City said,

"In general, employees do not understand performance target in SKP. They are often difficult to write down performance indicators in accordance with the daily job. Then there is the tendency that they do not concern with performance indicators" (24).

Another official in BKPP South Tangerang City also encountered the same problem,

"Employees ignorance of the SKP becomes a problem for us. Although the [employee assessment] policy has a good intention and more progressive compared to previous employee performance measurement, but many employees doubt the effectiveness to improve their capacity" (11).

He added another point about effectiveness,

"Right now, many employees think that they already have great burden regarding so many reports preparation. Employee assessment means that each employee has to make another report without knowing the

impact on his or her improvement or benefit. It feels like too much reporting work to do" (11).

The impression and the experience of those regions are relatively similar in most other cities or regencies. Only a few local governments have enough capacity and budget to overcome human resource issues, which is closely connected with strong leadership and political support.

However, there is something interesting in the utilisation of IT, particularly in human resource management. Regarding this, some local governments are more advanced than the central government. Deputy Assistant in MENPAN-RB said,

"Local governments are more advanced [in IT-based performance measurement]. They learn from best practices and develop a performance measurement process through IT application. Meanwhile in central government, only few ministries have used online system application" (4).

Related to individual performance contract, some local governments such as DKI Jakarta and West Java also use applications-based on information systems. The applications can be built because the decision making process at the local level is not as complex as at the central government and it has a positive impact on this kind of innovation.

"Some regions quickly respond and implement policy from central government. They have more and are more flexible budget for innovation rather than central government. They make e-performance system by hiring consultant and providing budget. So performance benefit provision [i.e. bonus] is already based on this system "(8)

Meanwhile, the central government seems to fall behind in the use of IT innovation, particularly in employee performance measurement. Related to this, Director of State Apparatus Performance at BKN recognised,

"Currently, we develop a system called e-performance of State Civil Apparatus (ASN). Using this system, Employee Work Target (SKP) assessment, including SKP measurement and performance standards preparation will be done electronically. However, it is still on process. Initially, we will introduce it at BKN head office. Afterward, we move on to BKN regional offices. If it runs well, we will apply it to other ministries and agencies, and finally to all local governments in Indonesia" (12).

The use of IT is an innovative solution for some of the weaknesses of employee performance measurement system that exist today. Currently the performance assessment mandated by law is the annual evaluation. There are

targets and indicators that need to be achieved within one year. However, the existing system is considered inadequate to assess employees' performance in a comprehensive manner. These weaknesses are then addressed one of them is by making e-performance. Regarding this, Director of State Apparatus Performance at BKN continued,

"E-performance for SKP consists of annual, monthly and daily reports. So we derive activities from annual to monthly, then monthly to daily... Next, we accumulate and use monthly evaluation for performance benefit payment" (12).

Regarding e-performance implementation, *"there are staff and managers who input data and responsible for data collection of performance realisation at each working unit of Eselon II" (13).* Furthermore, an official from MNDP/BAPPENAS stated, *"e-performance is used for internal evaluations" (5).*

The success of some local governments in implementing e-performance system gives positive examples for other agencies at the central and local levels. An official from BKD in DKI Jakarta administration stated that,

"Currently we have started to use a [e-performance] system, which is prepared and developed by Department of Communication and Information Technology. Systems and instruments have been very supportive, so I guess it is ready to be executed" (22).

Likewise, the Government of Depok City models its system on the use of online applications that has been carried out by other regions.

"Our plan is to use online system. Hopefully it will run in this year so we will have measurement based on online system at the end of the year. I hope it will work because we prepared it at the beginning of this year. The online system links budget and programme evaluation" (24).

Based on the above explanations, we can conclude that the use of IT in performance management could have a positive impact and is able to overcome the problem of human resources shortage in evaluation and reporting processes. Furthermore, the existence of performance-reporting unit still needs a greater support from leader. This support is a form of attention and effort to improve organisation performance.

6.3. Information Availability and Measurement System

The second factor of the rational/technocratic framework is the information and performance measurement system that exists in government. In the discussion of this aspect, we look at the conditions that are either supportive or not to the adoption and the implementation of performance information utilisation in development planning, financial management practice, and human resource management.

Principally, performance information can be viewed from two sides: availability (supply) and needs (demand). Supply means how performance information is obtained and reported. Demand means the needs of performance information. However, this section focuses on the supply side instead of the demand side because it is considered as external requirements.

As described in the previous chapter, there are many performance reports in the Indonesian government. However, in general, the performance information in these reports is about routine activities, which is reported within a certain period. From the supply side of performance information, each government agency at both central and local levels is required to prepare performance reports related to development programme and financial execution. In fact, local government' performance reports are more complex than in the central government, because *"regional performance covers many things such as organisational, budget and employee aspects"* (3).

In addition, the government attempts to obtain reliable performance information. Related to this, Deputy Assistant in MENPAN-RB explained,

"How do we produce reliable performance information? One of them is by asking report of any activity accomplishment. The report shall be submitted in every three months. Additionally, the report does not only consist of physical realisation but also including budget disbursement of the activity" (4).

From the demand side, performance reports are requested by central agencies with the authority to evaluate performance. The central agencies affect the complexity of performance management. As described in the previous chapter, there are ten entities in the central government that are related to performance measurement. As a result, the authority among these stakeholders intersects or even overlaps, with each other.

Performance information about development planning is closely related to financial management practice. The report, such as LAKIP, consists of the financial performance of government agency. Financial reports also review programme implementation that is originated from planning policy. Therefore, there is no clear boundary between planning and financial performance achievement in performance reports.

However, the main issue that occurs in planning realisation reports is related to measurement focus and repetition. An official from the Inspectorate of DI Yogyakarta Province explained,

"LPPD is for MOHA, it focuses on local governance performance but not too detail. Meanwhile, provincial inspectorate checks on SKPD's performance. In LAKIP, it evaluates success rate of programme and policy implementation. Moreover, there is LKPJ, the Performance Report of Governor to Parliament. It is very similar to LPPD. Sometimes, this situation makes us feel bored to prepare all those reports" (23).

To respond to the demand from the central government, performance reports from local governments may be improvised just to fulfil reporting obligations in the end. Moreover, there are many types of reports to be prepared, particularly by local governments. The argument that is frequently stated as a reason of the various types of performance reports is because of the different purpose and focus of each evaluation.

Another issue is to what extent the numerous performance reports is optimally utilised by both internal and external organisation or stakeholder. Do the performance reports, in turn, can improve the quality of decision-making and organisational performance significantly? In order to answer this question, we need to know what kind of information provided in the performance reports.

From those various reports, LAKIP, LPPD and LKPJ are the most dominant in evaluating programmes and planning policy accomplishment. However, the users of those reports are different. LAKIP is for MENPAN-RB; LPPD is for MOHA; and LKPJ is for Regional Legislative Assembly. In fact, they more or less inform about similar topics, such as programmes and activities achievement, budget realisation, and other information about obstacles or barriers in the implementation process.

The first is LAKIP. The format consists of several chapters including data and information related to the performance achievement of government agencies. Its structure is:

- Chapter I Introduction,
 - Position, Tasks and Functions
 - Organisational Structure
 - Strategic Aspects
- Chapter II Performance Planning:
 - Strategic Plan (current year)
 - Performance Contract (reporting year)
- Chapter III Performance Accountability:
 - Achievement of Organisational Performance
 - Evaluation and Analysis of Performance Achievement
 - Budget Realisation
- Chapter IV Concluding
 - Conclusion
 - Follow-up Measures

The second is LPPD. This report is a form of accountability on the duties, functions, and strategies of local government that is submitted to the central government. LPPD's format can be explained as follows:

- Chapter I Introduction:
 - Legal Basis of Local Government Establishment
 - Overview of Local Government
- Chapter II Regional Mid-Term Development Plan (RPJMD):
 - Vision and Mission
 - Strategy and Policy Direction
 - Local Priorities
- Chapter III Decentralisation Affairs:
 - Summary of Decentralisation Affairs
 - Implementation of Priority of Mandatory Affairs
 - Implementation of Priority of Optional Affairs
 - Key Performance Indicators
- Chapter IV Auxiliary Task

- Received Auxiliary Task
- Given Auxiliary Task
- Chapter V General Duty of Government
 - Inter-regional Cooperation
 - Regional Cooperation with Third Party
 - Coordination with Vertical Institutions in the Region
 - Borders Development
 - Disaster Prevention and Mitigation
 - Special Area Management
 - Implementation of the Serenity and Public Order
- Chapter VI Concluding:
 - Conclusion
 - Recommendation

The third is LKPJ of Regional Head. This report is a form of head of regions' accountability to the Parliament. LKPJ is principally similar to LPPD. This report aims to determine the success or failure of local leaders in carrying out their duties within a certain period. The difference is on the financial aspects evaluation. The LKPJ format is as follows:

- Chapter I Introduction
 - Legal Basis
 - General Overview of Region
- Chapter II Local Government Policy
 - Vision and Mission
 - Strategies and Regional Policy Directions (based on RPJMD)
 - Local Development Priorities
- Chapter III General Policy of Local Financial Management
 - Local Revenue Management
 - Local Expenditure Management
- Chapter IV Implementation of Local Government Affairs
 - Implementation of Mandatory Affairs (Programmes and Activities; Realisation of Programmes and Activities: Problems and Solutions)
 - Implementation of Optional Affairs (Programmes and Activities; Realisation of Programmes and Activities: Problems and Solutions)
- Chapter V Implementation of Auxiliary Tasks

- Received Auxiliary Tasks
- Given Auxiliary Tasks
- Chapter VI Implementation of Government General Duty
 - Inter-regional Cooperation
 - Regional Cooperation with Third Party
 - Coordination with Vertical Institution in the Region
 - Borders Development
 - Disaster Prevention and Mitigation
 - Special Area Management
 - Implementation of the Serenity and Public Order
- Chapter VII Concluding Remarks

From the three reports above, we can see that even though they are different, the information is essentially not very distinctive between one and the other. To some extent, it creates inefficiency and ineffectiveness due to repetition and lack of resources in the reporting system. Moreover, the reports will have diverse results and interpretations because different ministries evaluate them. Each ministry has its own measurement tools and perspective about performance. As a result, we will have many versions of performance measurement results in planning.

Furthermore, the measurement system in the national development planning system can be seen from the evaluation that starts from planning document-drafting stage to the implementation of programmes and activities. The evaluation of development planning is often called M&E (monitoring and evaluation). Although both terms have different meanings, M&E is a very common term for activities that are aimed to evaluate. However, apparently bureaucrats still face difficulty in distinguishing monitoring from evaluation. An official from MNDP/BAPPENAS said,

"Our colleagues in K/L often assume monitoring and evaluation activities are same. In fact, monitoring is different with evaluations. Monitoring report only conveys the results. Meanwhile evaluation includes programme assessment" (7).

Evaluations in development planning are classified as ex-ante, on going and ex-post evaluation. At the ex-ante evaluation stage, the government conducts an evaluation of planning documents. At on-going process evaluation, the government monitors the implementation of planning and evaluates the achievement of development targets that have been set at the end of a certain period (quarterly,

yearly or five-year). Meanwhile, ex-post evaluation is an evaluation conducted after the programme and activities had been completed.

The differences between the ex-ante, on-going and ex-post evaluation in the development planning are explained in the table below.

Table 6.4 Ex-ante, on-going, and ex-post evaluation in performance

Ex-ante	On going	Ex-post
<ul style="list-style-type: none"> • Prior to the establishment of development plan • To select and determine priorities of the various alternatives and potential ways to achieve the goals that have been formulated before 	<ul style="list-style-type: none"> • Carried out during the implementation of the development plan • To determine the progress of the implementation plan compared to predetermined plan 	<ul style="list-style-type: none"> • Conducted at the end of the plan implementation • To see whether the programme achievements (output/ outcome/impact) are able to overcome the development problems that need to be solved. • To assess the efficiency (outputs and outcomes than inputs), effectiveness (results and impact on target), or the benefits (impact on the needs) of a programme

Derived from: Solihin (2008)

First phase is ex-ante evaluation, which is carried out before programme implementation and related to planning documents examination. Regarding this, the documents of development planning in Indonesia, according to, the National Development Planning System, can be described as follows:

- a. National Long-Term Development Planning (RPJPN). It is 20 years of development planning and it includes the general condition, vision and mission of national development, and the direction, stages, and long-term development priority. RPJPN 2005-2025 consists of nine sectors: socio culture and religious life; economy; science and technology; politics; defence and security; law and apparatus; regional development and spatial planning; the provision of facilities and infrastructure; as well as management of natural resources and environment.

- b. National Medium-Term Development Planning (RPJMN). It is a breakdown of RPJPN. RPJMN is a 5 years development planning. It includes the elected president's vision, mission, and programmes and also comprises the goals and strategies of national development for five years of reign.
- c. Government Work Plan (RKP). It is a national planning document for a period of one year and the annual details of RPJMN. RKP includes the proposed macro-economic framework such as fiscal and monetary policy direction, priorities, work plan and funding. Moreover, the president's priority programmes and new initiatives could be inserted to the RKP document.
- d. Ministry/Agency Strategic Plan (RENSTRA K/L). This planning document refers to RPJMN as the five-years-planning of ministry and agency to support the achievement of president's priority programmes. In this document, we can find ministry/agency's vision, mission, goals, strategies, policies, and programmes and activities.
- e. Ministry/Agency Work Plan and Budget (RKA K/L). It is a planning and budget document that contains the Ministry/Agency's programmes, activities, and the budget needed to implement them. RKA K/L is an elaboration of the Government Work Plan and Work Plan of the Ministries/Agencies in one fiscal year.

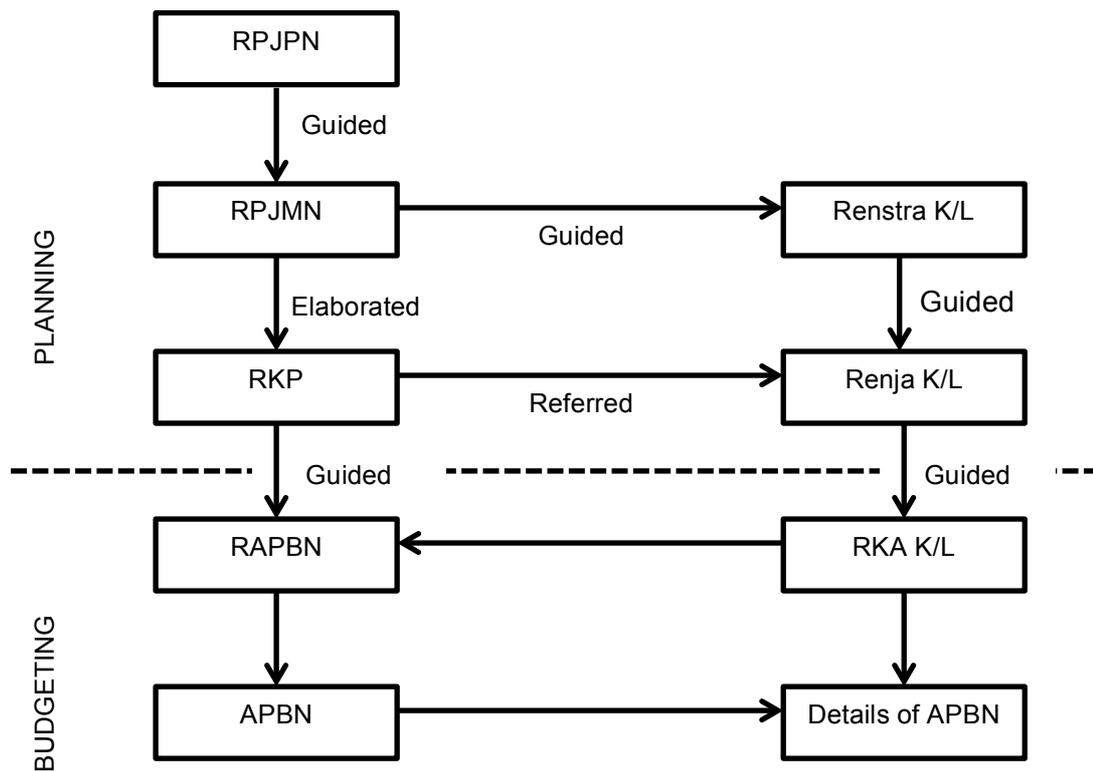
Figure 6.2 explains the linkage among those development plan documents.

In ex-ante evaluation, the government in this case MNDP/BAPPENAS assesses the quality of the planning documents, both RPJM and RKP. *"Planning documents are examined until programme achievement. Specifically for RPJM, the evaluation includes RPJM previous achievement"* (6). Planning evaluation also aims to seek the problems that exist within 5 years. All problems are then identified and addressed. Nevertheless, *"there is an option whether the problems would be resolved now or just simply buried in the past"* (6). It is decided by considering the results of studies conducted by MNDP/BAPPENAS. *"When evaluating previous RPJM, we also carry out many background studies for the following Development Plan as contextual consideration"* (6).

Furthermore, an official from MNDP/BAPPENAS said, *"evaluation result becomes an input for the next planning"* (3). Another interviewee also confirmed this statement related to the purpose of evaluation.

"The purpose of evaluation aims to give feedback on programme implementation, budget utilisation, and organisation efforts to achieve its objectives. Then, the all aspects are compared with planning. Planning is essential for evaluation. Therefore we must guarantee the planning quality and should not only focus on ex-post evaluation, especially in the public sector" (1).

Figure 6.2. The Linkages of National Planning and Budgeting Documents



Source: Ministry of National Development Planning, 2013

Planning Evaluation is also concerned with the preparation of performance indicators as a reference in implementing programme and activities. Currently MNDP/BAPPENAS has issued a number of instruments related to development planning policy. "Guidelines on how to develop indicators and to evaluate RPJM had been issued" (6). The RPJM consists of three books. Book I is a National Development Agenda; Book II discusses Sector Development Agenda; and Book III is Regional Development Agenda. An official at MNDP/BAPPENAS also added, "Now, there are 156 indicators in Book I RPJM. Additionally, we also have all indicators per province" (3).

Next phase is on-going evaluation. This evaluation is performed when programs and activities are being carried out by government agencies. However, on-going evaluation should be completed in a certain period (quarterly, semi annual and annual) in the period of mid-term planning. It means,

"We normally have annual, semester and quarterly evaluation for on-going evaluation on development plan. E-monev is used for on-going evaluation on RKP implementation" (6).

Moreover, on-going evaluation is often called the mid-term evaluation as described by official at MNDP/BAPPENAS,

"The Mid-term expenditure framework relates to the budget. Thus for performance, we may also conduct a mid-term evaluation or sometimes people call it, on-going evaluation or monitoring. In this evaluation, the action is considered as early corrective to ensure that implementation is on the tract to achieve the goals" (1).

Finally, the ex-post evaluation is an assessment after the programme and the activities are completed. The result from this evaluation is a performance report that consists of output and outcome achievements, and problems that occurred during implementation. An official from MNDP/BAPPENAS explained,

"[ex-post evaluation] is called as end of year evaluation or RKP evaluation. We have profiles of each K/L in the evaluation. Normally we receive good response [or report] in e-monev system from big K/L. However, some K/L data are unavailable because they do not input the data and we can not do anything about it" (6).

Regarding ex-post evaluation utilisation, some interviewees claimed that performance reports have already become a basis for formulating policy planning. For example, an official from BAPPEDA West Java Province stated,

"Evaluations are already used for preparations of Local Government Work Plan, annual planning, and RPJMD. In performance report, there is a chapter about evaluation and becomes reference in determining development plan. Evaluation is also used to decide strategic issues in local government" (21)

The utilisation of evaluation results absolutely cannot be separated from the commitment and compliance of the reporting agencies. Undertaking data input in the e-monev system made by the central government manifests the commitment. The result of data input from the agencies is then a matter for ex-ante evaluation.

Compliance of all agencies including local governments in reporting systems is closely linked to organisational commitment in finding solutions to development problems. For instance, commitment can have great influence on the utilisation of performance information. As stated by an official in BAPPEDA DI Yogyakarta Province,

"In every quarter, we have commitment to expose local government performance. We look at Key Performance Indicator (IKU) achievement of DI Yogyakarta Province, for example whether it has reached economic growth target or has improved inequality. LKPJ consists of SKPD's programme achievements. We also evaluate whether the programme contributes to the IKU or not" (17).

At the central government level, commitment is still an obstacle. Ministries/agencies' commitment in the e-monev system built by MNDP/BAPPENAS remains low.

"All ministries/agencies should input performance data in e-monev system. Ideally, they should do it quarterly. However, some ministries/agencies input the data in the last quarter four at once. Only few ministries/agencies are committed on e-monev system" (6).

Some interviewees claimed that performance measurement has been taken into consideration, or is already integrated in the development planning policy. However there are some issues related to the performance measurement system and indicator definition seems to become a major concern. The issue occurs due to perception and understanding differences on performance indicators. Some officials mentioned similar thing about the issue. A Deputy in MNDP/BAPPENAS said,

"Our problem is indicator, particularly in levelling the indicator at same stage. Some indicators are already at outcomes level, but some are at impact level. There are also still at output level, or even at input level. Indicator obscurity becomes one thing that hinder performance information utilisation" (1).

Another official from MNDP/BAPPENAS added,

"Sometimes when we evaluate local government's report, we find inappropriate indicators. Impact, outcome, and output indicators are misplaced. As a result, the indicators become identical, which should not happen" (6).

A reason of the difficulty in determining indicators in the development planning, particularly in local government comes from regional autonomy implementation impact. Currently, regions have the authority to determine local development

direction although they should refer to the National Development Plan. However *"regions have their own performance contracts which are not necessarily linear with central government"* (3).

Likewise, another constraint is the ability to analyse and to interpret indicators at input, output, outcome and impact stages in performance reports. Additionally, a number of performance reports are not as clear as expected because of unclear and overlapping indicators. The following interviewee describes this,

"The financial report is a quite mature report. But what does that mean for performance? For example, if the disbursement rate is 60 per cent, then what? Looking at input indicators in a performance report is easiest way. Output, outcome and impact indicators are more difficult. Moreover, the reporting system is diverse for various needs" (3).

Indicators in development policy may have two levels. *"First is related to national development indicators. Second is the Ministry/Agency's (K/L) indicator, which is a translation of K/L's strategic plan respectively"* (6). K/L's indicator is derived from national development plan. Regarding this, there is a guidance to overcome indicator issues, *"but in reality, there are still many difficulties"* (6). The reason is because *"development comprises manageable and unmanageable indicators. Another problem is whether to put the indicators in RPJM or RKP document"* (6).

Although indicator criteria is already described and promoted intensively by MNDP/BAPPENAS to central and local government agencies, in reality there is still misperception in determining indicators. An official from MNDP/BAPPENAS stated,

"The most common problem is to determine the right indicator. Many government agencies find difficulty in deciding indicators that they will use. They are not sure what indicators need to be measured. We [MNDP/BAPPENAS] can only give indicator criteria as guidance. They have to decide performance indicators because no one knows better about their programme" (7).

The presence of the right indicators in performance information is very important because it is the main parameter to measure performance, including impact, outcome and output. Related to this, MNDP/BAPPENAS has set criteria for indicators that are used in performance measurement as follows:

- a. Relevant. Indicators are directly and logically related to the tasks of the institution, as well as to the realisation of institution's strategic goals and objectives.
- b. Well-defined. The indicator definition is clear and unambiguous so it is easy to understand and use.
- c. Measurable. Indicator is measured through a certain agreed rating scale. It could be a measurement of quantity, quality, or price.
- d. Appropriate. The selection of indicators in accordance with the efforts of service or performance improvement.
- e. Reliable. The indicator must be accurate and can follow changes in performance levels.
- f. Verifiable. It allows validation process in the system that is used to generate the indicator.
- g. Cost-effective. The usefulness of the indicator is comparable to the cost of data collection. (Bappenas, 2015)

The above are the general criteria for a performance indicator. The problem is then when the criteria are applied and adapted to the duties and functions of each K/L or local governments. There are still a lot of differences in understanding the level of implementation. Moreover, government agencies are expected to draw up performance indicators for their own programmes and activities. If this is difficult, why are performance indicators given to each agency? The reason is because government believes that the people who know most about performance indicators are those who carry out the work everyday. However, in reality, not all agencies can specify performance indicators proportionally, either at output, outcome and impact level. Additionally, outcomes and impacts programme are not influenced only by one sector, so the indicators involve other related agencies. It is recognised by an interviewee from Inspectorate of DKI Jakarta, *"we have not yet been capable to make the correct indicator, moreover there is still the ego of each sector that complicates consensus on indicator"* (27).

Related to indicator issue, some interviewees suggested idea of creating indicator database. Building bank of indicators is a quite interesting solution. An official from MNDP/BAPPENAS stated,

"Nowadays, we have obstacles in [indicator performance] dictionary because we do not have something called indicators bank. Bank of indicators [or indicator database] consist of a whole list of indicators from

many fields, including meta data for detailed indicator that comes from any source" (6).

Besides indicator issue, some interviewees claimed that the current performance measurement system is still loose. This is related to the underutilisation or the weak link between performance measurement results and planning activity. Another official from MNDP/BAPPENAS explained,

"The relationship between planning and evaluation is below our expectations. Planning and evaluation are still disconnected, independent, in fact they should be interrelated" (6).

Existing performance reports are considered as partial in terms of substance and time. *"Performance reports as form of accountability should not be seen only per year but in the context of building a high-performing organisation trajectory" (9).* Deputy from LAN added another point associated with the use of performance evaluation system.

"Performance measurement or evaluation as a system is about how we develop, measure, and evaluate accountability at institutional, work unit and employee [individual] levels. Currently, those levels may not be or have not been integrated" (9).

Another problem faced related by the performance measurement system is the absence of a single system and a comprehensive evaluation. Most opinions state that different evaluation objects and purposes, which ultimately produce various evaluation results, cause different evaluation systems. In fact, all performance reports contain or are related to the achievement programme/activities, budget, and individual/employee. Different report requests or needs from the central government apparently cannot be separated from the conflict of interest and sectoral ego of respective institutions that handle the evaluation of government performance. Sectoral ego issues will be discussed further in Chapter 7.

A negative impact of having different performance evaluation system is reporting duplication of one particular aspect of assessment, for example programme achievements. It causes difficulty in creating a performance report, mainly by local governments. The evaluation results are also different from one to another in terms of assessment scoring system. The following table describes the problem. It shows local government's performance measurement of two different types of reporting and scoring system, which are LAKIP and LPPD.

Table 6.5 Discrepancies of Performance Evaluation Results (2012)

Provinces/Regencies/Cities	LAKIP*	LPPD**
1. Jawa Timur	B	Very high
2. Jawa Tengah	B	High
3. Sulawesi Selatan	CC	High
4. Kabupaten Bintan	B	High
5. Kabupaten Karimun	B	High
6. Kabupaten Muara Enim	B	High
7. Kabupaten Bantul	B	Very High
8. Kabupaten Kulon Progo	B	Very High
9. Kabupaten Sleman	B	Very High
10. Kabupaten Badung	B	High
11. Kota Tanjung Pinang	B	High
12. Kota Sukabumi	B	High
13. Kota Yogyakarta	B	Very High
14. Kota Manado	B	High

* Evaluated by MENPAN-RB (Scale: AA:Satisfy, A:Very Good, B:Good, CC:Fair, C:Poor, D:Very Poor)

** Evaluated by MOHA (Scale: Very High, High, Medium, Low, Very Low)

The differences are definitely perplexing the local government that is being assessed. They receive two different results of performance reports evaluation. LAKIP and LPPD explain programmes, activities and budget performance from the same input. The difference occurs because those evaluations used distinctive measurement that is not really necessary. The following interviewee from BKPP Bogor City acknowledges this,

"[Different evaluation results occur] because assessment aspects are different. In LAKIP, planning aspect contributes 30 per cent [of total evaluation]. Meanwhile LPPD does not consider planning aspect... LAKIP assessment aspects are planning, execution, and presentation of the report... Good score on LPPD does not mean good score on LAKIP" (25).

Then another interviewee in the city of Bogor also explained,

"LPPD, LKPJ, LAKIP were similar but not identical. Indeed, I am also confused. LKPD and LPPD are actually more about government performance, although apparently LKPJ is more appropriate because LKPJ is an accountability report that comprises every SKPD... I don't understand what is the difference [between those reports]... Name of programmes and activities in LPPD, LKPJ, and LAKIP are alike... I think is not efficient and unnecessary" (26)

Based on the matters above, we may question; are the various performance reports bad? The answer is relative. The more aspects that are being assessed in performance measurement, the richer the viewpoint of measurement. Central government can see performance from different angles, such as planning, programmes and activities, budget disbursement and so on, which means positive. However, it also has downsides. Different performance reports are complained about by the implementing agencies, both at central and local level because of the limited resources and time to prepare those reports. Regarding this, official from BAPPEDA DKI Jakarta said,

"We have a time constraint. If we've enough time, everything might go well. So, sometimes because there is no time, we forgot [to prepare performance reports]" (27).

Another official from the Inspectorate of DKI Jakarta added.

"From my experience when evaluating SKPD report, problems on performance report are related to limited staff and time. They said that they did not have enough resources, so they did not make report, or sometimes they reported something beyond planning documents" (28).

The further question is, whether the number of performance reports will have a positive impact on organisational performance improvement. In some institutions we visited, many interviewees admitted that the preparation of performance reports is generally merely to fulfil regulatory obligations. Most of them also said that they do not see those reports linked to the increase of agency performance. Reports created through current the performance measurement system are not the major and only consideration for the development plan. Other factors such as the President's programme priorities or head of the region interest are the concern that dominates development policy decisions. Lack of enforcement and inconsistency regarding performance information use are considered as the reason. An official from BAPPEDA DKI Jakarta said,

"There must be a guidance about how to make an ideal planning based on performance measurement, which means in work plan preparation, we use feedback from performance measurement report such as LAKIP. Furthermore, we have to be consistent to that. So performance reports are not only for obligation fulfilment" (27).

Regarding financial performance, information is compiled and reported in LKPP by central government and in LKPD by local administrations. The financial performance report does not only present financial statements, but also informs the

output and outcome of programmes and activities that are already covered in the planning reports. As a consequence, each government agency has to prepare data and reports several times. Hence, repetition may affect consistency and reliability of the information.

LKPP is a cumulative report from all financial statements that is prepared by K/L at central government. The information in LKPP can be understood from the structure of the report. It has the following format:

- State Budget (ABPN) Realisation Statement
- Balance
- Cash Flow Statement
- Notes to the Financial Statements
 - General Explanation
 - Legal Basis
 - Fiscal/Financial Policy and Macroeconomic
 - Financial Statement Preparation Approach
 - Accounting Policy
 - Explanation over Posts in APBN Realisation Statement
 - General Explanation of Budget Outcome Statement
 - Per Item Explanation of Budget Outcome Statement
 - Other Important Notes
 - Elucidation of the Balance Sheet Posts
 - General Financial Position
 - Per Item Explanation of Balance Sheet
 - Other Important Notes
 - Explanation over Cash Flow Posts
 - Overview of Cash Flow Statement
 - Per Item Explanation of Cash Flow Statement
- Attachments

From the report's structure, the highlighted information is the national financial policy, the accountability on how budget was earned and spent, and the extent to which the budget spent was capable of producing the desired outcomes. LKPP is prepared by MOF and then audited by the Audit Board of Republic Indonesia. Thus it

will be given to the House of Representatives as National Budget accountability report.

At regional level, LKPD essentially has a similar format to LKPP. However, there is little difference as can be seen as follows:

- Regional Budget (APBD) Realisation Statement
- Cash Flow Statement
- Balance
- Notes to the Financial Statements
 - Chapter I Introduction
 - Chapter II Overview of Local Government
 - Chapter III Macroeconomic, Financial Policies and Summary of Financial Performance Achievement
 - Chapter IV Accounting Policies
 - Chapter V Explanation of Posts of Financial Statements
 - Explanation of Budget Realisation Report Items
 - Explanation of Cash Flow Items
 - Explanation of Balance Sheet Items
 - Chapter VI Supplement of Non-Financial Information
 - Chapter VII Conclusion

From the demand side of financial reports, LKPD is submitted to Regional People's Legislative Assembly (DPRD), Province Government (for LKPD City/Regency), and Central Government. The Audit Board of Republic of Indonesia also audits LKPD.

Regarding measurement system, planning and budgeting system are essentially related to each other. However, in Indonesia, the two systems are separated from one another, in which MNDP/BAPPENAS is functionally responsible for development planning policy, and the MOF has the authority over financial policy. Related to this, Deputy from MNDP/BAPPENAS said,

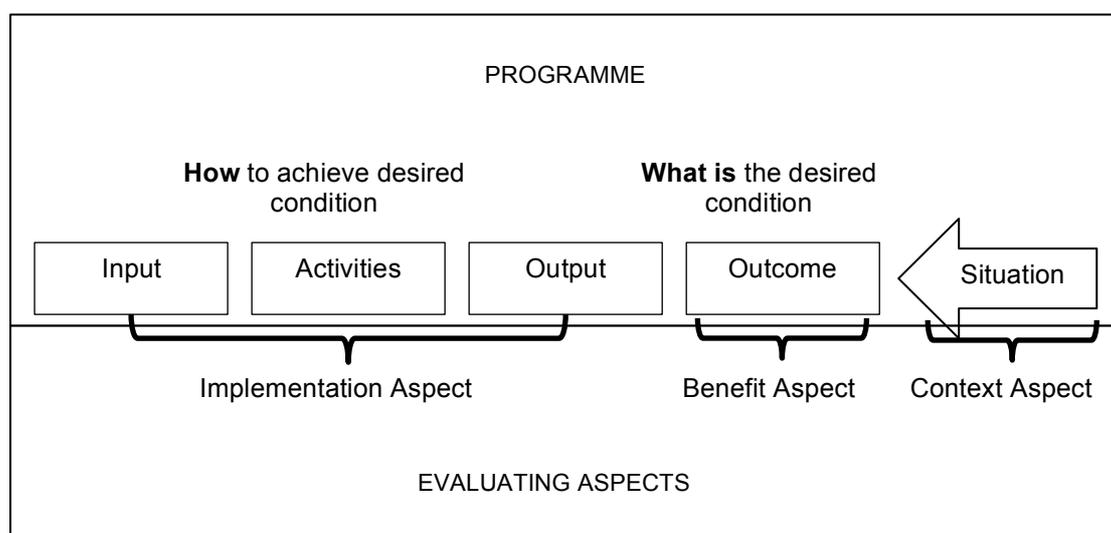
"Central Government Financial Statements (LKPP), which is prepared for the Parliament, is attached by performance evaluation reports. So financial statements and performance cannot be separated. However, our national policy separates planning and financial function to MNDP/BAPPENAS and MOF" (1).

In financial policy, there is a budget document called the Work Plan and Budget of Ministry/Agency (RKA K/L) for central agencies. In RKA K/L preparation, performance information has been recognised as input. The budget preparation uses it in the process called Baseline Review. The result of this review is to set the indicative ceilings for central government institutions. MOF hopes that this process will create more realistic budget ceiling. It is done every year before RPK preparation process. The baseline review aims to:

1. Improve quality of spending through the effectiveness and efficiency of ministries/agencies expenditure
2. Refine performance-based budgeting through the streamlining of output activity (sorting the output type)
3. Simplify the process of planning and budgeting by abridging the calculation and discussion (Bappenas, 2014).

In the baseline review, MOF monitors the implementation of RKA/KL performance achievement. Related to this, the Minister/Head of Institution conducts a self-evaluation on programmes implementation. The evaluation covers three aspects, namely, implementation, benefit and context. The implementation aspects see how a programme is run, the beneficial aspects measure how much target outcome has been achieved, and the context aspects evaluate the programme's relevance to the changing social, economic and environmental dynamics. Further, the evaluation can be seen in the following figure.

Figure 6.3. Programme and Evaluating Aspects in RKA K/L



Derived from: Ministry of Finance, 2015

In carrying out monitoring and evaluation functions, MOF uses a performance-based budgeting online system. Monitoring and evaluation are intended as an early warning to improve programme performance achievements in the current budget year. Through this online system, the person in charge can report progress or obstacles that are encountered in the RKA K/L programmes' implementation to his direct supervisor. Then, the previous fiscal year evaluation results of RKA K/L are used as feedback to improve quality of next year's budget. Furthermore, RKA K/L achievements are also a variable to calculate reward and punishment, and a basis in determining expenditure allocation ceiling for K/L in the following year.

Public financial management in Indonesia has implemented the Medium Term Expenditure Framework (MTEF). MTEF began to be applied in National Development Plan 2010-2014. This means that budgetary policy has more than one fiscal year (multi-years) perspective and calculates cost implications in subsequent years. It is outlined in the forward estimate based on the baseline decision. Within this framework, it is also possible to have a new initiative or a supplementary budget at a certain time if needed.

MTEF implication is on the evaluation of financial performance that essentially cannot be separated from programmes and activities evaluation. Planning and budgeting are interrelated. The budget evaluation should also consider the performance or the existing problems in programme implementation. Regarding this, Director of National Budget, MOF explained,

"In the baseline review, we look at [government agency's] previous performance. We do not only see low disbursement, but also consider why is it happen. The reasons may be efficiency or the budget is blocked. If it is blocked, we see further explanations, for example because of no approval from Parliament or incomplete documentation... the review considers not only financial but also nonfinancial aspects [problems on programme implementation]" (2).

Subsequently, regarding the relation between financial and planning evaluation, he explained further,

"Every ministry/agency should produce a working plan that is derived from the Strategic Plan [in development planning] as a basis for RKA K/L arrangement. Based on this, we will have DIPA (Budget Implementation Entry List). So the DIPA is a reference in implementing the RKA K/L" (2).

RKA K/L evaluation also views input, activities, outputs, and outcomes stages. Every stage of financial evaluation pays attention to programme outputs and

outcomes of each K/L. For this purpose, "MOF has an online application, called ADIK (Architecture and Performance Information), to connect the budget, outputs, and outcomes" (2). ADIK was introduced in 2014 to improve the quality of performance based budgeting in the preparation of RKA K/L.

With ADIK, we can see the differences of performance measurement systems issued by MOF and MNDP/BAPPENAS although both use the same database. ADIK application evaluates performance based on RKA K/L using logic models that analyse needs/problems and customer identification; formulate outcomes and outputs; prepare activities; and identify input. In outcome and output stages, there are indicators and targets to be achieved. Meanwhile, e-monev conducted by MNDP/BAPPENAS evaluates performance based on Ministry/Agency's Work Plan.

In order to enhance financial performance measurement, the MOF has introduced SPAN (Treasury System and the State Budget) in 2008 through online system before ADIK application. SPAN is a system that integrates data in state financial management cycles, starting from budgeting to reporting. There are three business processes enhanced by this system: budget preparation, budget execution (management of spending authority, commitment management, payment management, government receipts, cash management) and accounting; and budget reporting. An official from MOF explained SPAN implementation,

"SPAN evaluates the whole process until output. Thus ADIK links budget evaluation to programme outputs and outcomes. All ministry/agency must input their data and then will be evaluated by MOF" (2).

Based on the evidence from Indonesian government, we find that performance measurement in financial management practice is different with development planning. In fact, planning and budgeting cannot be separated because financial performance is related to programme achievements, which refers to the planning. Additionally, planning may not be realised if there is no financial support.

Regarding human resource management, performance information is reflected in performance contract evaluation. The contract comprises of work target and indicators that must be accomplished by each employee as civil servant. In Indonesian public sector, the contract is accompanied by work behaviour assessment.

In Job Performance Assessment of Civil Servants System, every government employee must create an individual report. It describes their work performance information that is acquired throughout the year and is evaluated based on Employee Work Target (60%) and Behaviour Performance (40%). The report structure is as follows:

- Employee Work Target (SKP):
 - Office duties activity. It refers to Annual Work Plan/Performance Stipulation
 - Credit Points (for Functional Officer)
 - Target (Output, Quality, Time and Cost)
- Work Behaviour:
 - Services Orientation
 - Integrity
 - Commitment
 - Discipline
 - Cooperation
 - Leadership

However, the information is only limited to the job results, and there is no individual performance measurement that describes the strengths and weaknesses in work target achievement. Feedback about how to improve employee performance also cannot be found in the report.

Likewise, the measurement system in human resource management is different from the two aforementioned. In Indonesian public sector, human resource management is not too associated with planning and financing. In some regulations, the assessment is not explicitly linked with planning and financial evaluations. Therefore, human resource management seems to be detached from the other aspects. As a matter of fact, individual performance measurement is essential in order to improve organisational performance in the ideal application of performance management.

Based on the existing conditions, we can see the two terms of individual performance assessment that originate from different policies. The first is Employee Target Work (SKP), which is regulated by PP 46/2011 and BKN Regulation 1/2013. SKP is the description of work plan and targets to be achieved by civil servants

(PNS). All employees are required to formulate SKP, which will then be approved and signed by the superiors.

The second is performance agreement, in accordance with President Regulation 29/2014 and MENPAN-RB Regulation 53/2014. Performance agreement arises because this document is a part of SAKIP. The term performance agreement means a formal intention to achieve specific targets or indicators on programmes and activities that are already budgeted in the annual work plan. Furthermore, performance agreement entails assignment from the head of higher institution for the lower agency to implement programme/activity that is accompanied by performance indicators. The parties that create performance agreement are the supreme leader (ministers and leaders of institutions); unit leader (*Eselon I*); and the head of working unit (*Eselon II*). For local government, they are the regional supreme leader (governor/regent/mayor) and SKPD leaders. The agreement can be understood as macro performance that is only made by *Eselon II*-level officials.

In this thesis, what we mean by performance agreement for evaluating individual performance is SKP because although there are two types of individual performance contracts as described above, both contracts principally refer to an identical thing, which is the agency's annual work plan. Additionally, all employees, including *Eselon II*, prepare SKP, so it is more inclusive.

The prevailing performance appraisal of civil servants is based on SKP and Work Behaviour assessments. It is an improvement from the previous performance measurement that was highly unmeasured and subjective, which was Assessment Checklist of Work Implementation (DP3). The indicators in DP3 appraisal are:

1. Loyalty. It is loyalty, obedience and devotion to Pancasila as national principle, the Constitution 1945, the state and government.
2. Work Performance is the work achievement of civil servants in implementing the tasks.
3. Responsibility is the ability of civil servants to complete work at his best and well timed, and daring to take decisions or actions.
4. Obedience is the ability of civil servants to obey all laws and official regulations.
5. Honesty is the sincerity of civil servants in performing their duties and not abusing their authority.

6. Cooperation is the ability of civil servants to work together with others in completing tasks.
7. Initiative is the ability of civil servants to take decisions, measures or necessary actions without waiting for orders.
8. Leadership is the ability of civil servants to convince others (subordinates) to perform the duties to the fullest.

Afterward, those indicators above are assessed based on the scale of grade and numbers, as "Very Good" (91-100), "Good" (76-90), "Enough" (61-75), "Medium" (51-60), "Less" (below 50). These assessments are very subjective and in fact, almost all DP3 appraisals obtain "Good" as minimum grade. Otherwise, the civil servants cannot be promoted. The superiors, as official assessors always avoid it. Therefore, it can be said DP3 assessment is merely formality without ever assessing the actual performance. DP3 appraisal is also more oriented towards the assessment of personality and behaviour, not on work performance, yield increase, productivity (end result), and the potential development of employees.

Related to the issue above, the government then improved the performance appraisal system with a new one in 2011, which assesses performance based SKP (performance contracts) and Work Behaviour. Both are valued 60% and 40% respectively. In SKP, assessment includes the following aspects: Quantity, Quality, Time and Cost. Meanwhile, the behavioural evaluation consists of: Service orientation, Integrity, Commitment, Discipline, Teamwork and Leadership. The mechanism of civil servants performance appraisal can be seen in Figure 6.4.

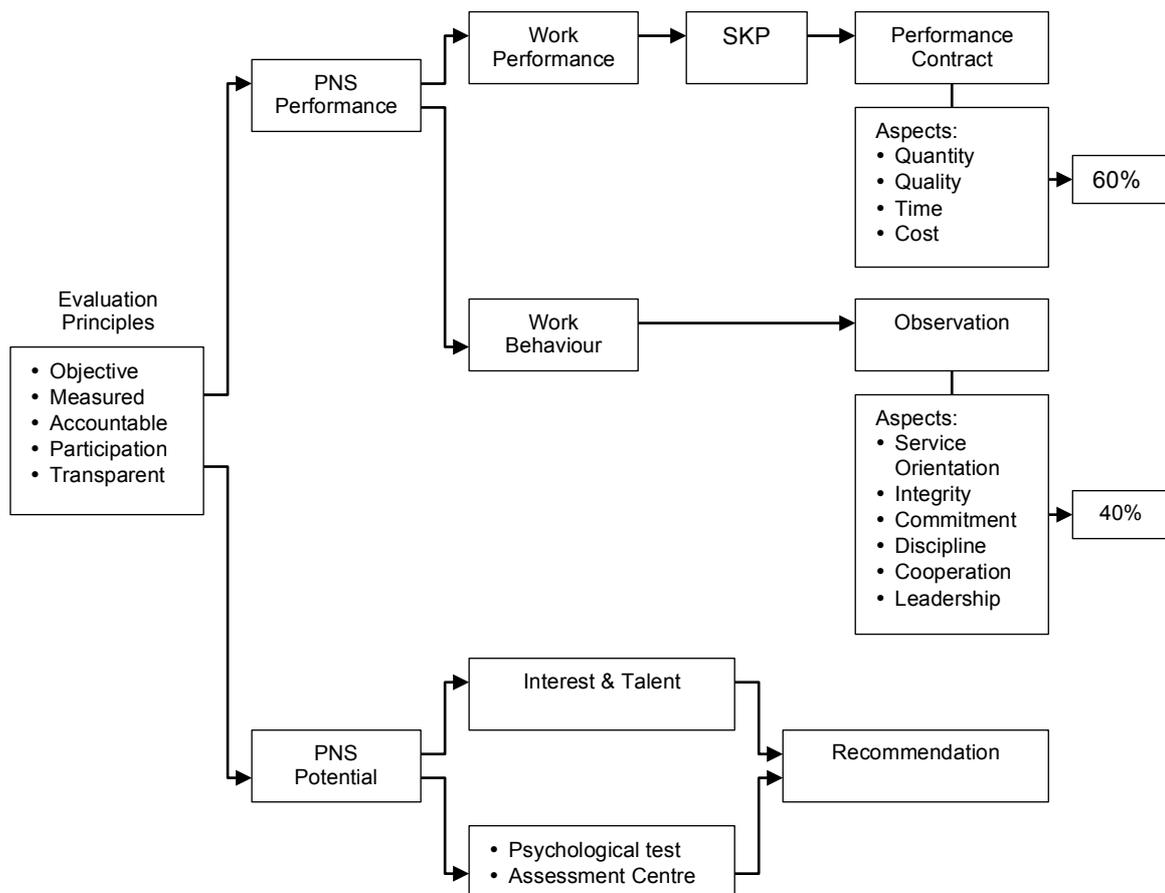
After approximately four years of implementation, the new performance appraisal system still has some constraints related to measurement arrangement. The problems include the absence of job performance standard or clear indicator, the evaluation period, the objectivity and reliability of performance information, and the missing link between individual performance measurement and organisational performance. In turn, it complicates the use of performance information into human resource management.

Regarding to target setting in performance agreement, Deputy Assistant in MENPAN-RB described the process as follows,

"Formally, performance targets are specified in performance agreement or performance contracts. Every government agency has strategic plan, which is translated into performance agreements. Each minister is

obliged to have performance agreement. Like a pyramid, minister reveals it to his Eselon I and then Eselon I to Eselon II, III and IV, and later to all employees. It is a cascading down process... The targets that have been set in strategic plan become individual targets. It is relegated from top to lowest levels. Finally operational level will support national level targets" (4).

Figure 6.4. The Performance Appraisal Mechanism of Civil Servants (PNS)



Derived from: BKN, 2012

In principle, the establishment of performance targets is set in government regulation. "It is clear in regulation. Targets in SKP are taken from Annual Work Plan and job description" (24). Nowadays, SKP is unlike DP3 because DP3 is difficult to be measured, whereas SKP is more measurable. However, in reality, it is not as expected, particularly regarding to job descriptions and determination of performance targets. An official from BKD in Depok City explained,

"Ideally, Eselon II should make performance contract based on Annual Work Plan, and their task and function. Further, the contract is lowered down Eselon III, Eselon IV and to staff. However, it did not happen like that... Sometimes, staff and manager make the performance contract independently and does not refer to Work Plan, their main duties, organisational structure and job descriptions" (24).

Complications in determining the performance targets are due to the absence of a performance standard in any job or position. Performance standards are important in measuring employee performance. The Director of ASN Performance in BKN explained the performance standards issue that should be specified before evaluating performance.

"So far there is no job performance standard. Therefore, an employee prepares SKP and signed by his superior without any knowledge about standard. It could be bias... Without performance standard, employee tends to set a lower target" (12).

Another interviewee from BKD at Depok City added,

"...Not all employees are capable to arrange SKP because there is no job performance standard. Employees write down activities in SKP, which are inconsistent with their job..., sometimes, they made up the activities" (23).

The absence of job performance standards that can be used for indicator causes time inefficiency in SKP preparation. An official from the Audit Board said,

"There is always a problem in determining indicators and setting targets [in SKP]. It needs long time to validate and to discuss it, which normally takes half year to determine the target" (15).

Job performance standard is needed for translating performance contract to job description and indicator. Regarding this, an interviewee from BKN stated,

"As long as there is no job performance standard, job description and indicator become unclear... Suppose job description for a secretary, which is currently freely translated by each agency. In fact, secretary does similar tasks wherever he/she is" (8).

Director from LAN also expressed similar opinion,

"Determining indicator is not difficult as long as job description is clear. It is problematic if there is no job performance standard, which makes job description vague" (16).

The next issue is in performance measurement phase. Based on the regulations, individual performance measurement should be conducted every year.

Contract performance or SKP is prepared in the beginning of every year and evaluation is carried out at the end of the year. Many interviewees then perceive it as a problem because the evaluation is not optimal and are tends to be just a formality. An official from BKN explained,

"There is a growing concern that current performance measurement system will face the same problem like DP3. Annual employee assessment is not optimal for evaluating individual performance... evaluation system should be associated with monthly performance benefits provision, which could not be accomplished through annual assessment.. This system could demotivate employee" (8).

Another interviewee from Depok City Government said,

"... because SKP is an annual evaluation, many employee do not pay attention to daily activity report. If we have weekly or monthly evaluation, they will write down daily activity" (24).

Deputy of LAN also conveys the same thing about this,

"SKP [or performance contract] is made in beginning of the year and then is applied for throughout the year. In fact, organisation condition is very dynamic within that year. There are additional tasks, which are beyond than specified in the SKP... In order to have comprehensive assessment, SKP [evaluation] should be conducted in every month, quarter, and semester instead of at the end of year" (9).

The expectation of the comprehensive appraisal system is also revealed from the statement made by an official at BKD DI Yogyakarta,

"We expect SKP evaluation is based on monthly or quarterly monitoring and evaluation. For example, employee assessment should consider quarterly performance M&E on programme and budget. So we can have a wide-range evaluation system" (20).

Another problem in measurement system is the objectivity and the reliability of individual performance information. The current performance appraisal system must be acknowledged better than the previous system, but the problem of measurement objectivity still becomes a bottleneck. Regarding objectivity issue, Deputy from LAN mentioned,

"There is a fact that employee assessment is influenced by emotional, proximity, compassion and friendship factors. This affects objectivity of individual performance measurement" (9).

Moreover, performance information reliability is related to difference perspective in efficiency measurement. The interviewee from BKD DI Yogyakarta confirmed this,

"In SKP, financial and time aspect evaluations are good if there is a 25% efficiency. However, the term of efficiency has different meaning for some regional governments, the score is better if budget is used entirely and finish the job in specified time... in our place, "efficiency" means bad performance" (20).

An official from BPKP also expressed the same opinion,

"We need to criticise performance measurement in SKP, particularly time aspect assessment. In the SKP, we will be considered as efficient if we can finish the job below the time target. Meanwhile, we will get a lower score if we are on the target. I think performance measurement in SKP is incorrect" (10).

Besides some problems mentioned above, many parties consider, that the current system has no connection (missing link) between individual performance measurement and organisational performance measurement. As stated by official from MNDP/BAPPENAS that,

"Our challenge is to connect organisational performance and individual performance in a [performance management] system. For that reason, there should be intermediate indicator between those performances... Organisational performance indicator is bridged by intermediate indicator to get individual performance indicator" (5).

The same thing also delivered by Deputy of Innovation at LAN,

"I do not see the direct relationship between SKP and organisational performance. SKP as a performance measurement has still a lot of biases. The bias occurs because there is no evidence of monthly performance for evaluating individual performance... Individual performance assessment result, which is related to performance benefit, tends to have good score... there should be a formula that can calculate individual contribution to unit and organisational performance" (9).

The absence of direct relationship causes individual performance assessment may not have an impact on organisational performance improvement. Furthermore, performance benefit has not been fully constructed in SKP. It means that individual performance measurement in most central and local government agencies has not been linked to incentives. BKN as a competent institution in formulating national policies for civil servants management confirmed this,

"So far the incentive has not been entirely grounded on performance contracts... Performance benefit is given based on employee's level or grade" (8).

In order to respond to the weaknesses of performance measurement system, some of central and regional agencies issued an internal policy independently. Based on interviews and observations, some agencies make system improvement, but most agencies did not make it. In the better agencies, employee performance measurement is already used as a basis of providing incentives (remuneration). MOF is one of these agencies.

"MOF has Key Performance Indicators (KPI) and also have individual behaviour assessment such as leadership... there is a survey that consists of 25 questions... we have a 360 degrees evaluation, which is evaluation from peer, superior, and subordinate... We have quarterly evaluation system or depending on KPIs... evaluation result determines performance benefit provision" (2).

Furthermore, the presence of KPI in individual performance measurement makes the measurement system better. *"With KPIs, our responsibility becomes clearer, although a lot of extra work cannot be incorporated into KPI... KPI is the core beside any additional works. It makes individual assessment more objective" (2).*

MOF is the only agency that completes performance contract not just for *Eselon I* and *Eselon II* level but for the entire staff. It is a good practice that can be emulated by other agencies. Meanwhile in the region, local governments such as DKI Jakarta, is already more advanced in implementing employee performance measurement system. Some modifications are also made to overcome the weaknesses of SKP assessment system. An official from BKD DKI Jakarta said,

"Change in DKI Jakarta government is very rapid, particularly job position, which make annual employee assessment [or SKP] is difficult to be implemented. Therefore we have monthly performance appraisal. Since May 2016, we use KPI as performance measurement instrument and it is related to Regional Performance Allowance (TKD) provision. KPI is derived from priority activities that have high social impact and is evaluated every month" (22).

Meanwhile, most of other government agencies did not make a breakthrough as practised by MOF and DKI Jakarta Province. They tend to blame central policy weaknesses that are considered unclear and leading to misperception. As said by official from BKPP in South Tangerang City,

"The standard from central government keeps changing. For example, we need to set a target before conducting performance assessment [SKP]. This is confusing because where do we get the standard, whether from duties or activities in DIPA or other documents? Finally we refer to DIPA as the standard because it is related to budget. However, I think performance is not always associated with money... we have asked BKN about this and the answer is unclear... In my opinion, SKP definitely needs improvement because it is difficult to be understood and implemented" (11).

This issue was confirmed to BKN and Director of ASN performance responded to this weakness,

"Based on PP 46/2011, we are not able to apply KPI. Besides target and indicator, we still have problem in cascading activities [from manager to staff]. We hope, each agency can actively develop the KPI... we are still in learning process and keep supporting ministries/agencies and local governments to arrange performance indicator" (12).

After analysing the existing conditions and problems, it can be concluded that individual performance assessment has not become a foundation for developing performance agreement. SKP is merely a statement or a report regarding work implementation, whether it is on target or not. Ideal form of individual evaluation has not been fully implemented. Regarding this, Deputy from LAN stated,

"...individual performance evaluation in 2015 does not become an input for drafting a performance contract in 2016. The contract is always based on work unit's activities and targets in the current year. Then, the activities and targets are distributed to all employees... so what is the point of doing individual evaluation?" (9).

A similar opinion was also presented by an official from BKPP South Tangerang,

"If you asked, do we conduct an assessment? Yes we did it. But we do not get the point in reality because performance appraisal is not sustainable... there is no effect for the future... I think the problem is not at local government but it comes from central government policy... If SKP is not corrected, I am afraid it will be the same as DP3" (11).

Another interviewee from Inspectorate DI Yogyakarta added,

"Performance contract or agreement still refers to cash flow. For example, someone has an activity in this year with IDR 1 million of budget. Then it was broken-down quarterly, 30%, 30%, 20%, and 20%, for his/her target. He calculates the 30% from IDR 1 million for first quarter, second quarter and so on. That is it. We do not consider his/her previous performance" (23).

Another problem is not all civil servants have awareness to prepare SKP. Some of them already know about it, but there are still many who do not understand the regulation. Currently, SKP is used merely for individual benefit and personnel administration purposes. *"Employees just compile SKP if they want to get promoted. Otherwise the promotion will be delayed"* (24). In addition, *"SKP is only administrative matter. For example, employee can simply change target if they cannot achieved it"* (20).

In conclusion, based on the evidence in Indonesian public sector, information availability and employee performance's measurement system are still problematic. There is very little evidence that the previous individual performance information affects the indicators or targets in the next performance agreement.

6.4. Goal Clarity

The next aspect of the rational/technocratic framework is goal clarity. The utilisation of performance information in development planning, financial management practice, and human resource management is easier to realise if the organisation has a clear orientation towards the objectives. Essentially, performance evaluation compares the goals or targets to the achievements. Thus, it comprehends performance gap between expectations and reality.

An organisation is oriented towards goals and the set targets. Consequently, the organisation will continue to make efforts towards performance improvement through evaluation. Here, we will analyse goal clarity in development planning, financial management practice, and human resource management aspects because eventually it will affect how performance evaluation is done and utilised.

In development planning policy, we can see that the ultimate purpose of development is to achieve existing targets in RPJP that is later revealed in the National and Regional Development Plan. The stages of national development plan include the following activities: planning, plan establishment, controlling, implementation, and evaluation. The target is the parameter to organise performance evaluation.

Based on that, goal orientation of each government agency in development planning is quite clear. Each agency has strategic plan and working plan as

guidelines, as well as development goals. In the context of local government, "Law 25/2004 regulates that RPJMD preparation refers to RPJMN and then RPJMD formulation at local level is guided by RPJMN from central government" (3). It can also be seen from the objective of performance evaluation, which is to achieve the targets written in planning documents.

Moreover, performance evaluation in development planning policy is aimed to measure programmes and activities achievement compared to the development performance indicators. Deputy from MNDP/BAPPENAS explained,

"Purpose of evaluation is to see the conformity of whole system. For example, to see whether budget is enough, people do their job, and organisation achieves the objectives... evaluation could be as early warning... Performance evaluation is also a lesson learned for similar projects, activities, and organisation in other places" (1).

The central government also stresses, "the development indicator is a guidance for regional government as a target to be achieved" (3). Government's efforts in this regard are "to examine RKP and to recheck government agency's indicator" (1).

The clarity of organisation purposes can also be found in strategic planning document. An official from MENPAN-RB stated,

"The key is in strategic planning. If it is good, the objectives or goals can be found easily and will be translated into scalable activities... The goals will be outcome oriented" (4).

Therefore, the evaluation of the ex-ante stage has an important role. Related to this, an interviewee from MNDP/BAPPENAS explained,

"Ex-ante evaluation on RPJM or RKP preparation is aimed to improve planning documents quality and government's goals. Furthermore, central government also conducts monitoring, evaluation and control to goal achievement" (6).

In order to maintain the development direction to fit the purpose, there are always M&E regular activities. A director from MNDP/BAPPENAS said,

"We have quarterly monitoring before conducting annual evaluation. Thus, we use annual evaluations as monitoring function in five-year evaluation. The purpose is to determine track and speed of five-year activities, whether the activities are in accordance with plan or not" (7).

Assessment results can provide a signal for decision makers whether to improve, to continue or to terminate a programme. *"Evaluation has a function as a control tool. It provides suggestions and improvements for decision maker"* (26). For example, MNDP/BAPPENAS had recently evaluated a programme run by the Ministry of Agriculture.

"Evaluation is aimed to identify problem and potential failure of a programme. We try to solve the problem but if the failure will occur, we need to stop it... Lately, we evaluated a programme called Farm Store Programme run by Ministry of Agriculture and saw a great potential failure, which means the goal may not be achieved. Therefore, we recommend them to terminate the programme" (7).

An interviewee from MNDP/BAPPENAS further described the relationship between organisational goals and evaluation,

"Evaluation is also expected to legitimate organisation's goal and proposal... Good evaluation will produce accurate project needs... Project proposal will be better if supported by objective, neutral, value-free evaluation" (1).

One of the goals to be achieved by an organisation is to create accountability. An official from MENPAN-RB explained this,

"Accountability improvement becomes the organisation's main goal... There are several aspects in government agency's performance accountability. The first is strategic plan; the second is performance planning; the third is performance measurement, and the fourth is evaluation reporting... Performance accountability gives feedback to planners for further improvement. Accountability also means budget optimisation to accomplish desired programmes and to create impact on society" (4).

Although it appears that the organisational goals or targets are clear, there are some aspects that still need consideration. The first is target levelling, a Director in MNDP/BAPPENAS mentioned about this,

"In RPJMN, there are target at output, outcome, and impact levels. We need to be clear, target or goal is in what level... For instance, whether president's vision and mission accomplishment is at outcome or impact level?.., We need to be careful in measuring performance at each level" (3).

The second is, the evaluation instrument on each level. Another Director from MNDP/BAPPENAS said,

"Output, outcome and impact target achievements should be objectively evaluated, which is related to evaluation instrument and evaluator credibility... Instrument and evaluator for each level may be different. For example, output may use self-evaluation. Meanwhile outcome or impact evaluation cannot be simply represented by LAKIP, which is evaluated by the MENPAN-RB, because many sectors are involved. Therefore, we should have a comprehensive evaluation" (7).

The third is the ultimate purpose of evaluation. Deputy from LAN explained about this.

"Levelling the target is very important to be considered. Otherwise, we do not have organisational trajectory... Evaluation should tell our current position, how much budget is spent, what did we achieved, and where do we want to go. It should be visible in our goal as trajectory... So far, what we do is a repetition of start-finish without a clear destination" (9).

Based on interviews above, it can be said that an organisation's clarity of purpose is sufficient for the use process of performance information into development policy. Nevertheless, some aspects, such as goal levelling, evaluation instrument and ultimate purpose of evaluation, influence the goal clarity.

In financial management practice, the objectives to be achieved are the establishment of performance, budget transparency and effectiveness, and financial accountability enhancement. As previously discussed, financing has close linkage with planning policy. Therefore, essentially, the goal of financing is in line with planning.

Planning documents also mention the objectives of financial practice. In principle, budget is aimed as a supporting element of development programmes implementation. However, so far the government's attention is still more on input factors, namely budget absorption, instead of on financial accountability issues.

"Current government really concerns on financial realisation or budget disbursement. In relation to this, central government establishes TEPPRA (Monitoring and Evaluation Team for Budget Realisation)" (3).

The government has an important reason of paying attention to the absorption side. Programme achievement is inhibited by low level of disbursement in central and regional agencies. The pattern is that they compete to make disbursement within the fourth quarter or at the end of the fiscal year. It can negatively impact the level of programme realisation.

However, in financial management, we find that the goal orientation of the organisation is sufficiently clear and capable to support the use of performance information as a control tool in budget evaluation.

Meanwhile, human resource management is rather different from the two previous aspects. The clarity of organisation goals related to this is apparently not similar with the development planning and financial management.

In the two previous aspects, we can clearly see that the organisation has a purpose, and the development-planning targets are supported by a specific budget. The goals and targets achievement are accompanied by performance evaluation to improve planning and budget policy in subsequent years. In human resource management, that is not the case. Currently, performance agreement or contract is more like a bureaucratic job report that only impacts on the performance benefits value. Individual performance evaluation has not been used as the centre for drafting the next contract or employee competency development. An official from BKN expressed,

"Current individual performance evaluation purpose is merely for administrative matter... nothing to do with personal development and organisation's outcome achievement" (8).

This situation means that performance information may not be able to be integrated in the human resource management, particularly employee assessment. Additionally, individual performance information has no relation with development planning and financial management aspects. Regarding to this, an interviewee from BKD DKI Jakarta said,

"We hope individual performance agreement will be fitted with vision and mission of governor and SKPD. Therefore all employees have responsibilities in implementing the vision and mission" (22).

As a consequence, the obscurity of goal of in civil servant management makes individual performance information meaningless. In other words, it is a merely symbolic and administrative formality. This situation might impede performance management system adoption and implementation.

Based on the evidence, we find that the goal in development planning and financial management is clear enough. The clarity can support performance management system adoption and to improve implementation. Unclear objective in

employee assessment seems to be a problem in performance management adoption and implementation. Additionally, the evidence supports theories from De Lancer Julnes and Holzer (2001); Berry and Ikerd (1996); Kroll (2014); Verbeeten (2008).

6.5. External Requirements

The last part of the rational/technocratic framework is external requirements. This aspect includes political will and legal basis for performance management. Performance measurement is necessary for the President or central government. Therefore, the government's political commitment holds a very large role in the process of adopting and implementing performance management.

Political will is then translated into regulations on performance management. The Indonesian government did not issue a specific law in this regard. However, there are a number of laws that regulate performance measurement, such as Law 25/2004 on National Development Planning System, Law 17/2003 on State Finance, Law 1/2004 on the State Treasury, Law 5/2014 on State Civil Apparatus, and Law 23/2014 on Local Government.

As discussed in Chapter 3, currently there are 49 sets of legislation related to performance management and 198 types of performance reports. From those numbers, it can be concluded that the government's commitment is quite high, which means a positive factor that supports the adoption of performance management. An official from MENPAN-RB explained a commitment example, *"Currently all government agencies are required to upload their performance reports on their respective websites"* (4).

However, many laws and regulations related to performance management negatively impact the implementation phase. The biggest problem is the overlap between these regulations. It also has consequences on the overlap between the agencies that handle performance measurement. In turn, it results in performance reports inefficiencies and ineffectiveness. A Director in MNDP/BAPPENAS commented on this situation.

"Law and regulation are our weakness... Once, there was called policy umbrella or parent regulation, so other laws cannot be separated with it and may not be overlap. Now, we do not have it anymore... there is no evaluation on overlapping regulation" (5).

Legislation establishment initiative in Indonesia comes from two parties, namely the executive and legislative. However, the proposals coming from the Parliament are generally loaded with political content. An official from MNDP/BAPPENAS stated,

"When we talk about the House of Representatives, we entered political arena and interests... Political competition and conflict of interest may lead to overlapping regulation and the implication is everywhere" (5)

Another interviewee from MNDP/BAPPENAS added,

"Performance reporting regulations are now uncontrollable. All parties [agencies] made regulations separately, without considering its relation and impact on other regulations or authorities. As a result, we have new and old regulations on similar thing... It is so confusing" (3).

In national development planning policy, MNDP/BAPPENAS has the duty and responsibility to evaluate performance of development. For the financial management, MOF has the authority to evaluate budget performance. However, these two policies are closely related. Furthermore, MOHA is authorised to evaluate local government's development and financial performance. Head of Centre of Data and Information from MNDP/BAPPENAS explained,

"MNDP/BAPPENAS has PP 39/2006. Level of Government Regulation (PP) is quite high, if it is compared to Presidential Regulation of other relevant ministries... We have to do our mandate... Meanwhile there is another regulation in financial management, which is even regulated with a law... Finally, overlapping problem occurs as we can see right now" (5).

Some interviewees also talked about the legal basis for planning and finance that is less synergistic; coupled with the local government legislation. An official from BKPP, South Tangerang stated,

"Law 17/2004 and Law 25/2003 are conflicting. Moreover, MOHA has authority in regional finance. It becomes mixed... State finance should be applicable whether at central or local [government]. But it turned out to be differentiated... As an impact, there is difference perception among region, which leads to different implementation" (11).

Another official from BAPPEDA, DKI Jakarta said,

"Law 17/2004 and Law 25/2003 have different angle. One is planning and another is financial authorisation... finances should follow the plan, but there is sectoral ego from of each agency. As a result, planning and finances are disjoint and I found their regulations are overlap... Until now, they [those agencies] still do not want to collaborate... so sometimes we

follow planning regulation but in other time we use financial regulation” (27)

Furthermore, the performance measurements conducted by the central government refer to different rules. Local governments also often complain about it because the evaluation results are different. An interviewee from BKPP, Bogor City explained,

“Rules from central government are too many and fragmented... LAKIP is from MENPAN-RB, LPPD is from MOHA... so we have different evaluation format... LAKIP refers to RPJMD and Strategic Plan. Meanwhile, LPPD did not see planning documents. As a result, we have different score in LAKIP and LPPD evaluation” (25).

An official from the Inspectorate, BAPPEDA DKI Jakarta highlighted this issue,

“The problem is in legislation... Performance measurement uses many rules and regulations. MENPAN-RB uses PERPRES 29/2014 to evaluate RPJMD. Meanwhile BAPPEDA obviously refers to MNDP/BAPPENAS not MENPAN-RB... MNDP/BAPPENAS uses PP 8/2008 regarding local development planning preparation, control and evaluation. As a result, planning evaluation by MNDP/BAPPENAS and MENPAN-RB is different, because of different terms... It happens at reporting stage as well... In fact, items that are reported by local government are similar” (28).

An interviewee from BKPP, South Tangerang also responded,

“Central government made so many regulations [regarding performance management]... Regarding local government performance, there should be only one report, which can be used for many parties [agencies] including parliament... In the end, all performance reports present similar aspects, which are activity [programme] and budget realisation” (11).

Another official from BAPPEDA, West Java added other statements,

“Local government has different perception on what is allowed and not allowed according to MNDP/BAPPENAS and MOHA regulations... As local government, there is confusion who should to be followed” (21).

The central government is already aware of this. However, the efforts to resolve such issues are running in place. The director of MNDP/BAPPENAS, as a representation of the central government, explained,

“Synergy issue between institutions becomes our attention, which needs regulations and institutional evaluation... Ideally, there should be an institution under the president directly... What we do right now is to persuade the related institutions to negotiate about sharing data and information about performance. In relation to that there was a memorandum of understanding between MNDP/BAPPENAS and MENPAN-RB but not with MOF yet” (7).

Moreover, another official in MNDP/BAPPENAS also mentioned about the lack of law enforcement problem,

"There is weakness in regulation enforcement. For example, regarding obligation to input data on e-money system. There is no punishment or sanction for K/Ls that did not input their data... No consequences at all" (6).

The situation certainly becomes contra productive to the successfulness of performance information use, particularly in development planning. Government's policies and regulations should become a driving factor, but what happen is the opposite. Performance information may not be utilised optimally because the regulations are overlapping.

As described earlier, principally, financial management cannot be separated from planning. However, in fact, external requirements that govern performance management in the financial management practice are not in line with planning. Even though the policy stipulates that performance information will be used as a consideration for reward and punishment, MOF has not fully implemented it in reality. Financial performance information from government agencies is not used optimally and eventually becomes ineffective.

The fundamental law and regulation in state finance management in Indonesia are Law 1/2004 and Law 17/2004. Director of State Budget explained about this,

"Law 1/2004 is a guidance in management and financial accountability of APBN and APBD. While Law 17/2004 regulates state finances in terms of objects, subjects, processes and objectives. Basically, these two laws are complementary "(2).

Nevertheless, the state's financial regulations tend to neglect planning policy, which causes disharmony at the implementation level. Related to this, another official from MOF explained,

"MOF refers to Law 17/2004, while MNDP/BAPPENAS works in accordance with Law 25/2003. To some extent, it causes problems for administrators, particularly regarding performance management. Although there are regulations but they sometimes conflict each other" (18).

Overlapping issue in rules and regulations creates serious problem in the implementation of performance management system. The assessment and evaluation of performance in planning and financing are dissimilar so that the result

may be different because of different perspectives. Indeed, the existence of rules and regulations should support the use of performance information, not the other way. An official from BAPPEDA Bogor City made that point,

"We are at local government deeply regrets of laws and regulations disharmony that issued by central government... They [central agencies] should be able to coordinate and to synchronise rules and regulation. Overlapping policies make us difficult to achieve central government's objective, particularly in financial management at regional level" (26).

External requirement in human resource management aspect is not better than the development planning and the financial management aspects. The overlapping problems of laws and regulations are also found in human resource management policy, which is explained by an official from BKPP, Bogor City.

"SKP is a mandate from Law 5/2014 on ASN. Its implementation involves BKN and MENPAN-RB. However, those agencies issue different policies particularly in measurement instruments... There are many PPs and Ministry Regulations that sometimes overlap each other" (25).

Similar with financial management, the issue found in human resource management is the lack of law enforcement, such as the sanctions to maintain the commitment of all parties. Commitment is very important to implement the ideal performance management. Director in LAN stated,

"Performance measurement requires commitment and discipline. For example in data entry... The problem is due to the lack of law enforcement... Actually if we have commitment, of course we can have a better system" (14).

Likewise, an Official from BKP Depok City added the point about the enforcement,

"We do not commit to apply the rules because lack of enforcement. For example is SKP. There are sanctions in regulation for employee who cannot meet work target. However, penalties are only given to employee who does not prepare SKP, which is not related to increase and decrease of performance score... As long as employee makes SKP, he/she can still be promoted" (24).

Deputy Assistant form MENPAN-RB also added,

"There is no strict and direct reward and punishment on our performance management system. Until now, rules and regulations do not clearly specify it" (4).

Beside that, many technical provisions from central agencies are not in line with the legislation above it. Frequently the local government eventually should wait

for the issuance of policies from the central government, for example in the measurement of employee performance. Director of ASN Performance, BKN explained,

"According to PP 46/2011, civil servants assessment does not use 360 degrees evaluation. It is a more objective evaluation from superiors, peers, and subordinates. Furthermore, we believe there also should be a self-assessment... However this evaluation does not exist in the Law 5/2014, so it cannot be realised... It may need to be set in PP 46/2011 amendment" (12).

An interviewee from MENPAN-RB also mentioned,

"Draft of PP [technical provision] regarding performance assessment is still prepared by central government in accordance with the Law 5/2014 of ASN... We are still using old regulation, PP 46/2011, which is not appropriate again with the law" (4).

An official from BKPP South Tangerang City responded with similar opinion.

"Currently, local governments are still waiting for regulation from central government, which is related to employee benefits [and SKP]... For instance, regarding benefit components, which will eliminate Income Improvement Allowance (TPP). So there will only be basic salary; performance benefit; and expensiveness allowance components" (11).

From the interviews and field observations, we can draw conclusion regarding the external requirements aspects. Normatively, the government has a quite high commitment and there are a number of related laws and regulations regarding performance management implementation. However, there are a number of major problems, including overlapping regulations. This situation may also impact the overlapping authority among official agencies to evaluate performance nationally. It is may be caused by sectoral ego problems that occur in Indonesian bureaucracy. Further discussion of conflicts of interest and sectoral ego will be analysed in the next chapter.

6.6. Conclusion

From the rational/technocratic framework, we can conclude that each factor has its own problem and characteristic in supporting performance information use in Indonesian government. The situations are described in the following table.

Table 6.6 Rational/Technocratic Factors in Performance Information Utilisation

Factors	Findings
Resources	<ol style="list-style-type: none"> 1. Lack of human resource in terms of quality and quantity. 2. Inadequate support of performance-reporting units. 3. Not all government agencies use IT application for performance measurement.
Information availability and measurement system	<ol style="list-style-type: none"> 1. Performance information is unreliable although the data is available through the system. 2. Non-comprehensive measurement system from central government. 3. Inefficient performance reporting. 4. Difficulties in deciding performance indicators. 5. Multi interpretation of performance measurement on similar measurement object. 6. No relationship between organisational and individual performance measurement.
Goal clarity	<ol style="list-style-type: none"> 1. Unclear goal orientation of individual performance measurement. 2. Challenges in connecting goals between development plan, financial and individual performance measurement.
External requirements	<ol style="list-style-type: none"> 1. No single legal basis for performance management system. 2. Overlapping performance measurement regulations. 3. Lack of law enforcement.

According to the findings above, the rational/technocratic factors can be categorised as technical or operational issues. The issues such as human resource, performance-reporting unit and IT application are common technical problems in local governments. Likewise, the factors like information availability and measurement systems, goal clarity and external requirements are related to operational matters. The rational/technocratic factors may not as challenging as political/cultural issues, which are more fundamental to performance management system. Moreover, technical issues may be relatively easier to be solved in short term.

The performance management system situation in Indonesian government justifies the researches from De Lancer Julnes and Holzer (2001), Kroll (2015a), Van Dooren et al. (2010), and Carlucci et al. (2015) that stated that a successful performance management system, particularly the use of performance information is influenced by rational/technocratic determinants in the public sector. However,

political/cultural factors also affect the effectiveness of performance management system as will be explained in the next chapter.

Chapter 7

Political/Cultural Perspective on Performance Information Utilisation

7.1 Introduction

In the previous chapter we have discussed the use of performance information into development planning, financial management and human resource management from rational/technocratic standpoint. Chapter 7 will use political/cultural perspective to analyse the performance information utilisation. As explained in the theoretical framework, political/cultural factors cover aspects such as internal commitment, external interest groups, and attitude and cultural changes. This discussion is based on interviews and observations in several central and regional agencies.

7.2 Internal Commitment

Internal commitment refers to the extent to which performance information is actually used. The variables associated with this aspect are involvement; commitment and support of decision makers and information users; incorporation of performance measures into management system; and learning forums. Next, we analyse the condition of the above variables in each policy. We will look at development planning, financial management, and human resource management respectively.

Decision makers have become aware of the possibility of using performance reports to improve the quality of development-planning policy. MNDP/BAPPENAS, as the leading agency in the central bodies, stated, *"today our approach is holistic integration, which includes performance measurements as stated by the minister"* (1). The President also sees concern during the cabinet meetings. Thus *"performance evaluation results have been delivered and inserted to the cabinet meeting agenda"* (7). This explanation shows commitment and support from leaders.

However, the extent to which performance report results will become the basis for decisions is difficult to assess. An official from MNDP/BAPPENAS delivered,

"How far policy makers use performance information is rather difficult to be measured. But we can say that the reports have reached decision makers hands" (7).

"Decision maker" here refers the President as the head of government and the Ministers/Heads of Institution, Regional Heads, and the Heads of the Work Unit across agencies. Ultimately it is this senior level of decision-makers that will determine whether performance reports will serve as an inputs for improvement, or merely be consigned to the drawer.

At policy making level, a Director in MNDP/BAPPENAS described the practices that occur nationally,

"We submit performance reports to the chairman. Based on these reports, the chairman will give inputs on how is organisation direction in the future, including strategic planning... performance information is used [by policy makers] to determine strategic policies including to enhance strategic planning or performance indicators and targets" (3).

However, an official in MOHA found that,

"Indeed, performance measurement results has been used, but not in a structured [formal] way... Leaders may focus on evaluation reports publication... performance measurement should be used more to improve development planning quality... it [performance information] could be utilised for more strategic things" (30).

According to two statements above, we find different perception on how performance information is being used and utilisation level by public managers. This shows internal commitment difference in government agencies towards performance reports.

At local government level, there are various performance measurements. In terms of how far decision makers are committed to the performance reports, an official from BAPPEDA West Java said,

"Regional Head uses the evaluation for Local Government Work Plan (RKPD), RPJMD, and annual planning preparation.... Performance evaluation becomes a reference in development programme determination because it consists development assessment, which reveals problems that occur, then the problems become strategic issues [in the following development plan]" (21).

Based on that, he continued,

"Annual strategic plan is set from strategic issues, which becomes priority... based on that, government agencies decide their programmes... Therefore essentially, we have issues, strategic issues, priorities and then activities... the programmes and activities are decided by considering evaluation chapter [in performance report]" (21).

An official from BAPPEDA Bogor City also had a similar view,

"There are evaluations at the end of RPJMD 2010-14 [implementation], and at the end of mayoralty, which is in LKPJ... there are budget planning and realisation percentage; and programmes and activities achievement... This evaluation becomes input for RPJMD 2016-19 and transition process between old and new Mayor... In practice there is commitment [on performance evaluation use]" (26).

He went on to explain some recent changes in auditing approaches,

"In last two years, the Inspectorate has committed to audit programmes starting from proposal, whether the programmes are in line with planning documents or not... The inspectorate now compares the programmes with Work Plan and Budget (RKA) and List of Budget Submission (DPA)... So, it is impossible to have extra activity beyond RKPD... This never happened before" (26).

Related to the incorporation of performance measures into development policy management, several informants—largely in central government stated that it was already occurring, although other sources said it was not. A Deputy in MNDP/BAPPENAS gave the following example of performance measurement use in the management process,

"In irrigation construction, the outputs from planning unit become inputs for other units. Design from the planning unit will be a basis for technical and operational units activities. Therefore, it is important to evaluate the performance of the planning unit" (1).

Furthermore, commitment may be reflected in performance monitoring and evaluation. Central agencies' monitoring and evaluation (M&E) activities are aimed to identify problems in the implementation and possible solution for these, not merely the statements of what has been done. Head of Performance Evaluation of Economic Development of MNDP/BAPPENAS explained,

"One thing must be reported is any implementation problems... controlling function in M&E can identify those problems in quarterly report... Based on that, we make cost-effectiveness and output-effectiveness analyses and send the result to K/L"(6).

Another official from MNDP/BAPPENAS mentioned about other issues from M&E result. He said,

"A major problem in [programme] implementation is procurement. This is a big issue, especially regarding land acquisition.... we also have multi years contract issue, which is related to the late procurement... This is happening right now and must be solved it together" (3).

In principle, analyses in performance reports, such as LAKIP, can be used as a feedback for development policy improvement, disregarding the shortcomings of the analysis. However, the LAKIP utilisation depends on internal commitment. An official from BPKP stated that,

"LAKIP can be used to support [programme] improvement because there are criteria [or indicator] and performance measurement based on those criteria... Evaluation gives a signal, if it does not meet the criteria, it means our performance is poor" (10).

Furthermore, an interviewee from MOHA added,

"Theoretically we could use LAKIP [for improvement]. It can be utilised in planning... LAKIP could be an evaluation tool when we prepare RPJMD... It depends on our commitment, whether we want to use LAKIP as input or not" (30).

Essentially, commitment can create innovation on performance measurement. Besides LAKIP, other performance measurement reports use colour labels in red, amber and green, which are similar to traffic lights to prompt further action or follow-up. This was done because decision makers have various professional backgrounds and might not be able easily to deduce the success or failure of a programme from the numbers presented, especially considering the limited availability. Therefore, colour labels were made to facilitate performance information delivery. Regarding this, Director of System and Reporting of Development Performance of MNDP/BAPPENAS explained,

"Now we use colour labels in programme evaluation. Red means a programme should be accelerated or terminated. Amber means caution, a programme likely cannot be accomplished if there is no acceleration. Green means a programme is on the track and can go on... We focus more on the red and give careful attention to the yellow... local government has also adopted this colour label evaluation. Province and district/city use it for RKPD preparation and regional performance evaluation" (7).

However, even though the potential usefulness of performance evaluation has been recognised, its impact on internal improvement processes is not visible. The Deputy Assistant of MENPAN-RB stated that,

"Actually, our main problem is internal commitment. It means that performance reports are not yet fully used to improve internal performance. For example, some of K/Ls and regions said that strategic plan couldn't be changed although evaluation reports indicated improper plan. In fact, strategic plan is very dynamic document, which depends on circumstances. Therefore, strategic plan should be reviewed every year... It is related to internal commitment in organisation to adjust strategic plan that appropriate with work unit's strategy" (4).

In addition to that, the central government believes that the commitment of the targeted institutions in M&E is still relatively low. An official at MNDP/BAPPENAS said,

"Frequently, some institutions did not report their problems during M&E. Problems are exposed when they receive poor result after evaluation is over. In fact, they are supposed to report the problems when we conduct the M&E" (6).

The problem is related to a lack of involvement and commitment on the part of the leadership, according to another respondent,

"So far, performance measurement is aimed for internal improvements. However, government organisation has little attention to it... the attention is as long as evaluation reports reach decision makers hands... Whether they use it for improvements or not is not the question" (7).

Lack of internal commitment on the use of performance reports is also due to the weakness of performance measurement itself. An example is LAKIP. Incompleteness of performance measurement system in LAKIP creates a disincentive for management to use the report as an input into policy formulation. In this connection, a Deputy of LAN stated,

"LAKIP has not been used as an input because LAKIP only reports on previous activities. The report does not provide any analysis for future improvement... the report only describes what we've done. LAKIP is only related to accountability... there is no link between LAKIP in first, second, and third year, and so on. It is only a requirement for one-year... LAKIP is never interpreted as five-years performance target... In fact, LAKIP could make a graph, which informs our current and next year position, and so on. What is our next agenda after this? Can LAKIP make a bridge between different time periods? The answer is no" (9).

According to his explanation, apparently lack of internal commitment prevents performance measurement such as LAKIP from functioning. The performance measurement potential use cannot be realised in Indonesian public sector.

An official from BAPPEDA Bogor City also mentioned about internal commitment issue on LAKIP. *"Strategic Plan 2013-17 arrangement did not consider LAKIP. The plan merely concerned about unaccomplished programmes in previous RPJMD"* (27). Additionally, an interviewee at BKPP South Tangerang said,

"LAKIP is still fragmented, which is only the annual report mandated by MENPAN-RB... in the beginning of the year, SKPD prepares evaluation report on last year programme... regional government planning document in the following year refers to RPJMD and Strategic Plan, instead of LAKIP" (11).

At a certain stage, decision makers seem to be selective in choosing which report or performance measurement is to be used as a reference point. Besides lack of commitment, it occurs because there are so many existing performance measurements in public sector. Head of Performance Evaluation of Economic Development at MNDP/BAPPENAS explained,

"There should be a commitment to connect evaluation reports with decision-making process. However, I would say it is still problematic... One reason is because there are many kinds of evaluation reports, such as planning documents conformity, programme effectiveness or budget efficiency... Regional government are selective to choose an evaluation report that has easiest recommendation to be implemented... Moreover, leader's commitment on outcome orientation remains low... planning and budget arrangements still focus on [target at] output level because it is easier to be managed" (6).

Management's commitment at regional level can be said to be lower than might be expected. This seems to generally the case in local governments. As an official from BAPPEDA Bogor City stated,

"Leader's commitment in local governments on supervision or M&E is still low... There is no supervision on cross field or cross-SKPD activities. Additionally, time period between evaluation and planning submission process is too close, which causes a problem... time for planning arrangement is so short. There is not enough time to look at performance measurement because central government is already waiting for the planning document... Evaluating the previous, planning the next, and doing the current programmes are conducted at the same time... In my opinion, there should be a leader's involvement to solve this problem" (27).

Another element that is related to internal commitment is learning forum. In this forum, the organisation and individual can share experience and learn to improve performance measurement implementation (Moynihan, 2005). Regarding this, in the Indonesian public sector, the forum merely communicates the best practices of performance management from other institutions or regions. The Deputy Assistant of MENPAN-RB said,

"MENPAN-RB has a communication forum of state apparatus empowerment and other technical forums. In these forums, we present the best practice of performance measurement implementation that has been conducted by the other agency or regions" (4).

However, presenting the best practice in ceremonial forums may not be enough for organisation and individual to learn and improve performance measurement implementation. There should be an interactive discussion and learning process between actors as suggested by Moynihan (2005).

In learning forums by MNDP/BAPPENAS, the dissemination of the performance measurement results is limited to the sectors at the central level. *"The results of our measurement were delivered through inviting K/L at sectoral meetings"* (6). At local governments, the forums are still very poor. Mostly, it is only the dissemination of central government policy because of the large number of provinces and districts/cities in Indonesia.

From the evidence above, we find that the leadership involvement and commitment of the use of performance information in the development planning policy is still problematic. This condition may affect the use of performance information on the management of development planning. It was recognised that the evaluation has been considered, but it is still far from ideal conditions. The ineffectiveness of learning forums related to development policy also proves the needs for awareness that the performance information has a strategic value.

As described in the previous chapter, financial management practice is closely related to development planning policy. Therefore, leadership commitment and involvement in performance report and the use of performance information in management activities and learning forums are very similar to the two aspects in general.

In financial management, the leaders are already committed enough to performance reports. However, when it comes to the benefits of performance

measurement in financial management, it seems that the interviewees have different opinions. Most argued that the results of performance measurement have been taken into consideration in the drafting process of budget allocation, but others claimed the opposite.

Nationally, evidence of government's commitment or leadership began to appear, particularly regarding the application of rewards and sanctions in budgeting system. Related to this, the Director of State Budget at MOF explained,

"Performance measurement has been used, which is also for reward and punishment system. In the future, we will have this system. Now the system just started in 2014, which was only about IDR 100 billion [rewarding budget]. In 2015, it had increased to IDR 2 trillion. Hopefully, in 2016, it will be much greater" (2).

In financial management, performance measurement is also used in the process of *"baseline review that examines financial performance of each K/L"* (18). The discussion in budget proposal has already included baseline, indicative ceilings, and the previous years' performance. In other words, budget disbursement affects financial performance appraisal and the approval of budget allocation. *"Logically, if the previous budget disbursement was poor, how could they propose for additional budget in the next year"* (3).

However, the statement is inconsistent. In some cases, low realisation is not necessarily directly related to the amount of budget approved. There are other factors that are taken into account, such as government priorities and particular reasons of low disbursement. *"Financial performance report is not always taken into consideration on budget approval"* (18). Additionally, an official from BPK also stated,

"Comparison between current and previous year output achievement becomes evaluation for financial division to approve budget proposal... However, it is still possible to propose additional budget, although output achievement in this year is lower than last year... Other reasons become financial bureau's consideration on the budget approval, which is not only based on realisation" (15)

Therefore, most opinion arguing that performance measurement so far has not been the basis of budget allocation cannot be blamed. A Deputy from LAN explained,

"Does disbursement become a basis for budget allocations in following year? The answer is no... In reality, DIPA has been set before budget realisation report is prepared... We have DIPA for 2016 before knowing the total amount of disbursement in 2015... current budgeting

mechanism cannot be a stick and carrot system... we are back to routine, which means based on state financial capacity and allocation for each K/L... Meanwhile, Terms of Reference (TOR) and Details of Budget and Expenditure Plan (RAB) are adjusted according to the allocation" (9).

Another official from LAN also mentioned,

"Current [financial management] system is not optimal to support use of performance information because we are still using the baseline system. This means that the money has been provided and determined, therefore performance target needs to be adjusted according to available budget" (16).

Furthermore, an Official from MOF explained,

"Budget proposal is about next year activities, how much money is needed and then it requires the Parliament's approval. So the discussion is about how much money for K/L and output or outcome would be achieved... However, previous performance information is not [discussed] too detailed in the budget proposal... there is performance information in the Financial Notes but it is not perfect [or incomprehensive]" (18).

At a regional level, the utilisation of performance information for financial management has its own problems. One of them is the impact of regional autonomy that gives authority to local governments to manage the budget according to the needs of each region. Indeed, RPJMD refers to RPJMN. However, the implementation is delegated to the regions. The political interests of the regional head also influence the budget allocation process. A Director from MNDP/BAPPENAS stated,

"Central government cannot interfere too much to local governments. They have their own budget, which is related to the local parliament and political interest. Local government is much more complex than the central" (3).

An official from BKPP South Tangerang also said in relation to the statement above.

"We prepare budget at beginning of the year, based on programme proposal and target. The increase or decrease of budget allocation is not based on performance [evaluation]. For example, if the leader has unexpected agenda or plan, we ask for additional budget [to fund the agenda], which always will be approved. In practice, the budget will be given eventually, regardless low disbursement in previous year" (11).

Moreover, leadership commitment and consistency to financial performance measurement remains low. A respondent from BAPEDA Bogor City explained,

"The Head of BAPPEDA often threatens to reject programme proposals from SKPD[s] which have poor budget realisation and planning... However, the threat is not always demonstrated. Eventually, the same problem happens again" (26).

He continued,

"Lack of commitment is reflected on a fact that previous performance measurement does not affect the next budget approval... Though we provides performance reports such as LPPD, LKPJ and so on according to guidance and technical instructions... For example, SKPD still makes proposal for the same activities, which are labelled in yellow colour that means those programmes are likely to fail... Additionally, performance measurement has never been discussed in SKPD Work Plan consultations" (26).

The influence of local legislators' political interests is also quite large in determining local government budget allocations. Members of Parliament are very concern about realising their political promises for the constituents in their electoral districts. Thus, they are very active in budget discussions. Related to this, an official in BAPPEDA DKI Jakarta explained,

"We submit LKPJ to the Local Parliament. The report explains about programme implementation... The programme might fail because of low budget absorption. Logically, the result should affect the next budget allocation for SKPD. However, the decision [on budget approval] can be different. If the parliament members feel the programme is important, which is very subjective [based on their interests], they still approve the proposal" (27).

Thus, we can draw a conclusion that internal interest or leadership commitment in the public sector may have a major influence on the use of performance information in financial management, as explained by Hammerschmid et al. (2013) and Dull (2009). Based on the evidence, internal commitment exists but remains low, so it may not be able to create a financial management that is really based on performance measurement. Learning forums, such as consultations before budget approval have not fully utilised performance information in order to improve financial management effectiveness and efficiency at both central and local governments.

Internal commitment in human resource management can be interpreted as leadership commitment to and involvement in employee or individual performance assessment associated with performance contract preparation. How managers apply the evaluation results should not only as the basis of performance contracts, but also to build or to develop the competence of his/her subordinates.

Some interviewees stated that leadership in their place is quite committed to staff competency development. Employee development can be carried out in many ways, such as through education and training, scholarship programmes, and forums for learning. In the Indonesian public sector, the problem is the relationship between employees' development programme and their performance measurement as there is particularly no correlation between them and performance contract. Therefore, the development of employee competency is not solely due to performance measurement results. Even if there is an increase in performance, it may not be directly affected by competency development programmes.

As described in the previous chapter, performance measurement report (SKP) is more like target achievement reports and activities performed by employees within one year. When the target is not achieved, there is no analysis or evaluation that shows the flaws of each employee. Consequently, managers use other instruments to evaluate employee performance, such as through employee competency analysis, fit and proper test, and direct observation by the supervisor. *"Eventually, the assessment was often carried out by direct observation from manager, rather than the black-and-white evaluation [SKP]"* (8).

In fact, the central government hopes that performance measurement can be used as an input for employee competency development and performance contract improvement that are linked to planning and financial management. The Director of ASN Performance at BKN explained,

"We hope there is a correlation between employee performance agreement, planning and financial management... The mechanism is managers' performance agreement specifies objectives and indicators according to strategic plan... Based on the agreement, activities that support strategic plan are identified, which will be a basis for determining individual target (SKP)... After this, budget is proposed to support individual activities... So there will be a comprehensive planning, budgeting, and activities to achieve organisation's goal" (12).

Further, he mentioned another problem due to different perception between central agencies on individual and organisational target.

"[Individual target] SKP is regulated by BKN, meanwhile organisation objective refers to strategic plan document by MNDP/BAPPENAS... performance target is defined differently by those agencies... currently, integration of organisation and individual targets depends on K/L and local governments' commitment and creativity" (12).

Regarding this, an informant from MENPAN-RB, as a central agency that is also related to civil servant performance management, stated,

"There must be an internal commitment in the unit or organisation to reorganise individual performance target, so it can really be controlled and guaranteed that individual activities are in accordance with the management goals" (4).

The Director of ASN Performance, BKN reiterated that,

"There should be a relationship between individual and organisational targets every year... achievements may be up and down but targets and indicators should be consistent... An agency will have solid strategic plan (Renstra) and Annual Work Plan (RKT) if the leader is committed" (12).

In fact, SKP evaluation is merely used to determine the amount of take home pay and to conduct administrative staffing requirements, such as promotion and retirement although the evaluation is very important to define targets and objectives for the next performance agreement. Less interest in using SKP for performance agreement is influenced by the weakness of SKP assessment system itself, such as unrelated problem and non-comprehensive measurement. Supposedly, SKP can be utilised to improve employees' performance. An official from BKPP South Tangerang, as one of the targeted institution revealed the problem.

"In reality, SKP evaluation was fragmented, there is no continuity... there is no relation between previous, current and next SKP... performance contract is based more on Budget Implementation Document (DPA)... We just take programmes and activities from the document and have nothing to do with [SKP] performance measurement" (11).

Officials from BKD DI Yogyakarta also added,

"SKP is incomprehensive... [Individual] assessment system cannot reflect everyday activity, such as additional duties... Meanwhile at here, we have many additional works, which only received very little score according to SKP appraisal" (13).

On the other side, highly committed head of institution in local governments seems to be quite creative and innovative in addressing SKP's weaknesses. The development of individual performance measurement in SKP has been done by several agencies, particularly in the regions. An official in BKD DKI Jakarta explained the individual performance measurement practices conducted there.

"At our place [DKI Jakarta Province], we have a monthly monitoring mechanism. Additionally, we have performance review or consultation in each semester... Performance agreements are prepared in December

then action plan in January. If there is a difference between individual realisation and action plan, manager gives feedback to him/her... The feedback should be implemented to avoid problems at the end... Managers also deliver evaluation in each semester and at the end of the year... It becomes a basis for following year activities and targets plan, should the targets be replaced or modified. The targets are also considered for performance indicators" (22).

He also mentioned performance measurement relationship with performance benefit.

"We [DKI Jakarta Provincial Government] associate performance measurement with next year targets and performance benefit... A new agreement will be made if the targets are considered too high or if there is officer rotation... Governor is committed on providing performance benefit based on individual assessment" (22).

In some agencies, the leaders are less committed. It appears that performance information has not been too related to individual performance contracts, and even SKP is just a formality. An interviewee from BKD Depok City conveyed this.

"We have a regulation [to connect individual assessment with performance contract] but there is no progress because of lack of commitment from leadership... Managers may not fully understand about SKP regulation. As a result, SKP becomes formal, which is only used for promotion or retirement requirement" (24).

According to the evidence, we find that internal commitment, particularly leadership, can have a great influence on civil servants' performance measurement, particularly SKP, utilisation or modification. In some regions, modification is intended to improve the performance appraisal system in SKP that still has a number of disadvantages. However, internal commitment in the public sector may not strong enough to support the use or to connect SKP with performance contract.

7.3 External Interest Groups

One of the factors that affects the level of relationship between performance measurement and development planning, financial, and performance contract is external interest groups (Carlucci et al., 2015; De Lancer Julnes & Holzer, 2001). The factor includes the role of and the support from external stakeholders (other agencies, the public, members of parliament), the complexity of politics and stakeholder conflict, and the role of mass media (Berman & Wang, 2000; Moynihan & Hawes, 2012; Weidner & Noss-Reavely, 1996).

External interests that exist in development planning policy primarily come from MNDP/BAPPENAS as a competent institution in the formulation of national development policies. Meanwhile, in the regions, the competent institution is BAPPEDA. In this regard, MNDP/BAPPENAS is given a task to draw up planning documents that are used as reference for other agencies and localities in designing programmes and activities.

Nationally, some agencies that are relevant in policy development besides MNDP/BAPPENAS are MENPAN-RB, MOHA, BPKP, and LAN. Agencies outside MNDP/BAPPENAS, in principle, are involved in the policy formulation of performance evaluation and the accountability of national development. Meanwhile, at the local level, MOHA is responsible for policy formulation and the evaluation of local development in regions, together with BAPPEDA and Inspectorate.

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So far, MNDP/BAPPENAS plays a major role in determining the direction of national development policies. The policy has a number of development indicators that become the target to be achieved. MNDP/BAPPENAS also has an interest to keep the achievement of each indicator in accordance with the set targets. Therefore, MNDP/BAPPENAS conducts M&E for performances across central and local agencies. However, the authority of M&E is also owned by agencies, such as MENPAN-RB, MOHA, and BPKP. Meanwhile, LAN is only involved in the policy formulation of performance accountability. Eventually, this condition results in conflict of interest between the authorised agencies that monitor and evaluate performance.

At the central level, synergy and coordination problems, particularly in the performance evaluation of development planning policy, are recognised by a number of respondents. Deputy in MNDP/BAPPENAS stated,

"Integration of performance measurement system is our big problem. Currently, all parties seem to be able to measure government performance. As a result, the President receives performance reports of various parties" (1).

Performance measurement includes monitoring and evaluation activities to see linkages between programmes and activities. Principally, conflict of interest is also caused by the spread of M&E authority in a number of relevant agencies, which causes each agency to have its own performance measurement instrument. Regarding this, the Director of Performance Evaluation of Local Development MNDP/BAPPENAS explained,

"Coordination among K/L(s) is still poor and weak... Each [related] ministry has authority and responsibility on reporting system... This causes sectoral ego issue, which is related to regulation disharmony... Currently there are different reporting formats and M&E system by each agency" (3).

The attempt to synergize performance evaluation management at the central government level has actually been done so far. However, the results are still not visible. He added some point,

"At the moment, we are still making efforts to synchronize or to harmonise performance evaluation policies issued by other agencies with MNDP/BAPPENAS policies" (3).

Synchronization starts in K/L's programme planning stage, called Multilateral Meeting and Trilateral Meeting. Deputy of Development Monitoring, Evaluation and Controlling MNDP/BAPPENAS explained,

"Multilateral Meeting involves related agencies in a specific development programme. For example is food security programme, which includes MNDP/BAPPENAS, Ministry of Agriculture, and Ministry of Public Work... Meanwhile, Trilateral Meeting is a meeting between MNDP/BAPPENAS, MOF and authorised K/L, in this example is the Ministry of Agriculture. The purpose of these meetings is to synchronize programme implementation across sectors and sharpen activities that support the specified programme" (1)

Regarding programme evaluation, institutions that are directly under the President have been doing coordination efforts. Director of System Development and Reporting of Performance Evaluation in MNDP/BAPPENAS explained,

"MNDP/BAPPENAS, BPKP, Presidential Staff Office (KSP), Cabinet Secretariat and State Secretariat had a meeting yesterday. The agenda is on how to integrate performance evaluations, so government agencies particularly local governments do not need to prepare report on same evaluation aspect in many times... We still discuss about the mechanism, whether to establish a specific unit or just to share data and information" (7).

However, efforts to synchronize that have been carried out so far are still ineffective because of sectoral ego and conflicts of interest issues. The problem of overlapping authority is essentially not only in terms of monitoring and evaluation, but also in the phase of programme implementation. The evaluation results of an activity can be very good in terms of budget absorption and work completion, but at the programme level, it is not necessarily good. It means that these activities do not affect outcome at the programme level. A Director in MNDP/BAPPENAS stated,

"The overlapping issue occurs not only in monitoring and evaluation, but also in programme implementation. For example is the public housing programme. The Ministry of Housing and the Ministry of Public Works have similar programme and activities on public housing development. Another example is in Small-Medium Enterprises (SMEs) empowerment programme. There are overlapping programmes between the Ministry of Cooperatives and SMEs and the Ministry of Youth and Sports... There are identical agencies working for same thing... Currently, we have a new ministry, called the Ministry of Rural and Disadvantaged Areas. In fact, there is a Directorate General of Village Community Empowerment at MOHA, which has similar duties and functions. They should be merged, however it does not happen... if those institutions make different and contradictory regulations, then local governments, especially the village will be difficult to accommodate them" (7)

He continued,

"Impact of the above conditions leads to discrepancies between expected outcome and programme evaluation results. An example is the hospitals construction programme in one region. The programme has good audit result, which does not violate any rules and has 100 per cent of physical achievement. However, two years later the hospital is stop operating because there is no synergy between related institutions, which causes no infrastructure facilities, inadequate doctors and medical personnel. This problem leads tremendous ineffectiveness and inefficiency at outcome level" (7).

Conflicts of interest cannot be avoided because of the institutional arrangements that exist today. In turn, it creates separation of performance measurement regulation on a similar programme. Related to this, the Deputy of Innovation of Public Administration, LAN said,

"It is an excess of fragmented institutional forms. Institutional function is separated, consequently government institution will issue different regulations that difficult to be integrated" (9).

The Deputy Assistant of Policy Coordination, Arrangement and Evaluation of Bureaucratic Reform Programme, and Accountability Monitoring, MENPAN-RB also delivered similar issue,

"At central government level, there is a sort of sectoral ego that difficult to be eliminated. Nationally there is a business process that has not been defined institutionally. There is a grey area in a particular matter [such as performance measurement], regarding business process and authorised agencies... For example, monitoring function is handled by BPKP, BPK, MNDP/BAPPENAS and MOF. In fact, there should be a distinction on evaluating object for these institutions... The agencies should negotiate intersection area on evaluation objects" (4).

Furthermore, the Director of System Development and Reporting of Performance Evaluation, MNDP/BAPPENAS also expressed conflict of interest issue between stakeholders.

"We observe that there is inappropriate institutional arrangements, so that division of powers between the institutions are overlap. Then each institution has a legal basis to work. Finally, they make application system for monitoring and evaluation individually. There was E-Monev from MNDP/BAPPENAS, MENPAN-RB created LAKIP for agency performance, MOF also monitor and evaluate the budget with SMART (Integrated Performance Monitoring and Evaluation System).... It seems that each institution mutually reinforce its power and authority" (7).

He also stated the synchronising efforts made by the government,

"Attempts to synergize or to integrate has been done for few years but those are unsuccessful yet until now... We assume to solve it from central level and then local level. Regarding this, MNDP/BAPPENAS invite MOF and MENPAN-RB to reach an agreement on performance indicators... There should be common perception, for instance between performance indicators and the key performance indicators, which is confusing other agencies and local governments... For two years, MNDP/BAPPENAS, MOF and MENPAN-RB continue to discuss to build same perception and to establish memorandum of understanding (MOU) among the three ministries. However, at the last moment, MOF withdrew from discussion with unclear reasons. So the MOU was only signed by MNDP/BAPPENAS and MENPAN-RB" (7).

However, the results are not as expected,

"If we reach an agreement, central agencies can share data and information. The computers can be connected and use one application. Through this, implementing agencies do not need to input programme and financial realisation data many times on different systems. However, MOF continues to develop its own system and now data sharing becomes more difficult... In fact, MOF does not give RKA K/L data to us for this year" (7).

Considering the reality, commitment to improve coordination and synergy in the monitoring and evaluation of development at the central government level is low. It is supported by statement from Deputy Assistant in MENPAN-RB.

"Essentially, the bottleneck is on political will of each agency to be more open, which is most difficult part. Minister is a person who has capacity to do that... Currently, all agencies seem to keep their distance and operate independently. MENPAN-RB and MNDP/BAPPENAS have started the coordination but MOF refuses at certain level" (4).

Another official in MNDP/BAPPENAS also underlined the issue.

"There should be a commitment from ministries/agencies that have same interest on implementation and evaluation activities... They could issue law or system to accommodate all interests... Information fields are just added, so other government agencies only need to compile a report, which can be used by all stakeholders. Technically, it is feasible but political will is difficult" (5).

The problem may be related to minister composition in the cabinet. Coming from diverse backgrounds and different political parties more or less influences the cabinet's style of work. The multi-parties system adopted by Indonesia has an impact on the formation of party coalitions that support presidential candidate. Therefore, when the President sets up the cabinet, this becomes a major consideration. The President must accommodate the interests of political parties that supported him during the election.

The current cabinet consists of 34 ministries. There are 16 ministers or ministerial-level officials coming from political parties, whereas 18 other ministers are professionals. Although the number of ministers from political parties is less than the total number of ministers, this condition affects synergy and coordination in each ministry. *"Relationships between technocratic and political does exist, but its implementation still has a problem" (1).*

Conflicts of interest become increasingly complex with the involvement of Parliament in development planning policy. The parliament has legislative, budgeting, and supervision functions. Those functions are executed to maintain checks and balances on the executive. However, in practice, Members of Parliament are often too actively involved in the nomination of programmes and activities from the government. Politicians are tied to the interests of the party and their constituents. Consequently, development agenda is not merely arranged for the benefit of the general public. There are development projects proposed by the parliament although they are not appropriate for public needs. An example is 7 parliamentary complex development projects with the total value of IDR 2.7 trillion, which was controversial in 2015, although in the end, the government did not approve the project.

Furthermore, in the discussions about government programmes proposal, the parliament pays less attention to the results of performance measurement reports. Although an expert staff from Commission II DPR stated that the government performance reports are also discussed in the parliament meeting session.

"Before a meeting with government, which discusses programme or budget, we always ask supporting data [performance information] from K/L. It is used for cross check during the meeting. For example, when discussing a planning, we look at K/L's proposal for the coming period and then we ask data from previous years... So we ask for supporting data in accordance with the meeting agenda" (29).

But a Deputy in MNDP/BAPPENAS refuted the above opinion,

"I think the DPR never read LAKIP [or performance evaluation]. If they read, for example, they could see regulations should be repealed because those inhibit coordination between ministries... In terms of supervision, they can only focus on government priority programmes because currently there are about 4,500 programmes overall... Regarding budgeting function, Parliament should use financial performance measurement to approve or reject budget proposed by the government... Indeed, administrative relationship between government and parliament is already running, but the impact of relationship is still unclear" (1).

From the two different opinions, it can be concluded that so far, the parliament has used reports from K/L in meetings with the government. Nevertheless, the reports requested by the House of Representatives do not contain information such as performance evaluation results as in LAKIP, but the general supporting data that underlies the government's proposals, for example the results of trilateral meeting and RKA K/L documents of the following year. The performance indicators agreed by the government and the parliaments are not influenced by the previous year's performance evaluation results.

Afterward, in the context of ideal performance management, citizens as taxpayer have a considerable role to assess government performance (Yang & Hsieh, 2007). Each programme and activity undertaken must be oriented towards the improvement of public services. Every institution is obliged to publish their performance reports through website, which is a positive step to increase public accountability. As stated by a Deputy Assistant in MENPAN-RB,

"Currently, we require each government agency to issue and open performance reports on each respective website. It is aimed to make people know about it and can put pressure on government agency that

has poor performance. Consequently, if the performance report is good then public confidence on the government will increase" (4).

Currently, public access to government policies and programmes is very easy. It is possible because of IT development, which makes interaction between the public and government agencies quicker and easier. Community participation in development planning can be seen from the Deliberation of Planning and Development (*Musrenbang*) in a bottom-up manner, from the village, district, SKPD forums, and province/region up to national level. However, the *Musrenbang* mechanism, particularly at the village level, is still criticised because it does not involve many elements of the society so that the programme proposals only come from the village's elite.

People's participation is certainly influenced by mass media. On the one hand, mass media can play a role as a tool for public control (De Lancer Julnes & Holzer, 2001). On the other hand, mass media is often used for particular political interests. Deputy MNDP/BAPPENAS responded to this,

"Nowadays, we must be careful to mass media because some politicians own and control them. Politician can build public opinion and influence government policy through mass media. The government must be wise to opinions that seem as people voices... The opinion is frequently made by certain people who have particular interests" (1).

The facts presented by the Deputy of MNDP/BAPPENAS are real. However, the government is not necessarily being antipathetic to the media. Today, there are many objective and credible media, particularly in informing of government achievements. The government must address news on the success or failure of government policies and programmes openly and wisely.

Furthermore, potential conflicts of interest at the central level, in turn, impact the implementation of performance management in the region, particularly in terms of reporting. Local government, as the targeted institution, receive the greatest impact of the overlapping authority of the central agencies. An official in Inspectorate West Java Province said,

"Local government is the most affected [by overlapping authority]. Indeed, there are many complaints about [performance] reporting. Local governments have to provide data for different needs from MENPAN-RB, MOF, MNDP/BAPPENAS and MOHA... There should be a sort of synchronisation among the [central] agencies... Currently, central agencies still struggle to harmonise performance evaluation policies" (19).

An official in Inspectorate DKI Jakarta also expressed the same opinion,

"Apparently, our job in government institution is only to make reports for the whole year. The reports are prepared for MENPAN-RB, MNDP/BAPPENAS, MOF and BPKP. Not to mention, to serve BPK. Eventually it becomes inefficient... At the local governments is worse because of requirements to make reports to MOHA and other technical ministries... There are too many reports, so our time runs out to make all those report and this is unbelievably inefficient" (28).

The issue regarding the number of reports to be submitted by region is a consequence of the institutional structure in central government. Even local authorities propose institutional restructuring. Related to this, an interviewee from BAPPEDA DI Yogyakarta said,

"It is a matter of institutional architecture. Planning and budgeting functions are always separated and less coordinated, so that the impact is what we see right now [too many performance reports]... In my opinion, Directorate General of Budget should be separated from MOF and merge it with MNDP/BAPPENAS and become Ministry of Planning and Budgeting" (17).

Furthermore, an official from BAPPEDA West Java highlighted the same issue,

"Between MNDP/BAPPENAS and MOF, there should be synchronous authority... Development planning policy, which includes programme and targets are set by MNDP/BAPPENAS and should be implemented by government agencies. However, budget is determined by MOF, which is not always connected... Sometimes, a programme that has been decided must be changed due to budget allocation amendment because the funds are not available. This may affects targets achievement... Weight of performance indicators in a programme is different. When there is change in budget allocation, we are forced to switch programme A to B in accordance with the given budget. However, based on strategic plan, we should run the programme A because it is more strategic. Meanwhile the programme B does not really support strategic objectives. This condition is very risky to strategic plan achievement" (21)

In addition, each agency has different viewpoint and instrument to measure development performance because of their different interests. Although in principle such instruments intersect with one another, MNDP/BAPPENAS sees the correspondence between planning documents and programme realisation. In this case, MENPAN-RB assesses institutional performance accountability, MOF focuses on the achievement of financial performance, and MOHA evaluates the effectiveness of regional administration. In this regard, an official in BAPPEDA DI Yogyakarta argued,

"Different assessment instruments have positive and negative consequences. The positive side, we can see performance from various aspects. The negative side is inefficient and ineffective... For us at local government, there is a regulation from MOHA that recommends each K/L to evaluate policy planning, Renstra, RKPD, and RPJMD in regions... However, there is inconsistency. According to information when we go to Jakarta, there are only 2 or 3 provinces that conduct the evaluation. It means, not all provinces do that" (17).

Finally, we can draw the conclusion that external interest groups influence the use of performance information in development planning. Thus, conflicts of interest and sectoral ego among related government agencies may lead to underutilised performance information in the process of development planning formulation. Each agency has different viewpoints and performance measurement instruments that are still difficult to integrate.

The external interest groups involved in financial management consist of MOF, BPKP, MENPAN-RB, MOHA, and BPK. As an institution with the authority in state finances, MOF is very concerned about the preparation of financial management, from budgeting to reporting. Meanwhile, BPKP, MENPAN-RB, and BPK are interested in the reporting, evaluation, and accountability of financial performance. MOHA is responsible for providing guidance to local government financial management. In addition, there are currently ad-hoc teams formed by the central government to monitor budget disbursement, namely TEPRAs. The team consists of several of central agencies, including KSP.

As already described in the previous sections, financial management has a close relationship with development planning. Thus, conflicts of interest between the agencies involved in financial management have also been associated with development planning. In financial management, MOF's authority seems to be very strong. The implementation of performance-based budgeting system and review baseline enlarges MOF's role in determining budget allocations for K/L, including budget transfers from the central to the regions. It sometimes results in contradiction with the planning policies of MNDP/BAPPENAS. The concept of money follows function applied by the MOF has not run as expected in practice. Regarding this, a Deputy from LAN stated,

"Desire to apply money follows function principle has not been realised in ideal form until now... The reality is function follows money, which is due to financial and planning authorities separation. In practice, plan is prepared but budget is not necessarily given. It is always like that... Budget regime is more powerful than planning regime... There is

incompatibility between planning and budgeting functions... No matter how good is the plan if it does not supported by the budget, then how can it be implemented?" (9).

The conflict of interest between MOF and MNDP/BAPPENAS is visible, ranging from financial policy formulation to reporting. Although the alignment steps between the two institutions have often been attempted, in reality, there are still many disagreements, for example in terms of regulations and implementation guidelines issued by each agency.

One example of regulatory differences is related to the programme and budget revision mechanism. Programme and budget are possible to be changed based on the financial system. It can be caused by dynamic external conditions, such as not achieving the tax revenue target or natural disasters; that force government agencies to adjust programme and budget. However, due to the separate system of planning and budgeting, programme and budget changes are problematic. The Deputy of Public Administration Innovation at LAN highlighted the issue,

"Today, external environment changes very dynamic. Therefore, programme and budget revision process should be more flexible and simpler... In reality, according to regulations, change of programme name needs to be done with MNDP/BAPPENAS. Consequently the budget accounts also changed. In order to do so, we need to go to Directorate General of Budget, MOF. It is very inefficient... Supposedly, the change of programme name will update the budget account automatically" (9).

Legislation differences are evidence of conflict of interests between MOF and MNDP/BAPPENAS. Similarly, the M&E system or application used by the two institutions is also distinct. With this situation, it seems that each institution wants to show their institutional existence. This becomes more complicated with the involvement of BPKP and BPK as the auditor. Head of Sub Directorate of Technical Supporting Data of National Budget, MOF said,

"Sectoral ego issue is very difficult to resolve... MNDP/BAPPENAS does not want to use a system from MOF, for example, Treasury and Budget System (SPAN). MNDP/BAPPENAS think that it is difficult to use because of differences in language and system. However, in principle, it could be compromised as long as it has same data field. Budget ceiling and programme realisation are intersecting. MNDP/BAPPENAS may need more data about programme direction, strategic plan or other... MNDP/BAPPENAS could use SPAN and enhance data field according to their needs. So, all related institutions input data only into one system and many parties can use the outputs... In principle it is possible, but the difficult is to bridge the sectoral ego" (18).

The diverse perceptions make the differences in measurement of financial performance. Related to this, an official from MOF continued,

"There are some differences in data field or data needs; and policy. For example, financial performance has several aspects to be measured, from A to F. MOF measures aspects A, B, C, D, and MNDP/BAPPENAS focuses on C, D, E, F. Meanwhile MENPAN-RB and BPKP may see A, B, E, F... More or less, this is the current situation of performance measurement" (18).

Consequences from current situation are inefficient M&E on similar evaluation objects. An official from MOF explained further.

"Initially, SPAN is used for monitoring systems of RKA K/L, while the MNDP/BAPPENAS has its own system. Consequently, government agencies have to input data for M&E in many times... Moreover, there is another performance report such as LAKIP from MENPAN-RB... LAKIP should be based on RKA K/L for evaluation. So, MENPAN-RB does not need to create another scoring system... Evaluation objects in LAKIP are similar with aspects in RKA K/L, which are budget, activities and outputs... Evaluation also discuss achievements and problems occurred in programme implementation... However, the language in LAKIP and RKA K/L is different. In fact, those evaluations discuss the same things... Sectoral ego makes MNDP/BAPPENAS and MENPAN-RB do not want to use RKA K/L" (18).

Splitting the planning function in MNDP/BAPPENAS and financial functions in MOF is the result of institutional fragmentation that occurs in Indonesia. The Director of Organisation and State Apparatus Centre, LAN highlighted this,

"This is a consequence of departmentalisation. When MOF is separated from other unit [planning], eventually become larger and has great authority. Finally, substance becomes number two and money is number one... Planning will be implemented if budget is available" (16).

Furthermore, conflicts of interest are also caused by the different approaches used in Law 17/2003 on State Finance and Law 25/2004 on Development Planning; then compounded by Law No. 32/2004 on Local Government that regulates regional planning and finance. Law 17/2003 provides MOF with the authority to perform budgeting functions, while Law 25/2004 puts MNDP/BAPPENAS as the competent institution to implement planning functions. In practice, these two functions are not mutually synergistic. Related to this, an official from BPKP explained,

"Law 17/2003 and Law 25/2004 is unrelated... Theoretically, MOF particularly Directorate General of Budget prepares budget, which refers to programme prepared by MNDP/BAPPENAS. However, in reality, this is not working... MOF and MNDP/BAPPENAS refer to different laws, so

their path will not be the same... If the laws as main source are unrelated, any rules below it will also be unconnected" (10).

Although there have been trilateral meetings, coordination, and understanding between MOF, MNDP/BAPPENAS, and K/L to achieve national development priorities, basic fiscal and spending policy have not gone very well. There has been an inconsistency between budgeting policy and planning documents, namely RPJM, RKP, RENJA K/L, and RKA K/L.

The problem becomes even more complicated when it enters the political arena, namely in the legislature. The parliament has a say in budget allocation because one of its functions is budgeting. In this regard, Director of State Budget, MOF explained,

"Budget proposal, which is submitted by government (RAPBN) to the Parliament was produced through technocratic processes. That is purely based on baseline reviews, government spending and development priorities. Meanwhile, decision of budget allocation by the Parliament is more political" (2).

The parliament has political interests. Thus, its decisions regarding budget are sometimes not in line with rational reasons given by the government. For instance, the Parliament may amend budget allocation based on agreement between the House of Representatives Commission and K/L beyond the planning document compiled by MNDP/BAPPENAS. The discussion between the parliamentary commissions and K/L is called a hearing (RDP). At these meetings, the House discusses the programmes that will be conducted by each K/L to reach an agreement on which programme should be carried out with due regard to the political interests of the House. The implementation of development programmes in the regions that are the basis of their constituents will benefit the Member of Parliament. It is in line with their political promises during the campaign period. However, in many cases, it is not in line with the programme set by MNDP/BAPPENAS.

However, there is a negotiation process between the government and the parliament after RDP. MOF, as government representative, may annul or alter the agreement. Government budget constraints are the reasons of MOF's changes. MOF's position, in this case, is very strong, which creates tremendous conflict. Director of Strategic Planning and Performance Management, BPK stated,

"Programme that has been prepared by MNDP/BAPPENAS can be changed or cannot be implemented because of MOF's budget allocation and Parliament's decision" (15).

An official from LAN criticised this situation, by saying,

"Our Financial Law makes MOF so powerful, in terms of position and authority. Even, it is too powerful, because Parliament's decision on K/L budget can be vetoed or being held by MOF. In fact, budget proposal has been referred to planning prepared by MNDP/BAPPENAS. The MOF is very powerful due to the law" (16).

The regional condition is more complex because they are the targeted institution of central government policies. Budget discussion by the legislature and local governments often leads to disagreement. Furthermore, budget discussion is vulnerable to corruption and collusion, both by members of parliament and local government officials.

In addition, local governments receive the greatest impact of conflict of interest between central agencies. There is a risk of a mismatch between national and regional programmes, even overlapping budget for the regions from central agencies. An official in BAPPEDA West Java said,

"MOF has Directorate General of Fiscal Balance, meanwhile MOHA has Directorate General of Regional Finance. They both make budgeting system and eventually overlap. Additionally, there is a risk of overlapping on deconcentration budget from technical ministries... MOF should set local government financial matters because state finance also includes regional, provincial and regency/city" (21).

In the context of local government, institution that has great interest is MOHA. In accordance with its authority, MOHA organises regional administration, including financial management. It causes financial policy to be more complicated. Coordination and sectoral ego turn into a problem. Prior to execution, the budget must be approved by MOHA, not by MOF. Therefore, local governments tend to be subjected to the regulations issued by MOHA.

Associated with the reporting and performance measurement of local finance, the institutions involved are MOHA, BPKP, and MENPAN-RB, joined with provincial, regency/city inspectorates. These institutions have the authority to evaluate regional administration, including financial performance. The impact is that the local governments should duplicate the report. For local governments *"the measurement*

results of financial performance are used but it does not contribute significantly to the budgetary policy" (26).

As a conclusion, the external interest group in financial policy is also complicated as seen in the development planning policy. Even though there are some efforts to coordinate and to synchronise them, the ego sectoral problems are still there. As a consequence, it is very unsupportive for the utilisation of performance information in financial policy.

External interests that exist in human resource management are not too complex as in the development planning and financial management. However, it does not mean that there is no conflict of interest. There are two central agencies concerned, which are BKN and MENPAN-RB. Conflicts of interest between the two institutions take place in human resource management perspective.

MENPAN-RB, in this case, looks at individual performance contract as an important part of accountability system of government performance. Performance contract document becomes one aspect considered in performance measurement. Meanwhile, BKN sees individual performance contract as SKP that is being used as a reference in the provision of performance benefits. In fact the individual performance contracts referred by the two institutions are similarly prepared based on annual work plans of each agency. The Head of the Centre for Personnel Research and Studies, BKN explained,

"Formulation of individual performance contracts between BKN and MENPAN-RB is slightly different. BKN associates SKP with allowances received by an employee, meanwhile MENPAN-RB sees individual performance contract in relation to the accountability of the organisation" (8).

Different perspectives and interests eventually lead to disagreement in cascading agency performance targets into employees' performance targets, especially for employees who do not have structural position. Meanwhile, ASN Law states that all civil servants are required to formulate SKP as performance contract.

The implementation of the employees' performance contract that is associated with performance benefits actually has been done by MOF. So far, the practice is very good because it has been able to integrate the performance of the organisation and of the individual employees. Principally, it can be an example of individual

performance contract policy that can be applied nationally. The problem is either BKN or MENPAN-RB formulates its own definition. An interviewee at MOF said,

"MENPAN-RB and BKN should be more open to individual performance contract implementation that have been employed by MOF. Currently, BKN and MENPAN-RB issue a new system, which is a setback" (2)

Different interests also lead to dissimilar policy implementation of individual performance contract in the central agencies, even more in the regions; as well as the use of performance information as the basis of employee performance contract. Agencies such as the MOF can be regarded as pioneers in performance contract policy because MOF is the first institution that implements it for all employees. It was done in order to reform MOF bureaucracy in 2012 before BKN and MENPAN-RB issued regulations related to performance contract.

As a conclusion, implementation of individual performance contracts in the region is divided into two terms, BKN's and MENPAN-RB's version. Conflicts of interest between BKN and MENPAN-RB may cause ineffective utilisation performance information in the region. Thus, some progressive regions, such as DKI Jakarta, West Java, and DI Yogyakarta, have developed employee performance management system. However, cities like Depok, South Tangerang, and Bogor prefer to wait for performance contract policy improvement from the central government.

7.4 Attitude and Cultural Changes

The last factor in the political/cultural framework is attitude and cultural changes. Attitude can be defined as government organisation's openness and willingness to conduct performance management, including the innovation and change of performance measurement; to embrace comparison with other institutions; and to apply incentive systems such as reward and punishment. It includes public managers' public service motivation (PSM), which is the attribute of public officials to serve the public and to connect their personal actions to public interest in general. Meanwhile, cultural changes are the openness and the willingness of an organisation to support innovative culture, transformational leadership, and flexibility in order to facilitate the use of performance information.

The attitude and culture associated with development planning policy are reflected in government officials' perception towards the evaluation results of the performance development. According to the mandate of law, evaluation results should be published in mass media and respective agencies' websites. By doing it, the public officials are expected to have a better sense of performance evaluation,

The central government hopes that performance measurement is an obligation that needs to be done. It is believed to provide improvements for future policies, programmes, and activities. The measurement should be completed as objectively as possible, even if the results may not be pleasant for those who are evaluated. The Deputy of Development Monitoring, Evaluation and Controlling, MNDP/BAPPENAS explained,

"Evaluation is sometimes painful. Although it is bitter it tells the truth. Evaluation is just like a cure and should not be considered as a punishment" (1).

The central government has tried to disseminate performance evaluation policies to other agencies, including local institutions, to reduce negative perceptions. The Deputy from MNDP/BAPPENAS explained further,

"Evaluation concept elucidation to K/L(s) and regional governments is very important. We continue to explain evaluation purposes since the beginning to avoid negative response when evaluation results were published" (1).

Nevertheless, negative perception from leadership at evaluated agency still emerges. The Deputy from MNDP/BAPPENAS continued,

"Performance evaluation results are sensitive for some people. There are pros and cons when MENPAN-RB announced the results last time. Many people think MENPAN-RB has particular purposes, which is related to political interest to discredit minister or head of the institution. In fact, the evaluation is regularly published every year" (1).

Not all parties can accept poor performance evaluation results. The timing issue for announcing the results is also important; for instance, the announcement of performance accountability (LAKIP) evaluation results of central and regional agencies by MENPAN-RB is prior cabinet reshuffle. Several parties objected and questioned the evaluation methods used by MENPAN-RB. Apparently the timing also has important influence as he mentioned,

"Maybe the problem is the timing because it was announced before a cabinet reshuffle. It seems that MENPAN-RB evaluates and judges minister's performance, which is President's authority. In fact, MENPAN-RB did not judge the minister as personal but evaluated ministry's performance" (1).

Furthermore, public officials' understanding of performance evaluation is likely to be different. It is very important to explain the differences between organisational and individual (minister/head of institution) performance. For example, LAKIP explains the targets achievements obtained by an agency in general, which cannot describe individual performance within the organisation. The measurement of individual performance must use different instruments although individuals in the aggregate will affect the achievement of organisation's performance.

Besides the matter of understanding, cultural factors have a great influence on the utilisation of performance information. Here, the term cultural factors include transparency and openness in participation, including receiving input from other parties or the public. *"Transparency issue often becomes a constraint" (1).*

The government, in this case, continues to strive to promote transparency and disclosure of information to the public. Thus, the society's active role in criticising and giving feedback on the policy or programme is expected to increase.

"People's trust must continue to be built through transparency. It means public apathy can be eliminated through government openness. Currently people tend to be apathetic because government has not responded citizens' reports or feedback properly" (1).

Transparency is closely related to the work culture of an organisation. So far, the culture of collecting, compiling, and reporting data has not been optimal or internalised in government organisations. These things tend to be considered unimportant, and more or less, the situation is also influenced by the complexity of performance reporting system. Related to this, the Director of Performance Evaluation of Local Development, National Development Planning Agency said,

"The most fundamental is evaluation culture, which has not available in bureaucracy... Evaluation cultural practices can be seen in data collection, compilation and reporting activities" (3).

The condition can generally be found in almost all central and local agencies. The habits of taking notes and saving data and information have not been internalised properly by government organisations. It becomes a significant

disincentive to the use of performance information. An official at MNDP/BAPPENAS said,

"We do not have noting or recording habits... As a result, when we make development planning, we often start it from scratch... It happens in our government in general. Evaluation is still considered as an accessory. Our awareness of evaluation is still at that low level... In fact, good planning should come from evaluation results. However, in reality, our planning is based on assumptions" (6).

Furthermore, another habit that often becomes a barrier is *"laziness to read rules and regulation. As a result, planning preparation is different across agencies" (28).*

Additionally, organisational work culture can be built through perception and experience. One of the deputies at MNDP/BAPPENAS who previously served as Director of Research and Study in Corruption Eradication Commission (KPK) explained,

"When I was in the KPK, anti-corruption work culture was formed through two ways: perception and experience. Perception can be built through writings and announcements. After that an employee must experiences or internalises it. These are also relevant in building performance evaluation culture" (1).

In addition, organisational culture is formed not only on the government side as a service provider, but also on the people; for example in the case of bribery. In this regard, the Deputy from MNDP/BAPPENAS continued,

"Do not think that culture can only built from government side. Community as public service recipients must be educated not to bribe public officials. From 30 corruption cases, only 2 associates with taking state money. The other 28 is related to the bribing culture... Government and community should have the same awareness. Without this, [anti bribery] cultural building will be very difficult" (1).

Negative behaviour associated with culture can be seen in cheating and gaming in performance measurement. This problem is often encountered in a number of central and local agencies. Specifically in the region, a source from BAPPEDA DI Yogyakarta stated,

"Some SKPDs outsmart performance measurement by setting a very low targets on quarterly development. So they look good in achievement evaluation... In first quarter, they have good achievement but then decrease in the next quarter. This is an indication of cheating by setting a low target, so they can achieve it easily" (17).

Another important aspect in work culture is public service motivation (PSM) (Kroll & Vogel, 2014), which means the motivation of public officials to serve the public. It is not necessarily related to the salaries or benefits they receive, but more to their work dedication for the benefit of a wider community.

"Regarding the work culture, it is also important to build work motivation. This should not just rhetoric... Work motivation is not always related to money and other material rewards but may come from a devotion to serve community. Work should also be attributed to worship, which will get reward from God. These values should be built up" (1).

Furthermore, the utilisation of performance information is also influenced by the culture of innovation that is owned by government organisations, particularly in development planning. Some local governments have done these innovations. One of them is the province of DI Yogyakarta.

"Performance measurement that we have actually is a modification of system issued by central government. We do not really refer to MENPAN-RB regulation... Although it is almost same as LAKIP but we measure performance based on the focus that we want. For example, we focus to measure the conformity between the KPI's governor and KPI's SKPD. Thus we found that not all SKPD's key performance indicators support the governor's KPI. As the follow-up, we've redesigned the RPJMD in 2015" (23).

The examples of best practice and innovation as that of DI Yogyakarta Province are expected to be a role model that can be transferred to other regions. Related to this, Deputy Assistant from MENPAN-RB explained,

"We assess LAKIP performance in every year. We give award for regions that have good performance management practices such as DI Yogyakarta. We expect this best practice can be transmitted to other regions" (4).

However, the award does not necessarily guarantee the success of performance management. Performance management implementation, particularly the use of performance information, should be encouraged by reward and punishment system. Unfortunately, the incentive system does not run as expected. An official from MENPAN-RB continued,

"Unfortunately, there is no reward and punishment for local governments that perform well or innovate performance measurement... So far, the appreciations for them are only an award and publication in mass media... Regulations related to development planning do not set a clear incentive system" (4).

Therefore, cultural change is necessary for decision makers. Leaders must show transformational leadership characters, including eagerness to realise good governance and to be open to changes. Some regions, such as DI Yogyakarta and DKI Jakarta, have proven their capability in implementing performance management in the region's development policies because it was backed up by strong leadership, in spite of the weaknesses of the system issued by the central government.

"Governor has great awareness and open mind to change. Therefore we can adjust RPJMD. Governor's KPI(s) are also changed and adjusted to SKP. The pillars [KPI] become strong and effective, which make local government activities and budgets in DI Yogyakarta quite effective" (23).

Likewise, in the DKI Jakarta Province,

"Leadership in DKI Jakarta significantly influence on regional development. Governor's vision is very clear and he is open to criticism from inside and outside organisation. Nonetheless, sometimes his strong leadership style is not favoured by them who resistance to change... In fact, results of his work are real and perceived by citizens" (27).

Moreover, openness and togetherness are expected to eliminate sectoral ego and to solve the problems of development programmes coordination. It also affects the use of performance reports to enhance development planning. Regarding this, an official from MNDP/BAPPENAS explained,

"Our current problem is because of authorised parties attitude that do not want to open themselves... Transparency is needed in coordination... Associated with performance information utilisation, at least there should be an agreement among central agencies to create an integrated performance management system. So, users only need to input data once and it can be shared to relevant K/L that needs it... Technically, It is easy but it depends on agencies' attitude, which is so hard to open" (5).

The negative impact of the absence of openness and togetherness culture is huge. Development programmes in the regions are less effective despite the huge cost. An official from BPKP explained the results of the performance evaluation,

"An example of coordination and synchronization problem is the food security programme carried out by the Ministry of Agriculture and the Ministry of Public Works. The Ministry of Agriculture only focuses on hand tractor distribution to all regions to create fields without considering land contour in particular regions. All hand tractors have same type and specification. As a result, farmers in some regions cannot use it... Meanwhile, the Ministry of Public Works builds dams without coordinating with Ministry of Agriculture that creates fields... The ministries only focus on their own activity and output achievement" (10).

Related to financial management, attitude and cultural change, the most prominent is the implementation of reward and punishment system. This system is related to the financial performance achieved by each agency. According to the Director of National Budget of MOF, this system has been applied since 2014 although it is still at early stage. He explained,

“Actually, reward and punishment system has been implemented in 2014 although only used small budget. In 2015, there was an increase, about IDR 2 trillion for all K/L(s)... In 2016, it will be increased gradually... However the reward and punishment system is still on baseline review not efficiency, which gives additional budget on top of baseline review. Baseline includes minimum requirements such as routine spending, multi-years activities and particular priority policies... The system does not really give reward for K/L’s efficiency” (2).

The reward and punishment system is admittedly still in need of development for several reasons. First, the amount of the budget provided for the system is inadequate. Second, reward or punishment is only given for the achievements of priority activities beyond the baseline activities, while the K/L that has priority programme or multi-years activities is not influenced by this incentive system. Director of Budget, MOF reiterated,

“IDR 2 trillion [budget for reward] compared to IDR 740 trillion of K/L(s) total budget is very small. Moreover, reward and punishment system only considers non-priority programmes. For instance, we could not give punishment to the Ministry of Transportation because they have priority programmes from the President despite low financial performance. Eventually, they still got additional budget. Otherwise, if we give a reward, the amount is insignificant” (2).

The implementation of reward and punishment system in budgeting is a reflection of attitude and cultural change. With the enactment of this system, the utilisation of performance information becomes more widespread. However, the budget for the provision of reward and punishment is not too significant as an incentive for government agencies to improve their performance.

Furthermore, the reward and punishment system in budgeting has not been able to run in regional administration as the system is relatively new at the centre itself, which was just introduced in 2014. Therefore, the central and local governments cannot apply the ideal performance-based budgeting.

Regarding risk-taking attitude and cultural change in performance contract of employees, some elements can be included, such as the desire and effort to accept and do something new in the use of performance information in performance contracts preparation and assessment.

As previously described, individual performance assessment with SKP system still has flaws. Accordingly, a number of central and local authorities take the initiative to modify it for their employees' performance measurement system. The changes made do not only make performance information as a basis to give allowance, but also as feedback to improve employee performance.

BKN, as the agency that is responsible for the development of the employee performance evaluation system, recognises the weaknesses in the present system. Related to this, the Director of ASN Performance, BKN stated,

"The current employee performance appraisal system has limitations, which will be improved in the future. For instance, in performance measurement, work target achievement weight is smaller than attendance rate weight" (12).

Furthermore the Director argued that,

"BKN is rather difficult to amend performance evaluation system due to Law 5/2014 of ASN. The existence of new law requires PP (government regulations) as operational guidance, which involves other agencies. Until now, there are some unfinished PP(s), which is problematic for BKN to innovate existing evaluation system [SKP]" (12).

Meanwhile, some agencies try to create internal policy to address the weaknesses of the central government's policy. MOF is one of the agencies that are quite progressive in making changes in the development of individual performance appraisal system. The benefit has been granted based on individual performance contract achievement. The Director of Budget, MOF explained,

"Individual performance assessment that we have been doing is a development of SKP. We use KPI (60%-70%) and behaviour (40%-30%) components. The assessment is combination of both components... Our performance is determined by colour label, blue, yellow or red, similar to planning evaluation" (2).

Modification and development to create individual performance assessment more objective are also encountered in several regions such as DKI Jakarta, West Java, and DI Yogyakarta. They no longer see employee presence as the sole indicator of performance. Indeed, the desire for change cannot be separated from the

role of leadership in each organisation. In this case, we see that regional leaders have a major role in creating innovative policies.

DKI Jakarta province is one of the regions with advance innovation, particularly in the assessment of employee performance. An official at BKD, DKI Jakarta explained this,

"In terms of individual performance contracts, governors use KPI (Key Performance Indicator), which is a development of SKP. KPI is required by the Governor to be compiled and evaluated in every month. Evaluation results will be considered as regional performance benefits for employees... KPI is monthly target and is taken from programme that has big impact to citizens and Governor's priority programme... This system is beyond the mandate in PP 46/2011" (22).

Resistance to innovations as such is certainly influenced by attitudes and habits that are difficult to change. Changing culture is not easy. The management's commitment must be supported by all elements of the organisation. This kind of support still becomes an obstacle. One example is the lack of culture or habit to prepare work reports regularly and carefully. Deputy Assistant from MENPAN-RB explained,

"Reporting habits and attitudes is our problem and most weakness. Reporting punctuality is very awful. Frequently, the quarterly report is submitted a month later after deadline. Activity reports turn up late or even are forgotten... The challenge is to make ourselves have better habit and attitude in recording and reporting on regular basis" (4).

Attitude factors also include the problem of inconsistency in implementing regulations, comprising the implementation of reward and punishment system. Even though the central government has said that the administration of employee benefits must consider performance, in reality SKP cannot be used as a reference for determining reward or punishment because of its weaknesses. Then, the problem is that the weaknesses are not immediately resolved. An official at Centre for Personnel Research and Studies, BKN said,

"If the government want to use SKP for reward and punishment instrument, the regulations should be clearer and more firm. In general, the government focuses more on issuing rather than implementing regulation... Performance measurement is an example. Individual achievement should have more assertive implications. If the achievement is associated with performance benefit, how much value in Rupiah for each indicator. So, employee assessment and incentive system will be more transparent" (8).

Furthermore, the unclear reward and punishment system in turn leads to a negative permissive culture. He continued,

"We are not firm in implementing individual reward and punishment system. Incentive and penalties are indecisive. Furthermore, civil servants are not worry about low performance and are not afraid of being fired due to complicated procedure... Employee dismissal only happens for major case such as corruption. Meanwhile, individual performance is not considered as big problem... There is almost no penalty for employees who never achieve their work target" (8).

Not all government agencies in particular regions have the motivation to change and to bring innovation towards employee performance contract system. Local governments like Depok, Bogor and South Tangerang prefer to wait for policy from the central. An interviewee from BKD Depok explained,

"At our place, performance contract (SKP) has not been associated with incentives. Until now, the incentive is based on attendance rate... SKP has not been understood and disseminated properly throughout SKPD. This leads to resistances from our colleagues because they think that the government only demand for performance without giving any reward" (24).

Additionally an official from BKPP Bogor stated,

"Regional performance benefit is based on discipline, which includes attendance and working hours punctuality. The benefit is not linked to the annual SKP... Indeed, we recognise that performance allowance will be very subjective if simply based on attendance. Other indicators should be should be measured... SKP will be optimal if there is a clear reward and punishment system, which can be done if there is a commitment. Additionally, there should be mind-set and work culture changes to make SKP not just a formality" (25).

Then an official at BKPP South Tangerang explained the similar conditions,

"Provision of additional income is not based on performance but on discipline and attendance. Extra income has nothing to do with SKP... Since additional income is not based on performance, we still consider other elements in MOHA Regulation 13/2006 such as workload, working conditions, scarcity of professions, and other objective consideration" (11)

Finally, we can conclude that risk-taking attitude and cultural change factors in Indonesia have not fully supported the use of performance information in individual performance contracts. The policy makers have not shown the attitude to create changes although the presence performance contract system still has drawbacks. However, there are some central and regional agencies that are brave to innovate

and to develop the system. Based on evidence, the desire and the courage to change in several institutions may increase performance information utilisation and change the evaluation culture, particularly in relation to individual performance contract.

7.5 Conclusion

The above discussions had explained and demonstrated that political/cultural factors influence the use of performance information. Problems can be found in internal commitment, external interest groups, as well as attitude and cultural change. Based on evidence, we can draw conclusion as described in the following table.

Table 7.1 Political/Cultural Factors in Performance Information Utilisation

Factors	Issues
Internal commitment	<ol style="list-style-type: none"> 1. Lack of commitment and support from decision makers. 2. Little use of performance information in management activities, such as programme planning and controlling. 3. Learning forums are very limited.
External interest groups	<ol style="list-style-type: none"> 1. Coordination problem among authorised agencies. 2. Sectoral ego and conflicts of interest between central institutions. 3. Less involvement of mass media.
Attitude and cultural changes	<ol style="list-style-type: none"> 1. Lack of transparency. 2. Incentive system (rewards and sanctions) has not been enforced ideally. 3. Innovation is not fully supported by central government. 4. Evaluation habit is not well formed, such as recording and inputting performance data and information.

Based on the findings above, we can divide those issues into fundamental and technical. Changing fundamental issues may be relatively harder and take longer. Solving technical problems may be easier in short term. Among political/cultural issues, internal commitment and culture of transparency are more fundamental to performance management implementation because those depend on actors' values and beliefs. On the other hand, issues such as learning forums, coordination, conflict

of interest, involvement of mass media, and support of incentive system, innovation and evaluation habit can be considered as technical matters.

Moreover, the evidence from the local governments shows that political commitment and transparent culture could create a positive impact on performance management even though they have problems on rational/technocratic factors. Therefore, we may argue that political/cultural factors are essential rather than rational/technocratic factors.

The analysis also indicates that the Indonesian government also has some problems in integrating performance information, particularly from a political/cultural point of view. As in rational/technocratic framework, the investigation also confirms theories from de Lancer Julnes and Holzer (2001), Taylor (2014), Kroll (2015a), Van Dooren and Van de Walle (2008), and Carlucci et al. (2015). Those scholars agree that performance information utilisation, as the core of performance management system in public sector, cannot be seen in isolation from the influence of political and cultural conditions in a particular country.

The evidence from the performance management system in Indonesia gives a better insight for performance management theories particularly in the public sector. From De Lancer Julnes and Holzer (2001), we can identify rational/technocratic and political/cultural elements affect the use of performance information in organisation. In general, rational/technocratic elements such as resources, information availability and measurement system, goal orientation, and external requirements are mainly influential in the adoption stage of performance management system. Political/cultural elements such as internal commitment, external interest groups, and attitude/cultural change are dominant in the implementation stage. However, the thesis shows that both rational/technocratic and political/cultural elements influence performance management adoption and implementation. Lack of commitment in local government and conflict of interests among central government that are considered as political aspects cause underutilised performance information.

The research findings also enrich performance management theories in the context of Indonesian public sector. The thesis use different perspective, rational/technocratic and political/cultural frameworks, compared to other researches on similar topic. Furthermore, the evidence offers a more comprehensive explanation on how the performance management system has been implemented in the heavily decentralised government like Indonesia.

Chapter 8

Conclusion

8.1. Challenges to Performance Management System in Indonesian Public Sector

The Indonesian government carries out performance management system implementation as a part of public administrative reform. In general, public sector performance management aims to improve the quality of policy decisions, organisation performance, and public accountability. Performance management is a part of the effort to eliminate the weaknesses of public administration practices that are inefficient and less result-oriented. These weaknesses reduce the effectiveness of policies, programmes, and activities conducted by the government.

However, after more than 18 years of operation, performance management in Indonesia still faces many obstacles. We find that the performance management that is currently being undertaken by the government has not been effective and coherent. Currently, Indonesia has 49 sets of rules and regulations about performance management and 198 types of performance reports produced by central and local governments. However, the use of performance information is not as expected. The 10 different central institutions with the authority to conduct performance measurement also contribute to the increasing complexity of public sector performance management, particularly at local government level. Consequently, the performance management system does not significantly improve government service quality.

This thesis has considered two research questions. The first is, “how effective is the performance management system in Indonesian local government?” Based on the analysis, we conclude that performance management in the Indonesian public sector is not effective. Some problems that occurred support the conclusion, such as a gap between the performance indicator and the actual performance, non-use of performance information, a gap between desired and actual behaviours, as well as dysfunctional effects.

The thesis also sought to answer the second research question, “how do the rational/technocratic and political/cultural frameworks affect the effectiveness (or

ineffectiveness) of performance management system?" According to the evidence, we can conclude that rational/technocratic and political/cultural factors clearly affect the effectiveness of performance management system. Regarding the rational/technocratic factors, we find some issues that cause ineffectiveness. First, there is a lack of human resources, a lack of performance reporting units, and limited use of IT. Secondly, there are issues about information availability and measurement systems such as unreliable performance information, incomplete measurement systems, inefficient performance reporting, inappropriate performance indicators, ambiguity of measurement results, and a lack of relationship between organisational and individual performance measurement. Thirdly, we find unclear goal orientation for individual performance monitoring and incompatibility of goals between systems for planning, financial and individual performance measurement. Fourthly, there are issues with external requirements, there is no single legal basis for the performance management system and there are overlapping regulations as well as a lack of legal enforcement.

Unsupportive political/cultural factors also make the performance management system ineffective. The evidence shows that there is a lack of internal commitment and support from decision makers that minimises performance information use in management activities. Additionally, learning forums are very limited. From an external interest groups aspect, we find a coordination problem, which is related to sectoral ego and conflict of interests among responsible agencies. Based on the finding, we also find that mass media is not actively involved in public sector performance management, particularly in overseeing government performance. Thus from the interviews, a series of issues related to attitude and cultural changes that make performance management unsuccessful were discovered, particularly in local government such as lack of transparency, incentive system, innovation and evaluation habit.

Rational/technocratic factors can be perceived as a technical or operational issue. In contrast, political/cultural factors may be considered as more fundamental issues. The evidence showed that some local governments could have a better implementation if they have a strong political commitment and transparent culture, even though performance measurement technical problems remain.

8.2. Implication of Findings

There are implications from the findings for Indonesian government and public institutions. There are two things that can be delivered here. The first is the things that can be done by the government to minimise problems in performance management systems. The second is related to the efforts to increase performance management system effectiveness, particularly the utilisation of performance information from rational/technocratic and political/cultural frameworks.

How to minimise the problems in public sector performance management

As explained in Chapter Five, some problems may occur due to ineffective performance management. Therefore, we draw up some recommendations to minimise the problems.

1. Performance indicators should be reviewed and adjusted periodically in order to represent real performance. The adjustment should consider the number of indicators and the complexity of output and outcome indicators, or the complacency phenomenon. It is also necessary to reflect the dynamic changes of internal and external organisation environment.
2. Selecting appropriate measurement tools. Each performance indicator has different characteristic. For instance, the output and outcome indicators in a technical agency are different from a policy think-tank agency.
3. Performance information should be inserted into public officials' beliefs and priorities. It means that the capacity to understand how important the information is in making better policy decision and programme implementation should be increased continuously.
4. Cultural changes toward performance evaluation use. Performance management should not be used as a symbol only.
5. Promoting a comprehensive performance measurement system. Comprehensive means that information should consist of various aspects and indicators in a single database at national level. This should be done through a coordination mechanism so that overlapping and duplicated measurements can be avoided.

How to improve effectiveness of performance management system

As described in the previous chapters, performance management is considered effective if performance information is actually used by government organisations as a feedback in learning and controlling all policies and programmes. Performance information utilisation is influenced by a number of factors. In this thesis, these factors are categorised into rational/technocratic and political/cultural. Further, based on analysis of the findings, the condition of these factors varies between development planning policy, financial management, and human resource management. These differences may have an impact on the organisation's ability to take advantage of performance information. However, these factors also influence each other. For instance, resources affect information availability; and external interest groups influence organisation internal commitment.

1. Rational/Technocratic Factors

a. Resources

The government should improve the quality and quantity of human resource capacity in performance reporting units, particularly in local governments. Technical capacity and employee distribution across regions should receive the government's attention.

Decision makers should support the existence of performance-reporting units in order to produce reliable performance reports. The distinction between planning and reporting functions should be clear and without tending to weaken each other.

The application of information and technology (IT) should be increased because there is evidence that it can help resolve the problem of insufficient human resources. Many interviewees argued that IT utilisation also saves a lot of time and money compared to manual application. In particular, the IT-based system that connects employee achievement to performance benefits needs to be extended to other institutions and regions.

b. Information availability and measurement system

In order to have reliable performance information, there should be comprehensive performance measurement. The idea of building a comprehensive performance information system at the national level should be supported, as it is very important. Therefore, relevant central agencies would be able to access appropriate data without distressing local governments. Issues of overlapping and duplicated performance reports would be minimised by the integrated system.

Overlapping and duplicated performance report issues can be minimised by simplifying the information and measurement system. Based on the findings, the current performance reports on development planning and financing are excessive. In fact, the data collected is not too different between those reports. Local governments, as targeted institutions from central government's policy, need simpler and clearer performance reports and measurement system. Besides that, the government needs to give more emphasis to the systems for managing individual employees because most interviewees mentioned the weaknesses of the current individual performance evaluation system.

c. Goal clarity

From a goal clarity perspective, systems for development planning and financial management have enough clarity compared to human resource management. Based on the analysis, we found that individual performance evaluation is not closely connected with employee's capacity improvement and performance benefits. So far, the individual performance agreement contract is applied in order to oblige with the regulation. Therefore, the government should create a stronger individual performance agreement in terms of the linkages to individual development as well as reward and punishment system.

d. External requirements

Regarding external requirements factors, the Indonesian government needs to review all of the laws and regulations related to performance management. From the findings, we know that the formal rules are excessive and sometimes conflicting and overlapping. As a result, the use of performance information is low even though the regulations exist. Having a comprehensive law comprised of development planning policy, financial management, and human resource management is very important to avoid misinterpretation at the implementation level.

The government also needs to make more effort to enforce rules and regulations, particularly to the institutions and local governments that neglect the obligation to submit performance reports. Enforcement needs to be linked to strict sanctions.

Involving civil society can also improve the use of performance information. Pressures from citizens or NGOs about accountability will make public institutions use performance evaluation results to improve and to control government policy and programmes.

2. Political/Cultural Factors

a. Internal commitment

Based on our findings, the weakest internal commitment occurs in human resource management, particularly the employee performance contract. Therefore, the government should encourage leadership commitment and involvement in order to improve performance information utilisation. The use of SKP needs to be expanded, not only for personnel administration affairs but also as the basis of incentive system and professional development. However, the internal commitment to use performance information in programmes planning and controlling needs to be increased.

Learning forums also need to be encouraged and to be conducted more frequently. The core of evaluation is giving feedback and learning from

mistakes. Therefore, organisation and individuals can learn from each other to improve their performance.

b. External interest groups

Probably, the external interest group is the greatest obstacle in building an effective performance management system. Obviously, the major problem in the performance management system in Indonesia is that there are too many central agencies with the authority to evaluate public institutions' performance, particularly regional governments. Some argue that by having multiple evaluations, the government will have rich and multi-angle perspectives. However, in reality, it is not effective because each central agency tends to focus on its own interests and ignores other authorities. Coordination and synergy among those institutions is difficult to achieve.

Conflicts of interest because of sectoral ego among those agencies is an unavoidable consequence that creates incoherent evaluation system and complex measurements. At the implementation level, local governments face difficulty not only in preparing evaluation reports but also in interpreting and in following up dissimilar evaluation results from central agencies. Therefore, the government should modify the current system into simpler and more comprehensive management by involving each central agency's interest. In the Indonesian public sector culture, placing monitoring and evaluation functions in one central agency seems very rational and efficient to create a single national database that consists of extensive information about organisations' achievement. Employees' performance contracts can be linked to the organisation's targets to produce a more effective incentive system.

Currently, the mass media plays a significant role in developing the public opinion, including about government image. The government could be greatly assisted by mass media in terms of performance achievement and accountability publicity. Therefore, the government should maintain a good relationship with mass media

c. Attitude and cultural changes

Finally, some efforts should be made related to attitude and cultural change. In this matter, the Indonesian government needs to encourage public institutions to be more transparent and more open towards innovation and change, particularly in the performance management system. Some regional governments have already shown initiatives to associate performance measurement with the reward and punishment system. However, it has not been supported enough by the central government. Therefore, the central government should facilitate and foster innovations from the local government as long as they improve the system. By doing this, the practices can be transmitted to other regions.

Leadership also plays an important role in supporting performance information utilisation. Accordingly, the central government should give more appreciation to local leaders who succeed in internalising performance management application in policymaking process to improve strategic goals. The appreciation should be in more realistic forms, such as budget reward or special funds for regions and local employees.

Building work ethics, an evaluation habit, and better intrinsic motivation in public organisations are necessary. As suggested by many scholars, public service motivation behind public managers and employees drives better public service delivery. Consequently, the government must continue to bring awareness to civil servants to perform their duties with wider community interests.

8.3. Contribution to Public Sector Performance Management Theories

After describing and analysing the findings as well as providing some recommendations for the Indonesian government to improve the use of performance information, the thesis is also intended to contribute to theory in public sector management.

The first contribution is that this thesis corroborates the arguments of De Bruijn (2007); Plant (2006); Taylor (2014); Van Dooren et al. (2010); and Van Thiel and Leeuw (2002) that explain a gap between performance indicator and actual performance; non-use of performance information; a gap between desire and actual behaviour; and dysfunctional effects as the consequences of performance measurement ineffectiveness in public sector, particularly in Indonesia.

Secondly, the thesis confirms postulates from De Lancer Julnes and Holzer (2001) that the effectiveness and utilisation of performance information is significantly influenced by rational/technocratic and political/cultural factors. The conclusion has been drawn from observations and experiences in field of development planning policy, financial management, and human resource management in Indonesian public institutions. The thesis also supports Kroll's (2015a) argument that a range of factors, such as resources, information availability and measurement system, goal orientation, external requirements, internal commitment, external interest groups, and attitude/cultural change, drive the use of performance information.

Thirdly, this thesis enriches those researches by exploring performance information utilisation in Indonesia that has an exceptionally large decentralised sector for service delivery. The performance management system, particularly performance information, is essential for central government to maintain local governments' quality in public service provisions. The studies on performance management systems in Indonesia mainly focused on specific performance evaluation (e.g. LAKIP) in a particular ministry or local government, which are insufficient to give general explanation. Therefore, this thesis applies a comprehensive approach—rational/technocratic and political/cultural—to find more explanation of performance information utilisation in local governments.

Based on the evidence, this thesis suggests that, in the Indonesian decentralised system, political/cultural aspects are more fundamental compared with rational/technocratic aspects to increase the use of performance information. The majority of respondents emphasised that aspects such as internal commitment, external interest groups, attitudes and cultural changes are the main obstacles in performance information utilisation. For example, the Deputy Assistant of MENPAN-RB stated, "*Our main problem is internal commitment... Performance reports are not yet fully used to improve internal performance*". The Head of Performance Evaluation and Economic Development of MNDP/BAPPENAS also said that,

“Government organisation pays little attention to performance measurement... There should be a commitment to connect evaluation reports with the decision-making process.” Additionally, lack of commitment becomes issue in financial management practice. The Head of The Sub Directorate of Technical Supporting Data of National Budget, MOF stated, *“Financial performance report is not always taken into consideration on budget approval”*.

Our respondents in local governments also revealed the same issue. For instance, an official from BAPPEDA Bogor City said, *“Lack of commitment is reflected on a fact that previous performance measurement does not affect the next budget approval”*. The Head of Sub Unit of Regional Employment Agency, Depok City stated, *“We have a regulation [to connect individual assessment with performance contract] but there is no progress because of lack of commitment from leadership”*.

Other problems in political/cultural aspects such as sectoral ego and conflicts of interest among central agencies are most difficult challenge to overcome. For instance, the Deputy of Development Monitoring, Evaluation and Controlling of MNDP/BAPPENAS explained, *“Integration of performance measurement system is our big problem. Currently, all parties seem to be able to measure government performance”*. Similarly, Director of Performance Evaluation of Local Development MNDP/BAPPENAS stated, *“Coordination among K/L(s) is still poor and weak... Each [related] ministry has authority and responsibility on reporting system”*. The Deputy Assistant of Policy Coordination, Arrangement and Evaluation of Bureaucratic Reform Programme, and Accountability Monitoring, MENPAN-RB also emphasised, *“At central government level, there is a sort of sectoral ego that difficult to be eliminated”*.

The above findings show that Indonesian government agencies compete with each other to maintain a role in the context of decentralisation. Apparently, they also prevent too much power accumulation in one agency. Therefore, although Indonesian government agencies are pro technocracy, they are against a grand technocratic integration system, particularly in the performance management system. Indonesian case is an example of ‘political technocracy’ where rationality is limited by political interest or ‘bounded technocracy’.

Finally, the thesis shows that implementation of performance management system in public sector should consider not only internal but also external elements

of organisation such as civil society perspective. Thus, for the future research related to public sector performance management system, it is necessary to consider New Public Services approach instead of merely New Public Management, such as community involvement to develop performance management system. Public sector orientation does not only emphasise on efficiency, but also on the accomplishment of public service quality. Consequently, public sector performance should be judged from citizens' perspective. It means that the citizens and civil society must be involved in performance measurement system.

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Appendix 2: Laws and Regulations related to Government Performance Management

No.	Regulations	Concerning
	Law No. 25/2004	National Development Planning System
2.	Government Regulation No. 20/2004	Government Work Plan
3.	Government Regulation No. 39/2006	Procedures for the Control and Evaluation of Development Plan
4.	BPKP Chief Regulation No. 18/2014	Implementation Guidelines for Evaluation and Poverty Reduction Programme
5.	Minister of National Development Planning/BAPPENAS Regulation No. 5/2016	Planning, Implementation, Reporting, Monitoring and Evaluation of Activities and Budget
6.	Law No. 1/2004	State Treasury
7.	Law No. 17/2003	State Finances
8.	Law No. 15/2004	The Examination of State Finance Management and Accountability
9.	Law No. 15/2006	The Audit Board of Republic of Indonesia
10.	Government Regulation No. 90/2010	Preparation of Ministry/Agency Work Plan and Budget (RKA K/L)
11.	Minister of Finance Regulation No. 46/PMK.02/2006	Procedures for Delivery of Regional Financial Information
12.	Minister of Finance Regulation No. 249/PMK.02/2011	Performance and Evaluation of Ministry/Agency Work Plan and Budget Implementation (RKA K/L)
13.	Minister of Finance Regulation No. 266/PMK.07/2015	Ranking of Health Fiscal and Regional Financial Management
14.	Minister of Finance Regulation No. 49/PMK.07/2016	Procedures of Allocation Distribution, Use, Monitoring and Evaluation of the Village Fund
15.	Minister of Finance Regulation No. 74/PMK.07/2016	Implementation of Regional Financial Information System
16.	Minister of Finance Regulation No. 112/PMK.07/2016	Implementation Monitoring and Evaluation of Transfer to Regions that use is already defined
17.	BPKP Chief Regulation No. 247/K/D4/2012	Guidelines for Improving the Quality of Local Government Financial Statements
18.	BPKP Chief Regulation No. 5/2015	Guidelines for the Review of Special Allocation Funds Regional Supplement Proposed Fiscal Year 2015
19.	Presidential Decree No. 20/2015	Evaluation and Monitoring Team of State and Local Budgets Realisation
20.	Government Regulation No. 65/2005	Guidelines for Preparation and Implementation of Minimum Service Standards
21.	Government Regulation No. 8/2006	Reporting of Financial and Performance of Government Agencies
22.	Government Regulation No. 60/2008	Government Internal Control System
23.	Presidential Regulation No. 29/2014	System of Performance Accountability of Government Agencies
24.	Minister of National Development Planning/BAPPENAS Regulation No. 1/2013	Procedures for Coordination, Monitoring, Evaluation and Reporting National Strategy for the Prevention and Eradication of Corruption
25.	Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 38/2012	Guidelines for Performance Assessment of Public Service Unit
26.	Minister of State Apparatus	Implementation Guidelines for Evaluation of

	Empowerment and Bureaucratic Reform Regulation No. 25/2012	Performance Accountability of Government Agencies
27.	Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 53/2014	Technical Guidelines for Performance Agreement, Performance Reporting and Procedures for the Review of the Government Performance Reports
28.	Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 1/2015	Guidelines for Performance Evaluation of the Operator of Public Services
29.	Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 9/2015	Guidelines for Preparation of Central Government Performance Reports
30.	Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 10/2015	Procedure for the Review on Central Government Performance Reports
31.	Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 12/2015	Evaluation Guidelines on Implementation of Performance Accountability System for Government Agencies
32.	BPKP Chief Regulation No. 12/2015	Guidelines for the Assistance in the preparation of the Action Plan, Control, Presentation Local Government Performance Report
33.	Law 23/2014	Local Government
34.	Government Regulation No. 56/2005	Regional Financial Information System
35.	Government Regulation No. 58/2005	Local Financial Management
36.	Government Regulation No. 3/2007	Reports of Regional Government (LPPD), Accountability Statement Reports (LKPJ), and Information Reports of Regional Government (ILPPD)
37.	Government Regulation No. 6/2008	Guidelines for Evaluation of Regional Government
38.	Government Regulation No. 7/2008	Deconcentration and Assistance Tasks
39.	Government Regulation No. 8/2008	Stages, Procedure for Preparation, Control and Evaluation of Local Development Plans
40.	Ministry of Home Affairs Regulation No. 13/2006	Guidelines for Local Financial Management
41.	Ministry of Home Affairs Regulation No. 6/2007	Technical Guidelines for Preparation and Establishment of Minimum Service Standards
42.	Ministry of Home Affairs Regulation No. 23/2007	Monitoring of Regional Government Implementation
43.	Ministry of Home Affairs Regulation No. 4/2008	Guidelines for the Review on Local Government Financial Statements
44.	Ministry of Home Affairs Regulation No. 73/2009	Procedures of Implementation of Regional Government Performance Evaluation
45.	Ministry of Home Affairs Regulation No. 54/2010	Implementation of Government Regulation No. 8/2008 on the Stages, Procedures Preparation, Control, and Evaluation of Local Development Plans
46.	Ministry of Home Affairs Regulation No. 27/2014	Guidelines for the Planning, Control and Evaluation of Work Plan for Regional Development in 2015
47.	Law No. 5/2014	State Civil Apparatus
48.	Government Regulation No. 46/2011	Job Performance Assessment of Civil Servants
49.	BKN Chief Regulation No. 1/2013	Implementation Provision of Government Regulation No. 46/2011 on Job Performance Assessment of Civil Servants

Appendix 3: Legal Basis and Performance Reports related to MNDP/BAPPENAS

Legal Basis	Performance Reports
1. Law No. 25/2004	1. Performance evaluation reports of regional development
2. Government Regulation No. 20/2004	2. Quarterly performance reports 3. Annual performance report
3. Government Regulation No. 39/2006	4. Quarterly Report on Implementation of Ministry/Agency Work Plan 5. Quarterly Report on Auxiliary Task Implementation 6. Quarterly Report on Deconcentration Task 7. Quarterly Report of Ministry/Head of Agency (K/L) 8. Evaluation Report on Implementation of Ministry/Agency Work Plan 9. Evaluation Report on Implementation of Ministry/Agency Strategic Plan
4. Minister of National Development Planning/BAPPENAS Regulation No. 5/2016	10. Report of Activities 11. Financial Statements
5. Government Regulation No. 90/2010	12. The results of the performance evaluation Ministry/Agency Work and Budget Plan (RKA K/L)
6. Minister of Finance Regulation No. 249/PMK.02/2011	13. Performance Evaluation Report
7. Minister of Finance Regulation No. 112/PMK.07/2016	14. Monitoring and Evaluation Report of Transfer Fund of Specified Uses
8. Government Regulation No. 65/2005	15. Performance Report of Minimum Service Standards Achievement
9. Government Regulation No. 8/2006	16. Financial Statements 17. Performance Report 18. Quarterly Performance Reports 19. Financial Statements on Concentration Funds/Auxiliary Task
10. Presidential Regulation No. 29/2014	20. Central Government Performance Report
11. Minister of National Development Planning/BAPPENAS Regulation No. 1/2013	21. Report of the Implementation Action Achievement on Corruption Prevention and Eradication (Quarterly and Annually)
12. Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 53/2014	22. Performance and Accountability Report of Government Agencies (LAKIP)
13. Government Regulation No. 6/2008	23. Reports of Regional Government (LPPD) 24. Accountability Statement Reports (LKPJ) 25. Information Reports of Regional Government (ILPPD)
14. Government Regulation No. 7/2008	26. Report of the Implementation of Deconcentration Activities (Quarterly and Annually)

Appendix 4: Legal Basis and Performance Reports related to MOF

Legal Basis	Performance Reports
1. Government Regulation No. 20/2004	1. Quarterly performance reports 2. Annual performance report
2. Government Regulation No. 39/2006	3. Quarterly Report on Implementation of Ministry/Agency Work Plan 4. Quarterly Report on Auxiliary Task Implementation 5. Quarterly Report on Deconcentration Task 6. Quarterly Report of Ministry/Head of Agency (K/L) 7. Evaluation Report on Implementation of Ministry/Agency Work Plan 8. Evaluation Report on Implementation of Ministry/Agency Strategic Plan
3. Minister of National Development Planning/BAPPENAS Regulation No. 5/2016	9. Report of Activities 10. Financial Statements
4. Law No. 1/2004	11. Central Government Financial Statements (LKPP) 12. Local Government Financial Statements (LKPD)
5. Law No. 17/2003	13. First Semester Report of State Budget Realisation 14. Budget Realisation Report 15. Financial Statements (State Budget Realisation Report, Cash Flow Statement, Notes to the financial statements)
6. Government Regulation No. 90/2010	16. The results of the performance evaluation Ministry/Agency Work and Budget Plan (RKA K/L)
7. Minister of Finance Regulation No. 46/PMK.02/2006	17. Local Budget Realisation Report
8. Minister of Finance Regulation No. 249/PMK.02/2011	18. Performance Evaluation Report
9. Minister of Finance Regulation No. 266/PMK.07/2015	19. Local Financial Statements
10. Minister of Finance Regulation No. 49/PMK.07/2016	20. Realisation Report of the Use of Village Funds 21. Realisation Report of the Distribution of Village Funds 22. Consolidated statements of the Use of Village funds
11. Minister of Finance Regulation No. 74/PMK.07/2016	23. Financial Statements 24. Nonfinancial Statements 25. Budget Realisation Report (LRA) 26. Local Government Financial Reports (LKPD)
12. Minister of Finance Regulation No. 112/PMK.07/2016	27. Minister of Finance Regulation No. 112/PMK.07/2016
13. BPKP Chief Regulation No. 5/2015	28. Report of the Review of Special Allocation Funds
14. Government Regulation No. 65/2005	29. Performance Report of Minimum Service Standards Achievement
15. Government Regulation No. 8/2006	30. Financial Statements 31. Performance Report

	32. Quarterly Performance Reports 33. Financial Statements on Concentration Funds/Auxiliary Task
16. Government Regulation No. 60/2008	34. Ministry/Agency Financial Statements 35. Monitoring Reports
17. Presidential Regulation No. 29/2014	36. Central Government Performance Report (LKjPP)
18. Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 9/2015	
19. Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 53/2014	37. Government Agencies Performance Report
20. Government Regulation No. 56/2005	38. Report of Local Financial Management
21. Government Regulation No. 58/2005	39. Local Government Financial Statements 40. Report of First Half Realisation of Local Budget
22. Government Regulation No. 6/2008	41. Reports of Regional Government (LPPD) 42. Accountability Statement Reports (LKPJ) 43. Information Reports of Regional Government (ILPPD)
23. Government Regulation No. 7/2008	44. Report of the Implementation of Deconcentration Activities (Quarterly and Annually)
24. Ministry of Home Affairs Regulation No. 13/2006	45. Local Government Financial Statements 46. Financial Statements of Regional Work Units 47. Budget Realisation Report

Appendix 5: Legal Basis and Performance Reports related to MOHA

Legal Basis	Performance Reports
1. Government Regulation No. 39/2006	1. Quarterly Report on Implementation of Ministry/Agency Work Plan 2. Quarterly Report on Auxiliary Task Implementation 3. Quarterly Report on Deconcentration Task 4. Quarterly Report of Ministry/Head of Agency (K/L) 5. Evaluation Report on Implementation of Ministry/Agency Work Plan 6. Evaluation Report on Implementation of Ministry/Agency Strategic Plan
2. Minister of Finance Regulation No. 46/PMK.02/2006	7. Local Budget Realisation Report
3. Minister of Finance Regulation No. 49/PMK.07/2016	8. Realisation Report of the Use of Village Funds 9. Realisation Report of the Distribution of Village Funds 10. Consolidated statements of the Use of Village funds
4. Minister of Finance Regulation No. 112/PMK.07/2016	11. Monitoring and Evaluation Report of Transfer Fund of Specified Uses
5. Government Regulation No. 65/2005	12. Performance Report of Minimum Service Standards Achievement
6. Government Regulation No. 8/2006	13. Financial Statements 14. Performance Report 15. Quarterly Performance Reports 16. Financial Statements on Concentration Funds/Auxiliary Task
7. Minister of National Development Planning/BAPPENAS Regulation No. 1/2013	17. Report of the Implementation Action Achievement on Corruption Prevention and Eradication (Quarterly and Annually)
8. Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 25/2012	18. Evaluation Report of Government Performance Accountability (LHE) 19. Performance and Accountability Report of Government Institution (LAKIP)
9. Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 12/2015	20. Evaluation Report of SAKIP Implementation 21. Performance Report of Agency or Work Unit 22. Financial Statements and Control
10. Law 23/2014	23. Reports of Regional Government (LPPD) 24. Accountability Statement Reports (LKPJ) 25. Summary of LPPD 26. Financial Statements 27. Information Reports of Regional Government (ILPPD) 28. LPPD End of Term (LPPD AMJ) 29. LPPD for the New Autonomous Region
11. Government Regulation No. 3/2007	
12. Government Regulation No. 6/2008	
13. Government Regulation No. 56/2005	30. Report of Local Financial Management
14. Government Regulation No. 58/2005	31. Local Government Financial Statements

	32. Report of First Half Realisation of Local Budget
15. Government Regulation No. 7/2008	33. Report of the Implementation of Deconcentration Activities (Quarterly and Annually)
16. Government Regulation No. 8/2008	34. Control and Evaluation of the Inter-Provincial Regional Planning
17. Ministry of Home Affairs Regulation No. 13/2006	35. Local Government Financial Statements 36. Financial Statements of Regional Work Units 37. Budget Realisation Report
18. Ministry of Home Affairs Regulation No. 6/2007	38. Annual General Report of Implementation and Achievements of Minimum Service Standards 39. Annual Technical Report of Implementation and Achievements of Minimum Service Standards
19. Ministry of Home Affairs Regulation No. 23/2007	40. Audit Reports of Regional Government 41. Report of Monitoring and Evaluation of Regional Government
20. Ministry of Home Affairs Regulation No. 4/2008	42. Local Government Financial Statements 43. Review Report of Local Government Financial Statements
21. Ministry of Home Affairs Regulation No. 73/2009	44. Reports of Regional Government (LPPD) 45. Individual Evaluation Report 46. Provisional Results Ranking Reports
22. Ministry of Home Affairs Regulation No. 54/2010	47. Local Budget Realisation Report 48. Planning Policy Evaluation Report 49. Report of Control and Evaluation of Regional Work Unit's Strategic Plan Implementation 50. Report of Monitoring and Supervision 51. Evaluation Report of Regional Long Term Development Plan (RPJPD) Province 52. Evaluation Report of Regional Work Unit's Strategic Plan 53. Quarterly Report of Monitoring and Supervision on the Preparation of Regional Work Plan and Budget
23. Ministry of Home Affairs Regulation No. 27/2014	54. Report of the Implementation and Achievements of Minimum Service Standards 55. Realisation Report of Regional Work Unit's Plan (First and Second Quarter) 56. Evaluation Report of Regional Work Unit Plan Results 57. Control Report of Local Government Work Plan (RKPD) Policy 58. Control Report of RKPD Implementation and Regional Work Unit Plan 59. RKPD Evaluation Report

Appendix 6: Legal Basis and Performance Reports related to MENPAN-RB

Legal Basis	Performance Reports
1. Government Regulation No. 39/2006	1. Quarterly Report on Implementation of Ministry/Agency Work Plan 2. Quarterly Report on Auxiliary Task Implementation 3. Quarterly Report on Deconcentration Task 4. Quarterly Report of Ministry/Head of Agency (K/L) 5. Evaluation Report on Implementation of Ministry/Agency Work Plan 6. Evaluation Report on Implementation of Ministry/Agency Strategic Plan
2. Government Regulation No. 8/2006	7. Financial Statements 8. Performance Report 9. Quarterly Performance Reports 10. Financial Statements on Concentration Funds/Auxiliary Task
3. Government Regulation No. 60/2008	11. Ministry/Agency Financial Statements 12. Monitoring Reports
4. Presidential Regulation No. 29/2014	13. Central Government Performance Report
5. Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 38/2012	14. Performance Assessment of Public Service Unit
6. Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 25/2012	15. Evaluation Report of Government Performance Accountability (LHE) 16. Performance and Accountability Report of Government Institution (LAKIP)
7. Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 53/2014	
8. Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 1/2015	17. Evaluation Report on Public Service Operator Performance
9. Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 9/2015	18. Central Government Performance Report (LKjPP)
10. Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 10/2015	
11. Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 12/2015	19. Evaluation Report of SAKIP Implementation 20. Performance Report of Agency or Work Unit 21. Financial Statements and Control
12. Government Regulation No. 6/2008	22. Reports of Regional Government (LPPD) 23. Accountability Statement Reports (LKPJ) 24. Information Reports of Regional Government (ILPPD)
13. Law 5/2014	25. Employee Performance Evaluation Results

Appendix 7: Legal Basis and Performance Reports related to BPKP

Legal Basis	Performance Reports
1. BPKP Chief Regulation No. 18/2014	1. Poverty Reduction Programme Evaluation Report
2. BPKP Chief Regulation No. 247/K/D4/2012	2. Local Financial Statements
3. BPKP Chief Regulation No. 5/2015	3. Report of the Review of Special Allocation Funds
4. Government Regulation No. 60/2008	4. Ministry/Agency Financial Statements 5. Monitoring Reports
5. Presidential Regulation No. 29/2014	6. Central Government Performance Report
6. Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 25/2012	7. Evaluation Report of Government Performance Accountability (LHE) 8. Performance and Accountability Report of Government Institution (LAKIP)
7. Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 10/2015	9. Central Government Performance Report (LKjPP)
8. Minister of State Apparatus Empowerment and Bureaucratic Reform Regulation No. 12/2015	10. Evaluation Report of SAKIP Implementation 11. Performance Report of Agency or Work Unit 12. Financial Statements and Control
9. BPKP Chief Regulation No. 12/2015	13. Local Government Performance Report
10. Government Regulation No. 6/2008	14. Reports of Regional Government (LPPD) 15. Accountability Statement Reports (LKPJ) 16. Information Reports of Regional Government (ILPPD)

Appendix 8: Legal Basis and Performance Reports related to BPK

Legal Basis	Performance Reports
1. Law No. 1/2004	1. Central Government Financial Statements (LKPP)
2. Law No. 15/2004	2. Local Government Financial Statements (LKPD)
3. Law No. 15/2006	3. First Semester Report of State Budget Realisation 4. Budget Realisation Report 5. Financial Statements (State Budget Realisation Report, Cash Flow Statement, Notes to the financial statements)
4. Law No. 17/2003	6. Financial Statements 7. Performance Report 8. Quarterly Performance Reports 9. Financial Statements on Concentration Funds/Auxiliary Task
5. Government Regulation No. 8/2006	10. Reports of Regional Government (LPPD) 11. Accountability Statement Reports (LKPJ) 12. Summary of LPPD 13. Financial Statements
6. Law 23/2014	14. Local Government Financial Statements 15. Report of First Half Realisation of Local Budget
7. Government Regulation No. 58/2005	16. Audit Reports of Regional Government 17. Report of Monitoring and Evaluation of Regional Government
8. Ministry of Home Affairs Regulation No. 23/2007	

Appendix 9: Legal Basis and Performance Reports related to BKN

Legal Basis	Performance Reports
1. Law No. 5/2014	1. Job Performance Assessment of Civil Servants
2. Government Regulation No. 46/2011	
3. BKN Chief Regulation No. 1/2013	

Appendix 10: Legal Basis and Performance Reports related to Ministry of Village, Development of Disadvantaged Regions and Transmigration

Legal Basis	Performance Reports
1. Minister of Finance Regulation No. 49/PMK.07/2016	<ol style="list-style-type: none">1. Realisation Report of the Use of Village Funds2. Realisation Report of the Distribution of Village Funds3. Consolidated statements of the Use of Village funds

Appendix 11: Legal Basis and Performance Reports related to Tim Nasional EPPD

Legal Basis	Performance Reports
1. Government Regulation No. 6/2008	1. Reports of Regional Government (LPPD)
2. Ministry of Home Affairs Regulation No. 73/2009	2. Accountability Statement Reports (LKPJ) 3. Information Reports of Regional Government (ILPPD)

Appendix 12: Legal Basis and Performance Reports related to TEPPA

Legal Basis	Performance Reports
1. Presidential Decree No. 20/2015	1. Budget and Programme Realisation Report of Central and Local Government

