THE INFLUENCE OF MINIMUM SERVICE STANDARDS (MSS) TO PERFORMANCE OF LOCAL GOVERNMENT TO DELIVER SERVICES IN INDONESIA DECENTRALISED SYSTEM

by:

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A thesis submitted to the University of Birmingham

for the degree of DOCTOR OF PHILOSOPHY

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May 2018
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Abstract

How performance management influences the motivation of public-sector institutions in a decentralised system has received little attention by scholars. This study helps fill this gap by investigating how Minimum Service Standards (MSS) in Indonesia influences the motivation of local government in a decentralised country like Indonesia. This study considers the nature of MSS, how it works, what effect it has on the performance of local governments and why. The evidence is collected from extensive interviews with eighty-three respondents from central government, local governments (eight districts and cities) and non-governmental sector.

The findings show the varying effects on the motivation of local government to improve service delivery. MSS does not motivate local governments that are already performing well, but more importantly, it also does not motivate those that are performing badly. However, a small positive effect is found on the motivation of those whose performance lies just below the minimum standard. As it has limited influence, the MSS system does not achieve its formal objectives. However, it survives because it brings central government other benefits. MSS provides a framework for central-local dialogue about public services and strengthens the role central government plays in delivering services at the local level.
Dedication

To my beloved wife and daughters
Aisyah, Kirei, Birmi

and

My lovely Father (Nasrun Hasibuan) and Mother (Maiharti)
Acknowledgement

Getting a PhD in UK has always been one of my dreams. It was a journey that was both sweet and bitter. After finally arriving, I encountered some problems as a new learner and as a foreigner. However, I am lucky that there have been some exceptional individuals who supported me during this challenging period. Thus, to them I offer my gratitude and abundant thanks. Although the PhD is my responsibility, the people listed here who have been in touch with me throughout the study period deserve the deepest acknowledgement.

1. Adrian Campbell, my primary supervisor, for being completely patient, kind supportive and also providing brilliant ideas to help me improve my thesis. I am heavily indebted to him.

2. Simon Delay, my second supervisor, for his critical thinking and brilliant inputs and feedback, and for feeding me with useful material and vivid discussions. I am also heavily indebted to him.

3. Fiona Nunan, Head of the International Development Department (IDD) who accepted my proposal to study at the department. She was also the person who provided me with all the necessary information on being a PhD student in IDD when she was Director of Research.

4. Professor Peter M. Jackson (the University of Leicester), the external examiner and Dr Tom Hewitt (the University of Birmingham), the internal examiner, for their useful and significant input, feedback and suggestions, which all contributed towards the improvement of my thesis. Hopefully we have opportunities to cooperate on future work.
5. Head of Pusbindiklatren Bappenas (Ibu Nur Hygiawati Rahayu), PPK DM 4 and PMU SPIRIT (especially Bapak Edy, Bapak Zaenal, Ibu Rani, Mba Lina, Mas Daniel Poernomo, Mba Endah Dwi, Mba Khairani, Mba Annisa Sabrina), for giving me the chance to gain a scholarship, allowing me to continue my PhD study in the UK and helping me with a number of administrative issues.

6. My institution, Bappenas, particularly the Head of Human Resource (Bapak Guspika), Director of Regional Autonomy (Bapak Aryawan) and ex-Director of Regional Autonomy (Bapak Wariki Sutikno and Bapak Budi Santoso).

7. I am deeply indebted to those from Bappenas, MoHA, MoF, MoNE, MoHE, LAN, KemenPAN & RB, BPK, BPKP and people in local governments as locus of my research (Sleman, Depok, Bekasi, West Bandung, Padang Sidempuan, Batang Hari, Southwest Sumba, Denpasar, Province of West Java, Province of Bali, Province of Jogjakarta and Province Jambi). Many thanks for your time and providing fruitful data and information for this research.

8. To my wife, Aisyah and my two daughters, Kirei and Birmi, for your support, wishes and prayers. Thanks for being with me during difficult times.

9. Also, my dad and mom (Nasrun Hasibuan and Maiharti) and Almarhuman my grandmother (Bu Haji), for their prayers and deep support. I have been indebted to both of you for my whole life. I would not have been able to complete this thesis without you. To my lovely sister and brother, Ela and Bayu, for your kind support.

10. To my father in law and mother in law and my brothers in law in Padang Sidempuan (Tulang Aswin Harahap, Nan Tulang Masnilam Siregar, Abang Rahmad, Faisal), and my uncle and aunty in Jambi (Bang Rahman, Bou Samsiah) for their support.

11. To my Indonesian colleagues, who served as discussion partners on the 10th floor of Muirhead Tower (Mas Arie, Mas Deny, Hijrah, Ami, Titis.), particular gratitude goes to Mas Yogi, who taught me much about doing a PhD in IDD.
12. Also to my friends in Birmingham, such as Virosol Gank (Om Yo, Om Bah, Mba Feb, Mba Arum, Bu CieCie), and Costa Member (Mas Teguh, Mas Deny, Mas Daus, Prima, Pak Rozi). I am grateful and lucky to have people like you in Birmingham. I am also grateful to Tengku Munawir, who served as my writing partner. I wish you the best for your thesis.

13. Finally, to everybody else who I have not mentioned who supported me during my studies.
Declaration

I declare that all material contained in this thesis is my own work. Some parts of the thesis have been presented in five following conferences:

1. 2014 International Conference on Public Administration (ICPA), Public Management in the 21st Century: Opportunities and Challenges, Panel 1-3, Public Service Innovation Experience. Public Administration and Civil Service Bureau, Macao, SAR and Centre for Chinese Public Administration Research, Sun Yat Sen University and Macau University. Macau, China, 16\textsuperscript{th}-17\textsuperscript{th}, October 2014.

2. 2015 The Asian Conference on the Social Sciences (ACSS), 16753. International, Intercultural, Interdisciplinary Art Center of Kobe, Japan, June 11\textsuperscript{th}–14\textsuperscript{th}, 2015.

3. 2015 European Group of Public Administration (EGPA) PhD Symposium. University of Toulouse, France, 24\textsuperscript{th}-25\textsuperscript{th} August 2015, 2015.


5. 2017 International Research Society for Public Management (IRSPM) Conference, Panel A1 and H2. Corvinus University, Budapest, Hungary, 19\textsuperscript{th}-21\textsuperscript{st} April 2017.

6. 4th Planocosmo International Conference on Infrastructure Development: Transforming Beyond Borders, Starting the New Urban Agenda, Bandung, Indonesia, 2\textsuperscript{nd}-4\textsuperscript{th} April 2018.
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# Glossary of Terms and Abbreviations

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<td><strong>Bappeda</strong></td>
<td><em>Badan Perencanaan Pembangunan Daerah</em> (Local Development Planning Agency)</td>
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<td><strong>Bappenas</strong></td>
<td><em>Badan Perencanaan Pembangunan Nasional</em> (Ministry of National Development Planning/National Development Planning Agency)</td>
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<tr>
<td><strong>BPK</strong></td>
<td><em>Badan Pemeriksa Keuangan</em> (Supreme Audit Institution)</td>
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<td><strong>BPKP</strong></td>
<td><em>Badan Pengawas Keuangan dan Pembangunan</em> (Finance and Development Supervisor Agency)</td>
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<tr>
<td><strong>Ditgen Bangda</strong></td>
<td><em>Direktorat Jenderal Bina Pembangunan Daerah</em> (Directorate General of Regional Development)</td>
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<tr>
<td><strong>Ditgen Otda</strong></td>
<td><em>Direktorat Jenderal Otonomi Daerah</em> (Directorate General of Regional Autonomy)</td>
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<tr>
<td><strong>DPD</strong></td>
<td><em>Dewan Perwakilan Daerah</em> (Regional Representative)</td>
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<tr>
<td><strong>DPOD</strong></td>
<td><em>Dewan Pertimbangan Otonomi Daerah</em> (Regional Advisory Autonomy Board)</td>
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<tr>
<td><strong>DPR</strong></td>
<td><em>Dewan Perwakilan Rakyat</em> (House of Representative)</td>
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<td><strong>DPRD</strong></td>
<td><em>Dewan Perwakilan Rakyat Daerah</em> (Local Parliament/Council)</td>
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<td><strong>EKPPD</strong></td>
<td><em>Evaluasi Kinerja Penyelenggaraan Pemerintahan Daerah</em> (Overall Governance and Performance Quality)</td>
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<td><strong>FGIs</strong></td>
<td>Focus Group Interviewees</td>
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<td><strong>GR</strong></td>
<td>Government Regulation (<em>Peraturan Pemerintah</em>)</td>
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<td><strong>HDI</strong></td>
<td>Human Development Index</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<td>IPDN</td>
<td><em>Institut Pemerintahan Dalam Negeri</em> (Indonesian Local Governance Institute)</td>
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<td>KemenPAN &amp; RB</td>
<td><em>Kementerian Pendayaangunaan Aparatur Negara dan Reformasi Birokrasi</em> (Ministry of State Apparatus Empowerment and Bureaucratic Reform)</td>
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<tr>
<td>LAN</td>
<td><em>Lembaga Administrasi Negara</em> (State Administrative Agency)</td>
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<td>MDGs</td>
<td>Millenium Development Goals</td>
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<td>MoF</td>
<td>Ministry of Finance</td>
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<td>Ministry of National Education</td>
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<td>MPR</td>
<td><em>Majelis Permusyawaratan Rakyat</em> (People Consultative Assembly)</td>
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<td>MSS</td>
<td>Minimum Service Standards (<em>Standar Pelayanan Minimal</em>)</td>
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Chapter 1. Introduction

1.1. Background and Issues

A policy of decentralisation begun in Indonesia in 1999 and has become a major instrument of political, economic and social reform. It is a ‘big bang policy’ that radically, rapidly and significantly devolves most central government powers and authorities to local governments (see Aspinall and Feally, 2003; Alm, Vazuez and Weist, 2004; Hofman and Kaiser, 2006; and Fengler and Hofman, 2009). Administrators believe it to be a panacea to a multi-dimensional crisis of Indonesia that reached its peak in 1998 (see Aspinall and Feally, 2003; Hofman and Kaiser, 2006; and Fengler and Hofman, 2009). Mimba, van Helden, and Tillema (2013) argue that this decentralisation policy has been the essential element in Indonesia’s reform agenda (sitting alongside anti-corruption and democratisation programmes).

The rationales behind the decentralisation policy fit into one of three categories: administrative, political and financial. Preventing conflict between regions, reducing local dissatisfaction towards central government that results from a historically unfair fiscal allocation, and enhancing quality of service and welfare across regions are some examples of the various rationales used to justify and introduce the decentralised system (see Aspinall and Feally, 2003; Strategic Asia, 2013; Booth, 2014; Hill, 2014; Schulze and Sjahrir, 2014). These rationales are underpinned by a broader aim to ensure fair and mutually beneficial relations between the central government and local authorities and among local government in terms of authorities, fiscal resources and to empower more people outside the government. It is hoped that by doing this, the performance and accountability of local governments in delivering services will improve and the quality of services that it provides will be higher.
However, while some of these rationales are relatively straightforward to accomplish, improving the quality of public services and capacity of government to deliver them is a significant challenge (see Firman, 2003; Strategic Asia, 2013; Mutaqin et al., 2016). Strategic Asia (2013) refers to this as an ‘unfinished agenda’ after almost a decade of ongoing decentralisation. As a response to problems with low quality public services and inequality of access to those services across regions (especially with respect to health and primary education) in 2002, Indonesia’s central government introduced Minimum Service Standards (MSS).

MSS is regulated in the 2004 Law 32, later revised in Law 23 or 2017 and Government Regulation (GR) 65/2005. Within these documents is guidance about the types and quality of the basic services that become the main obligation of local government and which should be received by the public at a minimum level (Ferrazzi, 2005; Kurniawan, 2011; Hudawi, 2012). In other words, the uniqueness of MSS is signalled by the existence of minimum thresholds.

Since MSS concerns with the functions and obligations of local government, we can say that MSS is tightly related to the performance of local governments in delivering services. Here, MSS is the way to measure and manage the performance of local government whose functions and obligations have been decentralised or devolved to local government. Besides that, MSS is also considered a breakthrough, given these aims to both enhance the quality of services and address the underlying problems with capacity that lie behind the inequality in access to services across regions.

As indicated by scholars such as Homme (1995), Fuhr (2011), Vazquez and Vaillancourt (2011) and Strategic Asia (2013), decentralisation potentially causes inequality of fiscal and human resource capacities across regions.
It also allows non-uniform services to be delivered by each local government based on their respective capacities (Breton, 2002). Besides that, it also limits the extent to which central government can directly intervene in local activities because it gives flexibility to each local government on how to deliver its services (Breton, 2002). As a result of inequality in capacities and the lack of a uniform policy in delivering services, inequality of service quality across regions can often not be avoided.

It is for these reasons that MSS was introduced as a means to measure and manage the performance of local government in delivering services. The main justification was that it was not easy for central government to bring local government into line by setting targets, creating league tables or any of the other top-down, command-and-control type mechanisms normally employed in centralised systems, such as the UK (see Bevan and Hood, 2006a; Hood, 2006; Barber, 2007; Seddon, 2008) and Russia (Kalgin, 2016).

On the one hand, MSS supports the rationale behind decentralisation; the performance of local government to deliver service could improve because MSS make local governments more focused on delivering services and at the same time improves their accountability. On the other hand, MSS also has the potential to avoid the risks associated with varying capacities and the ensuring problems with equal access to services.

However, more than 10 years after MSS has been launched, there is no significant improvement in coverage and quality of services and equality of access across regions. As discussed above, Strategic Asia (2003) notes this as the idea of the ‘unfinished agenda’ in a decade of practice of decentralisation. Mutaqin (2016) also shows that there is no significant improvement in the quality of services in the education sector after the introduction of MSS.
The key question we should ask then is why there has been no significant improvement. Why is it that equality of access to services across regions and the quality of services as a whole has not improved following the introduction of MSS as means to measure and manage performance of local government in a decentralised system?

There has been little research to evaluate the importance or influence of MSS on the performance of local governments. As a result, there is no clear indication as to the dynamics of MSS in this context, whether the rationale behind it is justified, how or in what way MSS can improve the performance of local government in decentralised system as well as why it could or could not influence them. To understand what MSS is, how it works and the ways in which could influence the performance of local government in decentralised system; the objective of this study and research questions are set.

1.2. Objective of Study and Research Questions

The objective is to understand the extent to which the introduction and practice of MSS influences and impacts the delivery of services by local governments in Indonesian decentralised system. Three main research questions and a handful of sub-research questions drive this research.

1. How does MSS relate to the general principles of performance management in the public sector?
   a. What do the designers of MSS intend?
   b. How does MSS actually work in practice?
   c. What is the relationship between MSS and regimes or models of performance management in public sector?

2. How the performance of local government in delivering basic services is influenced, following the introduction of MSS?
a. How does MSS influence the motivation of local governments to improve service delivery?
b. How does MSS influence the performance of local governments to deliver services?
c. How does MSS influence the improvement of service quality?

3. Why does or does not MSS influence the performance of local government in decentralised system?
   a. If it does, what are the main determinant factors?
   b. If it does not, what are the main determinant factors and why does the government still continue to implement MSS?

1.3. Research Design and Methodology

A ‘multiple case study’ design is used to answer those questions, which refers to a situation in which several cases to answer studies are observed together and qualitative methods and analysis are deployed. The data are taken from a five-month long fieldtrip to Indonesia conducted between late 2015 and March 2016, although information from quantitative secondary data is also used for completeness. This design is also categorised as a snapshot, since the data captures one particular period of time. The data focuses on the achievement of MSS targets in eight districts and cities across eight consecutive years (2008-2015).

Semi-structured interviews are deployed for data collection. Three groups were targeted for information:

- Firstly, central government officers, especially those who are in the nine Indonesian technical ministries and who have important positions in the design, implementation and evaluation of MSS;
Secondly, local government actors, particularly Heads of Regions (Mayors or Heads of Districts) and members of local parliaments or councils, local agencies and local providers who have a significant role in the implementation of MSS;

Thirdly, non-government actors, including university scholars as well as experts and representatives from non-government organisations (NGOs) who have made a significant contribution to the design and evaluation of MSS.

Using non-probability sampling (specifically purposive sampling) eight districts and cities are chosen. The choice is based on two considerations: level of performance of districts or cities based on the Overall Evaluation of Performance of Regional/Local Governance or *Evaluasi Kinerja Penyelenggaraan Pemerintahan Daerah (EKPPD)*, which is published by the Ministry of Home Affairs (MoHA); and the Fiscal Capacity of each district or city, which is published by the Ministry of Finance (MoF). It also considers the characteristics of the area: Java (more developed) and Non-Java (less developed) as presented in Table 1 below.

### Table 1. Selection of Cases using Purposive Sampling

<table>
<thead>
<tr>
<th>Java</th>
<th>Out of Java</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cities</td>
</tr>
<tr>
<td>High Performance</td>
<td>City of Depok (Province of West Java)</td>
</tr>
<tr>
<td>Low Performance</td>
<td>City of Bekasi (Province of West Java)</td>
</tr>
</tbody>
</table>

Eighty-three individual interviews were conducted. Twenty-one of these were with representatives from central government, forty-eight from informants from eight regions as well as fourteen interviewees from scholars, experts and NGOs. The selection of interviewees was done through snowball sampling. Two Focus Group Interviews (FGIs) were also held in Jakarta, to which scholars and experts were invited. These were used to triangulate information collected from the individual interviews. Finally, thematic analysis was used to analyse the data collected.

MSS consists of 15 sectors, 65 types of services and 174 indicators and targets. This research though only focuses on the health and primary education sectors, which covers 6 types of services and comprises 35 indicators and targets. The education and health sectors are chosen for two reasons. Firstly, those sectors are the most basic services required by all people and the most representative to understand the overall concept and practice of MSS. Secondly, both sectors are amongst the most prepared in the implementation of MSS, especially in terms of data provision.

1.4. The Structure of the Thesis

This research consists of eight chapters. The following two chapters review the literature, whilst chapter four discusses design and methodological issues. Chapters Five, Six and Seven discuss the findings and analysis, with each chapter reflecting one specific analytical theme. Chapter Eight offers a conclusion.

The following chapter consists of two main sections: a review of the literature on central-local relations and public performance management, particularly in the context of local government. In the first part, the concept and debates in central local relations are reviewed.
In this part, a long debate among scholars between the merits and costs of centralised and decentralised system is reviewed. The review then focuses on the concept, form and rationale of the decentralised system. The review in this part also includes the discussion in which central-local relations can be improved, such as through improving central-local communication or dialogue and finding the balance between re-centralisation and decentralisation.

Moreover, various theories, concepts and frameworks are relied upon in this second part. These are, performance management in the public sector, accountability, and, related, the principle-agent dynamic. In this part, performance management within local governments is defined before a discussion is had on the importance of performance management in local government.

Also, the distinction between performance management and performance measurement is outlined. Three main aspects of performance management in the context of local government are discussed: information sharing, incentives and enforcement. Besides that, the specific characteristics of performance management within local governments in developing countries (compared to those in developed countries) are also reviewed.

The review in this second part continues by identifying regimes and models of public performance management in the delivery of services. Three types of models are identified: top-down, which consists of targets and rank or league tables, bottom-up, which consists of intelligence or benchmarks, and quality assurances and standards.

The discussion then continues to unpack the core dynamics of the principal-agent framework. This will show how it constitutes a form of performance management and thus influences the behaviour of agents. In so doing it relies upon the principal-agent framework.
The role of performance management within this framework is argued to influence the behaviour of agents by making them more compliant or motivated. Related to the idea of compliance and motivation are institutional and organisation theories, concepts and frameworks, including the idea of institutional isomorphism (see DiMaggio and Powell, 1983, 1991; Ashworth et al. 2009; Pilcher et al, 2009; Pilcher, 2011), motivation theories and the concept of incentives/disincentives within organisations (Burgess and Ratto 2003; Crowther and Green, 2004; Laffont and Martimort, 2009; Lin et al., 2011). The discussion includes unintended negative consequences and dysfunctional functions of performance management regimes in public.

Thus, the following chapter reviews the performance management of local governments and its potential influence on their service delivery behaviour from the perspective of accountability and the principle agent framework. Here we will see the potential for MSS to improve outcomes because of the way it makes local officials more motivated or compliant. However, we will also see possible dysfunctional and unintended negative consequences of performance management in this context, sector particularly unambitious average syndrome.

At the end of this section, the idea of central-local relations will be examined using the principal-agent framework, together with the potential influence of performance management on the behaviour of the organisation. These two influences are collated into one overarching framework. It is argued that decentralisation could lead toward better performance and efficiency and that MSS in decentralised systems is not only a way to draw on the merits of both centralisation but also those of decentralisation. Here, the two levels of the principal-agent framework are applied.
Chapter Three introduces the specific literature of central-local relations and the performance management of local government in Indonesia. Here, the literature on Indonesian decentralisation and MSS are reviewed. The review consists of two parts. In the first, the review focuses on the unique practice of Indonesian decentralisation compared to that within other countries. The review includes an in-depth discussion on the history of decentralisation in the country.

From this we will understand more clearly why it should be considered a ‘big-bang policy’. The review then continues by discussing the rationales behind the decentralisation policy in terms of the enhancement of public services. Through these rationales, the tight links between the practice of Indonesian decentralisation policy and the concept of MSS can be identified. In the second part, the concept and rationales behind the design and current implementation of MSS are also reviewed.

In Chapter Four, the design and methodology of this research are outlined. The discussion starts with an outline of the epistemological and ontological approaches that underpin this work. The second part of this chapter includes a discussion on the selection and use of the ‘multiple case study’ design. In the third part, the data collection and analysis tools are discussed. The selection of qualitative approaches in data collection in this research, especially qualitative interviews (whether individual and focus group interviews) are also discussed. Besides that, the dynamics and practice of conducting interviews are also elaborated upon. Here the justification for and dynamics of the non-probability and snowball sampling techniques that were employed in this thesis are also outlined.

In the fourth part, the dynamics of the thematic analysis deployed to analyse the data is outlined.
This methodology is selected because of its potential to uncover and explore the detailed perceptions and voices of the central government, local governments and non-government sectors after the introduction of MSS. The discussion continues to focus upon data analysis, including why one quote is selected while others are not. Finally, the limitations of this study are discussed.

Chapters Five, Six and Seven discuss the findings and analysis. Each chapter discusses one particular theme and addresses one of the three research question. In Chapter Five, the analysis focuses on the models of MSS and how MSS works in practice. This is aimed to answer the first research question. Although MSS is already defined in law, as we saw above, it is not clear what its precise dynamics are. Thus, it is difficult to understand its influence on performance. From its name, minimum standards indicators and context, it is argued that MSS is related to performance management in the public sector. Firstly, MSS reflects a way to measure and manage coverage and quality of services. Secondly, indicators in both the health and education sectors consist of targets, thus reflecting one type of performance management regime. Finally, this measurement and management is applied to the public sector. Thus, to understand what MSS is and how it works, the compatibility of MSS with models of performance management in the public sector is elaborated upon.

Thus, the discussion in Chapter Five focuses on understanding what MSS is by observing and analysing its fits with characteristics of performance management regimes in the public sector (i.e. targets, league table, intelligence or benchmarking and quality assurance or standards). That discussion is followed by an understanding of how MSS works based on characteristics that are reflected within each regime or model. This is achieved through a comparison of how MSS works in theory and how it is actually designed and how it works in practice.
In Chapter Six, the analysis focuses on the influence of MSS on the performance of local government in the delivery of services and on the quality of those services. The discussion in this part focuses the extent to which MSS influences the performance of local governments in delivering services by influencing their behaviour. In this part, it is argued that the way MSS as performance management tool influences the performance of local governments is by influencing the behaviour of local government through the dual mechanism of compliance and motivation. The analysis in this chapter is aimed at answering the second research question.

The discussion begins by discussing the importance of MSS on the motivation of local government to deliver services. The achievement of MSS targets in eight consecutive years (2008-2015) in eight districts and cities is discussed. This is then triangulated using information from the interviews in order to identify the various motivations among local governments to improve their performance. These various motivations are discussed with reference to the idea of the ‘unambitious average syndrome’, the subject of the second part of the discussion in this chapter.

The last part in this chapter observes and analyses the influence of MSS on the performance of local government in the delivery of services in various aspects of local planning and budgeting, as well as the culture of local governments in service delivery. This discussion also includes an analysis of the influence of MSS on service quality.

The final analysis chapter, chapter seven, focuses on the reasons why MSS is still implemented and thus answers the final research question. The analysis tries to observe and analyse MSS beyond the explanation of performance management. It thus links the idea of performance management (influence of performance management and principal-agent relations) and central-local relations.
This chapter consists of two parts. The first part is an analysis of the pragmatic reasons why MSS has persisted. In the second part, the reasons why MSS still continues to be applied is discussed through the lens of central-local relations, with a focus on improving central-local communication and relations and strengthening the role and involvement of central government.

Chapter Eight offers conclusions for the research as a whole. The first part is a summary of the main findings. In this section answers to the three research questions are summarised and the limitations of the study are also discussed. A number of avenues for future research are also proposed. The second part of the research reflects upon the research in terms of the current public and academic debate about decentralisation and performance management in the public sector. In this section the novel contribution of this research is revealed. Lastly, a number of policy implications for the practice of performance management and the implementation of MSS are also outlined for central and local governments in Indonesia to consider.

2.1. Overview of Chapter Two

We saw in the previous chapter that this research aims to observe and analyse the definition and characteristics of MSS as performance management, its working mechanisms, and the influence it has on the performance of local governments in a decentralised system. Thus, it is necessary to review ideas about central-local relations, particularly those concerning decentralisation and to consider public performance management in public sector, with an emphasis on those performances in local government. This chapter comprises a literature review of these themes in order to pave the way for discussion in later chapters.

The review begins with a review of the literature on central-local relations. The focus here will be on the concept itself, and the debates and issues within the literature. We will see that within the literature, there has been a long debate about the merits and costs of both centralisation and decentralisation. The discussion continues by the focusing on the gains from decentralisation. This section ends by discussing ways in which central-local relations can be improved, such as through improving central-local communication and finding the balance between re-centralisation and de-centralisation.

The next section concerns the idea of performance management in local government. It begins by defining the term and offers a distinction between performance measurement and performance measurement. Later, the specific characteristics of performance management in local governments in developing countries are contrasted with those in developed countries.
The review continues with an identification of models of performance management that focus on the enhancement of the quality of public services. Three models are identified: top-down, bottom-up and quality assurance or standards. Lastly, the potential influence of performance management in local government in terms of its ability to deliver services through changing behaviour is reviewed using on the perspective of accountability especially the principal-agent framework. That section begins with a review of the concept and of the assumptions underlying the principal-agent framework and its relation to performance management. After that, the positive and negative consequences of performance management vis à vis the behaviour of public bodies are also identified. These include the possibility of performance management increasing the motivation and compliance of local government, as well as dysfunctional or unintended negative consequences, such as ‘unambitious average syndrome’.

2.2. Central-Local Relation: Concepts, Debates and Issues

In this part of the discussion, the concept is defined and a long running debate about central-local relations is reviewed.

2.2.1. Concept of Central – Local Relations

The concept of central-local relations has become an important concept in various areas and subject fields, including political-economy, governance, public administration, management and finance. There is no single definition of the concept, as scholars try to define the concept from different points of view. Boddy (1983), for instance, defines central-local relations as those ideas, frameworks and even theories which explain and illustrate inter-dependence between central government and local authorities.
Davey (1992), Treisman (2007) and Harding and Sidel (2015) define this concept as the theory concerning the exercise and distribution of political and fiscal powers between central and local authorities in implementing particular policies, decisions, services and in achieving common goals.

Scholars come armed with various theories to explain this concept. Brown and Jackson (1990), Davey (1992), Oates (1999) and Bahl (2009) use fiscal federalism theory to seek inter-dependence among local governments in term of money transfer, while Boddy (1983) uses theories of state powers and dependency to explain the inter-dependence is more on political powers. However, it is argued here that whatever theories are used to explain it, this concept is an important tool to explain the relation between different tiers of government and interest groups within the state.

Hague and Harrop (2004) use theories of multi-level governance to explain the central-local relationship. In multi-level governance theory, the concept of central-local relations refers to powers, authorities and tasks distributed among different tiers of government and interest groups in their pursuit of common goals. In line with this concept, the appropriate distribution of functions amongst different levels of government is required to produce mutual benefits between each level (Hague and Harrop, 2004).

2.2.2. A Long Debate: Centralisation versus Decentralisation

There has been a long debate about the appropriate distribution of powers and how to achieve better central-local relations. Thus, in the following section, the review focuses on these themes, using a multi-level governance framework. The two main sides of distribution of powers are a centralised system and a decentralised one.
2.2.2.1. Failures in Practices with Centralised Systems

The term centralisation refers to idea that a system is ‘centre-heavy’. According to Pollitt and Bouckaert (2011) and Mansour (2014), a centralised system in the context of public administration occurs when the decision-making process is made and terminated at the top of an organization, without any delegation of mandated tasks and authorities to subordinate or lower level divisions. It can be implied that in a centralised political system, the central government is actively involved in the decision-making process and service delivery (Cohen and Peterson, 1999; Boasiako and Csanyi, 2014).

It also implies that high and tight control, as well as direct intervention by central government to local government activities exists (see Porter and Olsen, 1976; Hague and Harrop, 2004; Alonso, Dessein, and Matouschek, 2008). Wong (1991), based on experience in China, argues that in a centralised political system, local governments play their roles as the agent of the central government and act according to its interests. Booth (2014) based on his understanding of practices in Indonesia, notes that in a centralised system, the central government fully controls all political, security, economic and social factors in local regions, whereas local governments have no opportunity to express their interests and the needs of local people.

From a fiscal perspective, a centralised system refers to a high dependence by local governments on central government funding. Bahl (2009) also points out that during the implementation of centralised fiscal policy in Indonesia and Pakistan, budgets became directly disbursed from the central governments to local governments, with no consideration of their needs and interests.
The supporters of a centralised system believe that this approach has some merits and benefits, including stability, improving efficiency by avoiding diseconomies of scale, imposing control and coordination, and promoting uniformity and equality. Scholars such as Hamlin (1991), Cremer, Estache, and Seabright (1995) as well as Mansour (2014), note that the centralised system has merits, including: building state unity and integration (on the political spectrum); delivering uniform and equal service across regions, creating more effective control over the lower levels of government and better coordination across sectors or divisions (on the administrative spectrum); as well as allocating fair financial and natural resources between regions (on the fiscal spectrum).

2.2.2.2. Decentralisation: Concept, Merits and Costs

There has been a failure of centralised systems in many countries, especially those in Latin America, Africa and Asia in the late 1980’s (see Conyers, 1983; Bardhan and Mookherjee, 2006; Faletti, 2010). As a response to the failure of this system, a new approach, a decentralised system of administrative, political and fiscal management, emerged and was popularly adopted. Conyers (1983), UCLG (2009), and Hill (2014) argue that this decentralised system became the latest fashion in administration in developing countries as a response to the failure of centralised systems.

2.2.2.2.1. Definition and Forms of Decentralisation

The term is defined differently by different scholars, depending on the areas, subjects and context in which the term is deployed. Smith (1985) notes that there is no single definition that can exactly represent the entire concept, given that it can be applied in a wide range of areas and can refer to various definitions.
In public management, the term is narrowly defined, and focuses on how managers acquire autonomy and flexibility to tackle their responsibilities, as well as gain bigger managerial authority and responsibility to achieve their organization’s goals. Polidano and Hulme (1999) point out that in decentralised management, public managers transfer their authorities to their subordinates and appointed agents.

This definition is also similar to that proposed by Pollitt and Bouckaert (2011), who argue that decentralised management in the public sector refers to situations in which managerial functions are delegated, to whom and to what extent. Pollitt and Bouckaert (2011, pp. 101-106) distinguish six categories of decentralisation commonly applied to most public organisations and countries: political, administrative, competitive, non-competitive, internal and external. The differences between these are shown in Table 2 below.

Table 2. Six Categories of Decentralisation

<table>
<thead>
<tr>
<th>Types of Decentralisation</th>
<th>Definition (Powers and authorities are given and transferred to...)</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Decentralisation</td>
<td>Appointed body</td>
<td>Central government passes its authority to a Corporation</td>
</tr>
<tr>
<td>Political Decentralisation</td>
<td>Elected political representatives at the lower level</td>
<td>Central government decentralises power to local governments</td>
</tr>
<tr>
<td>Competitive Decentralisation</td>
<td>Another body outside the organization which is competitively selected</td>
<td>Central government transfers authorities to local authority through competitive tendering</td>
</tr>
<tr>
<td>Non-Competitive Decentralisation</td>
<td>Another body outside the organization which is directly appointed</td>
<td>Health authorities transfer power to health providers</td>
</tr>
<tr>
<td>Internal Decentralisation</td>
<td>Division inside the organization</td>
<td>Managers have flexibility and less scrutiny from the principal officer in spending specific money.</td>
</tr>
<tr>
<td>External Decentralisation (Devolution)</td>
<td>External bodies or organizations</td>
<td>Transfer authorities from local education units to grant-maintained schools.</td>
</tr>
</tbody>
</table>

Adapted from: Pollitt and Bouckaert (2011, pp. 101-106)
Others have also defined and elaborated upon the concept. The World Bank (2003), Firman (2003), and Bardhan and Mookherjee (2006), for instance, distinguish four main spectrums of decentralisation: administrative, political, financial and spatial-economic.

There are alignments between the idea of administrative decentralisation and the definition proposed by Pollitt and Bouckaert (2011) in Table 2. It refers to how central government’s agents at the local level exercise policies and managerial tasks and make their own decisions without any specific permission from central government (Pollitt and Bouckaert, 2011). This administrative decentralisation refers to the notion of delegation in the classifications made by Rondinelli (1980) and Rondinelli and Cheema (2007) which occurs when powers and authorities are given by the central government to local authorities as the central agent, in order to run specifically mandated tasks.

Political decentralisation is defined with reference to the concept of multi-governance. It thus refers to the degree of autonomy and discretion in decision making that local government has. In this type of decentralisation, local governments are subject to no or less scrutiny and control from a higher authority. Treisman (2007) notes that in political decentralisation, the sub-national government has significant authority in policy making based on its needs and interests. Smith (1985) adds that the delimitation of territory and transfer of power from higher to lower levels are two main elements of political decentralisation. Hague and Harrop (2004) and Rondinelli and Cheema (2007) also classify types of political decentralisation, including: de-concentration, when the central government transfers powers to appointed local authorities and personnel who are still responsible to the central government; and devolution, where mandated functions of the central government are fully executed by local governments.
Furthermore, from a wider angle, political decentralisation can be seen as efforts to transfer powers to non-governmental actors and private sectors. It is usually signalled by bigger involvement and participation for the public in the decision-making process (Treisman, 2007; Boasiako and Csanyi, 2014). Salim and Kombaitan (2009), based on their observation of practices in Indonesia, argue that in a decentralised political system, local communities have more decision-making powers in determining their actions compared to in centralised system.

Two types of political decentralisation are distinguished by Campbell and Denezkhina (2009): vertical and horizontal decentralisation. The former occurs between different level of government, while the latter occurs when powers are transferred by government to non-governmental actors through processes of collaboration, networks and participation (Campbell and Denezkhina, 2009). This is in line with the idea of wider angle of political decentralisation as discussed above, Lockwood (2006) argues that through vertical and horizontal political decentralisation the preferences and interests of local governments and local people are taken into account.

Fiscal decentralisation refers to situations in which governments have some degree of autonomy and discretion to generate their own revenues and spend their own budgets. Treisman (2007), based on experiences in European, Asian and African countries, points out that fiscal decentralisation occurs when local governments have greater discretion and less scrutiny from central government to raise taxes (e.g. property taxes), charges, and other legal financial sources (e.g. selling bonds). Fengler and Hofman (2009) add that in a decentralised fiscal system, local governments have direct access to financial private markets, as well as the freedom to sell government’s bonds independent of central government. In this arrangement, local governments have the freedom to disburse their budget based on their own needs and interests (Fengler and Hofman, 2009).
Unlike in a centralised fiscal system, where accountability and administration on the use of money belongs to the central government, in a decentralised fiscal system, money and resources are distributed among different tiers of governments. Bahl (2009) and Gold (2010) note that the distribution of money among different levels of government in a fiscally decentralised system is done according with a particular trend. The trend begins with the allocation of more money to local governments through intergovernmental transfer, which decrease over time as more autonomy and discretion is given to local governments to raise their own incomes (Bahl, 2009; Gold, 2010).

The idea of fiscal decentralisation is also tightly connected to spatial decentralisation. While fiscal decentralisation allows local governments to manage their own fiscal resources, spatial decentralisation sees the resources and economic activities of the local level being managed by local government instead of monopolised by the central government. In this type of decentralisation, local governments manage economic activities and natural resources (Rondinelli, 1980; Firman, 2003).

2.2.2.2. Rationales of Decentralisation

As the definition and forms of decentralisation have been reviewed, in this part, the rationales behind a country’s decision to introduce and implement a decentralised system are observed and analysed. The rationales vary from one case and country to another. Three main rationales can be identified. The first is avoiding conflict among regions. This is done through placing a homogenous population in one homogeneous entity. This rationale is a political one: a state or country consists of heterogeneous ethnicities, cultures, religion, income levels and languages and some homogenous communities prefer to live in one area as one entity.
It is easier to communicate as one homogenous entity compared to a heterogeneous one. This, in turn, could reduce tension and avoid possible conflicts among different types of communities. Alesina, Baqir and Hoxby (2004) point out that some jurisdictions in the United States seem to sacrifice economies of scale in the provision of services to communities to avoid racial heterogeneity. Belgium, through a federal system, also divides its area into three main jurisdictions and gives wide autonomy to each region in order to avoid political and ethnic conflict and disintegration (Hague and Harrop, 2004). Although it is still debatable whether homogeneity can fully avoid potential conflict, this rationale becomes the main reason some through which countries, including Indonesia, justify a decentralised system.

The second rationale is preventing the dissatisfaction of local governments towards the central government, which could possibly lead to disintegration as the result of the unfair allocation of government budget. Within centralised systems in both developed and developing countries, resources are taken by central government from local governments (Bahl, 2009). This can be seen most prominently in those localities that produce valuable resources such as oil, gas and minerals. Often, all of these resources are taken by the centre without any fair mutual benefits to the regions that produce them. As a result, the dissatisfaction of those regions may increase. When such an arrangement can no longer be tolerated locally, separatist or secessionist movements may emerge, as has happened in some African and Latin American countries (see Oluwu, 2003; Mansour, 2014).

The third rationale is enhancing the quality of services, which may lead to an improvement in people’s quality of life. This rationale can be explained in three different ways: economies of scale, public choice and accountability. The first explanation emerges from discussions on public finance or fiscal federalism, as presented by Tiebout (1956), Oates (1972, 1999) and Brown and Jackson (1990).

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1 French-speaking Wallonia, Dutch-speaking Flanders and Brussels
The main argument is that decentralisation creates intergovernmental competition, which leads to more competitive and efficient local government. Tiebout (1956) argues that decentralisation policy promotes competition regional intergovernmental competition. This competition will encourage local governments to provide better, cheaper and quicker services (Tiebout, 1956). The most competitive local governments are those that can deliver services with the minimum level of taxes and charges (Tiebout 1956; Brown and Jackson, 1990).

That is why local governments should be efficient in attracting more people and investors to reside in their areas by promising effective and efficient services. Thus, more taxes and charges can be extracted from them. This explanation implies that to be competitive in delivering services, the size of territory should be optimal. It should be not too big, but it cannot be too small in order to avoid diseconomies of scale and negative externalities in service provision (Oates 1972, 1990; Brown and Jackson, 1990; Treisman, 2007).

The second explanation stems from public choice theory. The basic idea of this explanation is that decentralisation brings government closer to people. Here, local government is considered as the lowest level of government. This level of government is more reactive, sensitive and responsive to local needs and interests. Bardhan (2002) and Bardhan and Mookherjee (2006) argue that the lowest level of government is the most efficient tier to deliver services that best match local preferences and is best placed to garner real and accurate information from local people in the short term. In other words, in a decentralised system, local concerns are more equally considered compared to national interests.

Faguet (2004), based on practice in Bolivia, shows that decentralisation policy makes services (e.g. local investment, education) more responsive and better matched to the needs of marginalised people.
Boasiako and Csanyi (2014) refer to this as the local self-government principle. It means that any activities, whether in central or local government, should represent local people. From the top-down view, this principle can be seen to guarantee that central government will allow local governments and local people particular autonomy, while from the bottom-up view it refers to the political form of a local community (Boasiako and Csanyi, 2014).

However, this second explanation seems insufficient to explain the link between rationale of decentralisation and enhancement of public services. The third explanation, perhaps the most appropriate illustration to seek this link, emerges from accountability theory. The central premise is that decentralisation promotes high levels of accountability. Instead of following ‘a long route’, where accountability of providers of services to local people should be held by national policy makers, in ‘a short route’, accountability is only held by local governments (The World Bank, 2003; Ahmad et al., 2006). The distinction between the long and short route is presented in Figures 1 and 2 below.

**Figure 1 A Long Route of Accountability**

![Diagram of Long Route of Accountability](source)

Source: Adapted and Modified from the World Bank (2003, p. 6-10) and Ahmad (et al. 2006., p. 243-259)
With a short route, services are delivered quicker and cheaper. On the one hand, it is easier for local people to report on the quality of services that they receive, instead of reporting to the central government, which imposes a higher cost and takes a long time. On the other hand, it is easier to hold the (local) government to account and for central government to make sure services are being delivered appropriately.

**Figure 2. A Short Route of Accountability**

Source: Adapted and Modified from the World Bank (2003, p. 6-10) and Ahmad (et al., 2006, p. 243-259)

Faguet (2011), based on experience in Europe, Asia and Africa, highlights this logic by arguing that decentralisation policy will punish poor performing governments at elections. It means that decentralisation policy will improve the accountability and performance of local leaders through a form of political competition. Grindle (2007a) and Devas and Delay (2008) based on their experience in Eastern and Central European Countries and some Latin American Countries (e.g. Mexico, Columbia and Brazil) find that political decentralisation through local democratisation has a positive relationship with improvement of transparency, accountability and the performance of local governments in delivering services.
This potentially leads to effective and efficient public services (Grindle, 2007a; Devas and Delay, 2008). From this evidence, it can be seen that winning the election becomes a big incentive for Heads of Regions to improve their accountability and performance.

2.2.2.2.3. Potential Negative Risks of Decentralisation on Public Services

As discussed above, the supporters of decentralised systems believed that decentralisation creates: a more responsive and reactive government when it comes to service provision (on the administrative spectrum); more accountability, transparency, and participation in decision making (on the political spectrum); and more equal revenue sharing between the centre and periphery (on the fiscal spectrum). Moreover, thinking back to the argument that decentralisation increases the quality of services, it seems that those countries that decide to implement decentralisation policy expect an improvement in the quality of services.

However, in practice, there are not always so lucky, considering the potential negative risks associated such a policy. Robinson (2007) and Ahmad and Brosio (2009) show that the relationship between decentralisation and the improvement of public service is not robust. While in some developed countries, such as Spain and Switzerland, services improved in terms of quality and efficiency, especially in the fields of education, health and infrastructure, in developing countries, the results often show no improvement or things even become worse (Ahmad and Brosio, 2009).

Apart from no robust relation between decentralisation and improvement to public services, the risks and negative consequences of decentralisation also emerge. The rationales behind decentralisation often do not achieve the merits hoped for. These risks are related to inequality of resources and capacities, which leads to inequality of services.
As is discussed above, it is acknowledged that decentralisation policy gives more autonomy to local governments. Decentralisation also gives discretion to local government to deliver services, considering their own financial and human resources and capacities. Thus, rich natural resources regions have high levels of discretion to deliver better services based on the interests of their local people. In contrast, poor regions have many limitations in terms of fiscal and financial capacities. That is why the inequality of the quality of services among regions often can not be avoided.

Inequality becomes worse because the financial resources are also predominantly kept by the central government or rich local governments. As a consequence, resources among regions vary. This impact is upon the quality of services that can be provided by each region. Moreover, central government may not treat every region equally and may instead adopt of non-uniform policy in the delivery of services across regions when it legislates on decentralisation. Unlike in a centralised system, when there is persistence to maintain uniformity of quality of services across regions, decentralisation policy allows non-uniformity in service, to match the interests of local people and the local government's financial capacity (Breton, 2002).

For instance, in Indonesia, after the implementation of decentralisation policy, there was a big gap in terms of quality and capacity of human resources and local officials between regions, as noted by Fuhr (2011). This was compounded by an inability of the decentralisation policy to adequately distribute income from rich to poor regions. Homme (1995) refers to this as an additional danger of decentralisation. This inequality in terms of the capacity of fiscal and human resources leads to an inequality in the quality of service that can be delivered by each local government.
Similarly, Fuhr (2011) refers to this phenomenon as an inequality trap, where unequal service delivery can be received by people across regions as a consequence of different financial and human resources capacities of their respective local governments. Although these dangers and traps of decentralisation are not guaranteed to happen, as argued by Sewell (1996), these potential risks and negative consequences should be considered as a potential risk in the implementation of decentralisation policy designed to enhance the quality of public services.

Besides inequality of services as a consequence of differing level of capacities, high dependency of regions and local governments on the central government, particularly those with low fiscal capacity, cannot be avoided. ADB (2008) identifies some decentralised European and Asian Countries in which central government grants comprise more than 50 per cent of a local government’s revenues. For instance, 70 per cent of Indonesia’s local government’s income and 90 percent of that in Pakistan are transferred from the central government (ADB, 2008; Strategic Asia, 2013). In Indonesia, because most local government revenues come from central government, an increase in local government’s budget to deliver services will entail a higher transfer of grants.

As a consequence, it also increases dependency of local governments on the central government’s transfer of resources. This high level of dependency has the potential to downgrade the capacity of local government to rely on its own capacity. It is also blurs the meaning of local autonomy. Based on experiences in Latin America (e.g. Mexico), Grindle (2007b) calls these phenomena a ‘dependency trap’, whereby local governments cannot avoid a high level of dependency on the central government. This trap reduces the meaning of any autonomy that may have been devolved to local governments (Grindle, 2007b).
In addition, scholars also refer to less authority of the central government to control local governments, inefficiency in coordination between central and local government as well as unclear tasks between different levels of governments, as other negative consequences of decentralised system (Homme, 1995; Fuhr, 2011; Vazquez and Vaillancourt, 2011)

2.2.3. Improving Central-Local Relations

Aside from the debate on the merits and costs of centralised and decentralised systems, another issue in central-local relations is how to improve relations. Scholar note two ways: It is made through improving central-local relations communication between different tiers of government and finding balance (at the same time).

The first is by improving communication. As indicated by Sullivan and Gillanders (2005) and Laffin (2009), communication between the two levels is an indicator of the quality of relations. Sullivan and Gillanders (2005) and Li (2010) add that better mutual understanding and having the same voice and policy language when talking about and implementing policy are some indicators that improve central-local communications. This improved communication is aimed at improving coordination in executing policy or activities because they become the collective goals of both central and local government (Sullivan and Gillanders, 2005; Laffin, 2009). As a way to improve coordination, it seems that this approach tries to tap into the main strengths of the centralised system.

Another way to improve quality of central-local relations through the existing of performance management is by shifting power and authority from one tier of government to another.
The shifting of power as a way to improve central-local relations is done when the current division or distribution of power is considered unbalanced or has dissatisfied one or more parties (see Bardhan, 2002; Aspinall and Fealy, 2003; Mansour, 2014). Two common power shifts occur, wherein powers are either: re-centralised, where powers are transferred back to the centre by higher level of governments (see Porter and Olsen, 1976; Eaton and Dickovick, 2004; and Alonso, Dessein, and Matouschek, 2008); or de-centralised, where powers are distributed or shared to local authorities, lower levels of government or even non-government stakeholders as discussed above. Thus, this shifting of powers is aimed at finding a balance in terms of relations.

2.3. Performance Management of Local Governments: Concept and Elements

There needs to be a way to measure and manage the performance of local governments towards whom powers have been devolved. MSS becomes such a tool. Given that MSS is a form of performance management, the next section of this literature review with focus on the discussions surrounding performance management in the context of local government. The review begins by defining ‘performance of local governments’. Later, the concept of performance management is distinguished from the concept of performance measurement. Finally, the specific characteristics of performance management within the context of local governments in developing countries are also unpacked.

2.3.1. Defining the Performance of Local Government

The term ‘performance’ is found and used in every part of life.
Athletes commit to maintaining their performance during tournaments; students reveal their performance in class; and, on a larger scale, a country shows its economic performance through measures of gross domestic product. Dubnick (2005) associates performance with a wide range of actions, from simple ones, such as opening a car door, to more complicated ones, such as a musical performance, which implies a particular degree of intention that makes it distinct from ordinary behaviour.

Scholars have different interpretations of what performance is. As argued by Lebas (1995), there is no absolute definition about what performance is because it should be defined by its context. However, he indicates that the term performance refers to ideas concerning the efficiency and robustness of individuals or organisations to achieve particular objectives (Lebas, 1995). In line with this idea, Corvelec (1997) shows that in its simplest form, performance can be observed in many aspects of life and refers to the quality of actions of individual or groups. Dubnick (2005) and Van Dooren, Bouckaert, and Halligan (2010) offer a clearer definition of performance by defining it as the quality that results from intentional behaviour that allows the individual or organisation to successfully achieve their ultimate goals and targets. They also classify performance into four perspectives, shown in Table 3 below.

### Table 3. Four Perspectives of Performance

<table>
<thead>
<tr>
<th>Quality of Action</th>
<th>Quality of Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NO</td>
</tr>
<tr>
<td>NO</td>
<td>Performance as production (X1)</td>
</tr>
<tr>
<td>YES</td>
<td>Performance as competence/capacity</td>
</tr>
</tbody>
</table>

Adapted from: Dubnick (2005, p. 392) and Van Dooren, Bouckaert, and Halligan (2010, p. 3)
According to that table, the definition of performance in quadrant X4 is an ideal definition since it promotes more sustainable results compared to the other three definitions. This definition reveals that a high quality of actions leads to high achievement. From this definition, it can be also said that some elements of performance, such as the results of intended activities, have a future orientation, deal with the quality or capability of individuals and organisations and can be evaluated and linked with the achievement of particular goals or objectives. These elements are commonly adopted by scholars of management, both in the public and private sectors.

For instance, March and Sutton (1997) and Micheli and Mari (2014) define performance in both private and public management as a reflection of whether individuals, units or organisations are successful in achieve their desired intentions and expected purposes or goals. The concept of the performance in local governments also contains some general elements of performance above, although it is more specific to reflect the nature of the sector. The performance of local government reflects the performance of the public instead of private sector.

There are three characteristics of performance in the public sector that distinguish it from performance in the private sector. The first concerns the ultimate goal. Due to its nature, on the one hand, the private sector is always linked with profit and any achievement which can be converted into money. On the other hand, the goals within the public sector are not as clearly defined since the public sector itself covers a wide spectrum of activities to accommodate the different interests of varied stakeholders. Allison (1986), Boyne (2002) and Lane (2005) note that although the private sector has money as the ultimate goal that is not to discount the importance of money to those in the public sector, where concern with financial health may be important in how they achieve their goals and objectives.
This difference affects how the private and public sectors use performance measurement and management. While the private sector will focus on assessing its performance in relation to profit, the public sector considers a range of performance measurement and management tools that consists of both financial and non-financial aspects and multi-dimensional indicators.

The second characteristic of the public sector that distinguishes it from the private sector is its ownership, and the principals, stakeholders or actors that are involved. Rainey, Backoff, Levine (1976), Rainey (1990), Minogue, (1998) and Boyne (2002) note that owners within the private sector can be particular individuals or organisations, and that stakeholders can be limited in number, whereas ownership in the public sector is collectively embedded within political communities, which represent varied interests of the public and involve many stakeholders and actors with often conflicting interests. Since ownership in the public sector is more diverse, often there are many owners (principals) to which mandated people or bodies (agents) are accountable. As a result, the relationship among actors in the public sector, as well as between principals and agents, is more complex and difficult to hold to account. This also leads to the needs of public sector being set wider and more complex indicators being needed to measure, manage and assess their performance in order to accommodate the varied political interests and needs.

Lastly, the significant difference between the public and private sector are the forces that influence their performance. While the private sector is influenced by market forces, the public sector is mostly pressured by political powers and interests (Rainey, Backoff, and Levine, 1976; Boyne, 2002 and Christensen et al., 2007). The implication of this difference is that the private sector is more competitive; poor services will be directly shunned by users and customers and poor performers will not survive, leading to bankruptcy and takeovers.
In contrast, political powers in the public sector are often not too efficient and are not subject to the same competitive forces (Lane, 2005). This puts less pressure on the poor performers in the public sector compared to the private sector.

In spite of their differences, similarities can still be found. Murray (1975), for example, shows that management in both the public and private sector share commonalities, including: defining purposes; motivating staff; and measuring and managing the results.

Moreover, in reality it is often difficult to distinguish whether an organisation is public or private in nature; Jorgensen and Bozeman (2007), for example, argue that there is no organization which completely falls into either camp. In other words, they are quasi-public or quasi-private. However, understanding the specific criteria of the public and private sectors is still important, in order to understand why performance management differs in the two environments.

According to definition above, scholars such as Lane (2000a) and Knill and Tosun (2012) often refer to ministries and government departments, public hospitals and education institutes and state enterprises activities that bring benefits to and represent the interests of people and societies. Similarly, Lane (2000a, 2005) and Christensen (et al., 2007) point out that the public sector is a multi-dimensional aspect of the state’s actions, which generally is executed by the government through agencies and legitimate representation. In addition, within discussions on multilevel of governance, the public sector is often understood to refer to delegated offices of the central government at the local level, local governments and other public authorities (Hague and Harrop, 2004).
Thus, it also implies that local government is part of the public sector like other government agencies and performance in local government is part of the performance in the public sector. However, the performance of local government is more specific than in other areas of the public sector. This is for two reasons as discussed by Ammons (1995), Boyle (2000), Chandler (2007, 2009) and Morphet (2008). Firstly, most government activities, especially those related to direct and basic services, are administered and delivered by local government.

Secondly, the performance of local government is important and unique because it requires deep understanding of the interactions of various actors and stakeholders and the complex relations among them. Heads of Regions, local parliaments, local councils, local bureaucracies and local providers interact both amongst themselves but also with other important stakeholders, including central government, the private sector, academics and non-governmental agencies.

Related to the complexity of relations between actors in local government; Lane (2005) notes that there are two levels of relations between principals and agents in local government, compared to only one in central government. The types of relations and rules of games between local and central government are also varied. They could, for example, be unitary or federal, or centralised or decentralised. Furthermore, this complexity of relation and big roles of local governments are more likely to be seen in decentralised systems.

2.3.2. The increasing Importance of the Performance of Local Government

The raising importance of performance in local governments is tied up with the emergence of New Public Management (NPM) in the 1980s.
Early discussions on NPM as a concept, theory and governance approach were offered by Hood (1991), followed by other scholars, including, Barzelay (2001), Lane (2000b) and Stark (2002). In the US, the practice of NPM emerged during the Reagan’s administration, while in the UK it was Thatcher who turned the theory into practice. In the UK, it was signalled by the privatisation of state industry, followed by the application of a monetarist approach, which assigns a smaller role for the state (Seddon, 2008). Other OECD countries, including Australia, New Zealand and Canada, soon followed suit. It is now widespread across the world.

Lane (2005), in attempting to define NPM, says that the practice entailed therein tries to imitate and adopt the principles that dominate within the private sector. This includes a focus on organisational results and individual achievement. Rainey (1990) defines it as the stereotypical form of business management, while Lan and Rosenbloom (1992) and Pollitt (1993) label NPM as a form of managerialism and market-based public administration. Barzelay (2001) argues that adopting NPM in the public sector means transferring and converting values and approaches found in the private sector, including customer orientation and a bigger focus on results and outcomes. It also entails a change in values, from equity and security to efficiency and, with it, a focus on performance (Pollitt, 2001).

Furthermore, ‘results/achievements or performance oriented’ foci become universally adopted by public sectors in both industrialised and less developed countries that embrace NPM (Pollitt, 1993; Van Dooren, 2008). The existence of performance-oriented values is considered as the core of NPM paradigm (Van Dooren, 2008). By embracing NPM, performance becomes the main agenda in public sector reform, as well as the focus of public managers. The orientation of public managers goes beyond thinking about sufficient or appropriate decisions, but instead shifts towards a focus on outputs, outcomes and even impacts.
In other words, the emerging concept of performance entails a big leap and a milestone in the practice of public administration and management (Barzelay, 2001; Lane 2000b; Hughes, 2003). Radin (2000) and Flynn (2012) add that performance has, since the 1990s, become the main mantra of public sector management.

However, the adoption of performance-oriented values from the private sector to the public sector rarely occurs smoothly and entails significant impact. Ensuring the smooth adoption of NPM principles is problematic, and often highlighted by critics as one of its shortcomings. This is because the two are founded upon different principles (Kaboolian, 1998; Hughes, 2003, Greiling, 2006). This is why Bouckaert and Peters (2002) argue that NPM is the Achilles heel of administrative modernization. The key elements of NPM, such as performance measurement and management, if not adequately and appropriately used, can be potentially counterproductive. Instead of creating efficiencies, they can misguide and misdirect resources and activities (Bouckaert and Peters, 2002).

2.3.3. Performance Measurement and Performance Management of Local Government

How performance in the public sector, especially in local government, is measured and managed forms the basis of the following part of this review. Performance measurement in the public sector cannot be separated from that in the private sector. As noted by scholars such as Lebas (1995), De Bruijn (2002), Greiling (2006) and Phusavat (et.al., 2009), measuring performance in the public sector is similar to in the private sector (from which it has borrowed), and focuses attention on how to identify, measure and assess product or service quality and achievement in order to achieve future outcomes and inform future objectives.
As we saw before, the private sector is driven by financial concern, so performance measurement there aims to understand productivity, and can be quantified in terms of profit or loss. Indicators and instruments are defined in order to measure compliance with pre-determined targets in financial aspects (see Johnson and Kaplan, 1987; Leeuw, 1996; Chenhall and Smith, 2007).

However, as performance measurement in the private sector began to develop, a concern solely with finances did not provide a complete picture of the overall performance of the organisation in question, which lead to calls for additional indicators (Johnson and Kaplan, 1987; Leeuw, 1996). As a result, private sector firms now include non-financial components in their performance measurement, even though financial aspects still dominate.

The public sector has, since then, tried to adopt similar tools, instruments and indicators. It has now become similarly concerned with achieving the maximum output for minimum costs, which is why the early development of performance measurement in the public sector is also dominated by financial measures (Smith, 1990). However, due to the nature of the public sector, the non-financial aspects of performance measurement, similar to those more lately adopted by the private sector, are much more relevant to the public sector.

Scholars provide various definitions of performance measurement in the public sector, stressing the need for a combination of both financial and non-financial measures. Lebas (1995), Klerman (2005) and Micheli and Mari (2014) state that performance measurement allows for an accurate portrayal of the physical world in a quantified, observable and reproducible way. In line with this idea, Wilkinson (2005) notes that performance measurement in the public sector is a way to demonstrate and prove to the public what has been achieved and what the organisation intends to do in the future in both financial and non-financial aspects.
The indicators used should thus reflect measurable points and objective ways to assess and evaluate the progress of the organisation in achieving stated goals (Hoogenboezem, 2004).

Bouckaert and Halligan (2008b) then define performance measurement in terms of systematic data collection of performance outcomes made by governments and public bodies that is directed towards specific purposes and objectives. These purposes are aimed at quantifying progress as well as assessing and judging the success and failure of programs and activities (Ghobadian and Ashworth, 1994). This measurement covers a wide spectrum of activities from input, process/activity outputs and outcomes as well as financial and non-financial aspects and quantitative and qualitative aspects. Ball (1998) and Boyle (2000) point towards a change in the span of performance measurement used by the public sector since the emergence of NPM, wherein it has been transformed a focus on input, processes, financial aspects and quantitative measures to a focus on outcomes, outputs, financial and non-financial aspects, as well as combination of quantitative and qualitative measures.

Alike in the private sector, performance measurement in the public sector still refers on the 3 Es principle: effective, economics and efficiency. Jones and Pendlebury (2010) and Lane (2005) note that the idea of the 3Es refers to the simultaneous application of the principles of: ‘effectiveness’, the success or failure in achieving particular output; ‘economy’, a concern about minimising the use of input and resources, as well as ‘efficiency’, a comparison of output produced versus input used. In a similar vein, Hatry (1999), relies on the experiences on setting and assessing the performance of local governments in the United States, and defines performance measurement in the public sector as the assessment of how services can be delivered by local governments to their people, based these three principles.
Nevertheless, these principles are not sufficiently adopted by the public sector. Coombs and Jenkins (2002) add that particular values, such as equity, should be adopted in the public sector to distinguish it from the private sector and make performance measurement in the public sector has some characteristics that are unique. However, not all scholars believe that performance measurement will lead to an effective and efficient public sector and improved accountability. Greiling (2006) argues that the flaws specific to performance measurement do not lead public sector to be more effective and efficient, nor more accountable. Although performance measurement is necessary, it is insufficient to the improvement of performance, productivity and accountability of public organisations. It should be translated and converted into performance management.

To distinguish performance measurement and management and understand the link between the two, it is necessary to firstly define what it meant by performance management in the public sector. De Bruijn (2007) and Gao (2015) define performance management in public sector as the way public managers measure performance and use the results as a starting point to improve performance in the overall management of public organisations. Similarly, Pollitt and Bouckaert (2011) add that in performance management, information that is gained from measuring performance through particular tools and indicators is used in every cycle of management.

In the context of local government, Rogers (1999) defines performance management as a set of tools and techniques used by politicians and public managers at the local level to manage the performance of powers and authorities that have been devolved to them. Pillay and Subban (2007), based on the experience in local government in South Africa, add that performance management is an active process, in which strategy and action is determined on the basis of the results and information obtained from measuring performance.
They argue that it helps to improve productivity, performance and internal management as well as the changing behaviours of stakeholders over time (Pillay and Subban, 2007).

Thus, this performance measurement is not the same with the performance management but it is a necessary element of performance management. Performance management has a broader meaning than performance measurement. It means that results and information from measuring performance is used in every step in the cycle of management, whether planning, budgeting, implementation, monitoring and evaluating the public organisation. It is aimed to influence the behaviour of organisations and individuals in public organisations in the short-term, as well as help achieve the organisation’s goals in the long run. Thus, there should be elements that convert and translate the results of measuring performance into an overall management strategy.

Askim, Johnsen, and Christophersen (2008) and Bouckaert and Halligan (2008a) argue that the way to manage performance should be on the basis of measurement, translating results into usable information and sharing that information with decision makers. Furthermore, Milward and Provan (2000), as well as Braun and Guston (2003), stress the importance of a ‘clear’ principal and agent relation, where the relations between principal and agent in using performance measurement should be attributed and accompanied by a set of proper enforcement practices and incentives. These ensure that the agents will do the best for the principal's interests and that the principal will be prevented from shirking and cheating (Milward and Provan, 2000; Braun and Guston, 2003). This will also ensure that the results from measuring performance will influence the public organisation’s overall management (Milward and Provan, 2000; Braun and Guston, 2003).
Similarly, Forbes, Hill, and Lynn (2006) and Van Dooren, Bouckaert, and Halligan (2010) indicate the three main elements that should be incorporated to translate performance measurement into performance management: sharing information, effective use of information and proper and appropriate enforcement of measures and incentives. The way performance measurement is incorporated into management can be shown in Figure 3 below and is elaborated in the following section.

**Figure 3. Incorporating Performance Measurement and Management**

![Figure 3. Incorporating Performance Measurement and Management](image)

Adapted and modified from: Van Dooren, Bouckaert, and Halligan (2010, p.6-7)

### 2.3.3.1. Information Sharing

The first element of performance management is information sharing. Drewry, Greve, and Tanquerel (2005) and Moynihan (2009) argue that managing performance could only work if the information from performance measurement is shared and communicated in the decision-making process.
Similarly, Burgess, Wilson, and Worth (2010) and Van Dooren, Bouckaert, and Halligan (2010) note that supplying valid credible and sufficient performance information in to stakeholders and users becomes pivotal incorporating performance measurement and management and ensuring that performance measurement can influence behaviour.

From this, we can see that information sharing, whether internally and externally, is required to incorporate the results of measuring performance into management action. At the local level, internally, information can be shared between local bureaucrats and local providers and Heads of Regions.

Externally, this information is shared between local governments as agents to central government, local parliament and local people as principals. For instance, to local people, the information about the results of measuring performance could be used to observe the extent to which citizens receive adequate basic public services (Funfgeld, Lucking, and Platte, 2012; Brinkerhoff and Brinkerhoff, 2015). When this kind of sharing is done properly, it seems reasonable to expect that a change of behaviour of both principals and agents could occur (Jacobides and Croson, 2001; Pollitt, 2006; Askim, 2008 and Moynihan, 2009)

2.3.3.2. Incentives

The second element is incentives. Simply put, incentive can be defined as external or internal factors that motivate people to act (Clark and Wilson, 1961; Laffont and Martimort, 2009; French, et al., 2011). Typically, the purview of economists, incentives are said to guide how people will respond to a given situation (Mankiw, 2001).
However, the term is used in many other aspects of daily life. The concept is also popular in the public sector. The idea of incentives shapes and develops the theory and practice of public organisations and performance management in the public sector.

In the public sector, the idea of incentives was first discussed by Taylor (1911) and borrowed heavily from the discussion in the study of management. Incentives in this sense refer to the rewards or compensation that motivates employees to perform well in tasks mandated by leaders and managers. Heinrich and Marschke (2010), Maynard (2011) and Burgess et al., (2012) note that incentives, rewards or compensation aim to motivate both the organisation as a whole and the individuals that make up the organisation.

Clark and Wilson (1961), Baker (1992), Litwack (1993) and Swiss (2005) note that through incentive systems, individuals in an organisation will expend significant time and efforts to achieve the goals of organisation and changes their behaviour to continually improve the performance of the organisation. This stems from a belief that performance in the public sector cannot be managed well and workers cannot be motivated if not supported by proper and appropriate incentives. O’ Brien (2007) and Rothstein (2008) apply these ideas in their illustration of performance incentive for enterprise production in USSR, the National Health Service in the UK, for bus drivers in Chile, and for the education sector in France.

In management of the public sector, scholars such as Crewson (1997), Jennings and Haist (2004), French (2011), and Greenberg (2011) use the term incentive interchangeably with rewards, while other scholars like Moorhead and Griffin (2012) make a clear distinction between the two terms. Rewards are the umbrella of all efforts to induce, encourage and motivate people to perform desirable action, while incentives are one important aspect of rewards (Moorhead and Griffin, 2012). For the purpose of this thesis, both terms will be used interchangeably.
Scholars of public economics and management have identified two common types of incentives. The first is a financial incentive, i.e. those that can be converted into monetary values of money which have tangible characteristic. Clark and Wilson (1961) and Burgess and Ratto (2003) note this type of incentive as material incentives when it is tangible, in the form of money or it can be translated into money such as wages, salaries, bonus, increase in budget, autonomy to manage money, long term compensation, and merit-based payment.

Swiss (2005) classifies it more detail by dividing the financial incentives into budget-based incentives and personnel-based incentives. He continues that budget-based incentive allocate higher budgets to those who can perform well and lower budget to those who perform badly; while personnel-based incentives are given specifically to individuals or groups/teams (Swiss, 2005). The main differences between those two types of financial incentives are their effect. It can be seen that budget-based incentive has macro effects while personnel-based incentives have micro level effects.

The second type of incentive is the non-financial or non-material incentive. This kind of incentive is intangible and it is often difficult or impossible to convert it into a monetary value. Lin (et al., 2011) and Maynard (2011) note that trust and empathy between patient and health-care workers, working conditions, social amenities and safety concerns are all examples of non-financial incentives in the public health sector. Wilson (1989) also notes that occupational rewards, limited memberships, specialised educations and code of conducts are also examples of non-material incentives. Classifications of non-material incentives have been made by scholars. Based on from where the incentive originates, non-financial incentives have been distinguished by Deci, Koestner, and Ryan (1999) and Swiss (2005) into two types: intrinsic and extrinsic incentives.
The former refers to factors that could influence the psyche of an individual to perform a particular action, such as self-assessment. Extrinsic incentives are external to the individual, and include things such as recognition, receiving praise and being bestowed with titles (Swiss 2005). Clark and Wilson (1961) add that intrinsic incentives can be seen as solidarity incentives, which associate members of a group with one another in a tightly bound relationship. Extrinsic incentives can be compared with purposive incentives, and refer to the achievement of particular purposes, including awards, praise, and compliments (Clark and Wilson, 1961; Swiss, 2005). These incentives can also involve a combination of financial and non-financial aspects. Lockwood and Porcelli (2013) show in the case of the implementation of Comprehensive Performance Assessment (CPA) in UK local governments a number of incentives are offered by the central government, including eliminate fencing grants and a 3-year exemption from audit and inspection.

Another classification can also be made based on the expectations and motivations of each actor vis-à-vis the incentive. At least two types of incentives can be identified from this perspective. The first is a political incentive. As discussed above, this incentive is aimed to increase the chances of politicians winning an election. The understanding of political incentives relies on rational choice theory’s understanding of utility and interest maximisation. As argued by scholars such as Grindle (2007b) and Carino (2007), political incentives will motivate politicians to seek popularity in order to win the elections. In case of local governments, Head of Districts/Municipalities and Mayor or Governor, will maintain or even improve their performance and accountability and ensure the performance of bureaucracy, as to do so will increase their chances of re-election. This is why, as discussed above, scholars such as Devas and Delay (2008), Faguet (2011) and Schulze and Sjahrir (2014) also note that local democratisation could be an incentive for Heads of Regions to deliver the best public services with the greatest level of accountability.
The second type of incentive is the individual and organizational incentive. These kinds of incentives are also based on rational choice theories, which argue that every individual is trying to maximise their self-interest and preferences. For instance, Niskanen (1968) argues that bureaucrats tend to maximise their budgets when dealing with politicians and exploit any weaknesses in the system in order to bring benefits to themselves.

Two rationales of individual and organizational incentives can be identified. Firstly, the incentive is important in preventing workers or agents negatively shaping behaviour or manipulating managers or principals in fulfilling their own interests and preferences. Since it is assumed that agents are relatively more expert and have greater knowledge and information than principals, proper incentives are required to minimise the change that agents will exploit performance weaknesses and minimise their chances of gaming and manipulating principles (Lane, 2005; Laffont and Martimort, 2009).

In other words, if incentives work well, they can prevent rent-seeking by the agent to the principal. The basic argument of rent-seeking was developed by Tullock (1967, 1971) who argued that individual private sector attempts to influence decisions made in the public sector (government) when allocating resources. In the context of the principal agent-relations that have been discussed above, rent seeking concerns how the individual or agent reaps their own benefits by manipulating situations and the flow of information from their principals. Cartier-Bresson (1997) and Lambsdorff (2002) note that rent seeking can lead to corruption in situations where the agent trespasses information and rules that are set by the principal for their own benefit and causes worse impacts to public welfare. Thompson (1993) also notes that the corruption caused by rent seeking is bad because people privatised public wealth for their own benefit. He also added that most rent seeking is caused by ineffective incentives (Thompson, 1993).
Lambsdorff (2002) gives examples from the public section of types of rent-seeking that lead to corruption. These include lobbying, manipulation and free-riding, all of which could lead to personal benefit at the expense of public benefit (Lambsdorf, 2002).

On the other hand, from a more optimistic perspective, effective individual and organisational incentives are essential in ensuring that performance measurement is well implemented and can positively influence organisational behaviour and significantly improve their performance. Thus, the organisations and target setter should provide such appropriate and proportional incentives to the individual and organisation as a whole (see Locke and Latham, 2002; Swiss, 2005; Heinrich and Marschke, 2010; Lin et al., 2011, and Lockwood and Porcelli, 2013).

The discussion above illustrates effective incentives. They highlight proper and appropriate incentives that are able to encourage and endorse workers or agents to improve performance, change their behaviour for the better and prevent them from manipulating either the organisation or their principals by engaging in rent seeking. Lockwood and Porcelli (2013) give an example of effective incentives in CPA (e.g. exemption of audit) which is successful in improving the performance of councils and service quality, even if it is still ambiguous on efficiency of services. However, ineffective and/or sub-optimal incentives potentially appear. Scholars such as Burgess (et al., 2012) often refer to these types of incentives as disincentives. One example of these incentives is where incentives are not given to those who achieve high performance but instead to those whose really need then. In other words, it is given not to champions.
2.3.3.3. **Enforcement**

The last element to consider is enforcement. Enforcement includes routine monitoring, evaluation and auditing, as well as consistent and strong sanctions or punishments. In terms of principal-agent relations, enforcement refers to ensuring the compliance and accountability of agents to reflect the interests and preferences of principal (Jennings and Haist, 2004).

These all function to improve the effectiveness of performance measurement and influence the behaviour of organisations and individuals. In the case of local government, through the enforcement of performance measurement it seems reasonable to expect that local government fulfils and responds to the interests and aims of its multiple stakeholders (i.e. central government, local parliament and local people).

The next important question is how enforcement can be initiated and built. It can be explained with reference to institutional theory, particularly its sub-strand, theory of isomorphism. Institutional isomorphism as a concept was pioneered by scholars such as Kanter (1972) and DiMaggio and Powell (1983, 1991). This concept reveals a process of enforcement whereby one unit within a population become similar to others that face similar conditions and pressures (Kondra and Hinings, 1998). It also provides a framework to understand the kinds of external forces that pressure an organisation and how an organisation responds to them. Ashworth, Boyne, and Delbridge (2009) show that institutional isomorphism is a useful way to understand organisational change, because it focuses on understanding what kinds of external forces put pressure on the organisation.

Three main streams of institutional isomorphism are illustrated by Kanter (1972), and DiMaggio and Powell (1983, 1991).
The first stream is coercive isomorphism. Here, pressure comes from dominant stakeholders on the top level of an organisation or from regulatory pressure. In the case of local government, the pressure mostly comes from the higher level of government. Pressure to demand the compliance and accountability of local government is mostly generated by the central government and is sometimes enforced by local parliament. Scott (1987) argues that this is a way for one organisation that has the power to do so to impose an organisational structure on one that is subordinate. Coercive isomorphism thus depends on the surrounding environment of the organisation (Frumkin and Galaskiewicz, 2004).

In the case of public services in Indonesia, pressure comes from higher level of authorities through political influence, as well as formal and informal external pressure from other organisations (Pilcher, 2011; Akbar, Pilcher, Perrin, 2015). DiMaggio and Powell (1983) add that fiscal years, obligations to produce annual reports, financial reporting requirement, and other processes of scrutiny, evaluation and regulation on public sectors are some examples of coercive pressure in public sector management.

In the case of local government, Akbar, Pilcher, Perrin (2012, 2015) note that through coercive isomorphism, organisations like local government tend to adopt similar performance measurement in order comply with particular rules and regulations imposed by central government. Brignall and Modell (2000) and Modell (2001) argue that even in decentralized systems, where power has been devolved to local governments, central government still has great coercive power to influence local government.

The second stream is mimetic isomorphism. Here, the organisation tends to mimic and resemble practices of organizations in their group with which they share similar characteristics.
The process of mimicry is performed in order to gain legitimacy for stakeholders and respond to pressures from and changes to the external environment (DiMaggio and Powell, 1983; Pilcher and Dean, 2009). Here, pressure to change comes from decision makers inside the organization. Scott (1987) sees it as a process whereby decision-makers inside the organization attempt to adopt their own institutional design model by copying similar organization in their group. Lapsley and Pallot (2000) and Akbar, Pilcher, Perrin (2015) show that isomorphism in local government emerges when local governments tends to mimic other local governments.

The last is normative isomorphism. Di Maggio and Powell (1983, 1991) and Dacin (1997) see this type of isomorphism as the enforcement effect of professional associations, best practices of other organization, normative guidelines as well as formal education. Unlike, coercive pressure, where enforcement is compelled upon subordinates, here the subordinates will voluntarily respond. Normative isomorphism can stem from an organization’s consultants, academic qualifications, research, conference attendance held to exchange information among organizations.

This normative pressure emerges through the sharing of unspoken and expected norms and through social pressure (Mizruchi and Fein, 1999; Ryan and Purcell, 2004). In case of Indonesian local government, the pressure to use performance measurement is endorsed by professional organisations, such as associations of provincial and district authorities, and universities (Akbar, Pilcher and Perrin, 2015).

2.3.4. Performance Management of Local Government in Developing Countries

There are also specific characteristics of public sector performance in developing countries that need to be outlined. We can talk of three specific characteristics.
Firstly, the public sector in developing countries is limited in terms of financial resources and budgetary capacity. These are the reason why NPM in developing countries will not lead to similar results to those seen in developed countries. They also explain why performance measurement and the creation of good performance management in the public sector in developing countries are not as easy as it is in developed countries. Schick (1998) notes the constraints and limitations in using performance management in the public sector in developing countries, whether in central or local government, arguing that these bodies are frequently characterised by limited budget capacity, economic instability and low revenue streams.

Secondly, there are questions over good governance. Mimba, Van Helden, and Tillema (2007), Hopper (et al., 2009), and Silitonga (et al., 2016) argue that the practice of performance measurement and management in developed countries such as Indonesia and Chilean are characterised by widespread corruption. This is compounded by a lack of monitoring, evaluation, auditing, inspection or even supervision (see Mimba, Van Helden, and Tillema, 2007; Hopper, et al., 2009; Hudaya, 2014; and Silitonga, et al., 2016).

Scholars and international agencies such as Polidano (1999), Hope (2001) and The World Bank (2004) also note that the public sector in developing countries in Asia and Africa is characterised by a lack of transparency and accountability, making it a more challenging environment to manage. Van Rijckeghem and Weder (2001) add that severe poverty, combined with the low income of civil servants, are the main reasons why corruption becomes more common in the public sector in developing countries. Polidano (1999), Hughes (2003) and Tillema, Mimba, and Van Helden (2010) note that the unsuccessful application of NPM in developing countries compared to developed countries, particularly the use of performance measurement and management, is caused by bad governance and rent-seeking.
Finally, there is a low of commitment of leaders and a lack of capacity of operators in both the central and local level. This impedes the implementation of NPM, especially performance measurement and management. This is not unique to developing countries but is only more widespread. Theurer (1998) shows lack of commitment of leaders and low capacity of personnel to set, develop, assess and supervise the measurement of performance in a number of US cities, for example. However, these problems are worse in developing countries. Manning (2001) adds that NPM is underperformed in developing countries since it is not supported by sufficient capability and commitment of government.

Dean (1988), Batley and Larbi (2004) and Mimba, Van Helden, and Tillema (2013) show that problems of low institutional capacity, caused by a low staff capability and inadequate technologies and equipment, becomes the biggest constraints to applying NPM and performance management in developing countries. Mimba, Van Helden, and Tillema (2007) continue that this low institutional capacity causes a limited supply of correct and appropriate information on the performance of the public sector in developing countries, making it difficult to meet the needs of citizens.

### 2.4. Models of Performance Management of Local Governments Designed to Enhance the Quality of Services

Aside from understanding the definition of performance management of local government and its specific characteristics in developing countries, it is also necessary to understand and observe various performance management models of local governments. However, there are no studies who that directly illustrate the performance management model of local government. We illustrate performance management of local government as performance management of the public sector.
Thus, it is necessary to review the model of performance management in public sector in order to understand performance management at the local level. By reviewing this model, the characteristics and how the model works could be clearly identified and understood.

Scholars often label performance management models in the public sector as performance management regimes. These regimes refer to characteristics of how public-sector managers set, measure and manage performance in line with changing ideologies, paradigms and system thinking (see Seddon, 2008; Talbott, 2010). These models tend to change dynamically in any given country from one period to another, although there is always the possibility that any change does not remain in place for a considerable length of time. The regimes used often vary between different countries, yet there may also be similarities in the systems used. Regimes can be applied at either national or local levels.

Of the many ways of classifying and categorising the performance management regimes used in the public sector, particularly in the context of how they deliver services, three main types of performance management regimes or models are identified: top-down, bottom-up and quality assurance or standards. These models are subsequently classified based on their definitions, forms of indicator and on the mechanism (s) by which performance management is expected to work, as well as the three main elements of performance management: enforcement, incentives and information sharing (orientations).

2.4.1. Top-Down Regimes/Model

The first type of performance management regime or model seen in the public sector is the top-down regime. This type of regime is referred to differently by different scholars. Seddon (2008) refers to it as a ‘command and control’ regime, while Bevan and Hood (2006a) label it as a ‘terror and target’ regime.
This type of regime refers to the use of authorised rules and order to measure, assess and manage overall performance (Bevan and Hood, 2006a; Seddon, 2008). In the public sector, this type of regime originally mimicked the nature of bureaucracy as presented by Frederick Wilson Taylor (1856–1915) and Max Weber (1864–1920) and was characterised by hierarchical order and top-down decisions and aimed to control instead of improve processes.

Seddon (2008) listed some of the characteristics of a command and control regime, including its top-down and hierarchical perspectives, its extrinsically derived motivation and its focus on productivity and output measurement and management. In other words, this top-down approach is characterised by the presence of high pressure and tight controls that emanate from the top level of the organisation with the aim of managing the performance of lower levels.

Target systems and ranks or league table are the most common and popular instruments of the top-down regime in managing performance in the public sector. They are the key elements, tools and instruments of management for results in command and control systems that are commonly and popularly applied in many nations in the world (Swiss, 2005; Moynihan, 2006; Seddon, 2008).

Related to the first instrument target, it may be defined as a desirable, expected and intended point, value or level that should be achieved and fulfilled as part of an effort to achieve an organisation's overall objectives and goals. This is supported by Boyne and Chen (2007) and Hood (2007), who point out that a target, as an agreed and desirable point, can be used as a means of demonstrating progress once an initial starting point or threshold has been determined.
Moreover, Hood (2007) classifies targeting alongside ranking and intelligence as one of the key tools of performance management, one which has become a central theme within contemporary reform in managing the performance of the public sector throughout the world by utilising numbers. However, Hood (2007) distinguishes targeting from ranking. While targeting measures and manages actual performance against certain specified standards or thresholds, ranking measures and manages performance against another unit (Hood, 2007). Hood (2007) also highlights that with a target system, any change in performance that is achieved in a particular period is reflected through specific measurements, such as percentages and ratios, examples of which could include savings efficiencies or staff reduction during a budgetary period. In the UK public sector, the measurement of the performance of hospitals and health services using a star rating system is an example of the use of targets in practice (see Bevan and Hood, 2006b).

Targeting has a number of characteristics. As part of a command and control regime, the aim of the target is to control, press and steer in order to improve performance and maintain accountability. This is in line with the argument of Boyne and Chen (2007) that a target, as a clear reflection and representation of the objectives of an organisation, should be specific, selective, focused, measurable and rational so that it can be used to direct and control an organisation to enhance its performance and improve accountability. De Bruijn (2007) argues for the benefits of imposing targets to improve performance in the public sector, saying that it can: acknowledge the gap between the current and desirable performance; allow others to check and control whether the ultimate goals have been achieved or not; and allow others to compare between units.

Boyne and Chen (2007), based on the analysis of the exams result in 147 English local schools, proves that the presence of target positively influence the performance and accountability of public schools.
Because of its great benefits, Barber (2007), based on practice in the UK public sector argues that there is no business in its right mind that would operate without a target.

Moreover, targets have both internal and external functions to fulfil (see James, 2005; Bevan and Hood, 2006a, 2006b; Hood, 2007; Guilfoyle, 2012). In terms of their internal functions, targets are set by individual units themselves and are aimed more at internal improvement. Information is also only shared internally among them. On the other hand, in relation to their external functions, targets involve both the parties for whom they are set and those who set them, notably those in positions of higher authority.

They are also used to hold the lower levels of a public organisation accountable to higher levels. Thus, targets are routinely used in conjunction with indicators that are set by higher authorities as notifications and markers to indicate whether or not targets have been met by the lower authority (James, 2005; Barber, 2007).

It is also known that targets are aimed at encouraging the achievement or attainment of a maximum number of points and values. In the context of public services, these maximum points or values may relate to outcomes, outputs, process, inputs or even coverage (Ball, 1998; Andrews and Shah, 2003; Boyne and Chen, 2007). As they are mostly mandated by higher authorities, strong systems of enforcement and incentives are required.

We also know that targets are also tightly related to the capacity of those they are meant to influence. Scholars define capacity in various ways. For instance, Brown, La Fond and Hill (2001) define capacity as the required ability of state or organisation to achieve their objectives; while Hildebrand and Grindle (1997) note it as the ability of public organizations to fulfil particular mandates and tasks that they have been assigned.
Related to targets, scholars believe that the capacity be considered in imposing targets. The failure to understand and recognise the current capacity of an organisation when imposing target, will lead to a failure to achieve expected results and goals (Berman and Wang, 2000; Ingraham and Donahue, 2000; McAdam, Shirley, and Casey, 2005). As Seddon (2008) argue, if targets are set ‘over’ capacity, cheating will become a rational strategy, the figure will be manipulated and pessimism will emerge. Otherwise, if it set ‘below’ capacity, there is no incentive to improve (Seddon, 2008). Theurer (1998) adds that most public managers often forget or ignore the capacity of themselves and their staff when setting performance measurement and management targets.

Another tool used as part of a top-down approach is the rank or league table. This is one of the tools of performance management that is commonly used to improve the performance of individuals/organisations in delivering services by measuring them against other individuals/organisations. According to Hood (2007), both targets and ranks are aimed at managing performance utilising number. However, unlike targets, which are measured against particular standards or thresholds, in a system of ranking, measurements are made against other (competing) units and are typically presented in order of achievement (Hood, 2007).

League tables are frequently used in a number of aspects of daily life. In the public sector, however, league tables are specifically used to compare and display the performance rankings of public organisations (Adab et al., 2002). In the public sector in developed countries such as the UK and US, this type of system is commonly seen in the context of education and health care (see Yorke, 1998; Bevan and Hood, 2006b; Bevan and Wilson, 2013). The principle of the league table is simple. The performances of individuals/organisations are measured and identified prior to being ordered according to their rank.
The rankings are then published, with the hope that it will encourage the lower-ranking individuals/organisations to improve their performance. There may be a level of embarrassment or shame caused to the lowest-ranked individuals/organisations, who will, it is argued, be motivated to make extra effort to improve their performance and thus move up the rankings.

In contrast, the system is designed to encourage the top performers to maintain their position as the best, thereby ensuring that there is tough competition. It is this element that leads this type of performance regime to also be referred to as ‘naming and faming’, ‘saints and shaming’, ‘naming and shaming’ or ‘attention aversion’ (Morrison, Magennis, and Carey, 1995; Adab et al., 2002; Seddon, 2008; Goldstein, 2014). Scholars such as Barber (2007) as well as Bevan and Wilson (2013) refer to this instrument as ‘devolution and transparency’ or Transparency Public Ranking (TPR), on the assumption that the individual/organisation will quickly respond to those which threaten their reputation, careers, incomes and wealth.

Like targets, they also play a role in driving performance improvements. However, it is done through order and the naming and shaming mechanism. Poor performers are thus forced to improve their performance, while the best performers are pressured to maintain their levels. As part of a top-down regime, enforcement comes both from higher authorities, who are responsible for actually setting the rank, and from the broader customers and audiences, as confirmed by Bevan and Wilson (2013) and Goldstein (2014). Here, maximum achievement is also expected.

However, unlike targets, information from league tables is routinely shared both internally with those who mandate the performance and also externally to the public.
But, similar to the case with targets, a system of league tables also demands relatively strong enforcement and appropriate incentives to support its effectiveness in order to enhance the performance of the organisation.

The effectiveness of the league table is also contestable. It sometimes effectively works in one sector, area or level of government while it does not work well in others (Seddon, 2008). The strength of this approach is its simplicity. Based on the experience in the UK health service, Adab (et al., 2012) argues that this method is user friendly and easy to interpret but has the ability to force the organisation to quickly respond.

However, scholars also found some weaknesses of this approach in terms of technical ways involved in comparison as well as the operational costs associated with monitoring that can make this approach ineffective. Based on league table of public universities in the US, Yorke (1998) and Adab (et al., 2002,) note the difficulties of choosing the appropriate comparison indicators, the problems with simplifying indicators and the opportunities for manipulation and gaming. Bevan and Wilson (2013) add that because the league table regime often entails high costs in terms of monitoring, updating performance and tables, setting appropriate rewards for the top performers and punishing those who perform badly; this regime is sometimes ineffective and unpopular among local governments in the UK.

2.4.2. Bottom-Up Regime/Model

The second regime is the bottom-up approach. In a bottom-up approach, in contrast to a top-down one, the performance of the lower level of an organisation as the object of measurement receives less pressure and scrutiny from the upper level. This model refers to the spontaneous and voluntarily roles of stakeholders to manage and enhance the performance of units or organisations.
Seddon (2008) argues that when considering the pitfalls of a command and control regime, the use of system thinking and voluntary approaches may be better alternatives than trying to refine targets where there are no methods to do so in order to prevent the possible emergence of negative consequences. This voluntary approach refers to bottom-up regimes or models in performance management.

The two main instruments and tools that can be identified from this approach are the intelligence and the benchmarking system. The first is intelligence, which Hood (2007) classifies as one type of performance management that relies on the use of numbers. It is used to manage and enhance performance in the public sector by providing background information to improve performance. Unlike the two other types of performance management that use numbers, that is, targets and ranking, intelligence reflects those characteristics of the bottom-up approach that are more voluntary and involve less pressure to achieve results and enhance performance, as indicated by Hood (2007).

Similar to the first instrument, the second instrument is benchmarking. The idea behind this instrument is learning and mimicking. Through benchmarking, units or organisations identify the strengths of their competitors and learn from them to improve upon their weaknesses. Holloway, Francis, and Hinton (1999) and Folz (2004) define benchmarking as efforts to understand and measure an organisation’s current status and enhance its performance through a continuous learning process, cooperation and interaction across a network.

In the public sector, Askim, Johnsen, and Christophersen (2008) and Ammons and Roenigk (2015) define benchmarking as performance management carried out through measuring and comparing the current performance of an organisation with those that are the best in their class.
The aim of this comparison is to learn, innovate and improve the organisation’s overall performance (Askim, Johnsen, and Christophersen, 2008; Ammons and Roenigk, 2015). Ammons and Roenigk (2015) argue that although benchmarking can be categorised as a form of institutional isomorphism, it should be clearly distinguished from broader mimetic and normative types as discussed by Dimaggio and Powell (1983). While it could possibly involve the mimicking of mediocre or average performance, benchmarking should involve learning from the best, i.e. those which have been proven to demonstrate superior results and become top-performers in their fields (Ammons and Roenigk, 2015).

Types of benchmarking that can be identified include comparison of statistical data, visioning initiatives and best-practice benchmarking. However, an interesting point is the existence of similarities between the characteristics of one type of benchmarking, that is, comparison of statistical data, with intelligence (Hood, 2007).

Ammons and Roenigk (2015) define the comparison of statistical data as a form of benchmarking made by individual governments, agencies or groups of governments to compile, share and compare performance standards or statistical data about their performance with the best performers in relation to a particular agreed statistical measurement. According to this definition, benchmarking appears to be identical to the management type put forward by Hood (2007) in the sense that it tries to gather background information of an organisation’s performance and those of their top competitors, find the gaps and begin to learn their weaknesses and, ultimately, enhance performance.

These definitions imply that intelligence and benchmarking are bottom-up regimes of performance management in the public sector. Firstly, they provide such information for benchmarking and internal improvement, which is more internal in its orientation.
They also reflect the characteristics of bottom-up performance management regime because they point towards an organisation’s greater reliance on self-compliance and motivation to improve its performance through the provision of information and imitation of the best performers.

Related to incentives, enforcement and sharing information, elements of performance management, it can be seen that information is shared externally but that access to such information is limited to those who really need it and who want to learn from the best performers. Since this method relies on self-compliance or motivation, less enforcement is required. Finally, incentives are useful although not strictly necessary.

2.4.3. Quality Assurance/Standards

The last regime is quality assurance or standards. Bouckaert (1995), in the context of public services in European countries, states that quality standards refer to qualitative and quantitative measurement that can be assigned and which can be meaningful. Meaningful measurement highlights that which is valid, stable across place and time, significant to the organisation’s functions and legitimate to the organisation’s existence (Williamson, 1992; Bouckaert, 1995).

Similarly, Gaster (1995) and Schiavo (2000) note that these quality standards, which become the major aim of NPM in European countries, refer to values or points that should be fulfilled by the organisation when measuring the current quality of services that are delivered to the people.
In Italy, the concept of quality assurance or standards is used to express the values of the rights of consumers or users to particular services and is employed as the basis for public complaints (Schiavo, 2000). Although quality assurance or standards seem to reflect some element of quantitative measurement as they are reported by targets, they are distinguishable from targets in two ways.

Firstly, quality standards capture more specific targets, which reflect an organisational commitment to develop or improve the quality of its services. Devon County Council (1993 cited in Gaster 1995, p. 96) note that quality standards refer to a clear and explicit indication of what types of services should be provided, what activities should take place as well as an expectation of how much, how often and how quickly they should be delivered.

Secondly, further options for targets can be derived from applying standards. Whereas in a target-based system, a target should be set as an ideal target or in relation to a maximum achievement, in quality assurance or standards, a target may be set as a realistic or minimum standard (Gaster, 1995). Schiavo (2000) notes that choices can be made in setting standards to influence the effectiveness and acceptability of standards. These may include: average or minimum standards; open and participative standards; or closed and internally oriented one that are linked to economic and legal or reputational issues. Both may be local or national in scope.

From these explanations, we can identify some characteristics of quality standards. This type of regime aims to improve an organisation’s performance in order to enhance the quality of services it provides, with standards commonly set through communication with customers (Gaster, 1995; Schiavo, 2000). In other words, it is more externally oriented in order to respond to customer needs. The standards may be minimum or average in their design but they rarely reflect maximum achievement in the way a target does.
There are several types of standards but the most common is that which relies on self-compliance with a given law or regulation. In terms of enforcement and incentives, this model requires relatively low enforcement compared to targets. Aside from this, incentives are considered helpful and useful but they do not play as essential a role as in target systems. In the UK, the practice of standards commenced under the Citizen’s Charter initiative, introduced by then Prime Minister John Major in 1991 (see Pollitt, 1994; Drewry, 2005).

This idea was later echoed and partly adopted in various other European countries, including France and Belgium (Kuuttiniemi and Virtanen, 1998 cited in Schiavo 2000, p. 682), and in Italy through the Carta Dei Servizi under Prime Minister Ciampi in 1993 (Schiavo, 2000). It was also introduced in developing countries, such as in the form of the minimum standards in Indonesia and performance measurement and management systems in the Philippines and in South Africa (Ferrazzi, 2005).

Related to the application of minimum standards, it remains difficult to derive an exact definition of it in the domain of public administration and management. Only few references explain the concept referring to the obligation of the object, whether in relation to an individual or an organisation, to exceed a minimum point or value. This individual or organisation is not permitted to deliver below this level. In other words, they are required to pass a threshold level.

One important idea about minimum standards can be generated from a technical conversation on how services are to be supplied. In the case of water supply, for instance, Eide (1972) used the term to define the minimum amount of water that should be distributed to meet the needs of each person.
He added that whether the target is self-imposed or applied by other parties, the distribution of water cannot fall below the particular point that has been agreed (Eide, 1972).

In practice, in 2002, the UK government applied minimum standards to public services such as health, education and the welfare of children and young people. For instance, there are 32 standards under the Care Standards Act 2000 in fostering services. These are defined as a set of measurements and management targets to be met and achieved, designed to accommodate different types of fostering services and facilitate providers to develop their own approach to the provision of services to children and others who require them (Department of Health, 1991, 2002).

These standards become the basis of each provider to undertake self-assessment on their services, based on the needs of staff and, more importantly, the expectation of service users (Gaster, 1996, 2000; Department of Health, 2002). Moreover, the Secretary of State will keep the standards under review and make an appropriate and necessary amendment in light of the conditions on the ground (Department of Health, 2002).

Finally, it is also known that the application of these kinds of standards in countries such as in Italy, England and most European Countries (see Schiavo, 2000) or in Indonesia (see Ferrazzi, 2005), comply with laws and regulations. As indicated by Gaster (1995), most applications of standards in European countries are in forms of charters, which reflect the minimum quality of services that are required by law, although some take the form of statutory rights, promises, code of practices, guarantees or contracts.
2.5. **Performance Management of Local Governments and Its Potential Influence on Local Government’s Delivery of Services**

Thus far, performance management has been distinguished from performance measurement and models of public performance management have been reviewed. In this part, the potential influence of performance management on the delivery of services by local government is reviewed. This influence is reviewed from the perspective of accountability and the principal-agent framework. Accountability and the principle agent framework are discussed first, before a broader discussion on how performance management could influence the delivery of services.

2.5.1. **Changing Behaviour of Local Governments: The Accountability Perspective and Principal-Agent Relations Framework**

The concept of accountability is contestable, and multi-faceted. Sinclair (1995) points out that although the idea of accountability is a cherished concept, it is complex and elusive since there is no consensus about even how to implement it in reality. More pessimistically, Parker and Gould (1999) add that the idea of accountability in the public sector is not only complex, but also contradictory and confusing.

As Hughes (2003) argues, accountability refers to the responsibility of individuals or groups on behalf of those who give them mandates to report back about their performance. Parker and Gould (1999) argue that the idea of accountability in its operation and scope is more total and insistent than simply a responsibility, since it requires the holding of and giving of an account between two individuals or groups, from who gives mandates to those who receive mandates.
In line with this idea, scholars from various disciplines have offered more complex and advanced definitions. Roberts and Scapen (1985), from the discipline of accounting, argue that accountability entails people and organisations being able to explain, be responsible and make and justify the reasoning behind the actions that they have taken.

Thynne and Goldring (1987), also accountants, add that accountability means the creation of more transparent and responsible managerial and staff actions through the provision of right and sufficient information that justifies their actions. They continue that accountability should lead to the compliance of subordinates to their managers, or those in higher positions of authority (Thynne and Goldring, 1987).

Furthermore, accountability is also variously classified by some scholars in terms of the various constitutional, legal, professional and statutory conditions or practical circumstances an actor may face. Roberts and Scapens (1985) and Robert (1991) note that different individuals/groups at different times and circumstances define and classify different ideas of accountability. That is why concept and typology of accountability could also be different for different people. Sinclair (1995) calls the idea of accountability a chameleon, since it is subjective and could morph into many forms to adjust with contexts and circumstances.

Romzek and Dubnick (1998), for instance, classify accountability into four different groups: hierarchical, legal, political and professional. While the first two entail relatively less autonomy and require closer supervision from the supervisor, the other two entail greater autonomy (see Romzek and Dubnick, 1998). In a different vein, Sinclair (1995), based on her research of the public sector in Australia, puts forward four types of accountability: political, public, managerial, professional and personal. These types are flexible and could change from one type to others, hence her ideas about accountancy being a chameleon.
The concept of accountability is also a central theme of performance management in local government. In case where local government delivers public services, as discussed above, Ahmad (et al., 2006) list four levels of accountability that exist between: central and local policy makers, central policy makers and providers; local policy makers and providers; local policy makers and local citizens; as well as providers and local citizens. They argue that decentralisation has shortened the channels of accountability by shifting accountability from central to local policy makers (Ahmad et al., 2006).

From the definitions and classifications above, it can be seen that accountability occurs when individuals or groups have the authority and ability to act on behalf of other people to whom they are responsible and should report to. We can also identify core elements of accountability: who are accountable, to whom, for what and how. These core elements seem reflect the relations between principal and agents. In this relation, accountability refers to a broader and stronger concept of agent’s taking responsibility for the mandates that they have received from principals (Peters, 2005; Lane, 2013). For that reason, the concept of accountability is commonly explained the under principal-agent framework (Hughes, 2003; Peters, 2005).

The model of principal–agent relations is actually an accountability model which seeks to explain how two actors, a principal and an agent, interact to achieve their own respective goals. Braun and Guston (2003) referred to it in terms of delegation and exchange of resources. They also termed it the ‘opportunism actor model’ since it is assumed that every actor is selfish, thinking only about themselves and promoting their own self-interests and personal welfare (Braun and Guston, 2003). Similarly, Coleman (1990) highlighted it as ‘the extension of [the] self-interests’ of actors to achieve their goals by delegating tasks to those with greater capacities than themselves.
In order to understand the principal-agent framework we need to discuss its underlying assumptions, of which there are three: interests and objectives, capacity, and balance of information between principal and agent (Mitnick, 1980; Peters, 2001; Jacobides and Croson, 2001; Laffont and Martimort, 2009).

Firstly, both principals and agents act rationally and are driven by their legitimate self-interests and preferences. Each principal and agent have their own interests, objectives, intentions, and knowledge which are often different from those of others, meaning the potential for conflict between principal and agent always exists. Principals are interested in ensuring that their mandates and objectives are delivered and completed by their agents. A principal, however, often lacks the necessary time and energy and also has limited capacity and expertise, meaning they require an agent’s efforts in order to fulfil and maximise their interests and preferences.

Secondly, there is asymmetric information between the principal and agent. Agents often have more information than principals, but agents have little incentive to provide principals with full information. Unfortunately agents have obligations to be accountable to their principal on the activities they have done and results that have been achieved. Peters (2001) argues that in principal-agent relations, it is assumed that agents tend to maximize their interests by supplying less information to the principal. Because of this asymmetric information, two possible consequences could occur; agents could use this information gap to divert the information to their advantages or for moral hazard and principals do not always choose the best or most appropriate agents (Braun and Gauston, 2003; Lane, 2013).

To ensure agents remain accountable to the principal’s interests, as well as to reduce the problems discussed above, there needs to be a mechanism to which both the principal and agents are bound.
Perrow (1986) and Waterman and Meier (1998) noted that there should be a ‘contract’ between the principal and agent establishing what agents should do and what information should be received by principals. In our context, this contract is translated and converted into performance management, as discussed above. In other words, performance management has a role as a ‘contract’ that acts to bind both the principal and the agent under the principal–agent relationship. It acts to improve the principal’s information, reduces information gaps between principals and agents, ensures agents act in the best interests of principals and prevents moral hazard on the part of agents (Alford, 1992; Hughes, 2003). The existence of performance management will encourage better relations between principal and agent.

The next important question in the principal-agent framework is that it should be clear who the principal and the agent are, as well as what should be maximised (Parker and Gould, 1999; Hughes, 2003; Lane, 2005). For instance, Lane (2013) questions who the real principal is within a bureaucracy actually is, asking whether it is the common people or elected politicians. Thus, a clear definition about who the principal and agent are as well as an illustration of their relationship is necessary.

Lane (2005) illustrates two levels of principal-agent framework: relations between electorates and governments, and those inside the government. Drawing on this, we might say that in local government two levels of principal-agent relations can be identified.

In the first level, if it is assumed that local government, which consists of Mayors/Heads of District, local bureaucrats and local providers; is an agent, then three main principals can be identified. The first is central government. The accountability of local governments to this principal works vertically.
The second principal is the local parliament, which is directly elected by local people. The accountability of local government to local parliament works horizontally. The third principal is local people, who will determine whether the Head of Regions will win election or be re-elected. This latter mechanism of accountability also works horizontally.

2.5.2. Effects of Performance Management in Influencing Behaviour of Local Government

As performance management assigns roles in terms of a ‘contract’ that binds the principal and agent, it is necessary to define what the idea of a contract in this case refers to. Scholars often illustrate this in terms of the principal’s ability to change the behaviour of the agent. For instance, Ingraham and Donahue (2000) argue that the existence of performance management can influence the behaviour of agents to improve their performance through its ability to promote agents’ accountability. Mullins (2008), Van Dooren, Bouckaert, and Halligan (2010), Greenberg (2011) and Moorhead and Griffin (2012) add that the importance of performance management can be seen in the extent to which it can positively change the behaviour of those individuals and organisations that it is intended to influence.

In other words, as a contract, performance management has no use unless it positively influences individuals/organisations to improve their performance. This view is also supported by scholars such as Smith (1995) and Neely and Bourne (2000), who state that in the end, a change in the behaviour of an individual or organisation, whether positive or negative, will be influenced by performance management. Two kinds of agential behaviour are expected to emerge on the basis of performance management: compliant and motivated agents. How performance management could make agents more compliant and motivated can be understood by framing the internal and external roles and functions of performance management.
There is no magic, single word to reflect the importance of performance management in the public sector. The importance of performance management will follow the purposes of the public managers who use it. Behn (2003) argues that no one performance management framework can satisfy and accommodate all purposes or functions, so it is the job of managers to select and use one or more roles to achieve a specific purpose. Behn (2003) lists eight different purposes for performance management in the public sector: evaluate, control, budget, motivate, promote, celebrate, learn and improve.

These eight roles can be generalised into two main functions: internal, to improve performance and productivity as well as external, to hold agents accountable. The role of performance management to improve the performance and productivity of the public sector is also discussed. Sanderson (2001), Cunningham and Harris (2005) and Askim, Johnsen, and Christophersen (2008), for example, argue that performance management in the public sector creates an inter-administrative comparison of various local authorities that endorse competition, learning, innovations and cost efficiency.

Similarly, Williams (2003) argues that performance management is aimed at improving the performance as well as the productivity of public organisation by comparing it and putting it into competition with other public organisations. Cavalluzzo and Ittner (2004) and Poister, Aristigueta, and Hall (2015) add that performance management in the public sector is required to measure and assess the current performance or productivity of public organisations, as well as assess the success and failure of programs, activities and service delivery in order to improve the effectiveness, efficiency and quality of services they deliver. Jennings Jr and Haist (2004), De Bruijn (2007) and Van Dooren, Bouckaert, and Halligan (2010) also highlight the importance of performance management for internal functions, i.e. to assess and improve performance, productivity, effectiveness and efficiency.
Furthermore, externally, performance management is treated as a way to provide transparency and hold public managers accountable for the results of their programs and activities through systematic and routine communication of their activities to the public and other important stakeholders (Larson and Callahan, 1990).

The way performance management makes agents more motivated is related to the purposes of performance management and its goals of improving performance and productivity. This is related to internal roles, and can be achieved through attempts to motivate, celebrate, promote and improve outcomes, as discussed by Behn (2003). Otherwise, the way performance management makes agents more compliant is related to the external purposes of performance management. Performance management is the way the principal holds agents accountable through to control and evaluate the agent (Behn, 2003).

Referring back to the principal-agent framework, there are two ways in which performance management makes agents more motivated and compliant: by motivating and by steering, pressing or controlling. In other words, through this framework, agents could be more motivated and/or more compliant simply because of the existence of performance management framework, as illustrated in Figure 4 and is discussed below.

**2.5.2.1. More Motivated and Compliant Local Government**

A more motivated local government means that local government agents will act and behave in a particular and intentional way in the interests of their principals. Encouraging agents to become more motivated to achieve the principal’s interests is more positive in terms of its impact on behaviour than simply making them more compliant.
According to Huczynski and Buchanan (1991), Mullins (2008) and Moorhead and Griffin (2012), the phrase 'to motivate' simply means to endorse people to act and behave in a particular and intentional way. To motivate means to direct people to follow particular actions out of many possible alternative behaviours and then choose to continue this behaviour for a long period (Huczynski and Buchanan, 1991; Mullins, 2008; and Moorhead and Griffin, 2012). This can be done through things such as validating and communicating success, encouraging a particular activity and celebrating personal and collective accomplishment and achievement (Behn, 2003)

**Figure 4. Performance Management and Influence to Behaviour of Individuals/Organisations**

Source: Adapted and Modified from Behn (2003), De Bruijn (2007), Van Dooren, Bouckaert, and Halligan (2010)
These actions will lead to more motivated agents or workers. This motivation tries to stimulate and encourage individuals or organisations to think and work according to the interests and preferences of managers.

Furthermore, the link between motivation and performance improvement is explained by Mullins (2008) and Moorhead and Griffin (2012). They argue that the overall performance of an organisation is a function of its capacity, ability and motivation and the external factors which either support or impede them (Mullins, 2008; Moorhead and Griffin, 2012). Simply, it can be formulated as:

Performance = Function [Ability + Motivation + Environment (External Factor)]

From this formula, high motivation is considered to be the main determinant of individual and organisational performance. Understanding what motivates someone makes it possible to change their attitude and influence their behaviour towards what is desired (Huczynski and Buchanan, 1991).

In the principal–agent framework, to motivate means that the principal should be able to direct agents to act, work and behave according to what is required and expected by the principal, without resorting to force. It relates to the way in which a principal, whether a public manager or politician, takes their agents’, workers’ or staff’s ‘hearts and minds’ into consideration alongside their own interests (Crowther and Green, 2004). When agents are motivated, the principals will be able to direct agents to work according to their interests and expectation. This means that they can direct their agents to produce maximum output and improve their performance to achieve organisational goals (Crowther and Green, 2004).
Here, a principal uses performance management to make agents more motivated, more accountable and more willing to do a good job in pursuit of the principal’s interests and the goals of the organisation (Braun and Guston, 2003). As argued by Lane (2005), when performance management is effectively treated as a tool to motivate, the principal will be able to motivate in an efficient manner given particular constraints. As motivation increases, the agent’s performance will improve.

There are two common motivations that can be identified. Firstly, political motivation is an expectation from politicians that they will win elections by introducing tools such as performance management. Devas and Delay (2008), based on experience in Eastern and Central European Countries, and Grindle (2007a), based on experience in a number of American Latin Countries, find that winning elections becomes the main motivations for the Heads of Regions when improving performance and accountability.

Secondly, it is managerial and individual motivation. This type of motivation belongs to individual when executing their managerial functions. For instance, more motivated local bureaucracies or local providers consistently and effectively do what have been mandated by Mayor and Heads of Districts as their principals. Later, as motivation of individuals and organisations increased, local bureaucracies and local providers can improve the performance and strengthen their accountability.

Two sub-types can be distinguished: extrinsic and intrinsic motivations. While extrinsic motivation is caused by the external factors, such as the existences of incentives, intrinsic factors are internal to the individual and organisation, such as the desire to work, improve and give the best to the organization (Deci, Koestner, and Ryan, 1999; Crowther and Green, 2004; Mullin, 2008; and French, 2011).
Another way to change organisational behaviour is by making agents more compliant to the principal. Compliance is important to ensure that public managers, as principals, feel that their agents are doing the right thing and complying with the mandates that they have given.

As mentioned above, according to Behn (2003), the functions of performance management refer to the idea to control. In other words, under the principal-agent framework, the existence of performance management is a way to control the behaviour of agents in order to ensure that they comply with the interests of the principal. If performance management is successfully applied, the agents will comply to take specified courses of action, spend money in specified ways and be able to improve overall performance and strengthen their accountability, based on the interests of their principals (Behn, 2003; Lane, 2005).

Finally, while motivation requires a number of incentives, compliance requires particular enforcements. These two elements are the core elements of performance management, besides information sharing, as discussed above. In other words, it is rare for performance management to change motivation or ensure compliance of local governments if it is not supported by incentives and enforcements.

2.5.2.2. **Dysfunctional and Unintended Negative Consequences of Performance Management**

We have seen that performance management in the public sector can cause positive results, such as greater motivation and compliance. However, there are a number of potentially dysfunctional effects and unintended negative consequences. For instance, instead of improving the performance of the organisation or individual, setting targets could lead to unintended negative and dysfunctional consequences. The application of a star rating system in English National Health Service (NHS), for example, highlights the problem well.
Bevan and Hood (2006b) give examples of how these targets were gamed and manipulated, particularly in relation to waiting times. For example, a target was introduced that suggested that nobody should wait more than two days for a GP appointment. The response by a number of GPs was to game the booking system by making it impossible to book appointments earlier than two days in advance, thus ensuring 100% compliance (see Bevan and Hood 2006b).

As we saw above, it is hoped that by imposing a target, the public organisation can continually improve their performance and ensure accountability. However, this does not mean that targets do not contain weaknesses. Bevan and Hood (2006a) and Hood (2006) highlight three weaknesses: ratchet, threshold and distortion effects.

The *ratchet effect* is where public managers know that next year’s targets are based on last year’s performance, and thus have incentives not to exceed the target; the *threshold effect* occurs where public managers who are top performers have incentives to reduce their performance to achieve the target by aligning with the average performers; whereas the *distortion effect* refers to public managers who reach the target, but do so through data manipulation, gaming or output distortion (Hood, 2006; Bevan and Hood, 2006a, 2006b).

Kalgin (2016) also shows how public-sector performance management may be affected by data manipulation, referring to ‘prudent’ and ‘reckless’ bureaucrats in the context of regional government in Russia. He shows that the manipulation of performance measurement data is a negative consequence of the imposition of targets and standards (Kalgin, 2016). Smith (1995) lists eight categories of negative consequences: tunnel vision, sub-optimization, myopia, measure fixation, mis-presentation, misinterpretation, gaming and ossification (Smith, 1995). Lane (2005) and Pidd (2005) add some negative consequences of targets, such as exploitation, cherry picking, looting, moral hazard, moral selection and rent seeking.
All these negative consequences of targets are echoed by Goodhart (1984, p. 94), who puts forward Goodhart’s Law, which states that ‘... any observed statistical regularity will tend to collapse once pressure is placed upon it for control purposes’. What we can take from this is the idea that if performance management and targets are treated too seriously, big pressure and burdens will be created within the organisation, which will potentially subvert the main goals and the change behaviour of organisation for the worse (see Perry, 2000; Elton, 2008). This idea is also known as the Hawthorne Effect, the general idea of which is that performance management could have invisible, negative effects on behaviour (see Van Thiel and Leeuw, 2002; Seddon, 2008).

Scholars also talk of ‘behavioural gaming’ (Greiling, 2006; and Radnor, 2008). For example, a bus driver may miss several stops on a route to stay on time and on ‘target’. We can talk of two other types of gaming: definitional gaming, such as slack in outcome measures, and data gaming, such as manipulating measurement and management. Together, these are known as the performance paradox (Van Thiel and Leeuw, 2002; Meyer and Gupta, 1994; Pidd, 2005; and Plant, 2006).

Similar to both the ‘ratchet’ and ‘threshold’ effects and the notion of ‘reckless’ and ‘prudent’ bureaucrats, the ‘unambitious average’ syndrome can be identified. The phrase ‘unambitious average’ was commonly used by auditors in the UK during the 1990s and 2000s in the context of performance management of local governments under top-down regimes, particular directed at league tables (Personal Communication with Simon Delay, 2015). They would use the term to describe units in the public sector that had no motivation to improve their performance beyond their targets.
These units preferred to remain in the middle, neither exceeding nor falling below their targets, and would stay safely in that position to avoid inspection or supervision from auditors, inspectors or higher authorities (Personal Communication with Simon Delay, 2015). There is no point in or incentive for performing at a higher level; thus, they maintain an average performance just slightly above or in line with the target that has been set. According to Inside House (2016), in the case of UK housing organisations, unambitious average syndrome refers to a mediocre average, since there is nothing to push units above the target and they tend to remain close to mediocrity (cited in Inside Housing, Out of Commission, 2016):

‘... What Ms Taylor calls the ‘unambitious average’ that is the concern. ‘There will be nothing to push them anymore,’ she says. ‘It will be easier to get away with mediocrity now,’ agrees... (Inside Housing, 2016)

Simply put, in the context of the UK’s adoption of the league table system, the syndrome refers to units in the public sector that have no motivation to improve their performance far beyond targets, despite them having the ability to do so. In other words, performance management, particularly targets, seems relatively unimportant as a means of motivating units whose current achievement may exceed targets, yet it is very important for units whose current achievement falls well below targets. Targets are also not overly important for units whose current performance is close to (surrounding) targets, since they are comfortable and prefer to remain in this area.

2.6. Decentralisation for Performance and Efficiency: Applying the Principal-Agent Framework

There are three main themes: central-local relations, performance management in local government and the potential impacts of this performance management under the principal-agent framework, all of which have been extensively discussed.
Thus, to answer the research questions, these three concepts are united into one framework, which focuses on how decentralisation could improve performance and efficiency. To do this, we must remember that one the most important rationales behind decentralisation in the enhancement of service quality and improvements to people’s quality of life.

As discussed above, Tiebout (1956), Oates (1972, 1999), Brown and Jackson (1990), Bardhan (2002), The World Bank (2003), Bardhan and Mookherjee (2006), Ahmad et al. (2006), Faguet (2011), Grindle (2007a) and Devas and Delay (2008), who have discussed public finance (fiscal federalism), public choice and accountability, argue that decentralisation is good for improving the performance and efficiency of service delivery.

This is inline with the beliefs of supporters of a decentralised system; as discussed above, decentralisation is the best way to govern modern societies, particularly when it comes to enhancing efficiency in service delivery through the encouragement for intergovernmental competition (public finance); creating broader participation and a more responsive and reactive government (public choice); and encouraging greater transparency and accountability in government (accountability).

However, the supporter of centralisation also argues that centralisation is not always bad. There are merits to a centralised system which can strengthen the weaknesses of decentralised system, such as the strong power to control and impose policy, to induce vertical and horizontal coordination and to maintain equality in terms of capacity and services across regions. It is added by explanation above from Robinson (2007) and Ahmad and Brosio (2009) that the relationship between decentralisation and the improvement of public service is not always robust.
Having reviewed the merits of both approaches above as a long debate among supporters of each approach about which approach is the best to apply, the existence of MSS supports the contemporary discourse in central-local relations. It seeks not to upsell one approach over the other, but instead seeks to understand the merits of both and how the downsides of one system can be mitigated by focusing on the merits of the other. MSS tries to encapsulate the merits of both systems into one particular tool of performance management designed to continuously improve the performance of local government to deliver higher quality services.

On the one hand, this is done through using merits of decentralised systems, for efficient, responsive, transparent and accountable service delivery. On the other hand, reducing inequality in the quality of services can be achieved by MSS through setting the same standards for all local areas. Efforts to set the same standards reflect the centralised approach to MSS. Setting the same standard is a way to overcome the limitation of decentralised system that sees central government unable to directly intervene and control the performance of local governments but intends to set the uniform quality across regions.

MSS is used as a performance management tool that seeks to capture the merits of both centralised and decentralised systems in pursuit of improvements to service quality. MSS is the way of performance of local government to the functions and obligation have been devolved to them, is measured and managed. Thus, it is necessary to understand the influences of MSS as a performance management tool and its ability to capture both the merits of centralised and decentralised system on service delivery by local governments. That is the main objectives of this research. To analyse this influence, the principal-agent framework in local governments is used.
As argued by Hughes (2003), Peters (2005) and Lane (2013) above that the core elements of principal-agent relations are who are the actors (who are accountable and to whom), for what and how. Related to actors, as indicated by Lane (2005) above, in local governments, two levels of principal-agent relations can be identified. In the first level, if it is assumed that local government, which consists of Mayors/Heads of District, local bureaucrats and local providers; is an agent, then three main principals can be identified.

The first is central government. The relation of local governments to this principal works vertically. The second principal is the local parliament, which is directly elected by local people. The relation of local government to local parliament works horizontally. The third principal is local people, who will determine whether the Head of Regions will win election or be re-elected. This relation also works horizontally.

Moreover, the relationship between the principal and agent can be identified inside the local government. If it is assumed that the Mayor or Head of District as the representative of the local government is the principal, then the local bureaucracy and local providers are his or her agents. Similarly, if it is also assumed that the local bureaucracy is the principal, the local provider becomes their agent. This relation works vertically.

In terms how maintain the relations, according to scholars such as Romzek and Dubnick (1998), Hughes (2003), Sinclair (1995) and Campbell and Denezhkina (2009) as discussed above, two types of accountability are created under the two-level principal-agent framework in local government. The first is political accountability. This accountability occurs vertically and horizontally. Vertically, accountability is from the Heads of Regions to central government, since they should justify that their actions represent the national interest and priorities of the central government.
Horizontally, accountability is from Heads of Regions to local parliaments, since they should justify that their actions bring direct and indirect benefits to local people and represent their needs and preferences. This accountability can also be exercised directly to local people.

In the case of local government in Europe, when political accountability is held, more autonomy is given to Heads of Regions and there is less scrutiny from higher authorities and other organisations which have the ability to oversee them (Hegewisch and Larsen, 1996). However, often simultaneously, problems may arise when the interests the national and local levels do not align.

Secondly is managerial accountability. Managerial accountability is vertical in nature. In local government, this kind of accountability can be seen, for example, in the accountability of local providers to local bureaucrats, as well as local bureaucrats to Heads of Regions. Here, local bureaucrats and Heads of Regions hold the accountability of their subordinates in every stage of management: from planning and budgeting to implementation and evaluation. In the public sector, this managerial accountability and responsibility is exercised by higher to lower authorities, organisations or individuals in order to ensure their compliance (O’laughlin 1990; Romzek, 2000; Bovens, 2005; Dubnick, 2005; James, 2005).

Because of the two levels relations in local government, the nature of relationship between central and local government – as well as inside the government including the relations between electorates and local governments - confirms that the relationship among actors (between principals and agents) in local governments is complex and involves various actors, as indicated by Ammons (1995), Boyle (2000), Chandler (2007, 2009) and Morphet (2008). Put simply, the relations between principal and agent as well as the use of performance management can be illustrated as shown in Figures 5 and 6 below.
Figure 5. The 1st Level of Principal-Agent Relations in Local Government

Source: Author’s analysis

Figure 6 The 2nd Level of Principal-Agent Relations in Local Government

Source: Author’s Analysis
In terms of for what relations is set, it is discussed above that MSS is introduced in order to improve the performance of local governments in service delivery, increase efficiency and lower equality of service quality by responding to the merits of both centralised and decentralised system. Within the two-level principal-agent framework, MSS as a performance management tool is treated as a contract between principal and agent in local government.

According to Crowther and Green (2004), as discussed above, the existence of performance management as a contract between principal and agents will encourage better relations between principal and agent through fulfilling agent’s responsibility for the mandates that they have received from principals, ensures agents act in the best interests of principals, prevents moral hazard on the part of agents and ensure the compliance of agents to principals through political and managerial accountability both vertically and horizontally.

In other words, the existence of performance management will lead to a change in the behaviour of agents with respect to their principal. As discussed above, according to Huczynski and Buchanan (1991), Behn (2003), Lane (2005), and Mullins (2008), this change of behaviour is achieved by increasing the compliance and motivation of local governments to improve their performance and efficiency in service delivery. While motivation requires a number of incentives, compliance requires enforcement. These two elements are the core of performance management, besides information sharing. Where these elements do not exist, unambitious average syndrome appears as dysfunctional or unintended negative consequences.
2.7. Summary of Chapter Two

The review of this chapter focuses on two main themes in the area of politics and public administration: central-local relations, and public performance management. Under the themes of central-local relations this review discussed the concept and current theory behind central local relations and outlined the long debate on the best approach to govern and current issues within the debate on centralization and decentralization.

In addition, the review focused on performance management in local government. The review included a definition of performance management, the distinction between performance management and measurement, models of performance management as well as the way performance management could improve performance of local governments through changing behaviour. The various ways in which behaviour can be changed are then discussed, during which the differences between motivation and compliance were outlined using the principle-agent framework. Alongside that, a number of potential dysfunctions associated with the performance management framework were discussed.

The final part attempts to tie up the various discussions on central-local relations, performance management in local governments and the potential impact into particular set of framework, which argues that decentralisation potentially leads to performance and efficiency. In this framework, we saw that MSS becomes one tool to measure and manage the performance of local government. We also saw that MSS tries to draw on the merits of both centralised and decentralised systems.
As it seeks to capture both merits of centralised and decentralised system, in this framework, to some extent, it is important to consider the influence of MSS on the performance of local governments and quality of service delivery if we are to effectively answer the research questions. Here, the way MSS increases motivation and compliance within the two levels of principal-agent framework is observed. This framework is then used as the basis for empirical analysis in the next analysis chapter. Here the characteristics of MSS are unpacked, the mechanisms that underpin it are examined, and how performance management could cause dysfunctional functions on the motivation of local governments is discussed. What’s more, it seeks to understand why MSS is still being used, or whether it will be withdrawn because of its influence on the performance of local government.

Before that, in the next chapter, the literature review focuses on specific themes in central-local relations, particularly concerning Indonesian decentralisation. On top of this, the concepts, rationales and ideas underpinning MSS as a tool of performance measurement and management are discussed. From this review, we will see more clearly the link between Indonesian decentralisation and MSS.
Chapter 3. Review of Literature (2): Indonesian Decentralisation and MSS

3.1. Overview of Chapter Three

The general concepts, issues and themes of central-local relations, particularly the concepts of decentralisation and performance management particularly performance management regimes in local government, were discussed in the previous chapter. Unlike in the previous chapter, in this chapter, we focus in more detail the practice of Indonesian decentralisation as a specific theme of central-local relations, and MSS as a specific type of performance management regime on decentralisation. This review is intended to provide context and the necessary background to the research.

The review in this chapter begins by discussing practices of Indonesian decentralisation. It begins with a brief discussion on Indonesia, before examining recent developments in processes of decentralisation in the country. The review teases out the unique characteristics of Indonesian decentralisation compared to decentralisation in other countries. Reviewing decentralisation in this way will help us understand how MSS emerges and how it operates.

The focus of the second part of this chapter is on reviewing and exploring the concept of MSS itself, as well as its rationales and design. This begins with rationales of Indonesian decentralisation as factors which endorse the emergence of MSS. The review includes a discussion of the current condition of Indonesian public services, where we will see that service quality and inequality of services has been an ongoing and unfinished policy agenda for a decade of practice for the Indonesian decentralisation system.
In the process, we will discuss the design of MSS, its underlying rationale and its implementation in the Indonesian context. Having done that, we will link Indonesian decentralisation policy with MSS.

### 3.2. The Practice of Indonesian Decentralisation

Reviewing the unique practice of Indonesian decentralisation necessarily involves a brief discussion of Indonesia, in order to provide context, and a discussion on the ebbs and flows of its decentralised system. We will see that scholars often describe decentralisation policy in Indonesia as a ‘big bang policy’. However, there are differences between decentralisation here and elsewhere.

#### 3.2.1. Indonesia

Indonesia is both the world's most populous Muslim nation and the largest archipelago nation state. The country spans 3,977 miles from the Indian to Pacific Oceans and consists of more than 17,000 islands (BBC, 2015; Strategic Asia, 2013), the five biggest of which are Sumatera, Papua, Java, Kalimantan and Sulawesi. It has a population of roughly 250 million people, making it the fourth most populous country in the world. The highest population density is on Java (World Population Review, 2015).

The country’s economic growth between 2009 and 2015 was around five per cent, and the economy itself is dominated by agriculture, manufacturing and telecommunication services (Economic Outlook, 2015). Economic activities are typically concentrated around Java and Sumatera. There is a high level of income equality, though; Hill (2014) notes that income per capita in the richest regions is as much as 50 times that of the poorest regions.
Income in the richest regions is on par with that in upper-middle income countries such as Malaysia and Thailand, whilst the poorer regions are on par with the least developed states (Hill, 2014).

There is also diversity in terms of culture and language. The dominant ethnicities are the Javanese, Sudanese and Malay peoples, who live mostly in the Western part of Indonesia; but we can also note the Alor in East Nusa Tenggara, the Banjar and Dayak in Kalimantan, those of Chinese and Arabic descent and the Melanesoid and the Danis in Papua and Eastern parts of Indonesia. In total, Indonesia has more than 300 ethnicities, who between them speak around 580 different languages (Strategic Asia, 2013).

Indonesia is also a unitary state that consists of number of regions. Three levels of government exist: central government, provincial government and district or city government\(^2\). After a process of decentralisation, the number of autonomy regions (districts or cities) doubled. The Ministry of Home Affairs (2014) notes that there are 415 districts, 93 cities and 34 provinces in Indonesia in 2014. There are an additional 164 new districts, 34 new cities and 7 new provinces after the implementation of decentralisation policy in Indonesia (Ministry of Home Affairs, 2014).

In term of separation of powers, powers are distributed amongst three main state actors: an executive, a legislature and a judiciary. Indonesia does not separate the Head of State and Head of Government, as in the UK or Australia, but instead has a presidential system. The President is assisted by appointed Ministers, who automatically become the head of their respective departments. Each ministry deals with a particular area of government affairs.

\(^2\) Except in the Special Territory Capital of Jakarta, which has only provincial level
According to the constitution, the Mayor or Head of Districts are accountable vertically to the President via The MoHA, to the Governor as the Head of Provinces, as well as to local parliaments (Dewan Perwakilan Rakyat Daerah/DPRD). They are also accountable horizontally, to the local people.

Four main legislative bodies exist in Indonesia. Three exist at the central level: the House of Representative (Dewan Perwakilan Rakyat), also known as the DPR, the Regional Representative (Dewan Perwakilan Daerah), also known as the DPD, and the People’s Consultative Assembly (Majelis Permusyawaratan Rakyat), also known as the MPR. Moreover, there are local parliaments; the local Parliament or Councils (Dewan Perwakilan Rakyat Daerah), also known as the DPRD.

All legislative actors at both central and local levels (i.e. those in the DPR, DPD, DPRD) are directly elected every 5 years. Members of the DPR and DPRD are members or partisan national parties, while member of DPD are representatives of each province. In addition, members of MPR are the sum of member of DPR and DPD.

Finally, judicial actors make up two bodies, the Supreme Court (Mahkamah Agung), which deals with criminal and civil cases, and the Constitutional Court (Mahkamah Konstitusi) which deals with the content or substance of laws and regulations that contradict the Constitution (UUD 1945).
When it comes to decentralisation policy, Indonesia has been on somewhat of a rollercoaster (see Devas, 1997; Booth, 2014). The implementation of decentralisation policy made no significant progress even after the introduction of New Order regimes (Orde Baru) under Soeharto’s authoritarian regime (around 1966-1998). It seems that there was no autonomy and significant role for local government, and instead it was an extension of central government. Scholars such as Booth (2014) argue that there was a re-centralisation of power during this time, not only from local governments but also from political parties and the national parliament. People who sat in House of Parliament saw themselves as needing Soeharto’s backing if they wanted to legislate. Besides that, civil servants and those in the military automatically became members of Golongan Karya, the party led by Soeharto.

In terms of central-local relations, all significant policies were regulated by central government. The distribution and allocation of natural resources were also fully and strictly controlled by central government. Law 5/1974, which regulated the basic principle of regional administration, forbade regional discretion, for instance to deliver services based on their own needs and interests. Any development activities had to be agreed by the central government through MoHA. Even the appointment of the Heads of Regions (Kepala Daerah) (such as the Governor, Mayor or Head of Regencies) needed to be agreed by the President (Hill, 2014). In this era, most Heads of Regions were, like Soeharto, ex-military; Soeharto believed that those with a military background were more loyal to him than those with civil background (Hill, 2014).

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3 The period led by Soeharto, the 2nd President
4 Indonesia’s 2nd President
Moreover, the financial resources derived from oil, mining and other non-renewable natural resources were controlled by Jakarta, the capital of Indonesia. The resources were (and still are) not fairly allocated to the districts and provinces from where they were extracted. That is why we see a significant inequality problem in terms of resources and services across Indonesia. Booth (2003, 2004, 2014) notes that under Soeharto’s regime, Indonesia saw an increasing disparity between the western part of Indonesia, represented by Jakarta and Java Island, and the eastern part of Indonesia. This caused protest and dissatisfaction amongst those in regions such as Kalimantan and Papua, which were the sites of profitable mining and natural resource extraction, but which were nonetheless deprived. There were also high tensions in general, and secessionist movements started to emerge in regions such as Aceh and Papua (see Ferrazzi 2000; Firman, 2003; McGibbon, 2004; Strategic Asia, 2013; Hill, 2014).

It was not until the Asian Financial Crisis in 1999 (which led not just financial and economic crisis in the country, but also bought with it political and social crisis) did the decentralisation policy begin in earnest. This happened under Habibie’s administration, the third Indonesian President and was initiated by Law 22/1999 on local governance and Law 25/1999 on fiscal balance between the central government and local governments. These regulations were later revised into Law 32/2004 and Law 33/2004 in the beginning of Soesilo Bambang Yoedhoyono (SBY)’s regime. Law 32/2004 was then changed into Law 23/2014 towards the end of his regime. These laws become the basis and design blueprint for the implementation of the ‘real’ decentralisation policy in Indonesia

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5 Indonesian 6th President (2004-2014)
This decentralisation process was developed following the successful adoption of decentralisation policy in other parts of Asia and in a number of African countries. This is in line with the argument of Conyers (1983) who notes that decentralisation policy is fashionable in the administration of developing countries in Asia and Africa as a response to the failure of the centralised system to maintain economic stability and to increase local concern over development issues such as poverty, inequality and low quality of services.

The decentralisation process in Indonesia then can be conceptualized according to definitions and concepts put forward by Smith (1985), who emphasises two elements: delimitation of territory and transfer of powers and authorities from higher to lower levels of government. The delimitation of territory is implemented through the creation of local governments both in the provincial (first tier) level and the (second tier) districts and municipalities. In terms of the transfer of powers, most of central government’s powers and functions have been transferred to both the first and the second tiers (except six main powers, which remain in the hands of central government on account of their national and international significance- these include defence, security and foreign affairs).

Scholars such as Aspinall and Feally (2003) and Fengler and Hofman (2009) note that the decentralisation policy can be seen as a ‘big bang’ policy, given that significant elements of central government’s powers and authority have been radically, rapidly and significantly devolved to autonomous local governments. Besides that, the ranges of policies that have been devolved cover a wide spectrum and include administrative, fiscal and political aspects (Alm, Vazuez and Weist, 2004; Hofman and Kaiser, 2006). Three illustrations can help to elaborate this notion of ‘a big bang’ policy.
Firstly, in terms of managerial administration, there was a transfer of the central government civil servants to the local level in great numbers. Crouch (2010) and Strategic Asia (2013) note that around 2.4 million civil servants were transferred from central to local government, two thirds of whom were working in the education and health sectors. This placed a significant burden on local governments, which had to accommodate this influx but do so with low revenues and limited income to fund and pay the additional salaries. Indeed, this became one of the biggest challenges of Indonesian decentralisation. In most of the local governments in Indonesia, nearly 70 per cent of the budget is allocated to pay salaries and wages for civil servants, while less than 30 per cent is reserved for development purposes (Strategic Asia, 2013).

Secondly, in terms of fiscal and financial aspects, the regions which produce oil, mining and other renewable energies gained more revenues from the central government after the decentralisation process. The revenue sharing between central and local government increased significantly and brings significant benefits, particularly to local governments which depend on revenues from natural resources (Strategic Asia, 2013). In addition, more financial schemes were introduced by central government to help local governments. This saw the creation of several new mechanisms, including the General Block Grant (Dana Alokasi Umum) and the Specific Block Grant (Dana Alokasi Khusus). More than 50 per cent of the national budget is currently transferred to local governments through these kinds of mechanisms; this money comprises more than 90 per cent of local budgets (Bahl, 2009).

Thirdly, in terms of political power, as mentioned above, the central government devolved considerable powers and government functions to provincial and district/city levels in a very short time (except the 6 main responsibilities, as we saw).
Unlike in countries such as the Philippines and Vietnam, where the decentralisation policy was gradually implemented and thus took a relatively long time, the transfers in Indonesia was done radically and in a relatively short period of time (Strategic Asia, 2013). However, Bahl (2009) argues that Indonesia had the necessary resilience to implement and face this big-bang decentralization policy. It can be seen in the fact that the country did not break down into several small states, as happened in the USSR (Bahl, 2009).

3.2.3. The Unique Characteristics of Indonesian Decentralisation Policy

It is important to observe the unique characteristics of Indonesian decentralisation policies compared to those in other countries. We can talk of five unique characteristics. Firstly, as discussed above, Law 22/1999 (later revised as Law 32/2004 and Law 23/2014) and Law 25/1999, which became the basis of the implementation of decentralisation policy, not only devolved different types of powers, but also other types of central-local relations, such as delegation, de-concentration and co-administration. These decentralisation policies thus also cover a comprehensive spectrum, whether administrative, political, fiscal or spatial.

Secondly, decentralization policy in Indonesia is underpinned by a unitary system, so the central government is still relatively strong, even though most powers and authorities have been devolved to local governments. Ferrazzi (2000) points out that the implementation of Indonesia’s decentralisation leaves central government with a relatively high degree of control. In other words, unlike in the federal system, where sub-national governments have relatively equal status with central government and where sub-national governments enjoy exclusive authority to deal with particular issues, the position of local governments in Indonesia is still as a subordinate of government and it is still accountable to it.
Thirdly, using the categorisation offered by Campbell and Denezhkina (2009), Indonesia’s decentralisation policy focuses on vertical instead of horizontal types of decentralisation. It emphasises the devolution of powers between different levels of governments instead of transferring powers from government into the private sector or to local people and communities. Furthermore, as pointed out by Salim and Kombaitan (2009) and Miller and Bunnel (2012), NGOs are still involved in the implementation of Indonesian decentralisation. However, this horizontal type of decentralisation has not become the dominant focus.

Fourthly, the implementation of decentralisation policy in Indonesia, particularly political decentralisation, is accompanied by local democratisation. In 2005, 6 years after the implementation of the decentralisation policy, the first direct local elections took place at both the district/city and provincial levels. The process includes the direct election of Heads of Regions following the direct election of members of local parliaments. Between 2004 and 2012, 400 direct local elections for Heads of Districts, Mayor and Governor were held (Strategic Asia, 2013).

Finally, while in centralised systems the relationship is mainly centred between provinces and central governments, in Indonesian devolution the important relationship is that between districts or municipalities (cities) and central government. In this system, districts and cities gain relatively more authority, while provinces gain less (Aspinall and Feally, 2003).

However, Indonesia’s decentralised system assigns special roles to provinces; the Governor as the Head of Province becomes the development coordinator for their regions and mediator for problems that occur between two or more districts/cities. After the publication of GR 23/2011 (which revised GR 19/2010 on the administration and roles of Governor as the representative of the Central Government in the provincial level), the powers of Governor increased significantly.
Besides their role as the head of an autonomous province, they would now also be responsible to the central government for the development of services that are delivered by districts under their authorities. On behalf the central government, the Governor has particular responsibilities and rights to intervene and overcome all potential problems that occur in the districts or between two districts under their authority (Strategic Asia, 2013).

These five unique characteristics have consequences for central-local relations. The most obvious is that it is not as easy for central government to enforce national priorities and interests of local government because autonomous and authority has been devolved. In other words, there is a limitation on central government’s ability to directly intervene. A good example of this is the lack of regional offices (kantor wilayah) representing the ministries at the local level.

However, this does not mean that central government has no ability to intervene. It still has powers to do so, although they are limited compared to those it enjoyed during the era of the centralised system. The law still gives powers and authority to central government to intervene when local governments are failing to work adequately across provincial boundaries, or in matters which have national consequences. This can be done through several mechanisms, such as de-concentration, delegation, and task-sharing.

Furthermore, as a consequence of local democratisation, local governments face multiple principals (i.e. the central government, local parliament and local people) and more complex accountability. Here, local governments are not only accountable to the central government via provincial government, but also responsible and accountable to members of local parliament or council, local people as well as the political parties that support them.
3.3. Rationale of Indonesian Decentralisation of Public Services: The Emerging Concept of MSS

In this part of the chapter, the rationale of Indonesian decentralisation is discussed, particularly its underlying goal to improve the quality of services. Later the rationale of Indonesian decentralisation towards public service is linked with the emerging concept of MSS. The review then continues by understanding and observing the concept and rationale behind MSS, and its design and current implementation. Furthermore, problems in the implementation of MSS are identified.

3.3.1. Rationale of Indonesian Decentralisation: The Unfinished Agenda?

As we saw in the previous chapter (Chapter 2), there are several common rationales for why a country decides to decentralise. It could be for: political reasons, such as to reduce conflict between regions; financial reasons, such as allocating fair resources between central and local government; or to enhance the quality of services and welfare across the regions.

We can see these justifications in the case of Indonesian decentralisation. For instance, the rationale that decentralisation could reduce conflict between regions can be obviously seen in the establishment of the provinces of West Papua and Banten. There was a belief that the creation of new regions (i.e. a new regency, city and province) that reflects the homogenous community and that is separated from the mainland is an effective way to protect the autonomy of homogenous communities and a preventive solution to avoid possible conflicts among ethnic groups.
This view is supported by Fitrani, Hofman and Kaiser (2005), who argue that the preference is for those communities that share ethnicity, religion, language, culture, religions and income level to live in one autonomous region. This became the main motivation of the establishment of new regions after the introduction of decentralisation policy in Indonesia (Fitrani, Hofman and Kaiser, 2005)

Another rationale is that decentralisation ensures a fair allocation of financial resources between the central government and local governments and among local government. This is the case with Indonesian decentralisation policy. This can be obviously seen in the significant increase of revenue shared (Dana Bagi Hasil) and transferred from central to local government through mechanisms such as the general or specific block grant⁶. It is believed that a fair allocation of fiscal resources between central government and local government and among local governments, could prevent the country from disintegration (see Alm, Vazquez and Weist, 2004; Bahl, 2009; Booth, 2014, Hill, 2014).

It is known that during Soeharto’s authoritarian regime, benefits and profits from rich natural resources regions were largely taken by the central, and the regions themselves fared relatively badly. Booth (2014) refers to this phenomenon as the ‘rich provinces with poor people’; although regions such as in Riau, East Kalimantan, Papua, and Aceh are rich in natural resources, the poverty level is still high. This neglect of local municipalities by central government causes a high level of resentment and bolsters separatist voices (Strategic Asia, 2013; Booth, 2014). Thus, any efforts to prevent further problems should be taken; a simple way to do this is to ensure a fair allocation of fiscal resources between central and local governments and among local governments themselves.

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⁶ However, it should be noted that the amount transferred is still limited
Enhancing the quality of services was another rationale behind the decentralisation policy. This ties in with the discussion in the previous chapter about the justification that decentralisation leads to an enhancement of service quality. Perhaps this rationale is the most important in the context of Indonesian decentralisation policy, especially in the long term. As was discussed in the previous chapter, decentralisation leads to enhancements in service quality because of its ability to endorse local government to deliver efficient and high quality public services through the creation of inter-governmental cooperation, bringing government closer to the people so the interests and needs of local people are met, and shortening the means of and promoting high level of accountability in service delivery.

Later, decentralisation also becomes a pre-requisite to improve welfare, reduce poverty, promote economic development and allow Indonesia to compete regionally and globally. Strategic Asia (2013) notes that the success of Indonesia in maximising the gain from decentralisation policy through enhancing quality and reducing inequality of access to quality services will be the main determinant of success in regional competition arenas such as the Asian Free Trade Area (AFTA) and the Asian Economic Community (AEC).

However, after more than a decade since the decentralisation (1999-2015), improvements to basic public services and thus greater level of citizen welfare are still being awaited. Whilst it may be the case that other justifications for decentralisation have materialised, for example, reducing dissatisfaction by local government of what they see as unfair revenue sharing (what we can term ‘vertical’ inequality), the enhancement of public services has remained a challenge (Strategic Asia, 2013). In addition, while the process to more fairly allocate resources across regions (horizontal inequality) and the prevention of ethnic conflict seems to have worked, reducing inequality of service quality across regions has remained a challenge (Strategic Asia, 2013).
These problems of low quality of public services and inequality of services among regions are thus considered part of an ‘unfinished agenda’ (Strategic Asia, 2013). The current condition of Indonesia’s public services can be illustrated with two explanations. On the one hand, better quality and more efficient public services can be seen in some sectors and regions. Fengler and Hofman (2009) show that more than 70 per cent of household agree that services in health, education, administration and police services have improved since the introduction of the decentralisation policy in 1999. The policy has also led to the improvement in the level of accountability of local governments (Fengler and Hofman, 2009).

Furthermore, decentralisation policy in Indonesia seems to have increased the quality of services in health, education and infrastructure in some regions. This is especially true in those which previously had low quality services (Schulze and Sjahrir, 2014). This improvement leads to a convergence in the quality of education and infrastructure across regions (Schulze and Sjahrir, 2014).

In contrast, other scholars reveal low satisfaction with the quality of public services after the implementation of decentralisation policy. Mohammad (2007) shows that after a decade of decentralisation in Indonesia, the public as customers still think that public services are of an unsatisfactory quality. Other evidence also suggests a low level of satisfaction in the access to and quality of public services in Indonesia.

The World Bank (2003, cited in Roudo and Saepudin 2008) conducted a survey in 2003 of the level of satisfaction with a number of services in five cities and five districts. Their findings showed that there was no significant improvement. Although 34.1 per cent of said they were satisfied; 52.5 per cent were neutral, while 13.4 per cent felt unsatisfied with the current condition of services. These figures are shown in Figures 7 and 8 below.
Figure 7. Total Percentage of Population's Satisfaction with the Services Received in Five Cities and Five Districts

![Bar chart showing satisfaction levels for five cities and five districts.]


Figure 8. The Percentage Level of Satisfaction amongst the Population’s with the Services Received in Five Cities and Five Districts, Segregated by City/District

![Bar chart showing satisfaction levels for various cities and districts.]

The World Bank Governance and Decentralisation Survey 2 (GDS2), a survey which measures the level of satisfaction amongst people in a number of districts, was conducted in Indonesia in 2007. Based on that survey, Lewis and Pattinasarany (2009) note that although 85% of people are somewhat satisfied with services in primary education, this satisfaction level is exaggerated and biased because of the low expectations the population has with regards to service delivery.

Basic public services neither significantly affect low income people, nor have they significantly improved (Lewis and Pattinasarany, 2009). Kristiansen and Santoso (2006) add that decentralisation policy in the Indonesian healthcare sector, which has led to privatisation, neither increased local government spending on local public health facilities for the poor, nor improved the accountability in the management of local health units. Similarly, decentralisation policy in the education sector in Indonesia neither improves transparency, accountability and financial allocation to primary and secondary education nor the inequality of these services across regions (Kristiansen and Pratikno, 2006).

Kompas (2015), one the biggest newspapers in Indonesia, notes that national educational services are far from required standards, whether in terms of competency, quality of teachers, infrastructure and a number of other requirements. Similarly, research conducted in 2016 by Muttaqin (et al., 2016) shows similar findings; based on the observation of 3,880 respondents, they note that educational attainment in Indonesia, shown by length of schooling, only slightly increased after the introduction of decentralisation policy.

Moreover, inequality of quality of services across regions is still being observed by scholars. Firman (2003) notes that fiscal decentralisation is relatively successful in reducing vertical inequality (between the central government and local governments), but it tends to increase horizontal disparities (amongst local governments).
This increase in the financial and economic discrepancy and inequality among regions leads to a divergence in the quality of services, as shown by some studies. Strategic Asia (2013) adds that after a decade of decentralisation in Indonesia, the rich regions become richer while the poor regions become poorer. This causes inequality of resource distribution and service quality.

Other empirical evidence back this up; the districts of Jembrana, Sragen, Sidoarjo, and Lamongan provide cheap and high quality public health and educations service provisions, while other regions still struggle to provide the same (Suwandi, 2002, 2004; Mohammad, 2007; Widianingsih, 2014). Strategic Asia (2013) shows that an improvement of service delivery in some rich and populous areas is mirrored by poor quality basic services (e.g. in health, education and infrastructure) in remote and poor areas.

Suwandi (2004), Indonesia UNDP (2009 cited in Strategic Asia 2013, p. 57), McCulloch and Sjahrir (2008) and Suwarwoto (2012) argue that disparities in the quality of public services can be seen clearly between the urban areas or cities, which provide superior quality and access to health and education facilities, and rural areas or regencies, which face limitations in delivering these services. In addition, Mc Culloch and Sjahrir (2008) highlight limitations in terms of access to electricity and communications, as well as the poor quality of local roads in the poor eastern parts of Indonesia, which contrasts to conditions in the rich western parts.

The evidence above strengthens the argument put forward by Strategic Asia (2013) that the low quality of public services and inequality of services among regions is an ‘unfinished agenda’, even though there has been some improvement in the quality of services in some regions.
This also supports the discussion in the previous chapter about there being no positive correlation between a decentralised system and the quality of services (see Robinson, 2007; Ahmad and Brosio, 2009).

As a response to those problems, the Central Government in 2002 introduced and launched MSS, known in Indonesian as Standar Pelayanan Minimal (SPM). MSS is considered a breakthrough and is a key component of the decentralisation policy that is designed both to enhance quality of services and reduce inequality of the quality of services.

There are high expectations that MSS could improve the quality of services through improving the performance and accountability of local governments in service delivery. The logic follows the rationale used to justify decentralisation policy. The performance of local government to deliver services could improve because MSS make local governments more focused on delivering services and at the same time improves their accountability. Besides that, MSS aims to avoid the risks associated with decentralisation in terms of the inequality of resources and quality of and access to services. Thus, the concept of MSS becomes very important in the context of Indonesian decentralization policy.

### 3.3.2. MSS: The Concept and Its Rationale

As discussed above, MSS is a key focus and strategy of the Indonesian decentralised system. It aims to enhance quality and efficiency of basic public services and reduce the inequality of access to these services across regions. It is done through encouraging improvements in the performance of local governments in providing services by requiring them to provide services in minimum required quality standards.
MSS was introduced in 2002 at the request of the MoHA, through Decree No 100/756/OTDA/2002. It came three years after the implementation of decentralisation policy in Indonesia in 1999. Later, this decree was revised into GR 65/2005, which outlined guidance for the technical ministries when setting indicators and standards for MSS in each sector and outlined mechanisms for local governments to implement MSS in each sector. This GR is derived from Law 32/2004 on Local Governance. This Law was subsequently revised into Law 23/2014. The revision of Law 32/2004 into Law 23/2014 did not change the definition of MSS, but instead only slightly changes its design.

There has been no revision to GR 65/2005 to date. In GR 65/2005, MSS is defined as the type and quality of basic public services that should be provided at a minimum level. According to this GR, these basic public services should reflect the minimum socio-economic needs and rights of citizens that should be fulfilled by the government and which are guaranteed by the Constitution.

Scholars have different interpretations of the definitions that have been stipulated within this GR. This leads to at least three rationales of MSS: as a tool of control, a mechanism of accountability and an instrument of communication and coordination to deliver services. The first rationale sees MSS as a tool of control by central government of local government over services delivered to local people. This rationale is mostly used by the central government. We have seen how decentralisation policy gives more autonomy to each region to deliver services. As a result, there is more discretion within each region to deliver various types and qualities of services based on its own capacities and eagerness. This means that the central government to some extent cannot directly intervene. Thus, to ensure minimum quality, such standards should be set as tool of control.
The MSS is used as a tool of the central government to measure and monitor the performance of local governments. It allows the central government to ensure whether minimum standards of effective and efficient services have been delivered by local governments. In line with this argument, Ferrazzi (2005), Kurniawan (2011) and Hudawi (2012) define MSS as a tool to control and influence local governments in fulfilling their ‘obligatory functions’ to deliver basic services. Ferrazzi (2005) and Bappenas (2014) also add that as a tool of control, MSS is used by the central government to ensure that all local government activities, from planning and budgeting to implementation, are subject to a minimum level of service outcome.

As a tool of control, the most interesting thing in MSS is the use of the term ‘minimum standards’ instead of ‘target’, which is commonly used in most countries when discussing performance management. It means there is a particular degree of compromise between the efforts to strengthen the rationale of decentralisation policy on the one hand, and a continuous process to maintain and even strengthen the roles of the central government to scrutinise and monitor implementation on the other hand.

On the one hand, Ferrazzi (2005) argues that MSS is a model of performance management and accountability used by central governments to oversee local governments. On the other, MSS is expected to improve quality of local services based of the autonomy and capacity that has been devolved (Ferrazzi, 2005). This statement perhaps strengthens the debate discussed in the previous chapter between centralised and decentralised system which lead to one particular policy to gain merits of both approaches. In the Indonesian decentralised system, this policy seems to have been translated into one kind of performance management regime, namely MSS.
The second rationale is that MSS is a mechanism to increase the accountability of local governments to central government, as well as to their local citizens and members of local parliaments and councils. This rationale seems similar to the first however it comes from the local government perspective. From this perspective, MSS is used as a tool to outline what basic services are offered and how they are delivered (Haryanto, 2010). Mohamad (2007) argues that MSS is a way to ensure the local accountability of local government to provide basic public services which can be equally accessed by local people. It is perhaps similar with the concept of a citizen charter as applied in the UK, a form of ‘accountability contract’ between government and citizens. As a mechanism of accountability, MSS becomes a way to gain feedback from citizens and acts as a stimulus to endorse public participation in monitoring how government delivers services (Haryanto, 2010).

Finally, from the central-local relations point of view, MSS can be seen as a tool of communication between the central government and local governments in delivering services. Haryanto (2010) notes the technical and financial guidance underpinning MSS and the way it seeks to introduce a standardised language in service delivery. It is a practical mechanism that outlines, for example, minimum financial and technical requirements, as well as qualification of services that should be delivered by local governments from Sabang (in the west of Indonesia) to Merauke (in the east) (Mohamad, 2007).

This minimum requirement aims to ensure convergence and uniformity in the quality of basic services delivered by local governments. Roudo and Chalil (2016) argue that MSS is not only the key strategy of the decentralisation policy in terms of accelerating the improvement of the quality of public services, but also in terms of the efforts to reduce regional disparity in the provision of basic public services across regions. Given that it requires similarity in terms of the types and quality of public services, MSS can be said to define the ‘same voices and language’ between central and local governments in how they deliver public services.
In other words, MSS aims to minimise any lack of communication and coordination amongst central and local governments and amongst local governments themselves. This lack of communication and coordination is one of the possible negative consequences of decentralisation, as described by Alonso, Dessein and Matouschek (2008) and Fuhr (2011) and discussed in the previous chapter.

### 3.3.3. Design of MSS

It is important to review the design of MSS in order to understand why it is so tightly aligned with the decentralisation process in Indonesia. Besides that, by understanding the design it will be possible to understand the possible impact of MSS on the performance of local governments in delivering services and in improving the quality of those services. In order to understand the design of MSS, it is necessary to outline how central government in Indonesia defines public services, particularly in the context of central-local relations.

Common definitions include those drawn from economics, which define public services in terms of non-excludability and the non-rivalry of services (Mankiw, 2001), or those from public administration, which view public services as activities directed at the fulfilment of government’s function through specific procedures that satisfy the interests of stakeholders (Khozin, 2010). However, the definition of public service in Indonesia is tightly linked with the practice of decentralisation. Its definition links with the idea of divisions of authority among different levels of government, which is arguably the most important element of decentralisation (Cohen and Peterson, 1999; Dafflon, 2006).

In this context, public service is defined in GR 38/2007 as an obligation of a particular level of government to provide particular services to the public or people based on the authority and responsibility that has been devolved to them.
According to this GR, public service is a government function to deliver services aiming to fulfil people’s rights that is delivered by a particular level of government or simultaneously by different tiers of government. This classification is different to those based on heterogeneity, uncertainty and complexity (see Carter, Klein and Day, 1992), or those based on political and institutional reforms (see Batley, 2004; Batley and Mcloughlin, 2012; Batley and Harris, 2014). However, the same principles are imposed, poor quality of public services raises the pressure on politicians and increases complaints to public managers, bureaucrats and service providers (Sawchuk, 2004).

In the Indonesian decentralised system, the classification of public services thus is based on the functions that are embedded to each tier of government, as shown in Figure 9 below. Based on this classification there are two types of government service delivery functions: absolute and concurrent powers and functions. The absolute powers and functions are those that belong to central government, such as defence or fiscal policy, while ‘concurrent functions’ or ‘shared competence’ are powers, authorities and responsibilities that are jointly-held between all levels of governments, such as education, health, and agriculture policy. For instance, the provision of primary and junior high school facilities is the responsibility of the district level, while the provision of senior high school and university education belongs to provinces and to central government.

However, Haryanto (2010) criticises this system, arguing that the concurrent powers and functions in the context of decentralisation in Indonesia do not really reflect the compulsory functions of local governments to fulfil the basic public services. It is more likely to reflect the ‘newly handed down authority’ to districts/city level. It is a ‘negative list’ of local government’s responsibilities to those that central and provincial government has not been in charge.
The concurrent powers and functions are further grouped into local obligatory and voluntarily functions. This local obligatory function is part of the ‘concurrent’ functions’ that are compulsorily implemented by each local government, regardless of its capacities. There are 26 obligatory functions of local government, which are outlined in Indonesia GR 38/2007. These functions are further classified into basic and non-basic service delivery. Among these 26 obligatory functions, only a few are classified as basic service delivery such as health and education.

According to this GR, MSS is designed for those ‘local obligatory functions’ which are part of basic services delivery. This shows that MSS is tightly linked with the decentralisation policy in Indonesia. This is in line with that explained by Haryanto (2010), who says that MSS reflects local obligatory functions that are related to basic services and the fulfilment of basic welfare, public order, national unity, and a commitment to national and international conventions.
However, because the division of responsibilities between different tiers of government that are stipulated in GR 38/2007 still lack clarity and are inconsistent when it comes to which tier of government executives has which functions (particularly when it comes to concurrent functions), in practice the conflict between different tiers of government in executing these functions often can not be avoided (Ferrazzi, 2005). In 2012, 15 MSS have been set and applied at district or city level and 9 at the provincial level. This encapsulates 65 services and 174 indicators, as shown in Table 4 below.

Some characteristics of the design of MSS can be identified. The most obvious is that MSS consists of a large number of sectors and relies upon quantitative and qualitative indicators of inputs (i.e. coverage, access), outputs and outcomes.

There is also no uniformity among the sectors in terms of indicators and standards, as shown in Table 5 below. For instance, in the education and health sectors, indicators and standards are dominated by inputs (especially coverage and access) and there is no standard concerning outcome. In contrast, indicators and standards concerning outcomes can be seen in the infrastructure and food resilience sectors. However, it seems that the design overall is dominated by indicators focusing on inputs, particularly in health and education.

According to Rashid (1999), the measurement of input level reflects costs imposed and resources used. It is mostly reflected by coverage and access and differs from a focus on output and outcomes; at the output level the emphasis is on goods and services delivered and at the outcome level the emphasis is on the impact or effects of the services delivered (Rashid, 1999).
Furthermore, there is a mix within the indicators of ‘easy’ to achieve standards in the health sector, such as ‘baby visits’ and difficult standards in the education sector, such as ‘an education unit is available and affordable by/through walking from permanent housing clusters in isolated areas within 3 kms for primary school and 6 kms from junior high school’.

### Table 4. Indicators and MSS Standards

<table>
<thead>
<tr>
<th>No</th>
<th>Sector</th>
<th>Year of Stipulation</th>
<th>Operational Guidance</th>
<th>Financial Guidance</th>
<th>Types of Services</th>
<th>Number of Indicators</th>
<th>Target Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Health</td>
<td>2008</td>
<td>Yes</td>
<td>2009</td>
<td>4</td>
<td>18</td>
<td>2015</td>
</tr>
<tr>
<td>2</td>
<td>Social</td>
<td>2008</td>
<td>Yes</td>
<td>2010</td>
<td>4</td>
<td>7</td>
<td>2015</td>
</tr>
<tr>
<td>3</td>
<td>Environment</td>
<td>2008</td>
<td>Yes</td>
<td>Draft</td>
<td>4</td>
<td>4</td>
<td>2013</td>
</tr>
<tr>
<td>4</td>
<td>Administrative Affairs</td>
<td>2008</td>
<td>Yes</td>
<td>Draft</td>
<td>3</td>
<td>11</td>
<td>2015</td>
</tr>
<tr>
<td>5</td>
<td>Housing</td>
<td>2008</td>
<td>Yes</td>
<td>2010</td>
<td>2</td>
<td>3</td>
<td>2025</td>
</tr>
<tr>
<td>6</td>
<td>Women-Empowerment</td>
<td>2010</td>
<td>Yes</td>
<td>2010</td>
<td>5</td>
<td>8</td>
<td>2014</td>
</tr>
<tr>
<td>7</td>
<td>Planning Family</td>
<td>2010</td>
<td>Yes</td>
<td>2010</td>
<td>3</td>
<td>9</td>
<td>2014</td>
</tr>
<tr>
<td>8</td>
<td>Basic Education</td>
<td>2010</td>
<td>Yes</td>
<td>2011</td>
<td>2</td>
<td>27</td>
<td>2014</td>
</tr>
<tr>
<td>9</td>
<td>General Affairs</td>
<td>2010</td>
<td>Yes</td>
<td>Draft</td>
<td>8</td>
<td>23</td>
<td>2014</td>
</tr>
<tr>
<td>10</td>
<td>Labour Affairs</td>
<td>2010</td>
<td>Yes</td>
<td>2010</td>
<td>5</td>
<td>8</td>
<td>2016</td>
</tr>
<tr>
<td>11</td>
<td>Communication and Information</td>
<td>2010</td>
<td>Yes</td>
<td>Draft</td>
<td>2</td>
<td>6</td>
<td>2014</td>
</tr>
<tr>
<td>12</td>
<td>Food Resilience</td>
<td>2010</td>
<td>Yes</td>
<td>2010</td>
<td>4</td>
<td>7</td>
<td>2015</td>
</tr>
<tr>
<td>13</td>
<td>Arts</td>
<td>2010</td>
<td>Yes</td>
<td>Draft</td>
<td>2</td>
<td>7</td>
<td>2014</td>
</tr>
<tr>
<td>14</td>
<td>Transportation</td>
<td>2011</td>
<td>No</td>
<td>Draft</td>
<td>4</td>
<td>26</td>
<td>2014</td>
</tr>
<tr>
<td>15</td>
<td>Investment</td>
<td>2011</td>
<td>Yes</td>
<td>Draft</td>
<td>7</td>
<td>10</td>
<td>2014</td>
</tr>
</tbody>
</table>

**Total**

14 | 8 | 65 | 174

Source: Bappenas (2012)
Table 5. Some Indicators and Standards in MSS

<table>
<thead>
<tr>
<th>No</th>
<th>Types of Indicators/Standards</th>
<th>Sectors</th>
<th>Types of Basic Services</th>
<th>Indicators of MSS</th>
<th>Standards (%)</th>
<th>Targeted Time (Year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Input (coverage, access)</td>
<td>Health</td>
<td>Basic Health Service</td>
<td>Frequency of daily visits to pregnant mothers (K4)</td>
<td>90 %</td>
<td>2015</td>
</tr>
<tr>
<td>2</td>
<td>Output</td>
<td>Health</td>
<td>-</td>
<td>No information</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>Outcome</td>
<td>Health</td>
<td>-</td>
<td>No information</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Input (coverage, access)</td>
<td>Education</td>
<td>Primary Education Services provided by Districts</td>
<td>In every Primary and Junior High School, there is at least 1 teacher room equipped by chair, desk for the Headmaster, teacher and School staff and should be separated for Headmaster in Junior High School</td>
<td>100</td>
<td>2014</td>
</tr>
<tr>
<td>5</td>
<td>Input (coverage, access)</td>
<td>Education</td>
<td>Primary Education Services provided by Districts</td>
<td>An education unit is available and affordable by/through walking from permanent housing clusters in isolated areas within 3 kms for primary school and 6 kms from junior high school</td>
<td>100</td>
<td>2014</td>
</tr>
<tr>
<td>6</td>
<td>Input (coverage, access)</td>
<td>Education</td>
<td>Primary Education Services provided by Education Unit</td>
<td>An education unit applies standardized curriculum</td>
<td>100</td>
<td>2014</td>
</tr>
<tr>
<td>7</td>
<td>Output</td>
<td>Education</td>
<td>-</td>
<td>No information</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>8</td>
<td>Outcome</td>
<td>Education</td>
<td>-</td>
<td>No information</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>9</td>
<td>Input</td>
<td>Infrastructu re</td>
<td>Water Resources</td>
<td>Availability of clean water to serve daily needs of people</td>
<td>100 %</td>
<td>2014</td>
</tr>
<tr>
<td>10</td>
<td>Output</td>
<td>Food Resilience</td>
<td>Food Distribution and Access</td>
<td>Availability of information on supply, price and stock</td>
<td>100 %</td>
<td>2015</td>
</tr>
</tbody>
</table>

Source: Author’s Judgement to Some Technical Ministry’s Decrees

These sectoral Ministries refer to those within the: Ministry of National Education Decree 15/2010 on the MSS of Basic Education in Districts Level, Ministry of Health 741/2008 on the MSS of Health in District Level, Ministry of General Affairs Decree 14/PRT/M/2010 on the MSS of General Affairs and Spatial Plan, and Ministry of Agriculture Decree 65/Permentan/0T.140/12/2010 on the MSS of Food Resilience in Province and Districts
Among the many sectors of MSS, two sectors, health and education, are at the heart of its implementation and reflect the most essential basic services. Besides that, MSS within these sectors entails considerable preparation in order to meet the terms laid out supported law, regulation and Ministerial decree. A study by the Directorate of Regional Autonomy, Bappenas, of three local governments in Indonesia shows that MSS within the health and education sectors is the most rigorous MSS compared to other sectors in terms of preparation and implementation required, as well as in terms of the necessary level of understanding among stakeholders and technological support needed (Bappenas, 2012).

MSS in the health sector has been in place since 2003 and accompanied the publication of Ministry of Health (MoHE) Decree number 1457/2003, which was revised in 2008 through MoHE Decree 741/Menkes/Per/VII/2008. Moreover, in the same year, MoHE Decree number 129/Menkes/II/2008 was published, which concerned MSS within hospitals. Soon after this, another decree, MoHE Decree 828/Menkes/SK/IX/2008, was published, which contained guidance on the implementation of MSS in the health sector in districts and cities. Some indicators and standards concerning MSS in the health sector based on those regulations can be seen in Table 6 below.

MSS within the education sector is similarly well developed. It is regulated by MoNE Decree 23/2013 and its revised sibling, MoNE Decree 15/2010 on the MSS on basic education. This MoNE Decree provides operational guidance on the implementation of MSS in education. Some indicators and standards concerning MSS within the education sector are shown in Table 7 below.

While there are variations in standards and targeted years in the health sector, standards for MSS in the education sector are more fixed. We can see that they need to be completely achieved by 2014; there is a binary between not achieved (0%) and achieved (100%).
### Table 6. Indicators and MSS Standards in the Health Sector

<table>
<thead>
<tr>
<th>No</th>
<th>Types of Services</th>
<th>Indicators</th>
<th>Standards</th>
<th>Targeted Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Basic Treatment</td>
<td>Daily visit to pregnant mother (K4 criteria)</td>
<td>95%</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Visit to pregnant mother with complicated problems</td>
<td>80%</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aid from health workers or nurses</td>
<td>90%</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Service to mother after giving birth (childbed)</td>
<td>90%</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Neo-natal with complicated problems</td>
<td>80%</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Baby visits</td>
<td>90%</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Universal child immunization in Sub Districts</td>
<td>100%</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Services to under 5 year old children</td>
<td>90%</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provision of additional food to breast-milk to children from poor families from 6 months to 2 years</td>
<td>100%</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Services to those under 5 years old who are malnourished so that they get special treatment</td>
<td>100%</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Quality of health of students in primary schools</td>
<td>100%</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Member of active family planning</td>
<td>70%</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Observation and treatment for those who are ill</td>
<td>100%</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Basic health services for poor families</td>
<td>100%</td>
<td>2015</td>
</tr>
<tr>
<td>2</td>
<td>Referral Treatment</td>
<td>Recommended services for poor families</td>
<td>100%</td>
<td>2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td>First level of emergency services that should be supported by health infrastructure in districts</td>
<td>100%</td>
<td>2015</td>
</tr>
<tr>
<td>3</td>
<td>Epidemiology Investigation and cure for special diseases</td>
<td>Scope of village or sub districts launching special epidemiology investigations in fewer than 24 hours</td>
<td>100%</td>
<td>2015</td>
</tr>
<tr>
<td>4</td>
<td>Health promotion and people empowerment</td>
<td>Scope of Active Alert Villages</td>
<td>80%</td>
<td>2015</td>
</tr>
</tbody>
</table>

Source: Ministry of Health (MoHE) Decree 828/Menkes/SK/IX/2008
Table 7. Indicators and MSS Standards in the Education Sector

<table>
<thead>
<tr>
<th>No</th>
<th>Types of Services</th>
<th>Indicators for Primary School</th>
<th>Indicator for Junior High School</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Affordable walking distance from remote/isolate areas</td>
<td>6 kms</td>
<td>3 kms</td>
</tr>
<tr>
<td>2</td>
<td>Number of students per class</td>
<td>32 (complete with chair, table, blackboard)</td>
<td>36 (complete with chair, table, blackboard)</td>
</tr>
<tr>
<td>3</td>
<td>Teacher rooms per school</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Principal room per school</td>
<td>-</td>
<td>1 (separated from teacher’s room)</td>
</tr>
<tr>
<td>5</td>
<td>Physics laboratory</td>
<td>-</td>
<td>Capacity for 36 students with demonstration instrument</td>
</tr>
<tr>
<td>6</td>
<td>Availability of teacher</td>
<td>6 teachers for each unit of education and 4 teachers for each unit of education in a special region</td>
<td>1 teacher for each subject or 1 teacher for one group of subjects in a special region</td>
</tr>
<tr>
<td>7</td>
<td>Teacher’s qualifications</td>
<td>2 undergraduate degree holders, 2 certified teachers</td>
<td>70% of teacher has an undergraduate degree and half are certified (i.e. 40% undergraduate, 20 % certified in special regions)</td>
</tr>
<tr>
<td>8</td>
<td>Principal’s qualifications</td>
<td>Undergraduate qualification and certification</td>
<td>Undergraduate qualification and certification</td>
</tr>
<tr>
<td>9</td>
<td>School supervisor’s qualifications</td>
<td>Undergraduate qualification and certification</td>
<td>Undergraduate qualification and certification</td>
</tr>
<tr>
<td>10</td>
<td>Textbooks</td>
<td>1 set per student in Indonesian language, mathematics and sciences</td>
<td>1 set per student</td>
</tr>
</tbody>
</table>

Source: Ministry of National Education Decree (MNED) 23/2013 as the revision on MED 15/2010 on the MSS of basic education

There is no strict rule on how often standards are updated. Common practice dictates that indicators and standards are changed and adjusted following the introduction of laws and regulations that accommodate the needs of people and public services.
For instance, the first MoHE Decree that regulates MSS in districts or cities is number 1457/2003, which was revised in 2008 through MoHE Decree 828/Menkes/SK/IX/2008 and Decree number 43/2016. There is no obligation to change this MSS every year, but it depends on the needs of organisations and the people.

It is important to point out that MSS is not the only one performance management regime for local government in Indonesia. The functions of MSS to some extent connect to other performance management regimes that have emerged under the decentralised system. Strategic Asia (2013) notes that the effectiveness of MSS could increase when it is tightly linked with the other types of performance management tools applied to local government. MSS is strongly connected with the Evaluation of Implementation of Regional/Local Governance or EKPPD. In GR 6/2008, it is stated that the achievement of MSS serves as one indicator in the overall assessment of EKPPD. EKPPD is a more comprehensive assessment of local government performance than MSS and is measured annually. It also covers all aspects of the performance of local governments, from ‘soft products’, such as relations between the executive and legislative, to ‘hard products’ such as the condition of roads (Dendi, 2010).

Nevertheless, the most important element of EKPPD is the ranking of local authorities. Every district, city and province is grouped and ranked based on their overall performance. These ranking results are formally published by the MoHA two years after the evaluation has taken place. For instance, the results of EKPPD in 2013 were published on 25 April 2015 on ‘Regional Autonomy Day’ (Hari Otonomi Daerah). There are rewards given to local governments in the top rank8. Although it is debatable whether the rewards are ‘worth it’ (see Dendi, 2010), at the very least the publication of league tables grabs the attention of local governments.

8 Top rank refers to top 10 % for each category (i.e. district, city and province)
3.3.4. Mechanism and Initial Roles of Stakeholders

The design of MSS has been discussed in the previous sections. Here, the mechanism of its implementation and role of stakeholders in MSS are discussed. According to Bappenas (2002, 2004) and Hudawi (2012), the initial formal mechanism of MSS is set in GR 65/2005, which is focuses upon three main activities: designing, implementing and evaluating.

The first activities are related to the design of MSS. The MoHA has a significant role in this activity by acting role in formulating laws and regulations and providing general guidance for technical ministries to set their own MSS standards. The current GR 65/2005, initiated by the MoHA became the guidance for technical ministries when formulation and designing MSS in their sectors. Furthermore, the initial mechanism suggests the MoHA to cooperate with other related ministries, such as Bappenas, MoF, Ministry of Administrative and Bureaucratic Reforms (KemenPAN and RB), State Administrative Agency (LAN) and technical ministries and the representatives of local government under coordination of the Regional Advisory Autonomy Board (DPOD). Bappenas plays a role in ensuring that the MSS is integrated into local development plans, while the MoF ensures certainty of financial resources to technical ministries and local governments for implementing MSS.

Technical agencies such as MoHE and MoNE have roles in setting standards, indicators and targets after getting inputs and feedback from local governments while KemenPAN dan RB and LAN have roles as supporting agencies. These standards are later stipulated in Ministerial Decree. In practice, both the MoHA and technical ministries are helped by experts and scholars in determined standards and targets in MSS. MSS is derived and determined through DPOD as a forum while the MoHA and technical ministries become the leading agencies in this forum.
In the implementation stage, local government’s role is as important as that of central government to achieve standards of MSS. Besides that, the MoHA has roles to facilitate and to accelerate local government to implement MSS within its sector. Together with sectoral ministries, the MoHA has also responsibilities to overcome the ‘bottle neck’ implementation of MSS.

Finally, in the evaluation stage, this technical ministry plays a role in monitoring and evaluating the implementation of MSS within their sector. The MoHA together with auditor and inspector in both central and local governments (Finance and Development Supervisor Agency (BPKP), Supreme Audit Institution (BPK), local inspectorate) then doing monitoring and assessing overall achievement of MSS based on evaluations made by the technical ministries. This role includes providing feedback and arranging capacity building for local governments that have low performance in achieving targets set in MSS.

### 3.3.5. Current Implementation of MSS

As discussed above, MSS seems very promising as a means to enhance the quality of services delivered by local governments and to reduce inequality in service quality. That is why politicians and bureaucrats in both central and local government, as well as ordinary citizens, have high expectations for the introduction of MSS. Mohamad (2007) even notes that MSS is the milestone of Indonesia’s efforts to improve public services, while Brinkerhoff and Wetterberg (2013) argue that MSS is a promising pathway within public sector reform to improve the quality of services within a decentralised system. Eckardt (2008a, 2008b) adds that MSS is as important as other pathways to reform in decentralised systems including improving information flow and enhancing transparency.
However, the current achievement of standards of MSS shows no robust results. Some local governments are able to achieve MSS standards, while others have found it technically and financially difficult. The Association of Indonesian Teachers (Persatuan Guru Republik Indonesia/PGRI), cited in Kompas (2015) notes that education services at the local level are still far away from the standards that have been set in MSS, especially when it comes to the quality of teachers and infrastructures.

Moreover, the Director General of Regional Autonomy within the MoHA, Djohermansyah Djohan, cited in Kompas (2014), notes that the implementation of MSS in the health and education sectors are only relatively successful in the regions which have strong local leaders and proper budget allocations, such as Yogyakarta, Jakarta and Central Java. In contrast, there are still big challenges in the implementation of MSS in other regions. Thus, there doubt that MSS really causes an improvement in the basic quality of public services, indicated by the fact that some regions find it more difficult to achieve MSS standards.

Whilst MSS is promising, its potential is often unfulfilled. Bappenas (2014) based on an appraisal of the implementation of MSS in 14 provinces, 14 districts and 14 cities across 7 sectors of MSS, shows that there is still a big gap between actual achievement and MSS standards, particularly in the eastern part of Indonesia. To make matters worse, some regions in the eastern part of Indonesia have no data for MSS achievement except in the health sector (Bappenas, 2014). Some efforts endorsed by the MoHA to accelerate the implementation of MSS have been initiated. These are contained within formal letter number 100/1023/SJ, published on March 26, 2013. This letter offers step by step, technical guidance on the implementation, planning and acceleration of MSS achievement goals; and was distributed to all Head of Districts, Mayors and Governors. However, it cannot be ensured that MSS was fully fulfilled by local government (Bappenas, 2014)
Scholars offer various explanations as to why the achievement of standards of MSS and the overall implementation of MSS is often unsatisfactory. The first concerns the technical design involved. Some suggest that the design of MSS is complex and contains many indicators and standards. They argue that the design is also not uniform and perhaps very difficult and unrealistic to achieve in the targeted time (see Lewis, 2003; Ferrazzi, 2005).

This contrast, they say, to principles for ‘good’ performance measurement design, which emphasises simple, attainable and time bounded factors (Ball, 1998; Wilson and Game, 2002). Lewis (2003) argues that standards and indicators of MSS have been set too at too ambitious a level, meaning that some regions will find it difficult with their current human and financial capacities. Later, he suggests that reducing the number of standards within sectors, lowering the level of standards and prioritising some subset of district obligation functions for immediate action, will make achieving MSS standards more realistic and respects the often limited financial and human capacity within local government (Lewis, 2003).

The second, related reason is financial affordability. Scholars have measured the amount of money required to implement MSS. Lewis (2003), for example, predicts that each local government will need to increase routine and development expenditure within the education sector by approximately 5 trillion rupiah (280 million pounds) to fulfil MSS education participation standards. He continues that to fulfil the minimum standards for school children participation rates, local governments will need to raise 15 percent over current budgets level within the education sector (which represents 7 per cent of total local government expenditure) (Lewis, 2003). Since the MSS covers 15 sectors and 174 indicators, local governments are required to find considerable amounts of money to ensure compliance, which may be beyond its capabilities.
Lewis (2003), Ferrazzi (2005) and Funfgeld, Lucking and Platte (2012) note that technical ministries have often failed to consider the fiscal implications when setting the indicators and standards within MSS. Besides that, as Achmadi (2008) explains, there are some difficulties and challenges in appropriate predicting the local budgets that are required to fulfil the standards.

3.4. Summary of Chapter Three

From the review in this chapter, it can be seen that there is tight link between the ‘big bang’ decentralisation policy in Indonesia and the need for performance management regimes for local governments. As powers and authorities are decentralised to local government, the existence of performance management frameworks like MSS is required. On top of this there is a need to both improve the quality of services and reduce inequality in the access to quality services. The MSS can go a long way to achieving this. There is a need to fulfil the ‘unfinished agenda’ implied in the decade of decentralisation policy by using MSS.

There is thus a tight link between Indonesian decentralisation policy and MSS in terms of how public services are defined and classified in Indonesia’s decentralised system. However, the unique characteristics of Indonesian decentralisation policy, which means that central government still retains some overriding authority, makes the rationale and design for the MSS unique. MSS tries to encapsulate the interests of both central government and local governments, as well as rationales of both centralised and decentralised systems (as discussed in Chapter 2).
Later we will see discuss the initial mechanisms and roles of stakeholders. Here we will see that it involved actors from both central and local governments in equal measure. We also see that the current progress in the implementation of MSS is also fraught problems and challenges, as has been touched upon above. This research also considers those problems and challenges, although the discussion, observation and analysis in this research goes beyond the problems and challenges illustrated above.

In this research the researcher is eager to understand how MSS is operationalized and the extent to which MSS, as a tool of performance management, improves service quality by changing the behaviour of local governments through improving the motivation and compliance of local governments.
Chapter 4. Research Design and Methodology

4.1. Overview of Chapter Four

Given that the literature was reviewed in the two previous chapters, this chapter discusses the crucial component of study, the research design and methodology. Research design is an important stage in the research process because it determines the feasibility and validity of the research questions, the suitability of methodological approaches, the plausibility of data and the robustness of findings. Gorard (2013) believes that good design guarantees that the results of the research are logical, rigorous, specific and sufficiently convincing for sceptical audiences.

Bechhofer and Paterson (2000), Blaikie (2007) and Gorard (2013) distinguish between research design and methodology; for them, design is the plan and frame of the research, while methodology is the way of collecting and analysing data. One particular design can rely on the deployment of many methodological tools (Thomas, 2013). However, some scholars such as Hakim (1987), Punch (2005) and Grix (2010) often use the terms design and methodologies interchangeably.

The discussion of research design and methodology forms the basis of the discussion in this chapter. The design and methodology are approached in a way that allows for the research objectives – discussed in the context of the existing literature in the previous chapter – to be achieved. This chapter thus discusses the choices made in the design of the research and shows how they are appropriate in meeting those objectives.
The chapter starts with a discussion on the philosophical foundation that underpins the choices made. It then continues with the detailed research design, methodological and sampling decisions that were made. It then discusses the ways in which the data was collated and analysed. Finally, it ends with a discussion on the limitations of the research

### 4.2. Philosophical Foundations

According to Denscombe (2010), epistemology and ontology are the philosophical underbelly which underpin the choice of design and methods. Ontology refers to the way a researcher understands social reality (Denscombe, 2010; Bryman and Becker, 2012) and the two mainstrem ontological positions are realism (known also as objectivism) and constructivism (known also as subjectivism), although there are other less prominent positions, such as critical realism and pragmatism.

A realist ontological position implies that social reality is beyond the influence of the researcher, whereas a constructivist one implies that this reality is the result of human thinking and interaction, or, in other words, that reality can only be understood through people’s perceptions (De Vaus, 2001; Denscombe, 2010). Bryman (2012) and Thomas (2013) add that in constructivism, social reality is varied and unique, such that it can only be understood by closely interacting with participants.

From this ontological position, research is underpinned by (and indeed relies upon) the ideas, perception and assumptions which are made by people who are involved in the practice of MSS. The information can only be gained through close interaction with interviewees. From this ontological position we must also be aware that it is not just the participants themselves who are subjective and varied, but the researcher’s interpretation of the information they gather is too.
We must also be aware of epistemology. Descombe (2010) suggests that epistemology refers to the way in which we can make sense of and gain knowledge of social reality. Broadly speaking, there are two epistemological positions: positivism and interpretivism (known also as subjectivism). Denscombe (2010) explains that in positivism, the processes social researchers use to understand and gain knowledge of social phenomenon are akin to those deployed within the natural sciences. In contrast, May (2001) and Ritchie, Spencer, and O’Connor (2003) explain that in interpretivism, the researcher gains knowledge based upon an interpretation of social reality which is in turn based on their close interaction with people.

Within this thesis an interpretivist position is adopted, which means that the research questions and results are inherently tied up with the subjective viewpoints of both the researcher and research participants. If this research were underpinned by a positivist perspective then the results could easily be generalised and formulated into grand theoretical terms; however, its interpretivist underpinning implies that the findings presented within this thesis will be specific and unique to Indonesia and may be different from observations made in other countries.

As is typical with research underpinned by a construtivist or subjective ontology and interpretivist epistemology, this thesis will rely on qualitative approaches to generate and analyse data. Similarly, an inductive approach will be used, meaning that the research will not rely on hypotheses derived from theory at the outset of the research (as is the case with deductive approached) but instead takes a bottom up form, where data is collected and then hypotheses are formulated as the outcome of the research.
This is not to suggest that theory plays no role in the early stages of the research (as is the case in grounded theory, for example; see Silverman, 2005; Bryman, 2012); instead, particular theories and concepts are used to broadly guide proceedings but are themselves subject to revision in light of empirical data collected.

4.3. Research Design

In this section the type of design that is used in this research is discussed. In this thesis a flexible design that deploys a multiple case study design is used.

4.3.1. Flexible Design

Three types of research design are commonly used by researchers and scholars: fixed; flexible; or combination of both. This thesis uses a flexible design, in the form of a multiple case study design. Unlike fixed design, where the design follows exact and rigid procedures and relies upon one or more theories, flexible design is less structured. In this design, there are significant opportunities for researchers to adjust methodologies and research questions on the basis of conditions in the field and emerging findings (Robson, 2011). However, this does not imply an overly loose structure; the design still refers to a particular theoretical framework (in particular principal-agent theory and the performance management framework), although it still allows researchers to adjust data collection and analysis procedures, as well as research questions, as the research progresses.

What is needed in this research is type of design that allows the researcher to obtain deep understanding of the differences and similarities in the performance of local government. A flexible design is chosen since the answer to the research questions posed earlier does not require a particularly rigid design, or indeed a complex methodology.
It also does not require the deployment of a particular intervention to uncover the correlation between two phenomena, as is the case with experimental or quasi-experimental studies.

4.3.2. Multiple Case Study Design

Out of the many approaches to flexible design (which includes case studies, action research and ethnography) (see Thomas, 2013), a multiple cases study design is chosen. Within a multiple case study design, several cases are observed concurrently. When it comes to what constitutes a ‘case’, scholars have different definitions: Mabry (2008) and Simon (2009) define a case study as a unit of cases or a unit of analysis which includes a particular situation, individual, group or organization, or administrative unit. Punch (2005) and Thomas (2011) point out that a case is only a boundary of an object and it is open to any methods of data collection and analysis. Wieviorka (1992) and Thomas (2013) mention that a case as a subject becomes a scientific focal point when placed in a theoretical framework.

There is an agreement among scholars that a case study design is aimed at capturing comprehensive and unique detail of one or more cases. For instance, Simon (2009) and Thomas (2011) argue that the aim of a case study is not to control variables, but to provide opportunities to explore complex and unique cases in a deep, rich and comprehensive ways. However, Gorard (2013) claims that the case study is the simplest and weakest design because it does not involve intervention and comparison of groups and thus often fails to give robust and plausible results when compared to experimental design.

Nevertheless, it still possible for case studies to be deployed in a comparative way by capturing data from more than one case at a time. Thomas (2011, 2013) talks of multiple cases study.
Relating this type of design to this thesis, the subject is the district level of government (regencies/cities) and the objects or analytical frame are different performance levels as results of applying MSS. Deploying this design in this context, it is expected that similarities and differences in terms of motivation and compliance within each district to deliver services will become obvious. This multiple case study design is also referred to as the 'snapshot' design, because phenomena are studied at a particular point in time (Denscombe, 2010; Gorard, 2013; Thomas, 2013).

4.4. Research Methodology

Bryman (2012) defines research methodology as the strategies deployed to collect, collate and analyse data. Thomas (2013) argues that appropriate methodology is important to generate valid data, provide convincing analysis and gain plausible findings in pursuit of answering the research questions. Matthews and Ross (2010) and Robson (2011) compare research methodology to the ways that detectives gather evidence through observation and interrogation. In this research a similar process of interrogation and observation is taken. Thus, within the case studies undertaken in this thesis, semi-structured interviews and thematic analyses are used to collect and analyse data.

However, the qualitative analysis is supplemented by quantitative data, particularly a descriptive analysis. This quantitative analysis will be used to observe the gap between the current conditions and targets that have been set. This type of analysis is known as univariate analysis, where one variable at a time is analysed (whether in the form of a ratio, percentage or in frequency tables) (Bryman, 2012).
4.4.1. Data Collection: Qualitative Interview

The nature of the qualitative interviews used in this thesis is now discussed. These take two forms: individual interviews and Focus Group Interviews (FGIs).

4.4.1.1. Individual Interview

Holstein and Gubrium (1997), Hyman (et al., 2004), and Brinkmann and Kvale (2015) define interviews as a researcher’s channel to gain information about a respondent’s opinion or beliefs. Within this thesis, a semi-structured interview approach is taken when interviewing individuals. Semi structured interviews are one type and style of interview and can be used to understand and learn about people’s experiences and belief in a comprehensive manner and without any need to participate in the activity under investigation (as would be required, say, with action research or ethnography) (Rubin and Rubin, 2005). This type of interview stands at the midpoint between unstructured and fully structured or quantitative interviews. By their very nature, they are less structured than other forms of interview techniques, although they still loosely follow a pre-prepared guide.

However, there is built in flexibility to allow the interview to respond to and take into consideration previous responses to questions posed. Unlike in fully structured interviews, where fixed guidelines and questions are set in advance to allow for standardisation across interviews, in semi structured interview, the wording and order of questions can be modified to take into account emerging findings and insights (Robson, 2011; Bryman, 2012). Gillham (2005) shows that this type of interview allows us to ask further questions than those we set out to. In this type of interview, questions are prepared, but the interviewer must be prepared to be flexible with both the ordering and wording of questions (and indeed with whether to ask particular questions at all).
The questions set within this thesis take into account guidance from Kvale (1996), who discusses how to formulate good interview questions. According to her advice, an interview must start with an introduction and end with follow-up questions, including probe questions, to ensure the tight link between one question and another. The questions are varied to include both direct and indirect questions, and to ensure a range of both easy and challenging questions. Each interview is ended by thanking participants for their involvement. Although the general thrust of the questions is similar, different questions are set to different interviewees or participants. The full range of questions are shown in Appendix 1. In this research, five set of questions are addressed to five main groups:

1. The first group of interviews are with central government officials, especially those in the nine Indonesian Ministries who have prominent positions in dealing with the design, implementation and evaluation of MSS. The information about them are gained from initial roles of them in law and regulations. These include the: (a) Ministry of Home Affairs (MoHA); (b) Ministry of Health (MoHE); (c) Ministry of National Education (MoNE); (d) Ministry of National Development Plan (Bappenas); (e) Ministry of Finance (MoF); (f) Ministry of State Apparatus Empowerment and Bureaucratic Reform (Kemen PAN & RB); (g) State Administrative Agencies (LAN); (h) Finance and Development Supervisor Agency (BPKP); and (i) Supreme Audit Institution (BPK).

2. The second is with the Heads of Regions and Local Parliaments, which includes: the Mayor; Head of Districts or Governors; and the Chair, Vice Chair and Members of Local Parliaments.

3. The third are with Local Government officials, which include: a) Regional Secretaries; b) Local Technical Agencies, including; the Local Health Agency and Local Education Agency; c) the Local Development Planning Agency (Bappeda); e) the Local Financial Agency, and f) the Local Inspectorate.

4. The fourth are with Local Technical Providers, such as Heads of Local Health Services (Puskemas) and Heads of Primary School (SD)
5. The fifth are with scholars and academics from national or local universities (e.g. the University of Indonesia, the Indonesian Local Governance Institute (IPDN) as well as international experts (e.g. Kompak AusAid), and representatives from NGOs who have specific research area and interests in the implementation of MSS.

The selection of the groups of interviewees is based on preliminary research conducted by the researcher and previous research studies. To avoid selection bias, the researcher did not select the interviewees themselves, but instead sent a letter to the organisations of which they were a part, who would then be tasked with selecting interviewees. Typically, the head of the organisation would be interviewed, but this was not always possible. In any regard, those interviewed were those who hold a related and important position concerning MSS, or those people whose have knowledge and experiences about MSS in those organisations.

However, this does not mean that were no problems when it came to the selection of interviewees. Three problems are common, as discussed by Gilham (2005) and Brinkmann and Kvale (2015). Firstly, some interviewees feel that the issues are too sensitive so they seem reluctant to talk to us, because doing so bring risks to their career and popularity. For instance, we found some Head of Regions do not respond to and even reject requests for interviews because they think the answers could negatively influence their popularity. This is why only a few Heads of Regions were interviewed. Also, some government officers in top positions in both central and local governments, for instance in the Ministry of Health and in the District of West Bandung, rejected interview requests for the same reason.

Another reason why potential interviewees rejected interview requests was because they thought that they were not qualified or lacked the knowledge to talk, even though it was precisely because of their position that they are selected for interview. This is found in some regions in District of Southwest Sumba and District of Batanghari.
Finally, some potential interviewees had very busy schedule. Those who were appointed to represent this person does not have knowledge as good as potential interviewee.

To deal with this problem, we came up with strategies, as suggested by Holstein and Gubrium (1997) and Rubin and Rubin (2005), such as convincing the potential or targeted interviewees. In this case, we have to be able to convince the potential interviewees that the interviews are only educational purposes and that all information is kept by the university in a confidential manner. An official letter from the university helped to convince reluctant interviewees. Another strategy was to approach to their closed people or superior of potential interview to give an access to us and convince the potential interviews to make interviews with potential interviewees. This strategy was relatively successfully.

Furthermore, the interviews themselves were recorded. To satisfy ethical considerations and keep information confidential, a consent form was filled in by informants to ensure that they agreed to be involved in the research and to give permission to record the conversation. This consent form is attached in Appendices 3 and 5. This ethical consideration is an essential part of the research process because it serves to minimise potential harm and distress for the participant, maximise the validity of results and increase the public acceptability (Fisher and Anushko, 2008; Denscombe, 2010).

Although a consent form has been provided, some ethical issues need to still be considered. The important ethical issue in our methodology is related to my job and position in Bappenas, which is considered relatively important and at the the heart of this initiative. There are ethical concerns about honesty and the validity of information obtained during interviews with people in Bappenas. These people could be a superior - whether directly or indirectly. These problems also appeared while we conducted interviews with government officers, whether in central or local government.
Potential interviewees in central government agencies or ministries who are designers of MSS are divided into two. The first group potentially tells the truth because they think that I am their friend. The second potentially lie and hide the information because they think telling the truth will being harm to their careers.

It is easier to deal with the first group but the information from them should be filtered carefully to ensure they do not give valid information and only to make us satisfied. The second group is more challenging, because we have to convince them to give valid answers and reasons. One thing that helped is if we convinced these groups of people that information is only for the purpose of this research and that all information is stored safely and confidentially.

Similar to the second group at the central level, when it comes to officers at the local level there is reluctance to give accurate information because it could cause risk to their future career. Since I work in Bappenas, they think that we are their supervisors and eager to evaluate and examine them. So, we kept challenging interviewees until they came to give to final answers that we recognised as being right and valid. We also triangulated this information with the results from the FGD and from secondary data. Finally, it is easier to conduct interviews in non-government organisation because they more open, but we kept challenging individuals in the interviews. Again, we triangulated the data with the results from FGD and from secondary information.

4.4.1.2. Focus Group Interview (FGI)

FGI are used in this thesis to supplement the individual interviews. Unlike in individual interviews, FGI involve more than one participant. Flick (2009) and Bryman (2012) note that FGI requires at least four participants to discuss specific themes in detailed ways.
In this thesis, FGIs are used in order to triangulate and re-confirm data that is collected from individual interviews. Bryman (2012) goes on to say that the significant value of FGIs is that the researcher can observe how (and gain insight from the way) people respond to one another, which is not possible in individual interviews.

Because of time limitations, in this research FGIs were conducted twice, both times in Jakarta. Both involve scholars, academics and international experts. Their opinions were sought in order to reconfirm and triangulate information from both central and local governments. The first was attended by six interviewees, whilst the second was attended by five. Similar procedures to those used in the individual interviews were used to gain permission for participation and recordings. The ranges of topics of FGIs in this research are shown in Appendix 2. Moreover, the consent form of both FGIs is also shown in Appendices 4 and 5.

Aside from qualitative data from individual interviews and FGIs, secondary quantitative data (see Mason, 2004; Bryman, 2012) about the gap between achievement and targets of MSS in eight districts and cities over eight consecutive years (2008–2015) will be added. These data will be gathered from documents published by local government, as well as data published by technical ministries.

4.4.2. Sampling

It is often impossible for a researcher to observe the behaviour of a whole population, especially when conducting macro-level research that involves large numbers of individuals. Because of this, sampling is an important consideration when conducting research.
Sampling involves choosing a group as a sub set of the population instead of focusing on the population as a whole. Bryman (2012) defines sampling as a method to select a segment or subset of a population for investigation. In a similar vein, Thomas (2013) suggests that choosing a representative sample, so long as the correct procedure and appropriate techniques have been used to do so, will help the validity and accuracy of the findings. Two main elements should be considered when choosing a sample: the different types of sampling available and the sample size.

4.4.2.1. Type of Sampling

In general, most scholars distinguish between two types of sampling: probability and representative sampling. Unlike in probability sampling, where a sample is selected randomly and each individual or unit has the same probability of being selected, in non-probability sampling some individuals or units have a higher chance of being selected than others (Bryman, 2012; Robson, 2011). Bryman (2012) suggests that non-probability sampling is an appropriate technique to deploy when probability sampling is impossible. Although probability sampling is perhaps the best sampling technique in terms of validity, reliability and generalizability, it is rarely used in qualitative approach since it is often not feasible. This feasibility is related to constraints in the field; for example, Babbie (2007, 2011) provides an example of the inappropriateness of using random sampling in research of the homeless given that it is very rare to have a list of homeless people to sample.

Thus, it is often more appropriate to undertake non-probability sampling. In this vein, two types of sampling are used in this thesis to generate data within the multiple case-study design. Firstly, purposive sampling is used to select cases. Secondly, the combination of purposive and snowball sampling is used to choose participants and interviewees.
Purposive and snowball sampling are two different types of non-probability sampling. Mason (2004) and Bryman (2012) explain that in purposive sampling, a sample or case is selected based on the researcher’s knowledge of the population and its elements, as well as the purpose of the research, and their relevance to the research questions.

Babbie (2011) suggests that purposive sampling should instead be called judgemental or theoretical sampling, since that the sample to be observed is determined by the researcher’s judgement on its usefulness and representativeness. As a result, within this research a unit of analysis is selected by the researcher to answer the research questions. As those questions seek to understand the influence of performance management on the performance of local government in decentralised systems, the sample will rely on two different types of local governments – districts and cities – which represent those which currently have high and low achievement in performance and financial capacities. These two types of local governments are chosen because it is the researcher's opinion that they are the most useful unit of analysis in pursuit of answers to the research questions. From these two types, we can derive eight local governments, as shown in Table 8 below.

| Table 8. Selection of Cases using Purposive Sampling |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                                | Java                            |                                 | Out of Java                     |                                 |
|                                | Cities                          | Regencies                       | Cities                          | Regencies                       |
| High Performance               | City of Depok                   | District of Sleman              | City of Denpasar                | District of Batang               |
|                                | (Province of West Java)         | (Province of Jogjakarta)        | (Province of Bali)              | Hari (Province of Jambi)         |
| Low Performance                | City of Bekasi                  | District of West Bandung        | City of Padang                  | District of Southwest Sumba      |
|                                | (Province of West Java)         | (Province of West Java)         | Sidempuan (Province of North    | (Province of East Nusa Tenggara) |
|                                |                                  |                                 | Sumatera)                       |                                 |

Some districts, such as the Sleman and the Batang Hari sit at the top of league tables that measure overall governance and performance quality (EKPPD), while the six remaining districts lie in the middle and lower positions (Ministry of Home Affairs, 2012, 2014). Similarly, three regions – Sleman, Depok and Bekasi – have high achievement on Human Development Index (HDI) (above 78), whilst the remaining five have scores below 75 (Statistical Bureau, 2014).

We should also note that according to Ministry of Finance (2015), the eight cases have varying fiscal capacities. While Depok and Denpasar have relatively high fiscal capacities, the other six regions do not perform so well. Besides the overall governance and performance quality and fiscal capacity, these eight districts and cities also vary in terms of the characteristics of their respective regions (particularly their relative autonomy), their respective populations, as well as the existence of donor dealing with MSS. We can see these differences more clearly in Table 9 below.

In terms of regional differences, four local governments (Sleman, West Bandung, Bekasi and Depok) are located on island of Java, the most developed island in Indonesia. In contrast, the other four are located elsewhere. We can also see that four sample regions are districts (rural characteristics), while the other four are cities. Moreover, there is also variation in their respective levels of autonomy; while the Sleman, Batang Hari, and Bekasi are mainland regions (daerah induk), the other four regions are relatively new autonomous regions.

These districts and cities also vary in term of their respective populations (Statistical Bureau, 2010). For instances, based on data from 2010 we see that the Bekasi is the most populous, with around 2.6 million people, while Padang Sidempuan is the least populous, with only 191 residents.
Finally, it can be seen that in terms of support of international agencies, two regions, the Sleman and Southwest Sumba, have full and continuous supports from donors and international agencies in dealing with implementation or practices of MSS, while other regions have no such support.

As we saw above, a combination of purposive and snowball sampling is used to select interviewees. Purposive sampling is used to ensure that the interviewees represent the various elements of central government and local government within the eight districts and cities, as well as academics, scholars, experts and representatives from NGOs.

At least one informant or interviewee is selected as a representative of each agency as part of this purposive sampling technique. That interviewee may recommend other participants who have information that is relevant. This is where the snowballing sampling technique comes into play. Morse (2004), Onwuegbuzie and Collins (2007) and Bryman (2012) note that a snowball sample is one type of non-probability sample in which information about participants or interviewees who are relevant to the topics is gained through information from existing participants or interviewees.

There are weaknesses to consider, though; there are those who may be recommended purely because they share a similar opinion, for example. Bryman (2012) thus talks about the potential for bias of within snowball sampling. To deal with this, we kept challenging individuals in the interviews. Besides that, FGIs and individual interview with scholars, academics and representatives from NGOs are used in order to triangulate interview findings.
Table 9. Characteristics of Regions in Sampling Studies

<table>
<thead>
<tr>
<th>Characteristics of Regions</th>
<th>West Bandung</th>
<th>Sleman</th>
<th>Depok</th>
<th>Bekasi</th>
<th>Batanghari</th>
<th>Southwest Sumba</th>
<th>Padang Sidempuan</th>
<th>Denpasar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status of Autonomous Regions</td>
<td>New Regions</td>
<td>Main Region</td>
<td>New Regions</td>
<td>Main Region</td>
<td>Main Region</td>
<td>New Regions</td>
<td>New Regions</td>
<td>Main Region</td>
</tr>
<tr>
<td>Population (2010)</td>
<td>1,513,634</td>
<td>1,090,567</td>
<td>1,736,565</td>
<td>2,336,489</td>
<td>240,743</td>
<td>283,818</td>
<td>191,554</td>
<td>788,445</td>
</tr>
<tr>
<td>Fiscal Capacity (2015)</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
<td>Very High</td>
</tr>
<tr>
<td>EKPPD (2012)</td>
<td>n.a</td>
<td>Very high</td>
<td>High (ranked 8th out of 86 cities) - top 10 among districts in 2015</td>
<td>High (ranked 46 out of 86 cities)</td>
<td>Very high (ranked 210 out of 346 districts) - top 10 among districts in 2015</td>
<td>n/a</td>
<td>High (ranked 73 out of 86 cities)</td>
<td>Medium (ranked 82 out of 86 cities)</td>
</tr>
<tr>
<td>Value of HDI (2010-2014)</td>
<td>64.27</td>
<td>80.73</td>
<td>78.58</td>
<td>78.84</td>
<td>67.68</td>
<td>59.90</td>
<td>71.88</td>
<td>81.65</td>
</tr>
<tr>
<td>The existence of donors dealing with MSS</td>
<td>No</td>
<td>Yes, In education sector (EU)</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes, in education and health sector (EU and AusAid)</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

4.4.2.2. Sample size

The second thing should be considered in when sampling is the sample size. There is no particular method to ensure a level of confidence in the representativeness of the sample when using purposive and snowballing sampling. This can be both a strengths and weaknesses of this type of sampling; it is strength since it does not require a particular method to be deployed in order to obtain a representative sample. As a result, it is relatively easy to do. However, it is a weakness since there is no particular method to ensure a level of confidence of the representativeness of the sample; as such, the validity and reliability of purposive sampling becomes questionable. We also come up against the question of how many samples are required to sufficiently represent the population.

Using probability sampling, the representatives of the sample can be easily determined by referring to the level of confidence generated by various statistical techniques, such as those outlined by Babbie (2007, 2011). In contrast, there is no consensus about sample size within purposive sampling. In other words, there is no particular consensus on methods to determine the number of interviewees required to ensure that research questions will be answered with an adequate degree of confidence, validity and reliability.

However, some have suggested that we strive to achieve theoretical data saturation when conducting this kind of sampling. Theoretical data saturation, or simply saturation, is commonly used by scholars as the threshold for the minimum sample to be taken in particular qualitative research. It refers to the situation where there is no new information and variation in themes emerging from observed data (Guest, MacQueen and Namey, 2011). Although some scholars (particularly in the nursing and health sector fields) such as Fossey (et al., 2002) and Morse (2005) deploy this idea of saturation, there is still no consensus on the numbers of interviews required to reach data saturation.
Scholars have different suggestions for the number of informants required to achieve saturation. Guest, MacQueen and Namey (2011), based on their research of sexual behaviour in two West African countries, show that saturation was achieved after twelve interviews. However, it was quickly achieved in this case because the group of informants were relatively homogenous and narrow in scope. In other cases, data saturation depends on the scope of research and the number of comparisons between groups, as indicated by Warren (2002) and Morse (2004). Mason (2010) notes that maximum sample to achieve data saturation could be 350 interviews. However, Bryman (2012) points out that in case of life story interviews it is very difficult to reach between 20 and 30 interviews, and it seems impossible to undertake 300 interviews.

Some scholars go into research with ideas of a realistic minimum sample to achieve data saturation. Gerson and Horowitz (2002) argue that the number of interviews should be between 60 and 150 to gain plausible conclusions on one hand and to allow for more effective, realistic and meaningful analysis on the other. Warren (2002) adds that, in general, data saturation can be achieved with between 20 and 30 interviews. Fewer than 20 will lead to less meaningful information for in-depth analysis (Crouch and McKenzie, 2006). To conclude, Onwuegbuzie and Collins (2007) suggest that sample size in qualitative research should not be too small, because it will be difficult to reach data saturation, but also should not be too large given that this would inhibit deep and meaningful analysis.

For the purposes of this research, 83 interviews were conducted. It is believed that this is a sufficient number to reach data saturation and to answer the research questions based on suggestions from previous research, as mentioned above. 48 interviews are conducted in local governments in the 8 regions, 21 interviews are conducted in central government and 14 interviews are conducted with related academics, experts and representatives from NGOs. The breakdown of interviews is shown in Table 10 below.
Table 10. Details of Interviews

<table>
<thead>
<tr>
<th>No</th>
<th>Stakeholders</th>
<th>Name of Institution</th>
<th>Description</th>
<th>Number of Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Central Government</td>
<td>Ministry of Home Affairs (MoHA)</td>
<td>Echelon 2 and 3</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>Ministry of Health (MoHe)</td>
<td></td>
<td>Echelon 3 and 4</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Ministry of National Education (MNE)</td>
<td></td>
<td>Echelon 1, 2 and 4</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Ministry of National Development Planning (Bappenas)</td>
<td></td>
<td>Echelon 2,3 and 4</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Ministry of Finance (MoF)</td>
<td></td>
<td>Echelon 4</td>
<td>2</td>
</tr>
<tr>
<td>6</td>
<td>Ministry of State Apparatus Empowerment and Bureaucratic Reform (Kemen PAN RB)</td>
<td></td>
<td>Echelon 1</td>
<td>1</td>
</tr>
<tr>
<td>7</td>
<td>State Administrative Agencies (LAN)</td>
<td></td>
<td>Echelon 4</td>
<td>1</td>
</tr>
<tr>
<td>8</td>
<td>Finance and Development Supervisor Agency (BPKP) and</td>
<td></td>
<td>Echelon 2</td>
<td>1</td>
</tr>
<tr>
<td>9</td>
<td>Supreme Audit Institution (BPK).</td>
<td></td>
<td>Echelon 2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sub Total Central Government</td>
<td></td>
<td></td>
<td>21</td>
</tr>
<tr>
<td>10</td>
<td>Local Government</td>
<td>Heads of Regions (Mayor)</td>
<td>Padang Sidempuan</td>
<td>1</td>
</tr>
<tr>
<td>11</td>
<td>District Parliament</td>
<td></td>
<td>Padang Sidempuan, Sleman, Southwest Sumba</td>
<td>3</td>
</tr>
<tr>
<td>12</td>
<td>District Secretary (i.e. Organisation Bureau)</td>
<td></td>
<td>Bekasi, Batanghari, Depok, Padang Sidempuan, Sleman, Southwest Sumba</td>
<td>6</td>
</tr>
<tr>
<td>13</td>
<td>District Health Agency</td>
<td></td>
<td>Bekasi, Batanghari, Denpasar, West Bandung, Southwest Sumba</td>
<td>5</td>
</tr>
<tr>
<td>14</td>
<td>District Education Agency</td>
<td></td>
<td>Padang Sidempuan, Sleman, Southwest Sumba, West Bandung,</td>
<td>4</td>
</tr>
<tr>
<td>15</td>
<td>District Inspectorate</td>
<td></td>
<td>Bekasi, Sleman</td>
<td>2</td>
</tr>
<tr>
<td>16</td>
<td>District Financial Agency</td>
<td></td>
<td>Bekasi, BatangHari</td>
<td>2</td>
</tr>
<tr>
<td>17</td>
<td>District Development Planning Agency (Bappeda Kabupaten/Kota)</td>
<td></td>
<td>Bekasi, Denpasar, Depok, West Bandung,</td>
<td>4</td>
</tr>
<tr>
<td>18</td>
<td>Provincial Parliament</td>
<td></td>
<td>Jambi</td>
<td>1</td>
</tr>
<tr>
<td>19</td>
<td>Provincial Secretary (i.e. Organisation Bureau)</td>
<td></td>
<td>Bali, Jambi, Jogjakarta, West Java</td>
<td>4</td>
</tr>
</tbody>
</table>

148
<table>
<thead>
<tr>
<th>No.</th>
<th>Type of Organization</th>
<th>Location(s)</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>Provincial Education Agency</td>
<td>Bali, Jogjakarta</td>
<td>2</td>
</tr>
<tr>
<td>21</td>
<td>Provincial Inspectorate</td>
<td>Jambi</td>
<td>1</td>
</tr>
<tr>
<td>22</td>
<td>Provincial Financial Agency</td>
<td>Jambi</td>
<td>1</td>
</tr>
<tr>
<td>23</td>
<td>Provincial Development Planning Agency (Bappeda Provinsi)</td>
<td>Jogjakarta, West Java, Jambi</td>
<td>2</td>
</tr>
<tr>
<td>24</td>
<td>Local Health Centre (Puskemas)</td>
<td>Bekasi, Depok, Padang Sidempuan, Southwest Sumba</td>
<td>4</td>
</tr>
<tr>
<td>25</td>
<td>Primary School (SD)</td>
<td>Depok, Padang Sidempuan, Southwest Sumba</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td><strong>Sub Total Local Governments</strong></td>
<td></td>
<td><strong>48</strong></td>
</tr>
<tr>
<td>26</td>
<td>Non-Government Actors</td>
<td>Academics, Scholars, University of Indonesia, IPDN, University of Gadjah Mada</td>
<td>4</td>
</tr>
<tr>
<td>27</td>
<td>Experts</td>
<td>KASN, Kompak AusAID, TNP2TPK, Education Consultant</td>
<td>9</td>
</tr>
<tr>
<td>28</td>
<td>Non-Government Organisations (NGOs)</td>
<td>Perludem</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td><strong>Sub Total Non-Government Actors</strong></td>
<td></td>
<td><strong>14</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>83</strong></td>
</tr>
</tbody>
</table>

**Source:** Author’s Identification to Participant Consent

Before the data collection started in earnest, pilot interviews were conducted with a small number of central government officers, mostly from the Bappenas and some local government officers from Padang Sidempuan, North Sumatera. These were conducted to ensure the appropriateness of questions derived for the interviews proper. Thomas (2013) argues that the advantage of pilot test is to refine and modify inappropriate and biased questions before distributing the ‘real’ questions.
4.4.3. Data Collation and Analysis

Now attention turns to the way data is collated and analysed discussed.

4.4.3.1. Tool of Data Analysis

After data are collected, tools or instruments to analyse the data are required. The idea is to convert raw data into a set of meaningful explanations to answer the research questions. Robson (2011) notes that this analysis is an important stage in the overall research since it reveals hidden information and finds meaning within raw data that is otherwise hidden. Different types of data require different analysis, so selection of the appropriate and suitable methods of analysis is important.

In this thesis, thematic analysis is used. Thematic analysis as a method of analysis in qualitative and inductive approaches is common amongst scholars. This method is commonly used when analysing the performance of an organisation. Although it is widely used, what thematic analysis actually is and how to deploy it is still not clearly defined (Boyatzis, 1998; Tuckett, 2005). Braun and Clarke (2006) and Bryman (2012) note that thematic analysis is recognised as a poorly branded qualitative method analysis. It is also less developed compared to other methods, such as narrative analysis, content analysis or grounded theory. Often the application of this method is confused with other method. For instance, Ezzy (2002) labels thematic analysis as a grounded theory which aims to elaborate upon themes that emerge from the data set.

However, we can see from its name that thematic analysis is a kind of analysis to uncover themes that emerge from data that have been already gathered by the researcher.
Braun and Clarke (2006) define thematic analysis as a method for identifying and analysing patterns or themes from data. Ritchie, Spencer and O’Connor (2003) add that thematic data analysis involves the construction of central themes and sub-themes in a matrix which is designed to order and synthesise data.

Themes themselves are defined by Boyatzis (1998) as ways to categorise data which describe, organize and interpret aspects of data. Themes are patterns of information that can be inductively generated from raw information or deductively from theory (Boyatzis, 1998). However, according to Bryman (2012), it is more common that these themes and sub-themes are generated from the interviews themselves. Boyatzis (1998) lists some characteristics of thematic analysis: it is a process that uses a wide variety of qualitative information through encoding; It is open to all qualitative methods, so it is possible that it is used by many scholars in all subjects, including political science, policy research; and it enables scholars, observers and practitioners to see and making sense of seemingly unrelated material and systematically observe the phenomenon. Ryan and Bernard (2003) show that themes can be identified and analysed through finding repetitions, similarities and differences, analogies and local expressions within the data.

However, all these things do not automatically become themes. For instance, just because large numbers of participants say the same things does not mean that the ideas are automatically considered to be a theme (Ryan and Bernard, 2003). To qualify as a theme, they should be tightly related to a particular theoretical framework.

Scholars define thematic analysis from an epistemological perspective. Fereday and Cochrane (2006), based on the application of thematic analysis in nursing practice, argue that thematic analysis is a hybrid and combination of deductive and inductive approaches to emerge, observe and analyse themes that is theory driven and that is based on coding.
Braun and Clarke (2006) also note some specific characteristics of thematic analysis that distinguish it from other qualitative methodologies that aim to discover themes. They suggest that a number of practical considerations need to be made: transcription processes and coding should be done in detail and equal attention should be paid to each element and aspect of data set.

Here, data is not generated only from a few examples; a strong endorsement to identify themes across data and make sense the pattern of data; analysis should be well-organized and should sufficiently convince author and readers; themes and questions are set as well as analytical claims and findings should be matched and should not contradict each other. Failure to fulfil these specific characteristics leads to problems when doing thematic analysis (Braun and Clarke, 2006). However, apart from these requirements, there are some advantages of doing these analyses, including the greater flexibility it provides and it being relatively easy and quick to learn, especially to researchers who have no experiences in dealing with qualitative approaches (Braun and Clarke, 2006). It also offers thick descriptions and seeks to find similarities and differences across data from interviews (Braun and Clarke, 2006).

Some practical steps to follow when undertaking thematic analysis are suggested by a number of scholars. Braun and Clarke (2006) note some steps in doing thematic analysis, such as transcribing the data, noting down initial ideas, coding, searching and reviewing as well as defining and analysing the themes.

Moreover, Boyatzis (1998), as well as Fereday and Conchrane (2006), add developing and testing the reliability of codes, as well as connecting codes with identified themes as important steps in thematic analysis.
In addition, Tuckett (2005) emphasises the importance of literature review and preliminary study when doing thematic analysis, in order to build themes and codes as well as to aid writing and theorising. Bryman (2012) notes the most important step in this analysis is building a matrix of thematic analysis in order to establish themes, as illustrated in Table 11 below.

Table 11. Framework for Thematic Analysis

<table>
<thead>
<tr>
<th>1st Interviewee</th>
<th>Theme 1</th>
<th>Theme 2</th>
<th>Theme 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd Interviewee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Etc</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Adopted from Bryman, 2012, p. 579

Based upon the framework developed in the literature review, four illustrations or information are eager to seek. These four illustrations are then grouped into four themes and two sub-themes (to bring about a total of eight themes):

1. The first theme is about the general information concerning MSS. This theme consists of the model, meaning and design of MSS, as well as the roles of stakeholders in MSS;
2. The second theme is about the influence of MSS, and is divided into two sub-themes: the influence of MSS among local governments; and the influence of MSS on the relationship between central and local government;
3. Third theme is about MSS through the lens of the Principal-Agent (PA) Framework. Two sub-themes are elaborated: enforcement and incentives; and performance information.
4. The last theme is about MSS beyond the PA Framework. Two sub-themes are discussed: MSS and Governance; and MSS and Central-Local Relations.

When the themes are linked with the research questions, the first and the third themes are addressed to answer our first research questions. The second theme is addressed to answer the second question, while the fourth theme is combined with the first theme to answer the last research question.
4.4.3.2. Data Collation

In thematic analysis, data is commonly generated from primary sources, such as through semi-structured interviews. Before doing thematic analysis, data generated from interviews needs to be organised, through a process known as data collation. Data collation is done through transcribing and coding interviews. Interview transcription is defined as the conversion of information from interview into words that are easily to observe (Bryman, 2012). Since the interviews are conducted in Indonesia's language, the process of interview transcription includes translation into English by the author.

After transcribing the interviews, coding is then performed. Coding is a process of labelling, tagging and categorising data (Basit, 2003; Fereday and Cochrane, 2006). The process of coding includes highlighting important points in the interviews, as well as classifying them based on themes that have been set previously. The coding processes are suggested by Rubin and Rubin (2005) and Thomas (2013) is adopted. They suggest that codes are set based on themes that relate to the theoretical framework and which aim to answer the research questions. Based on the four themes and two sub themes of each theme, eight codes are made: A1, A2, B1, B2, C1, C2, D1, and D2. These are shown in Table 12 below.

Moreover, the quotes are selected on the basis of several considerations. Firstly, quotes are selected in each code to truly reflect the themes and directly answer each research question. For instance, the answer to the first research question, concerning the MSS, will be based around code A1, while information about enforcement will be taken from code C1.

Secondly, most of those quotes are statements that were heard frequently and which were expressed in relatively similar and uniform ways by interviewees.
For instance, the idea of a lack of strong enforcement and sub-optimal incentives were mentioned frequently by most interviewees. In addition, these quotes also fit the themes and subthemes and answer the first research question. Thus, the quotes about this issue are selected as evidence, regardless of whether they reflect positive or negative impression and results. Besides that, this information does not contradict the results of the FGI and information from non-government actors, with which it was triangulated. While there was contradiction in the information provided by designers and local governments, the results will be cross-referenced with discussions from FGIs or with non-governmental actors before quotes are selected.

However, not all statements that frequently appear are selected as quotes. This is because they did not relate to the themes and subthemes or were not relevant to the research questions, as discussed by Ryan and Bernard (2003). For instance, the strong role of supporting donor agencies was discussed by most interviewees, but this does relate to the themes and does not answer any of the research questions.

4.5. Limitations of Study

There are strengths and potential benefits in using multiple case studies, semi-structured interviews and thematic analysis in doing plausible analysis and getting rigorous findings as discussed above. However, this research also contains some limitations. Firstly, a relatively low number of districts and cities are used as case studies. Due to time limitations and financial constraints, multiple case studies are only conducted in four districts, four cities and three provinces. This is of course much lower than the total number of districts, cities and provinces in Indonesia (in total there are 415 districts, 93 cities and 34 provinces) (Ministry of Home Affairs, 2014).
As a result, it is impossible to give a comprehensive picture of the practice of MSS in Indonesia and its influence on the behaviour and performance of local governments. Having said that, the selection of regions as cases studies have been done very carefully and accurately. Nevertheless, the low number of case studies is problematic when it comes to making generalisations and replicating the research findings. It is difficult to ensure that the influence of MSS on the behaviour and performance of local governments in these cases can be the same in other cases studies.

Secondly, the observation of MSS in this research is limited to the education and health sectors, even though MSS covers 15 sectors. Although, the selection of these two sectors has been carefully considered in terms of their significance and contribution to overall practices of MSS in Indonesia and the preparedness of data, the results from these two sectors are clearly less comprehensive than if all fifteen were considered. It may be the case that findings from the remaining 13 sectors will be different.

Thirdly, it remains the case that relatively few informants are involved. For example, only one mayor in the City of Padang Sidempuan, two members of parliament at the district level and two members of parliament at the provincial level are involved. Although their point of view is useful, more insight would be gleaned from discussions with other, local non-political actors (e.g. bureaucrats). The information obtained from politicians is relatively limited, which means that the results may be less comprehensive.

Finally, it does not extensively seek input from local people. This means that MSS is mostly seen from the insider perspective. Thus, the thoughts of local people are only represented by voices in local parliament as well as international, national and local academics and experts. This may limit the applicability of the findings.
<table>
<thead>
<tr>
<th>Interviewees</th>
<th>A. Main Information about MSS</th>
<th>B. Influence of MSS</th>
<th>C. MSS in Principal-Agent (PA) Framework</th>
<th>D. MSS Beyond PA Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A.1. Model, Meaning and Design of MSS</td>
<td>B.1. Influence Among Local Governments</td>
<td>C.1. Enforcement and Incentives</td>
<td>D.1. MSS and Governance</td>
</tr>
<tr>
<td>Interviewee 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interviewee 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interviewee 3</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interviewee xxx</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author Judgement of Results of Analysis
More direct opinions and involvement of local people could allow for more objective and comprehensive analysis since local people are more directly and frequently affected by changes in the performance of local governments. Understanding the thoughts and minds of local people would allow for different perspectives and objective perspectives.

4.7. Summary of Chapter Four

We saw above that the research design and methodological choices are the most crucial stage in the research process. Effective choices mean that the results obtained are more logical, rigorous, and convincing. We saw that multiple case studies are used, underpinned by semi-structured interviews and thematic analysis. This echoes the constructivist and interpretivist epistemological and ontological positions that undergrid this study.

We also saw that eight districts and cities are selected as sites of analysis using a purposive sampling technique and that the interviews would focus on local bureaucrats and Heads of Regions from within each area as well as the central government and non-government actors. The total number of interviews conducted totalled eighty-three, which is a sufficiently large number to achieve a saturation of information. The rest of the thesis now draws upon these design choices which are based on four themes (two sub themes of each theme).
Chapter 5. MSS and Its Relationship with Performance Management

Regimes or Models

5.1. Overview of Chapter Five

To understand the influence of MSS on the performance of local governments in service delivery, it is necessary to first unpack the characteristics of MSS and discuss the mechanisms that underpin it. We saw in the introductory chapter that MSS is defined in Indonesian law as part of local government’s functions and obligations to deliver services. Thus, the existence of MSS is closely related to the performance of local government as a public-sector unit. On that basis, the characteristics of MSS can be seen in terms of its relationship with models of public performance management.

The discussion in this chapter is directed towards answering research question number one, which asks how MSS relates to general principles of performance management in the public sector. The discussion begins by analysing designer’s intentions when designing MSS. Then, how MSS is designed and how it was implemented it compared. The reason a comparison as undertaken was that there is a potentially big gap between what is intended by designers and what is actually implemented. This could lower the impact that MSS has on service quality. Thus, it is necessary to understand what MSS should be and how it should work from the point of view of designers and in the process of implementation.

After that, the relationship between MSS models and common public performance management regimes or models is analysed. This is done by analysing the extent to which MSS fits with any of the four regimes (i.e. the target, rank/league table, intelligence/benchmarking and quality assurance or standards models)
5.2. **MSS in the Minds of its Original Designers**

We can see two motives in the minds of designers when designing MSS about what it should be and how it should work. Firstly, MSS is related to the fulfilment of citizen rights with regards to the minimum quality of services. In other words, MSS is minimum threshold for service quality that should be delivered by government and received by each Indonesian citizen. Secondly, how MSS works is tightly connected with the practice of Indonesian decentralisation, particularly the division of authority between central and local government. MSS is related to the obligatory functions of local government in the fulfilment of basic services to the people. Both of these points are elaborated in detail in the section below.

5.2.1. **MSS and Minimum Threshold**

In the minds of its original designers, MSS related to the fulfilment of a minimum level of service quality. It thus outlines the type and minimum quality of services that are required to be delivered by the government to each person. Failure to meet these standards affects an individual’s quality of life, so these minimum levels are deemed necessary and important. These minimum levels refer to basic services, particularly health and education. In addition, the quality of services refers to a minimum required quality to ensure that people can live decently. A designer of MSS, who is also a senior lecturer at IPDN notes that

‘... The concept of MSS is about the fulfilment of individual needs. These individual needs should be received by people as a minimum required to live decently. Otherwise the quality of people’s life will deteriorate. Every person should drink at least 3 litres of water per day or every child should go to school at least until Junior High School. These are some examples of minimum basic services to fulfil individual needs that should be reflected in MSS in our minds. Here, the target should be the entire population. It can not be 70% or 80% ...’ (Academician, IPDN 2, Designer of MSS, 2015 Interviewee 39)
A government officer in the MoHa, also a designer of MSS, adds that:

‘...When we designed MSS, it referred to the basic services that should be provided by the government. These services reflect types, coverage and quality of service that is minimally required to fulfil basic needs. Perhaps these services reflect the idea of Maslow’s theory about the level of people’s needs. The first priority is very basic needs such as food, shelters, health, education, before higher needs such as security and democracy. Here, government, through MSS, should be able to fulfil these very basic needs of their people at a minimum required quality before it tries to afford any secondary needs. As MSS is an attempt to fulfil very basic services, MSS does not need to accommodate too many sectors and complex indicators...’ (Directorate General of Regional Development 5, MoHA, 2015, Interviewee 30)

A designer of MSS in the education sector, also an ex government officer in the MoNE says:

‘...In MSS, minimum standards are set to deliver basic services such as education. These standards refer to particular minimum points of coverage and quality of services that are required by local government. When minimum points have not been achieved, it seems that government fails to fulfil basic needs and rights of people which are guaranteed by the constitution. That is why MSS refers only to the kinds of services which are really needed by people and in sectors and key indicators which could influence their lives. For instance, in education, among possible indicators in perhaps one or two indicators should be selected that really represent what is required by people...’ (Expert, Ex-MoNE, Designer of MSS in Education, 2015, Interviewee 35)

Similarly, in the minds of another designer, MSS is expected to be the standard for service quality across all regions. The standards impose should be the same, whether in Sabang in the West of or Merauke in the East of Indonesia. As one academic, a designer of MSS remarked:

‘...What is on our minds is that MSS should guarantee that every citizen across the nation, from Sabang to Merauke, should receive the same standards of quantity and quality of services to fulfil their basic needs. This standard refers to the minimum required coverage and quality of services that should be fulfilled and guaranteed by the government to their people. Where these minimum services have been fulfilled, a local government has the right to deliver other services than are minimally required...’ (Academician, IPDN 2, Designer of MSS, 2015 Interviewee 39)

Seen in this way, MSS guarantees the rights of every Indonesian citizen when it comes to the services they receive by outlining a minimum service standard. It seems that MSS fits with the definition of quality assurances or standards, particularly when it comes to minimum standards. The characteristics of such a system have been discussed in chapter two.
Briefly, according to Eide (1972), the model refers to the obligation of an individual or organisation to surpass a minimum point or value and sets a level below which outcomes should not stray. However, MSS does not really reflect idea of quality standards in terms of the indicators that are used, which mostly reflect coverage and access instead of quality of services. This issue will be elaborated in detail in the next section.

Moreover, in the minds of designers, MSS is designed as a government standardised procedure that should be communicated to external stakeholders. Here, information about MSS should be known by those who receive the services. In other words, sharing information about standardised procedures to people is required in order to gain feedbacks and improve quality of services. As stated by one designer of public service standards in Indonesia from the KemenPAN & RB:

‘...As a service standard, MSS should be announced to external stakeholders through their website. The standards that should be delivered by local technical providers and agencies should be known by customers. It is the way to gain feedback from customers. In other words, to improve services, communication with customers is required...’ (KemenPAN & RB, 2015, Interviewee 27)

5.2.2. MSS and the Practice of Decentralisation

In the implementation, the interviews also showed that in minds of designers, MSS is closely linked to the decentralisation policy. This also confirms the discussion in the literature review about the tight links between the two. It is known from interviews that MSS emerged at first because of worries from central government that local governments were trapped in the euphoria of decentralisation and were thus wastefully using the autonomy that had been given to them and wasting public money. Moreover, the central government was concerned with the variation in coverage and service quality that was being delivered by local governments as a result of their varying financial and human resource capacities.
As a result, central government, particularly the MoHA, Bappenas, MoF, as well as technical ministries came up with the idea of applying standards for the quantity and quality of services required across the country. However, the requirement would not be set too high, because of the differing capacities of governments actually providing the services. As an expert who designed MSS said:

‘...When we gave broad autonomy to local governments, it seems that they are lost in the middle of euphoria of autonomy. On the one hand, rich natural resource regions were so enthusiastic to embrace their rights in order to generate revenue from forestry and mining. However, they often do not pay attention to service delivery. One the other hand, poor natural resource regions have difficulties in setting priorities for service delivery because of limited financial and human resource capacities. Thus, central government found a way to overcome this problem by introducing MSS. It outlines the kinds of standards that should be fulfilled by local government to deliver basic services to their people in terms of the minimum quantity and quality required. These basic services that are incorporated are those that are essential to human life...’ (Expert, Ex-MoHA, Designer of MSS 2015, Interviewee 5)

These ideas were formally defined in Law 32 of 2004 (which was later revised into Law 23 of 2014) and GR 65/2005. These outlined the types and minimal quality of basic public services that should be received by each citizen.

The tight link between MSS and Indonesian decentralisation can also be seen in terms of the division of powers and authority among different tiers of government. We saw in Chapter Three that Cohen and Peterson (1999) and Dafflon (2006) argued that the distribution of powers among different tiers of government is one of the most important elements of decentralisation. Here, MSS is tightly linked with the ‘obligatory functions’ of local governments to deliver basic services. These functions are compulsorily implemented by each local government, regardless of their capacities.

From this point of view, MSS becomes an obligation for local governments, especially in terms of the provision of compulsory basic services.
As one government officer at the MoHA remarked:

‘...What we thought when we designed the MSS was that it should be related to the obligation of the government. Since our system has been decentralised, this becomes an obligation of local government. Two main obligations of local governments can be identified: absolute and shared-task, or concurrent, functions between central and local government. While absolute functions belong to the central government, concurrent ones are joint function among different levels of government. Moreover, these concurrent functions are addressed to fulfil basic or optional services. When it is related to the compulsory obligation of local governments to provide basic services, this refers to the idea of MSS...’ (Directorate General Regional Development 3, MoHA, 2015, Interviewee 26)

5.3. MSS’s Design and Implementation

As discussed above, in the minds of its original designer, MSS is conceptualised through various regulations as the way to fulfil citizen’s rights to a minimum level of service quality. Here, MSS is defined as a basis point to assure that particular types and qualities of services should be delivered by public sector bodies for the benefit of local people. This definition then is close to the quality assurances and standards models, as conceptualised by Bouckaert (1995), Schiavo (2000) and Ferrazzi (2005).

However, MSS in practice differs from MSS in the minds of its original designer. We can see this through three observations: how MSS is measured; how information on MSS is shared; and how information on MSS is used. First, in terms of how MSS is measured, it seems that their indicators mostly focus on coverage rather than the quality of services. In the implementation, indicators that reflect quality cannot be obviously seen. This characteristic brings the MSS model closer to the idea of a target model instead of one focused on quality of assurance or standards.

Similarly, when it comes to how information on MSS is shared, it seems that the information is limited or not shared at all to the public.
Unlike in the minds of designer, wherein it was envisaged that MSS information would be shared with the people, in the implementation, Information is only shared within the government (whether in the same unit or across different tiers). From that, it seems that MSS reflects the characteristics of a target system (top-down regime or model) instead of a quality assurance or standards regime.

Thirdly, when it comes to how information on MSS is used, MSS is not supported by strong enforcement and effective or optimal incentives. In other words, it can be labelled as a form of ‘unenforced standard’. Here MSS does not seem to reflect the ideal type of target which requires strong enforcement and effective incentives. Most notably in this regard, MSS reflects certain characteristics of quality assurance or standard, which is in line with the intentions of the original designers. How MSS is measured as well as how information on MSS is shared and used; is discussed in more detail in the following sections; while the relationship between MSS and models of public performance management is discussed in the section 5.4.

### 5.3.1. More Focus on Coverage than Quality of Services

In the minds of its original designers, MSS seems aimed towards improving the quality of services. Thus, the indicators should reflect the level of service quality. We can recall the discussion in chapter two, where we saw that, according to Bouckaert (1995) and Gaster (2000), the quality of services refers to technical requirements in producing services that are standardised to provide value and deliver satisfaction to people as customers. This quality is mostly related to outputs and outcomes, instead of coverage or inputs (Bouckaert, 1995; Rashid, 1999).
However, the indicators that have been designed and employed in MSS, particularly those in the health and education sector, mostly concern the access to or existence of services and coverage. As one government officer in one of the technical ministries in the education sector remarks:

‘...It is clear that indicators within MSS are about technical indicators. These indicators concern the access and coverage. For instance, one of indicator is the access of student to school or the number of students in each class. These targets then are equally imposed on all local governments....’ (Bureau of Planning and International Cooperation, MoNE, 2015, Interviewee, 31)

Another officer in the MoNE also states:

‘...While designing indicators for MSS, we are trying hard to ensure that indicators could reflect a particular quality of services. However, there is demand from the MoHA to set simple technical indicators that can be understood by local government, in the form of ratios or percentages of inputs and outputs. This is to ensure the uniformity among MSS sectors. That is why we came up with indicators such as access to school, capacity of class and so on. However, we consider that it does not really reflect quality of services. It mostly reflects ideas of coverage or inputs...' (Directorate General of Basic Education 1, MoNE, 2015, Interviewee 32)

We saw that most indicators are in forms of coverage and inputs, instead of output or outcomes. The coverage and input indicators reflect access instead of service quality. In other words, these indicators focus less on the quality of services. This differs from the designers’ intentions, who expected MSS to be more focused on the quality of services.

Examples include the MSS indicators in the health sector, such as 80% of pregnant mothers with health complications being visited by health workers. Other examples include the need for one primary school within three km of remote/isolated areas and having no more than thirty-two students in every class (see more in Tables 5, 6 and 7). In addition, fewer or even no indicators reflect the service quality, measured in terms of outputs and outcomes, particularly in the health and education sector. This also strengthens the argument that there is a close relationship between the MSS model and a target-based model/regime. This will be discussion in more detail in section 5.4.
5.3.2. Limited Information Sharing to People and Important Stakeholders

As discussed above, the original vision of MSS designers was that it would be a means through which citizens could gain feedback on the activities of government. Nevertheless, in implementation, information is only typically shared internally between public sector units within a district or city, among local governments (between districts or cities in one province, say), or between local and central government. One government officer in Southwest Sumba remarks that:

‘...Information concerning MSS is only made available and shared among us in local health agencies and local health units (Puskemas) and between us and the MoHE. Sometimes, we share this information with other local health agencies in formal meetings, but only within our province. However, it is rarely shared with the public, since I think that it is not necessary to share this information with people. What people’s need is only to receive good services; thus, they do not need this information. This information is too technical for people...’ (Local Health Agency, Southwest Sumba District, 2016, Interviewee 115)

An academic also adds:

...I am 100 per cent sure that local people do not know what MSS is. When you meet local people and then ask them whether they have already been served based on standards embodied in MSS or not, I am confident to say that they will not know. They will even re-ask us what MSS is. It is impossible for people to answer what MSS is since the information about MSS is only from government to government...’ (Academician, IPDN 1, 2015 Interviewee 19)

The use of MSS information is more specifically, only shared to those government officers who directly deal with MSS, both in central and local governments. There is no obligation or motivation for local government to share the information with people outside government. As a result, few people outside government know about MSS. The less utilisation of information to people outside government raises questions therefore about whether local governments are aware of the idea of achieving change via popular accountability and by sharing information with the public, or indeed whether they have rejected the idea.
Since there is no flow of information about MSS from government to the public, there is no chance for local people to provide feedback to government. In other words, the government does not gain any feedback from people or service users. Added to this are the worries of government gaining feedback from local people, which be in the form complaints and dissatisfaction. This is supported by suggestions in the interviews that low levels of information flows from government to ordinary citizens are caused by worries by the government that if people gain information about MSS, there will be complaints and clashes.

As one local government officer noted:

‘...If people gain information about MSS, there will be high numbers of complaints. They could sue or protest why they are not served to the levels required by MSS...’

(Organisation Bureau, Regional Secretary, Province of Jambi, 2016, Interviewee 82)

Moreover, knowledge about MSS is typically limited to local parliaments and international agencies that require knowledge about it. Even then, only few people or groups within these kinds of organisations have information about it. A government officer in the Local Health Unit in Southwest Sumba said:

‘...It seems that only few people have information about MSS. Perhaps local parliaments, who becomes partners of local government in dealing with MSS, NGOs or international agencies or donors which support the implementation of MSS know this information. For local people, I think that they are not informed or socialised well. There has perhaps been less effort from the government to share the information with people, or the people themselves do not really understand and care about this information. They do not even understand and care about any terms, definitions and numbers that are used in MSS. What people want is to receive the services that they expect....’

(Local Health Unit, District of Southwest Sumba, 2016, Interviewee 14)

Although knowledge has been shared by local government, the lack of knowledge about MSS can be still clearly seen amongst members of local parliaments and councils. A government officer in the Province of Jambi says:

‘...2 or 3 times, I accompanied my boss to attend meetings about MSS with local parliaments or councils but I did not see that they knew and understood what MSS is. And I think that this happens not only in the health sector but also in other sectors of MSS...’

(Local Health Agency, Province of Jambi, 2016, Interviewee 86)
However, it is perhaps the case that not every member of a local parliament or council lacks knowledge. Few do know, although the extent to which knowledge and detail widespread is limited. As one member of a local parliament said:

‘...yes, I have been informed about MSS and even involved in activities related to MSS. We know about MSS from the local education agency. If I am not mistaken it is part of EU programs on acceleration in the implementation of MSS in the education sector. Sleman is one pilot project. However, that was 2011. Currently we are not as informed as we were previously and are even not involved anymore. I do not know why...’ (Local Parliament/Council Member, District of Sleman, 2016, Interviewee 64)

From the interviews, we can see that only those members of parliament who are involved in MSS’s project seem to have any information about it. As noted by a Regional Secretary in the District of Sleman:

‘...not all members of local parliament know about MSS. Perhaps only those members who have experience on an MSS project, have a position in commissioning in parliaments or councils and deal with these issues or those who cooperate with international agencies on programs and activities concerning MSS know about it. Honestly, in my opinion, technical ministries and local technical agencies do not intensively and effectively inform others. Even some local parliament or council members know MSS as the way to allow for a Payment Instruction Signatory (Surat Perintah Membayar)...’(Organisation Bureau, Regional Secretary, District of Sleman, 2015, Interviewee 61)

This is also supported by a local government officer in Sleman, who says that:

‘...I think that with the support from the European Union (EU) project on capacity building for acceleration of the implementation of MSS, the information about MSS has been shared with some important stakeholders in the education sector in this district. The people, education community committee, local parliament and council members have been informed about MSS. However, it is limited to those who are supported by this project. I am not sure if this information will be shared in another local government if they are not supported by this project...’ (Local Education Agency, District of Sleman 2016, Interviewee 58)

Looking further back, we can see that the lack of information to local people results originally from poor information flows from central government, especially the MoHA and the technical ministries, to other related ministries, as well as local governments and members of local parliament. It is no wonder that less information is shared to local people, because it is very difficult for information to be delivered to people when it is not even distributed adequately to local governments and local parliament or council members.
One interviewee from the Province of West Java remarked that:

‘...Technical ministries stipulate MSS but they do not adequately share it with local government. Even the authority to monitor sometimes is given to the Directorate General of Regional Development, MoHA. It seems that technical ministries are stripped of responsibility. It should be the responsibility of technical ministries to distribute and disseminate information about MSS and even guide the implementation of MSS at the local level. However, it seems not to be running well...’ (Organisation Bureau, Regional Secretary, Province of West Java, 2015, Interviewee 20)

Local agencies at the district level note similar occurrences concerning limited information dissemination of MSS from technical ministries

‘...We get information about MSS (what MSS is, what its indicators are and how it should be implemented) only from reading ministerial decrees. I personally download them from the MoNE’s website. However, there is no information sharing from the MoNE as far as I know...’ (Local Education Agency, District of Southwest Sumba, 2016, Interviewees 119)

5.3.3. Utilising and Managing Information of MSS

In this section, how information from MSS is used and managed is the subject of analysis. From the interviews, we can see that information derived in the course of MSS is used and managed with sub-optimal and ineffective incentives and is undermined by a lack of strong enforcement (i.e. limited sanctions or punishment). As, these two key elements of managing performance are lacking, MSS is also characterised by the way it is implemented which relies upon self-compliance and self-motivation.

5.3.3.1. Sub-Optimal, Ineffective and Even Perverse Incentives

We saw in chapter two that effective incentives should encourage agents to improve performance, cause positive motivation, and prevent them from manipulating organisation (principals) and engaging in rent seeking, as discussed by Milward and Provan (2000) and Braun and Guston (2003).
In other words, effective incentives are necessary. As we also saw in chapter two, these incentives can be financial or non-financial, or be managerial or political (Jennings and Haist, 2004; Swiss, 2005; Lane, 2005; Laffont and Martimort, 2009; Burgess et al., 2012, Lockwood and Porcelli, 2013). Thus, the extent to which the existence of MSS is accompanied by effective incentives in any form is the focus of discussion in this section.

The first question concerns whether incentives exist or not in the implementation of MSS. The second concerns whether those incentives are effective, or in other words, whether those incentives are able to motivate or change the behaviour of local governments. For instance, in terms of block grants, whether the existence of these incentives is able to boost performance in public bodies.

From the interviews we can see that, in practice, MSS is not supported by effective or optimal incentives. There are three main findings related to the lack of, ineffectiveness or sub-optimal nature of incentives can be identified. Firstly, financial (whether in the form of individual rewards or block grants) and non-financial incentives associated with the implementation of MSS are non-existent in some local governments, even though they have been planned or set. As one local health government officer says:

‘...I heard that there will be an additional block grant and personal rewards given to local health agencies and local health units as incentives to achieve standards of MSS, but until now this has not been realised...’ (Local Health Agency, District of BatangHari, 2016, Interviewee 88)

This is echoed by another local government officer at the district level, who says

‘... It is not clear the continuation on the evaluation of MSS that we have already made, particularly related to what incentives and rewards we could get. This lack of incentives, whether financial and non-financial personal performance incentives or block grants perhaps affects our staff's ability to achieve targets embodied in MSS. Unfortunately, it is not only in our agency and the education sector, but also other agencies and sectors which implement MSS in this district...’(Local Education Agency, City of Padang Sidempuan, 2016, Interviewee 51)
In other words, in practice, material incentives in the form of block grants specifically directed toward helping achieve MSS targets were planned, but do not exist in reality.

Secondly, as some interviewees note, there are incentives that are given to local governments but which are not specifically directed towards the implementation of MSS. As a local government officer in the health sector in District of West Bandung argues:

‘...Incentives for the improvement of local government performance perhaps exist but there is no reward from central government and provinces specifically aimed towards the implementation of MSS....’ (Local Health Agency, District of West Bandung, 2015, Interviewee 44)

This is further echoed by a government officer at provincial level, who adds:

‘...yes we have incentives for local agencies that have strong performances but it is not directed towards performance in achieving MSS standards...’ (Organisation Bureau, Regional Secretary, Province of Bali, 2016, Interviewee 107)

This also highlighted in a statement from the MoF:

‘...for now, the achievement of MSS is not directly and clearly related to the increase of any block and specific transfer grant ... ’ (Directorate General of Fiscal Balance, MoF, 2015, Interviewee 37)

In addition, based on information from a local government officer at the city level, it seems that non-material incentives, such as informal appreciation and compliments in monthly meetings, can sometimes exist in some local governments. However, it does not really motivate local government. It seems that financial incentives are demanded more by local governments. As noted by a government officer in the City of Depok:

‘...some financial incentives are given to local governments. However, this reward is addressed to local governments or a local government officer with overall good performance. It is not specifically given to the implementation of MSS. What is available for the implementation of MSS perhaps is only non-financial incentives. We get compliments during the evaluation meetings when discussing MSS if there is good progress made. However, it does not really motivate local technical agencies, since it is not yet formalised. Local government seems more demanding on financial incentives. I hope that the current non-material incentives could be accompanied by financial ones....’ (Local Development Planning Agency, City of Depok, 2016, Interviewee 74)
Thirdly, if incentives, particularly financial or material incentives (in the form of block grants), have been exists in some local governments, they are not addressed and allocated to those local public units that successfully achieve MSS standards. Instead they will be allocated to those local governments which need funding to achieve MSS standards. These funds are intended for those local governments that truly need additional funds, instead of to those who have already successfully achieved MSS targets and thus improved the quality of the services they provide. In other words, there will no incentive for champions. As noted by a government officer in Southwest Sumba:

‘...we will not gain any incentives if we are able to achieve the MSS standards. We only get funding to ensure that we could achieve the target with our current capacity...’ (Local Education Agency, District of Southwest Sumba, 2016, Interviewee 119)

Block grants are only given to those local governments that really need it, instead of those who have already succeeded:

‘...If the local government then will not able to achieve MSS standards, later they will be supported by general or specific block grants as a form of incentive. They will be prioritised for funding through these grants...’ (Directorate General of Regional Development 1, MoHA, 2015, Interviewee 11)

For this reason, it becomes a question of whether these kinds of incentives are actually ‘effective incentives’ designed to improve behaviour and performance in local governments, as defined above, since they are given to those whose really need them instead those whose have high performance. Nevertheless, it is not only a question of whether incentives work or not, but it could be the case that the opposite results to those that are expected could arise; performance, in other words, could be weakened. These kinds of incentives could cause perverse behaviour amongst local government, who may decrease their motivation to improve because they know they will get incentives even though they are not performing well.

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Moreover, it is important to know what incentives politicians experience when implementing MSS. MSS is not useful as a political incentive for local politicians, such as candidates or incumbent of Heads of Regions, and members of parliaments or councils. From the interviews, it seems that there is a lack incentive for Heads of Regions and local politicians to implement and achieve MSS, since they do not gain any direct benefits, whether in the form of financial gain or a boost in popularity. As confirmed by one of Heads of Regions, who said:

‘...what is required by central government is that local governments just pass what is required for MSS. If I want more popularity from my constituent, I have to do my political promises beyond MSS. Thus, achieving standards seems only an obligation for us since it is not too interesting for people to know about MSS in our political campaigns...’ (Mayor, City of Padang Sidempuan, 2016, Interviewee 47)

Another interviewee, this time from provincial level, points out that:

‘...I do not know whether there is a political incentive for Heads of Regions, Governors, Heads of Regency or Mayors to achieve MSS standards. I am still doubtful that achieving MSS standards could be effective in increasing their popularity. In other words, whether MSS becomes an incentive for local politicians to implement MSS is not really clear...’ (Organisation Bureau Regional Secretary, Province of Jogjakarta, 2016, Interviewees 71)

Finally, the lack of political incentives is also considered by one academic in FGI 2.

‘...I am really sorry to say that the current concept of MSS does not motivate Heads of Regions to achieve MSS standards. Heads of Regions will respond to their constituents and their people. Unfortunately, MSS could not be used in political campaigns. It is too complicated and is not interesting enough for their constituents. They will prefer to promise something that could give more direct benefits than MSS to their people on their campaign. I could bet none of the Heads of Regions’ campaigns discuss MSS. Simply, there is nothing special from MSS that can be sold to the candidates by the Heads of Region to attract more voters...’ (Expert from University of Gadjah Mada, 2016, FGI 2)

To summarise the above discussion, we can see that there is a general lack of incentives to encourage MSS implementation. This lack of incentives occurred in most of the locations studied in this thesis. In some local governments, where incentives are provided, those are not delivered to the implementation of MSS
In some local governments, where incentives are offered, the incentives of MSS are skewed against those who championed MSS and implemented it successfully. To some extent, these kinds of incentives are not effective. These incentives also perverse and serve as negative incentives on the motivation and behaviour of local governments. These incentives are personal, managerial and political in nature. However, since there are no incentives or only ineffective or sub-optimal incentives directed at how MSS is used and managed, it is difficult to expect that MSS will motivate local governments to improve their performance and to achieve or meet the standards that have been set.

5.3.3.2. No Strong Enforcement

It is also the case that MSS is not supported by punishments or sanctions (what we might call ‘strong’ enforcement techniques). One local government officer says:

‘...In the current law and regulation concerning MSS, there is no chapter which regulates enforcement and punishment. Perhaps, this means that districts and cities in this province do not try to achieve MSS standards...’ (Organisation Bureau, Regional Secretary, Province of West Java, 2015, Interviewee 20)

This is also echoed by another local government officer, this time at the provincial level, who says:

‘...In the ministerial decree there is no part which regulates enforcement...’ (Local Development Planning Agency, Province of Jogjakarta, 2016 Interviewee 73)

And an expert in the education sector adds that:

‘...I asked to the central government, especially to the MoHA, about their commitment in implementing MSS. No enforcement has been applied although under current laws and regulations, the concept of enforcement has been arranged by ministerial decree. For instance, central government could force local governments to address MSS indicators in their local document plan and budgets. However, this has never been done, so I re-question the commitment of the MoHA in implementing MSS...’ (Expert of MSS on Education, 2015, Interviewee 15)
As before, although there is mechanism of sanctions or punishments for local governments, they are not specifically tied to the implementation of MSS. A local government officer at the district level adds:

‘...I think that punishment is the missing element in the implementation of MSS. There is a mechanism of punishment for their performance, but it does not address the implementation of MSS specifically...’ (Local Health Agency, City of Denpasar, 2016, Interviewee 108)

There are no punishments or sanctions. Instead, the only enforcement mechanisms are warnings and technical assistance. One local government officer at the provincial level says:

‘...As far as I know there is no punishment or sanction for the implementation of MSS. What are available instead are only suggestions and warnings if local technical agencies could not achieve MSS standards or if their performance does not improve...’ (Local Education Agency, Province of Jogjakarta, 2016, Interviewee 70)

There are only ‘soft’ enforcement techniques, which means that local governments who fail to achieve MSS standards are only questioned as to why they have not met them, what the problems are and what assistance they might need to achieve those standards:

‘...If we could not achieve the standards, the Regional Secretary, via the head of the Organisation Bureau, only asks why we cannot achieve MSS standards and what the problems are. There is no punishment or administrative sanction...’ (Local Health Agency, SouthWest Sumba District, 2016, Interviewee 115)

This is also confirmed by a central government officer. He says that:

‘...We consider the lack of punishment and sanctions to be the main weakness in the implementation of MSS. The only enforcement that the central government imposes on local governments is offering technical assistance to those who fail to achieve the standards...’ (Directorate General of Regional Development 3, MoHA, 2015, Interviewee 26)

Some interviewees note that punishment has been formulated and planned for MSS but that it has not been implemented yet.
An officer in MoHA says:

‘...There is a plan from central government that local governments that have not yet implemented MSS will get punished or sanctioned, not only local bureaucrats but also the Heads of Regions. The Heads of Regions will have special attention from central government through the MoHA. In the worst case, Head of Regions will be terminated from their position for three months and the block grant transfer from central government will be terminated. However, this has not yet been implemented...’ (Directorate General of Regional Development 5, MoHA, 2015, Interviewee 30)

A government officer in Bappenas also adds that:

‘...there is no central government mechanism and authority to force local governments to implement MSS. This is not helped by confusion over what happens to local governments that fail to achieve MSS standards. It should be the MoHA and technical ministries who take action, but in reality it is not implemented yet...‘(Directorate of Education, Bappenas, 2015, Interviewee 4)

A lack of authority and willingness in central government is one of the reasons why there is little enforcement and punishment in the implementation of MSS. A lack of authority is discussed by one central government officer in LAN, who says that:

‘... in this decentralised system, there is no direct vertical link between technical ministries and local technical agencies. Central government has no authority to force local government to implement MSS. That is why the strong enforcement, in terms of punishment, is relatively difficult to apply...‘ (LAN, 2015, Interviewees 9)

Meanwhile, a lack of willingness in the central government is noted by an expert on MSS:

‘...Basically, what I am afraid of is that the central government officer does not care about enforcing MSS. This is supposed to be done by the central government but I am afraid the central government just ignores it...‘ (Expert of MSS 2, 2016, Interviewee 33)

As part of lack of enforcement, there is also a poor level of auditing by local inspectorates. This is also confirmed by the local inspectorate both at district and provincial level, as well as by external auditors themselves:

‘... We are not involved with the evaluation process or in the practice of MSS. We just supervise and evaluate appropriations and the specific performance of a number of our local agencies. If required, then we will supervise MSS. Otherwise, if it is not required, we do not deal with it...‘ (Local Inspectorate, City of Bekasi, 2016, Interviewee 63)
‘...There is no obligation for us to be involved in the supervision and practice of MSS. I think that it is partly the obligation of the Regional Secretary. Only if they need us, we will help as well as we can...’ (Local Inspectorate, Province of Jambi, 2016, Interviewee 84)

From the discussion above, we can see that there is no strong enforcement specifically addressed to the implementation of MSS and no punishments and sanctions for non-compliance. For that reason, we can label it as an ‘unenforced standard’. Although punishment is planned, it has not been implemented. What is available instead are ‘soft’ measures such as warnings and offers of technical assistance. A lack of authority and willingness are claimed to be the reasons why strong enforcement has not been implemented. This is clearly signalled by the lack of local inspectorates and external auditors.

5.3.3.3. Reliance on Self-Motivation or Self-Compliance

Given that MSS is not supported by effective or optimal incentives or strong punishments and sanctions (what we might call ‘strong’ enforcement techniques), it works to the extent it does through self-compliance or self-motivation. One government officer in Depok says:

‘...this is also not about increasing our bonus or organisational budget as part of incentives and rewards, but we believe that MSS becomes our obligation as mandated by regulation. With or without additional budgets, incentives or enforcement, the achievement of MSS standards and thus the provision of better services should be realised as part of our obligation...’ (Local Health Unit, City of Depok, 2016, Interviewee 99)

This information is also shared by Head of Primary School

‘...I, myself, do not really think about incentives and enforcement. Incentives are perhaps useful but we just think that it is part of our obligation to provide a service to people and our compliance to the laws and regulations that mandate MSS standards...’ (Head of Primary School, City of Padang Sidempuan, 2016, Interviewee 49)
On top of this, local governments achieve satisfaction if they can achieve standards that have been given to them. As the head of a primary school in Depok says:

‘...I feel proud to enact mandates from the central government to achieve the MSS service delivery standards mandated by law. I do not think what incentives we could get. However, to give better services day after day to people through achievement of these standards brings satisfaction to us. It is a challenge to find a better way to deliver services without any promises of bonuses or incentives...' (Head of Primary School, City of Depok, 2016, Interviewee 101)

From the discussion above, it can be said that MSS works through self-compliance or self-motivation. Alternatively, people think that MSS is very challenging so it causes satisfaction if they achieve its standards and provide better services to people. Thinking back to the literature review in chapter two, self-compliance and self-motivation are internal motivations to work, improve and give the best to the organisation (Deci et al, 1999, Crowther and Green 2004, Mullin 2008, French 2011).

5.4. The Partial Fit of MSS with Performance Management Regimes/Model

As discussed above, there is a difference between what was in the minds of designers and how MSS has actually been implemented. It can be argued that there are two reasons behind the discrepancy. First, a more pragmatic reason; the gap appears because the technical ministries, the implementing agencies misinterpret the designer's intentions. Second, a most important reason is that original ideas behind MSS are too demanding, particularly the requirement for indicators to reflect quality standards and the necessity to share information with stakeholders.

Moreover, in this section, it is also argued that in practice MSS does not fully fit with any of the four performance management models. This is for four reasons.
First, it does not reflect idea of quality of standards or assurances (as in the minds of its original designers) because the indicators mostly reflect coverage of services. From this perspective, MSS seems fit with the idea of a target.

However, MSS only partially fits with the idea of target. MSS does not seem fit with the idea of ‘real’ targets because of the lacks effective incentives and strong enforcements (i.e. sanctions and punishments). Thus, the model fits most closely to the intelligence/benchmark or quality assurance or standards models. However, again, it is argued that MSS only partially fits with the idea of intelligence or benchmark. There is no evidence on the provision and sharing of background information and learning from the top local government performers. Besides that, there is no indication that MSS fits with the rank/league table model.

The partial compatibility of MSS to the various regimes or models of public sector performance management is presented in Table 14 below. This seems to support arguments put forward elsewhere that suggests that relating MSS with any of the regimes or models is a difficult task, given the former’s complexity. As stated by one expert on MSS during the first FGI:

‘...While we are discussing MSS models, we think that this model is very complex. On the one hand, the indicators look like a target system consisting of percentages or ratios. On the other hand, the pressure of the central government on local governments is as not as high as targeting system. I think other participants will also agree that there is still debate among the designers of MSS within central level on what models are applied in this system. It is very difficult to find something like MSS as a performance management tool in other countries, particularly in the case of local government. However, what we believe is that this tool is aimed at improving quality of services through improving the way local governments deliver those services...

‘(Expert on Decentralisation, FGI 1, 2015)

Thus, to understand and justify the relationships between MSS and current performance management regimes or models (see Table 14 below), we need to begin by recalling the characteristics of performance management regimes or models put forward in chapter three.
Thus, we will focus on definitions, forms of indicator and on the mechanism (s) by which performance management is expected to work, as well as the three main elements of performance management: enforcement, incentives and information sharing (orientations). These various elements are presented in Table 13 below. Later, the relationship between MSS and each model of performance management will be analysed based on findings from the interviews with characteristic of each component of models as it is illustrated in Table 13.

5.4.1. MSS in the Minds of its Original Designers: Conceptualising MSS as a Quality Standards or Assurance Models

As discussed in section 5.2.1, in the minds of its original designers, MSS is related to a quality assurances or standards regime because of the existence of minimum thresholds. These thresholds aim to guarantee a minimum level of service quality that should be received by every person. MSS is used as measuring stick against which particular types and quality of services should be judged. Thus, in this section, we will see what in the minds of its original designer, the MSS model is related to the quality assurance or standards model as illustrated in Table 13.

As we saw in that Table 13, one characteristic of the quality assurance/standards model is a range of standards, whether in terms of an average or a minimum level of achievement. Unlike in a target-based system, the standards could be represented as a minimum standard.
Table 13. Comparisons between Various Performance Management Regimes/Models to Deliver Services in Public Sector

<table>
<thead>
<tr>
<th>Comparison</th>
<th>Targets</th>
<th>Rank/League Table</th>
<th>Intelligence/ Benchmark</th>
<th>Quality Assurance/ Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition</td>
<td>Comparison between the actual points and threshold, measured as a percentage or ratio</td>
<td>Published comparison against rival units.</td>
<td>Provision of background information as basis to learn and mimic from other units as the best comparators</td>
<td>Basis points to ensure particular types and quality of services should be followed</td>
</tr>
<tr>
<td>Forms of Indicators</td>
<td>Could be coverage, access (inputs-process) or outcomes in maximum achievement</td>
<td>Could be coverage, access (inputs-process) or outcomes in maximum achievement</td>
<td>Background information with flexible achievement</td>
<td>Quality in services in minimum or average achievement (rarely maximum)</td>
</tr>
</tbody>
</table>
| Mechanism             | • To control, press, steer for both internal improvement and hold agent accountable  
                        |                                                                            | • To provide information for benchmarking towards internal improvement  
                        |                                                                                                   | • To improve quality of services through communication with customers (people)  
                        | • Pressure from higher authorities                                                              | • Self-compliance to law/regulation                                                                |
| Orientation/          | • Internal (public unit/organisation)  
                        |                                                                            | • Internal (public unit/organisation)  
                        |                                                                                                   | • External (public/customer)  
<pre><code>                    | Information Sharing                               | • Information is internally and externally shared (to people inside government and public)    | • Information is externally shared (to public)                                               |
</code></pre>
<p>|                       | • Information is Internally shared (between principal and agent inside government) |                                                                            | • Information is limited external sharing (among public units)      |                                                                                               |</p>
<table>
<thead>
<tr>
<th>Enforcement</th>
<th>Requires strong enforcement</th>
<th>Requires strong enforcement</th>
<th>No required enforcement</th>
<th>Requires less strong enforcement</th>
</tr>
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<tr>
<td>Incentives</td>
<td>Necessary and required</td>
<td>Necessary and required</td>
<td>Helpful and useful but it is not necessary</td>
<td>Helpful and useful but it is not necessary</td>
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</table>

Table 14. Compatibility of MSS to Regimes/Models of Performance Management in the Public Sector: Comparison on Minds of Designers and in Practice

<table>
<thead>
<tr>
<th>Comparison</th>
<th>In the Minds of Designers</th>
<th>In Practice</th>
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<td></td>
<td>Targets</td>
<td>Rank/League Table</td>
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<td>Definition</td>
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<td>Forms of Indicators</td>
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<td>Mechanism</td>
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<td>Orientation/ Information Sharing</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td>Enforcement</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td>Incentives</td>
<td>O</td>
<td>O</td>
</tr>
</tbody>
</table>

Source: Author's Analysis

X  = Has Relationship
O  = No Relationship
-- = Not Explained
As indicated by Gaster (1995) and Schiavo (2000) (and as we saw in chapter two), in a target-based system a target should either be set as an ideal target or in relation to a maximum achievement. In a quality assurance/standards model, a standard has a range and is set as a realistic, average or minimum target or achievement (Gaster, 1995; Schiavo, 2000)

From this point of view, in the minds of its original designer, MSS is closely related to the idea the quality standards model. The ultimate goal is to improve service quality although the standards are set at a minimum level. This means that MSS allows for values that could not be achieved as far as these values are above the minimum points (thresholds).

The close relationship between MSS and the quality assurance model, in the minds of designer, is also shown by its reliance on self-compliance and self-motivation, as discussed above. The practice of MSS is mandated by laws and regulations and it is up to the local level to ensure that they comply. Strong enforcement is not required. Incentives, although perhaps helpful and useful, are not necessary.

This is similar to the application of quality assurances or standards in Italy, England and most other European countries (see Schiavo, 2000). This is confirmed by another designer of MSS, who is also a former officer for the MoHe and a specialist on health policy, who says that:

‘...for me, MSS is a standard to deliver very basic services that are the constitutional right of each individual. These constitutional rights belong to all people, regardless of gender or age. For instance, in the health sector, MSS should be able to deliver health services which are minimally required by babies, children, adults and elderly people regardless of their gender, financial status etc. Thus, laws and regulations which mandate delivery of these services are stipulated by the central government. Later local government must comply with this law to deliver the services...’ (Expert on Health Sector, Ex MoHE Officer, Designer of MSS in Health Sector, 2015, Interviewee 25)
This is also highlighted by an expert from the University of Indonesia, who is also a designer of MSS:

‘...I think that it is clear from the law that MSS is related to an obligation of local governments to provide basic services. While it concerns obligations, it seems less relevant to talk about incentives and enforcement. Hmmm..., perhaps the existence of enforcement is little bit relevant because it is related to the obligation that should be exercised by local governments. However, it seems that MSS works as a form of self-compliance of local governments to the law and regulations that mandate MSS...'  
(University of Indonesia, Designer of MSS, 2015, Interviewee 24)

Moreover, in the minds of designer, MSS reflects quality assurance or standards in so much as it is more externally oriented to people as customers as discussed above.

5.4.2. Implementation of MSS (1): A Close but Imperfect Relationship with Target Based Models

In the minds of designer, MSS has a close relationship with the idea of quality standards. However, in the implementation, MSS is closer to the target-based model. We can see this from three observations. Firstly, MSS seems close to the target model because of the nature of the indicators used. To recap the discussion above on the way MSS is measured, most indicators of MSS mostly concern coverage and access to services in terms of inputs and process, such as year of schooling, and so on. Thus, it is unlike the quality assurances or standards model as perceived in the mind of the designers, which reflects the idea that it is tightly related to outputs or outcomes.

These coverage indicators are shown mainly as percentages and ratios. As we saw in chapter two, these ratios reflect a comparison between the actual and the desired levels of performance that should be achieved in the future (Bevan and Hood, 2006b; Boyne and Chen, 2007; and Hood, 2007).
The idea of MSS as a target that relies upon ratios or percentages is discussed by a government officer in the MoHE:

‘...In our Ministry’s decree on MSS for health, we treated MSS as a target. It can be seen from the indicators, such as every 3 months there should be a visit to pregnant mother, and uses percentages like 95%, 80%. Those clearly show that the approach of MSS is target based and relies upon measuring the current progress in local government and comparing it to what is expected by us through ratios and percentages...’ (Bureau of Law, MoHE, 2015, Interviewee 23)

A local government officer in District Southwest Sumba adds that:

‘...As far as I understand, MSS is kind a target that has been mandated by the central government. For instance, every class in this district is limited to 28 students in primary school and the distance of a primary school from a residential area should be, at most, 3 kms. There are particular points that should be achieved as it is mandated by central government, particularly technical ministries, based on our current values or points...' (Local Education Agency, District of West Bandung, 2015, Interviewee 43)

Secondly, the results of the interviews also demonstrate that MSS has an internal orientation. This means that the extent to which information from MSS is shared to the public is limited, as we saw in the previous section. MSS seems only addressed to control, to press and to steer agents for internal improvement and to hold agents accountable to deliver better services, which is one characteristic of the target-based model (depicted in Table 13). As one expert, a former officer in the MoNE and a designer of MSS in the education sector remarked:

‘...MSS, through its indicators and percentages and ratios, is expected to be used as a tool of control by the MoNE over local education agencies for the services they deliver at the local level. It is the way that MoNE holds local education agencies accountable. Through MSS, local education agencies should clearly show to the MoNE what current conditions are and what they have to achieve...’ (Expert, on MSS of Education, 2015, Interviewee 36)

However, in practice, MSS does not really reflect the ‘real’ target, particularly in terms of how information from MSS is used and managed. As discussed above, we can see that, in practice, MSS is not supported by effective and optimal incentives, nor strong enforcements which are required in a target system (see Table 13).
MSS seems more appropriately labelled as a form of ‘unenforced standard’, given that it relies on self-compliance or self-motivation, and is also accompanied by perverse incentives as discussed above.

All these characteristics imply a weak relationship between MSS and the typical target regime. As we can see in Table 13, the target system is characterised by optimal incentives and strong enforcement so these incentives and enforcement are required. In this respect, MSS is closer to the idea of quality assurance or standard or intelligence/benchmarking. In these models, incentives are not required although they are useful and helpful.

5.4.3. Implementation of MSS (2): Less Evidence of MSS being an Intelligence or Benchmarking Models

In this section, the relationship between MSS and an intelligence or benchmark system as a bottom-up model of performance management is discussed. We will recall from the discussion in chapter two that with bottom-up approaches, performance management emerges because there is a concern by the public-sector unit to improve its own performance.

This differs from top-down systems like league tables, where the emphasis is more on command-and-control and top-down pressure. In the bottom-up approach, improvement is achieved through the provision of background information. This type of performance management is defined by Hood (2007) as an intelligence type of performance management. This can be achieved through the use of information about the performance of other units as a benchmark against which to learn, mimic and improve performance. This is labelled by Folz (2004), Askim, Johnsen, and Christophersen (2008), and Ammons and Roenigk (2015) as a benchmark style of public sector performance management.
From the interviews, it is clear that while MSS is close to the idea of target system, it only partially corresponds to the idea of an intelligence or benchmarking model because of its lack of incentives and enforcement.

However, there is no empirical evidence that MSS corresponds to this model. There is no empirical evidence that points to the efficacy of the provision of background information on MSS achievement and the use of that information as a means for local governments to learn from and mimic others in order to improve their performance. In other words, there is no clear information as to whether MSS could be identified as form of intelligence or benchmarking. For example, as one local government officer in the health sector says:

‘...We have regular coordination meetings on the implementation of MSS at the provincial level. We usually invite district health agencies and district health units under our coordination. Usually, we are more proactive, by asking about their achievement of MSS standards. However, I do not see that the top performers will share their success with the worst performers on the one hand or the worst performers will learn from the top performers on the other...’ (Local Health Agency, Province of Bali, 2016, Interviewee 105)

This is also echoed and supported by a government officer in Southwest Sumba, who states:

‘...regularly we have a meeting in local health agencies about the implementation of MSS. In this meeting, the Head of Local Technical Agencies often asks about our achievement on MSS targets. However, this information is seldom used to compare between one local health unit and another in order to improve service delivery quality. We rarely use information from other local health units about their achievements and strategies in order to force ourselves to follow, imitate and achieve the targets that they have...’(Local Health Unit, District of Southwest Sumba 2016, Interviewee 114)

The following was added by an expert from an international agency that assists local government in the implementation of MSS:

‘... I have also never seen local governments share information about their success and failure in the implementation of MSS or one local government learn from a local government that has successfully achieved MSS standards. I think that if they can provide and share information on MSS, it will bring benefits to them and they can improve the way they deliver the services or, at the least, to achieve targets set in MSS... (Expert, International Agency on MSS in Education, 2015, Interviewee 22)
From the statements above, we can see that information on MSS is not voluntarily provided by local governments for top performers to improve their performance, nor is it shared with the worst performers as a way of encouraging them to copy and learn. As a result, it is fair to say that MSS does not constitute a bottom up benchmarking regime whether in the form of an intelligence or benchmarking model.

5.4.4. Implementation of MSS (3): Less Evidence of Fit with A Rank or League Table Models

As we saw in chapter two, according to Morrison, Magennis, and and Carey (1995), Adab (et. al., 2002), Hood (2007) and Goldstein (2014), in a rank or league table, one unit is measured against another and the outcome is ordered and published. The aim is to shame the lowest performers and to give confidence to the highest performers. From the interviews, we can see that MSS does not fit with the idea of a rank or league table. We can see that there is no formal mechanism that ranks local government in order to their MSS achievement and there is thus no effort to publish the rank in order to ‘name-and-shame’.

However, it has a relationship with other performance management models and regimes that are themselves forms or rank/league table, in particular the Evaluation of Overall Performance Local Government (EKPPD) As we saw in chapter three, EKPPD is an evaluation of the overall performance of local government when it comes to powers and responsibilities that have been devolved to it. As we also saw in that chapter, Dendi (2010) lists various elements of EKPPD, such as the fact that it is measured annually and covers all aspects of the performance of local government, from ‘soft products’ such as relations between the executive and legislative to ‘hard products’, such as the number of roads in excellent condition.
Nevertheless, the most important element of EKPPD is its ranking system. Through EKPPD, every district, city or province is grouped based on its characteristics and ranked in a league table based on its overall performance. These ranking results are then formally published by the MoHA two years after the evaluation has taken place. For instance, the results of the EKPPD in 2013 were published on 25 April 2015 on Regional Autonomy Day (*Hari Otonomi Daerah*). The idea of EKPPD as a rank or league table was discussed by one director in MoHA, who said that:

‘...In EKPPD, evaluation is based on the overall performance of local government in terms of both decentralised authority and administrative tasks. The result of this EKPPD is then ranked. The rank is distinguished based on types of local government, whether they are a district, city or province, and so on. This ranking in EKPPD began in 2010 and is published openly to every local government. Those local governments which are in the top rank will get some awards from the MoHA on Autonomy Day, while those in the bottom rank will get a warning and suggestions on how to continually build their capacity...’ (Directorate General of Regional Autonomy, MoHA, 2015, Interviewee 10)

This act of publishing to some extent brings about a ‘naming and shaming’ of those local governments that occupy the lowest ranks of the league table. However, this shaming is not followed by any form of punishment, nor are their incentives to raise standards. Plus, unlike the ideal-type league table, information about EKPPD is only shared among central and local governments, particularly the Heads of Regions. It is not easy, although not impossible, for ordinary people to gain access to the information.

From the interviews, it also became clear that MSS and EKPPD have similar indicators. It seems that EKPPD adopts some of the indicators that are also deployed in MSS, especially those that are specific to the health and education sector or which are related to service delivery.
As the Directorate General of Regional Autonomy in the MoHA argued:

‘...The link between EKPPD as an evaluation of the overall performance of local government and MSS can be seen by their indicators. Some indicators in EKPPD are taken verbatim from those in MSS. However, I do not know the exact percentage of indicators in EKPPD that are taken from MSS. I think that around 25 percent of taken from MSS, especially those indicators that are related to basic services. Not all indicators in MSS can be directly adopted in EKPPD, since there is a little bit difference in the nature of indicators... (Directorate General of Regional Autonomy, MoHA, 2015, Interviewee 10)

However, empirically, the idea of using MSS as a rank or league table system seems to not really have been considered by either central or local governments. Only a few informants considered the tight relations between MSS and EKPPD, including one government officer from the BPKP, who says:

‘...Although there is a little bit of difference in the indicators used in EKPPD and MSS, there are many similarities between them. Some indicators in MSS are used in EKPPD. However, whether local governments or the central government are aware of this, I am not sure. Perhaps they ignore it or are so busy with their own job that they do not consider on it...' (BPKP, 2015, Interviewee 16)

As MSS has close relations with EKPPD, it can be argued that MSS does partially reflect a rank or league table model. MSS is close to the idea of rank or league table, albeit indirectly because of the existence of EKPPD, although EKPPD itself is not considered to be an ideal type league table. However, arguing that MSS conforms to the league table model does not seem appropriate since the relationship with EKPDD is at indirect relationship. In other words, it can be concluded that MSS does not bear resemblance to a league table model.

5.5. Summary of Chapter Five: The Gap Between Intention and Implementation

Summarising the discussion above, there is gap between what is in the minds of its original designers and how MSS is implemented related to the misinterpretation and the difference in demand between designers and implementation agencies.
We also saw the limited relationship between models of MSS and the four public performance management regimes or models. In the eye of designers, who were mostly ex-officers from MoHA and other technical ministries in central government or academics, MSS is about the fulfilment of the rights of citizen to receive basic services of a minimum required quality. In other words, MSS is related the fulfilment of minimum thresholds. This minimum threshold is tightly linked with Indonesian decentralisation policy. That is why, in the eye of the designers, the minimum achievement of basic services is part of the compulsory obligations or functions of local government.

Moreover, related to the practice of Indonesian decentralisation, in the minds of its original designer, MSS emerges as a response to worries from central government that local governments were trapped in the euphoria of decentralisation and wasting public money. Besides that, MSS is also a response to varying financial and human resource capacities, which had led to variation in coverage and service quality. In the mind of its original designers, MSS seems also to be compatible with the idea of a quality assurance or standard.

MSS was intended to reflect a quality assurances or standards model and thus to be a means through which the performance of local government can be quantitatively and qualitatively measured and shared specifically in order to improve the quality of services. It seems that in the minds of its original designer, MSS adopts some characteristics of a quality assurance or standards model at least from its name and its focus on improving the quality of services.

Moreover, in the minds of its original designers, MSS has a relationship or tightly connects with quality assurance or standards, in the sense MSS has a form on the quality of outputs, outcomes or impacts, instead of coverage and inputs.
This quality could be in terms of a minimum or average level although it is rarely in the form of a maximum level. Besides that, MSS also has an external orientation. This means that information on MSS should be shared to customers or to people who receive the service.

In contrast in the implementation stage, MSS operates differently to how it was conceived by designers because of how MSS is used and information is shared and managed. It seems that MSS concerns coverage rather than quality in their indicators. This can be clearly seen in the fact that MSS seems closest to the idea of a target system because of its use of indicators that focus on the coverage of services, whereas the main characteristic of quality standards, which reflects the particular ‘quality’ of services, is not immediately obvious.

MSS is also partially closest to the idea of a target regime, particularly in terms of its definition and use of ratios and percentages to allow reflect upon expected and actual performance. The use of these ratios and percentages allows MSS to be a means to control and pressure local governments in order to encourage their improvement and a means for central government to hold local government to account.

In the implementation stage, we see that information from MSS is only shared between government actors. In other words, the orientation of MSS is more internal given that it is only between principal and agent, instead of to people. The orientation is internal in order to improve internal performance as well to allow it to be used as a tool for central government to hold local government accountable (as in a principal-agent model). The orientation of MSS in the implementation stage reflects a target system even more strongly. Unlike quality standards, whose orientation is directed more to people and customers, in this sense the orientation of MSS is more internal (among different tiers of government).
In terms of how information from MSS is used, MSS is not planned to be accompanied by incentives to champions or those local governments that successfully achieve MSS’s standards. Furthermore, as we have seen, incentives can have perverse effects on the behaviour and performance local government and can demotivate them, leading to poorer performance. MSS is also considered to be a poor political incentive for local politicians. In other words, the incentives are not effective or optimal.

There is also a lack of strong enforcement, which means that those who do not achieve the standards go unpunished. Thus, MSS in this research will be labelled as an ‘unenforced standard’. It can be acknowledged that MSS is not an ‘ideal’ target, since it is not supported by effective or even perverse incentives and relies instead upon self-compliance or self-motivation. Due to this MSS corresponds to characteristics of quality assurance or standards or even benchmarking and intelligence as bottom up forms of performance management. With quality standards, enforcement and incentives are not as necessary as in a target or league table system. Enforcement is required less since it mostly relies upon self-compliance towards laws and regulations. Similarly, incentives are also not necessary, although they are useful and helpful.

Finally, when it is implemented, the MSS model seems less closely related to the rank or league table model. MSS does not seek to rank local governments based on their performance nor intend to engage in any form of naming and shaming. MSS may partially fit with the rank or league table models if it is linked to EKPPD. There is a tight connection between the two in terms of their indicators. However, it is not appropriate to categorise MSS as a league table system since only some indicators are adopted.
Besides that, in practice, referring to MSS as a form of intelligence or benchmarking is also not appropriate. Although MSS mostly relies upon self-motivation which requires less incentives and strong enforcement, there is no empirical evidence to confirm that MSS is compatible with the idea of intelligence or benchmarking. There is no empirical evidence to suggest that local government has provided and voluntarily shared background information collected as part of MSS, nor that there has been any mimicking and learning of the behaviour of top performers in achieving MSS standards and delivering services.

The finding that MSS reflects certain characteristics of each model of performance management in the public sector and does not fit completely with any of them, raises questions over whether the designers of MSS understood the common models and regimes of performance management in public sector. It also raises questions over whether they understood how MSS would influence the behaviour and performance of local governments. Did they instead simply pick and choose characteristics from other models? This then also raises the question of how MSS can improve the performance of local governments to deliver better services. This will be the focus of the next chapter which tries to answer the second research questions which asks how the performance of local government in delivering basic services is influenced, following the introduction of MSS.
Chapter 6. The Influences of MSS on Local Government Service Delivery in Indonesia

6.1. Overview of Chapter Six

As discussed in the literature review in chapter two, performance management is intended to improve performance by changing behaviour within a public organisation. This change of behaviour is achieved by increasing the motivation and compliance of local governments to improve their performance. In this chapter we will see that, to some extent, MSS, based on the characteristics outlined in chapter five could influence the motivation of local governments to improve the performance delivery and quality of the services they provide.

As discussed in Chapter Five, MSS, in practice, does not fully fit with any existing regimes or models of performance management in the public sector for the enhancement of service quality. To some extent, MSS does reflect certain characteristics of a target system but it is not accompanied by any effective incentives or strong enforcement. This chapter will further outline this claim and, in doing so, will address the second research question, which asks ‘how is the performance of local government in delivering basic services influenced following the introduction of MSS?’, and its subsidiary research questions, which ask: a) how does MSS influence the motivation of local governments to improve their performance to deliver services?; b) how does MSS influence the performance of local governments to deliver services? and c) ‘how does MSS influence the improvement of coverage and quality of services?’
It will do so by observing and analysing the influence of MSS on the motivation of eight local governments on the delivery of health and educational sector services. The discussion will incorporate an illustration of how the concept of unambitious average syndrome can explain this influence of MSS on the motivation of local government to improve their performance. Following this, the influence of MSS on local planning and budgeting processes, as well as the way the local governments deliver services, is also analysed. Finally, the influence of MSS on service quality is also considered.

6.2. MSS and Its Influence to Motivation of Local Government to Improve Performance

The analysis of the influence of MSS on the motivation of local government to improve their performance was done through firstly observing general trends in the performance of MSS in eight local governments. Information on these trends is needed to understand the position of each local government (district or city) vis-à-vis the standards. These trends are then related to the results from interviews in order to identify similarities and differences in the motivations of local governments.

6.2.1. MSS in Influencing Motivation of Local Government

In order to understand the position of each local government we observed the general trends of the performance of MSS in the health sector from 2008 to 2015. This general trend is calculated from data on the achievement of MSS standards published by the MoHE. This performance is calculated and estimated by the percentage of MSS standards that each district or city has achieved 3 years after their implementation.
Performance in the health sector is chosen as an example in this study rather than the education sector because of its appropriateness to the aims of this study. The data in the health sector records the achievement of MSS in each district of city, which is in line with what is required in this study. In contrast, the performance of MSS in the education sector is based on schools instead of local governments. This makes it difficult to use it as a basis to understand the behaviour of local governments.

The general trend of the achievement of MSS’s standards in the health sector is based on the percentage that have successful implemented the standards contained therein. The achievement of these standards is represented by 6 indicators: 1) daily visit to pregnant mother (K4 criteria); 2) visit to pregnant mother with complicated problems; 3) aid from health workers or nurses; 4) service to mother after giving birth (childbed); 5) member of active family planning; 6) basic health services to the poor families.

The selection of these six indicators is based on several considerations. Importantly, all concern basic treatment. Other indicators which cover aspects such as referral, epidemiological investigation and cures for special diseases, as well as health promotion and people empowerment, are not considered in this research. Indicators that focus on basic treatment are the most important indicators in the context of this research. These indicators refer to data from 2015, except the indicators on family planning, which stem from 2010. 2015 was chosen because it provides more up to the minute data and it is assumed that those indicators which have 2010 as a targeted year have already been achieved.

However, the indicator for family planning has 2010 as a targeted year because this has the lowest standards compared to other indicators. It is assumed that this indicator is thus a great challenge to achieve, so it is important to investigate it.
The standards are set as an average of the percentage of standards across these six indicators. The achievement of MSS standards in the health sector in each district or city from 2008 until 2015 across six indicators can be seen in Figure 10 below.

It can be seen from Figure 10 that there was a fluctuation in the achievement of MSS standards in the health sector in each district or city sampled, except in Padang Sidempuan, where the trend shows a fairly continuous decline, starting in 2009. This contrasts with what happens in some other districts and cities, such as Sleman and Depok, where there is a relatively continuous improvement on the achievement of standards, starting from 2010. It can be also seen that Sleman and Denpasar have higher achievement rates (above 80%) in the beginning of the implementation of MSS (2008) compared to the other six districts/cities, especially if compared to West Bandung, which has a performance rate of below 30%.

**Figure 10. The Achievement of Six Indicators of MSS in Health Sector in Eight Districts and Cities (2008 -2015)**

Source: Calculated from Ministry of Health (2016)
Without ignoring achievement rates for other years, the most interesting and important phenomenon for understanding the various motivations of local governments to improve their service delivery is the achievement of health sector MSS standards in 2015, especially when combined with the results of interviews through thematic analysis. This is depicted in Figure 11, below.

**Figure 11. MSS Achievement in Six Health Indicators for Cities and Districts in 2015**

**MSS Achievement**

![Diagram showing MSS Achievement in Six Health Indicators for Cities and Districts in 2015](image)

Calculated from Ministry of Health (2016)
This figure shows the performance in the health sector for each sample district and city in 2015. While target standards are set at 87.5%, the performance of some local governments exceeds these. Otherwise, the performance of MSS in the health sector in other local governments falls just below or well below. Based on that performance, the eight districts and cities can be classified into three categories.

The first category consists of local governments whose current achievement exceeds the MSS target standards. In this category are Sleman, with a current achievement of 97.5%, and Denpasar, with 92.02%. The second category include local governments whose current progress falls just below the targets. They include Bekasi, with a rate of 82.41%, Depok (81.31%) and Batanghari (76.45%). Finally, the third category comprises local governments whose current level of performance or attainment well below the standard. In this category are West Bandung, Padang Sidempuan and Southwest Sumba, whose current levels of achievement are 63.2%, 45.56 % and 39.6% respectively.

Based on Figure 11, combined with information obtained from interviews through thematic analysis, we can say that MSS seems to motivate improvements in performance among the local governments in the second category, whose current performance falls just below the standards. Some local governments such as Depok, Bekasi and Batanghari are motivated to exceed the standard, although they do not perceive there to be any incentive for them to do so or enforcement if they fail to.

These three local governments are motivated to maintain their performance at a level slightly above the standard – or at least close to it – in order to avoid scrutiny from higher authorities during coordination meetings. They will seek to maintain this position since they feel safe in the middle and, effectively, avoid scrutiny from auditors in provincial and central governments.
As such, the empirical findings reveal that MSS is important or relevant to these local governments, as evidenced in the following extract from the interviews conducted with local government officials in Bekasi:

‘... If we treat the efforts to achieve standards that have been set in MSS as a journey, MSS provides guidance for the journey. By utilising MSS, we know exactly where we have to go, our current position and how long the journey will be through its indicators and standards. As we know the current position, there will be self-motivation to go further and reach our destinations. The motivation to continually improve performance in delivering services will increase as one by one the standards are achieved until completely achieved. However, the standards motivate us more when the current achievement is still below these standards. We are eager to improve the achievement against the standards at least a little bit above these standards...’ (Local Development Planning Agency, City of Bekasi, 2016, Interviewee 102)

Other government officials in this city also noted how MSS could improve the motivation to exceed the target standards:

‘... It seems that our concern about being embarrassed by our Mayor in front of other local technical agencies has become our motivation to achieve the MSS’s standards although we believe there will be no enforcement from him. Some of the indicators in MSS have been achieved by us and only a few have yet to be accomplished. Our current position is near the standards so it would be embarrassing for our Mayor if we could still not close this small gap. We keep our spirit to achieve the standards in a short time. If we could pass or exceed the standard, it would be terrific...’ (Local Health Agency, City of Bekasi, 2016, Interviewee 103)

‘...for us, MSS seems important in improving our performance in delivering health services. Currently, we have a daily meeting with local health agencies about the implementation of MSS. Besides that, in this meeting, the Head of Local Technical Agencies often asks about our achievement regarding MSS targets. It is very embarrassing to admit in front of him and other colleagues that our achievement is far below the target and below the achievement of other local health units. We know that there will be no punishment, but we want to avoid feeling embarrassed in front of the Head of Local Technical Agencies...’ (Local Health Unit, City of Bekasi, 2016, Interviewee 104)

In this city, it seems that could be caused by a worry by local governments of being embarrassed in front of their principals (Mayors, Heads of Regencies, higher authorities and so on). Local bureaucrats at the district level can feel embarrassed that their current performance is below the standards that been set, even though they that they will receive no rewards if they succeed and punishments if they fail.
Thus, they improve their performance to avoid behind ashamed in front of Heads of Regions (as their principals) and amongst other local technical agencies, or in daily meetings or MSS evaluations. A high motivation to pass the standards was also shown by a local government officer in another district:

‘...Based on our observation of local technical agencies in this district, especially in health and education, I think they are eager to achieve the MSS’s standards. They are optimistic and have a high motivation to pass the standards since the achievement of MSS in the health and education sector in this district is close to standards. They will be embarrassed if they cannot achieve these standards. However, we consider that there is no incentive for them. Thus, it becomes our challenge to keep their spirit but we are optimistic on that...’ (Organisation Bureau, Regional Secretary, District of BatangHari, 2016, Interviewee 89)

However, MSS does not seem to motivate those whose performance is either above the standards or well below the standards, that is, those districts/cities in the first or third categories. Firstly, those local governments who are in the first category, such as Sleman and Denpasar, are not motivated to continually improve their performance once they have passed the standards. MSS seems less important, or not important (whether because it is less relevant or irrelevant), to them since they have already achieved the required standards and there is no further incentive for them to continually improve their performance. Thus, they maintain an average level of performance despite being able to achieve more, thereby avoiding a situation in which an extraordinary performance attracts the attention of higher authorities. Instead of improving their achievement against MSS standards, they pay attention to other measurements that better reflect quality assurance, such as accreditation. This is evident in the following extract from an interview with members of local government in Sleman:

‘...In most sectors in this district, the achievement of indicators has been above the MSS’s standards. In the education sector, for instance, the ratio of teachers to students and the fulfilment of numbers for primary and junior high schools from the resident areas are more than that required by the central government. There is no point in them continually improving their performance since they have already far exceeded the standards. To go higher would mean becoming an attraction for the central government to demand achievement. Thus, their focus is currently again not about MSS but is on the achievement of Human Development Index (HDI), school accreditation and innovations in education...’ (Organisation Bureau, Regional Secretary, District of Sleman, 2015, Interviewee 61)
Similarly, a local government officer in another city states the following:

‘... until we reach the standards, MSS seems important for us as guidance as well as a goal itself. However, currently, we have already achieved most of the MSS standards, especially in the health and education sectors. Since there is no incentive for us to keep improving our achievement, it would be better to move our focus from achieving these standards to innovation and accreditation, which is demanded more by local agencies and local people. Nevertheless, we cannot deny that we still have an obligation to maintain our current MSS achievements...’ (Local Development Planning Agency, City of Denpasar, 2016, Interviewee 106)

These statements from those local government officers were also supported by statements from members of the local parliament within regions whose achievement exceeds the standards:

‘...I do not think our friends in local technical agencies are still motivated to keep continually improving since they have already passed and exceeded those standards for relatively a long time. It seems that they have already achieved the limit so they are endorsed to change the orientation from thinking only about MSS to something bigger, useful and which better reflects service quality such as accreditation of school in the education sector or improving the quality of hospital and local health units according to national or even international standards...’ (Local Parliament/Council Member, District of Sleman, 2016, Interviewee 64)

Similarly, the reduced motivation form high performing local governments is a point also made by a local government officer in Province of Jogjakarta, which has authority over Sleman:

‘...In general, in the health sector, in the Province of Jogjakarta, the achievement of MSS standards is relatively good. For instance, Sleman and City of Jogjakarta have already far exceeded standards although some local governments such as Kulonprogo have not still passed them. For those who have already passed the standards, their concern not only on MSS but also on something that is a better reflection of services quality and useful to people such as accreditation on the quality of hospitals. MSS seems not important anymore for them...’ (Local Health Agency, Province of Yogyakarta, 2016; Interviewee 72)

These statements from local governments are also echoed by statement from experts, scholars and academics.
For instance, scholars from University of Gadjah Mada in the Province of Jogjakarta note

‘As far as I know local governments such as City of Jogjakarta and Sleman have high achievement on MSS standards in most sectors. On average, their achievement on standards is higher than the national average. Currently, they do not focus on MSS too much since it does not motivate them anymore. They deliver services with quality standards which is more than MSS. They are now talking about access and competitiveness...’ (University of Gadjah Mada, Indonesia, 2016, Interviewee 67)

Secondly, those local governments whose current performance falls far below the standards, i.e. those in the third category, such as Southwest Sumba and Padang Sidempuan, are not motivated to improve their performance in delivering services. This is reflected by their lower motivation to achieve the MSS standards. They may in some cases be willing to improve their performance to just above the standards, but they claim that they have no capacity to do this. The gap between the capacity required to pass the standards and their current capacity to do so is too large. In other words, for this category of local government, MSS seems less important or less relevant. This was supported by statements from a government officer in Padang Sidempuan:

‘... Perhaps, MSS is very useful for us. It gives a clear clue as to what local governments have to do to deliver better services to people. While people are happy about the services, we are motivated to improve our performance more and more. However, the classic problem appears. Although we have particular motivation, we cannot implement it since we do not have any funds. Our local budget capacity is very low and never sufficient. As a result, we and some local technical agencies are no longer motivated...’ (Organisation Bureau, Regional Secretary, City of Padang, Sidempuan, 2016, Interviewee 48)

A local parliament member in this city added:

‘..Our achievement of standards of MSS is very low, perhaps below 50% in 2015 but what we can do? We do not have sufficient money nor good management of public money. What can we do with this small amount of money even if it is followed by a strong enforcement from the central government...' (Local Parliament/Council Member, City of Padang Sidempuan, 2016, Interviewee 46)
The low motivation is also mentioned by another interviewee in Southwest Sumba, where the current performance falls below standards:

‘...Yes, we are motivated by the existence of MSS because our success in achieving MSS means better services could be delivered by us to our people. I and our team will devote all of our energy to achieve the standards to get better services for our people. Unfortunately, we considered our financial capacity and constraints on our human resources. These two constraints make it hard to achieve that. Sometimes, we think that these standards will not be achieved unless there are financial grants and capacity building given to us. If not, I am, personally worried about the demotivation of our colleagues to achieve these MSS standards...’ (Local Health Agency, Southwest Sumba District, 2016, Interviewee 115)

This view is strengthened by a scholar who was also a designer of MSS:

‘...It is impossible for MSS to influence local governments which have a low capacity such as some districts in the Eastern part of Indonesia, including East Nusa Tenggara and Papua. Most of them find it very difficult to achieve the MSS standards. The gap between their current condition and the standards is high. They are perhaps willing to improve their performance to achieve the standards but how could they make it if they have no sufficient financial and human resources capacity? It is impossible for them even when they are under much pressure from the central government. Perhaps, they just let the central government punish us to achieve the standards, but we still cannot achieve them. Thus, achieving the MSS standards is impossible for them, unless particular financial grants or aids are given to them. If it is ignored, they will be demotivated even though they are willing to achieve those standards...’ (Academician, IPDN 2, Designer of MSS, 2015 Interviewee 39)

6.2.2. Unambitious Average Syndrome in the Practice of Indonesian MSS

So far, we have identified the influence of MSS on the motivation of local government to improve their performance in delivering services. The next task is to examine whether the influence of MSS that we have seen fits with, or could at least be explained by, the concept of the unambitious average syndrome. In other words, to what extent does it support the hypothesis that unambitious average syndrome has emerged as one of dysfunctional functions or unintended negative consequences of performance management? Can such a phenomenon be empirically proven in these eight districts and cities? To answer these questions a recap of the concept, discussed in chapter two is provided.
As we saw in chapter two, the phrase unambitious average syndrome was commonly used by auditors in the UK during the 1990s and 2000s to refer to units in the public sector that had no motivation to improve their performance beyond the standards required (Personal Communication with Simon Delay, 2015; Inside Housing, Out of Commission, 2016). The discussion in chapter two, which drew on insight from the UK's performance management of local government (which is based upon a league table model) showed that unambitious average syndrome refers to public units which are content to remain in the middle, neither exceeding nor falling below the prescribed standards. These units would stay safely in that position, thus avoiding intense scrutiny or supervision from auditors, inspectors or higher authorities. They have no motivation to improve their performance far beyond standards, despite them having the ability to do so.

However, unlike the practice in the UK, the unambitious average syndrome hypothesis that is built into this research is modified to reflect MSS, in which a particular set of minimum standards must be met. Thus, the following hypotheses related to unambitious average syndrome are tested here.

Firstly, those units whose current status or progress of achievement is far above the minimum MSS’s standards maintain an average level of performance, at a point just exceeding the standard. This level is below their potential real performance, based on their current capacity. This is done to avoid inspection or supervision, since any exceptionally good or bad performance is more likely to be picked up by an auditor, inspector or higher authority. They are poorly motivated to continually improve their performance once they have achieved the standards because they are keen to avoid attracting the attraction of auditors and supervisors. There is no point in or incentive to perform at a higher level; thus, they maintain an average performance just slightly above the standards.
As a result, MSS is a less important influence or less relevant for these public-sector units. Similarly, MSS is also less important or less relevant to those units whose current performance slightly exceeds the standards.

Secondly, public sector units are motivated to improve their performance when their status or progress falls either slightly below or well below the minimum standards. They are motivated to improve their performance to just achieve or slightly exceed the standards and maintain a position at or close to the standards as a means of avoiding audit or inspection. In other words, MSS is an important influence or relevant for these units. This is outlined simply in Table 15 below.

Table 15. Hypotheses on Unambitious Average Syndrome from UK Practice in League Table System

<table>
<thead>
<tr>
<th>Status of Current Performance of Public Units</th>
<th>UK Practice on Unambitious Average (League Table)</th>
<th>Adapted Hypothesis (Minimum Standards)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Far Above Average/Minimum Standards</td>
<td>Not important/Not Relevant</td>
<td>Less important/Less Relevant</td>
</tr>
<tr>
<td>Slightly Above Average/Minimum Standards</td>
<td>Not important/Not Relevant</td>
<td>Less important/ Less Relevant</td>
</tr>
<tr>
<td>Slightly Below Average/Minimum Standards</td>
<td>Less important/ Less Relevant</td>
<td>Important/ Relevant</td>
</tr>
<tr>
<td>Far Below Average/Minimum Standards</td>
<td>Important/ Relevant</td>
<td>Important/ Relevant</td>
</tr>
</tbody>
</table>

Source: Author’s Analysis

Based on what was found in Sleman and Denpasar, whose current achievement is above the standards (those local governments in the first category), the influence of MSS on motivations in those in local governments fit the adapted hypothesis on the unambitious average syndrome.
MSS as a performance management tool is neither sufficiently important to motivate local governments nor relevant once they have reached the required standards. Empirically, however, there is a further explanation in the case of MSS beyond to the adapted hypothesis; local governments have no motivation to reach a higher level since they shift from minimum standards to other types of quality assurance, such as innovation and accreditation, which are more useful and beneficial. However, some explanations in relation to unambitious average syndrome, such as avoiding the attention of auditors and higher authorities, as well as having no incentive, are also found.

Moreover, for local governments in the second category, that is, those whose current achievement falls either just below or close to the standards, performance management is empirically shown to be important or relevant. The behaviour of local governments in this category is a good fit with the notion of unambitious average syndrome. It can be seen that MSS is important to the local governments in this category, for example in Batang Hari, Depok and Bekasi.

They are motivated to just meet the standards since they would feel ashamed if they did not achieve them and would wish to avoid ‘informal warnings’ from the Heads of Regions. Yet, they also consider there to be no incentive or strong enforcement from auditors and higher authorities. By just meeting the standards and remaining in the middle, they will at least feel safe from the attention of auditors or higher authorities because they have formally complied with the performance level mandated by the regulations.

Finally, for those local governments in the third category, whose current achievement falls well below the standards, the empirical findings reveal a different conclusion in relation to the concept of the unambitious average syndrome as it is set out the hypothesis.
While the hypothesis notes that standards are important in the public sector, it is found empirically that MSS, as a set of standards, is neither important nor relevant to the motivation of local governments such as West Bandung, Padang Sidempuan and Southwest Sumba to improve service delivery performance. Despite being initially eager to meet and exceed the standards, these local governments have since become demotivated and claim are not able to exceed the standards, given the current state of their financial and human resource capacities. This also serves as a criticism of the idea of the unambitious average syndrome, in which it is assumed that all units operate with the same capacity or that there is pressure placed on those local governments below standards. A comparison of the unambitious average syndrome hypothesis and the empirical evidence in the case of MSS can be seen in Table 16 below.

Table 16. Summary of Explanations: Comparison between the Hypotheses and Empirical Findings

<table>
<thead>
<tr>
<th>Status of Achievement of MSS</th>
<th>Adapted Hypothesis</th>
<th>Empirical Findings of MSS Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Far and Slightly Above Standards (1\textsuperscript{st} Category)</td>
<td>Less important/ Less Relevant</td>
<td>Less important/Less Relevant (i.e. Sleman and Denpasar)</td>
</tr>
<tr>
<td>Slightly Below Standards (2\textsuperscript{nd} Category)</td>
<td>Important/ Relevant</td>
<td>Important/Significant/ Relevant (i.e. Depok, Bekasi and Batang Hari)</td>
</tr>
<tr>
<td>Far Below Standards (3\textsuperscript{rd} Category)</td>
<td>Important/ Relevant</td>
<td>Less important/Less Relevant (i.e. Padang Sidempuan, West Bandung, Southwest Sumba)</td>
</tr>
</tbody>
</table>

When the position of each local government is cross tabulated with its capacity, it can be seen that the rate of achievement of the MSS standards is related to the capacity of each city or district, as shown in Figure 12 below. Since the official data of local government capacity, which is released by the national government, is only related to fiscal or financial capacity, the comparison does not take into account human resources capacity.
It can be seen that those local governments whose performance falls well below the standards tend to have low fiscal capacity, with the exception of the Sleman. This fits with the argument put forward by scholars such as Hildebrand and Grindle (1997) and Brown, La Fond and Hill (2001) who suggest that financial and human capacities are necessary conditions for the effective implementation of policy and performance management. This is also supported by observations by Lewis (2003), Bappenas (2012) and ADB (2013) on the implementation of MSS in Indonesia, who showed that financial affordability and human resource capacity are the main constraints.

However, it is interesting to note that Sleman performs highly against the MSS standards, despite its low fiscal capacity.
One explanation that was put forward relates to its high level of commitment and governance:

‘... It has also been known for a long time about the good commitment and good governance of Sleman to any activities which are mandated by the central government or supported by international agencies. Similarly, in the implementation of MSS, although its fiscal capacity is relatively low, with good commitment and good governance, it is still possible for Sleman to successfully achieve the standards therein...’ (Expert on MSS in the Education Sector, District of Sleman, 2015, Interviewee 59)

She also continues by saying that:

‘...With this good commitment and good governance, it is relatively easier for District Sleman to gain financial and non-financial support from both the central government and most international donors. Government and international agencies believe whatever activities are set in Sleman will be potentially successfully executed. For instance, the involvement of Sleman in European Union (EU) program is relatively helpful for this district to successfully achieve standards of MSS. The EU, for instance, supports this district by giving relatively high amount of grant for capacity building on implementing MSS in education sector. This district even has been involved twice in this program. That is why without high fiscal capacities, this district is relatively able to successfully implement MSS because many stakeholders are ready to assist and support in financial and non-financial ways to strengthen financial and even the human resources capacity in implementing MSS in this district...’ (Expert on MSS in the Education Sector, District of Sleman, 2015, Interviewee 59)

That is why some scholars suggest that different standards should be imposed on different local governments based on their capacity, a scholar in the FGI:

‘...It is not wise that the central government sets the same standards of MSS that can be treated and enforced equally to each region ignoring its various capacity. Every district or city has its different fiscal and human resources capacities so setting national standards seem impossible to implement. Asymmetric standards which treats each region based on its capacity perhaps is a wise choice...’ (Academician, 2016, FGI 2)

Alternatively, the capacity should be equalised to all local governments to allow them to achieve MSS standards.
6.3. MSS and Performance of Local Government to Deliver Services

As the motivation for local government to improve performance to deliver services varies, reflected in their varying motivations to achieve MSS standards, in this section the aspects of the performance of local government most strongly influenced by MSS are observed. As discussed in chapter two, De Bruijn (2007), Pollitt and Bouckaert (2011) and Gao (2015) note that performance measurement could only influence the performance of public units or organisations if the results or information of this performance measurement influences every cycle of management, from planning and budgeting, to implementation and even evaluation. With that in mind, we can see that MSS as a performance management tool, influences the process of planning and budgeting at the local level, and the way local governments deliver services.

6.3.1. MSS and Its Influence on Local Planning and Budgeting

Planning and budgeting is an important stage in the overall cycle of public sector management, including in the management of the Indonesian local government. In Indonesian local government, this stage includes all activities of making a local planning document, as well as setting budgets, whether annually and mid-term (i.e. every year). In this section, the extent to which MSS influences the process of planning and budgeting is identified.

Empirically, from the result of interviews, it seems that MSS has some limited influence on the process of planning, but it seems doubtful whether it influences the budgeting process. The influence of MSS on the local planning process can be seen clearly, particularly in those local governments whose current performance is above the standards (those local governments in the second category).
From the interviews, it is clear that MSS influences the planning process, largely because it makes the local planning document more service-oriented, at least in relation to the basic services required by MSS. As noted by a local government officer in Sleman:

‘...Yes, the biggest influence of MSS in this district could be seen in the aspect of planning. Currently, we have inserted MSS in our planning document, so now we have a local planning document which is MSS oriented, or service oriented related to basic services which are required by MSS. Thus, it is easier for us to set priority and allocate the budget which could support the implementation of MSS...’ (Organisation Bureau, Regional Secretary, District of Sleman, 2015, Interviewee 61)

This was echoed by a government officer in a local technical agency in Sleman, who said:

‘...We consider the importance of MSS towards content of both annual and mid-term local planning documents in our sector. Currently, MSS becomes one of bases in setting the local planning document, which is related to service delivery in the education sector and is known as Renja SKPD. Besides that, MSS also becomes the guidance to review our current progress in how we deliver our services to our people and to formulate targets on local document plans in our sector in the future. In other words, the influence of MSS on the planning process is necessary at least to make our sector document plan more service oriented, particularly with regards to the basic services required by MSS...’ (Local Education Agency, District of Sleman 2016, Interviewee 58)

From the information above, it seems that MSS influences the performance of local governments, at least in the planning process. MSS has limited influence on the way local governments formulate local planning documents and on the content of those documents. Currently, some local governments insert some MSS indicators into it and this document becomes more service-oriented at least for those services required by MSS.

However, this influence is most obviously seen in local governments where current performance is just below the standards or those local governments in the second category. In these local governments, MSS has mostly already been inserted in local planning documents and it binds both Heads of Regions and local bureaucrats. In local governments, where current performance is far below standards, the influences have not been obviously seen.
This is because they do not insert MSS into in local planning documents, although they do believe that MSS could significantly influence the planning process. As mentioned by a local government officer in Southwest Sumba:

‘...Yes, we consider one weakness on the implementation of MSS in this district is that MSS is less adopted and not inserted in our mid-term planning document. Since it has not been inserted into the planning document, MSS does not have the power to bind or guarantee responsibilities of both the Head of Region and his bureaucrats to implement it. As a result, MSS could not influence the performance of local government and it will difficult to improve services quality...’ (Organisation Bureau, District of Southwest Sumba, 2016, Interviewee 118)

Similar statements were also delivered by a local government officer in West Bandung:

‘...Yes, I think that there is less influence of MSS on the planning process and our achievement on MS standards in this district since it has not been integrated within our local planning document. As a result, MSS only becomes a concern of people in the organisational bureau, Bappeda and local technical agencies, which deals with MSS daily. However, it does not seem to bind other important actors, particularly Head of Regencies, local financial agencies and important stakeholders. It is no wonder that current achievement of MSS’s standards on health and education is still low compared to other regions in this province since it does not influence the planning process...’ (Local Development Planning Agency, District of West Bandung, 2015, Interviewee 29)

It can be seen that for local governments in the second and the third category, where current achievement falls below the standards, the importance of MSS on the local planning process cannot be denied.

However, they recognise that because MSS has not been inserted in local planning document, it will not influence the planning process. In these cases, it will be very difficult to bind both political actors and bureaucrats to improve their performance to enhance quality of services in general and to achieve MSS standards in particular.

The influence of MSS on local budgeting is still doubtful. It is still doubtful that budgets will be prioritised according to the implementation and achievement of MSS standards, or following ideas embodied in MSS, even if it has been inserted into local planning documents.
As stated by a local government officer in the Province of Bali:

‘...since there is no commitment from local government, often the budget is not aimed to achieve MSS standards even though MSS indicators have been inserted in local planning documents. For instance, in some district technical agencies under the coordination of this province, next year’s budget is not based on the achievement MSS standards, although some indicators of MSS have been integrated in local planning document. The allocation is more based on political consideration than commitment to achieve standards of MSS...’ (Local Education Agency, Province of Bali, 2016, Interviewee 81)

This was collaborated by a government officer in the district level financial sector:

‘...Although we are trying to support the implementation of MSS by giving more allocation to activities which are related to MSS, there is no tight and direct connection between the way we (together with Bappeda) allocate the budget and the progress on the achievement and fulfilment of what is required by MSS. There are other things that have a higher priority while we allocate budgets, such as national priorities, the Mayor’s instruction and political promises, and emergency needs which are not related at all with the implementation of MSS...’ (Local Financial Agency, City of Bekasi, 2016, Interviewee 97)

This was a view shared by a representative from the provincial sector financial sector:

‘...Based on my experience in dealing with budget allocation, there is less connection between the success or failure to achieve MSS’s standards and the increase of budget both at provincial or district or city level...’ (Local Financial Agency, Province of Jambi, 2016, Interviewee 87)

6.3.2. MSS and Its Influence on the Way Local Government Delivers Services

From the interviews it seems also that MSS does not influence the way local governments deliver services. There is little empirical evidence that reveals any change in the way local governments deliver services. Indeed, it seems that MSS only formalises the daily routines on how service are delivered locally. It does not offer a new way or bring about a new culture to deliver services. A local government officer in West Bandung commented that:

‘...In general, there is no difference before and after the introduction of MSS. There is no more motivation for us and no change of culture within this institution to deliver services. It seems it only formalises our routine jobs. I do not know what is wrong with this mechanism but I guess they only care about the achievement in terms of numbers. I am not sure that change of culture becomes a priority of MSS...’ (Local Health Agency, District of West Bandung, 2015, Interviewee 44)
Another local government officer offers a similar perspective:

‘...There is no new way or culture on how services are delivered with the introduction of MSS. The service is not revealed quicker, cheaper and more quickly. It seems that there is not a new way to deliver services as a result on the introduction of MSS. To some extent perhaps, MSS causes a burden for us since they demand more reports besides the current reports that we have already have. As a result, MSS only becomes the way for us to accomplish obligations through reporting what we have done...’ (Local Health Unit, City of Padang Sidempuan, 2016, Interviewee 54)

From those statements, it is clear that MSS does not supply any new way nor change the culture in delivering services to local governments. It seems that MSS only formalise routine jobs or leads to business as usual.

6.4. MSS and Its Influence on Services Quality

Given that MSS does not influence local budgeting processes and the way that local governments deliver the services and given that it only has a limited influence on the planning process, the next question to be asked is whether MSS influences the quality of services. Improvement in service quality is commonly accounted for with more objective measurement, such as meeting the Millennium Development Goals (MDGs) indicators and Human Development Index (HDI).

From the interviews, it seems that MSS does not influence the quality of services. We can also see this in the fact that HDI and MDGs indicators have not been increased after the achievement of MSS standards. In other words, there is less of a connection, or even no connection, between MSS and HDI as an objective measurement of services quality.
As one local government officer remarked:

‘...I think that there is no influence of MSS on service quality and quality of life, which is commonly measured by HDI. There is less connection between MSS itself and HDI. For instance, although there is an increase in achievement in some health indicators in this district, the level of HDI particularly related to life expectancy is relatively low...’ (Local Health Agency, District of Southwest Sumba, 2016, Interviewee 115)

This is also supported by an on MSS in the health sector who previously worked as an officer in MoHE and who is now working as an expert consultant for an EU Project on MSS in the health sector. He remarked:

‘...Yes, if we could be honest, indicators of MSS do not reflect the quality of services, so how can we expect that MSS could influence the quality of services? For instance, in some districts in eastern parts of Indonesia, the achievement of MSS increases but the achievement or score of HDI and MDGs, such as mortality of pregnant mothers, and the health of mother and child have still have not improved yet. In other words, whether MSS exists or not, there is no change in service quality. There is low implication of MSS on the quality of service...’ (Expert on Health Sector, Ex MoHE Officer, Designer of MSS in Health Sector, 2015, Interviewee 25)

It can be seen from that interview that few in local government believe in a link between MSS and the quality of services. We also see that there is no connection between MSS and outcomes of services; this can be inferred from more objective measurements of services quality and life, like HDI and MDGs indicators. In other words, no informants believe that the existence of MSS is able to increase quality of services and life as measured by HDI and MDGs.

Furthermore, what we saw in this section confirms what we found in chapter 5. MSS has less of an influence on the quality of services, which can be seen in the few indicators of MSS that reflect service quality. In other words, it reflects less on models or regimes of quality assurances or standards. In contrast, the indicators of MSS, especially in the health and education sector, reflect coverage, access and inputs.
Thus, the idea that MSS will influence service quality in terms of outcomes and impacts, such as HDI and MDGs indicators, is still a long way off. This also shows that unlike performance management in the developed countries, which focus on quality in terms of outcomes and impacts, performance management in less developed countries, such as the MSS, focus on indicators of coverage or inputs.

Besides the type of indicators or inputs, it is also noted by interviewees that rent-seeking is the main causal factor behind the weak connection between MSS and quality of services. This rent-seeking is related to bad governance and corruption which undermines the effectiveness of the types of performance management within the public sector that are commonly applied in developing countries (see Mimba, Van Helden, and Tillema, 2007; Hopper, et al. 2009; and Silitonga, et al., 2016) as we saw in chapter two. This rent seeking is leading to corruption as discussed by Thompson (1993), Cartier-Bresson (1997) and Lambsdorff (2002).

From the interviews, two types of rent-seeking are identified: high level and low level. High level rent-seeking refers to ‘elite actions’, such as those of Heads of Regions, members of local parliaments and council and local politicians. These actions cause impediments to the effectiveness of MSS in influencing the ability of local government to deliver high quality services. This high level of rent-seeking is mostly caused by local democratisation, which accompanies Indonesia’s decentralisation policy. One expert, an ex-government officer in MoHA, is also a designer of MSS, remarks that:

‘...they (local governments) only care two issues of decentralisation: local direct elections (pilkada) and proliferation (pemekaran). These two issues corrupted all goods ideas of decentralisation related to improvement of public services. All attentions are only on those two issues. For instance, Pilkada, Heads of Regions and also members of local parliaments and councils need to return their expenditure during local direct elections so they prefer to focus on programs that can return expenditure and supports his or her next election. If they focus only to return what they have already expensed during elections, do they care about quality of services and MSS? I am not sure...' (Expert, Ex MoHA, and Designer of MSS, 2015, Interviewee 5)
The idea that high-level rent seeking that causes a low connection between MSS and quality of services is bolstered by the words of an academic from the University of Indonesia:

‘...It is very difficult to seek direct influences about the existence of MSS and the improvement of public services quality because I see no robust results. I think that there is another variable which contributes to the improvement on the quality of services. The most important factor is about local direct elections, which were first held in 2004. The Heads of Regions who have no debt and obligation, more committed and find it easier to implement MSS so the influences are more significant. This can be seen from an objective measurement such as HDI. In contrast to those candidates who have high obligations, they have to return their cost first before focusing any attention on services for their people. This cost of political transactions occurs in local elections, whether it is high and low, and is considered the main determinant of whether the application of any performance management, such as MSS, will be effective or not. Thus, I think that the local election as a political factor is as important as management factors, such as the design of performance management, rewards and punishment and others can distract the concern of Heads of Regions, politicians and bureaucrats towards the provision of public services and quality of services...’ (University of Indonesia, 2015, Interviewee 24)

It can be seen that high-levels of rent-seeking is caused by local direct elections (pilkada), which distracts the concern and attention of local governments, especially Heads of Regions, in supporting the achievement of MSS and providing the best quality services to their people. For those Head of Region candidates who are not financially strong and who have significant obligations during the campaign, local direct elections bring about high political transactions and distract concern of local government away from service quality.

These transactions could be in the form of imposing project fees, or corrupted practices to get money or refund money which has been spent during campaigns as well as efforts to strengthen their chances of re-election. So long as they are focusing on these activities, they are not focusing on MSS and delivering high quality services to the people. This is also supported by research conducted by Silitonga (et al., 2016), who showed that that level of corruption in Indonesia significantly increased because of the emergence of a 'local king' that emerged as a result of direct elections.
Money on corruption is money that could be spent on providing public services and diverts the attention of the Heads of Regions away from the implementation of MSS. This brings about the weak connection between MSS and quality of services. As stated by NGO from Padang Sidempuan:

‘...I think that the current mechanism of local elections should be improved. The local direct election which put money as an orientation or a strategy to win election caused a lower effectiveness in achieving the aim of decentralisation, especially in delivering services to local people. Unfortunately, most local direct elections utilise money, politics and bribes. Honestly in this city, if you want get a voice, you have to pay Even polices and local election agency supervisors sometimes pretend to not care. How do these winning candidates return their money for their campaign? Unfortunately, they impose a commission on government projects. If it continually happens I am not sure that there is money to address public services, especially to achieve standards on MSS. Again, if it continually happens, will they be concerned with public services and even think about MSS and its influences to improve quality of services...?’ (Local NGO, Padang Sidempuan, 2016, Interviewee 55)

Besides that, Pilkada also possibly has several negative consequences such as: friction among bureaucrats and supporters of one candidate over another and; unplanned turnover in bureaucracy. This also causes difficulties for MSS to increase quality of services. Friction among supporters causes ignorance amongst local bureaucrats of their obligation to achieve MSS standards as well as improve their performance in delivering services. This leads to low quality of services at the local level. As argued by a government officer in the MoHE:

‘...Based on my experience in the AIHPS project, the local direct election sometimes causes constraints for the achievement of MSS in local government. Even only gaining information about the achievement of MSS is very difficult. Take the current case is in Southwest Sumba, where there were conflicts between local leadership candidates in the local direct elections in 2013. This was followed by friction among bureaucrats at the local level. As a result, the Heads of Regions have not been inaugurated, the Head of the local health agency has not been appointed, and the bureaucracy has not well worked to provide services and improve their performance to deliver services to local people. If it continually occurs, how could we expect standards of MSS to be achieved and service quality to be improved...’ (Bureau of Planning, MoHE, 2016, Interviewee 56)

Local direct elections also cause uncertainty for the position of local government officers, which undermines their motivation to deliver services and acts as an impediment to increasing the quality of services.
Two possible causes are positioning people in local agencies who are not qualified and a high turnover of personnel. The eagerness of Heads of Regions to maintain interest by appointing people based not on their competency and frequently rotating people between jobs also becomes the main challenges in linking MSS to the quality of services. As stated by a member of the local parliament in Southwest Sumba:

‘...local direct elections often bring negative effects to the bureaucracy. Bureaucracy cannot work well to deliver services and ensure the quality of services as is required. When Heads of Regencies are elected, often incompetent personnel are appointed or personnel are placed in positions which do not fit their competencies. It is because of the closeness of bureaucrats to the elected Heads of Regions. As sometimes happened in this district, how could bureaucrats be professional when implementing MSS, as well as delivering and improving services quality? Even they become worried that they are liable to be rotated to accommodate the interests of Heads of Regions. If it happens, how could they become concerned with the MSS...’ (Local Parliament/Council Member, District of Southwest Sumba, 2016, Interviewee 122)

Similar information is also added by a local government officer in the Province of Bali:

‘... Local direct elections cause high turnover of personnel in local agencies. The personnel are rotated frequently without any appropriate reason so it is very difficult for us to coordinate with districts in our region. We need to inform and train them again, again and again. It is really wasting our time to ensure the achievement on standards of MSS while the condition is still like this. Bureaucrats in districts will be uncertain with their position. If it likes this, when can they think about MSS, delivering better services and ensuring quality...?’ (Organisation Bureau, Regional Secretary, Province of Bali, 2016, Interviewee 107)

When high turnovers occur, the flow of information concerning MSS slows down, coordination becomes difficult and the implementation is not as smooth, since local personnel are worried about their status and position. So long as this situation exists, the influence of MSS on the performance of local governments cannot be realised. As a result, the expectation of high service quality, measured according to more objective measurement such as HDI and MDGs, is very difficult to achieve.

Secondly, low-level rent seeking. This type of rent seeking occurs when bureaucrats stand to gain from the activities surrounding the implementation of MSS. It potentially undermines the commitment of both central and local government to public services.
An example of this type of rent seeking is the fact that bureaucrats gain benefits from travel allowance and speaking costs in the implementation stages of MSS. As one local government officer in the Province of Jambi said:

‘...It is very tiring to serve central governments in the implementation of de-concentration’s grants to accelerate the achievement of MSS. They got money for travel allowance and honorarium as keynote speakers several times, but we just get tiredness and routine supervision. We get a salary for doing this but it is one tenth smaller than they get. Even worse, they arrange this travel and this presentation several times to get more money and I am not sure that they give more attention to achievement MSS standards, improving service delivery and services quality which are required by MSS...’ (Organisation Bureau, Regional Secretary, Province of Jambi, 2016, Interviewee 82)

Similarly, an NGO in Padang Sidempuan also highlights this low-level rent seeking caused by travel allowances:

‘...I often observe local governments in the implementation of MSS, especially in this city. I do not know what they are doing, it seems that all activities are full of travel allowances and speakers for coordination and monitoring which are often irrational. Little money is already left, but the service quality is not yet improved...’ (Local NGO, Padang Sidempuan, 2016, Interviewee 55)

6.5. Summary of Chapter Six: Limited Influences of MSS on the Performance of Local Government

We can make a number of observations to conclude this chapter. Firstly, from an empirical perspective, it seems that the influence of MSS on the motivation of local governments to improve their performance in delivering services is varied. MSS seems only to be important or relevant to those local governments whose current performance or achievement against MSS standards is either slightly below or close to the standards. They are motivated and meet the standards in order to not feel ashamed and to avoid ‘informal warnings’ from the Heads of Regions. Three local governments fell within this category: Batanghari, Bekasi and Depok.
Nevertheless, MSS seems less important or less relevant to those local governments in the first and third category, whose current performance achievement either slightly and far exceeds or falls well below the standards. For those local governments whose current performance or achievement exceeds the standards, such as Denpasar and Sleman, there is no motivation to perform at a higher level since they pay attention to other measurements which better reflect quality assurance, such as accreditation in delivering services. They maintain an average level of performance despite being able to perform better. Additionally, those local governments whose current achievement falls far below the standards, the third category, which includes West Bandung, Padang Sidempuan and Southwest Sumba, have no capacity to meet the standards despite them being keen to do so. As a result, they are not motivated and there is no form of incentive to encourage or enforce them to continually improve their performance in delivering services.

Put simply, it seems that the influence of MSS on the motivation of local governments to deliver services hardly fits with the notion of an unambitious average syndrome. It only fits for local governments in the second category, that is, those local governments whose current achievement is slightly below or close to the standards. In this category, the adapted hypothesis of the unambitious average syndrome and the empirical findings from these cases of MSS show that performance management is important or relevant for the motivation of units in the public sector to improve their performance.

However, for local governments in the first and third categories, whose current achievement is either slightly or far above or far below the required standards, the concept of the unambitious average syndrome does not seem to fit. Thus, there needs to be an extended explanation in the case of MSS in relation to the current idea of unambitious average syndrome.
For those local governments whose performance far exceeds the standards, a slightly different explanation relates to the shift in orientation from MSS to other types of quality assurance, which reflect more on quality. For those with a performance well below the standards, the explanation not captured by the concept of the unambitious average syndrome is related to low capacity. This explanation thus provides a correction to the notion that the unambitious average syndrome does not take into account the capacity of units in the public sector. Further to this, it is also added that there is no incentive or strong enforcement from auditors and higher authorities.

Furthermore, when it comes to those local governments which are less motivated to improve their performance in delivering services as a result of MSS, i.e. the first and the third categories, it seems that MSS only has limited influence or impact on aspects of the planning process at the local level. The indicators of MSS to some extent have been inserted into local planning documents, making it more geared towards public services and, at least, more MSS oriented.

However, empirically it seems that MSS does not significantly influence other aspect of management, such as the budgeting process, since it is not used as the basis for the decisions surrounding the setting of budgets for local agencies. Moreover, MSS does not also influence the culture of local governments in delivering services since MSS is only formalised into routine service delivery activities.

Services quality is also not connected with MSS. This links with the discussion in chapter five, which showed that the indicators of MSS, especially in health and education, point towards more fulfilling coverage, access and inputs. As a result, it seems that MSS still has a long way to go in terms of influencing service quality, outcomes and impacts (as measured using more objective measures such as HDI and MDG indicators).
In addition, high levels of rent seeking, caused by local direct elections, and low levels of rent seeking, caused by bureaucrat’s behaviour, causes the low connection between MSS and services quality.

High-level rent seeking, on the one hand, is caused when the local direct elections lead to corruption, inefficient budgeting for delivering services, friction among supporters of candidates for Heads of Regions, less professional bureaucrats as well as high turnover of staff. On the other hand, low-level rent-seeking is caused by the behaviour of bureaucrats, whether in terms of exploiting travel allowances or opportunities as keynote speakers, both of which undermine their commitment to public services.

Both types of rent seeking become impediments to the influence of MSS on service quality. Although it is mostly the case in the less motivated regions, (i.e. those in the third category), this weaker connection can also be seen in local governments which are motivated by the existence of MSS, i.e. those in the second category. It can be concluded thus that, overall, MSS has less influence or impact on the performance of local government. MSS does not really motivate local governments to either improve their performance or improve service quality.
Chapter 7. Beyond Explanation of Performance Management: Reasons for Continuing to Implement MSS

7.1. Overview of Chapter Seven

As discussed in chapter six, MSS appears to only motivate a handful of local governments, particularly those that lie just below the standards. MSS does not seem to motivate most local governments, particularly those where the current achievement is above the standards or those where it is far below the standards. However, MSS appears to improve the performance of local governments in the local planning process. But, the influence seems limited in this area. MSS makes local planning documents more services oriented, since local governments begin to insert MSS indicators within them.

Moreover, in practice, MSS seems to have no influence on local budgeting nor in the way services are delivered or the broader culture of service delivery. In addition, MSS also does not have a significant influence or impact on service quality, particularly in basic services such as health and education. This lack of impact makes the answer to the third research question, which concerns why MSS does not influence the performance of local government, all the more important.

On the basis of the discussion in chapters five and six, the answer to this question can be explained in two possible ways. First, the current mechanism of MSS through unenforced standards (i.e. performance management that lacks enforcement and incentives) does not create any motivation for local governments to improve their performance.
This means that it has very limited influence on performance, as shown in chapter six. Secondly, the current forms of MSS, which relate more to coverage, access and inputs instead of quality, bring about limited impact on service quality.

Those answers lead to a further question: why does the government still continue to implement MSS if it does not significantly influence the performance of local government in delivering services? From the interviews that were conducted, it is clear that MSS has persisted for two reasons. The first is a pragmatic one. In this explanation, MSS still continues because it is used as a justification of both central and local government for their activities and budget allocation and uses related to service delivery.

The second explanation is connected to the dynamics of central-local relations. MSS appears to improve central-local relations by improving central-local communication, which helps to maintain and even strengthen the position and the role of central government. This chapter builds upon these two explanations and is thus divided into two parts; the first part is an elaboration of the pragmatic motives, whilst the second focuses on the influence of central-local relations.

**7.2. Pragmatic Reasons: MSS and Justifying Government Activities and Budgets**

MSS seems to function as a justification for government activities as well as budget utilisation at both the central and local level. We can see this from two perspectives. From the central government point of view, MSS is already set in regulation. It is also continuously featured in national development planning and budgeting documents. Thus, it seems very difficult or even impossible to cancel or delay MSS, even though its effectiveness in improving performance and service quality is questionable.
This was stated by a government officer in MoHA, who was also a designer of MSS:

‘...It seems impossible to cancel the implementation of MSS. Cancel or even delay means our performance in the MoHA, particularly in this Directorate General of Regional Development, will decrease. MSS has been mandated to us by regulation. It has also been adopted in mid-term and even annual national and sectoral development plans (RPJMN, RKP, Renstra K/L, Renja K/L). The achievement of this development plan becomes our main key indicator. If the implementation of MSS is cancelled and delayed by us or by local governments, our performance in this ministry becomes low and this is not good for us...’ (Directorate General of Regional Development 1, MoHA, 2015, Interviewee 11)

He continues:

‘...The central government has even allocated budget to the MoHA for the implementation of MSS since 2005. There was even special allocation in 2013 for us to accelerate the implementation of MSS. While our performance related to MSS is low, we are worried that we will lose budget allocation for MSS in next year’s budget. If it occurs, it is not only us who could lose the budget but also local governments that really need it. The de-concentration budget to support the implementation of MSS in local governments will decrease. Simply cancelling or delaying the implementation of MSS means our performance as an institution becomes low. Although the budget cut has never happened so far, we are trying to avoid it. Besides that, low performance means we are not complying with regulations and also embarrassing ourselves in front of our ministries although we know there will be no incentives and enforcement if we are successful or fails to achieve this MSS...’ (Directorate General of Regional Development 1, MoHA, 2015, Interviewee 11)

Moreover, similar statements about the limited possibility of cancelling or delaying the implementation of MSS were also given by a designer of MSS in the MoHA:

‘...It is impossible to cancel, delay or even reject the implementation of MSS. MSS has been regulated and mandated by regulation so it must be executed as part of government obligations, regardless of its influence and impacts. If we could achieve the outcome by significantly influencing performance of local government or improving the quality of services, that would be terrific. However, they are not our main priority and we in MoHA do not expect too much on that. As far as local governments understand and are concerned with MSS, it is already enough. We will support it. One example of this concern can be seen through the willingness of local governments to put MSS indicators in their local document plan...’ (Directorate General of Regional Development 2, MoHA, 2015, Interviewee 13)

He further said that:

‘...If MSS has not been implemented, it would mean that we in the MoHA disobey the regulations. If we do not do implement MSS at all, perhaps there will be punishment for us in terms of ignoring what is mandated by regulation. Thus, it is impossible for us for not implementing MSS. Perhaps, it will not be implemented only if the regulations have been revised or changed....’ (Directorate General of Regional Development 2, MoHA, 2015, Interviewee 13)
From the discussion above, it seems very difficult to reverse the MSS process, unless the regulation itself is revised or cancelled. It has become an obligation of the government both at the central and local level to comply with the regulation. In other words, there is no choice for central government but to execute MSS, no matter what the impact is. This is also highlighted by an expert on MSS who is also a specialist in Indonesian Public Management:

‘...MSS does not seem important for improving the quality public of services because the reason behind the implementation of MSS is only to ensure the compliance of technical ministries with obligations. The central government seems only to be executing what has already been mandated in regulation, as well as planned and allocated in national budgets. MSS seems only a formality that the central government should fulfil their obligation. That is why I am doubtful of the impact of MSS on the performance of local governments in delivering services and the quality of services. Even if they know MSS does not have impact on performance, MSS still continues. The government has no choice in this case...’ (Expert on MSS 1, 2015, Interviewee 8)

As the aim of the central government is only to formally execute MSS, the expectation of its impact on the performance of local government and on service quality is low. Other possible benefits, such as improving the quality of services, if they exist, are uncertain and perhaps are only considered as a ‘bonus’. It is no wonder then that MSS has a small impact on the motivation of local governments to improve performance delivery and the quality of services.

In addition to complying with mandates, from the discussion above, it seems that the central government still continues MSS in order to secure the continuation of their budget. There are worries that the following year’s budget to support the implementation of MSS (both at the central and local level) will decrease if the MoHA does not implement MSS. This makes sense, since the budget which is allocated to the implementation of MSS is a relatively large one. The budget for MSS activities in the MoHA and local governments can be seen in Tables 17, 18 and 19 below.
Table 17. Budget Allocation of MSS in MoHA Annual Work Plan (Renja K/L) 2010-2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Activities</th>
<th>Indicative Budget (billions, rupiah)</th>
<th>Actors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>• Facilitation of all regulations on MSS&lt;br&gt;• Monitoring and evaluation of MSS</td>
<td>• 1.5&lt;br&gt;• 5</td>
<td>Ditgen Regional Autonomy (Ditgen Otda) and Ditgen Regional Development (Ditgen Bangda)</td>
</tr>
<tr>
<td>2011</td>
<td>• Facilitation of arranging MSS&lt;br&gt;• Facilitation of implementation of MSS</td>
<td>• 2.5&lt;br&gt;• 5</td>
<td>Ditgen Otda and Ditgen Bangda</td>
</tr>
<tr>
<td>2012</td>
<td>• Arranging methodology of implement MSS&lt;br&gt;• Syncronisation of MSS&lt;br&gt;• Facilitation of implementation</td>
<td>• 0.65&lt;br&gt;• 0.5&lt;br&gt;• 4</td>
<td>Ditgen Otda and Ditgen Bangda</td>
</tr>
<tr>
<td>2013</td>
<td>• Acceleration of Implementation of MSS&lt;br&gt;• Monitoring of implementation of MSS&lt;br&gt;• Facilitation of implementation of MSS</td>
<td>• 19.65&lt;br&gt;• 6&lt;br&gt;• 9.75</td>
<td>Ditgen Otda and Ditgen Bangda</td>
</tr>
<tr>
<td>2014</td>
<td>• Facilitation of implementation of MSS&lt;br&gt;• Facilitation of monitoring of MSS&lt;br&gt;• Facilitation of implementation of MSS</td>
<td>• 2.3&lt;br&gt;• 1.6&lt;br&gt;• 4.75</td>
<td>Ditgen Otda and Ditgen Bangda</td>
</tr>
<tr>
<td>2015</td>
<td>• Facilitation of implementation of MSS&lt;br&gt;• Facilitation of monitoring of MSS&lt;br&gt;• Facilitation of implementation of MSS</td>
<td>• 3&lt;br&gt;• 2&lt;br&gt;• 5</td>
<td>Ditgen Otda and Ditgen Bangda</td>
</tr>
</tbody>
</table>

Source: Ministry of Home Affairs (2008-2013)

<table>
<thead>
<tr>
<th>No</th>
<th>Types of Services</th>
<th>Indicators</th>
<th>2015 Budget Allocation (in billions rupiah)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Basic Treatment</td>
<td>Daily visit to pregnant mother (K4 criteria)</td>
<td>1.08*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Visit to pregnant mother with complicated problems</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aid from health workers or nurses</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Service to mother after giving birth</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Neo-natal with complicated problems</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Baby visits</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Universal child immunization in sub districts</td>
<td>0.95</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Services to children under 5 years old</td>
<td>Part of 1-5 budget allocation*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provision of additional food and breast-milk to children from poor families from 6 months to 2 years</td>
<td>0.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Services to children under 5 years old who are malnourish and need special treatment</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Quality of health of students in primary schools</td>
<td>0.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Member of active family planning</td>
<td>Part of 1-5 budget allocation*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Observation and treatment to illness people</td>
<td>1.4**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Basic health services to the poor families</td>
<td>34.6</td>
</tr>
<tr>
<td>2</td>
<td>Referral Treatment</td>
<td>Recommended services to poor families</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>First level of emergency services that should be supported by health infrastructure in districts</td>
<td>0.1</td>
</tr>
<tr>
<td>3</td>
<td>Epidemiology Investigation and cure to special diseases</td>
<td>Scope of Village or sub districts with special condition through epidemiology investigations in less than 24 hours</td>
<td>Part of 13 budget allocation**</td>
</tr>
<tr>
<td>4</td>
<td>Health promotion and people empowerment</td>
<td>Scope of Active Alert Village</td>
<td>Part of 13 budget allocation**</td>
</tr>
</tbody>
</table>

Source: District of Sleman, 2015a

<table>
<thead>
<tr>
<th>No</th>
<th>Types of Services</th>
<th>Indicators for Primary School and Junior High School</th>
<th>2015 Budget Allocation (in billions rupiah)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Affordable walking distance from remote/isolate areas</td>
<td>6 kms and 3 kms</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>Ratio of students per class</td>
<td>32 (complete with chair, table, blackboard), 36 (complete with chair, table, blackboard)</td>
<td>2.7</td>
</tr>
<tr>
<td>3</td>
<td>Teacher rooms per school</td>
<td>1, 1</td>
<td>1.7</td>
</tr>
<tr>
<td>4</td>
<td>Principal room per school</td>
<td>1 (separated from teacher’s room)</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Physics laboratory</td>
<td>Capacity for 36 students with demonstration instrument</td>
<td>1.9</td>
</tr>
<tr>
<td>6</td>
<td>Availability of teachers</td>
<td>6 teachers for each unit of education and 4 teachers for each unit of education in a special region; 1 teacher for each subject or 1 teacher for one group of subjects in a special region</td>
<td>25.2</td>
</tr>
<tr>
<td>7</td>
<td>Teacher’s qualifications</td>
<td>2 undergraduates, 2 certified; 70 % of teachers have undergraduate qualifications and half of them are certified (40% undergraduate, 20 % is certified in a special region)</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Principal’s qualifications</td>
<td>Undergraduate degree and certification</td>
<td>0.7</td>
</tr>
<tr>
<td>9</td>
<td>School supervisor’s qualifications</td>
<td>Undergraduate degree and certification</td>
<td>0.52</td>
</tr>
<tr>
<td>10</td>
<td>Textbooks</td>
<td>1 set per student for subject of Indonesian language, mathematics and sciences</td>
<td>1.054</td>
</tr>
</tbody>
</table>

Source: District of Sleman, 2015b

It can be seen that the allocation is sufficiently higher. For instance, in the MoHA more than 75 billion rupiah, or around 4.7 million pounds, has been allocated to the implementation of MSS. The amount allocated for the total implementation of MSS across all technical ministries and local technical agencies is clearly very large. Thus, MoHA and most likely other technical ministries do not want to lose this budget allocation.
This was also confirmed within the FGI with scholars at the local level:

‘...I think that technical ministries will make great efforts to keep continually implementing MSS. The main reason is they want to secure their budget. At least secure the budget to help local governments to deliver services at the local level. This budget is relatively high. Thus, cancelling or delaying implementation means two things. Firstly, there is no activity and budget to help local government to implement MSS and deliver services, plus the possibility to reduce next year’s budget. Secondly, it means a decrease in the overall performance of the MoHA, especially the Directorate General of Regional Development....’ (Expert on MSS, 2016, FGI 1)

Similarly, pragmatic reasons can be also observed within local governments, where MSS exists as a justification for their activities. MSS is only a justification for local governments that have already complied with mandates on laws or regulation. Besides that, MSS is also used as a way to use and even to request more money. This can be seen in a statement by government officer in Depok:

‘...Yes, this MSS is useful for us. We can use it as guidance and as a basis to improve our services. Nevertheless, the most important aspect is that MSS could be used as the basis for us to legitimate our actions and budget. It is legitimation for use (local agencies) by our Head of District, local inspectorate and even auditors and the technical ministries that have already implemented MSS as mandated by regulation...’ (Organisation Bureau, Regional Secretary, City of Depok, 2016, Interviewee 57)

This view is supported by another local government officer in West Bandung

‘...By putting MSS in local document plans and budgets, there is at least justification that we have already completed our obligation in respect of mandates from the national regulation and those from the central government. Although, in terms of results, MSS is uncertain to bring significant impact in the way we deliver services, implementing MSS means that we are complying with those mandates....’ (Local Health Agency, District of West Bandung, 2015, Interviewee 44)

As a justification for local government actions, MSS also even becomes a legitimation for local government’s use of public money. MSS is used by local governments to legitimate their use of public money when in dialogue with auditors, inspectorates and central government. In some cases, MSS is even used to request money from the central government for any activities which are related to MSS and for service improvement that is required by the central government.
As noted by a government officer in Southwest Sumba

‘...I do not know whether it is a good or bad thing, but MSS could be used by local technical agencies to request more money from their technical ministries. For instance, local education agencies could request more money from MoNE to achieve MSS targets....’ (Organisation Bureau, Regional Secretary, District of Southwest Sumba, 2016, Interviewee 118)

A head teacher of a primary school in the same district added:

‘...of course, there will be benefits to implementing MSS but I am personally still doubtful on the benefits of MSS to improve our performance in delivering services. There is nothing new that is regulated by MSS. It only formalises our activities, such as ensuring that every teacher should be certified. However, it is still useful in terms of legitimising our use of money and requesting more money from local technical agencies, even to MoNE...’ (Head of Primary School, District of Southwest Sumba, 2016, Interviewee 121)

As one government officer in Bappenas said:

‘...Perhaps, the existence of MSS, especially to those people in local health agencies, is very important to justify their programs and activities. MSS is a justification and even a strong argument for local government to Heads of Regions as well as to inspectorates and auditors about their activities and budget allocation related to public services. They can say that it is their aim to achieve MSS and improve the services so a particular amount of budget should be allocated to support it...’ (Directorate of Health, Bappenas, 2015, Interviewee 7)

From the statements above, it seems that MSS is not only useful for justifying the use of public money but also for requesting money from higher authorities. In other words, it is really helpful as a political budget. Besides that, for both the central and local government, MSS is sometimes also used as justification for any activities related to travelling allowance, speaker fees as well as costs for monitoring, as we discussed in chapter six. This is what was labelled there as low-level rent seeking. Similarly, MSS is also used to justify both central and local government demands for additional money to pay for travel allowance as well as speaker and monitoring fees. These activities are all done to give personal returns instead of public benefits to improve the quality of services.
Both central and local government’s reasons and justifications, as discussed above, can be labelled as pragmatic reasons. It is very pragmatic since the reason for both central and local governments implementing MSS is only to show compliance with what is mandated by regulation and what has been planned and allocated. It should be executed, since delaying, cancelling or rolling back MSS seems impossible, even though there is no indication that a continuation of MSS is related to the improvement of performance within local governments and the quality of services they provide.

All of these factors towards pragmatic reasons for continuing the implementation of MSS. Improving the performance and quality of services, core rationales behind MSS, as we saw in chapter two, do not seem to be the main reasons why government still continues to implement it.

7.3. MSS and Improving the Dynamics and Nature of Central-Local Relations

The second possible reason why central government still continues to implement MSS is because it is a way for central government to improve the dynamics or nature of central-local relations. MSS works in decentralised systems but it was set up to capture the merits of both decentralised and centralised systems. Thus, it seeks to improve the dynamics and nature of relations between central and local government.

This can be explained from two perspectives. Firstly, central government prepares MSS to improve communication or set better dialogue between central and the local level. However, from the interviews conducted it seems that dialogue is only successfully established between non-political actors in different tiers of government.
In other words, MSS only brings about technical and bureaucratic dialogue, since it requires the same language or voice among bureaucrats in different tiers of government about the ways to improve the quality of services.

Secondly, central government sets MSS to keep their influence in the process of delivering services to local people. MSS, to some extent, strengthen the role of the central government, although it seems unfair if we say it is re-centralisation. These reasons seem to confirm that which was discussed in the literature review about MSS being a way to improve central-local relations through improving communication and allowing a balance in terms of roles and powers to be found by moving powers from one point to another (i.e central to local government, or vice versa).

7.3.1. MSS and Improving Central-Local Communication (Dialogue)

We saw in chapter two that Sullivan and Gillanders (2005) Laffin (2009) and Li (2010) argued that better central-local communication indicates improved central-local relations. We will recall that Sullivan and Gillanders (2005) and Li (2010) argue that better mutual understanding and sharing the same voice and language in talking about and implementing policy are all indicators of improved central-local communication. Later in that chapter, two levels of the principal-agent framework were put forward to allow us to observe whether central-local communication or dialogue is improved because of MSS. This is depicted in Figure 13 below, for reference:

There are five possible relations that can be identified from that framework. For each relation, it will be identified whether the communication or dialogue becomes better or not based on the findings from the interviews.
The first relation is between technical ministries and Heads of Regions. It can be seen in point A and A’. This relation is between non-political actors at the central level (1st level) and political actors at the local level (2nd level).

From the interviews, it seems that MSS does not improve communication among those actors in this relation because different languages are used by political and non-political actors. MSS, which is set by the technical ministry, requires technical and management languages. Unfortunately, Heads of Regions understand political languages, so they face difficulties in understanding or are less interested in the language of MSS.
As stated by a Mayor in Padang Sidempuan:

‘...I personally do not too frequently interact with technical ministries related to the implementation of MSS. Perhaps the language is too technical so the coordination and communication are more between technical ministries and local technical agencies. For instance, related to MSS in education, the communication is more between the ministry of national education and our staff in the city education agency as representatives of me. It commonly involves the provincial education agency as a facilitator. Similarly, it also set between health ministries and local health agencies. Since the language is more technical, they are easier to communicate with compared to the communication that occurs between technical ministry and me...’ (Mayor, City of Padang Sidempuan, 2016, Interviewee 47)

From that statement we can argue that it appears that because of the different languages used by Heads of Regions, as representatives of local government, and technical ministries, as representatives of the central government, MSS does not seem to improve communication in this relationship. While the language of MSS can be easily understood by technical ministries, it is not fully understood by the Mayor or Head of District. The difficulties faced by Heads of Regions in understanding the language of MSS is also highlighted by a government officer in MoHA:

‘...I am not sure that most Heads of Regencies and Mayors understand MSS. I could bet that only a few of them understand it while others will refer to MSS as the obligation to pay (Surat Perintah Membayar). Then, I am sure that only very few of them understand the detailed content of MSS. The complicated and technical language perhaps is one obvious reason, at least in the health sector that I observe. As a result, in most cases, they delegate this accountability to his or her related local technical agencies. Besides that, the lower eagerness of Heads of Regions to find what MSS is and his or her lower interest in MSS is also the reason the communication between the central and local government to deliver service does not improve...’ (Directorate General of Regional Development 4, MoHA, 2015, Interviewee 28)

That is why it seems that most Heads of Regions in the sample studied in this research mandate the accountability in the implementation of MSS to their local technical agencies, for example, Local Health and Local Education Agencies. They believe that these local technical agencies are better able to understand the technical and management languages. Moreover, these Heads of Regions are also less interested in the existence of MSS compared to technical agencies.
Thus, MSS seems to be a way central government, especially technical ministries, communicate with local government through local technical agencies instead of Head of Regions.

That explanation is also closely related to the second relation which is between technical ministries and local bureaucrats (local technical agencies and local technical providers). In Figure 13 above, it can be seen at points B and B’. This is between non-political actors in central government (1st level) and non-political actors at the local level (2nd level). Here, MSS seems to be improving communication between both actors and stakeholders in this relationship. Technical and management languages in MSS can be well understood by two parties that are non-political actors since they use the same technical and managerial language. As one government officer in the MoHA said:

‘... It can be seen that MSS is used as a guide to deliver services by the executive but without the Mayor and Heads of Districts. MSS is more useful for local technical agencies to communicate with their technical ministries about the achievement of indicators of specific public services that are stated in MSS, as well as improving public services generally. There is a good connection between them since the (technical and managerial) languages of MSS can be relatively easily understood by both of them...’(Directorate General of Regional Development 4, MoHA, 2015, Interviewee 28)

This is also supported by a statement from a local government officer in Bekasi:

‘...Usually, only us and local technical agencies such as the health and education agencies deal with the achievement of MSS with the MoHA and technical ministries. We and MoHA are usually talking about the management aspects while local technical agencies and technical ministries deal with technical aspects and problems. Through MSS, the communication between us and technical ministries becomes better. At least we could use the same languages or voices which could be easily understood by us...’ (Organisation Bureau, Regional Secretary, City of Bekasi, 2016, Interviewee 96)

The third relation is between Heads of Regions and local voters. This can be seen at point C in Figure 13 above. It is a horizontal relationship between political actors and non-political actors at the local level (2nd level). In this relation, it seems that MSS does not improve communication for both actors. MSS does not seem an attractive tool to be delivered and communicated by Heads of Regions in their political campaign.
It is too technical to be understood by ordinary people. As a result, it is not attractive to voters. As the Mayor in Padang Sidempuan says:

‘...For local people, I am sure that they do not know the detailed terms of MSS. It is too complex and detailed, even for myself, I need time to understand the details. What they know is what services could they gain and whether services in the previous year have been improved or not. For instance, in this city, people prefer to know our motto: healthy, developed and prosperous. This is actually a reflection on the achievement of MSS but it is easier to understand for local people compared to trying to understand what MSS is and what the indicators are. While we only deliver and communicate MSS in our political campaign, it will not benefit us...’ (Mayor, City of Padang Sidempuan, 2016, Interviewee 47)

An expert on MSS and a specialist in public management adds:

‘...It is very rare that Heads of Districts or Mayors use MSS in their political campaigns. It will not attract the attention of voters. The language is too complicated for common people. In addition, there are no clear direct benefits that can be possibly gained by people. That is why political promises with simple language are more interesting for people than the language of MSS...’ (Expert on MSS 1, 2015, Interviewee 8)

From those statements, it seems clear that it is difficult for Heads of Regions to use the language of MSS to communicate on the way local government delivers services. The language of MSS is too complicated for ordinary voters to understand. It is even less possible for Heads of Regions to attract local people to their campaign by using MSS. Otherwise, it seems difficult for local people to communicate and even less possible for people to demand the achievement of MSS targets as a tool of accountability. As a result, the existence of MSS does not seem improve the communication between both parties.

This also confirms the discussion in chapter five, where it was argued that MSS does not become a political incentive for Heads of Regions. We can also see this elsewhere in chapter five, where we saw that information about MSS is only shared among government and is only shared among particular technical ministries and local agencies. The information is not shared with ordinary people. Perhaps only a few local people who are academics or who work with NGOs know of MSS.
The fourthly relation is between the Heads of Regions and local parliaments or councils. This can be seen at point D in Figure 13 above. This is also a horizontal relation at the second level of the two levels principal-agent framework. From the interview, it appears that MSS does not seem to improve communication between both actors. This is because both Heads of Regions and members of local councils do not fully master and cannot not fully understand the technical and managerial terms embodied within MSS. As one member of the local council in the Province of Jambi remarked:

‘...Yes, we are rarely involved in the details of implementing MSS like bureaucrats are. I think that is similar with most members of parliament both at district or city level in this province. For me, the language in MSS is too technical and detailed and could only be understood by bureaucrats since they deal with MSS daily. We just need a simple common term that could be well understood by us and voters and delivered to our voters in our districts. As far as MSS can give benefit to the service that people could receive, I think understanding it in detail is not necessary...’ (Provincial Parliament/Council Member, Province of Jambi, 2016, Interviewee 85)

A local NGO in Padang Sidempuan adds:

‘...I am sure that only a few members of local council in this city understand and talk about this issue. I do not know exactly what causes it. In my opinion, it is perhaps caused by two things. Firstly, there is less coordination between members of local parliaments and councils and the Mayor and Local Technical Agencies. Secondly, the language of MSS is too technical and detailed, which makes it difficult for the local council and Mayor to communicate about MSS in order improve the quality of services. Besides that, for political actors MSS is not too attractive for either the Mayor or member of local parliaments or councils, since their relation mostly relies on political benefits based on political languages, which can give direct political benefits to them. MSS seems too technical, so it does not provide political benefits for them, particularly in their campaigns to voters...’ (Local NGO, Padang Sidempuan, 2016, Interviewee 55)

The fifth and final relation is between Heads of Regions and local agencies and local providers. This relation can be seen at point E, and E’ in Figure 13 above. This is a vertical relationship at the second level of the two-level principal-agent framework. As we saw in the previous discussion above, particularly with regards to the second relation, it seems that this fifth relationship is dominantly performed by local bureaucrats or officers in local technical agencies and local providers. In this relationship, communication about MSS is only one way, from local bureaucrats to Heads of Regions.
For example, as one local government officer from Southwest Sumba says:

‘...We used to deal with the implementation of MSS in detail. We give all information to our Head of Regency but it seems that he only expects that MSS must be successfully executed. I am not sure why, but I guess that the Head of District is not really interested in MSS. The language of MSS perhaps is too difficult to understand for him...’ (Organisation Bureau, Regional Secretary, District of Southwest Sumba, 2016, Interviewee 118)

From those statements, it seems that the language of MSS is too complicated and technical to be understood by Heads of Regions. However, it seems that it is more easily understood by local bureaucrats. As a result, the influence of MSS does not really improve communication or dialogue between actors in this relation.

From the discussion above we can continue to the debate on whether MSS improves central-local communication. We can recall the idea about vertical and horizontal relations as discussed by Campbell and Denezkhina (2007) and outlined in chapter two; from that we can say that MSS seems to improve communication in vertical relations between officials (non-political actors) at different levels of government (between 1st and 2nd level). MSS, to some extent, improves vertical communication (set better dialogue) between local technical agencies and local providers at the second level and technical ministries at the first level.

However, MSS does not seem to improve vertical communication between political actors and officials at different levels of government. In addition, it appears that MSS does not improve any vertical and horizontal communication which involves political actors in the second level. The reason is related to the language used in MSS, which is technical and managerial. That is why MSS can be well understood by non-political actors, because they commonly use these kinds of languages. On the other hand, the language embodied within MSS seems to be difficult for political actors to understand, since they commonly use and are more interested in political language.
The influence of MSS on improving communication between stakeholders across the two-level principal-agent frameworks can be seen in the Table 20 below.

**Table 20. The Influence of MSS on Central-Local Communication**

<table>
<thead>
<tr>
<th>Label</th>
<th>Types of Relations</th>
<th>Principal-Agent Relations</th>
<th>Influences</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-A’</td>
<td>Between technical ministries and Heads of Regions</td>
<td>Vertical (Between 1st and 2nd Level)</td>
<td>Less improved communication</td>
</tr>
<tr>
<td>B-B’</td>
<td>Between technical ministries, local agencies and local providers</td>
<td>Vertical (Between 1st and 2nd Level)</td>
<td>Improves communication</td>
</tr>
<tr>
<td>C</td>
<td>Between Heads of Regions and local people (voters)</td>
<td>Horizontal (2nd Level)</td>
<td>Does not improve communication</td>
</tr>
<tr>
<td>D</td>
<td>Between Heads of Regions and Members of the local council</td>
<td>Horizontal (2nd Level)</td>
<td>Does not improve communication</td>
</tr>
<tr>
<td>E-E’</td>
<td>Between Heads of Regions and local agencies and local providers</td>
<td>Vertical (2nd Level)</td>
<td>Less improved communication</td>
</tr>
</tbody>
</table>

Source: Author's analysis

This confirms arguments put forward Mohamad (2007) and Haryanto (2010) in chapter three about one rationale of MSS that MSS improves central-local communication through setting the ‘same voices and languages’, although it only occurs between different level of government who are not political actors. As communication or dialogue to deliver services becomes better, it will lead to better dynamics of central-local relations, as indicated by the scholars such as Sullivan and Gillanders (2005), Laffin (2009) and Li (2010). As the main rationale of MSS is improving central-local relations, the influence of MSS on the performance of local government in delivering services and quality of services seem not to be the main priority.
7.3.2. MSS and Maintaining the Position and Roles of the Central Government

Another reason why the central government still continues to implement MSS is in order to maintain or even strengthen its status, position and role in delivering services in decentralised system. This also confirms previous scholarly discussions, discussed in chapter two, which focused on the way that powers and authorities were moved from one tier to another until a balance is found in central-local relations (see Wong, 1991; Bardhan, 2002; Aspinall and Fealy, 2003; Rondinelli and Cheema, 2007; Fuhr, 2011 and Mansour, 2014).

However, strengthening the status, position and role of central government through MSS is not an attempt to re-centralise powers by moving powers and authority from local to central government (for more on re-centralisation see Porter and Olsen (1976), Eaton and Dickovick (2004), Alonso, Dessein, and Matouschek (2008), Li (2010) and Boasiako and Csanyi (2014). The aim is to be more involved and to remind people and bureaucrats that central government still exists and that it has no intention of abandoning local governments in delivering services to local people.

From the interviews it is plausible to argue that the increasing status and position of the central government can be understood as a form of signal. This signal reveals that central government is serious about assisting local governments in service delivery. This signal also implies that central government is still powerful, but that has no intentions to directly intervene. MSS is a signal to local governments that central government is serious about help them to improve the quality of basic services.
As noted by a government officer in MoHA, who is a designer of MSS:

‘...I think that MSS is still useful, at least in the health sector where my division is responsible for it. Although the direct influence of MSS still needs more evidence, it is still important to show our seriousness and attention to local government to improve the quality of services. The existence of MSS shows the strong attention of the central government, particularly the MoHA, to the improvement in the way local governments deliver services and the quality of services that are required by local people...’ (Directorate General of Regional Development 4, MoHA, 2015, Interviewee 28)

This is also supported by information from technical ministries

‘... Currently we do not have regional representative organisations at the local level so we could not directly intervene and help local government to improve their services. The way we reveal our existence is through MSS. The existence of MSS gives a signal to local government that we are serious in helping them to improve their performance in delivering services and the overall quality of services in their districts or cities. We show to them that we are still there to help them...' (Directorate General of Basic Education 2, MoNE, 2015, Interviewee 34)

This is confirmed by information from experts:

‘...With the current decentralised system and the way government distribute their powers and authorities, it is very difficult for central government, particularly technical ministries, to directly intervene in local government. There is less possibility for central government to improve the performance of local governments in delivering services. They do not have extended organisation at the local level. That is why MSS seems to be the way that central government gives a signal that they put high concern on improving the quality of services at the local level and help local government to do that without directly intervening it. It is the way they reveal their existence or position in delivering services, if we can say that...’ (Academician, IPDN 1, Designer of MSS, 2015 Interviewee 19)

This view is also shared by Bappenas:

‘...MSS is aimed to be used as a tool of the central government to help local governments improve the quality of basic services. It reveals the seriousness of the central government to help local governments improve their services. That is why whatever the influence of MSS on the performance of local governments, MSS is still important as an instrument of central government. It is a tool to communicate to local governments about what mandates should be done by them and of the limited powers that have been kept by the central government. It is a way for the central government, particularly technical ministries, to reveal their existence, status and even roles ...’ (Directorate of Regional Autonomy, Bappenas, 2015, Interviewee 6)
From those statements, it appears that the role of central government is strengthened by signalling that Central government still has powers – albeit limited – to ensure that local governments undertake their mandates to deliver quality services to the local people. The increasing status and position of the central government is also revealed by the way that they continually increase their roles in MSS practice and service delivery at the local level. This is done through increased their involvement in the overall design, implementation and evaluation of MSS, as shown in Table 21 below.

From that table we can see that central government, through MoHA and technical ministries, is involved in the design, implementation and evaluation of MSS, but that local government is only involved in the implementation. It is unlike in the current initial mechanism while the roles of local governments are equal or even exceeds the role of the central government. In practice, MSS is used to involve more roles and strengthen the position of central government.

We can see that the MoHA, as a representative of central government, through its Ditgen Bina Bangda (Directorate General of Regional Development/Direktorat Jenderal Pembangunan Daerah) and Ditgen Otda (Directorate General of Regional Autonomy/Direktorat Jenderal Otonomi Daerah), becomes the leading stakeholder in setting, designing and controlling the implementation of MSS. As one government officer in the Directorate General of Regional Development at the MoHA says:

‘...We in the Directorate General of Regional Development have responsibilities to set the general design of MSS together with the Directorate General Regional Autonomy in coordination with the Regional Advisory Autonomy Board (DPOD). We also have roles to facilitate the technical ministries in designing MSS and ensuring the smooth implementation of MSS by local governments. Together with technical ministries we also evaluate the overall implementation and achievement of MSS...’ (Directorate General of Regional Development, 3, MoHA 2015, Interviewee 26)
This is confirmed by one government officer at provincial level, who said that:

‘...The MoHA, especially the Directorate General of Regional Development and Directorate General of Regional Autonomy, have important roles in the practice of MSS. The MoHA designs the mechanisms of MSS, encourages technical ministries to set MSS in their sector, share information about it to local governments and even helps local government if they experience a ‘bottle neck’ in the implementation stage. Furthermore, the MoHA has a relatively important role and authority in information sharing and monitoring to local governments compared to the technical ministries...’ (Organisation Bureau, Regional Secretary, Province of West Java, 2015, Interviewee 20)

It can be seen from those statements that in designing MSS, the MoHA has a significant role in formulating laws and regulations and providing general guidance for technical ministries to set their own MSS standards. Moreover, together with technical ministries, the MoHA has responsibilities to overcome ‘bottle neck’, as well as facilitate and accelerate the implementation of MSS.

Another main role of the MoHA as is in the initial mechanism is in the evaluation stage. Its roles involve monitoring and assessing overall achievement of MSS based on evaluations made by the technical ministries. This role includes providing feedback and arranging capacity building for local governments that have low performance in achieving targets set in MSS. From this explanation, it cannot be denied that the MoHA has become the leading actor in determining the success and failure of the overall practice of MSS. This is confirmed by a government officer in the MoHE, who says that:

‘...Yes, in designing MSS we always consult and discuss with the MoHa as the leader in the overall practice of MSS, from design into evaluation. I believe that the success and failure of the implementation of MSS can not be separated from the performance and commitment of the MoHA towards MSS. Previously, the duties belonged to Directorate General of Regional Autonomy, while currently it belongs to Directorate General of Regional Development...' (Bureau of Law, Ministry of Health, 2015, Interviewee 23)
Table 21. The Importance of Actors in the Design, Implementation and Evaluation of MSS

<table>
<thead>
<tr>
<th>Design (Planning, Budgeting)</th>
<th>Implementation</th>
<th>Evaluation</th>
</tr>
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<tbody>
<tr>
<td><strong>Important Involvement</strong></td>
<td><strong>Less Important Involvement</strong></td>
<td><strong>No Direct Involvement</strong></td>
</tr>
<tr>
<td><strong>Central Government</strong></td>
<td><strong>Less Important Involvement</strong></td>
<td><strong>No Direct Involvement</strong></td>
</tr>
<tr>
<td>- MoHA (c.q Ditgen of Regional Development); MoNE MoHe DPOD</td>
<td><strong>Bappenas MoF Academics, Multi-national agencies</strong></td>
<td><strong>MoHA (c.q Ditgen of Regdev); MoNE MoHe</strong></td>
</tr>
<tr>
<td><strong>Provincial Government</strong></td>
<td><strong>Provincial Development Plan Agency</strong></td>
<td><strong>Provincial Health Agency Provincial Education Agency</strong></td>
</tr>
<tr>
<td>-</td>
<td><strong>Provincial Financial and Asset Agency</strong></td>
<td><strong>Local Health Agency Local Education Agency</strong></td>
</tr>
<tr>
<td><strong>Local Government (District and Cities)</strong></td>
<td><strong>Local Development Planning Agency</strong></td>
<td><strong>Local Financial and Asset Agency</strong></td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Local Units/ Providers</strong></td>
<td>-</td>
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</tr>
</tbody>
</table>

250
Furthermore, in practice, it confirms what is set in the initial mechanism, the MoHA also cooperates with other related ministries, such as Bappenas and MoF, in the decision stage of MSS. They have roles in the planning process and in setting the MSS budget. Together with MoHA, Bappenas plays a role in ensuring that the MSS is integrated into local development plans, while the MoF ensures certainty of financial resources to technical ministries and local governments for implementing MSS. However, from the interviews we can see that the roles of Bappenas and MoF are not as important as expected; their roles are less important than that of the MoHA. As one government officer in Bappenas says:

‘..Only the MoHE designs and consults with the MoHA on MSS. We in Bappenas are less involved. We are just sometimes invited in coordination meetings. Even this year, the MoHE only shares the information about MSS without directly involves us. MSS in the health sector seem only to matter for the MoHE and of course the MoHA...’ (Directorate of Health, Bappenas, 2015, Interviewee 7)

A government officer in the MoF adds that:

‘...Here, we in the Centre of Fiscal Policy and the MoF, have no direct involvement in both the design and the implementation of MSS. It seems that only the MoHA and technical ministries have big roles in MSS. The MoHA sets the general procedures and guidelines, while technical ministries set the detailed design of the MSS in their sectors. We here, and perhaps also in all Directorates Generals in the MoF, are not directly involved by the MoHA and technical ministries. Specifically, in the Centre of Fiscal Policy, our role is only to conduct research on local government performance from fiscal point of view ...’ (Centre of Fiscal Policy, MoF, 2015, Interviewee 18)

It also confirms the initial roles of stakeholders that the MoHE and MoNE have roles as important as the MoHA in the overall practice of MSS. In the design stage, their main role is setting standards, indicators and targets. These standards are later stipulated in Ministerial Decree. Before it is stipulated though, the technical ministries usually consult on the draft with the MoHA under DPOD.

Moreover, in the implementation stage, similar to the MoHA, they facilitate and accelerate local government to implement MSS within its sector. Finally, in the evaluation stage, this technical ministry, together with the MoHA, play a role in monitoring and evaluating the implementation of MSS within their sector.
As stated by one government officer in MoHE:

‘...Here, in the Bureau of Laws, we have an obligation to coordinate the design of the MSS in the health sector, facilitate and accelerate the implementation of MSS at the local level as well as compile information about the achievement of MSS from each sub-sector or component in the MoHe...' (Bureau of Law, Ministry of Health, 2015, Interviewee 23)

Furthermore, in the implementation stage, we can see from the interview data that only the MoHA and technical ministries play important roles, whereas other important ministries such as KemenPAN and RB and LAN play a smaller role or have no role at all. As stated by a government officer in KemenPAN and RB:

‘...Yes, sometimes we are invited. However, since the concept of MSS is not part of our main tasks and obligation, we are rarely involved in the design and implementation of MSS...' (Ministry of State Apparatus Empowerment and Bureaucratic Reforms, KemenPAN & RB, 2015, Interviewee 27)

A government officer in LAN also added that:

‘...our involvement is only helping the MoHA and local governments to make guidelines on the implementation of MSS. Our last involvement in 2014 was making modules plus presenting guidelines to allow for a good understanding of MSS by local governments. This action is based on our own initiative to help the MoHA and it is not based on the MoHA’s requests. However, we are less involved in the important meetings with the MoHA, technical ministries and local governments that are involved in the implementation and evaluation of MSS...' (State Administration Agency (LAN), 2015, Interviewees 9)

It also known that the audit bodies are not involved in the evaluation of MSS. Again, it is only the domain of the MoHA and technical ministries. As is stated by an internal audit body:

‘. We are not directly involved in the current design, implementation and even the evaluation process. We just give suggestions for the improvement of MSS in the future, particularly with regard to implementation. When we do audit local government in general, we ask if there is something that we could improve in the practice of public management in local governments. They usually complain about the practice of MSS but we can only give inputs. It can not be more. We can not go further since we do not have the authority on it in within the framework of the current law...' (BPKP, 2015, Interviewee 16)
This is also stated by an external audit body:

‘...BPK is not directly involved in the decision-making process, design or implementation of MSS. However, if BPK makes an audit of health services, for instance, the first thing to observe and ask is whether MSS in this sector in local level exists or not; as well as whether local government applies it well or no. Related to that, the BPK also investigates whether the MSS that is implemented by local government refers to technical ministerial decree, for instance, the health ministry decree, or not...’ (BPK, 2015, Interviewee 124)

Moreover, from the interviews, it appears that local governments are important but only in the implementation stage. Their roles are also limited. As one government officer in Bekasi says:

‘...Yes, what we are doing in practice with MSS is executing what is mandated by regulations and technical ministerial decree. These ministerial decrees we elaborate in practice into our Mayor’s Decree. Later, we just encourage local technical agencies in this city to implement and achieve targets that have been mandated as well as they can. Thus, we compile all progress and achievement from them and report it to the MoHA. Simultaneously these local technical agencies, such as local health agencies, report it to the related technical ministries. We are not involved in the design process. I think that design and evaluation only belong to the MoHA and technical ministries...’ (Organisation Bureau, Regional Secretary, City of Padang Sidempuan, 2016, Interviewee 48)

Another government officer in Province of Jambi adds that:

‘...We are rarely involved in designing and determining MSS. It seems that the design process that is done by the central government with the implementation process is a separate process. In the future, the involvement of local governments in the design of MSS, at least in form of consultation, is necessary...’ (Local Development Planning Agency, Province of West Java, 2015, Interviewee 45)

The Head of Local Health Units in Southwest Sumba adds:

‘...Yes, our role in MSS is just doing what is instructed by the local health agency. We are doing as a well as we can to support the local health agency in this district to implement and achieve MSS targets...’ (Local Health Unit, District of Southwest Sumba, 2016, Interviewee 114)

From those statements, it seems that the roles of local governments, particularly local agencies, are limited even in the implementation stage. It is also known among local agencies that the organisation bureaux, regional secretary and technical agencies become the leading actors in the implementation stage.
This is supported by the involvement of BAPPEDA and Local Financial Agencies, who translate MSS into more practical mechanisms and strategies. They insert MSS indicators into local regulations and document plans and budgets. However, the roles of BAPPEDA and Local Financial Agencies are not as important as the organisation bureau and local technical agencies, as stated by a government officer in BAPPEDA:

‘...Our job here is to ensure that technical planning, including indicators of MSS, are captured and accommodated in this district document plan. As it is captured in this local document plan, hopefully it can bind all local technical agencies to follow and comply with MSS as well as successfully achieve MSS targets. However, we consider that our roles are relatively limited compared those of organisation bureau and local technical agencies...' (Local Development Planning Agency, District of West Bandung, 2015, Interviewee 29)

A local financial agency in Batanghari also adds that:

‘...We are less involved in the implementation of MSS. Only sometimes we get information about MSS which is related to the local budget allocation...' (Local Financial Agency, District of Batanghari, 2016, Interviewee 95)

It also confirms the initial stakeholder mechanisms, as discussed above, the responsibilities of provincial governments in the implementation stage are doubled. They do not only implement MSS as mandated, but also supervise its implementation. Indonesia 2011 GR 23 is the revision of the 2010 GR 19 and mandates the Governor as the ‘extension’ or ‘representative’ of central government alongside their position as the Head of Province. Since the supervision of MSS seems to be done in a hierarchical way, technical ministries usually ask the provincial governments to compile reports on the achievement of MSS from districts and cities in their regions instead of directly supervising the district governments. As one government officer from the Organisation Bureau in the Province of Jambi says:

‘...Our job is to coordinate the implementation of MSS in district and cities in our province. We have two jobs. On the one hand, we compile information from organisation bureaux at district levels before we submit it to the MoHA. On the other hand, we also compile the achievement of MSS from technical agencies at the provincial level...' (Organisation Bureau, Regional Secretary, Province of Jambi, 2016, Interviewee 82)
Finally, from interviews, it seems that there are few roles for members of the local councils in any stage of the MSS. As one member of local parliament in Padang Sidempuan says:

‘...We, as members of local councils, do not specifically evaluate or investigate the implementation of MSS. We have to ensure only whether the service delivery to the people is ok. As far as there is no complaint from them, our responsibilities have been fulfilled. It is very rare that we are involved in the practice of MSS...’ (Local Parliament/Council Member, City of Padang Sidempuan, 2016, Interviewee 46)

7.4. Summary of Chapter Seven: More Pragmatic and Improving Central-Local Relation Reasons than Reasons for Improving Performance

MSS still continues to be implemented even though the performance of local governments in the delivery and quality of services has not improved as expected. From the above discussion it can be concluded that this is because of both pragmatic reasons and also because of the dynamics of central-local relations. These reasons are more persistent than any overarching concern with improving service delivery or equality of access to services.

The pragmatic reasons revolve around MSS being a justification for both central and local government activities and a way to use and request money. From the perspective of central government, MSS still continues since it is already embodied in laws and regulations and features in national development documents and various plans and budgets. Thus, it is an impossibility to cancel or delay it.

From the local government’s perspective, MSS still continues because it shows that local governments have already complied with mandates from regulation. This is also used as a means to use and request more public money. In addition, MSS is also used as a justification for low-level rent seeking, which mainly coalesces around the continuation and extension of budgets related to travel allowances, speaker fees and the cost of monitoring.
Another reason why the central government still continues to implement MSS is that MSS is used as a way for central government to improve central-local relations. This is done through one of two ways. Firstly is, by improving central-local communication or dialogue, and secondly, by strengthening the status, position and role of central government in delivering services to local people.

When it comes to the potential for MSS to improve central-local communications, it seems only to improve 'vertical communication' between non-political actors. It only improves the communication between technical ministries and local technical agencies in central-local relations. However, it does not seem to improve vertical communication that includes political actors or horizontal communications.

Thinking back to the rationale behind MSS discussed in chapter three, it seems that current practice only satisfies one rationale, that is, to improve communication and coordination between central and local level in the delivery of services, especially between technical ministries and local technical agencies. However, MSS does not seem to hold local governments accountable and lead to an increase in performance of service delivery or quality of service provision.

Secondly, MSS is used by central government to maintain and even strengthen its status, position and role although it can not be said the re-centralisation. It is clear that they want to be more involved in delivering services. The aim is not to re-centralise but to provide signals the central government retains powers even though currently they currently can not directly intervene and they are not as strong as they were under the decentralised system.
On the one hand, this power is important as a signal to local governments that they have to be serious in delivering services if their powers are to be retained. On the other hand, it provides signals that the central government is serious about helping local governments to deliver services to local people. The signal is shown by the increased involvement of the central government in the overall practices of MSS.
Chapter 8. Conclusion

8.1. Overview of Chapter Eight

Understanding how performance management regimes can influence the performance of public sector bodies has long been the subject of intense academic debate. This thesis contributes to that debate by investigating the extent to which MSS, a performance management tool introduced by the Indonesian government with its highly decentralised system and in the context of developing countries, influences service delivery. In other words, the conclusion of this research contributes to the on-going discussion within the literature on public performance management, its influence on local government service delivery, and central-local relations, particularly that which relates to the practice of decentralisation.

Moreover, this discussion is important since there is only a very limited academic literature on how performance management tools with minimum thresholds, like MSS, relates to other models of performance management. There is also no clear indication of how, and in what ways, this type of performance management improves the performance of public sector bodies (i.e. local governments), particularly those in highly decentralised system.

A summary of the answers to the research questions posed earlier and a discussion on how the objectives of the research have been achieved form the basis of the discussion in this concluding chapter. The limitations of the research that were given in chapter four are quickly recalled and suggestions for future research are given. This chapter also reflects upon the implications that this thesis has for broader discussions on decentralisation and performance management.
In doing so, the originality and novel contribution of this research are discussed. The last part of this chapter reflects on the policy implications for Indonesian MSS that come out of this study.

8.2. Summary of Findings

The core objective of this thesis was to understand the extent to which the introduction and practice of MSS influences and impacts the delivery of services by local governments in decentralised system. On that basis, three research questions were posed in chapter one. We found that MSS, as a tool of performance management for local governments, has only a small influence on the performance of local government in the delivery of services.

We can see also from the findings presented in this thesis that the introduction of, and continuation of, MSS is more likely based on pragmatic reasons or because of peculiarities with central-local relations (i.e. building dialogue between the central and local government about public services and strengthening the role of central government has in delivering services), rather than any overt goal to improve performance through changing local behaviour (whether through increasing compliance or increasing motivation). In other words, concern with improving the quality and equality of services delivery is subsidiary.

The first research question asked how does MSS relate to the general principles of performance management in the public sector? This was further broken down into a number of subsidiary questions, which asked: a) what do the designers of MSS intend; b) how does MSS actually work in practice? and c) what is the relationship between MSS and regimes or models of performance management in public sector?
The findings from this study suggest that there are differences in terms of how MSS is conceived in the minds of designers and how it is enacted in practice. The main gap is caused more by a difference in interpretation between designer and implementing agencies, both of which have no reference on how performance management works. While designers demand more from MSS, it seems that a focus on implementation forces a focus on coverage or input indicators that are easy to implement.

We can see that in the mind of the designers, MSS is about the fulfillment of minimum thresholds. MSS is designed to fulfill the basic and necessary needs of the people by guaranteeing a minimum quality of services provided. In this vein, original designers of MSS expected the model of quality assurances and standards to be applied by MSS. This means that MSS should have been aimed towards enhancing the quality of particular points or values, which could be in the form of an average or minimum threshold. In terms of indicators, MSS should be more concerned with quality (outputs, outcomes) instead of coverage of services (access and inputs).

In the minds of its designers, MSS is also closely related to the ‘big bang’ decentralisation policy that has taken place in Indonesia. The fulfillment of minimum thresholds is part of the compulsory obligations of government. Besides that, in the eyes of its designers, it is meant to be a response from central government to the fact that local governments were trapped in a euphoria of decentralisation and suffering from varying financial and human resource capacities.

When it is implemented, MSS differs from its designers’ intentions in three ways. First, in the way that MSS is measured. The indicators of MSS mostly reflect coverage of services, and indicators that refer to the quality of output are not clearly visible. Secondly, information about MSS is not disseminated outside of government (i.e. the public).
Thirdly, on the way information is used, MSS is not accompanied by optimal incentives to encourage people to go above and beyond what is required, nor is it accompanied by strong enforcement.

Moreover, as a performance management tool does not fully fit with any of the four types of regimes or modes of performance management in the public sector (i.e. target, rank, intelligence/benchmark and quality assurance or standards). Instead, it has characteristics from each.

We can also observe the relationship model of MSS with characteristics of any of the four regimes or models in the difference between in the minds of the designers and the implementation. In the minds of its designers, MSS seems to have more in common with quality of assurance or standards. MSS is offering standards or assurances to enhance quality of services. This is done by fulfilling the basic needs of the people through the provision of a minimum required quality. In enhancing quality of services, MSS indicators should also reflect specific quality in terms of outputs, outcomes or impacts, instead of coverage and inputs. Moreover, MSS also has an external orientation. This means that information on MSS should be shared to people (public) who receive the service.

In contrast, in the implementation stage, MSS also does not reflect the idea of a ranking or league table because it does not seek to rank local governments based on their performance nor does it intend to name and shame. It has a relationship with EKPPD, but this is not enough to indicate that MSS itself conforms to a rank or league table system. Besides that, there is no empirical evidence to suggest that MSS has a relationship with the intelligence or benchmark model.
There is no evidence that local government has voluntarily shared background information collected as part of MSS, nor that there has been any mimicking and learning of the behaviour of top performers in achieving MSS standards and delivering services.

In the implementation, MSS is closely related to a target-based system. There are several reasons why MSS is implemented by technical ministries as a target-based system. Firstly, in terms of its definition, MSS is dominated by technical indicators (particularly measures that focus on ratios and percentages) that reflect the difference between current values and preferred thresholds. Secondly, as discussed above, in terms of how MSS is measured and the indicators it uses, MSS mostly reflects coverage of services instead of quality of services.

Thirdly, in the way information about MSS is disseminated, it reflects a targets system. As discussed above, the information is not shared outside of government. This means that MSS is internal in its orientation. The orientation is thus only between the central government (as the principal) and local governments (as the agent), with less involvement for people. These reasons go against the original ideas of the designers.

However, MSS does not really reflect an ‘ideal’ target system because of a lack of optimal incentives instead it has perverse incentives. MSS has also no strong enforcement which thus it is labelled as an ‘unenforced standard’ system, and it relies instead on self-compliance and self-motivation. In this respect, MSS seems to have more in common with a quality of assurance or standards or intelligence or benchmarking system, instead of a targets system. Within the quality standards/assurance or intelligence/benchmarks system, strong enforcement is not required and incentives are also not necessary, although they are helpful and useful.
The second question asked how the performance of local government in delivering basic services was influenced following the introduction of MSS. We saw above that MSS has less influence on the motivation of local governments to improve both their performance and the quality of the services they provide. The findings show that five out of the eight local governments which are studied are not motivated to improve their performance in delivering services.

This research question is then elaborated into three sub-research questions. Firstly, it was asked how MSS influences the motivation of local governments to improve service delivery. It seems that MSS is only important to local governments that are slightly below or close to the standards embodied in MSS (i.e. Depok, Bekasi and Batanghari). They are motivated to meet the standards in order to not feel ashamed and to avoid ‘informal warnings’ from the Heads of Regions. By meeting the standards, they can show that they have complied with what is required and with regulations from higher authorities.

However, MSS seems less important to local governments whose current achievement exceeds the standards (i.e. Denpasar and Sleman). They have no motivation to perform at a higher level and maintain an average level of performance, despite being able to perform better. In addition, those local governments whose current achievement falls far below the targets (i.e. West Bandung, Padang Sidempuan and Southwest Sumba) are not motivated to achieve the standards. They claim that they have no capacity to meet or exceed the standards, despite them being keen to do so.

It is for this reason that it is argued above that the influence of MSS on the motivation of local governments to deliver services does not fit exactly with the notion of an unambitious average syndrome. The explanation only fits for those local government whose performance falls just below standards.
For those local governments whose performance far exceeds the standards, a slightly different explanation related to the shift in orientation from MSS to other types of quality assurance measures, such as accreditation for the delivery of services, is more appropriate. For those with performance well below the standards, the explanation is more closely related to problems with low capacity. This thus causes us to offer a qualification to the discussion on the unambitious average syndrome. That is, that it fails to account for the capacities of public sector bodies.

The second sub question asks how MSS influences the performance of local governments in the delivery of services. We saw from the results of the interviews that MSS only has a limited effect on the planning process at the local level. MSS does, at least, mean that local bureaucrats in planning bureaux and technical agencies are more concerned with public services. Besides that, currently the local document plan is more public service oriented.

However, we saw that MSS does not significantly influence others aspects of management, such as the budgeting process. In other words, the achievement of standards embodied in MSS has not been used as the basis to increase or decrease the budgets of local agencies. Moreover, MSS seems to neither influence the way that local governments deliver services, nor the overall culture of service delivery that prevails. For central government and local bureaucrats, MSS is only treated as a way to formalise their service delivery activities.

The third sub research question asks how MSS influences the improvement of quality of services. The findings show that the quality of services is not influenced by MSS. The MSS indicators, especially those in the health and education sectors, are dominated by those concerning coverage and so there is a long way to go before the quality of services, measured in terms of outcomes ad impacts and using indicators such as HDI and MDG, is influenced.
In addition, high levels of rent seeking, caused by local direct elections, and low-level rent seeking, caused by the bureaucrat’s own behaviour, brings about a weak connection between MSS and the quality of services provided.

This rent seeking causes problems related to corruption and inefficient budget allocation and can cause a decrease in the professionalism of local bureaucrats. This undermines the commitment of both central and local government to public service delivery and leads to an even lower impact of MSS on the quality of services.

The final research question asked why MSS does not influence the performance of local government in this decentralised system and what the main determining factors are. We have seen that because of the lack of enforcement and incentives for actors, MSS has a limited impact on the motivation of local governments and service delivery performance. We can add to this that the current form of MSS relates more to coverage, access and impacts instead of quality, which further decreases its impact on the quality of services. In addition, the high and low levels of rent seeking we discussed above also limit its influence.

The first subsidiary research question under the umbrella of this final research question asks, if MSS does not influence, why does the government still continue to implement it? We have seen that it continues to be implemented because of pragmatic reasons and because of peculiarities of the central-local government relationship. These reasons are more important for the continued implementation of MSS than any overt concern with the performance or quality of public service delivery. It is no wonder, then, that the quality of services provided is not significantly affected.
The pragmatic reasons focus around the way that MSS is increasingly entwined with national and local regulations and laws. Because of this, it is impossible to cancel and delay it. Besides, MSS is also used for both the central and local government to legitimise the use of existing budgets and as a tool to justify requests for more. MSS is also sometimes used as a justification for rent-seeking behaviour (i.e. claiming travelling allowance, speaker fees as well as monitoring costs).

In terms of central-local relations, MSS is a way to improve dynamic of central-local relations because it improves the dialogue between central and local governments and maintains and even strengthens the status and position of the central government. MSS becomes a means through which central government can become involved in and participate in managing performance within local government and assisting local government in the delivery of services.

The limitations of the research were discussed in chapter four. The recap though they included the small number of districts and cities that are used as case studies, the fact that observations are only limited to two sectors (out of a possible fifteen that comprise MSS), and the small number of political informants and local people that were involved as interviewees.

Future research should thus focus around these shortcomings. First, it should include a greater geographical spread, representing a more diverse range of socio-economic conditions and capacities. The more local governments that are involved in future research, the more comprehensive our picture will be of the influences of MSS and the more generalizable the findings. Second, attention to the 13 other sectors comprising MSS will be useful, again to provide a more comprehensive picture and to aid in generalisation.
Finally, involving more politicians and local people as informants will also be desirable. However, on this last point, the involvement of these groups should be done carefully; local people commonly have less accurate information and perhaps lack understanding about the inside practices of local government and MSS.

8.3. Reflections on the Research and its Original Contribution

In thinking more closely about the novel contribution that this thesis makes, we reflect on some important and interesting findings. We can reflect first on the models of MSS themselves. As we summarised above, the research shows that MSS does not fully fit with the characteristics of any of the four common types of performance management regimes that prevail in the public sector. This model represents an interesting form of public performance management, which is not specifically discussed in any literature.

The interesting conclusion from this finding is that it seems that the original designers made no reference to common models of public performance management found in the literature. If they had, they would have no had clear idea about what MSS mechanisms would work and what the potential or possible influences on behaviour according to those models or regimes would be. They seem only to take a characteristic of each of the four regimes. As the result, MSS only had a small influence on the performance of local government and the quality of service. MSS only re-create various mechanisms of those public performance management regimes (e.g. a focus on coverage, no enforcement or incentives, and so on).

The second reflection is the use of the minimum threshold as a novel form of MSS. Understanding the way each local government responds to this minimum threshold is a key original contribution of this research.
These responses (the patterns of motivation) that emerge from the imposition of minimum thresholds are an important finding of this research that has not previously been discussed in the literature on public sector performance management. These responses are different to those patterns found in the current literature on the practice of performance management using the league table system, as in the case of the UK (see Adab et al., 2002; Hood, 2006, 2007 Seddon, 2008; Bevan and Wilson, 2013; Burham and Horton, 2013). MSS differs to the league table system in terms of how it impacts upon the behaviour of public sector actors.

As summarised above, MSS is only important to those local governments whose current achievement is slightly below the minimum threshold but it is not important to those above or well below the threshold. This cannot be fully accounted for with reference to the unambitious average syndrome in a league table system, while public units tend to be in the middle (average).

Another reflection concerns the influence or impact of MSS on the performance of local governments in the delivery of services (i.e. it has a limited impact on planning, no impact on budgeting and no impact on the culture of local governments in either the delivery of services or the service quality itself). These findings are unexpected and differ from what we would expect from a reading of the existing literature. While the literature notes that sometimes performance management could achieve positive results by improving the performance of public sector (e.g. Barber 2007; De Bruijn, 2007; Moynihan, 2008; Van Dooren, Bouckaert, Halligan, 2010), other literature found that performance management will bring about unintended negative or dysfunctional consequences (e.g. Smith, 1995; Bevan and Hood, 2006a, 2006b; Kalgin, 2016).
However, surprisingly, in the Indonesian case, it is difficult to detect any significant positive or negative impacts of performance management. These surprising results are the second novel contribution of this research.

In this research, we found that MSS as a tool of performance management has had less influence because of the reasons underpinning the introduction of MSS itself. As discussed above, the reasons underpinning the continued existence of MSS mostly centre around the need for central government to maintain its role and its relations with local government. Through MSS, the central government is eager to set up a system which could build better communications and dialogue with local governments in delivering services. Through MSS, central government also expects to get more involved in the delivery of services together with local people.

As discussed in the literature review chapter, decentralised systems can bring limitations in terms of enforcement. Direct intervention runs the risk of seeming like central government was pushing for re-centralisation. This intervention acts as a negative signal for the sustainability of the decentralised system. Instead of enforcing local governments, which is considered ineffective in de-centralised systems, building the system according to MSS (which only requires the achievement of minimum points); is selected instead as a feasible strategy to improve service quality.

This strategy is believed to improve communication (dialogue) with local government. Because of this, MSS as means of managing public sector performance in the context of Indonesian decentralisation is not too demanding and is not accompanied by strong enforcement or incentives. Because of this, MSS has a lower impact on local government service quality.
This also shows the complexity in implementing performance management in a decentralised system and that, to some extent, decentralisation and performance management is incompatible.

This also links the discussion on two major themes: central-local relations, particularly the idea of decentralisation, and the idea of public performance management, particularly with regards to the existence of enforcement and incentives and its unintended consequences on the behaviour of public organisations. The existing literature mostly discusses these two themes separately. For instance, the literature on the dysfunctional functions of public performance management only analyses the influence or impacts of the use of performance management on the public sector.

Similarly, the literature on central-local relations only focuses on analysing the relations between central and local government in particular areas, such as fiscal relations. Only very few studies suggest that introducing performance management has less impact on performance of public sector because the real reasons are to improve central-local relations (i.e. dialogues and roles) rather than improving performance.

8.4. Policy Implications

Alongside the original contributions outlined above, this research also has a number of policy implications, which can be embraced by central government in order to improve MSS in the future. Three aspects of the findings in particular are used as the basis for policy improvement suggestions: a) the dominance of coverage of services (inputs, access) in the various indicators that makes up MSS, b) the existence of a minimum threshold design for MSS, and c) the lack of enforcement.
The firstly policy implication is related to forms of indicators within MSS. As summarised above, the current indicators focus more heavily on coverage, inputs and access rather than the quality of services. Thus, changing the indicators used to reflect more heavily on quality should be a priority for central government. Other indicators that could reflect quality could accelerate improvements to the quality of service at the local level. At the same time, this could also increase the capacity of managers at the local level. The more indicators of service quality that are selected, the more managerial capacity is required. Thus, the kinds of indicators used could be a means to improve the managerial capacity of local governments.

This also implies the need to improve the practice of decentralisation in Indonesia. MSS is dominated by indicators that reflect service coverage and implies that the central government ensures everybody in Indonesia, receives a minimum level of front-line service. However, even though front line services have been devolved to local governments, true decentralisation seems not to have occurred. For instance, the rights of local government to generate local revenues are still limited and they mostly rely on central government transfers. We can label this as a ‘shadow of centralisation’, where some important powers are still retained by central government instead of being decentralised to local government

One limitation of this ‘shadow of centralisation is the extent to which local governments can generate revenue. This is one reason why capacity varies between local authorities. This means that those local governments that are rich in natural resources have a potentially higher capacity. In contrast, those with limited natural resources have lower capacity. Thus, in the future, true decentralisation such as giving more discretion to generate more revenue, is a necessary policy implication on the practice of Indonesian decentralisation. This could improve the capacity of local governments.
As summarised above, low fiscal capacity is claimed as the main determinant that undermines the motivation of local governments to improve their performance (i.e. local governments whose achievement falls below standards). Thus ‘true’ decentralisation is required to increase capacity and this better capacity could increase the motivation of local governments. Besides that, it is known that MSS is accompanied by high and low rent seeking. Thus, it is also necessary for the central government to continually improve governance, particularly addressing rent seeking in Indonesia to ensure the influence of MSS towards both performance of local governments and the quality of services.

Secondly, this research has demonstrated that the existence of a minimum threshold in the case of MSS brings with it various effects on the motivation of local governments. For those local governments whose performance is above minimum standards, the standards are too easy to achieve. Thus, the standards are not useful to improve the performance of many parts of local government. These standards do not create incentives for local governments to improve their performance.

In contrast, for those local governments whose current performance is far below the standards, the standard is difficult to achieve. This is often attributed to capacity (i.e. fiscal capacity) limitations although having said that, one of the sample cases (Sleman) has low capacity but an increased motivation to improve its performance.

As the existence of minimum standards has different effects on different local governments, the first policy implication is related to the design of standards. On the one hand, future standards should be able to influence the behaviour of more local governments to improve their performance. The standards should be able to motivate those local governments whose performance lies below standards, particularly those which have low capacity.
On the other hand, these standards should be still able to maintain the performance of those who lie above the standards.

In terms of which group of local governments (i.e. those above or below standards) are the main targets, there are several options that could be taken, depending on the objectives of the central government. First, the design could allow for asymmetry of standards. In other words, there could be an application of different standards for each group of local governments. This category could be set based on capacity or other agreed criteria.

Another option is to lower the minimum standards themselves. This option would suit those local governments whose performance falls below standards because of their low capacity. However, it will have little impact on those local governments whose current performance lies above standards. These local governments will become demotivated. The last option is the use of progressive standards, whereby future standards can be adjusted and kept near current performance levels. Thus, they could motivate all categories of local governments, particularly those whose performance lies below standard.

The last policy implication is related to the need for strong enforcement (i.e. sanctions and punishments). We saw above that a lack of strong enforcement is a reason why the influence of MSS on the performance of local governments is relatively low. In other words, performance management does not function if it is not accompanied by sanctions for non-compliance. It becomes more problematic when it is implemented in a decentralised system, where it is difficult to enforce.

There are several ways to deal with this situation. One is to set strong enforcement through sanctions and punishment, as happens in a centralised system.
In this option, MSS as a regime of quality assurance or standards or intelligence/benchmark would not be appropriate. Instead, a target model with strong enforcement could be selected. This option is feasible in the Indonesian context, although it is not as easy to bring about as it would be in a centralised system. In some ways, this strategy is considered a reverse of the process of decentralisation.

The second alternative is to rank local governments in a league table system and publish such tables transparently. In other words, sharing information about MSS to public or people is necessary. Meanwhile, the capacity of each local government, particularly those with low capacity, can be improved through the provision of financial grants and qualified human resources within local governments.

Another option is to maintain the status quo. This would mean that MSS without any enforcement or incentives would be maintained. Instead of improving performance, MSS is only a means to build dialogue or communication between central and local government in order to maintain stable relations. It is analogous to a dramaturgical role using a metaphor of organisational and managerial life in the theatre (Mangham and Overington, 1987; Mangham, 1990).

According to this idea, each actor sticks to his or her roles based on the wishes of the scriptwriter in order to ensure a successful performance (Mangham and Overington, 1987; Mangham, 1990). In the case of MSS, performance management functions as a script to ensure that actors (i.e. central and local governments) stick to their roles in order to create stable relations.

Finally, some questions arise regarding the implementation of MSS in Indonesia in the future. MSS should be reformed so that it becomes an ideal performance management tool.
It should be able to motivate local governments to improve their performance and quality of local services delivery. The current motives of MSS to improve central and local government dialogue or the way of government to justify its activities and budget does not seem to be working and does not lead to the intended effects on the performance of local government. We must be aware of whether MSS can be used as an incentive system for the public sector to improve their performance.

Three areas of policy improvement discussed above (i.e. the indicators which focus on coverage of services, the design of MSS and the need of enforcement and incentives) could be considered as the starting points in this reform process. However, other issues should be also considered. As it is implied from this study, the limitations of centrally led performance management systems, where enforcement is constrained because central government must respect the autonomy of local government. However, we should question whether introducing enforcement in MSS could cause a re-centralisation of powers instead of improving central-local relations.

Other questions relate to which designs are able to improve the performance of local government and which types of incentives are effective. We must pay particular attention to whether incentives are given to local governments who really need them or those local governments whose performs better. The last point, of courses, all these issues need further study by scholars as well as clear strategy and consistent actions to reform by Indonesian government.
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