PERFORMANCE MEASUREMENT EVOLUTION AND ACCOUNTABILITY IN INDONESIAN REGIONAL GOVERNMENTS

A thesis submitted in fulfilment of the requirements for the degree of Master of Business (Accountancy)

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Declaration

I certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; any editorial work, paid or unpaid, carried out by a third party is acknowledged; and, ethics procedures and guidelines have been followed.

Muhammad Thahar

16 May 2016
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Thesis Related Publication
Abstract

This thesis explores the development and implementation of a performance measurement system in Indonesian regional governments. A field study approach is employed in which publicly available and internal documents, together with semi-structured interviews, are used as a comprehensive source of evidence. In 1999, the Indonesian Government, like many other countries in the Western world, decentralized their control to autonomous regional government units. Public sector reforms were introduced with significant changes to the way performance was measured and managed in areas such as education, health, government planning and infrastructure, as well as financial management of budgets. As part of the decentralisation process, the central government put mechanisms in place to ensure their overarching vision and strategies effected transparency in performance and resource allocation.

Drawing on the performance measurement literature and taking a New Institutional Sociology (NIS) approach, an analysis of the discharge of accountability, public sector governance and performance measurement system (PMS) change over 15 years (1999-2015) was conducted to provide insights into: a) regional governments’ underlying motivation for adapting to change; b) performance measurement system (PMS) introduction, development and implementation over time; c) whether there were any major impediments to the implementation of the national framework on performance measurement at a regional level; and d) the extent to which accountability has been impacted. Different stages of change were identified, as follows; a) the introduction of PMS for accountability (1998-2003); b) revision in performance planning and budgeting, and the introduction of Key Performance Indicators (2004-2009); and c) improvement in PMS regulations (2010-2015).

The findings of this study support NIS research, in that the main motivation of regional governments towards adopting the national framework was for meeting legitimacy needs as well as there being strong evidence of coercive isomorphism that results in compliance. In particular, a number of impediments were noted during these evolutionary stages. These include: low levels of top management commitment; passive attitude/apathetic behavior towards PMS among staff in accountability units; low institutional capacity; lack of coordination among policy setters in the central government; communication problems between policy setters in the central government and implementers at regional governments; conflicts of interest among stakeholders at regional level; and a high level of informality (in
relation to PMS and administrative control), which influence decision making processes at both higher and lower levels management. Each of these has provided obstacles to the development and implementation of PMS. Furthermore, in response to the discharge of accountability, PMS has been largely implemented and used for accountability purposes; in particular, towards the central government, the major regional governments’ stakeholder. Regional governments’ response in meeting the need to fulfil accountability requirements to other stakeholders remains limited.

The research contributes to the literature in several ways. While reforms in industrial countries have been comprehensively studied, there has been less attention paid to public sector performance measurement reforms in developing countries such as Indonesia. The present research is intended to fill this gap by providing evidence of the evolution of performance measurement and the discharge of accountability in the Indonesian public sector. In addition, the present research contributes not only to management accounting literature by providing evidence from a developing country perspective, but also provides valuable insights into practical applications for policy makers and public sector accountants, for future policies and further designs and application of reliable PMS. It also offers an opportunity for other countries with similar socio-economic conditions to those of Indonesia to learn from the practices identified.

Keywords: Performance Measurement System, New Institutional Sociology, Legitimacy, Isomorphism, Indonesian regional governments
Chapter 1: Introduction

1.1 Background

Research in the area of public sector performance measurement has recently become popular in both accounting (Abernethy et al. 2005; Brignall & Modell 2000; Cavalluzzo & Ittner 2004; Speklé & Verbeeten 2014) and non-accounting literature (Anderson 2001; Bernstein 2001; Heinrich 2002; Propper & Wilson 2003). The emergence of New Public Management (NPM), and subsequently New Public Financial Management (NPFM), have triggered the change in public sector management practice from a traditional model to a business-like mechanism. This follows a belief that the business model may deliver better performance and accountability (Guthrie, Olson & Humphrey 1999; Hood 1991, 1995). Another mechanism that has been introduced into the public sector is the principle of good governance in which transparency and accountability, effectiveness and efficiency of public services are taken into consideration (UNESCAP 2009). In addition, the philosophy of corporate governance, initially used in the private sector, has now been applied in public sector management reform (Ryan & Ng 2000).

Since the emergence of these approaches to improving public sector management performance, the issue of public sector performance measurement and accountability has arisen as the community expectation of better public services is increasing. Constituents or stakeholders have become more aware of public sector expenditure. They increasingly scrutinise and question how public money is being utilized (Allmendinger, Tewdwr-Jones & Morphet 2003). In order to be accountable, the public sector has to be able to produce reliable measures for their performance and accurate data to be measured. Thus, there is a very strong relationship between performance measurement and accountability. For the purpose of the present research, particular focus is put on the discharge of such responsibilities between regional and central government, and how the relationship with other constituents is managed.

The increase in public interest into public accountability has directed the need for research in the area of public sector management accounting and the utilisation of performance management and measurement innovations (Broadbent & Guthrie 1992, 2008). Since then, a considerable amount of management accounting research on the topic of performance
measurement has been conducted in industrialised countries, which has provided a significant contribution to the literature. Nonetheless, the practice in developing countries remains largely uncovered in the literature. Hence, the present study aims to provide evidence of performance measurement system (PMS) change for the better discharge of accountability, from a developing country perspective.

The setting for the study is the Indonesian public sector. As many countries in Asia, Indonesia had to deal with currency depreciation in the mid-1990s in which resulted the loss of trust for government administration. As a consequence, remarkable demonstration from various community elements made the 32 year old-New Order regime collapse. The new government administration then researched for alternative solutions for a better management practices. One of the reforms initiated has been the measurement of government performance at all levels. Since 1999, The Indonesian Government has begun to recognise the value of performance measurement and accountability. Since then, as part of public bureaucracy reform, a number of regulatory requirements have been published by the central government and imposed on all government level agencies to comply with latest performance management initiatives. Nevertheless, a recent central government assessments of performance accountability indicate that a large number of local and provincial governments are not making satisfactory achievements (MSAEBR 2014a, 2014b).

The Indonesian jurisdiction consists of three layers of governments i.e., local governments, provincial governments and the central government. In terms of PMS, both local and provincial governments are subject of the same central government regulations and both are accountable to the central government at similar extent. For simplicity, hereafter, local and provincial governments will be referred to as regional governments.

1.2 Objective of the study and research questions

The objective of the present research is to better understand the impact of the central government mandate on Indonesian regional governments’ PMS and accountability, following the last 15 years of public sector reforms. Following this objective, the present study seeks to document the development and implementation of PMS reform since the introduction of Presidential Instruction Number 7/1999.1 This thesis also examines views on the notion of accountability, which have been gathered from a number of qualitative data

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1 This is the first regulation on PMS in response to public bureaucracy reform.
sources. By exploring the evolution of PMS development over time, along with its implementation, the study reveals a rational explanation for the current practice of PMS implementation, provides an understanding of how public sector management administers the changes, and also exposés consequences of government accountability requirements.

To meet the objectives of this study, and to better understand the discharge of accountability through performance measurement in the Indonesian public sector, the proposed research questions are:

**RQ1. To what extent are regional governments motivated to adapt their PMS to the central government initiative?**

**RQ2. How has PMS been introduced, developed and implemented at regional level of government over the last 15 years?**

**RQ3. To what extent has the development and implementation of the national framework on performance measurement been impeded at a regional level?**

**RQ4. Have there been any significant impacts on accountability following the performance measurement change initiative?**

### 1.3 Contribution of the study

The study contributes in multiple ways. Theoretically, this study is designed to enrich the management accounting literature on performance measurement and accountability within public sector organisations, in particular through the provision of evidence from a developing country practice. It provides a better perspective to view the topic in a balanced way as it increases the proportion of developing country studies in this area.

In contributing to the institutional literature the study reveals that isomorphic processes do occur and operate simultaneously to gain momentum. For instance, the central government powerful regulations act as coercive force which is enhanced through assistance from government representatives in each region. This finding provides empirical evidence of institutionalisation. It is worthy to note also that the coercive pressures result in unintended consequences. For example, the central government’s imposed requirements are in conflict with the demands from the House of Representatives. As a result, the regional governments
act as if they comply, but in fact are disguising some aspects of the requirements to balance the interests of all. This empirical finding provides support for the new thoughts on NIS. That is, the proponents believe that internal management do not necessarily comply with the institutional environment, instead managers have available different strategic choices that they can call upon in response to the pressures.

Practically, the findings of this study provide insights for the Indonesian central government policy makers in their attempts to produce robust performance measurement policies and a framework for performance measurement systems in the future. The study is also useful for professionals, e.g. public sector accountants in regional government administrations, in developing a reliable system of performance measurement and discharge of accountability requirement.

Finally, this research provides other developing nations, particularly countries with similar socio-economics conditions to those of Indonesia, with the opportunity to learn from the practices identified.

1.4 Key findings

Performance measurement practice in the Indonesian government post 1999 was heavily influenced by USA and UK practices. The imitation of the United State Government Performance and Result Act (GPRA) elements and later the implementation of a performance agreements mechanism show this influence. Efforts to produce a framework of performance measures that is applicable to both central and regional governments were important in bureaucracy reforms initiated in 1999 in Indonesia. This framework has since been made compulsory, including at regional government level, and has been diffused down to agency level. With a number of practice-based shortcomings, regional government has to a certain extent implemented this framework in their PMS in order to secure legitimacy. Since performance reporting has been made compulsory, regional governments cannot deny their obligation to develop and implement the performance measurement system, regardless of its perceived benefit and usefulness.

Since its introduction, the central government-imposed PMS has gone through some revisions, which can be categorised into three major stages of evolutionary change. The first stage (1999-2003) was marked by the introduction of Presidential Instruction number 7/1999 on government institution performance reporting. At this initial stage, PMS was not well
translated into practices at regional governments, due to insufficient knowledge and skill amongst regional government staff on the one hand, and on the other hand inadequate guidelines. For instance, performance planning as a basis for performance measurement has not been adequately addressed in regulations, which has resulted in difficulties in fully implementing PMS.

The second stage in the PMS evolution (2004-2009) is taken to begin with initiatives to strengthen performance planning and performance budgeting carried out by different leading agencies of the central government. Performance planning incorporates long term (i.e. twenty year planning), medium term (i.e. five year planning) and annual planning. Annual planning is presumably designed to set the base for resource allocation, including budget appropriation. Meanwhile, key performance indicators (KPIs) were introduced as means of measuring the achievement of governments’ goals and strategic objectives. Due to lack of coordination among policy setters (i.e. leading agencies in the central government setting the performance-related guidelines), the level of integration among planning, performance and budgeting remains low in the field.

The last stage in PMS evolution (2010-present) is marked by the release of a revision in performance agreements and performance reporting regulation. Eventually, at the latest period in the PMS evolution, presidential regulation number 29/2014 was released to supersede presidential instruction number 7/1999, after 15 years of its enforcement. This latest regulation and its subsequent guidelines focus on strengthening the integration between performance-related system, and the empowering internal review of performance reporting.

During these evolutionary stages, the PMS framework has been revised a number of times. Nonetheless, the usefulness of its application at the regional level of government remains limited due to a number of obstacles that impede the development and implementation process. At the regional level, these obstacles are associated with managerial commitment, attitude, institutional capacity, conflict of interest, and informality; while at the central level they present as a lack of coordination and of communication.

In terms of accountability, regional governments tend to fulfill external, vertical accountability to satisfy the central government legislative requirements, through on-time compliance in producing performance reporting. The central government tends to be the major stakeholder, and accountability towards the other stakeholders such as the House of Representative and the general public remains limited. The utilisation of PMS and its
reporting have been mostly ceremonial, with no evidence of their utilisation for internal policy decision making.

1.5 Outline of the thesis

The organisation of the remainder of the thesis is outlined as follows:

Chapter 2 elaborates the relevant prior literature and reviews public sector performance measurement system and accountability in general, and specific literature in relation to the Indonesian context of management accounting reform and the practices of its neighboring countries.

Chapter 3 provides a theoretical foundation for this study, where a description of the theoretical lens used and its contribution to the research question development are discussed. This chapter then elaborates on the research process, wherein research questions were operationalised through the construction of semi-structured interview questions.

Chapter 4 presents a detailed description of methodological aspects of the research, where philosophical assumptions underlying qualitative research and justification for the method selection, as well as attempts to increase methodological rigor of the research, are depicted.

Chapter 5 presents the research setting: where the field study takes place, and a brief description of PMS in practice in Indonesia.

Chapter 6 details the findings of the research in the field where all relevant evidence was collected and analysed, from data sources within the Indonesian public sector setting.

Chapter 7 offers a discussion of the findings presented in Chapter 6.

Chapter 8 also presents concluding remarks, limitations of the research and potential future extensions that might be expected from the present study.
Chapter 2: Literature Review

2.1 Introduction

This chapter presents a review of literature on public sector performance measurement and accountability. This area of research has interested academia since the emergence of the NPM paradigm, which has contributed to a significant change in public sector practices in OECD\textsuperscript{2} countries and eventually the entire world. There is a rich literature in public sector performance measurement not only in the management domain but also from an accounting perspective. As the literature covers a wide area, the present discussion focuses on previous studies that share perspectives on the motivations for adopting a PMS and associated issues in the process of adoption, development and implementation.

The chapter starts with a brief discussion of public sector PMS in general, which is followed by a description of NPM, NPFM, and good governance agendas, as well as corporate governance philosophy that switch public management practices. The next section provides a thorough discussion of PMS adoption and impediments to this, before a deliberation on accountability is presented. A number of accountability dimensions that suit the public sector mechanisms are elaborated to enrich understanding of the role of such dimensions and how they are discharged in the public sector.

2.2 Public sector PMS

The public sector, by definition, may be referred to as a sector in which products or services are aimed at serving the public interest (Lane 2000). In this sense, the orientation is different from the private sector (e.g. not towards the maximization of profit) (Wal, Graaf & Lasthuizen 2008). Instead of profit optimisation, the utmost aim of public sector activities is that of achieving appropriate outcomes in serving the community in the most efficient and effective manner (Denhardt & Denhardt 2000). Hence, products or services with little economic margins, for example basic education, are in general not considered appropriate to be run by the private sector. In addition, there are areas which are considered the exclusive domain of government, such as legal enforcement and defense. These kinds of products or services are retained in the public sector and should be managed by the government for the

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\textsuperscript{2} Organization for Economic Co-operation and Development. Currently there are 34 developed countries - mostly European countries – included as members of the OECD.
sake of community interests. The governments run the public sector through departments and other means. The scope of this sector is quite large. It may contain a central government with its departments and units, states or provincial governments, local authorities, and state-owned enterprises.

Nonetheless, due to the complex factors arising from the global fiscal crisis and the increased in size of bureaucratic organisations, which have contributed to the call for better performance in such organisations (Broadbent & Guthrie 1992), attempts to provide substantial changes to public management have been initiated globally to accelerate performance and improve accountability. One of these initiatives is that public sector practices borrow some of the practices of the private sector (Hood 1991). This initiative has been supported by a large number of proponents, and has resulted in the change of certain public sector features such as the introduction of compulsory competitive tendering (Milne, Roy & Angeles 2012; Parker1990) and the adoption of accrual basis accounting (Christensen 2002; Guthrie 1998; Paulsson 2006). This practice of adopting private sector practices in public management has reduced the differences between the nature of both sectors to some extent (Funnel, Cooper & Lee 2012).

Similarly to the private sector, public sector performance measurement now encompasses a variety of measures to better assess performance results. It consists of not only financial measures but may also incorporate a number of other qualitative measures, such as measures of the effectiveness and efficiency of core business, measures from the customer perspective, as well as capacity-enhancing measures (Kaplan & Norton 1995). Performance measurement ‘is a basic management tool, it is an activity that must be placed firmly between sound policy decisions about the objectives of the service, programme, organisation, to be measured and judgmental process leading to rational decision making’ (Redfern 1986, p. 5). Thus, the public sector PMS is not a stand-alone unit; rather, it lies upon the policy decisions on planning (where goals and objectives are set) and budgeting (where funding is allocated based on pre-determined programs to achieve planning outcomes) (Redfern 1986). The PMS serves the purpose of boosting managerial performance and enhancing accountability (Kloot 1999). However, many studies show that an externally imposed PMS does not necessarily translate into improved performance and internal evaluation (internal accountability), but may have a positive impact upon external accountability (Cavalluzzo & Ittner 2004; Halachmi 2002).
2.2.1 NPM and NPFM as impetuses for change

The focus on change in public sector management practices came about as a result of the 1970s recession, whereby governments around the world were impacted by the consequences of previous excesses associated with loose monetary policies, by soaring oil prices and post-Vietnam war investment spending led by the US Government (see, for example, Gruening 2001). This recession resulted in public service retrenchment and budget cuts (Dunshire 1995). The blame for this cut was placed on government bureaucracy, which was argued to be incapable of managing the necessary change (Peters & Savoie 1994). This was a difficult time for the government sector, where on one hand administrations had to deal with deficiencies in financial resources that could lead to the sacrifice of social policies; while on the other hand this sector saw a rise in community expectations of the quality of services (Funnel, Cooper & Lee 2012). Furthermore, imbalanced living conditions in the era of unregulated industrialisation had also driven governments to intervene, in order to ensure sufficient supply of social needs to avoid worsening living conditions of their citizens (Funnel, Cooper & Lee 2012). The public administration modernisation initiative that was in place at the time had not been able to address those issues, and did not generate government management improvements to an acceptable extent (Baimyrzaeva 2012a). These shortcomings in the reform agenda provided leverage for the emergence of subsequent initiatives in managing the public sector.

From the early 1980’s, the public witnessed a shift in government management practices as a result of initiatives commenced in advanced economies such as the United Kingdom, with its ‘Financial Management Initiative’ project, and the United States of America with its ‘Reinventing Government’ agenda (Jones & McCaffery 1997; Jowet & Rothwell 1988). Similar agendas also started to be visible soon after in other countries, through various initiatives. All initiatives developed were aimed at improving public sector effectiveness and efficiency in delivering products and services to the community, so as to make this sector more accountable to its stakeholders. During that time, academics then started introducing NPM as a generic universal terminology replacing various individual terms for initiatives in different jurisdictions (Gruening 2001).

One theme that emerged for public sector management change that was unanimously agreed to by policy makers and academics was that the private sector management form could be used in the public sector as a model to imitate, since the former has clearer goals and objectives, and a relevant measurement system of goal achievement (Funnel, Cooper & Lee
2012; Guthrie et al. 2005). Subsequently, government management practices imitated what had been practiced primarily in the private sector; and over time the differences between public sector and private sector have, as a result, lessened (Guthrie et al. 2005).

In order for the public sector to imitate the practices of the private sector, a number of NPM components are essentially needed to be adhered to. According to Hood (1995), these components consist of:

- unbundling of the public sector into corporatized units;
- developing contract-based competitive provision;
- stress on private sector style of management practice;
- stress on discipline and frugality in resource use;
- emphasis on visible, hands-on top management;
- development of explicit formal measurement standards and measures of performance; and
- greater emphasis on output control.

To start the reform process, Hood (1991, 1995) advocated these components/areas be addressed by public sector organisations for an NPM change; and one of the requirements was to possess explicit standards and measures of performance. The justification for this change came, firstly, from the awareness that a clear statement of government goals is essential in order to hold the government accountable for actions taken upon resources allocated by taxpayers; and secondly, from the acknowledgement that, to evaluate the achievement of those pre-determined goals a set of reliable indicators of measurement is a necessity (Hood 1991).

Within the public sector management accounting research agenda, the term NPFM (Guthrie et al. 2005; Guthrie, Olson & Humphrey 1999) subsequently tended to be used instead of NPM to place emphasis on the financial and accounting purposes. Management change under NPFM reform can be categorised under five different themes: change to financial reporting systems; the development of commercially-minded and market-oriented management systems and structures; development of a performance measurement approach; decentralization or delegation of budgets; and change to internal and external public sector auditing (Christensen 2002; Guthrie et al. 2005; Guthrie, Olson & Humphrey 1999). Similarly to NPM, NPFM
indicates a strong requirement for performance measurement improvement, as explicitly described as an element for change. Hence, a reliable PMS is vital in government management for improved performance and accountability purposes.

While the adoption of an NPM/NPFM reform agenda in OECD countries has been reasonably advanced, the application of such initiatives in developing countries is somewhat less comprehensive. Due to distinct characteristics of developing countries, they have tried to implement selective elements of NPM/NPFM to suit their needs, context and capabilities (Samaratunge, Alam & Teicher 2008; Samaratunge & Benningtoon 2002). Indeed, the application of such an agenda requires full consideration. Developing countries have to pay attention to prerequisite conditions such as building managerial capacity and diminishing the scope for informality (Schick 1998). The results of NPM application in developing countries are mixed, between leading countries and those lagging behind in their application (Samaratunge, Alam & Teicher 2008).

2.2.2 Corporate governance and good governance as more recent public sector reform frameworks

Besides NPM, another philosophy introduced into public sector management reform is corporate governance. This philosophy also came from an initiative introduced in the corporate sector. Corporate governance, in simple terms, is defined as ‘the system by which companies are directed and controlled’ (Cadbury 1992, p. 14). Corporate governance was initially applied in the private sector as guide for the conduct of practice. In 1991, a committee on financial aspects of good governance was set up in the UK, chaired by Adrian Cadbury (Cadbury 1992). The objective of this committee was to set a code of conduct as standard or framework for business, to be continually reviewed and controlled. The code works on three principles: openness (i.e., open/transparent in disclosing performance information), integrity (i.e., straightforward dealing and completeness in presenting the full picture of company’s affairs), and accountability (i.e., board of directors are accountable to stakeholders, whilst both play equal roles in making accountability effective) (Cadbury 1992).

In the public sector, the adoption of corporate governance principles started to be commenced in the UK when the Chartered Institute of Public Finance and Accountancy (CIPFA) released their corporate governance framework (Ryan & Ng 2000). However, due to the distinctive characteristics of the public sector, the principles of corporate governance have been
broadened. For instance, CIPFA incorporate the principles that acknowledge the diversity of stakeholders in the public sector as well as include performance information in the framework (Ryan & Ng 2000). Nonetheless, the most important consideration in determining these principles is that they should meet performance expectations. Carpenter (1998) argues that public sector corporate governance is about organisational performance. This performance dimension, then, is considered more appropriate in public sector corporate governance (Ryan & Ng 2000).

In promoting change in the public sector, first the US, and then globally recognised institutions such as the World Bank and International Monetary Fund, developed initiatives to be adopted by developing countries; most of which seem not to have translated well into practice (Baimyrzaeva 2012a). The promoters of such initiatives were over-confident of the proposed model’s capabilities, without considering the imbalance between the environmental aspects and political condition of the recipient countries (Baimyrzaeva 2012b). Examining this phenomenon, these donors (i.e., the World Bank and International Monetary Bank) eventually designed an agenda which is often referred to as ‘good governance’.

Good governance emerged in the mid-1990s at about the same time as the introduction of corporate governance; and the emphasis thereafter changed to improving the capacity and quality of government institutions, rather than merely focusing on market-like mechanisms as suggested in NPM (Baimyrzaeva 2012c). However, there is no single explicit definition of good governance supplied in literature. UNESCAP (2009, p. 1) describes governance as ‘the process of decision-making and the process by which decisions are implemented (or not implemented).’ Thus, it is implied that good governance is the process of the implementation of good decisions through good process. The process of good implementation involves eight major elements that may be used to describe governance as good or not good. UNESCAP (2009) lists these characteristics of good governance as:

- equal participation between genders,
- the empowerment of rule of law,
- enhanced transparency,
- responsiveness to stakeholders,
- consensus orientation towards serving the best interests of the whole community,
- maintenance of equity and inclusiveness of all groups in the society,
- effectiveness and efficiency taken into consideration in producing the results that meet society needs, and
- enhanced accountability to all stakeholders.

In relation to performance measurement, the transparency characteristic of good governance is reflected in the performance reporting mechanism; while effectiveness and efficiency measures exhibit the outcomes and results of PMS implementation. Some believe that the shift from traditional structures of governance have not been fully replaced, and that some practices are overlapping or coexist to suit the capability of reform (Wiesel & Model 2014): for example, while promoting good governance, the reform at the same time implements NPM elements under public administrative bureaucracy.

From all the above perspectives, it is clear that performance measurement is at the centre of discussions in public sector management reform. The present research extends the literature by providing evidence of the evolution of a PMS, associated issues surrounding its application and the extent of accountability following the implementation.

2.2.3 PMS adoption and impediments
In the past only few countries have learnt the NPM-assisted market mechanism PMS and New Zealand saw a good practice (Schick 1998). Further to the New Zealand experience, more countries then adopting the model and the rest developing their own techniques (Schick 1998). In general, a variety of performance measurement tools have been introduced in the public sector as part of management accounting change: for example, Balanced Scorecards (Kloot & Martin 2000; Northcott & Taulapapa 2012), KPIs, and Activity Based-Costing (ABC) (Jackson & Lapsley 2003). However, the level of adoption and implementation varies depending on the strength of the influence of top management commitment (Cavalluzzo & Ittner 2004), parliamentary support (Jones & McCaffery 1997) and adequate training as contributed factors (Shields 1995). Others also believe that institutional capacity and level of informality contribute to the design and implementation of PMS (Mimba, Helden & Tillema 2007). These shortcomings have to be addressed in the outset in order for PMS adoption and implementation to be useful.
The important value of top management commitment to the success of managerial innovations has been much studied in the literature. Fernandez and Rainey (2006) propose the need to ensure top management support and commitment, as one critical factor in managing a successful change in the public sector. Similarly, Berman and Wang (2000) contend that, for success in performance measurement reform implementation, the role of political support from elected officials is critical. In a survey to determine the factors that lead to successful ABC implementation, Shields (1995) found management commitment to be an important explanatory variable. In attempting to identify the incidence of ABC adoption among Scottish local authorities, Arnaboldi and Lapsley (2003) found that implementation was abandoned and sometimes rejected due to inadequate senior management commitment. This lack of commitment has been linked to management skepticism about the system’s usefulness and benefit compared to its cost (Arnaboldi & Lapsley 2003). Cavalluzzo and Ittner (2004), in their study on Performance of US Government federal agencies, found a similar trend, where the level of top management commitment has a significant influence over PMS implementation and use. Managers are often reluctant to develop measures directly related to explicit objectives, because they wish to avoid the bad news that may be associated with less than desired performance (Anderson 2001).

In terms of parliamentary support, conflicts of interest among legislative members and their potentially divergent interests from that of elected officials, also play significant roles in PMS development and implementation. Since public sector management deals with multiple stakeholders of different interests, public sector agencies often exercise ‘juggling behavior’, and come to a political agreements to balance the diverging stakeholders’ interests (Mimba, Helden & Tillema 2013, p. 24). Public sector agencies are keen to accommodate, or at least to compromise with stakeholders’ interests, in the fear that stakeholders’ resistance may result in delays in decision making (Mimba, Helden & Tillema 2007). In the budget process, a delay in budget approval may incur huge consequences in meeting annual government performance targets. Jones and McCaffery (1997) argue that the US Congress has neither sufficient interest in using performance information for resource decision making nor adequate capability to utilise it. Nonetheless, central government (Congress) directives on performance-related legislation have been used to reform State performance (Jones & McCaffery 1997). However, in practice, Jones (1993, p. 89) believes that performance information (for example, financial statements) cannot replace the annual budget process as a methodology for decision making, since budgets ‘provide the grease that keeps the wheels of
politics rolling.’ Jones and McCaffery (1997, p. 40) even state that ‘what members of Congress and their staffs care most about in budgeting is winning and losing battles over programs and money to operate them.’ Moreover, there is a tendency for elected legislators to be more concerned about re-election, and thus reluctant to impose a central government mandate as it may limit their decision-making ability (Jones 1993; Jones & McCaffery 1997).

Institutional capacity is another factor to be considered by governments in adopting a PMS. In particular, for government organisations in developing countries, this factor is believed to contribute to the likely success of a PMS design and implementation (Mimba, Helden & Tillema 2007, 2013; Tillema, Mimba & Helden 2010). Institutional capacity has been defined as ‘the ability of an institution to decide on and pursue its goals, to perform tasks, and to improve performance constantly’ (Mimba, Helden & Tillema 2007, p. 196). In the context of PMS development and implementation, Berman and Wang (2000) distinguish capacity into technical/infrastructure capacity and stakeholder (or political) capacity. They conceptualise technical/infrastructure capacity as ‘the ability to develop performance goals and measures and to overcome such conceptual barriers as distinguishing outcomes from outputs’; while stakeholder (or political) capacity is believed to be related mostly to the nature of support from stakeholders or political interests (Berman & Wang 2000, p. 410). Therefore, low institutional capability is determined by a wide range of factors, including a high level of politicisation in the process of policy decision making, and by lacking of internal management resources to improve competencies (Mimba, Helden & Tillema 2013). Since institutional performance is a basis for a government’s capacity to fully function and to be able to fulfill its obligation to the community, low capacity is not a sufficient condition to build resilience (UNDP 2011).

In regard to resource competencies, there have been issues in PMS implementation difficulties as a result of the lack of requisite competencies among public sector managers, as they ‘are traditionally accustomed to dealing with financial measures, but are less familiar with non-financial indicators and concepts such as output and outcome’ (Arnaboldi & Azzone 2010, p. 267). This obstacle may hinder both the system’s adoption and measures development process (Arnaboldi & Azzone 2010). To a certain extent, incompetence of human resources is related to the small amount of training provided to staff in order to increase their capability for developing meaningful performance measures, as is suggested by Cavalluzzo and Ittner (2004). For instance, local authorities in Scotland complained of lacking human resources, requiring the assistance of consultants in setting up the ABC
system and making it useful (Fernandez & Rainey 2006). Indeed, adequate training has an association with employee satisfaction within innovation implementation (McGowan & Klammer 1997), as they are less pressured and much more confident (Shields 1995).

Recently, level of informality has been considered to impede the process of designing and implementing a PMS. In particular, public sector performance measurement studies (Mimba, Helden & Tillema 2007, p. 198) define informality ‘as the mechanism through which individuals or groups influence organisational decisions and activities without having a formal authority to exert that influence, and/or without aligning the content of their influence with the goals and policies that are laid down in official documents.’ In practice such a definition can be simply viewed as the activity of not following formal rules in day to day management practices. This condition is believed to potentially occur in any country, but is mostly evidenced in developing countries, since they have ‘relatively weak specification of property rights and other formal process to regulate economic activity’ (Schick 1998, p. 127). A clear example of informality can be seen through subordination of formal rule-based practices into an informal order dictated by the practice of clientelism (Sarker 2006). Clientelism is defined by Scott (1972, p. 92) thus:

…the patron-client relationship - an exchange relationship between roles - may be defined as a special case of dyadic (two-person) ties involving a largely instrumental friendship in which an individual of higher socioeconomic status (patron) uses his own influence and resources to provide protection or benefits, or both, for a person of lower status (client) who, for his part, reciprocates by offering general support and assistance, including personal services, to the patron.

In the political arena, both the patron (groups or individuals) and client (politicians) share reciprocal benefits, and one side is contingent to the other. Politicians supply benefit to groups or individuals, who in turn promise support in electoral voting; and in return the patron will influence political decision making (Hicken 2011). The presence of clientelism, informally, in the government structure, such as is evidenced in some developing countries, has undermined the reform spirit (Sarker 2006).

Table 2.1 (p. 30) presents a summary of literature used in this study in regard to impediments to PMS adoption, development and implementation within the public sector.
2.3 Defining accountability in the public sector

Since the interest of the general public and other constituents to government accountability increased significantly due to the unfavorable past experience, governments all around the world had been trying to develop innovation for better practices and enhance their services through more legitimate and rational practices in order to survive (Meyer & Rowan 1977). As the importance of accountability was taken into consideration, the diffusion of various management accounting practices into the public sector had mounted (Carnegie & West 2005). Performance measurement techniques are considered as one of management accounting’s innovations (Jackson & Lapsley 2003; Lapsley & Wright 2004). Hence, it can be argued that performance measurement is an accountability tools as it delivers performance information to stakeholders. However, unlike the for-profit organizations where good financial positions and financial statements constitute the level of accountability, multiple public sector stakeholders would consider a variety of measures in assessing the value gained form spending public money and the achievement of public service delivery based on their diverging expectation (Romzek 2000). Thus the meaning of accountability in the public sector context is arguably broader and it may be categorized into multiple dimensions based different purpose and to whom it serve.
## Table 2.1: Main literature on public sector performance measurement used in the study

<table>
<thead>
<tr>
<th>No</th>
<th>Author(s) and year of publication</th>
<th>Journals</th>
<th>Findings</th>
<th>Link to current research topic development</th>
</tr>
</thead>
</table>
| 1  | Cavalluzzo and Ittner (2004)     | Accounting, Organizations and Society | - Organisational and technical factors have influenced PMS and development.  
- PMS and accountability are associated with the use of Performance Information.  
- Little evidence of mandated PMS initiatives increasing with greater measurement and accountability. | - Impediments to PMS development and implementation.  
- Results issues. |
| 2  | Berman and Wang (2000)          | Public Administration Review | - The success of performance measurement is greatly affected by underlying organisational capacities, namely technical infrastructure and stakeholders support | - Impediments to PMS development and implementation. |
| 3  | Mimba, Helden and Tillema (2007)| Journal of Accounting & Organizational Change | - This conceptual paper argues that public sector organisations in developing countries are facing an increasing demand for but insufficient supply of performance information.  
- The increase in demand for performance information is stipulated by the increased stakeholders’ involvement in the design of PMS.  
- Insufficient supply of information is a result of low institutional capacity and high level of corruption. | - Impediment to PMS development and implementation. |
<table>
<thead>
<tr>
<th>4</th>
<th>Jones and McCaffery (1997)</th>
<th>Public Budgeting and Finance</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td>- Chief Financial Officers Act and GPRA might have not achieved their objectives due to barriers in their implementation. Among the barriers identified are that Congress passed the Act for wrong reasons (where they were not really supporting the Act) and the inability of Congress to use financial statement data for decision making.</td>
</tr>
</tbody>
</table>
Sinclair (1995, p. 221) underlines that accountability ‘has discipline-specific meanings’ and that these meanings continuously develop and change. While there is no single absolute definition of accountability, and research largely emphasises various themes (Mutiganda 2013), in general accountability may be defined as the acts of persons or organizations in reporting responsibly any conduct delegated to them by their constituents or stakeholders (Mulgan 2000a). Thus, people or management are held accountable for their conduct (Glynn & Murphy 1996). In the government or the public sectors, the notion of accountability may involve the obligation to responsibly answer constituents’ questions on their capability to provide services needed, so decisions can be made accordingly. A detailed definition of accountability can be found in Gray, Adams & Owens (2014, pp. 7-8):

> At its simplest, accountability is a duty to provide information to those who have a right to it. It is linked closely with the notions of (social) responsibility and is an essential component of democracy. The greater the power an individual, or an organization, has over people, resources, communities, etc., the greater the responsibility to provide a full account of stewardship of those people, resources or communities. If our world is to be democratic, then those with the greatest power, large companies and governments, owe the greatest accountability.

According to Peters (2007, p. 15), accountability ‘provides government with a means of understanding how programs may fail and finding mechanisms that can make programs better perform.’ He argues that, for government, accountability has been useful in encouraging transparency and eradicating any forms of corruption in a democratic government, since the public are able to question the government’s programs. Therefore, Funnel, Cooper and Lee (2012) believe, accountability will be a reality and not just rhetoric in a democratic society, as the citizens should be able to hold government accountable for value for money that has been spent in their best interests.

The term accountability in the public sector, however, is very complex, and the concept has been developed in various dimensions as it serves different purposes (Hodges 2012; Mulgan 2000b). Sinclair (1995, p. 231) describes accountability in the public sector as ‘chameleon-like’, since managers have to deal with competing constituencies and thus they are held accountable for different things. This has resulted in multiple meanings of accountability, and
to some extent provides a basis for the variety of accountability dimensions identified in the literature.

In performing their tasks and responsibilities, most governments today manage their organisations by adopting the most advanced and state of art common practices, and do not restrict their management system under a single regime. For instance, while adopting NPM, public sector organisations are also infused by New Public Governance\(^3\) where working collaboration among agencies are encouraged. Consequently, different accountability dimensions are taking place at the same time, and they serve different purposes. For instance, while NPM deals with vertical accountability, the proponents of the NPG regime are more concerned with horizontal accountability (Almquist et al. 2013).

In order to be meaningful, accountability should be reported and published to external stakeholders for the purpose of evaluation of programs and activities achievements. The achievements of an organisation are assessed through a series of pre-determined indicators of measures, developed for performance indication by comparing the targets with actuals. Funnel, Cooper and Lee (2012, p. 49) claim relevant performance information is the key success of accountability, as they believe,

...without the means to report on actions, there is no way of ensuring that responsibilities are carried out as intended. In other words, accountability relies upon the ability to provide an account. In the public sector, this means the existence of information systems which allow all aspects of accountability, both performance and fiduciary accountability, to be given visibility.

2.4 Dimensions of accountability in the public sector

The literature classifies a variety of accountability dimensions to distinguish differences based on their purposes, and to some extent from whom, about what and to whom they serve. For the purpose of the present research, public sector-related accountability dimensions are reviewed and discussed. However, this review does not aim cover every dimension discussed in the literature. Instead, is the overall range of dimensions are filtered down to those that are believed to be most appropriate for this particular research. One of the accountability

\(^3\) The new public governance paradigm is believed to have started at the beginning of 21\(^{st}\) century, adding the latest thought on how the public sector should perform. A thorough discussion of this paradigm is elaborated in Osborne (2010), among others.
dimensions discussed is based on the classification provided by Bovens (2007), who distinguish accountability into four categories. Their classification is based on *to whom* accountability is rendered to (e.g. political and legal accountability), accountability *from whom* (e.g. corporate and hierarchical accountability) when we talk about the actors, *about what* information is to be disclosed (e.g. financial, administrative), and *why* the actors have to provide information on accountability (e.g. vertical and horizontal accountability).

Administrative accountability, which is concerned with information disclosure on, for example, efficiency and effectiveness, does not receive much coverage in Bovens (2007). Hence, the work of Funnel, Cooper and Lee (2012) is used in the present work to illustrate performance accountability as an example of this administrative accountability. They distinguish performance accountability based on what it concerns (i.e., economy, efficiency and effectiveness), and put it under a performance continuum of increasing complexity and importance. Performance information disclosed may exhibit a government performance accountability position in the continuum.

Another common classification for accountability in the public sector is a dimension that distinguishes between internal and external forms of accountability (Boyne et al. 2002; Mulgan 2000a). Each of these classifications is discussed in the following sections.

2.4.1 Political accountability

Political accountability locates itself at the highest level in the hierarchy of accountability, where each level is a derivative of another, and lower levels contribute to the higher level accountability (Funnel, Cooper & Lee 2012). Eckardt (2008) asserts that political accountability is related to the extent to which the community is able to hold public sector people accountable for their conduct. Mulgan (2000a, p. 556) asserts that ‘the key accountability relationships in this core sense are those between the citizens and the holders of public office and, within the ranks of office holders, between elected politicians and bureaucrats.’ Since the public has delegated their power to their representatives in parliaments, the central issues are then around the ability of members of parliament to address public interests, or the ability of legislators to scrutinize government actions and make officials answerable for any misconduct (Mulgan 2000a). The accountability mechanism works in the opposite direction to this power delegation, where government is held accountable by legislators, and legislators by the public in general (Bovens 2007). Political accountability is also often referred to as democratic accountability, and without it
other lower levels of accountability are considered to be less useful (Funnel, Cooper & Lee 2012).

2.4.2 Legal accountability
Legal accountability relies upon a principal-agent relationship, where the focus is on the ability of an agent to comply with the principal’s formal requirements and expectations (Romzek 2000). It derives from laws and regulations, and the drive for compliance with principal requirements is reinforced by legal scrutiny and legislative oversight (Bovens 2007; Romzek 2000). In reality, a form of legal accountability can be found in governments’ compliance with regulatory instructions for any expenditure disbursed from the budget, and it is also labeled fiduciary accountability as it concerns the correctness of expenditures against regulations (Funnel, Cooper & Lee 2012). In the past this kind of accountability has been the form of accountability of the most concern in the public sector, where governments are held accountable and are expected to be able to answer to the legality aspect of their conduct (Funnel, Cooper & Lee 2012).

2.4.3 Corporate and hierarchical accountability
On the nature of the actors, where the emphasis is on whom should render accountability, in the present research to the importance of two types of accountability are discussed, namely corporate accountability and hierarchical accountability. Bovens (2007, p. 13) claims that ‘many public organisations are corporate bodies with an independent legal status’, and thus ‘can operate as unitary actors to be held accountable accordingly.’ Organisations take full responsibility for collective outcomes and are accountable as a corporate, without too much consideration for underperforming individuals/units (Bovens 2007). Meanwhile, in hierarchical accountability individuals as actors are responsible for their conduct hierarchically: those who are at the top end of an organisational hierarchy take all the blame (Bovens 2007). Then, in turn, the conduct of middle-level managers, down to the lowest authorities, is addressed internally.

2.4.4 Financial accountability
In order for political or democratic accountability to be effective, the role contributed by financial accountability is inevitable (Funnel, Cooper & Lee 2012). In line with public sector reform, financial reform, which includes the introduction of performance-based budgeting, has been diffused through public or government institutions to enhance effectiveness and efficiency and to promote transparency, which in turn results in better accountability. In
terms of budgeting, financial accountability serves to provide an answer for the appropriate allocation and disbursement of the government budget. Governments would not be able to perform their duties serving their communities without the support of the budget as a vital input. This input (in monetary terms) is mostly raised from citizens through levies or taxation, besides other sources. Hence, the government is accountable for any activities and programs conducted using taxpayers’ money. The performance-based budgeting system that was originally practiced in the private sector has today spread into public activities to optimize the effectiveness of programs (Lee & Wang 2009). Financial accountability is very important in the public sphere as the public demands answers for the appropriate use of budgets for the best public interests, especially in an era of resource constraint.

2.4.5 Performance accountability

The interpretation of accountability has changed over time, with an earlier narrow definition of accountability, where the government function was assessed using input measures such as the legal use of budgets, has been expanded to focus more on output and outcomes measures (Funnel, Cooper & Lee 2012). As with the private sector, the public sector is now managing performance by considering both financial and non-financial aspects. This practice is widely accepted due to the belief that public management needs to incorporate a set of leading, forward-focused indicators or measures with the ability to provide a drive for performance, in addition to traditionally lagging financially-focused measures (Chan 2004; Ittner & Larcker 1998; Kaplan & Norton 1995), in order to allow the immediate remedy for any defect in performance during the process.

In general, stakeholders would like to witness and assess the achievement of government programs and strategic objectives in terms of economy, efficiency and effectiveness. Unlike the private sector, however, the public needs their money spent appropriately without sacrificing outcomes (Funnel, Cooper & Lee 2012). Therefore, effectiveness measures of performance are the most important aspect in public sector accountability, as compared to efficiency and economy aspects (Funnel, Cooper & Lee 2012). This is reasonable since governments must accommodate public needs, even for programs that incur a big financial expense.

If we further examine performance accountability, in terms of the degree to which certain aspects or elements are more important than others, a performance accountability continuum, as suggested by Funnel, Cooper and Lee (2012), may provide the best explanation. Figure 2.1
presents a diagram of the performance accountability continuum in the public sector. Funnel, Cooper and Lee (2012) divide this continuum into three aspects of concern in performance accountability: economy, efficiency and effectiveness.

**Figure 2.1: The public sector accountability and performance continuum**

Increasing Sophistication

- **EFFECTIVENESS**
  - Outputs lead to the achievement of policy outcomes

- **EFFICIENCY**
  - Inputs are related to outputs produced

- **ECONOMY**
  - The level of inputs must be controlled

- **REGULARITY AND LEGALITY**

--- Components of performance and management accountability

Policy and program effectiveness. The higher level of performance accountability

The lowest performance accountability level. Focus is on the level of inputs

The concern is with meeting the requirement of processes

Source: Funnel, Cooper and Lee (2012, p. 52)

The highest level is accountability, with the emphasis on policy and program effectiveness, while traditional accountability with its economy focus comes at the lowest end, since the economy is no longer the most concerning aspect in the public sector. In terms of the degree of sophistication, accountability with a focus on efficiency falls in the middle of the continuum, somewhere between effectiveness focus and economy focus accountabilities. Outside the performance accountability boundary, fiduciary/legal accountability exists to support the upper level of accountability, and is concerned with meeting legislative requirements in the process of managing resources. This is a very basic form of accountability with limited impact on performance results, but it is fundamental.
2.4.6 Vertical versus horizontal accountability

Vertical accountability refers to ‘legal structures underlying public sector organisations and which conform to the process of authorisation and defined mandates’, where the focus is on whether the government has delivered outputs in an acceptable manner (Hodges 2012, p. 30). This means that, whenever a unit of an organisation assumes the power to a certain extent in a hierarchy or government structure, it retains the capacity to hold its respective subordinate units accountable for their conduct. In most democratic governments, accountability can be seen through a chain of authority delegation from highest level of authority to the lowest one, and individuals or teams are held responsible for resources allocated by their immediate superiors (Funnel, Cooper & Lee 2012). For instance, employees are accountable to immediate superiors; departmental unit managers are accountable to their respective chief executive officers, and so forth up to the highest position in the hierarchy.

In contrast, horizontal accountability is a concept of accountability ‘where the accountee is not hierarchically superior to the accountor’ (Schillemans 2011, p. 390). Instead, the term is used to describe the external control over the practices of a particular institution by other interested parties (Schillemans 2011). For government institutions, the most direct examples of horizontal accountability are the relationship between the executive and legislative branches of the government, or between public sector agencies and clients and other interest groups. It has been suggested that accountability under the NPM regime would fall under the vertical dimension (Almquist et al. 2013), since higher level authorities delegate some tasks and responsibilities to lower level authorities and they own the rights to receive information on tasks performed by their subordinates. Almquist et al. (2013) also indicate that those under a NPG regime would promote horizontal accountability practices, where collaboration work among agencies or different branches of government in performing tasks requires disclosure of each party’s achievement.

2.4.7 External versus internal accountability

This dimension of accountability originally comes from the two main schools of thought in politics in the 1940s in the US in defining the term ‘responsibility’, where one side emphasized the inward responsibility to professional standards and value, while the other side highlighted the importance of meeting external political directions (Mulgan 2000a). The debate continued half of a century later with the argument over the notion of internal and external accountability instead of responsibility (Mulgan 2000a).
Internal accountability deals with the internal interaction between a manager and his subordinates within an organisation, or between agency managers and politicians (Boyne et al. 2002). In this kind of accountability, relationships exist within the government sector to provide a good control system that is useful for evaluating performance and minimising defects in the management. Internal accountability is believed to be more effective in enhancing performance, despite it not being formally regulated in government sectors in most cases.

By comparison, external accountability refers to the responsibility of management to be able to provide reasonable answers for its conduct to external stakeholders (Boyne et al. 2002). It may take the form the discharge of accountability of local authorities to their associated provincial and central governments, or accountability of governments to members of the House of Representatives. This type of accountability is usually well-regulated, but has minimal impact on real performance improvement, and compliance in producing performance accountability reports usually useful in meeting legitimacy demands (Cavalluzzo & Ittner 2004).

2.5 Management accounting reform in the Indonesian Government and the practices of neighboring countries

Management accounting reform in the Indonesian public sector started in 1999, subsequent to the fiscal collapse during that period in many Asian countries. The severe impact to the Indonesian economy resulted in the collapse of Soeharto4 regime (Harun 2007; Harun, H, Peursem & Eggleton 2012). The succeeding administration commenced reform of governmental systems, law and managerial practices (Akbar 2011). This new government, led by B.J. Habibie, was distinctly different from the previous military-style regime, in setting the milestone of a more democratic management. Among these reforms was the introduction of Law Number 22, Year 1999, on Regional Governments, where more power was delegated to regional governments to rule and manage their territories, through a decentralised system of government. This law was instituted as the prompt for ‘a major reorganization of political accountability chains’, since the public could now directly hold regional governments accountable due to their higher authority over resources (Eckardt 2008, p. 5).

4 Soeharto was the President of Indonesia at the time. He served in the presidential position for 32 years and set a regime called New Order, a centralised governmental system which collapsed in the middle of 1998.
This reform has been in line with the idea of NPFM, where overall practices require attention and substantial improvement in several aspects of the managerial system need to be made. In fact, the reform has addressed all NPFM aspects or elements for change as described in Guthrie et al. (2005) and Guthrie, Olson and Humphrey (1999). For example, the Indonesian Government started to adopt an accrual accounting system to replace cash basis accounting, with the release of Government Regulation number 71/2010; and revised the financial reporting system through the introduction of Government Regulation number 8/2006. In regard to developing a commercially-minded and market-oriented structure, a large number of state-owned enterprises have emerged, in the areas of telecommunications to mining industries and from energy to water corporations, for example. Other reforms involve the decentralisation of the budget and improving the auditing system.

However, the emphasis for the present research is on performance measurement reform, since it is a core element for change in the Indonesian public sector and provides a strong link with other initiatives for change, particularly the linkage among three aspects, i.e. performance measurement, planning, and the budgeting system. Management accounting literature on performance measurement systems in the developing world is considerably rare compared to that on the developed world. Research on East Asian countries is particularly limited. The present research aims to fill this gap by providing evidence of performance measurement system evolution and the discharge of accountability with Indonesian regional governments as the object of study.

Of the limited studies within the Indonesian neighborhood, the works of Khalid (2008), Sutheewasinnon, Hoque and Nyamori (2015), Tooley, Hooks and Basnan (2010) and Sarker (2006) provide insights into the practices of PMS in this region. This body of literature has shown that the cause of change to performance measurement systems was the impact of economic recession. For example, reform in Thailand was a response to the economic crisis and became an entry point for international donors such as the World Bank to exert their power for a performance measurement change (Sutheewasinnon, Hoque & Nyamori 2015). Since the late 1990s, the Thai Government promoted a Performance Agreement Framework (PAF), which was claimed as being based on the Balanced Scorecards model, in which the government implemented some of the Balanced Scorecards dimensions and has gradually continued implementing further dimensions until they are fully understood and accepted by the implementers (Sutheewasinnon, Hoque & Nyamori 2015).
In another jurisdiction, Malaysia has unsuccessfully introduced two performance measurement applications (i.e., performance planning budgeting, and modified budgeting system) and started to introduce KPIs in 2005 to all public agencies (Khalid 2008). However, they reported difficulties in performance data collection and the use of KPIs-derived information, which are thus expected not to lead to significant changes towards effective and efficient service delivery (Khalid 2008). Moreover, in particular with respect to local authorities, Malaysia lacks clear performance reporting requirements in terms of disclosure of non-financial performance (Tooley, Hooks & Basnan 2010). Hence, the usefulness of KPI reporting was minimal and mostly used for internal purposes (Khalid 2008). Among other neighbors, Singapore is progressing towards a better implementation of PM and making PMS useful for external and internal use. In this respect, Singapore is considered to be relatively better than other countries in the region in terms of its ability to maintain economic development and good administrative infrastructure, strong political commitment from top management, high level of state capacity, and the ability to maintain rule of law as well as low level of informality (Sarker 2006).

2.6 Summary

This chapter reviews the relevant literature on public sector performance measurement and accountability in general, and provides a review of reform in the Indonesian public sector. Public sector performance measurement changes originated from the need to have an improved government performance and better accountability, and for this purpose, NPM and NPFM, including new governance and corporate governance paradigms, have much to offer. However, the literature has to a certain extent suggested that a mandated PMS and reporting has not necessarily resulted in better performance, but instead is used as a form of compliance that serves an external accountability purpose. Furthermore, efforts to improve performance are not straightforward since a number of impediments in the adoption, development and implementation process have been listed in the literature. In terms of accountability, the definition of public sector accountability is multifaceted as it has to serve multiple stakeholders interests which often diverge and are in conflict. This has resulted in the identification of a number of accountability dimensions worthy of further examination. The framework for Indonesian regional government performance measurement started to change in the late 90s. This framework provided by the central government for the purpose of better evaluating the government achievement and better enhancing accountability. The application of this framework along last 15 years of implementation requires a thorough examination.
Chapter 3: Theoretical Framework

3.1 Introduction

A theoretical framework is vital in a research process as it provides the foundation upon which the study is based and positioned with respect to the existing literature. The theoretical framework is used as a lens in developing the research questions, designing the work process, and analysis. A researcher should refer to the theory he/she applies throughout the research, as the selection of a theoretical lens may determine research directions and has implications for the process of the research. It also useful to increase the level of confidence in the findings as it provides links between the theoretical aspects and the results of a study.

This chapter elaborates on the theoretical lens used in the study as a framework to support the argument is discussed, as well as the foundation to develop research questions. The present study employs a branch of new institutional theory rooted in the field of sociology, namely New Institutional Sociology (NIS). The use of this theory in examining public sector performance measurement research is not new, and it has been proved reliable in answering questions relating to the underlying motivations toward the re-organisation of systems of performance (see for example Carpenter & Feroz 2001, Modell 2001 and Chang 2006). In the present research context, this theory is also considered to be able to provide explanations for the processes of change in public sector performance measurement, through the evaluation of isomorphic processes. Evidence from previous research in a similar context is drawn upon for a clearer picture of the association between NIS and performance measurement research. Finally, in section 3.5 the chapter provides an explanation of the research process employed to assist the study in achieving its objective.

3.2 New Institutional Sociology (NIS) as a lens

Many studies on management accounting for the public sector have used institutional theory as a theoretical framework or lens and sometimes triangulated with other perspectives such as resource dependence theory Abernethy & Chua 1996; Capenter & Feroz 2001). Some have used a traditional perspective of old institutional economic theory in their research, such as Burns and Scapens (2000) while others have applied New Institutional Theory (NIT) sociological approaches (Carpenter, VL & Feroz 1992, 2001; Chang 2006; Modell 2001). In general, NIT has two branches, namely New Institutional Economics (NIE) and New Institutional Sociology (NIS). NIE concerns with economic rationale to explain a number of
different types of organisational structure and system, while NIS put emphasis on social aspect in which an organisation needs to embrace rules, social norms and expectation of its institutional environment (Scapens 2006). For this particular research, NIS is used as a lens in an effort to uncover the underlying motivation of PMS change under socially institutionalised government organisations and to assess the evidence of influencing factors (in terms of isomorphic processes) on the PMS development and implementation stages. NIS was popularised by among others Meyer and Rowan (1977), Dimaggio and Powell (1983), Scott (1987) and Zucker (1987).

NIS advocates that the rationale for bureaucratisation or formal structure of a management organisation lies on institutional rules exerted by powerful institutional environment (Dimaggio & Powell 1983; Meyer & Rowan 1977). Meyer and Rowan (1977, p. 343) argue that formal organization structures and practices are the results of powerful institutional rules since its “… enforced by public opinion, by the view of important constituents, by knowledge legitimated through the educational system, by social prestige, by the laws, and the definitions of negligence and prudence used by the courts.” The state and professional bodies are believed have strong roles in shaping institutional environment (Dimaggio & Powell 1983).

While NIS discusses institutionalisation as the rationale for the formal structure of organisations as exerted by institutionalised environment, an understanding of two terms (i.e. institutionalisation and institutional environment) is important. Zucker (1977, p. 728) defines institutionalisation as a ‘process by which individual actors transmit what is socially defined as real and, at the same time, at any point in the process the meaning of an act can be defined as more or less a taken-for-granted part of this social reality.’ From this definition, Zucker (1977) contends that institutionalisation has two elements: objective and exterior. Acts can be perceived objective if they are repeatable by other institutional actors without altering the understandings and they are embedded in formal structures of similar organisations (Zucker 1977, 1987). Acts are perceived exterior once ‘subjective understanding of acts is reconstructed as intersubjective understanding so that the acts are seen as part of the external world’ (Zucker 1977, p. 728). Thus, institutionalised structure is rule-like resulting from social belief of rationality.

The literature does not reveal an explicit definition of the institutional environment. However, rationally thinking, any influencing factor that has the ability to shape an organisation
structure to be similar with its counterparts (under the same line of business) may be considered as elements of institutional environment and is usually external to the organisation. Zucker (1987) contends rules as explained in Meyer and Rowan (1977) and the State as discussed by Dimaggio and Powell (1983) are among the elements of institutional environments. Dimaggio and Powell (1983, p. 148) in particular, refer to the institutional environment as the organisational field as it ‘constitute[s] a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products.’

Government management practice change may be viewed as the result of institutionalisation process since its inception is triggered by environmental pressures from the State and enforced through a series of legitimated elements (e.g. regulations). One of the most prevalent pressures for change in the government or public sector comes from legislation, where particular units in organisations are obliged to comply with the rules in order to be perceived as legitimate. However, the compliance with certain rules is not necessarily translated in to better performance and it is not impossible that the intention for change is just for formality (see for example the findings of Carpenter & Feroz 1992, 2001). Meyer and Rowan (1977, p. 340) further emphasise that,

Institutionalized products, services, techniques, policies, and programs function as powerful myths, and many organizations adopt them ceremonially. But conformity to institutionalized rules often conflicts sharply with efficiency criteria and, conversely, to coordinate and control activity in order to promote efficiency undermines an organization's ceremonial conformity and sacrifices its support and legitimacy.

Apart from the State, the role of professional bodies as another institutional actor can been seen in terms of, for example, the influence of Certified Practicing Accountant (act as a professional accounting body) in shaping accounting environment through their graduates.

Despite it being widely employed as a research lens, NIS has been subject to criticism for its failure to acknowledge economic and efficiency issues (Hopper & Major 2007). For instance, Dimaggio and Powell (1983)acknowledgment of competitive isomorphism – that assumes rationality for restructuring comes from market competition – however, they were in favor of institutional isomorphism and neglected the interplay between both. The separation of the
economic fitness from the discussion can also be found in Meyer and Rowan (1977) who contend that institutionalisation serves as a window dressing and is not aimed at improving efficiency. However, it is difficult to separate between institutional and economic pressures and they may co-exist at the same time (Scapens 2006). Consequently, such dichotomies are not necessary to make (Major & Hopper 2004).

Another critics for NIS resulted from its inability to address the role of intra-organisational factors (Major & Hopper 2004). For instance, another research shows that pro-active mimicking and managerial discretion have meant that system change may the result of serving both internal need for improvement and social fitness (Chang 2006; Modell 2001). This has to some extent weakened the traditional belief of NIS.

Despite the differing views on NIS, this study employs this perspective as it is believed suitable to the context of the research, in that the reform was initiated by the central government to be adopted by its regional administrations. Institutional isomorphism better suits in this context since the central government introduces its imposition. Furthermore, NIS is useful perspective to discover the rationality for organisational conformance towards institutional pressures as well as suitable lens to reveal influential actors of change. Whether competitive isomorphism plays its role in the process of change is beyond the scope of this research.

3.2.1 Isomorphic processes under NIS perspective

Effort to respond and adjust with the environmental pressure to be rational, organisations tends to ‘be guided by legitimate elements, from standard operating procedures to professional certifications and state requirements, which often have the effect of directing attention away from task performance. Adoption of this legitimated elements, leading to isomorphism with institutional environment, increases the probability of survival’ (Zucker 1987, p. 443). Isomorphism in this context is towards structural similarity. The similarity in organisational structure among organisations is possible since they resemble the practices of more legitimate counterparts within the same industry (Dimaggio & Powell 1983). Resembling response to institutionalised rules is believe as a method to gain legitimacy, resource, stability and hence survive in the institutionalised environment (Meyer & Rowan 1977). In the public sector and particularly for the Indonesian context where the government seems to exhibit similar structures (e.g., hierarchy of the government and agency level,
agency names and responsibilities) from one regional government to another, isomorphic processes is very likely to occur.

Dimaggio and Powell (1983) identifies three types of isomorphism, i.e., coercive, mimetic and normative. They argue coercive isomorphism may be the result of formal or informal pressures exerted on organisation using methods span from extreme persuasion to soft invitation and it has an association with political influence and legitimacy problem. Coercive process may involve imposing mandated practices into an organisation by another organisation at an upper level. In categorisation provided by Scott (1987, p. 501), this legitimate coercion falls under ‘the imposition of organizational structure’ account of structural influence. A compliance as a form of response is likely to occur otherwise it may be seen as illegitimate. Nonetheless, similar with Meyer and Rowan (1977) contention on the myth and ceremony of formal structure, Scott (1987) believes responses to coercion are mostly superficial.

A further type of isomorphism, results in mimetic processes, usually coming from environment uncertainty which may result in one organization mimicking the practices of others in similar environments (Dimaggio & Powell 1983). They gave example of this mimicry process by directing attention to the modernisation of the Japanese Government by learning and copying of western practices. ‘The imperial government sent its officers to study the courts, Army, and the Police in France, the Navy and postal system in Great Britain, and the banking and art education in the Unites States’ (Dimaggio & Powell 1983, p. 151). An organisation will of course select what it believe a more legitimate organisation and model itself to be similar in structure and practices in order to gain legitimacy.

Normative as the third type of isomorphism identified by Dimaggio and Powell (1983) is associated with professionalization, e.g., professional people in organization tend to infuse best practice based on their knowledge or experience. They interpretation of profesionalisation brought them to the belief of two sources of isomorphism (i.e., formal education and professional networks). These sources are believed as the centre of norms for the development of organizational management where irreplaceable individuals with specific skills shape the understanding of particular structure and practices (Dimaggio & Powell 1983).

In addition to isomorphic processes discussed above, it is also worth to note the inducement concept offered by Scott (1987) as a rationale for homogenisation in organisation’s structure.
Scott (1987) argues that inducement strategy is used by the actors of change to have their subordinate units conform with requirements once they have the ability to provide incentives to subordinate organisations. This isomorphism is enforced by continuing or discontinuing incentives based on the continuity of conformation/compliance which is evaluated regularly to look for detailed evidence of conformation.

Table 3.1 summarises the main body of literature on NIS, used in the development of the theoretical framework useful for developing research questions.

Table 3.1: Main literature on NIS used in the study

<table>
<thead>
<tr>
<th>No</th>
<th>Author(s) and year of publication</th>
<th>Journals</th>
<th>Contribution to current research topic development</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Meyer and Rowan (1977)</td>
<td><em>American Journal of Sociology</em></td>
<td>Providing a rationale for the formation of formal organisational structures in gaining legitimacy.</td>
</tr>
<tr>
<td>3</td>
<td>Scott (1987)</td>
<td><em>Administrative Science Quarterly</em></td>
<td>Supplementing isomorphic processes, explanations from a different angle and categorisation</td>
</tr>
<tr>
<td>4</td>
<td>Zucker (1987)</td>
<td><em>Annual Review of Sociology</em></td>
<td>Defining institutionalisation and institutional environment, and supplementing the explanation of institutional actors from a different angle.</td>
</tr>
</tbody>
</table>

Examining isomorphic processes on a structural change is not necessarily straightforward. The process for change may be the result of all isomorphic pressures over time or in a point of time and they may acts as a single form or acts simultaneously which sometimes is difficult to distinguish which poses the highest pressure (Carpenter & Feroz 2001). In addition, some pressures can be subtle which is difficult to realise their existence in
influencing the organisation practices. This particular research explores the existence of isomorphic processes in governmental organisation’ PMS as a part of a variety of structural reforms under NPM and New Governance initiatives.

In the past, there was a strong public perception that traditional government structures are unable to provide acceptable services. For example, the structure of public bureaucracy when centralised in terms of control and resource allocation, have little flexibility in hiring and rewarding personnel and meeting implicit organisation’ goals (Hood 1991). Government organisations were also considered too large and need institutional reform (Guthrie et al. 2005). Similarly, people witness the public sector as a monopolistic body in terms of providing certain practices, out of touch, out of control, badly managed with the potential for financial mismanagement inside (Peters & Savoie 1994). These negative views have resulted in social belief that better practice comes from the private sector (Hood 1995). This belief also prompted public sector management adopting NPM and subsequent mechanisms of such corporate governance and good governance in the management practice.

3.3 NIS approach on performance measurement research

Drawing from the broad literature review and examining the institutional theory as a lens, motivation for performance measurement implementation within the public sector is likely due mainly to survival reasons. Gupta, Dirsmith and Fogarty (1994) claims that the survival of government units depends primarily on the support of external constituents and only secondarily on their actual performance. For instance, despite the fact that reform has taken place, results of the implementation of new performance management innovations are rather unclear for many countries and the evidence of sophisticated, convincing improved performance is rare (Atkinson, Waterhouse & Wells 1997; Olson, Humphrey & Guthrie 2001). Much of the research exhibits the appearance of isomorphism in the process of management change practices (see for example Abernethy & Chua 1996; Akbar, Pilcher and Perrin 2012; Radin 1998).

In terms of isomorphic processes during the introduction of PMS, coercive power from the central government in terms of imposing regulations may explain the motivation for change and it is assumed as one of the strongest factors to the implementation (Akbar 2011). Mimicry may also be possible to explain the change in government PMS since the level of adoption may not be similar from one governments to the others due to institutional capacity of each government organisations (Mimba, Helden & Tillema 2007, 2013; Tillema, Mimba &
Helden 2010), and technical and organizational constraints (Berman & Wang 2000; Cavalluzzo & Ittner 2004). In addition, more professional people might be assigned to positions in government organisations to improve performance and better deliver services and this may be an alternative channel to transfer professional knowledge on performance measurement into management within government sector. This normative isomorphism may also possible arise in government organisation in its attempt to gain legitimacy.

The application of NIS in public sector performance measurement has appeared in the work of, for instance Modell (2001) in his study examining the managerial responses to public sector reform and Chang (2006) who assesses the National Health Service (NHS) managers in the UK to government imposed performance measures. This perspective also use in Abernethy and Chua (1996) in their research assessing the impact of institutional processes on management strategic choice in hospitals. In relation to financial performance, NIS have been used as lens for the work of Carpenter & Feroz (1992) on US state governments decision to adopt generally accepted accounting principles, and the work of (Geiger & Ittner 1996) on determinants of government cost accounting practices.

Table 3.2 exhibits sample of public sector performance studies apply NIS as the theoretical lens of research.
Table 3.2: Some applications of NIS for public sector performance studies

<table>
<thead>
<tr>
<th>No</th>
<th>Author(s) and year of publication</th>
<th>Journals</th>
<th>Focus of Study</th>
<th>Research Questions/Objectives of the Study</th>
<th>Methods and empirical data collections</th>
<th>Findings/conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Brignall and Modell (2000)</td>
<td>Management Accounting Research</td>
<td>General</td>
<td>To advance a framework based on institutional theory addressing the impact of interplay among funders, professional groups and purchasers of public services on the performance measurement design and implementation</td>
<td>Conceptual paper</td>
<td></td>
</tr>
</tbody>
</table>
| 2  | Modell (2001)                    | Management Accounting Research | Hospital      | The study aims at providing detailed analysis of the managerial tactics in developing performance measures (drawing from Oliver's typology) | Case study using semi-structured interviews and archival data collection | - There is a strong resistance in initial implementation of diagnosis related groups (DRG)-based performance measures due to complexity and other problems.  
- Pro-active mimicking then made DRG-based performance measures seen as superior mechanism for improvement |
| 3  | Abernethy and Chua (1996)        | Contemporary Accounting Research | Hospital      | Relationship between control mix and its environment  
- Strategic responses to institutional pressures  
- Factors influence responses  
- How do accounting control systems fit into the 'package' of controls? | Longitudinal study in a hospital using archival data collection, observational and Interview | - External pressures determine organisational control mix  
- Evidence of a range of responses to pressure  
- The organisation depends heavily on major stakeholder  
- 'Crude' budgetary control is enough |
<table>
<thead>
<tr>
<th>4</th>
<th>Carpenter &amp; Feroz (2001)</th>
<th>Accounting Organization and Society</th>
<th>US State Governments</th>
<th>How Institutional pressures influence the decisions to adopt Generally Accepted Accounting Principles (GAAP) for external financial reporting</th>
<th>Cross-case analysis</th>
<th>The GAAP adoption was slow and evolutionary, involve many actors and through isomorphism processes. It is also understood that the adoption smoothness influenced by several factors.</th>
</tr>
</thead>
</table>
| 5 | Geiger and Ittner (1996) | Accounting, Organization and Society | Units in U.S. Federal Government | Examines the influence of legal requirement to be self-funding and mandated requirement for cost accounting data. | Survey through mailed-questionnaire and interview | - Mandated government cost accounting systems are positively associated with cost system elaborateness, but are not associated with greater internal use of cost accounting data.  
- The extent of competition and funding uncertainty is positively associated with both the use of cost accounting data for internal decision making and control purposes and cost system elaborateness |
| 6 | Chang (2006) | Financial Accountability & Management | Local Health Authorities | Investigates the response of local health's managers to performance measurements imposed by central government | Semi-structured Interview | - Performance measures imposed were rather high level and not suit local authorities  
- As there is strong coercive power, managers infuse the requirement to secure resources. |
3.4 Research questions

A research question provides guidance on how to address the phenomena to be studied. This research specifically focuses its attention on PMS change in the Indonesian regional governments. The selection of this site of research and interest in the area of PMS has been mounting since a large number of regional governments adopted national framework on PMS. Hence, the study has an interest in exploring the rationale for this adoption and assessing the consequences. Drawing from PMS literature and NIS as a supportive theoretical framework, this research posts four research questions as follows;

3.4.1 PMS motivation

From the NIS perspective, which is adopted as a lens in the present research, rational explanation for the change in organisation practices is quite unique where the motivation is believed to be driven by legitimacy intentions instead of real managerial improvement (Meyer & Rowan 1977). This distinct motivation has been evidenced in the public sector PMS literature (Cavalluzzo & Ittner 2004) but there is also evidence that management has discretion to serve various external stakeholders’ conflicting interests by, for example, performing a decoupling strategy (Chang 2006; Modell 2001). There has been some evidence of management attempts to serve both a legitimacy purpose and internal management interests (Chang 2006). In the present research setting, the change in regional governments’ PMS started with the introduction of the central government legislation on the PMS and accountability. Hence, this research seeks an explanation for the extent of the Indonesian central government control and power over its regional governments over PMS implementation and the extent of other factors contributing to PMS adoption, development and implementation. For this purpose, the underlying motivation in adopting a national agenda in PMS is investigated and formulated as the first research question as follows:

*RQ1: To what extent are regional governments motivated to adapt their PMS to the central government initiative?*

3.4.2 PMS introduction and development overtime

The diffusion in public sector PMS’s as in other managerial innovation diffusion is likely to be better explained using isomorphic processes. For this purpose, the likelihood of evidence of coercive, mimetic and normative influencing factors, described by Dimaggio and Powell (1983) and supplemented by Scott (1987), is investigated in the present research. The influence of each of these isomorphic elements is investigated and explored over time during the performance measurement evolution, starting from the initial
introduction of the Indonesian public sector reform. The revelation of how PMS initiatives introduced into Indonesia’s regional level of government and the stages in its development overtime is useful to understand the strength of different types of isomorphic elements. Hence, the second research question was developed as follows:

RQ2: How has PMS been introduced, developed and implemented at regional level of government over the last 15 years?

3.4.3 Major impediments to PMS development and implementation

The literature indicates that the adoption, development and/or implementation of a particular PMS have not been straightforward. Cavalluzzo and Ittner (2004) found that organisational factors (e.g., the extent of top management commitment to PMS and the extent of training provided) and technical factors (e.g., performance information system capability) influence PMS development and implementation. Berman and Wang (2000) also present similar results in which the capability of collecting data on time and having adequate information technology is different between the high level user and the low level user of PMS. Other impediments may come from institutional capabilities, level of stakeholders’ involvement, and level of informality where these factors contribute to the PMS design and implementation (Mimba, Helden & Tillema 2007). As mentioned earlier, informality is the practice of adopting informal structure from outside of management but it has a potent influence for government decisions. For example, political and financial supports from business leaders to political leaders, and in return they receive facility or simplicity in running business (Sarker 2006). To investigate the impediments to PMS design and implementation in practice, the following third research question is posed:

RQ3: To what extent has the development and implementation of the national framework on performance measurement been impeded at a regional level?

3.4.4 The extent of accountability

In the government sector, performance measurement is useful to promote accountability since it is discharged through performance information (Kloot 1999). The nature and notion of accountability has now been emphasised in the government sector through legislations (Kloot 1999). However, the notion of accountability is often difficult to determine in a multiple stakeholder’ organisation, such as government since the ability to serve the different purposes and often conflicting interests of various stakeholders requires multiple understanding of accountability dimensions (Parker, L & Gould 1999). Some of
the most defined terms of accountability in the public sector include among others: Political accountability, internal versus external accountability (Mulgan 2000a), legal accountability (Romzek 2000), financial accountability, performance accountability (Funnel, Cooper & Lee 2012), vertical accountability (Hodges 2012), horizontal accountability (Schillemans 2011) and also corporate versus hierarchical accountability (Bovens 2007). The present research investigates the notion of accountability and how it is discharged through the adoption and implementation of a national agenda on performance measurement. Hence, the fourth research question is as the following:

RQ4: Have there been any significant impacts on accountability following the performance measurement change initiative?

3.5 Research Process

Figure 3.1 has been developed to provide a summary of the research process. As highlighted earlier, the objective of this research is to better understand the impact of central government change on the Indonesian regional governments’ PMS and accountability following the last 15 years of public sector reforms. Addressing this objective, four research questions have been developed with the PMS and accountability literature as reference points, and these questions are operationalised around four main themes developed from the NIS perspective and supporting literature.

Figure 3.1: Research process

The research questions discussed in section 3.4 are operationalized through a set of interview questions under each theme. Public sector performance measurement and management, and the accountability literature are used to develop themes and semi-
structured interview questions around the themes. Table 3.2 below lists the associated literature that has contributed to the research questions.

**Table 3.3: Literature for research question development**

<table>
<thead>
<tr>
<th>Research Questions</th>
<th>Associated literature</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>PMS change and accountability</em></td>
<td></td>
</tr>
<tr>
<td>b. PMS introduction and development over time</td>
<td>Dimaggio and Powell (1983), Scott (1987)</td>
</tr>
</tbody>
</table>

For the purpose of the interviews, a number of directive open-ended questions were developed to assist both interviewer and interviewee on actual themes. Other questions then follow the theme and evolve during the interview process as a snowball effect. Prompt questions relating to each research question were developed based on the literature and some replication of questions is believed useful and thus employed for the study.

**Table 3.4: Research themes and sample of associated interview questions**

<table>
<thead>
<tr>
<th>Interview Questions</th>
<th>Link to literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. General introduction to the topic:</td>
<td></td>
</tr>
<tr>
<td>a) Briefly describe position, duties and responsibilities.</td>
<td></td>
</tr>
<tr>
<td>b) The level of involvement in PMS development.</td>
<td></td>
</tr>
<tr>
<td>c) Explain your understanding on PMS applied at</td>
<td></td>
</tr>
</tbody>
</table>
regional governments since the introduction of Presidential Instruction number 7/1999.

2. PMS Motivation:
   a) What was the purpose of developing PMS? Any rationale behind development?
   b) Are regional governments’ resources dependent on the central government provisions? To what extent?
   c) Could you rate from the most influential factors to PMS adoption among:
      d) central government legislation,
      e) assist manager to be more accountable,
      f) improve performance,
      g) to have more rational approach through better means of disclosure.


3. PMS introduction and development overtime:
   a) Explain how PMS has infused into regional governments.
   b) In attempt to adopt national framework on PMS could you explain the process of development and implementation at regional level overtime?
   c) Could you explain the contribution made by internally professional staff and external parties to PMS development?
   d) Could you explain any evidence of benchmarking in PMS development by learning the so-called good practice of other government institutions?

Dimaggio and Powell (1983)

4. Major impediments to PMS adoption
   a) To what extent have top management, elected officials and legislative members played roles in PMS adoption?
   b) To what extent has adequate training been provided to adopt and develop PMS?
   c) To what extent has a performance information system been able for capturing and delivering performance information?
   d) To what extent has level of informality influenced PMS implementation?


5. The extent of accountability, use of performance


information and outcomes of PMS:

a) To what extent has performance information been used to report the achievement to higher level of authorities?

b) To what extent has performance information been used to report the achievement to legislative members?

c) To what extent has performance information been used to report the achievement to the community?

d) To what extent has accountability increased due to PMS implementation over time? And to what level has it increased to different stakeholders?

e) To what extent has PMS been used to:
   - Set service delivery priorities?
   - Change activities and allocate resources?
   - Adopt new approaches or change work processes?
   - Coordinate efforts?
   - Refine measures?
   - Reward or otherwise recognise employee performance?
   - Develop budget/funding decisions?

f) To what extent has PMS:
   - Increased awareness for legitimacy?
   - Improved decision making abilities?
   - Improved timeliness of management decisions?
   - Been able to clarify programs, goals and objectives?
   - Been able to eliminate services that are no longer appropriate (in terms of budget allocation efficiency, priority, etc.)?
   - Increased ability to determine effectiveness of service delivery performance?
   - Increase ability to determine the efficiency of service delivery performance?


To obtain an understanding of PMS evolution and the discharge of accountability, information obtained from semi-structured interviews of key participants in the field was corroborated with documentary evidence collected in the forms of government regulations, guidelines, and reports and was analysed around the themes. A detailed explanation on the method of data collection is discussed in the next chapter.
3.6 Summary

NIS was used as a theoretical lens to guide the study. NIS is believed to be able to uncover the rational explanation behind PMS implementation, to describe the process for change over time, and to show the consequences for government accountability. From the perspective of this lens, supporting research questions were designed in accordance with the main research question to address the objective of the study. To operationalise research questions, a template consisting of several semi-structured interview questions based on different themes was developed. The next chapter details the methodology and procedures of the research, including the discussion of philosophical perspective and other methodological issues to address.
Chapter 4: Research Method

4.1 Introduction

This chapter elaborates on the methodology underpinning this research. The chapter commences with the definition of qualitative research and the philosophical perspective taken, particularly explaining the epistemological and ontological positioning. This is followed by discussion of the research design, focusing on the field study approach and use of documentary evidence as well as semi-structured interviews as methods of data collection. This section also provides an explanation of participant selection and justification thereof. The attempt to achieve rigor and trustworthiness of the research is also discussed through the establishment validity and reliability test. Lastly, the chapter briefly declares the practice of this research in relation to ethical considerations and confidentiality.

4.2 The nature of qualitative research and its philosophical assumptions

The study has been conducted drawing on qualitative research methods. This approach has been carefully considered and is based on an assumption that in order to possess a full understanding of the real occurrence of a particular phenomenon a close and direct interaction between researcher and object of the study is necessary. For the present research this means the interaction between researcher and participants in the field.

4.2.1 The nature of qualitative research

The present research is interested in understanding the implication of PMS change and the discharge of accountability in the specific context of Indonesian regional governments; and this interest is addressed by seeking answers for questions posed such as how was performance measurement change motivated and managed. A qualitative research design is suitable for addressing this kind of research question, and applies for this study since ‘qualitative researchers are interested in understanding how people interpret their experiences, how they construct their worlds, and what meaning they attribute to their experiences’ (Merriam 2009, p. 5). Unlike quantitative research, where researchers try to simulate the context and find possibilities using statistical analysis, in a qualitative study a researcher is involved in the setting with the participants, in order to gain the understanding of the real phenomena in meanings and values (Denzin & Lincoln 2005). Thus, the primary instrument is the researcher as a human, and direct interaction with participants gives benefits in terms of easy clarification for interpretation or for the understanding of the real
occurrences (Merriam 2009). One characteristic of qualitative research is that the product is richly descriptive in words and figures ‘to convey what the researcher has learned about a phenomenon’ (Merriam 2009, p. 16).

4.2.2 Qualitative research philosophical assumptions

Philosophical assumptions about where qualitative research sits can be seen from two perspectives. Firstly, epistemologically (or how to perceive the nature of knowledge) qualitative research is usually located as interpretive research (Merriam 2009). This means that the emphasis is on the understanding of the social world through careful examination of the phenomena in the real context, and subsequently through accurate interpretation of the occurrence (Bryman & Bell 2007). Precise interpretation can only be gained after researchers have a full understanding of the context during interactions with key participants. Secondly, ontologically (or how someone perceives the nature of reality) qualitative research assumes the reality does not exist on its own but rather is socially constructed, and consequently there are many interpretations of a single event (Merriam 2009). This ontological position is generally described as constructionist, and it implies that the reality is the outcome of individual interactions in perceiving social properties (Bryman & Bell 2007).

4.3 Research design

Using a qualitative perspective, a field study method was conducted within the Indonesian Government setting. The field study is a common method employed in management accounting research. By comparison to the quantitative experimental research and survey methods, qualitative field studies have a benefit in terms of the ability to develop intimate relationships with participants (Abernethy et al. 1999). Since the present study was aimed at gaining insights into regional government performance measurement change and its associated accountability based on the central government framework, insights were collected through two primary resources of evidence, namely interviews with key participants and documentary evidence. The findings collected from these sources were matched against the literature in order to seek answers for developed research questions, and to find support for the theory provided in the previous chapter. Even though the reality of the occurrence can never be able to be captured in full, the combination of multiple methods in qualitative research aims to secure an in-depth understanding about the phenomena (Denzin & Lincoln 2005). This alternative strategy may increase the rigor, breadth, richness and depth of the inquiry (Flick 2009). The design of the present research can be depicted as in Figure 4.1.
4.4 Method of data collection and data analysis

In this research approach, the accuracy in data collection and analysis will contribute to the level of confidence in the research findings. Appropriate selection of methods also determines the trustworthiness of the research. This section elaborates on sources of evidence and how the researcher came to this selection of sources, and presents a discussion of how the data are analysed for further interpretation.

4.4.1 Sources of evidence

The first source of evidence for this research is in terms of publicly available documents, which are readily accessible. Documents include the Indonesian Central Government regulations and any government reports available to the public. In addition, internal records have been provided to the researcher to improve understanding of the phenomenon at hand. These include reports on performance evaluation conducted internally by the central government agencies. This evidence was then supplemented by further internal documents sought during interview sessions. The time frame in collecting this documentary evidence is limited, traced back to 1999 when the first regulation of the new regime of the performance accountability system was released. See Appendix I for types of document collected as sources of evidence.
Documents are static data, and hence need people’s interpretation or others’ descriptive views in order to enhance their usefulness for analysis (Merriam 2009). Thus, in this research, to corroborate the documentary findings, interview sessions with key participants were administered as further data sources. An interview is the process whereby a researcher engages with participants to discuss the topic of research, and might be face to face, over the telephone, or through other state of the art devices (Fontana & Frey 2005). In terms of formality or rigidity, interviews may range from structured, semi-structured to un-structured interviews. In qualitative research, the second tends to be most common, since both types offer flexibility to a certain extent, which is useful to gain depth of response to a research topic. In qualitative interviewing, interviewers can depart from guidelines if they find relevant information regarding the topic of research, and follow up questions are usually based on the respondents’ replies (Bryman & Bell 2007). This strategy is useful for facilitating researchers’ attention on rich and detailed data.

For this research, semi-structured interviews were administered due to the researcher’s preference for relying on a pre-determined list of questions to be raised. By using a template to guide questioning, important points were less likely to be lost or the researcher distracted during the process. Semi-structured interviews also offer great flexibility and intimacy between interviewer and interviewee. Once the interviewee feels comfortable, the depth and breadth of information can be further developed. Abernethy et al. (1999) assert that this type of interview is an appropriate choice when a researcher wants to gain useful information from the actors’ point of view. The list of questions prepared as a guide (and provided in Chapter 3, Table 3.4) was based on literature and documents previously examined. Probe questions and any departures from the guide were based on interviewee responses at the time of interview.

Participants were invited from both central and regional governments. The central government representative views were important as they provide a balanced view from the central government perspective. Similarly, those from regional government were purposely selected from a large population of regional governments because they were considered to be further advanced in PMS application. Invitation letters were sent to their top managers to ensure suitable interviewees were recruited. Following the agreement to participate, all participants were then clustered based on their roles in performance measurement change. The first group or cluster of participants was selected from the Central Government institutions, those having the responsibility to externally conduct evaluation upon regional
governments’ performance at the end of every budget year. These evaluators or assessors are believed to be able to provide benefits to the research as they understand the real phenomena in the field. This group is thus classified as “external evaluator”. Two Central Government-appointed agencies were contacted to participate; but only one agency indicated an interest to participate and could meet the timelines required by this research.

The second cluster consists of participants who have performed internal evaluation tasks for their regional governments’ PMS. According to Indonesian Central Government regulations, these people are internal auditors to the regional governments, and are mostly located within an internal audit agency of each regional government. Hence, these “internal evaluators” were approached to have their views on the topic of this research represented. Participants within the final cluster, classified as “implementers”, are those within regional governments who use the Central Government guidelines in developing and implementing PMS. For this purpose, participants were selected and sampled from regional government agencies responsible for producing annual government performance reports.

These three clusters represent different interests, and thus provide useful insights to understand the phenomena. For instance, “implementers” may reveal weaknesses in the mandated PMS and reporting framework, while “internal evaluators” in the regional governments may expose their views upon implementation issues and their relation to the Central Government guidelines. “External evaluators” may disclose the overall practice in the regional governments.

Twenty potential participants were invited to participate from central and regional governments. Of the twenty, four did not response. Further communication was made with each of the responding participants to arrange interview dates and times. Sixteen participants participated in the research through nine sessions of interviews and two email conversations, as are indicated in Table 4.1. On three occasions/sessions, interviews were held with two participants involved at the same time. They provided responses to different questions as well as adding to points raised by each other’s comments. Participants selected for the interview were those who had depth of knowledge about the evolution of PMS and accountability within Indonesian Regional Governments. One interviewee from the “external evaluator” cluster and one interviewee from the “internal evaluator” cluster held senior managerial positions in their institutions (i.e. P2 and P10 in Table 4.1). All other interviewees were middle managers in their institutions, except for three participants who were designated as
staff in their institutions (i.e. P4, P6 and P13 in Table 4.1). Four participants have been involved in PMS in their governments.

Face to face interview sessions were held with thirteen of the sixteen participants between March and April 2015 during the scheduled fieldwork time. These were conducted on location, in the participant offices. The three remaining participants were unavailable during this scheduled fieldwork time, but willing to be interviewed at a mutually agreeable time. Two participants agreed to email conversations and the remaining participant was contacted through Skype video upon his request. The interview process with this participant was conducted at an earlier time frame at his request. He notified the interviewer that he was taking long-service leave in 2015 and wouldn’t be available at the proposed time. He agreed for an earlier interview to be scheduled while he was still in his administrative position in October 2014. The interview sessions lasted between 27 to 44 minutes, with the exception of the Skype video interview, which lasts for 1 hour and 50 minutes. The following table presents interview details for this research.

Table 4.1: Interview details

<table>
<thead>
<tr>
<th>Occasion</th>
<th>Code Name</th>
<th>Role in PMS</th>
<th>Involvement in PMS development</th>
<th>Interview length</th>
<th>Interview Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>P1</td>
<td>External evaluator</td>
<td>No</td>
<td>1 hour and 50 minutes</td>
<td>Skype</td>
</tr>
<tr>
<td>II</td>
<td>P2</td>
<td>External evaluator</td>
<td>No</td>
<td>38 minutes</td>
<td>Face to face</td>
</tr>
<tr>
<td>III</td>
<td>P3 &amp; P4</td>
<td>Internal evaluator</td>
<td>No</td>
<td>44 minutes</td>
<td>Face to face</td>
</tr>
<tr>
<td>IV</td>
<td>P5 &amp; P6</td>
<td>Internal evaluator</td>
<td>No</td>
<td>33 Minutes</td>
<td>Face to face</td>
</tr>
<tr>
<td>V</td>
<td>P7</td>
<td>Internal evaluator</td>
<td>No</td>
<td>27 Minutes</td>
<td>Face to face</td>
</tr>
<tr>
<td>VI</td>
<td>P8</td>
<td>Implementer</td>
<td>Yes</td>
<td>29 Minutes</td>
<td>Face to face</td>
</tr>
<tr>
<td>VII</td>
<td>P9 &amp; P10</td>
<td>Internal evaluator</td>
<td>Yes</td>
<td>27 Minutes</td>
<td>Face to face</td>
</tr>
<tr>
<td>VIII</td>
<td>P11 &amp; P12</td>
<td>Implementer</td>
<td>Yes</td>
<td>43 Minutes</td>
<td>Face to face</td>
</tr>
<tr>
<td>IX</td>
<td>P13 &amp; P14</td>
<td>Internal evaluator</td>
<td>No</td>
<td>35 Minutes</td>
<td>Face to face</td>
</tr>
<tr>
<td>-</td>
<td>P15</td>
<td>Implementer</td>
<td>Yes</td>
<td>-</td>
<td>Email</td>
</tr>
<tr>
<td>-</td>
<td>P16</td>
<td>Implementer</td>
<td>No</td>
<td>-</td>
<td>Email</td>
</tr>
</tbody>
</table>
Due to the fact that interviewees are Indonesian, the interview process was conducted in the Bahasa Indonesian language and the interviews were recorded upon the giving of interviewees’ permission. Following the finalisation of data collection, information was manually transcribed and translated from Bahasa Indonesia to English. The translation process involved using a translation service located in Victoria, Australia.

4.4.2 Method of data analysis

(Joffe 2012) contends that interviews, in particular semi-structured interviews, and textual data are best managed using thematic research approaches. A theme is defined as ‘a pattern found in the information that at minimum describes and organizes the possible observations and at maximum interprets aspects of the phenomenon’ (Boyatzis 1998, p. 4). Themes are designed to ensure that useful information around issues raised in the research questions is gathered. In this way, the present research was conducted according to key themes, which was followed with thematic analysis of both interview transcripts and document materials. The key themes were associated with the research questions, which consist of PMS motivation, PMS introduction and development, impediments to implementation, and accountability (refer to Chapter 3, Table 3.4). Thematic analysis ‘refers to the process of analysing data according to commonalities, relationships and differences across a data set’ (Gibson & Brown 2009, p. 127). Thus, the thematic method is useful to identify and analyse the patterns of meaning emerging from a set of data (Braun & Clarke 2006).

Thematic analysis is considered a method on its own for analysing qualitative information (Joffe 2012), and has a benefit in terms of flexibility (Braun & Clarke 2006). That is, flexibility in data analysis is possible whereby the creation of themes are not necessarily tied to or stem from a particular theory but are also potentially generated directly from raw data (Braun & Clarke 2006). (Boyatzis 1998) further divide thematic analysis into three stages: theory-driven; prior data or prior research-driven; and raw data-driven. The present research utilises all of these approaches, as some of the themes are pre-developed based on NIS (i.e. themes that are related to the motivation and isomorphic processes), while other themes stem from previous literature and research on PMS (e.g. themes that are related to impediments in PMS implementation). The rest of the themes are data driven, which are observed during the fieldwork (e.g. based on participants’ responses to interview questions), and following the codifying process. Most of the theory-driven and prior research-driven themes were used to develop research questions and to design interview questions.
Data analysis starts from coding data. The coding process of this research follows the method suggested by Saldana (2009). Schwandt (1997, p. 16) defines coding as ‘a procedure that disaggregates the data, breaks it down into manageable segments and identifies or names those segments.’ Saldana (2009) contends that qualitative coding is a heuristic method to capture the essence and essential elements of data, which are then clustered according to pattern and used to facilitate category development. To form a code, a word and a phrase are used to symbolise and represent the meaning of a datum. Saldana (2009) developed a number of coding methods for qualitative research, one of which is descriptive coding. The present study uses descriptive coding to capture the essence of transcript data and document content, due to the researcher’s belief that participants may express their understanding on a context in a range of different wordings. Descriptive coding is concerned with the identification of a topic from a passage, and hence a code is a description of primary content (Saldana 2009).

All codes are then organised and grouped into different categories based on their similar characteristics, as suggested by Saldana (2009). This method helps to build themes in the study for further analysis or to find the most associated pre-developed themes. The themes are used as subheadings in chapter 7 to discuss the findings and in addressing associated research questions. Saldana (2009) suggests that the coding process may be repeated for another cycle if the researcher believes it necessary to reorganise codes, categories or even themes. For the present research, due to the amount of data, the first cycle of the coding process was believed adequate to generate reasonably accurate and comprehensive categories and themes. Thus, successive cycles of coding were not considered necessary. The process of codifying, categorising and associating the data with themes can be depicted in Figure 4.2. Another coding method employed in this study is attribute coding, to capture any demographic description of the participants useful for further evaluation in the data analysis.

NVivo, as a Computer Assisted Qualitative Data Analysis Software (CAQDAS), has been utilised in the present research to help with the identification of valuable data to be coded and the identification of emerging themes useful for analysis. Subsequent to the analysis, excerpts from the participant responses were used in this thesis to provide samples of real evidence of the occurrence.
4.5 Methodological rigor

Validity and reliability are the two most common sets of criteria in determining research trustworthiness. Trustworthiness of research is ‘defined as that quality of an investigation (and its findings) that made it noteworthy to audiences’ (Schwandt 1997, p. 164). Validity and reliability are concerned with the accuracy and replicability of scientific findings, respectively, and the value of the research is partially dependent upon the ability to demonstrate these two aspects (LeCompte & Goetz 1982). Research findings have to be rigorous and trustworthy so they may have a positive impact in terms of research significance and research contributions. Careful attention to both aspects is very important since rigorously conducted research results in the confidence of both researchers and readers that the outcome is of an acceptable value. The concern in accuracy and replicability between qualitative and quantitative studies is not necessarily comparable, since the nature and philosophical assumptions between the two are different. Validity and reliability are
commonly mentioned in quantitative research, even though the terms are quite popular in qualitative types of study as well. However, the present study draws on particular terms for qualitative research as conceptualised by Guba (1981), to assess four aspects of concern: truth value, applicability, consistency, and neutrality. Guba (1981) suggests terms such as credibility, transferability, dependability and confirmability to better reflect internal validity, external validity, reliability and objectivity, respectively, to assess these four aspects of concern.

4.5.1 Credibility of research

In terms of the trustworthiness of the research, one of the concerns is with truth value. Truth value concerns how to establish confidence in the research findings; and the term credibility is used here instead of internal validity (Guba 1981). In the present work, the concern is whether both participants and researchers share the same meanings of the phenomena when the reality is conceptualised, in order that confidence with results can be established (LeCompte & Goetz 1982). Establishing confidence is not possible by simply matching the findings with reality, because ‘reality is holistic, multidimensional, and ever-changing; it is not a single, fixed, objective phenomenon…’ (Merriam 2009, p. 213). Interpretation of reality can be achieved through closer interaction between researcher and participants to understand individual perspectives, when uncovering details of the phenomena in the context of research (Merriam 2009).

To increase the credibility of qualitative research, Merriam (2009) suggests five strategies that might be employed, which are:

- **Triangulation**
- **Member checks or respondent validations**
- **Prolong engagement**
- **Reflexivity or researcher’s position**
- **Peer examination or peer review**

*Triangulation* is a process of searching for convergence of information from multiple sources of evidence or methodologies (Creswell & Miller 2000; Denzin 1978). It can reduce the threat to internal validity or credibility of findings, since the strengths in one methodology can minimise the weaknesses of others (Abernethy et al. 1999; Guba 1981). There are
multiple types of triangulation, namely across data sources (e.g. interviews data collected from different people from different perspectives or through follow-up interviews with the same participants), multiple investigators, and multiple methods (e.g. interview, observation, archives) and theories (Creswell & Miller 2000; Denzin 1978; Lincoln & Guba 1985; Merriam 2009). In an attempt to maintain the level of confidence, the present study draws on interview data collected from multiple clusters, as elaborated on earlier in this chapter. This cross-data method of validation was also verified by comparing it with the analysis of documentary evidence and prior related literature. In addition, to increase the confidence level for unclear responses, one participant was re-contacted for further discussion, elaboration and clarification of the earlier interview response.

The second alternative to increase the credibility of qualitative research is through the process of conducting member checks or respondent validations. Merriam (2009, p. 217) contends that the process of member checking involves requesting feedback from some participants on preliminary analysis to look for “ring true” interpretation of the phenomena. Lincoln and Guba (1985) insist this circular, reinforcing strategy is the most important method in establishing credibility. Its importance lies in the assumption that, while the lens focuses in on participants’ views, the credibility of information and narrative account depends on their reactions (Creswell & Miller 2000). Following participant review and comments, action to improve the interpretation can be taken, for example by correcting the meaning of specific terms arising in the interviews. Creswell and Miller (2000) mention that a focus group is the most useful strategy in reviewing information, but that a single participant view approach can be used as alternative. The present research employed this latter strategy, in which a few participants were approached by phone to comment on preliminary findings.

The third strategy is prolonged engagement in the field, where researchers spend a substantial amount of time engaging with people, doing repeated observation and building trust with participants in an attempt to receive disclosed useful information (Creswell 2003; Creswell & Miller 2000; Guba 1981; Lincoln & Guba 1985). Merriam (2009) uses the wording adequate engagement in data collection for this strategy. This kind of intimate relationship is possible for long-term research, and is often used in ethnographic studies. Since the present study is restricted in time allocation, this strategy is employed only to a small extent and thus is not deeply elaborated here. At the most, the present study was able to collect as much data as possible until no new documentary evidence showed relevance information, and justifies the number of interview participants within the allowable time to conduct field study. This
strategy finds support from Merriam (2009, p. 219), in which she claims there is no specific consensus on how deep to engage, but ‘the best rule of thumb is that the data and emerging findings must feel saturated; that is, you begin to see or hear the same things over and over again, and no new information surfaces as you collect more data.’

The fourth alternative is reflexivity or researcher’s position. As an investigator, in an attempt to establish confidence in findings, a researcher needs to justify and maintain their position in research. This may be done by explaining and clarifying biases, dispositions and assumptions (Merriam 2009). This explanation and clarification is part of the process labeled as reflexivity, in which researchers critically conduct self-reflection (Guba & Lincoln 2005; Merriam 2009). Reflexivity in this research is conducted in the last section of the final chapter, which reinforces the view that the articulation of assumptions and limitations show readers that this research is not presented as having perfectly discovered the nature of reality. Instead, such reflexivity allows readers to better understand how the researcher has come to such conclusions.

The final strategy employed in this study in regard to increase reliability is through a method labeled peer examination or peer review, as suggested in Merriam (2009). Prior to submission of the present thesis, it was submitted for peer review. Along with candidature reviews and presentation at an academic conference, further feedback was provided by an academic and a government employee, who were familiar with the research topic.

4.5.2 Transferability of research

Another concern is the applicability aspect of the research. Guba (1981) defines applicability as the extent to which the findings of particular inquiry are applicable to other contexts or with other subjects. Traditionally, it is perceived as how generalisable are the results produced from a study. In quantitative research, generalisability of findings, where certain research should be generally applicable to other similar research, is vital. The proponents of quantitative research reach their generalisations through sample randomisation and control of the sample to achieve a certain degree of confidence (Merriam 2009). However, this concept of generalisation is not always applicable to qualitative studies, since its philosophical perspective is dissimilar to that of qualitative research. Therefore, sample randomisation is not necessarily relevant to qualitative research to a certain extent; instead, for some research (such as the present study), participants are purposely selected in attempt to understand the phenomena examined in depth.
Some qualitative advocates suggest a few perspectives on how to view and respect generalisability (Ericson 1986; Merriam 2009). One example is to view the findings as *concrete universal*, which mean we study to a great detail and are able to compare with other similar studies in certain contexts to achieve generalisability a concrete level (Ericson 1986). Merriam (2009, p. 224) provides a good illustration of how we should interpret applicability in terms of *concrete universal* in qualitative research: ‘I get a speeding ticket from a trooper pulling out from behind a concrete buttress, subsequently, I slow down whenever I come upon concrete buttresses on any road. [Suggesting] I have taken a particular incident and formed a concrete universal.’ Or it can also be interpreted as *working hypotheses*, which in this context means hypotheses that reflect the situation in a context and can be useful for future decision making (Merriam 2009). Transferability may also be viewed from an audience perspective rather than from our perspective, and this approach appears the most suitable for this study. Readers may have the ability to decide whether the findings of a study are applicable to their situation. This perspective is usually labeled *user* or *reader generalisability*.

There are two most popular strategies to enhance *transferability* discussed in qualitative research, namely *rich, thick description* and sampling strategy. The term *rich, thick description* is used to described the detailed presentation of the setting, participants and findings of the study with adequate supported evidence (Merriam 2009). *Thick description* starts with thick descriptive data collection during the research process (Guba 1981). In writing the results, detailed evidence is clearly presented (e.g. in terms of quotation from interviews and documents). In terms of sampling strategy, there are two strategies that might be employed. Firstly, this can be done through varying the sample to the maximum number possible, either in site selections or participant clusters. This *maximum variation* strategy may increase the chance of having significant contributions and also increase transferability (Merriam 2009). For the present study, interviewees were selected from four different clusters, and this is believed to have provided adequate representation of key participants to understand the phenomena. Another sampling strategy discussed by Merriam (2009) is *typical or modal sample*, where the sample is purposely selected from certain types so the readers then are able to compare with their own types.

### 4.5.3 Dependability

Another aspect that requires attention is *consistency*. Guba (1981, p. 80) defines *consistency* as ‘how can one determine whether the findings of an inquiry would be *consistently* repeated
if the inquiry were replicated with the same (or similar) subjects (respondents) in the same (or similar) context?’ Replication here is meant to determine whether results are making any sense from a given data set, or whether results are consistent and dependable (Merriam 2009). Therefore, the concern is about the stability of data as useful evidence of a robust study (Guba 1981). Consistency or dependability can be achieved through triangulation and the use of an audit trail (Merriam 2009). While triangulation has been well elaborated in the credibility section above, an audit trail details any records in data collection up to writing the conclusion. It consists of recording any important aspects have been passed through the duration of research into your journal or diaries (e.g. how the study was conducted, how data were collected, and any problems encountered). These records as reference are useful for interpretation and analysis.

4.5.4 Confirmability

The last term discussing the worthiness of research is whether a researcher can establish neutrality, whereby findings are free from biases, including the researcher’s personal interests and perspectives. The confirmability concept has been developed to assess neutrality, and is believed more appropriate than the objectivity concept in qualitative research. Objectivity is not possible to achieve under a naturalistic perspective. To give a clearer understanding, the statement of Guba and Lincoln (1982), who clarify that ‘it is not the inquirer’s certifiability we are interested in but the confirmability of the data’, may better explain the meaning of confirmability. Triangulation and practicing reflexivity are the two most common approaches to enhance confirmability (Guba 1981). Thus, while useful for increasing other aspects of trustworthiness (e.g. dependability and confirmability), triangulation and reflexivity also, at the same time, serve to enhance confirmability.

In review, the present study employed the strategies presented in Table 4.2 to enhance rigor and trustworthiness. Credibility, or internal validity, of the qualitative method used in this research has been enhanced in four ways. First, data was sourced in a multiple of ways to enable triangulation. Data sources include semi-structured interviews, internal documents and publicly available materials. Second, transcribed data was sent back to participants for review and validation to ensure investigator and participant share the same meanings. Third, the interviewer maintained a position as outsider and reflected on this position throughout the research process to ensure any bias was minimised. Four, the final research report was reviewed by academics.
Table 4.2: Attempt to increase trustworthiness

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credibility</td>
<td>- Multiple source triangulation</td>
</tr>
<tr>
<td></td>
<td>- Member checks/respondent validations</td>
</tr>
<tr>
<td></td>
<td>- Reflexivity</td>
</tr>
<tr>
<td></td>
<td>- Peer examination/review</td>
</tr>
<tr>
<td>Transferability</td>
<td>- Rich, thick description</td>
</tr>
<tr>
<td></td>
<td>- Maximum variation in data sample</td>
</tr>
<tr>
<td>Dependability</td>
<td>- Multiple source triangulation</td>
</tr>
<tr>
<td></td>
<td>- Audit trail</td>
</tr>
<tr>
<td>Confirmability</td>
<td>- Multiple source triangulation</td>
</tr>
<tr>
<td></td>
<td>- Reflexivity</td>
</tr>
</tbody>
</table>

Source: Developed particularly for this research and adopted from (Guba 1981; Guba & Lincoln 1982; Lincoln & Guba 1985; Merriam 2009).

An independent government official, who has a good understanding of the research topic, was also used to validate findings.

For the purpose of improving transferability or external validity of the research, interview candidates were carefully selected from the population with recommendations from senior managers or colleagues who were originally contacted for interview. Accordingly, the researcher understands that the interview candidates best represent the different government positions and expert roles and are most suitable to respond to the research questions posed. Furthermore, the goal of the research analysis and subsequent report is to present the valuable data in a clear and meaningful manner. To improve comprehension, the interview and archival data has been clustered into different categories based on the interviewee roles in developing or implementing the PMS. This technique helps to demonstrate the different points of view of each of the participant clusters.

*Dependability, or reliability,* of the research is enhanced through the *triangulation* of data and subsequent *audit trail* provided by the research. For example, the researcher is reflective in
his approach to ensure the evidence recorded in transcripts concurs with evidence extracted from other reports and documents provided. Checking continued throughout the interview and documentary analysis to minimise the potential for missing or neglecting important evidence. Thus, both multiple source triangulation and reflexivity is used to increase the confirmability of the research.

4.6 Ethical issues and data storage

As this research involves human beings, particularly in interview sessions, ethical issues were addressed to avoid any unintended consequences. Ethical consideration and conformation to ethics is taken into account in this research by requesting ethical approval from the Royal Melbourne Institute of Technology (RMIT) Business College Human Ethics Advisory Networks (BCHEANs), prior to collecting field data. Following Human Ethics Committee approval, invitations were sent and to urge potential sources of information to participate. Upon agreement to participate in this research, consent form listing participants’ rights were distributed prior the interview session being conducted.

In regard to data storage and confidentiality issues, written data is kept secure and stored by the researcher in a locked filing cabinet, while electronic data is stored on a safe computer up to the completion of the study. Access to stored data is only available for the purpose of research and none is released for other purposes. Further than that, no individual identity is disclosed, and any sample of a participant’s view depicted in the thesis is coded.

4.7 Summary

This chapter presents the qualitative methodology applicable for the research in this study. The study was conducted with full consideration of any aspect that may result in rigor and robust outcomes. Since research should make some contribution, either theoretically or practically or both, it should generate high levels of confidence. This chapter elaborated on how methods and sources of evidence were selected for this present research. This included how to analyse information, how to ensure data is used meaningfully, and how to increase the trustworthiness of the research. The chapter closed with a discussion of how to deal with ethical issues and data storage.
Chapter 5: The Research Setting

5.1 Introduction

This chapter presents the research setting on which this thesis is based. The research takes place within the Indonesian Government setting, with the focus on regional government performance measurement and accountability. The chapter starts with general information on Indonesia as a country, followed by the structure of the government, to assist with a better understanding of the research topic. In the next section, a performance accountability system in operation is introduced to give a brief picture of where PMS sits and how it interacts with other systems under the Indonesian Government policy.

5.2 Indonesia in brief

Indonesia is located in South East Asia. It is an archipelagic country with a population of more than 250 million. With 13,000 islands in total, the majority of the Indonesian population is spread across five main islands. Indonesia gained independence in 1945 following a 350-year rule by Portuguese, Dutch and Japanese occupations. Since then, it has been transformed into a nation with different types of governance from time to time before becoming a republic up to the present day. The atmosphere of real democracy has been in evidence since the late 1990s following the collapse of the 32 year ‘new order’ regime of President Soeharto. Since then, government reforms have translated into a change in the bureaucracy to simpler and more transparent practices. The changes were believed to start from 1999, in which the government received pressure both externally, from international donors, to conform with their requirements in order to receive their financial support to improve the severe fiscal condition (Harun, H, Van-Peursem & Engleton 2015), and internally from constituents demanding accountability and transparency. As a consequence, the new government administration released a number of regulations addressing these issues.

Indonesia used to be a key player in oil and gas exportation and had a strong voice at the Organization of the Petroleum Exporting Countries (OPEC), but scarcity of new resources has made it unable to export, and it opted out of OPEC in 2008. The main exporting commodities today include textiles, rubber, crude palm oil, cacao, and coffee, which are mostly exported to Japan, China and the USA. Indonesia is also a haven for mining industries other than oil and gas. However, due to technical capacity, many mining productions are managed by foreign companies and consortiums. For instance, Freeport-McMoran Inc from
the US is managing and producing enormous reserves of copper and gold in this country, which result in limited returns to Indonesia.

In terms of economy, Indonesia has been classified as an emerging economy or a developing country (IMF 2010). Despite being positioned as a developing country, Indonesia is one of the fastest growing economy and is now the world’s 10th largest in Purchasing Power Parity estimation (World Bank 2014). It also has been playing a substantial and consistent role in Asia-Pacific politics and economy, with more involvement in a variety of regional cooperation bodies including the Association of Southeast Asian Nations (ASEAN) and Asia-Pacific Economic Cooperation (APEC).

Nonetheless, the conflict of interest between the competitor and the winner of the most recent (2014) presidential election has resulted in a very strong opposition from the two sides of the followers. Economic observers are concerned with the future national economic condition if this tension continues.

5.3 The structure of the Indonesian Government

Under the current system, the Indonesian government is divided into three tiers, namely the central government, provincial governments, and local governments. Following decentralization reforms, the Indonesian Central Government delegated its subordinate governments with a number of authorities. It has allowed lower levels of governments to have higher authority on decision making for the following sectors: education; health; public works; public facilities; and infrastructure. The central government maintains authority for foreign policy, defense/security, the judiciary, fiscal policy, as well as religion. Each government level has two branches, namely the executive side that consists of elected officials and ranks, and the legislative side to oversee the conduct of the executive. Both elected officials and legislative members are democratically elected in the general elections.

The following Indonesian Central Government agencies - the Ministry of Home Affairs’ (MoHA) 5, the Ministry for State Apparatus Empowerment and Bureaucracy Reform (MSAEBR) 6 and the Ministry of Finance (MoF) 7 - provide directive assistance for regional governments (at both local and provincial levels of governments) through their regulations.

5 Translated from Kementerian Dalam Negeri
6 Translated from Kementerian Pemberdayaan Aparatur Negara dan Reformasi Birokrasi
7 Translated from Kementerian Keuangan
Consequently, lower levels of government are held accountable and report on their performance to the Central Government through these particular agencies. Figure 5.1 below exhibits the structure of government under Indonesian jurisdiction.

**Figure 5.1: The structure of the Indonesian government**

![Diagram](image)

--- Authority delegation

--- Report on performance

At regional level, currently there are 511 local and 34 provincial governments\(^8\). Local governments encompass municipalities and regencies with no substantial differences in duties and responsibilities between the two. Officially, both local and provincial governments work under MoHA’s supervisions, but technically National Development Planning Agency (NDPA)\(^9\), MSAEBR and MoF also play a powerful role through regulations regarding planning, performance and budgeting that have to be adhered to. Agencies under local and provincial governments are also under the control of other associated ministries for different purposes. For example, the central government Ministry of Education (MoE) has the right to regulate Education Departments under regional government control.

Since the introduction of Government Regulation number 22/1999 on regional government, local and provincial governments have now received a large amount of responsibility. This change of responsibility comes with the obligation to provide better services to the community with the resources allocated. The budget allocation is now the responsibility of

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\(^8\) Figures for number of local and provincial governments taken from MoHA website, and can be retrieved at [http://otda.kemendagri.go.id/images/file/data2014/file_konten/jumlah_daerah_otonom_ri.pdf](http://otda.kemendagri.go.id/images/file/data2014/file_konten/jumlah_daerah_otonom_ri.pdf)

\(^9\) A national government agency responsible for planning development, National Development Planning Agency is a literal translation for Badan Perencanaan Pembangunan Nasional.
regional governments. As autonomous entities, this requires skilled management to administer the financial resources. The quality and quantity of services, and the benefit and impact of services delivered, are also required to be assessed by constituents through means of performance accountability. For this purpose, a PMS framework has been developed by the central government to be implemented by regional government, and guidelines in this regard keep updating over time.

5.4 The concept of PMS and accountability in the Indonesian Government

In the Indonesian public sector, performance measurement is not new, but more recently its value is being considered. A concept called *Sistem Akuntabilitas Kinerja Instansi Pemerintah* (SAKIP), or Government Institution Performance Accountability System, has been designed to better monitor performance and the discharge of accountability. SAKIP is defined in Government Regulation number 29/2014 as a systematic sequence from various activities, tools and procedures designed to measure, collect, classify, summarise and report data of performance, for the purpose of accountability and performance improvement. This system is designed to integrate the planning system, performance measurement, performance-based budgeting, treasury system, accounting system, and performance reporting. As part of SAKIP, PMS is used to evaluate the success and failure of programs/governments’ strategic objectives. According to LAN decree number 239/IX/6/2003, performance measurement is a systematic and continuing process to evaluate the success or failure of activities based on a set of programs, policies and goals in order to achieve government missions, vision and strategies. The method of measurement is through matching the results (achievements) against pre-set targets. For this purpose, performance indicators (PIs) are set earlier, when the performance agreement\(^\text{10}\) is agreed upon during the planning stage. PIs are set for both activity level and strategic objective level.

In the Indonesian government context, accountability is always related to performance. Thus, performance accountability is the term used for government accountability, which is defined in Government Regulation number 29/2014 as a manifestation of government institutions’ obligation to be responsible for the success/failure of programs/activities delegated by stakeholders. This definition is similar to the definition provided in the accountability literature. In order to be meaningful, information on achievement in performance

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\(^{10}\) This is an agreement on set-performance planning between elected officials and their agencies, and between agency top-level managers and their subordinates. This agreement is set following budget approval.
accountability should be disclosed and reported to stakeholders. A brief picture of the current practice of PMS is depicted in Figure 5.2. This figure shows how to link planning and budgeting and to measure the achievement government objectives, until a performance reporting is produced.

5.5 Summary

Performance measurement and accountability have been recognised in Indonesian Government under a system called SAKIP. This system incorporates planning, budgeting, treasury, performance measurement, accounting and performance reporting, and it aims to provide a good integration among all these elements. Government accountability is discharged through information released in performance reporting, based on the measures of performance. For the purpose of accountability reporting, lower levels of government are required to submit reports to higher levels of government for scrutiny.
Figure 5.2: A brief picture of PMS in the Indonesian regional governments

PERFORMANCE MEASUREMENT SYSTEM IN AN INDONESIAN REGIONAL GOVERNMENT (WITH A SAMPLE OF MEASURES FOR ONE OBJECTIVE ON HEALTH SECTOR)*

Government Vision → Missions → Goals → Objectives → Policies → Programs → Activities

Achieving development acceleration in a variety of fields and improvement in community welfare → Developing healthier, intelligent, and professional human resources → An improvement in quality of life and health status in sustainable manner

1. The provision of optimum/adequate health care to the poor
2. An improve in environment inhabited by the poor
3. Healthy environment education for residential areas in particular areas inhabited by the poor

Example of Objective 1 KPIs and achievements:
- Healthy index
- Life expectancy

Achievement Y-4: Points, Number of years
Achievement Y-3: Points, Number of years
Achievement Y-2: Points, Number of years
Achievement Y-1: Points, Number of years
This year (O) Achievement: Points, Number of years
This year target: Points, Number of years
Target at the end of medium term planning: Points, Number of years

Performance Agreement
Objective 1: KPIs and target
Objective 2: KPIs and target

Performance Reporting
Presenting and elaborating performance achievement against a set of planning described in performance agreement

Budget allocation:
1. Program 1 $… for activity a. $…… for activity b. $……
2. Program 2 $… for activity a. $……

* Governments may have some goals and objectives in which run through a number of programs/activities under each of them. Activities executed by associated agencies under each sector. Other sector may include among others:
- Education
- Religious affairs
(Note: Regional governments adopt/adapt those sectors that are relevant. See appendix II for a closer look of performance disclosure).

Source: Adapted from MoF regulation No. 13/2006, MoHA regulation No. 54/2010, and MSAEBR regulation No. 53/2014.
Chapter 6: Findings

6.1 Introduction

This findings chapter provides the results of a comprehensive review of the documentary evidence and analysis of the interview data. This chapter first describes the evolution of the Indonesian regional government PMS since the introduction of public sector reform and the impact of PMS implementation upon accountability. PMS evolution is separated into three stages/phases, each of which represents different milestones in central government initiatives. These relate to the release of various regulations that occurred from 1999-2002, 2004-2009 and 2009-2015; and implementation of those initiatives at regional level. Emphasis is given to the evolution of performance-related regulations on planning, performance and budgeting. Secondly, a current picture of PMS is presented, followed by an elaboration of a number of impediments in implementation. After that, the discharge of accountability following PMS implementation is presented. Subsequently, regional governments’ motivation in adopting the central government framework on PMS is disclosed, in the last section. Information revealed in this chapter comes from documentary evidence and from interview sessions with key participants.

6.2 The evolution of the Indonesian regional government PMS since 1999

Since late 1990s the issue of good governance became increasingly important in the public administration field, and this has been acknowledged by policy setters in the Indonesian Government. With the spirit of good governance in mind, bureaucrats at the central government searched for alternative strategies to reform the government administration and improve accountability and transparency. Under the earlier regime (prior to 1999), the government administrative was centrally controlled, whereby all decisions came from the central government. The allocation of the budget and the ways in which it was administered were in the hands of central government. Regional governments were acting as the representative in the regions for the administration of the central government agendas. Elected officials and members of the House of Representatives were appointed by the central government and had no substantial voice in relation to government policies and agendas.

One of the reforms which lead to an enormous change in the governmental system was the release of decentralisation law. Unlike the previous very central administration, the new era of a more decentralized administration that began in 1999 has delegated more power and
authority to regional governments to manage their territories. Local officials (governors, mayors and regents) and members of the House of Representatives have been democratically elected by the people as a result of the administrative change. The possession of this power and authorisation at regional level of government, together with the ability of community members in selecting their local representatives, have resulted in a change in political accountability. In consequence, the people are now normatively (through their representatives in the House of Representatives) able to hold regional governments accountable for their conduct.

Meanwhile the central government administrators were trying to find a mechanism to assure that government institutions work in the best interest of the public and to secure the legitimacy and trust from their communities. To do so, they had to find a mechanism that would disclose the achievement of government performance in relation to the services and products that have been trusted by the public to be delivered. Prior to 1999, there was no comprehensive PMS able to determine and inform the extent of government achievement, in areas such as health, education, public planning and infrastructure. What can be described as PMS was in terms of the regular collection of performance information regarding the completion of tasks and responsibilities, and reported either quarterly, half yearly or annually. The focus was on input measures, even though some output indicators were also implemented. In addition, there was a perception that the success of a program was determined by the capability of a unit of government organisation in meeting budget targets as input indicators. As such, this resulted in a strong emphasis on financial performance rather than on the government’s desired outcomes. Hence, an explicit PMS was deemed urgent; and following public sector reform, a new system of performance measurement for accountability purpose was introduced in 1999.

The introduction of a current performance and accountability mechanism was prompted by a high level bureaucratic initiative to find a relevant tool to measure the achievement of government goals. In a preliminary interview for the present research it was mentioned that mention that The United States GPRA was then studied and translated into an accountability and performance mechanism developed by the central government for the use of all levels of government. Some of the translations of GPRA can be found in currently applied strategic planning and its elements, annual performance plans and reports. Through time, the practice of the UK’s public service agreements has also been adopted to complement the existing performance and accountability mechanism.
6.2.1 The introduction of a PMS for accountability (1999-2003)

The emergence of a newly established PMS in Indonesian Government started with the introduction of Laporan Kinerja Akuntabilitas Instansi Pemerintah (LAKIP)\(^\text{11}\), as required in Presidential Instruction No 7/1999. Although, the title appears to emphasise accountability reporting; LAKIP actually focuses on the need to establish a performance accountability system. The aim of LAKIP (as advised in the Instruction) is to gain an understanding of the government institutions’ ability to achieve their visions, missions, and goals. To achieve this aim, it was believed that a performance accountability report that encompasses PIIs, methods, mechanism and reporting procedures is essential. To start with, by 30 September 1999 all government institutions (at both the central and regional levels) were required to develop strategic planning for their main programs that could be achieved in a range of one to five years. This planning should incorporate the description of:

1. Visions, missions, strategies and organization key success factors.
2. Organization goals, objectives and activities.
3. How to achieve goals and objectives.

Following the accomplishment of strategic planning development, starting from the end of budget year 2000/2001\(^\text{12}\), each institution had to produce LAKIP as a report on performance accountability, and it had to be submitted to the President through the Ministry for State Apparatus Empowerment (MSAE)\(^\text{13}\). To assist institutions with the LAKIP production, the Public Administration Agency (PAA)\(^\text{14}\) was appointed to provide a guideline. Subsequent to this appointment, in a very short period of time, PAA released a decree number 589/IX/6/1999 on a guideline for developing performance accountability reporting. This guideline attempted to give a picture of a strategic planning and how to assess planning achievement. A government must certainly have a vision that is run through its missions. In attempt to meet the missions as stated, the PAA guideline underlined the need to develop a

\(^{11}\) May be literally translated as Report on Government Performance Accountability.

\(^{12}\) Prior to 2001, the budget year was similar to the fiscal year, ended 31 March. 1 April 2001-31 December 2001 was recognised as a transition year, and subsequent to that year, the budget year has been the same as the calendar year.

\(^{13}\) MSAE is the previous title of the MSAEBR.

\(^{14}\) PAA is a literal translation of Lembaga Administrasi Negara (LAN). It is a central government institution which has a main responsibility to provide assessment on government administration, and to develop a national policy on state administration. During 1999 to 2003 this institution was a given a task to develop a guideline on government performance measurement and accountability. This task was then ceased and transferred to MSAEBR.
number of government goals that can be achieved within a five year period. From these goals, a set of short-term objectives (to be achieve within a single year) were required to be designed. In order to meet these objectives, the governments were to set policies as a guideline for the programs and activities development. This hierarchical structure of planning was designed to form a strategic planning scheme. Figure 6.1 provides a picture of Indonesian government strategic planning.

**Figure 6.1: Strategic Planning**

![Strategic Planning Diagram](image)

Source: Summarised from LAN and BPKP (2000)

According to the documents reviewed, policies at a strategic planning level are basically rules, norms or guidelines in developing programs and activities, whereas a program is a collection of activities. A central or a regional government program could be run through several activities, and these activities are selected on a yearly basis, ranked based on priority. The linkage among the elements under strategic planning could be traced through template forms provided that explain the association among elements, from an institution vision at the
top to activities at the bottom in the hierarchy (see Appendix III for comprehensive examples of strategic planning). In terms of measuring performance, this guideline provided performance measurement template forms to explain activities and elaborate program and policy. At activity level, a series of PIs were to be developed and grouped into inputs, outputs, outcomes, benefits and impacts.

For managers of government organisations to have a full understanding of performance measurement and accountability, as well as the capability to produce reliable strategic plans, PAA, in collaboration with the Financial and Development Supervisory Agency (FDSA)\(^\text{15}\), released a module on LAKIP in 2000. This was a comprehensive module covering issues of accountability and good governance, strategic planning, performance planning, measurement and evaluation on performance, as well as performance reporting. It was used as a complementary document to PAA decree Number 589/IX/6/1999.

Specific to performance measurement, in conjunction with presidential instruction number 7/1999, the module explained that performance to be measured was for all levels in management of a central/regional government, from top to the lowest level. The performance emphasis of each management level would differ from one to another. High level management focuses on the aggregate results and looks at the whole agency/government outcomes, benefits and impacts; while the people in the operational level would look into inputs and outputs of programs/activities individually. In developing the PMS, the module classified five stages needing to be adhered to by a government management. The stages classified are: a strategic planning design stage, PIs setting stage, a data measurement system stage, performance measures improvement stage, and the integration into management process stage. The process of strategic planning in general has been discussed earlier in this chapter. In the second stage, management sets qualitative and quantitative PIs that are able to describe the success/failure of objectives/goals and activities/programs.

The third stage was developing a data measurement system. The first step was to set an achievable standard to each indicator and to make sure data is available before measuring; then, to set how to display the information on performance in the most effective way so the readers/stakeholders were able to use the information for policy decisions. The next stage was

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\(^{15}\) FDSA is a central government organisation with the main function to provide supervision to other government institutions. FDSA is a literal translation of Badan Pengawasan Keuangan dan Pembangunan (BPKP).
improving performance measures to indicators that need modification or adjustment. Thus, indicators need to be flexible to change. The last stage in performance measurement was to integrate it into the management process, where it was used as a mechanism to assess or evaluate the achievement of goals and strategic objectives. This process of performance measurement through the stages above form a cycle as they are continuously developed. This performance measurement cycle is pictured in Figure 6.2.

Figure 6.2: Performance measurement cycle

Source: Adapted from (LAN & BPKP 2000)

In 2003, PAA revised the guideline with a decree number 239/IX/6/2003. In order to be accountable, this new guideline underlined the important value of a PMS that incorporates four elements: strategic planning, performance planning, performance measurement, and the report on performance. According to PAA (2003), each of these elements can be defined as follows:

1. Strategic planning is a process to develop result-oriented services that can be achieved in the range of 1 to 5 years, systematically and sustainably, by taking into account any potential elements, opportunities and threats that might be posed. It consists of government vision, missions, goals, objectives, strategies, policies and programs, as well as measures of success and failure in the action.

2. Performance planning is a process to determine annual activities through strategies, and is translated into policies, programs, and activities. The document is then known as an annual performance plan.
3. Performance measurement is a systematic and sustainable process to assess the likely success or failure of activity executions. This process aims at evaluating each of the PIs to give a clear picture of goals and objectives achievement.

4. Report on performance is an explicit accountability report on performance or LAKIP.

These four elements are core to the PMS. Under strategic planning, performance is measured according to performance planning, and the result is disclosed in a report on performance. For evaluation purposes, PAA (2003) expected managers in each unit of government organization, at both the central and regional government levels, to use the forms to:

1. Examine the achievement of each activity PIs in order for any improvements to be made in programs/activities execution.
2. Analyse efficiency by comparing inputs with outputs of the programs.
3. Measure or determine effectiveness by evaluating the association between governments’ goals and outcomes or benefits.
4. Evaluate the performance gap and find strategies to solve the problems.

Figure 6.3 shows an attempt by the guideline to assist management with the ability to produce programs/activities that are in line with the objectives. Since the success of programs/activities is the responsibility of government agencies, the whole government performance is reflected in the collection of all agencies’ achievement of objectives. In practice, however, to some extent it is difficult to say that the level of objectives achievement was truly the result of activity performance, since the correlation between the two was not always clear in the development process. This has been partly due to a low capability in human resource. For instance, a participant from the central government believes that many regional governments still have difficulty in defining outcomes and producing appropriate outcome indicators.
Figure 6.3: Performance measurement based on PAA Decree number 239/IX/6/2003

### Strategic Planning

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### Performance Plan

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<th>Activities</th>
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<tbody>
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<td>Indicators</td>
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### Activities Performance Measurement

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### Measures of Objective Achievement

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Source: Adapted from PAA decree Number 239/IX/6/2003. *Percentage of the actual achievement by comparing with the target.
An internal reviewer describes this:

’Sometimes the agencies have put their best effort, but when it comes to performance reporting they were unable [to clearly describe performance]. Probably there is a constraint in human resource at agency level.’ (P6)

Low capability, as a result of limited training provided to staff in implementing the PMS, is discussed later in this chapter.

Despite direction having been provided in the PAA guidelines and the module, apparently implementers at regional governments were not fully capable of directing regional governments to produce reliable strategic planning. This problem was partly due to time constraints available to learn new directions in PMS, and limited assistance in producing strategic planning directly. As a result, the implementers in regional governments did not have substantial knowledge to develop strategic and performance planning, and could not relate the planning with the achievement of government outcomes, particularly in these very early years of adoption. As a consequence, a number of consultancy efforts in strategic planning development arose from both central government representatives and other consultancy providers. In relation to this, one participant states:

‘At that time, a guideline on planning was not available. So, the main business is not on how to develop a performance report but on developing a strategic plan.’ (P1)

In the meantime, financial based-performance regulations also started to be introduced as part of public bureaucracy reform, by the release of The State Finance Law No. 17/2003 on April 5, 2003. This is the first milestone of performance-based budgeting introduction in government organisations. The implementation was not straightforward, as there were more guidelines to be released and a lot of people to educate in order for the new system to be applicable. The full implementation did not occur until five years following the introduction. The State Finance Law also stated the requirement to integrate the performance accountability system with the budgeting system, by introducing a “working plan and budget” and changing budgeting classification in accordance with international standards. The application of “working plan and budget” means that budget allocation is based on a performance plan that is set earlier. This method was believed to be able to avoid duplication
in performance planning. The guideline to assist regional governments on how to develop a budget based on performance was then available in 2006 through the introduction of MoHA regulation number 13/2006.

6.2.2 Revision in performance planning and budgeting and the introduction of key performance indicators (KPIs) (2004-2009)

The PMS framework was introduced in 1999, and was followed with implementation at regional governments throughout Indonesia, driven by Presidential Instruction No. 7/1999 and Presidential Decree No 8/2004. MSAE designed and released a guideline on evaluating performance accountability reports through decree No.135/2004. This was the first regulation on how to assess the quality of performance measurement reports. The evaluation was run by MSAEBR and FDSA. For the purpose of performance evaluation, each year MSAEBR also equipped evaluators with guidelines on how to conduct assessment. All top managers were also required to appoint supervisory teams to conduct supervision of their subordinates’ performance and to take action upon the results of performance review. Drawing from documentary evidence, the link between evaluations conducted in each organisation unit internally and government evaluation as a whole was unclear. This was also confirmed in discussion with a participant in the present research, as there was no exact guideline or any regulation on how to utilise the information from a low-level unit evaluation as a base for the whole government evaluation.

In an attempt to improve the performance measurement framework, the central government introduced the “performance agreement” as a part of SAKIP through MSAEBR circular number 31/2004. Performance agreement is an agreement between a higher authority (i.e. the central government) to a respective lower authority (i.e. regional governments), in which a lower authority promises to meet a performance target that has been set in the annual plan document. Internally, the agreement set is between an elected official and an agency manager. This agreement is supplemented by a form that is similar to the performance planning form. Performance was to be measured based on the actual performance of objectives listed in the performance agreement document. The idea of introducing

16 Duplication in developing performance planning was possible at the time, since the performance accountability system that incorporated performance planning and measurement was under the responsibility of PAA, and on the other hand the budgeting system was under the responsibility of the MoF.
17 Both regulations required both explicitly and implicitly that the MSAE formulate policy in government performance accountability.
performance agreements was believed to come from the practice in the UK, as indicated by one participant from the external evaluator cluster, who stated:

‘A performance agreement is a performance contract. The theory came from the UK. In 1999, there was a [regulation on performance] report and then suddenly performance contract emerged.’ (P1)

At almost the same time, the State Finance Law No. 17/2003 set an important milestone on the future of Indonesian Government, as it has had a reasonably strong influence on the release of a variety of planning and financial regulations. For instance, in accordance with the State Finance Law, the central government issued Government Regulation No. 20/2004 on Government Working Plan, to assist the direction in developing annual performance planning for the whole government. This regulation seemed to be focused more on central government agencies, even though to some extent it was used for regional governments as well. For regional governments, this regulation introduced an annual government working plan and annual working plan for agencies that should be developed accordingly. This regulation has created a new step forward in PMS, since this annual plan is intended to be used as a basis for budget appropriations.

6.2.2.1 Improvement in performance planning

It is worth noting that a national agenda on development planning was introduced in October 2004 (by the release of Law No 25/2004), which came five years after the introduction of the performance accountability reporting regulation (through Presidential Instruction No 7/1999). Interestingly, and prior to the release of this law, the central government introduced a government working planning regulation through Government Regulation No 20/2004 in August 2004, in which to elaborate the annual planning development process. This meant that the guideline on annual planning was released earlier than the law that regulates the general rules in government planning. This indicates a lack of coordination among government sectors in releasing performance-related regulations.

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18 Under the Indonesian Government system, central government laws are translated by government regulations and followed by associated ministries’ regulations.
19 Specific regulations on regional government performance planning were then only starting to be released, from 2008, to address the requirements in the Regional Governance Law No 32/2004.
20 Note that law is the second highest regulation in the hierarchy after the Constitution. Government regulation is one level below law.
Law No 25/2004 set a new system in national planning, where a twenty-year or long-term development plan, medium-term term (5 year plan), and annual working plan, were introduced for all levels of government. This law requires government agencies to set five yearly plans/strategic plans and annual plans/working plans, by referring to the whole government medium-term plan and annual plan, respectively (see Figure 6.4 for regional government planning structure). Prior to endorsement, medium-term planning and annual planning should go through a series of ongoing consultations and inputs from indicative agencies’ strategic plans and agencies’ annual plans, respectively. Once endorsed, agencies revised their planning in accordance with the whole government-approved plan.

**Figure 6.4: The Indonesian regional government planning structure**

![Diagram of government planning structure]

<table>
<thead>
<tr>
<th>Government long term plan</th>
<th>National long term plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government medium term plan</td>
<td>Agency strategic plan</td>
</tr>
<tr>
<td>Government working plan</td>
<td>Agency working plan</td>
</tr>
</tbody>
</table>

Cascading down of development planning

Reference for planning development

Source: Developed from the Government of Indonesia Law No 25/2004

From Figure 6.4 above, we can see the interaction between whole government planning and agencies’ planning, which is not clear in performance regulation prior to 2004. In terms of performance measurement, there has been a more challenging task for implementers, since agencies now have a clearer planning template to refer to in attempts to align their objectives with the whole government objectives. They have to be able to design programs and activities under aligned objectives that serve both agencies and the whole government objectives.
Almost at the same time, the Regional Governance Law No. 32/2004 was released to replace Law No 22/1999 on Regional Governance. The content of planning rules from both regulations is the same, but the latest regulations were specifically designed for regional governments.

In response to the change in regulation on decentralization, and as a derivative of Law No. 32/2004, the central government released Regulation No 8/2008 on stages and procedures in developing, controlling and evaluating the implementation of local development planning. The content of Regulation No 8/2008 is similar to Law No 25/2004, but it specifically addresses the planning system for local and provincial governments. A complete guideline, on how to address the requirements in this Regulation No 8/2008 to be practical, was then introduced 2 years later through MoHA regulation No 54/2010. From this time, MoHA released annual regulations regarding annual planning as an annual guideline for regional governments.

6.2.2.2 Performance-based budgeting

In terms of performance-related budgeting, in order to be effective, the State Finance Law No. 17/2003 had to be backed up by more practical regulations. In response to this need, the State Treasury Law No 1/2004 and the new Fiscal Balance Law No 33/2004 (to replace Law No 25/1999) were released. The State Treasury Law No 1/2004 introduced financial administration procedures and responsibility authority, while the Fiscal Balance Law No 33/2004 outlines a new structure of budget and components, and describes the percentage of funds shared by the central and regional governments. Following all the above new Laws, a government regulation on Local Financial Management No. 58/2005 was established, which was then translated into MoHA Regulation No 13/2006 on a Guideline for Local Financial Management. This guideline has been in effect since 2007, which was 5 years after the introduction of Law No 17/2003. In other words, Performance-Based Budgeting (PBB) started to be in practice in 2007, with some regional governments starting to adopt this new method in their budget process in that year. This MoHA guideline was reasonably comprehensive, outlining a new method of budget preparation, and the change was radical in comparison to the previous line and incremental system. It also provided a template to align the allocation of the budget based on pre-planned performance in the planning system; even though the link has not been very clear in practice, due to a lack of collaboration between those authorities who release performance planning regulation and performance budgeting.
guidelines. For the purpose of linking planning and budgeting, MoHA Regulation No 13/2006 introduced a “working plan and budget” template form to be used by regional government agencies (see Appendix IV for the template example). However, there have been some inconsistencies between this regulation and LAN decree No 239/2003, which have resulted in confusion. For instance, MoHA Regulation No 13/2006 does not recognise the benefit and impact groups of PIs, as LAN decree No 239/2003 does. Besides, objectives achievement indication is not clearly described in the working plan and budget.

Despite reform in the budgeting (through PBB introduction) coming a few years after the introduction of a performance accountability system, this financial aspect of performance change has been diffused quite well into regional government practices. Moreover, the regional governments’ high resource dependence on the central government made regional governments put considerable effort into complying with financial regulation requirements, otherwise penalties may apply for those not following the rules. One prominent penalty has been the delay in transferring shared funds for regional governments until they have met all MoF requirements. Regional governments have then focused more on the financial aspect of budget preparation and execution, and on the accuracy and timelines of financial reporting. As a consequence, they have put less emphasis on non-financial aspects in terms of effectiveness of services for outcome achievement. Concern about this phenomenon has been raised by some participants, for example:

‘Agency top managers do not view [overall] PMS as important as their minds are still focused on the budget allocation for their agencies' (P15).

Efforts to align performance and budgeting have continuously progressed in order to have a comprehensive performance accountability mechanism that is able to indicate actual performance. In April 2006, the central government released a government regulation on Government Institution Finance and Performance Reporting No 8/2006. This regulation has set another milestone in performance measurement and accountability evolution under the Indonesian public sector reform, since it has been used as reference for numerous consecutive PMS regulations. However, this regulation seems to have little connection with previous efforts in designing reliable performance measurement; instead, it seems to suggest the starting of a new performance reporting agenda. The regulation itself resulted in another problem, since it set a different template for performance reporting compared to the previous template (based on PAA decree Number 239/IX/6/2003). Hence, since the introduction of
Regulation Number 8/2006, there have been two types of performance reporting. Table 6.1 depicts specific aspects of the two performance reporting regimes:

**Table 6.1: The comparison between the two performance reporting regimes**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Reporting authorities</td>
<td>Regional Governments</td>
<td>Regional government agencies</td>
</tr>
<tr>
<td>2</td>
<td>Reported authorities</td>
<td>The President, MoHA, MSAEBR, FDSA</td>
<td>MSAEBR</td>
</tr>
<tr>
<td>3</td>
<td>PI groups</td>
<td>Input, Output, Outcome, Impact, Benefit</td>
<td>Output, Outcome</td>
</tr>
<tr>
<td>4</td>
<td>PI used</td>
<td>Objectives, Activities</td>
<td>Programs, Activities</td>
</tr>
</tbody>
</table>


This regulation states that performance reporting is a product of a performance accountability system, and as an integral part of the planning, budgeting, treasury and accounting system. Despite this acknowledgement, there has been no further clear guideline on how to manage this integration in practice.

It is worth noting that Regulation 8/2006 put heavier emphasis on financial reporting than on performance reporting. Financial reporting is particularly reviewed internally by internal auditors, and subject to external audit, and is presented as accountability reporting to different stakeholders (i.e. the House of Representatives, the MoF, and the MoHA). Meanwhile, performance reporting is required to be annually presented to the central government through MSAEBR. This central government agency then provides evaluation and feedback for regional governments. In regard to financial reporting, the MoF is dominant and has powerful coercive influence, as it is able to impose its rules to regional governments due to funding dependency.
The introduction and implementation of Key Performance Indicators (KPIs)

Another milestone in PMS development is the introduction of KPIs through MSAEBR Regulation No 9/2007. According to this regulation, KPIs are used as a tool to indicate the achievement of an institution’s goals and strategic objectives. In fact, measures of objectives achievement had been in place since 1999, but were not identified as key indicators. KPIs are applicable for both the whole government and government agencies; where for government level they should indicate the outcome of government objectives and goals, whereas at the agency level it was expected that they should consider output indicators. Since the Indonesian Government has been diffused by the idea of corporate governance, policies have been directed into a result-oriented government. These two types of indicator are perceived to be able to indicate the performance under a result-oriented government approach, and the focus from input has been removed. Output here may be in terms of goods or services produced from government activities to support the achievement of strategic objective and goals. Meanwhile, the outcome is a reflection of the usefulness of a product or output: it is about how far the products/services meet expectations.

A further step in making KPIs applicable is by developing a guideline, and for this purpose MSAEBR introduced Regulation No 20/2008. This guideline explains and elaborates a mechanism in developing good performance indicators, and supplements the readers with a set of performance indicator samples that might be used by regional governments in developing their planning and performance systems. Quantitative indicators are suggested, not because they are more objective, but because the accuracy of quantitative measurement is easy to digest and thus is preferred. Some kinds of quantitative indicators are in terms of percentages, ratios, averages, indexes, and absolutes (such as 30 units, 20 persons). However, qualitative measures are also used, for example, indicators that indicate the achievement in terms of scales (e.g. poor, adequate, good).

It is indicated that KPIs are to be used in various management policies, and that any document prepared for these policies should state KPIs in it. The documents are as follows:

1. Medium term planning and annual planning,
2. Budgetary documents,
3. Performance agreements,
4. Performance accountability reporting, and
5. Performance measurement.
KPIs are also used as controlling tools in program and activity execution, meaning that management is expected to utilise KPIs in examining the progress of program and activity achievements and in making any decision, once the results do not meet the expectations. For the purpose of performance evaluation, evaluators also used KPIs in assessing government performance. All of the use of KPIs can be depicted, as Figure 6.5:

**Figure 6.5: The use of KPIs**

![Diagram of KPI use]

Source: Adapted from MSAEBR Regulation Number 20/2008

From Figure 6.5, we can see that KPIs are used in medium-term and annual planning, performance and budgetary documents. For annual purpose, a set of KPIs are designed in the annual planning documents, and they are then used for all other performance-related documents. Theoretically, at the end of a cycle year, if the government priorities have not changed and no revision is required subsequent to performance reporting evaluation, the KPIs remain unchanged for the following year.

At the government level, a regional development planning board is the responsible agency to develop planning systems, including developing KPIs for medium-term planning, with input from other agencies and stakeholders; while agency-level KPIs are set by each agency and reviewed by regional development planning boards.

MSAEBR Regulation Number 20/2008 underlined that KPIs are open for review, since a government’s programs and priorities might change from time to time. Regular review is important to maintain validity, and is useful for measurement and controlling purposes. In reality, most of regional government agencies’ KPIs have not been appropriately aligned with
KPIs set in the medium-term plans of their respective governments. In other words, the agency-level objectives and programs are not adequately set to align with higher-level objectives. Therefore, fundamental reformulation of the planning system is urgent for most regional governments; but to revise medium-term planning is not an easy task. According to Law Number 32/2004 and MoHA Regulation Number 54/2010, government medium-term planning is set in a regional government regulation to be used for a five-year term. A revised plan requires House of Representatives approval, and this is time-consuming.

6.2.3 Improvement in PMS regulations (2010-2014)

Efforts to improve performance guidelines were continuously being undertaken by MSAEBR. In 2010, a new guideline in developing Performance Agreements and Performance Accountability Reporting was released through Regulation No 29/2010. This regulation superseded MSAEBR circular number 31/2004 on performance agreements. If we make comparison between this regulation and LAN circular number 239/2003, the latest regulation does not have a template to be used to indicate activity performance. The focus has been on the strategic objectives, where the performance planning form and performance measurement form are developed based on a strategic objectives level, which are then at the end translated into LAKIP or a performance reporting document.

After years of discussions through a series of meetings since 2006, regulation on SAKIP was finally released in April 2014 through Presidential Regulation on SAKIP No 29/2014. This regulation replaces Presidential Instruction Number 7/1999 and sets a new era in Indonesian Government performance measurement and accountability. This latest milestone in PMS has been set based on Government Regulation Number 8/2006, which provides an implication that PAA Decree Number 239/2003 is ineffective. Some different aspects introduced were as follows:

1. At agency level, in addition to the annual report, a performance report has to be produced every quarter (which is called an interim report), submitted to the respective mayors or governors together with an interim financial report.
2. The performance planning term is diminished, while programs and activities that used to be set in the annual planning template are now integrated in the working plan and budget.
3. Low-level indicators that previously applied for activities now apply for both activities and programs.
4. A mechanism to compare year to year performance achievement under a five-year strategic planning scheme is introduced.

5. Prior to submission to MSAEBR, an internal auditor team is to conduct a review on its regional government’s annual performance reporting, in order to ensure that reliable information is disclosed.

6. Where needed, an internal auditor team conducts an evaluation upon SAKIP implementation.

In response to requirements to develop performance agreements, to produce a performance reporting document, and to have a review on performance reporting as described in Presidential Regulation on SAKIP No 29/2014, MSAEBR introduced regulation number 53/2014 to assist regional governments with these requirements. In terms of performance agreements, in fact, there is no substantial change made in the content by comparison with the previous guideline (which is an outdated MSAEBR regulation Number 29/2010); so with performance reporting, in which only minor additions are made to the content, to allow a matrix of year to year performance comparison, and the achievement to date column under the medium-term planning scheme. The relatively new idea is the guideline on how to conduct an annual performance review. However, this guideline has not discussed the process of performance evaluation as requested by Presidential Regulation on SAKIP No 29/2014.

MSAEBR Regulation number 53/2014, released in November 2014, was introduced to regional governments in December. This regulation has started to be in effect since being introduced. This has resulted in difficulties for implementers, since they have been working in compliance with the previous guideline, which was immediately withdrawn. There has been a very limited time for them to comply with the latest requirements, as the report had to be lodged to MSAEBR two months after the end of budget year. Internal thorough review is also time-consuming, and as a result, in order to comply with the timing of submission, it did not appear that much could be done in compliance with this latest regulation.

The new guideline does not equip implementers in the regional governments with a specific template on performance measurement, as they were provided in MSAEBR regulation number 29/2010. However, since it has been made ineffective due to the introduction of MSAEBR regulation number 53/2014, regional governments are set to self-design the template using two paragraphs of information on performance measurement, in an appendix
of this new guideline. There is no evidence of further communication or direction from MASEBR regarding this issue.

In terms of performance review, the central government did not equip reviewers with adequate information or review assistance. This has resulted in many difficulties for reviewers that performed their job in the beginning of 2014. All participants in the internal evaluator cluster have been involved in reviewing performance reporting documents, and they expressed similar concern in relation to the absence of communication from MSAEBR regarding further assistance on the review process. For instance, a participant claimed:

‘The last MSAEBR regulation [was] released at the end of 2014 without further information disseminated [in regards to meeting its requirements].’

(P9).

6.3 A picture of the current government PMS

Since its inception in late 1999, the Indonesian regional government performance measurement framework has evolved and improved, under a system named performance accountability (or SAKIP). Over fifteen years in place, it has changed quite a few times, and the latest change by the central government has been noticeable in 2014, through the introduction of regulation number 29/2014 to replace presidential instruction number 7/1999. In response to this regulation, MSAEBR introduced regulation number 53/2014 before the closing date of 2014, and the new framework was put immediately into effect subsequent to its introduction. Despite some elements having changed (such as the introduction of performance agreements in 2004 and the implementation of KPIs since 2007), the main PMS framework has remained unchanged since the first introduction in 1999.

Since the introduction of Government Regulation number 8/2006, the intention to integrate PMS with other elements, particularly planning and budgeting, has been in evidence. In fact, the performance measurement system does not work without the availability of reliable strategic planning, and financial support in terms of budget allocation for programs based on the set plan. A broad outline of PMS and its integration with the planning and budgeting system, based on the latest guidelines, is depicted in Figure 6.6.
Figure 6.6: PMS and its integration with planning system and budgeting system

<table>
<thead>
<tr>
<th>Agency level</th>
<th>Government level</th>
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<tbody>
<tr>
<td><strong>Planning</strong></td>
<td></td>
</tr>
<tr>
<td>Strategic plan</td>
<td>Long term plan</td>
</tr>
<tr>
<td>Agency level working plan</td>
<td>Medium term plan</td>
</tr>
<tr>
<td>Government working plan</td>
<td></td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td></td>
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<tr>
<td>Performance agreement</td>
<td>Performance agreement</td>
</tr>
<tr>
<td>Performance measurement</td>
<td></td>
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<tr>
<td>Performance reporting</td>
<td>Performance reporting</td>
</tr>
<tr>
<td><strong>Budgeting</strong></td>
<td></td>
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<tr>
<td>Working plan and budget</td>
<td></td>
</tr>
<tr>
<td>Approved budget document</td>
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</tbody>
</table>

→ Step in development  ⋯⋯⋯ Coordination line

Source: Developed based on regulations on government performance and accountability. 21

21 References to develop the figure consist of Presidential Regulation Number 29/2014, MoHA Regulations Number 54/2010, Number 13/2006, and MSAEBR Regulation Number 53/2014.
As can be seen from Figure 6.6, the government planning system has to be translated into and run by the respective agencies. For the purpose of integration among the systems, effort has been made to provide a strong linkage among the systems. For instance, budget allocations are based on agency working plans, where the “working plan and budget” documents are created. Once the “working plan and budget” document is approved as a complete budget document, agency top managers are set to design performance agreements based on approved programs, activities and budget for their agencies in a particular year.

At the whole government level, there are two documents, in relation to performance at government level, that should be produced. The first document is the performance agreement, which, according to Presidential Regulation number 29/2014, is simply a summary of the all agency performance agreements. The agreement at this level is between the regional governments and the central government (see Appendix V for performance agreement and annex). Another document is performance reporting, or LAKIP. The development of this performance report is based on the performance agreement, and with reference to information disclosed in agency performance reports.

### 6.4 Impediments to PMS development and implementation

With the improved regulations, a majority of respondents believe that the central government-designed PMS framework has the ability to address performance issues if impediments can be minimised to a large extent. There are some problems that have surfaced in relation to the development and implementation of the national PMS framework, during the field work. These problems are listed as follows:

1. Low level of top management commitment.

During the interview sessions conducted in the field, the study revealed that elected officials and high level bureaucrats at regional governments do not possess a strong passion for building up a powerful PMS. This problem has been described as an enormous obstacle in PMS application, as the likely success much depends on the figure of leaders. A participant at the external evaluator cluster elaborates:

>*That is the problem. It depends on personality. If a regional [government] has an elected official who understands [the use of] performance measurement, who is concerned with the community problems, it will be nice. But if, for example, it has not a very good elected official, the accountability*
will definitely not good. Hence, it much depends on the figure, yes, on the leader.’ (P2; Emphasis added).

This does not mean that they do not support the establishment of PMS, but they receive a limited driver for them to be interested in. Most top management do not see PMS as of equal importance as the financial performance system. A rational explanation for such little interest can be traced back to the little drive provided to regional governments since its diffusion in 1999. Unlike financial performance, which received extensive attention from stakeholders, punishment (in terms of postponing shared funding for late budget approval), and a substantial amount of funding as a reward (for those who received unqualified positive opinion in financial reports), PMS does not have such leverage. The only drive that might result in a small improvement is a requirement to have a ‘CC’ grade for LAKIP, as one of a number of prerequisites in order to receive an unqualified positive opinion in financial reporting. Since there is no powerful drive in implementing the provided PMS framework, top managers’ responses are passive in the way that they fulfill the central government requirements as a form of compliance, but with limited effort to enforce the system to be working and useful for decision making. This phenomenon has been described by two participants, who comment:

‘Honestly, top management does not know what the SAKIP is. But since it is the mandate of the law, public disclosure regulation, and the use of budget that must be accounted for, inevitably local government must develop its own SAKIP.’ (P4).

Another participant mentions:

‘A statement from a top manager will definitely be followed up. But the problem here in our city is that we receive low response when we report to superior. Even no response at all, so that means we work by our own. We cannot work by our own, we need the support from planning board; we need the inspectorate to conduct reviews as well. [Since there is no response from top management] the result [of PMS implementation] is minimal.’ (P8).

22 CC is one of the grades provided by MASEBR in evaluating LAKIP. A complete measurement and grading system can be traced in MSAEBR regulation number 13/2010.
This top management attitude can trigger a passive attitude among the implementers at the lower level in management.

2. Passive attitude/apathetic behavior among staff at accountability units towards PMS.

Low-level commitment shown by top management to PMS implementation has resulted in a passive attitude towards PMS among staff at accountability units in performing their duties. In the regional governments, there are two categories of accountability units that are responsible for collecting performance data and producing performance reporting documents. The first category is a unit attached to each government agency, but which is often not specifically and formally designed. The second category consists of an official division under the bureau of organisation at each of the regional governments’ secretariat. Staff at agency level accountability units often have a low understanding of PMS use and usefulness, and limited interest in performance data collection. This has related to low capability staff as a result of lacking knowledge, and low level of managers’ interest in the use of performance reporting. Reporting produced by the accountability units often serves a ceremonial purpose, as agency managers receive and sign the reports to be submitted to the respective mayor or governor with limited interest in using performance information as evaluation tools for their own organisations. This attitude underestimates the LAKIP production efforts by the unit staff, and eventually results in a passive attitude among staff. A participant who is involved in the PMS design commented:

‘PMS in our government has not been very good due to lots of agency managers who still perceive it as not so important.’ (P15)

At the whole government level, staff at the government accountability unit have to deal with many difficulties in summarising agency level performance reporting, in producing a government level LAKIP, due to lack of performance information capability in delivering information useful to address the whole government strategic objective achievements. In turn, this has resulted in apathetic behavior (among performance reporting preparers at the regional government level) towards PMS in the regional governments. The implementation and reporting of a performance system under such environmental conditions is then more likely to simply meet regulation requirements and compliance rather than manifest an intention for real improvement. As a result, PMS is unable to deliver better performance and to enhance accountability to the stakeholders.
3. Low institutional capacity.

Another area of concern in association with PMS implementation is that regional governments have limited capacity to design and implement a meaningful PMS to be useful in the decision-making process. The most common cause in relation to this impediment is limited number of training provided to staff at accountability units, for both agency and the whole government levels. As a consequence, staffs at these units have low capability in designing a reliable PMS, since they have no adequate knowledge in this area. A participant at the internal evaluator cluster stated:

‘Actually, this is a very good system. However, human resource is not ready to develop a reliable system and to translate regulations appropriately. So, I think in the future there is a need to increase the capability of staff, so that they will be able to fully understand the [central] government rules.’ (P14)

Another internal evaluator found a similar problem associated with lack of knowledge among the people involved in the system development:

‘Sometimes data from government agencies...agencies have done it totally. However, they could not be able to describe it [in the report]. Probably, there are constrains in human resources. Moreover, regulations keep changing over the years and probably agencies lack new information because they do not follow up with the latest development [in regulations].’ (P6)

Institutional capacity due to lacking staff knowledge results not only in difficulties in aligning programs/activities with strategic objectives, but could also have impact on the ability to design proper PIs to indicate achievements. For instance, there have been many difficulties in designing outcome indicators due to the fact that they are mostly qualitative in nature. Since it is difficult to design meaningful qualitative measures, most of the result indicators are literally quantitative outputs, despite the fact that they are claimed as outcomes. This problem was described by an external evaluator, as he believes:

‘Defining outcomes is not a simple thing to do, isn’t it? In my opinion, output indicators have been well defined, but outcome indicators have not been optimally [defined]. Eventually, the approach taken is, okay, there is gradation in outcome level. There is immediate outcome; there is also a perfect outcome. Hence, they select the [outcomes] that are the closest to the
output. Once an output is produced then it is considered as an outcome, that’s it. Well, it is still at immediate outcome level, has not yet moved towards ultimate outcome.’ (P2)

An internal evaluator stated:

‘In presenting, output indicators are adequate enough for agencies, but for the whole government it is supposed to present objective indicators in terms of outcome, what benefit can be expected of, or impact in the future, isn’t it? And this is still far [from expectation]. A bit far.’ (P3)

It has been discussed in an earlier chapter that the result of all agency activities is an indication of the whole government achievement, since the execution of the government planning is the responsibility of associated agencies. Hence, the ability to design a PMS that is able to align agencies’ objectives with the whole government objectives is essential. However, since there was a problem in the resource capacity internally, the ability to produce such a PMS was also diminished, because PMS developers were not able to provide an alignment for lower-level objectives (at agencies) with higher-level objectives (at the whole government).

To some extent, efforts to disseminate knowledge to increase the PMS developers’ capability were made through short training sessions. However, the results and impact of such training were not convincing, as the assistance provided was not constant. One participant claimed:

‘Indeed like I said before, on the one hand human resource in developing the system is not adequate. On the other hand, the [system development] process is without a constant assistance. There is training either from the central government or from regional government, but it finishes at that point. Subsequently, in the application we as evaluators can see lots of mistakes. When asking, they do not really understand it.’ (P14).

To mitigate lacking knowledge and increase capability, most regional governments invite FDSA branches in their territory to supervise their accountability units. However, the impact of supervisions has not been outstanding, as many regional governments do not receive satisfactory results in the external evaluation both for the performance measurement section and for the other sections of SAKIP. The latest report on LAKIP evaluation that has been
available to be collected is for the year 2013, and it has shown only eleven local governments received a B grade, out of 462 that have been evaluated.  

It has been revealed in the interviews that despite eleven governments having received good achievement, there is limited effort from other top management governments to learn from the practices of these successes by sending staff to carry out comparative studies. One participant who is involved in PMS development in her government admitted that she had once been sent to learn from another local government, but the report has not been responded to by top management. Since most of the staff at accountability units have no basic knowledge in PMS (either from educational background or previous experience) they eventually became autodidact learners, even though some occasionally receive some help from the FDSA following an invitation to briefly assist in LAKIP preparation.

4. Lack of coordination among policy setters.

In reality, a less performed PMS is not the result of problems that come from the implementers’ side at regional governments, but is also compounded with the problems that are associated with central government capacity, such as lacking coordination among policy setters in the central government in developing the guidelines. There have been at least four central government agencies responsible for designing performance-related regulations (i.e. MSAEBR, NDPA, MoF, and MoHA). MSAEBR is responsible for developing the PMS framework, while NDPA as a national development planning agency has the responsibility to produce planning regulation. MoF is required to produce financial regulation, and in this matter regulation on performance-based budgeting. The last agency, MoHA, has the responsibility to translate central government guidelines, through its subsequent regulations, to be adaptable in the regional governments. However, there is an indication of limited reference and consultation among these policy setters in producing performance-related guidelines.

Lack of coordination among policy setters has resulted in a number of problems of contradictions and inconsistencies among regulations. For example, Law number 25/2004 and Law number 32/2004, as two major laws on performance planning, contradict in their articles on local regulation settings. Law number 25/2004 requires a head of regional

http://www.menpan.go.id/berita-terkini/2893-rapor-akuntabilitas-kinerja-membaik-11-kabupaten-kota-dapat-nilai-b. No further information is able to be collected for the results at provincial level of governments.
government regulation for regional government planning, while Law number 32/2004 indicates the use of a regional government regulation. Moreover, inconsistencies are found in some associated regulations. For instance, MSAEBR regulation number 53/2014, as a translation of Presidential regulation number 29/2014, is assumed to completely address the requirements. However, it has not addressed the requirement to produce a guideline on performance evaluation, and has not elaborated on how to utilise program and activity PIs. It also does not provide any template for performance planning.

Lack of coordination has also led to limited linkage among performance-related regulations. The linkage between “working plan and budget” and performance measurement templates is not clear. It is quite often the case that a different set of PIs is used on these two documents. To date, budgeting regulations have been made in accordance with planning regulations, but the association of these regulations with performance measurement regulations from MSAEBR has not been well aligned. The integration of the performance-related systems, as was urged in Law 17/2003, has yet to be made a reality.

5. Communication problems.

The communication between policy setters in the central government and the implementers of the policies in the regional governments has not been very smooth. Top-down information, in regard to the utilisation of the latest regulations on PMS, has not been administered to a sufficient extent. Most participants claimed and complained that they did not receive any further information or training on how to utilise the current changes in the PMS. Internal evaluators were dealing with difficulties in conducting reviews on their government PMS, as they receive no assistance in the first place. Most of them have called FDSA for help, while the members of FDSA have limited knowledge on MSAEBR regulation number 53/2014, since it was only released in late 2014. However, since it has immediately been made effective, regional government accountability units and internal evaluators have to comply with this new guideline without further top-down communication from MSAEBR.

On the other hand, there is no evidence of bottom-up communication from regional governments receiving a meaningful response from the central government agencies. For instance, a participant claimed his government has lodged a request to the central government to incorporate a local program priority on planning system, which has impacted upon performance. However, they received no response on this matter.
A study conducted by NDPA on the national planning system shows that, at both the national and local levels, communication for developing government planning has been limited, particularly adequacy of information coverage during technical assistance. It was mentioned in the report that even though a number of training activities have been provided, the coverage of detailed technical assistance has been limited.

6. Conflict of interest at regional level

Strong political influence in the regional governments has spanned through various aspects of administration in the government system. Planning, budgeting and performance systems are no exception. The power of the House of Representatives members is significantly strong, that the executive side of government is often difficult to balance. Evidence can be easily found in budget finalization of activities being changed to accommodate the legislative members’ aspirations that are in conflict with the executive branch of government’s interest. An external evaluator describes this:

‘Actually [a system] has a normative [regulation] and it has been designed properly. The planning has its own step, you must have known this...we know that regional medium term plan has to be aligned with national medium term plan, a five year plan than is derived into agency strategic plans. So there is continuity [in the process]. At musrenbang\textsuperscript{24} members of the House of Representatives should attend the meetings if they were to carry out their constituents’ aspirations. Activities they offer should go in through the meetings. In June, there is [another] meeting on ‘general policy on budget’ and ‘priority and budget ceiling.’ All have to be locked at this time, but [in reality] it is not. The offers come during the budget process, at the end in November. Probably the political aspect has to be managed properly.’ (P2)

The deviation during the budget process is caused more for political purpose and self-interest rather than an intention to better suit the programs and accelerate government performance. The executive branch of the government is often reluctant to fully oppose the legislative members, as this action if taken may result in postponing budget approval. Late approval

\textsuperscript{24}Musrenbang is a series of meetings at a certain time in the beginning of the year, to discuss development planning, which includes the discussion of objectives, priorities, programs and activities to be executed for the following budget year.
means the regional government is ready for a penalty that is imposed by the central government in terms of delay in transferring the central government funding. Since a high portion of regional government budget comes from the central government funding, the penalty means postponing most budget execution. Therefore, most regional governments are balancing the power of the members of the House of Representatives by compromising and accommodating their wishes, and as much as possible maintaining bargaining power without jeopardising the timeline of budget approval. This phenomenon has been clarified by most of the participants. A participant explained:

'Regional planning board might have insisted that [activities] are not available in annual working plan, so they are not to be tolerated. But for politically motivated activities, whether you like them or not, they have to be accommodated.' (P8)

A report released by NDPA in late 2013 indicates that decisions made for budget allocation were often not well linked to priorities in strategic planning, but instead were based on the agreement among executives and legislatives to fulfill each party’s interest. As a consequence of activity deviation, the approved performance plan and budget/budgetary document is no longer aligned with the working plan. Performance agreements are set based on the approved budgetary document. Hence, performance that is to be measure is not based on the original strategic planning document.

7. High level of informality

The meaning of informality, in particular to the present research, is the action of individuals or parties to utilise their power to infiltrate the system for their own interest at the cost of common or legal practice. The informality action when exercised always involves the breaching of formal rules. The most common informality in the regional governments involves the activity of individuals or a certain group of people to influence the elected officials’ policy decisions. These people are most commonly those providing assistance prior and during general elections, and thus having a reasonably powerful influence on mayors’ or governors’ policies. They may even have positions in the government administration. A participant raised his concern about this problem by saying:
‘Regional leaders have their succession team. Once they win, members of this team have their own positions and it has worried me. Frankly speaking, this can destroy the system.’ (P2)

Other influence may also come from individuals from the same political background. For instance, they may have the same ideology since coming from the same political party. The policies are informally consulted with those influencing parties, and quite often the results of this consultation conflict with the best practice. Some sample of rule breaching can be found in terms of assigning less qualified people for strategic positions such as agency top managers. Less qualified managers are likely to have limited knowledge in performing tasks and responsibilities and bringing their organisations to better performance.

Informality is not always related to top management conduct, but can also be exercised by other level managers. There is a common belief that the consultants and contractors hired to execute governments’ activities are often less qualified. Their submission documents are illicitly passed by the governments’ administrators for their own sake.

Since there are a number of impediments to the process of PMS implementation, the quality of PMS is limited. This can be seen from a very limited number of regional governments receiving a ‘B (good)’ mark for their SAKIP to date. However, the trend shows that there is improvement from year to year in the number of regional governments’ SAKIP (see Appendix VI for the SAKIP evaluation results trend). The evaluation on overall aspects in SAKIP (including planning, measurement, reporting, evaluation and performance achievement) has been done since 2004 by MSAEBR and FDSA, and today it is also conducted with the help of regional government agencies responsible for internal supervision.

6.5 The discharge of accountability through PMS implementation

Since Regional Government Law number 22/1999 was introduced, regional governments have autonomy in terms of power and authority in managing their regions. There has been a massive shift in political accountability, in which formerly, due to the centralisation system, regional governments acted only as the central government representatives in the regions, with a vast majority of decisions being made centrally. Nonetheless, currently the control of central government over its subordinates in regional levels remains strong. The government administration system has made this possible, and it has been exerted through central government-imposed regulations over its regional administrations. As a result, performance
information delivered through PMS is mostly used to satisfy the central government requirements, by for example meeting on-time compliance in performance-reporting submission. The rest of the stakeholders do not have such strong power and hence are left limited in terms of being informed about performance achievement. For instance, performance disclosure to the public remains limited.

The shift in PMS was quite recent, which impacted upon the readiness and the capability of regional governments to adapt to the change. A few more advance regions were able to manage their administrations faster than the others. For example, they were able to make good policy decisions in relation to boosting their performance. The rest, accounting for most of the regional governments, have since struggled to perform better regardless of more power and authorisation being delegated. In addition, as discussed previously, there is a difficulty in translating outcome-based performance, and this phenomenon is in particular occurring at agency level. In general, management is more interested in meeting the output targets, since they are more visible and put less emphasis on outcome measures. For example, management does its best to meet the number of hours of a training session and pays less interest to the quality of training and trainees. This attitude comes from a corrupted system where top managers pay much attention to output achievements, since failure to comply with output measures often ends up in dealing with law enforcement teams. This behaviour, of not putting a considerable attention to outcome measures, has costs in the lowered effectiveness of government products or services.

The implementation of PMS and the production of performance reporting have been done in accordance with the central government requirements. The performance reporting itself should be submitted to the higher level of authority as a form of accountability reporting. The regulations have also been requested to be published in any means to the public, either as a whole or in the form of a LAKIP summary. However, based on the findings from the interview process, only a limited number of regional governments have provided such public reporting. Nonetheless, most participants mentioned that there is an intention by their governments to publish the government’s achievements on their websites in the near future.

For accountability purpose, performance reporting is reported vertically from the lower level of the institutions to the higher level of governments. All agency performance reports are then summarized, and a government accountability unit has developed a government performance report based on agency reporting. Subsequently, a whole government document
on LAKIP is sent to higher authorities that are mostly the central government agencies as high-level policy setters. All regulations on performance reporting, except MSAEBR regulation number 29/2010, also require local government reporting to be submitted to respective provincial governments, but without clear justification for the purpose of this reporting. The current performance reporting (as from MSAEBR regulation 53/2014) template is as follows:

Figure 6.7: The content of performance reporting

Chapter I. Introduction
This chapter outlines general overview of organisation with the emphasis on strategic aspect and issues.

Chapter II. Performance agreement
This chapter summarises some important point in planning and performance agreement.

Chapter III. Performance accountability
This chapter consists of two main components;
1. Organisational performance achievement. It elaborates the achievements of organizational objectives through a disclosure of results from performance measurement.
2. Actual budget spending. It describes the actual spending in order to achieve organisation performance based on performance agreement.

Chapter IV. Conclusion

Appendices

Source: MSAEBR Regulation Number 53/2014.

The other stakeholder that might benefit from performance reporting/LAKIP is the House of Representatives, but not in terms of a full of LAKIP; instead from an extract of it that is amalgamated into another report. According to Government regulation number 8/2006, the amalgamation of performance reporting and financial reporting is to be used to produce regional government accountability on budget implementation reporting (see Figure 6.8 for the linkage between government performance reporting and financial reporting).
**Figure 6.8: A diagram of performance reporting and financial reporting linkage**

<table>
<thead>
<tr>
<th>Government agencies</th>
<th>Governor/Mayor/Regent</th>
<th>MSAEBR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary of Performance reporting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agency performance report</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agency financial report</td>
<td>Agency performance report</td>
<td></td>
</tr>
<tr>
<td>Gov accountability on budget implementation document</td>
<td>b. agency performance report compilation</td>
<td></td>
</tr>
<tr>
<td>Gov performance report</td>
<td>Gov performance report</td>
<td></td>
</tr>
<tr>
<td>Agency financial report summary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The House of Rep</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: This figure is an amalgamation of appendix IV-B and IV-C of government regulation number 8/2006. Originally, the figure consists of two diagrams but they are here simplified without altering the components.

This document is to be submitted to the House of the Representatives to defend the government’s conduct. However, the extent of information disclosed in performance
reporting to be extracted in this accountability document remains limited. Besides, members of the House of the Representatives do not have a sufficient interest in reading and evaluating the report.

Internally, PMS implementation and reporting on performance achievements are expected to be used for a variety of policy decisions. This is anticipated to be of benefit in terms of delivering significant impacts upon the outcomes anticipated of the system implementation. However, since it faces a number of obstacles in its implementation, the uses and benefits of PMS are not convincing. Based on interviews administered in the field, policy setters in the regional governments have not used PMS and its reporting for setting service delivery priorities, allocating resources and adopting new approaches or changing work process. A participant commented;

‘At this time, our government is still not using the performance report to allocate resources and budget.’ (P15)

In developing programs and activities, government agencies propose to regional planning boards that are responsible to lead the government planning agenda. The content of proposals is usually a cut and paste from that of last year. There is no proper evaluation above each of programs and activities based on previous performance and priorities. Following planning approval, a regional government’s budgeting team will then allocate the temporary budget to each program/activity, most likely similarly to the previous allocations with some adjustment made based on the income predictions. Hence, no room is provided for the utilisation of PMS and its reporting on setting future planning and budget allocations. Even though PBB has been recognised for more than a decade, its implementation has not yet been effective in the regional governments.

Performance reporting is believed to be a mere formality and is produced for compliance purpose without proper use by stakeholders:

‘I think the report is only a mere document, it is not used as a guide.’ (P8)

The following apathetic statements show a participant’s views on the real value attached to PMS and its subsequent performance reporting at her regional government:
'Honestly, it is done to [only] fulfill obligations in producing the performance report since the document we have created has not been used by the government, for example for program/activity evaluation.' (P8)

'Since there are high level regulations that make it compulsory, regional governments have to [comply with it]. If there are no such regulations, people at regional government level do not care about the SAKIP.' (P8)

6.6 Motivation in adopting the central government PMS framework

Indonesia is known for its unitary state, where powerful bonds between regional governments and the central government are maintained, mostly through imposed regulations of the central government. Despite the fact that decentralisation has been introduced since the release of the Regional Governance Law no. 22/1999, the control of central government over its subordinates in regional levels remains strong. For instance, the central government maintains its power over most resources such as taxes, income from mining industries and other income, and leaves a small number of resources to be collected by regional governments. This administration system has resulted in high resource dependency for regional governments upon the central government, where a large amount of resources in terms of funding is held centrally and the allocation is based on the central government’s distribution. As a consequence, the central government has the ultimate power over regional governments, and this power is exerted through regulations to be adhered to by its regional authorities.

On the regional governments’ side, compliance to the central government-imposed rules is the only option in all aspects of administration. This is also true for the adoption of the central government framework on regional government PMS. The main motivation in PMS adoption and implementation is therefore predominantly in meeting the central government requirements for having a specific measurement system as mentioned in the guidelines, and having on-time performance reporting submission to the central government. This practice is viewed as sufficient to maintain the accountability purpose towards the central government.

25 This law has been replaced by Law no. 32/2004 and its subsequent revisions.
6.7 Summary

The evolution of the Indonesian regional government PMS started with the introduction of government-imposed regulation on performance accountability reporting in 1999. Since then, its evolution has seen efforts to make the system properly functional by improving guidelines and integrating it with planning and budgeting systems. PMS has passed through three phases during this time, and each phase sets a milestone in development. Nonetheless, a number of impediments to the implementation have made PMS less functional. The usefulness of PMS is then limited, and the management does not utilise it properly for policy decisions. The application of PMS is more symbolic, and regional government management tend to develop the system merely for a compliance with performance reporting requirements and to be seen to be accountable by the central government.

Chapter 7 provides an elaboration of the result of analyses and provides some discussion of the findings that are presented in this chapter. A detailed discussion on the impact of accountability upon PMS implementation, and evidence of isomorphism as indicated in the NIS, are also covered in the next chapter to provide a fuller understanding of PMS practice in the Indonesian regional governments.
Chapter 7: Discussion

7.1 Introduction
This chapter provides a discussion on the findings elaborated in the previous chapter. The discussion is arranged according to each respective research question. The discussion on accountability is intensified in order to provide the link between the findings and different dimensions of accountability reviewed in chapter 2. In the final section, this chapter provides an elaboration of evidence of isomorphism during the process of PMS evolution.

7.2 Discussion
A PMS is vital and beneficial for both internal uses for a better performance and for the purpose of discharging accountability. Nevertheless, the usefulness of a PMS depends on a variety of contributing factors, driven by an understanding of the main motivation for adopting these systems. Further examination of whether there are issues that may impede or enhance the implementation process contributes to a greater understanding of the phenomenon at hand. In the following sections the issues found during the fieldwork are discussed, along with their theoretical and practical implications.

Theoretically, the findings of this study confirm the application of NIS in developing countries, at least through providing evidence of isomorphism (i.e. coercive power from the central government) as the major driver for PMS at the regional level of government. In practical terms, efforts from regional governments in meeting legitimacy by conforming to the requirements indicate that the coercive power of the central government is significantly strong. There is evidence of excessive dominance by the central government, despite decentralisation being in place for more than a decade.

7.2.1 PMS Motivation
The control of the central government over regional authorities remains strong and is exerted through regulations pertaining to regional administration systems. This control is also evidenced in the practice of PMS in that the framework has been provided to be implemented. Apart from this, there has been a desire to synchronise the development planning between regional and the central government following the central government agenda. In more precise terms, the central government holds the control over the whole unitary state development direction. For this purpose, the National Development Planning System Law No. 25/2004 was released and its associated lower level regulations and
guidelines were published from year to year by respective agencies (i.e., NDPA and MoHA). This law regulates the need to synchronise regional development planning with the national planning agenda. In addition, Law number 32/2004 on regional governments reaffirms regional planning integration with the following guidelines in the form of Government regulation number 8/2008 and MoHA regulation number 54/2010.

The Indonesian regional government performance framework has changed over time since its inception through Presidential Instruction number 7/1999, as the first central government imposed regulation on performance and accountability following the Indonesian public sector reform era. The achievement of government’s goals and objectives is assessed through performance information disclosed in performance reporting. The intended target of this reporting is the higher level of authorities and respective central government agencies. For instance, local governments produce performance reporting and send these to their associated provincial governments and the central government. This kind of reporting system is a formal central government requirement through regulation on the performance accountability system (for which MSAEBR Regulation number 53/2014 is the latest). Nonetheless, complying with such regulation does not guarantee the performance information is internally utilised by management to decide on future policies.

Over time, PMS has not translated well into day-to-day activities in the regional governments, as a result of many impediments to the implementation process. Despite a number of obstacles to deal with, there is also evidence that the central government framework on PMS has been adhered to by regional governments. However, the major intention to develop PMS and disclose performance information through performance reporting is to serve the central government regulations. Such a practice provides a strong implication of legitimacy-seeking to be the most powerful motivation. Legitimation is particularly important to regional government since they need to be viewed as working on track, hence securing their positions in terms of possible unintended consequences (such as receiving unfavorable notice from the central government). Even though the leverage for improvement in the system is not as strong as the drive provided by the central government for financial administration regulation, the pressures in terms of annual evaluation from MSAEBR and FDSA provide sufficient drive for compliance with government-imposed procedures. This motivation shows support for the NIS belief that changes in the system and procedures are the result of external pressure, and in this context this pressure is from central
government through its legal formal rules and surveillance. This shows the excessive dominance of the central government over its subordinates at regional levels.

7.2.2 PMS introduction and development

An existing PMS in the regional government was initially a central government initiative, by providing a framework to be adopted and implemented by its regional governments. The objective of introducing such an initiative was based on the intention to improve government administration to be more efficient, effective, and accountable. Unfortunately, the implementation of PMS at regional level has not been as smooth due to limitations in the guidelines provided. Following an extensive literature review of publicly available documents it was found that there were delays in offering guidance. For example, a comprehensive performance planning regulation was only released in 2004. Meanwhile, the first regulation to introduce the applicability of PBB was released in late 2003. It was only in 2007 that the integration among these three elements of a performance system was made possible, after the introduction of a working planning and budget template in which budget allocation is based on performance planning. However, the level of integration has not been convincing, since different regulations were developed in isolation without adequate reference being provided to the overall performance-related system. As a result, a number of the templates developed were not fully able to link elements in a PMS. For example, planning and budgeting regulations recognised “working planning” and “working planning and budget”, respectively, while the performance system used a performance plan template. The terms “working” and “performance” are not necessarily the same. Similar concerns relating to the lack of integration between planning and budgeting have also been addressed in Jurnali and Siti-Nabiha (2015).

Based on the documentary and interview findings of performance-related regulation initiatives, it seems that there are three regimes: 1) a planning regime that sets a national development planning agenda, which is led by the NDPA; 2) a performance regime with PMS interest, which is led by the MSAEBR; and 3) a finance regime that focuses on developing financial performance regulations, and is led by the MoF. Efforts to integrate these regimes into a collaboration on PMS framework development has been urged in government regulation number 8/2006 and Presidential regulation number 29/2014. A strong effort can be found in Presidential regulation number 29/2014, which does not provide a separate performance planning template, but instead utilises “performance planning and
budget.” This initiative has made a complete linkage between planning and budget allocation, attempting to diminish planning duplication as quite often occurred in the past.

Unfortunately, when examining the guidelines introduced to regional governments, there still appear to be inconsistencies between each of the documentary guidelines provided for implementation guidance. For example, the “working plan and budget”, based on MoHA regulation number 13/2006, recognises input, output and outcome measures at activity level; while Presidential regulation number 29/2014 only requires output and outcome indicators. While “working plan and budget” needs an update to adjust to the latest performance measurement initiative, input measures might be valuable to be able to indicate the efficiency level of a program/activity. Other than inconsistency, sometimes regulations can conflict with each other, which causes confusion as to which should be adhered to. For example, Government regulation number 8/2006 set a different guideline on performance measurement. Interestingly, this is the foundation for the released of Presidential regulation number 29/2014, which is translated into MSAEBR regulation number 53/2014. All of these inconsistencies provide evidence that reflect the low level of coordination among the central government agencies.

It is not clear whether the performance reporting template under Government regulation number 8/2006 is still effective. If there is no further formal clarification, regional governments are required to produce two sets of performance reporting in different styles. In the field, however, the obligation of preparing and submitting performance information based on government regulation number 8/2006 has been abandoned in favor of complying with the latest requirements by MSAEBR. Since the enactment of MSAEBR regulation number 53/2014, the position of PAA decree number 239/IX/6/2003 has also been unclear, whether it has been rendered ineffective or is still in use. Since the basis for PAA decree number 239/IX/6/2003 to be released has been in effect as presidential instruction number 7/1999, logically it has been unused. However, if omitted, regional governments do not have a foundation for strategic planning and performance planning since they have not addressed in the latest regulation.

In the regional governments, PMS development is the responsibility of an assigned unit that consists of policy makers. This unit works under the coordination of the bureau of administration at a government secretariat. For internal purpose, each government agency has its own unit with a focus on developing agency-level PMS, collecting performance data, and
producing agency performance reporting. PMS development involves individuals across sectors and agencies with different responsibilities.

Government-imposed regulations relating to the system and accountability have resulted in high compliance. The willingness to comply with rules indicates that the central government enforcement has been powerful enough. Every year, an evaluation is conducted by the central agencies of each local and provincial government PMS. It is not possible that regional governments can abandon this obligation. Examining this phenomenon, it is clear that external force, in the form of government-imposed regulations and the central government evaluation process upon regional government PMS, provides evidence of a coercive process of isomorphism.

7.2.3 Impediments to the development and implementation process

There are seven main impediments found in the field, as described in the previous chapter, that might hinder the smoothness of development and implementation process of a PMS in the Indonesian regional governments. These impediments consist of:

- Low level of top management commitment,
- Passive attitude/apathetic behavior among staff at accountability units towards PMS,
- Low institutional capacity,
- Lack of coordination among policy setters in the central government,
- Communication problems between policy setters in the central government and implementers at regional governments,
- Conflicts of interest among stakeholders at regional level, and
- High level of informality.

These impediments have undermined the usefulness of a PMS of a regional government. The seven impediments can actually be distinguished into two categories in terms of sources. The first category is those emerging at the regional level. This consists of low level of management commitment, passive attitude/apathetic behavior among staff, low institutional capacity, conflict of interest among stakeholders, and high level of informality. When examined carefully, with interview and documentary evidence, it appears that low top management commitment is one of the main obstacles. Once this obstacle is mitigated, the rest of the problems might be easier to handle. For example, top management may use its power to switch staff attitude toward PMS from passive to actively involved in managing better results. Since a top manager has the ability to decide on policy, he/she can exercise this
power to increase capacity of his/her government, through for example providing adequate training to staff and enforcement of a rewards/punishment model to encourage staff effort and change their attitude. The level of informality can also be minimised once strong commitment towards running the system properly has been built by top management. Hence, it appears that solving the top management problem might ease some other obstacles at regional level. The low level of top management commitment found in this study supports previous literature on public sector PMS studies such as Cavalluzzo and Ittner (2004).

However, solving the top management commitment problem is not an easy task. At most, what can be done is initially mitigating the second category impediments, which are those that come from the central government. These impediments are lack of coordination among policy setters, and communication problems between the central government and regional governments. As gleaned from interviews, to some extent the root of the problems originate from the central level of government, which result in low level of regional top management commitment and apathetic behavior among PMS implementers. For instance, lack of inter-agency coordination in producing regulations causes a number of inconsistencies and conflicting guidelines. This results in confusion and difficulties for regional implementers, since their ability to align among regulations is limited. As a consequence, this appears to have discouraged management commitment to utilise the system in the way it was intended. Other than that, the smoothness of a two-way communication between the central authorities and regional implementers is vital. If the messages from guidelines can be translated well at regional level and the regional government concerns in general are accommodated, an improved attitude towards PMS is likely to follow.

Examining the better management of the financial aspect of performance at regional governments as a result of tough regulations and powerful rewards/punishment schemes, similar strategies can be exercised to enforce the utilisation of PMS. A comprehensive guideline or series of guidelines with a strong coercive power and rewards/punishment resulting from inter-agency collaboration might be powerful enough to level up regional management commitment and mitigate other impediments. This suggestion is also addressed in Jurnali and Siti-Nabiha (2015).
7.2.4 The extent of accountability

This section discusses the impact of PMS implementation upon accountability. For this purpose, the present study examines the impact on several dimensions of accountability, as discussed in the literature review chapter based on the findings in the field.

1. Political accountability.

The introduction of decentralisation in the government administration may have been perceived to a change in political accountability, in which regional governments may be held accountable directly by their constituents (the public and through their representatives in the House of Representatives). However, the present study shows that the powerful control of the central government over its regional administrations has resulted in the change in regional government practices predominantly towards meeting the central government requirements. As a consequence, the public in general do not receive substantial information on performance achievement of their respective regional governments, and thus the community does not have the ability to substantially review the improvement in the government services. With few public reports released or information available for the public to view, there is an indication that the central government remains the major stakeholder that plays a powerful role over regional governments. This phenomenon could be the result of a strong “agents-principal” relation between regional and central government, as discussed in the legal accountability topic by Romzek (2000) and Bovens (2007). This attitude of regional governments provides a drawback in political accountability, as the public in general and members in the House of Representative do not have the same information on governments’ achievement. This means that the public have a relatively low ability to hold their governments accountable.

2. Legal accountability.

In response to corporate governance, the central government released a number of regulations on performance and accountability. For the implementation at regional governments, the central government as a principal in an agency-principal relation exercises its power through MSAEBR. Since today more and more regional governments comply with MSAEBR regulations in PMS and its reporting, regardless of the use and usefulness of this system, accountability for legal purpose seems to be met.
3. Corporate and hierarchical accountability.

If we consider a government organisation as a pseudo-corporation (as it is an independent body), we then may consider it to be legally held accountable collectively, as suggested by (Bovens 2007). This may be true for both the whole government organisations and their agencies. Thus, a government organisation may be held accountable for the whole conduct of its respective agencies regardless whether some of the agencies are under performing; so too do the agencies where they are responsible as a collection of individuals’ actions regardless of individual performance. In the Indonesian regional governments’ case, external stakeholders (for example the central government) require regional governments’ performance reporting instead of individual agencies’ reporting.

On the other hand, if we look at the hierarchical dimension in the practice of accountability in the Indonesian jurisdiction, a head of regional government is the person who takes the blame in the name of his/her government for the inappropriate conduct of his/her agencies. Internally, individuals in the government agencies are held responsible for their conduct from top management to the lowest level employee in the hierarchy, each as actors of accountability.


The reform in the financial sector was actually started in 2003 with the introduction of performance-based budgeting. However, the term “performance” here might be still considered to be rhetoric, as budget allocations have not actually been based on performance evaluation of the previous year’s achievements and future prospects. The transformation of financial administration and management into better practices has been widely accepted at regional governments. The improvement in budgeting and accounting systems has resulted in most regional governments receiving unqualified positive opinions for their financial reporting.

5. Performance Accountability.

Performance accountability is a broad concept of accountability, where it reflects not only the quantitative and numerical financial performance but also discloses broader qualitative outcomes of government goals and objectives. Theoretically, performance reporting puts emphasis on the outcomes rather than on outputs. This is in parallel with result-based
government initiatives in the Indonesian government since they have conducted administration reform. Thus, regional governments have been urged to adopt this approach, and a performance-reporting template has been designed to disclose the elaboration of governments’ efforts in achieving their outcomes. However, in the field, the term “outcome” is difficult to define and measure. As a consequence, most measures developed have been to the extent of output measures. If we look at the public sector accountability and performance continuum developed by Funnel, Cooper and Lee (2012), performance accountability of the Indonesian regional governments may be classified as accountability with efficiency concerns, where the focus is on the ability for managing a series of inputs to having anticipated outputs. With this focus, the Indonesian regional governments in general sit in the middle of the performance accountability continuum.

6. Vertical and horizontal accountability.

Vertically, as is the case elsewhere, elected officials have the capacity to hold agency managers accountable. Similarly, agency managers have the power to delegate power to their respective lower managers and to ask questions on their conduct. This is also known as an internal control system, and it has been practiced with a varying degree of effectiveness from one government to the other. Accountability of performance in the Indonesian government context is very much related to vertical accountability (from regional to the central government), and the main purpose of establishing the performance accountability system is to serve government-imposed regulations.

On the other hand, the practice of horizontal accountability can be found in terms of the House of Representatives’ power over government practices. Under a decentralised system, members of the House of Representative have the right to question governments in relation to performance. The government disclosure to this external control may be viewed as an effort to meet horizontal accountability.

7. External and internal accountability.

Regional governments have multiple external parties with demands for external accountability. The main external stakeholders with powerful control and power might be said to be the central government, the House of Representatives and the public in general. In terms of PMS, the central government seems to be more powerful in exerting their power, since regional governments’ compliance level for submitting performance reporting is
significant. Thus, accountability is more to do with the ability to address the central government regulation requirements. This also indicates that the central government’s coercive power has played a strong role in regional governments’ compliance. While efforts to disclose performance achievement in relation to meeting external accountability for the House of Representatives has been practiced, there has been no evidence of what exactly needs to be disclosed that are taken from the PMS implementation. In regard to performing external accountability to the public in general, as discussed earlier, only a small number of regional governments have met this obligation, even though it has been required by the MSAEBR through its guidelines.

The application of PMS is also meant to be serving internal accountability. The present study, however, shows no significant internal use of PMS despite it having been advised to be administered, in Government regulation number 29/2014. Nonetheless, this regulation is considered quite recent, having just been put into effect. Future study may exhibit different results on the impact of PMS implementation and use for internal accountability purpose.

Overall, PMS implementation has been much deployed for the purpose of serving legitimacy by meeting the central government requirements. Performance agreement between head of regional governments and the central government has made the central government the primary stakeholder where accountability needs to be addressed. Hence, there is a high compliance towards the central government in the willingness to adopt and implement PMS and by timely lodging performance reporting to the central government as the most powerful stakeholder to date. On the other hand, accountability to the rest of the stakeholders remains less functional. Meeting this vertical and external purpose of accountability tends to be more symbolic rather than functioning. With the absence of proper internal use, PMS does not necessarily translate into improved management performance. This finding provides some support for the NIS notion of organisational change rationale.

7.2.5 Evidence of Isomorphism

Since the Indonesian central government still has the ability to hold its regional, lower level authorities accountable for their conduct, MSAEBR as a central government agency responsible for producing guidelines can exert its power, which makes regional governments reluctant to disobey. The central government has this ability because the form of unitary government makes it difficult for regional governments to act without the central government’s approval. The central government has also retained control over a large amount
of funding to be shared to its regions, and the collection of this funding is tied to its regulation, as previously discussed. Hence, regional governments have a high dependency on the central government to survive. In terms of the performance reporting obligation, regional governments lodge their report as required annually. However, their obedience at most is for the purpose of compliance. To avoid any unnecessary consequences, they need to be seen to be legitimate and able to operate as normal governments. This finding, nevertheless, confirms the coercive element of isomorphism.

This kind of motive has resulted in a high level of compliance among the regional governments in developing PMS and implementing the system, but a limited impact on performance improvement. Moreover, according to MSAEBR, despite a high number of performance reports lodged, few only have received favourable evaluations on their PMS elements. Without a translation into a better performance, the system development and reporting is thus mainly used as a means to perform accountability towards the central government instruction. This finding is similar to the assertion of Meyer and Rowan (1977) that institutionalised techniques in an organisation are adopted ceremonially and do not necessarily align with efficiency criteria.

The present study does not find significant evidence of mimetic isomorphism. Information revealed from participants indicates no proof of adequate activity that can be categorised as a mimicry process in developing PMS. This phenomenon might be related to the small amount training that has been provided to staff at accountability units who are involved in developing PMS by their top management. One participant mentioned that she has once been personally sent to another regional government to learn about their practices, but the top management did not respond to her report. Lack of mimetic evidence may also be triggered by limited number of governments receiving a good mark in MSAEBR evaluation. Good marks may be perceived as these governments having outstanding or above average PMSs. Since the major motivation is to receive favourable evaluation, this provides little leverage for regional governments to mimic other practices.

In terms of normative as the last isomorphism, this study also does not find any association between internal management initiatives and PMS adoption and implementation in regional governments. For a few years after the introduction of presidential instruction number 7/1999, regional governments had difficulties with the system as they did not have the capability to manage it in early years of implementation. It is reasonably new knowledge for
regional government management, and this area of concern has not been taught in educational institutions. The only evidence that can be categorised as a form of normative isomorphism is the influence of FDSA management knowledge on PMS, as they are often invited to provide assistance to regional government. FDSA has branches in most of the Indonesian regions and are easily accessible. Interestingly, since there is little collaboration among policy makers at the central level, each institution may interpret the framework differently, either among the central government agencies themselves or between a regional government and a central agency. For instance, a regional government may receive distinct advice from different central agencies responsible for PMS, as evidenced in one regional government in this study. However, since FDSA has been appointed to conduct evaluation on regional government PMS, their regional branches are often invited to assist with the adoption at regional level.

Overall, this provides some support for Dimaggio and Powell (1983) assertion on isomorphism, where the present study found evidence of strong coercive form in the process of PMS adoption and some limited evidence of normative isomorphism in terms of gaining knowledge from FDSA as a professional body.

7.3 Conclusion

The purpose of this chapter was to highlight the key findings from this research and offer some discussion on the issues around PMS application in the Indonesian regional governments. Similarly to most of the PMS applications in the government, the practice in the Indonesian regional governments also receives imposition from the central government, and as a result legitimacy tends to be the main motive. The usefulness of the system tends to be limited and yet find resolution by diminishing any obstacles in the implementation. It is recommended that the central government take action to address the issues raised by regional governments about the obstacles that are related to the central government authority.
Chapter 8: Conclusion

8.1 Introduction

This thesis explored the development and implementation of a performance measurement system in Indonesian regional governments. Following the overthrow of the centralised-government administration in 1999, public sector reforms were introduced. This was not unlike the rest of the Western world, whereby centralised bureaucratic control was being replaced with decentralised autonomous government units. Similarly, where central government budgets were once allocated and distributed on an incremental basis to regional governments, these lower level agencies now have decision-making power in relation to health, education, planning and infrastructure. However, as part of the decentralisation process, the central government needed to ensure their overarching vision and strategies were put into place, effecting transparency in performance and resource allocation. Central government agencies were set up to develop suitable performance measurement systems to measure and monitor performance. Through extensive document analysis and a series of interviews, this thesis observed the process of implementation, and picked up on a few key issues that have inhibited the process on the way.

8.2 Summary of research approach and key findings

This study draws on the last 15 years (1999-2014) of public sector reform in Indonesia. Drawing on the performance measurement literature and taking a NIS approach, this research examined the process of public sector accounting change. The purpose of the NIS theoretical lens was to guide the research in terms of finding answers for the Indonesian Regional Governments’ underlying motivation for adapting to change. NIS provided an overarching framework to guide the investigation into performance measurement system (PMS) introduction, development and implementation over time. It also provided a framework to evaluate whether there were any major impediments to the implementation of the national framework on performance measurement at a regional level, and the extent to which accountability has been impacted.

A field study approach was utilised in which publicly available and internal documents, together with semi-structured interviews, provided key sources of evidence. Importantly, interviews were held with PMS developers, adopters, and evaluators, proving the ability to explore individual perspectives, further enhancing the reliability of findings.
This study details the process of development subsequent to the introduction of the central government-imposed PMS in 1999, and explores three stages of change, as follows: a) the introduction of PMS for accountability (1998-2003); b) revision in performance planning and budgeting, and the introduction of Key Performance Indicators (2004-2009); and c) improvement in PMS regulations (2010-2015). During these evolutionary stages, a number of impediments were noted. These include: low levels of top management commitment; passive attitude/apathetic behavior towards PMS among staff in accountability units; low institutional capacity; lack of coordination among policy setters in the central government; communication problems between policy setters in the central government and implementers at regional governments; conflicts of interest among stakeholders at regional level; and high levels of informality. As a result, the findings of this study support the NIS approach, that the Regional Government PMS adoption, development and implementation is largely legitimising and performed to ensure on-time compliance to the submission of performance reports. The process tends to be more symbolic in nature, and the desire to link performance measurement with budgets and resource allocation has not yet been achieved. The impediments mentioned above, together with strong Central Government influence, have provided obstacles to the development and implementation of PMS.

In the discharge of accountability, PMS has been largely implemented and used for accountability towards the central government and dominant regional governments’ stakeholders and associated agencies, controlled by central government. However, the regional governments’ accountability requirements to other external stakeholders, such as local communities, remain limited.

8.3 Summary of key contributions

The present research contributes not only to management accounting literature by providing evidence from a developing country perspective, but also provides valuable insights into practical applications for policy makers and public sector accountants, for future policies, further accounting system designs, and their application. This research also offers an opportunity for other countries with similar socio-economic conditions to those of Indonesia to learn from the practices identified. Theoretically, the findings of this present research provide a strong foundation to support the NIS perspective in terms of legitimacy and isomorphism. The legitimacy motive in adopting and applying the latest development framework supplied for PMS by the central government indicates support to the NIS concept.
Similarly, the powerful coercive mechanism exerted through central government legislations and its agency regulations, as well as the provision of assistance by FDSA to support the application at regional level, are similar to what described in NIS. In addition, the present research was conducted through a semi-structured interview to different clusters of participants from a distinct responsibility background. Along with other documentary analysis, such a methodological approach set a standard of quality in findings.

8.4 Limitations and areas for further research

This qualitative research provides an understanding of the evolution of PMS and its impact upon accountability in the Indonesian regional governments. In an attempt to produce a robust research, this study has been conducted with the utmost care of methodological rigor and any means to maintain confidentiality has been employed. Nonetheless, it should be borne in mind that the findings are to be read cautiously in relation to their context. It is a country-specific study, the findings of which might not necessarily be the same for other jurisdictions. In addition, the utilisation of interview as a method of data collection poses limitations to some extent in the ability to capture the full story, as it is much dependent on the memory of respondents. Also, due to limited number of participants, the research findings is expected to be better representing the phenomena if there are follow-up studies to the same topic. These limitations provide opportunities for further research, as the present research can be replicated and expanded in a numerous ways.

This topic in the future can be replicated in other jurisdictions, particularly in regions where similar managerial characteristics may benefit researchers in potentially finding similar or dissimilar phenomena, for example across neighboring nations, in management practices. Future research can also be directed toward a study on the central government practices, as the findings will be more useful for policy makers in evaluating the overall drawbacks in management practices for PMS at all level of governments, and subsequent recommendations and actions can be taken. In addition, future research can also focus on a particular sector of government, for example a study on the PMS of education sector or health sector may benefit the sector individually. This study can also be expanded by employing different theoretical lens. For instance, a dependency theorist perspective might be useful since there is evidence of high regional government dependence upon the allocation of central government funding in terms of budget share. Indeed, there is considerable scope to explore and to contribute both to theory and practice.
8.5 Conclusion

The implementation of PMS in the Indonesian regional government has been in place for around 15 years. During that time a number of guidelines initiated by the central government have been released to assist with PMS development. In the evolution of adopting the national framework, developing a system and implementing the system to be useful, regional governments have been dealing with a number of impediments that were arising from within their own local environment as well as from the central government. These impediments have made PMS to be more symbolic than useful for decision making.

It is revealed that the main motivation of regional governments’ compliance is the result of strong central government coercive power that is exerted through regulations; and that there was no substantial impact on performance improvement. Since the discharge of accountability conducted through PMS implementation, regional governments put their effort into meeting vertical, external accountability towards the central government since it is perceived as the major stakeholder. Unfortunately, the real accountability in the form of responsibility for the community has not been met to a large extent. Thus, this study finds some support for the NIS perspective, where PMS has been mostly used as a “window dressing” to legitimise management practices, but without necessarily reflecting the actual use of the system for decision making and improved performance.

Based on the findings, coercive regulations alone can result in dysfunctional behaviour, or fake compliance, in which the regional government acts as if it is accommodating central government requirements. Instead, they might exercise a compromise strategy, particularly when two or more external stakeholders favour different criteria, associated performance measures and outcomes. Significantly, regional levels of government might avoid the need to accommodate central government requirements if they believe the other requirements are in conflict, or if the imposition is not accompanied by explicit rewards/punishment as leverage. These flaws identified in practice along with a number of other impediments in the application of the national PMS framework are issues to consider by policy setters in both, regional and central levels.

In addition, the findings of this research benefit the policy setters within the central government, in their attempt to provide reliable policies on regional government PMS. Particularly, PMS that might be applicable not only for the purpose of increasing external
accountability of regional government but also benefit by being useful in enhancing performance.

To make PMS useful and mitigate the problems associated with implementation, an initiative to produce a single or a number of comprehensive guidelines with strong coercive power, including rewards/punishment resulting from an inter-agency collaboration, might be successful, but would also revert back to central control. If the central government’s desire is for regional governments to maintain autonomy, they may exercise inducement strategies or tactics as suggested in the NIS literature. By doing so, the central government may provide incentives in ways to leverage improved outcomes according to their national strategies, engaging regional governments in rewards/incentives for improved financial and non-financial performance.
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Appendices

Appendix I: Documents used as source of evidence

Documents as source of evidence used in the study;

1. Government legislations
   - National Development Planning Law No. 25/2004
   - Regional Governance Law No. 32/2004
   - State Treasury Law No. 1/2004
   - Fiscal Balance Law No. 33/2004
   - State Finance Law No. 17/2003
   - Fiscal Balance Law No. 25/1999
   - Regional Governance Law No. 22/1999

2. Government regulations
   - Government Regulation No. 8/2008 on Stages and Procedures in Developing, Controlling and Evaluating the Implementation of Local Development Planning
   - Government Regulation No. 8/2006 on Government Institution Finance and Performance Reporting
   - Government Regulation No. 58/2005 on Local Financial Management
   - Government Regulation No. 20/2004 on Government Working Plan

3. Presidential instruction
   - Presidential Instruction No. 7/1999 on Performance Accountability Reporting

4. Presidential Regulations
   - Presidential Regulation No. 29/2014 on Performance Accountability System

5. Ministerial Regulations
   - MASEBR Regulation No. 53/2014 on Technical Assistance for Performance Agreements, Performance Reporting, and Procedure of Performance Reporting Review
   - MoHA regulation No. 54/2010 on Guideline to assisting Government Regulation No. 8/2008
- MASEBR Regulation No. 29/2010 on Performance Agreements and Performance Accountability Reporting
- MASEBR Regulation No. 20/2008 on Guideline on Developing Key Performance Indicators
- MoHA Regulation No. 59/2007 on a Guideline for Local Financial Management (a revision)
- MSAEBR Regulation No. 9/2007 on General Guideline on Key Performance Indicators
- MoHA Regulation No. 13/2006 on a Guideline for Local Financial Management
- MSAE Decree No. 135/2004 on Guideline on Evaluating Performance Accountability Reports

6. Ministerial Circular
   - MSAEBR circular number 31/2004 on Performance Agreements

7. Non Ministerial Central Agency regulations
   - PAA Decree No. 589/IX/6/1999 on Guideline in Developing Performance Accountability Reporting.
   - PAA decree No. 239/IX/6/2003 on Revision on Guideline in Developing Performance Accountability Reporting.

8. Reports
   - Panduan Penyusunan LAKIP Dinas Pendidikan Kab/Kota, Agustus 2011.
   - Evaluation reports on one regional government’ performance.
   - Performance Reporting (LAKIP) of Bandung City Government

12. Email conversations
Appendix II: An example of performance disclosure

1. Health sector (an objective and associated indicator of performance)
   a.

   Health Index
   - Life Expectancy
   - Infant mortality rate
   - Mothers’ mortality

   **Objective 1:**

   **KPIs:**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Hasil Th 2009</th>
<th>Hasil Th 2010</th>
<th>Hasil Th 2011</th>
<th>Hasil Th 2012</th>
<th>Target Th 2012</th>
<th>Tercapai / Tidak</th>
<th>Hasil s/d 2012</th>
<th>Target Akhir RP/MD</th>
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<tr>
<td>Health Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indeks Kesehatan</td>
<td>81.08 *</td>
<td>81.22</td>
<td>81.32</td>
<td>81.35</td>
<td>81.46</td>
<td>△</td>
<td>81.35</td>
<td>81.55</td>
</tr>
<tr>
<td>Life Expectancy</td>
<td>73.65 tahun²</td>
<td>73.73 tahun²</td>
<td>73.79 tahun²</td>
<td>73.81 tahun²</td>
<td>73.87 tahun²</td>
<td>△</td>
<td>73.81</td>
<td>73.93 tahun³</td>
</tr>
<tr>
<td>Usia Harapan Hidup (UHH)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Angka Kematian Bayi</td>
<td>33.77 per 1000 kelahiran hidup</td>
<td>33.17 per 1000 kelahiran hidup</td>
<td>32.24 per 1000 kelahiran hidup</td>
<td>29.33 per 1000 kelahiran hidup</td>
<td>32.87 - 31.12 per 1000 kelahiran hidup</td>
<td>△</td>
<td>29.33 per 1000 kelahiran hidup</td>
<td>32.87 - 31.12 per 1000 kelahiran hidup</td>
</tr>
</tbody>
</table>

   **Source:** Badan Pusat Statistik Kota Bandung, Dinkes Kesehatan Kota Bandung. Ket: *) angka sementara, **) angka sangat sementara, △ = mencapai target, X = tidak mencapai target, △ = tidak mencapai target tetapi ada peningkatan dibandingkan kinerja Tahun lalu

   Sumber: Hasil Pengolahan Data

   Rincian pencapaian kinerja masing-masing sasaran pada misi 1 adalah sebagai berikut:

   1. Sasaran: Meningkatnya kualitas hidup dan taraf kesehatan masyarakat Kota Bandung secara berkelanjutan

   **Pencapaian Kinerja Sasaran pada Misi 1**

   **Misi 1**

   Pencapaian sasaran misi 1 pada tahun 2012

<table>
<thead>
<tr>
<th>Sasaran</th>
<th>Hasil s/d 2012</th>
<th>Target Akhir RP/MD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

Kota Bandung Tahun 2012 (page 28 of 174)
Measurement for KPI 1: Health index and explanation

1. Indeks Kesehatan

Deskripsi sasaran:
Indeks Kesehatan merupakan salah satu komponen dari Indeks Pembangunan Manusia. Ukuran yang digunakan sebagai bahan perhitungan Indeks Kesehatan yaitu Angka Harapan Hidup (AHH).
Cara Perhitungan:
\[(AHH-25) \times 100\% \]
\[(85-25)\]
Keterangan:
AHH maksimum = 85 tahun
AHH minimum = 25 tahun
Nilai maksimum 85 tahun dan nilai minimum 25 tahun adalah standar yang dipergunakan oleh World Health Organization (WHO).

Hasil Tahun 2012
Pencapaian Indeks Kesehatan pada tahun 2012 adalah sebesar 81,35 poin belum terealisasi sesuai target 81,45poin, namun jika dibandingkan dengan tahun 2011 maka pencapaian indeks kesehatan menunjukkan penambahan sebesar 0,03 poin atau meningkat sebesar 0,04% dari 81,32 poin pada tahun 2011 menjadi 81,35 poin pada Tahun 2012.
Indeks kesehatan selama beberapa tahun ke belakang terus mengalami peningkatan, hal ini dapat dilihat pada grafik dibawah ini:

Source: LAKIP Kota Bandung Tahun 2012 (page 29 of 174)
Measurement for KPIs 2: Life expectancy and explanation

2. Usia Harapan Hidup (UHH)

- UHH merupakan indikator kelangsungan hidup yang perhitungannya menggunakan tabel kematian (life table) dengan kata lain UHH bisa diperoleh dari Angka Kematian Bayi (AKB), Angka Kematian Ibu (AKI) dan Angka Kematian Kasar (AKK). Semakin tinggi UHH menunjukkan semakin tinggi tingkat kesejahteraan dan kesehatan penduduk.

- Kelemahan dari indikator ini adalah perhitungannya yang cukup rumit dan tidak sederhana karena harus menggunakan life table selain itu untuk memperoleh UHH yang akurat diperlukan pencatatan/registrasi penduduk menurut kelompok umur yang baik.

Konsep Dasar

Keberhasilan program kesehatan dan program pembangunan sosial ekonomi pada umumnya dapat dilihat dari peningkatan usia harapan hidup penduduk. Meningkatnya pelayanan kesehatan, meningkatnya daya beli masyarakat akan meningkatkan akses

Source: LAKIP Kota Bandung Tahun 2012 (page 30 of 174)
terhadap pelayanan kesehatan, mampu memenuhi kebutuhan gizi dan kalori, mampu mempunyai pendidikan yang lebih baik sehingga memperoleh pekerjaan dengan penghasilan yang memadai, yang pada gilirannya akan meningkatkan derajat kesehatan masyarakat dan memperpanjang usia harapan hidupnya.

- **Definisi**

Usia Harapan Hidup pada suatu umur \( x \) adalah rata-rata tahun hidup yang masih akan dijalani oleh seseorang yang telah berhasil mencapai umur \( x \), pada suatu tahun tertentu, dalam situasi mortalitas yang berlaku di lingkungan masyarakatnya.

- **Kegunaan**

Usia Harapan Hidup merupakan alat untuk mengevaluasi kinerja pemerintah dalam meningkatkan kesejahteraan penduduk pada umumnya, dan meningkatkan derajat kesehatan pada khususnya. Angka Harapan Hidup yang rendah di suatu daerah harus diikuti dengan program pembangunan kesehatan, dan program sosial lainnya termasuk kesehatan lingkungan, kecukupan gizi dan kalori termasuk program pemberantasan kemiskinan.

- **Cara Menghitung**

Idealnya Usia Harapan Hidup dihitung berdasarkan Angka Kematian Menurut Umur (Age Specific Death Rate/ASDR) yang datanya diperoleh dari catatan registrasi kematian secara bertahun-tahun sehingga dimungkinkan dibuat Tabel Kematian. Tetapi karena sistem registrasi penduduk di Indonesia belum berjalan dengan baik maka untuk menghitung Angka Harapan Hidup digunakan cara tidak langsung.

**Hasil Tahun 2012**

Pencapaian Usia Harapan Hidup (UHH) pada tahun 2012 adalah sebesar 73.81 tahun belum terealisasi sesuai target 73.87 tahun, namun jika dibandingkan dengan tahun 2011 maka pencapaian Usia Harapan Hidup (UHH) menunjukkan penambahan sebesar 0,02 tahun atau terjadi peningkatan sebesar 0,03% dari 73,79 pada Tahun 2011 tahun menjadi 73,81 pada Tahun 2012.

Source : LAKIP Kota Bandung Tahun 2012 (page 31 of 174)
Usia Harapan Hidup (UHH) selama beberapa tahun ke belakang terus mengalami peningkatan, hal ini dapat dilihat pada grafik dibawah ini:

**Grafik 3.2**
Perkembangan Usia Harapan Hidup Kota Bandung Periode 2009 - 2012

Sumber Data : Badan Pusat Statistik 2013

Perencanaan yang strategis dalam bidang kesehatan berdampak terhadap keberhasilan 16 indikator SPM Bidang Kesehatan yang setiap tahunnya rata-rata mencapai target sehingga menunjukkan kenaikan Usia Harapan Hidup dan Indeks Kesehatan.

Measurement for KPI 3: Infant mortality rate and explanation

**3. Angka Kematian Bayi**

*Konsep Dasar*

Kematian bayi adalah kematian yang terjadi antara saat setelah bayi lahir sampai bayi belum berusia tepat satu tahun. Banyak faktor yang dikaitkan dengan kematian bayi.

*Kegunaan Angka Kematian Bayi*

Source : LAKIP Kota Bandung Tahun 2012 (page 32 of 174)
Angka Kematian Bayi menggambarkan keadaan sosial ekonomi masyarakat dimana angka kematian itu dihitung. Kegunaan Angka Kematian Bayi untuk pengembangan perencanaan berbeda antara kematian neo-natal dan kematian bayi yang lain.

**Definisi**

Angka Kematian Bayi (AKB) adalah banyaknya kematian bayi berusia dibawah satu tahun, per 1000 kelahiran hidup pada satu tahun tertentu.

**Cara Menghitung**

\[
AKB = \frac{D_{0-1a}}{\sum \text{lahir hidup}} \times K
\]

Di mana:

AKB = Angka Kematian Bayi / Infant Mortality Rate (IMR)

\[D_{0-1a}\] = Jumlah Kematian Bayi (berumur kurang 1 tahun) pada satu tahun tertentu di daerah tertentu.

\[\sum \text{lahir hidup}\] = Jumlah Kelahiran Hidup pada satu tahun tertentu di daerah tertentu

(lihat modul fertilitas untuk definisi kelahiran hidup).

K = 1000

**Sumber Data**

Data mengenai jumlah anak yang lahir jarang tersedia dari pencatatan atau registrasi kependudukan, sehingga sering dibuat perhitungan/estimasi tidak langsung.

**Hasil Tahun 2012**


Source : LAKIP Kota Bandung Tahun 2012 (page 33 of 174)
Measurement for KPI 4: Mothers mortality and explanation

4. Jumlah Kematian Ibu

Konsep
Kematian ibu adalah kematian perempuan pada saat hamil atau kematian dalam kurun waktu 42 hari sejak terminasi kehamilan tanpa memandang lamanya kehamilan atau tempat persalinan, yakni kematian yang disebabkan karena kehamilannya atau pengelolaannya, tetapi bukan karena sebab-sebab lain seperti kecelakaan, terjatuh dll (Budi, Utomo. 1985).

Definisi
Angka Kematian Ibu (AKI) adalah banyaknya kematian perempuan pada saat hamil atau selama 42 hari sejak terminasi kehamilan tanpa memandang lama dan tempat persalinan, yang disebabkan karena kehamilannya atau pengelolaannya, dan bukan karena sebab-sebab lain, per 100,000 kelahiran hidup.

Source: LAKIP Kota Bandung Tahun 2012 (page 34 of 174)
Runus

\[
\text{Jumlah Kematian Ibu} = \frac{\text{AKI}}{\text{Jumlah Kelahiran Ibu}} \times K
\]

Dimana:
- Jumlah Kematian Ibu yang dimaksud adalah banyaknya kematian ibu yang disebabkan karena kehamilan, persalinan sampai 42 hari setelah melahirkan, pada tahun tertentu, di daerah tertentu.
- Jumlah kelahiran Hidup adalah banyaknya bayi yang lahir hidup pada tahun tertentu, di daerah tertentu.
- Konstanta \(K\) sekitar 100.000 bayi lahir hidup.

Keterbatasan
AKI sulit dihitung, karena untuk menghitung AKI dibutuhkan sampel yang besar.

Kegunaan
Informasi mengenai tingginya angka kematian ibu akan bermanfaat untuk pengembangan program peningkatan kesehatan reproduksi, terutama pelayanan kehamilan dan membuat kehamilan yang aman bebas risiko tinggi (making pregnancy safer), program peningkatan jumlah kelahiran yang dibantu oleh tenaga kesehatan, penyusun penataan jadwal dalam penanganan komplikasi kehamilan, penyusun kebutuhan dan suami siaga dalam menyongsong kelahiran, yang semua bertujuan untuk mengurangi Angka Kematian Ibu dan meningkatkan derajat kesehatan reproduksi.

Cara Menghitung
Kemudian kematian ibu dapat diubah menjadi rasio kematian ibu dan dinyatakan per 100.000 kelahiran hidup, dengan membagi angka kematian dengan angka fertilitas umum. Dengan cara ini diperoleh rasio kematian ibu kematian maternal per 100.000 kelahiran

Keterbatasan
AKI sulit dihitung, karena untuk menghitung AKI dibutuhkan sampel yang besar, mengingat kejadian kematian ibu adalah kasus yang jarang. Oleh karena itu kita umumnya digunakan AKI yang telah tersedia untuk keperluan pengembangan perencanaan program.

Source: LAKIP Kota Bandung Tahun 2012 (page 35 of 174)
Karena AKI sulit dihitung maka yang dijadikan indicator oleh Dinas Kesehatan adalah jumlah kematian ibu bukan angka kematian ibu.

**Hasil Tahun 2012**


Jumlah Kematian Ibu dari tahun 2009 – 2012 dapat dilihat pada grafik dibawah ini:

**Grafik 3.4**

*Perkembangan Jumlah Kematian Ibu Kota Bandung Periode 2009 - 2012*

![Grafik Jumlah Kematian Ibu (orang/tahun)](image)

Source: LAKIP Kota Bandung Tahun 2012 (page 36 of 174)
2. Education sector (an objective and associated indicator of performance)

Objective 5

---

5. Sasaran: Meningkatnya kualitas dan taraf pendidikan masyarakat Kota Bandung serta budaya baca masyarakat secara berkelanjutan.

<table>
<thead>
<tr>
<th>Indikator Kinerja</th>
<th>Hasil Tahun 2009 (Ha)</th>
<th>Hasil Tahun 2010 (Ha)</th>
<th>Hasil Tahun 2011 (Ha)</th>
<th>Hasil Tahun 2012 (Ha)</th>
<th>Target Tahun 2012 (Ha)</th>
<th>Target Akhir 2012 (Ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capaian Rata-rata Lama Sekolah</td>
<td>10,56 Tahun**</td>
<td>10,68 Tahun**</td>
<td>10,70 Tahun</td>
<td>10,74 Tahun</td>
<td>11,16 Tahun</td>
<td>10,74 Tahun</td>
</tr>
<tr>
<td>Indeks Pendidikan</td>
<td>89,83</td>
<td>90,09</td>
<td>90,14</td>
<td>90,25</td>
<td>91,87</td>
<td>90,25</td>
</tr>
<tr>
<td>Pengadaan buku-buku perpustakaan masyarakat</td>
<td>3000 eks</td>
<td>2858 eks</td>
<td>5283 eks</td>
<td>1893</td>
<td>1500 eks</td>
<td>30000 eks</td>
</tr>
</tbody>
</table>

Sumber: Badan Pusat Statistik Kota Bandung. Ket: *) angka sementara, **) √ = mencapai target, X tidak mencapai target, ▲ = tidak mencapai target tetapi ada peningkatan dibandingkan kinerja Tahun lalu.

Deskripsi Sasaran:
Rata-rata lama sekolah menunjukkan makin tingginya pendidikan yang dicapai oleh masyarakat di suatu daerah. Semakin tinggi rata-rata lama sekolah berarti semakin tinggi jenjang pendidikan yang dijalani. Rata-rata lama sekolah adalah rata-rata jumlah Tahun yang dihabiskan oleh penduduk usia 15 Tahun ke atas di seluruh jenjang pendidikan formal yang pernah diikuti.

Membaca seringkali dianggap sebagai suatu kegiatan yang hanya membuang waktu, tenaga dan pikiran, padahal dengan membaca suatu bacaan, seseorang dapat menerima informasi, memperdalam pengetahuan, dan meningkatkan kecerdasan. Pemahaman terhadap kehidupan pun akan semakin tajam karena membaca dapat membuka cakrawala untuk berpikir kritis dan sistematis. Hanya dengan melihat dan memahami isi yang tertulis di dalam buku pengetahuan maupun pelajaran, membaca bisa menjadi kegiatan sederhana yang membutuhkan modal sedikit, tapi menawai kebutuhan banyak kemungkinan.

Hasil Tahun 2012
Untuk capaian kinerja capaian RLS dibandingkan dengan target yang ingin dicapai pada tahun 2012 tidak mencapai target. Berdasarkan data dari Badan Pusat Statistik Kota Bandung, rata-rata lama sekolah tahun 2012 adalah sebesar 10,74% tahun. Namun meskipun tidak mencapai target tahun 2012 yaitu 11,16%, capaian indikator rata-rata lama sekolah ini mengalami peningkatan dibandingkan kinerja tahun sebelumnya yang berada di angka 10,70% tahun. Hal ini disebabkan belum optimalnya peran jalur pendidikan non formal dalam mengakomodasi warga masyarakat yang memerlukan

Source: LAKIP Kota Bandung Tahun 2012 (page 41-42 of 174)
layanan pendidikan non formal. Namun demikian tetap dihukukan upaya penguatan program/kegiatan pendidikan menengah, sosialisasi dan fasilitas untuk melanjutkan pendidikan ke jenjang pendidikan lebih tinggi serta peningkatan kuantitas dan kualitas penyelenggaraan pendidikan non formal.

Minat baca masyarakat Kota Bandung mengalami peningkatan, hal tersebut tercermin dari peningkatan jumlah anggota perpustakaan di Perpustakaan Kota Bandung pada tahun 2011 menjadi 539 orang dari 239 orang pada tahun sebelumnya. Untuk menunjang peningkatan minat baca masyarakat Kota Bandung, Pemerintah Kota Bandung terus melakukan pengadaan buku-buku perpustakaan, pada tahun 2012 target pengadaan bahan bacaan perpustakaan sebanyak 1500 eksemplar terealisasi sebanyak 1893 eksemplar.

Pencapaian yang terkait
Keberhasilan Pemerintah Kota Bandung yang terkait dengan pencapaian sasaran bidang kearsipan dan perpustakaan yaitu diraihnya prestasi yang membanggakan pada tahun 2012 yaitu:

• Penghargaan Arsip Nasional Republik Indonesia (ANRI) Citra Kota Bandung Dalam Arsip Kekayaan Budaya dan Sejarah Kota Bandung.
• Penghargaan Arsip Nasional Republik Indonesia (ANRI) Dalam Rangka Wawancara Kenegaraan (Oral History) Kepemimpinan Walikota Bandung.
• Penghargaan Arsip Nasional Republik Indonesia (ANRI) Dalam Pembinaan Kearsipan Terbaik.

Source : LAKIP Kota Bandung Tahun 2012 (page 43 of 174)
Grafik 3.7
Perkembangan Indeks Pendidikan Kota Bandung Periode 2006 – 2012

Sumber : Badan Pusat Statistik Kota Bandung


Source : LAKIP Kota Bandung Tahun 2012 (page 43-44 of 174)
Objective 6

KPIs:

Literacy rate

6. Sasaran: Meningkatnya kuantitas akses pendidikan dasar (formal) dan non formal, serta didukung oleh partisipasi aktif masyarakat.

Sumber: Badan Pusat Statistik Kota Bandung, Dinas Pendidikan Kota Bandung. Key: * ) angka sementara, **) angka sangat sementara, ✓ = mencapai target, X tidak mencapai target, ▲ = tidak mencapai target tetapi ada peningkatan dibandingkan kinerja Tahun lalu.

Deskripsi Sasaran: Angka Melek Huruf (AMH) adalah persentase penduduk usia 15 tahun ke atas yang bisa membaca dan menulis serta mengerti sebuah kalimat sederhana dalam hidupnya sehari-hari. AMH digunakan untuk mengukur keberhasilan program-program pemberantasan buta huruf, menunjukkan kemampuan penduduk di suatu wilayah dalam menyerap informasi dari berbagai media, dan menunjukkan kemampuan untuk berkomunikasi secara lisan dan tertulis, sehingga angka melek huruf mencerminkan potensi perkembangan intelektual sekaligus kontribusi terhadap pembangunan daerah.

Hasil Tahun 2012

Angka melek huruf penduduk Kota Bandung selama beberapa tahun ke belakang terus mengalami peningkatan dimana cenderung konstan karena sudah mendekati 100%. Hal tersebut dikarenakan masih adanya masyarakat Kota Bandung yang buta huruf sebesar 0,42%. Angka melek huruf di Kota Bandung dapat dilihat pada grafik 3.2.

Grafik 3.8

Angka Melek Huruf Penduduk Kota Bandung periode 2006 – 2012

Peningkatan ini seiring dengan semakin membaiknya kondisi perekonomian Kota Bandung yang berimbas pada semakin membaiknya kondisi perekonomian masyarakat. Pada tahun 2012, angka melek huruf tidak mencapai target dari yang ditetapkan sebesar 100%, tetapi ada peningkatan dibandingkan kinerja tahun 2012 yaitu di angka 99,58%.

Source: LAKIP Kota Bandung Tahun 2012 (page 44-45 of 174)
Objective 7 KPIs:

Educational management service Improved in national testing provider Improved in PSB providers Merger and regrouping (elementary schools)

7. Sasaran: Meningkatnya Kualitas Pelayanan Bidang Pendidikan.

<table>
<thead>
<tr>
<th>Indikator Kinerja</th>
<th>Hasil Th 2009</th>
<th>Hasil Th 2010</th>
<th>Hasil Th 2011</th>
<th>Hasil Th 2012</th>
<th>Target Th 2012</th>
<th>Tercap ai/ Tidak</th>
<th>Hasil sd 2012</th>
<th>Target Akhir</th>
<th>RPJMD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manajemen pelayanan pendidikan</td>
<td>88%</td>
<td>91%</td>
<td>94%</td>
<td>96%</td>
<td>96%</td>
<td>✓</td>
<td>96%</td>
<td>96%</td>
<td></td>
</tr>
<tr>
<td>Peningkatan kualitas penyelenggaraan UAN/UAS</td>
<td>87%</td>
<td>90%</td>
<td>92%</td>
<td>94%</td>
<td>94%</td>
<td>✓</td>
<td>94%</td>
<td>96%</td>
<td></td>
</tr>
<tr>
<td>Peningkatan kualitas penyelenggaraan PSB</td>
<td>90%</td>
<td>92%</td>
<td>94%</td>
<td>96%</td>
<td>96%</td>
<td>✓</td>
<td>96%</td>
<td>99%</td>
<td></td>
</tr>
<tr>
<td>Merger dan Regrouping SD Negeri</td>
<td>600 sekolah</td>
<td>550 sekolah</td>
<td>500 sekolah</td>
<td>400 sekolah</td>
<td>400 sekolah</td>
<td>✓</td>
<td>400 sekolah</td>
<td>300 sekolah</td>
<td></td>
</tr>
</tbody>
</table>

Sumber: Dinas Pendidikan Kota Bandung. ✓ = mencapai target, X tidak mencapai target, △ = tidak mencapai target tetapi ada peningkatan dibandingkan kinerja Tahun lalu

Deskripsi Sasaran:

Penyelenggaraan ujian akhir nasional (UAN) dan ujian akhir sekolah (UAS) merupakan sarana melakukan evaluasi atas proses belajar mengajar selama jangka waktu penyelenggaraan pendidikan. Ketentuan tentang pelaksanaan UAN/ UAS diadakan agar pelaksanaan evaluasi tersebut berjalan dengan jujur dan adil, sehingga dapat dievaluasi dengan tepat penyelenggaraan pendidikan baik jenjang SD, SMP maupun SMA.

Merger dan regrouping SD negeri dilakukan untuk meningkatkan efisiensi manajemen sekolah dan peningkatan mutu pendidikan. Dengan merger dan regrouping SD ini, sekolah yang jumlah siswanya kurang dari yang ditentukan, akan disatukan dengan SD yang lain, terutama dengan sekolah yang satu daerah. Kriteria lain dalam melakukan merger, adalah dengan mempertimbangkan keadaan geografis, seperti jarak tempuh siswa ke sekolah dan tingkat keamanan siswa. Di sisi lain, regrouping perlu dilakukan, dilatarbelakangi banyaknya sekolah dalam satu kompleks ternyata menjadi kurang efisien, karena satu sekolah dengan sekolah lain pelayanannya berbeda, sehingga membuat kepala sekolah dan orang tua siswa menjadi kurang harmonis.

Source: LAKIP Kota Bandung Tahun 2012 (page 45-46 of 174)
Objective 8

KPIs:

Educators’ certification level
Improvement in educators’ certification level


<table>
<thead>
<tr>
<th>Indikator Kinerja</th>
<th>Hasil Th 2009</th>
<th>Hasil Th 2010</th>
<th>Hasil Th 2011</th>
<th>Hasil Th 2012</th>
<th>Target Th 2012</th>
<th>Tercapai/ Tidak</th>
<th>Target Akhir RPJMD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tingkat Sertifikasi Tenaga Pendidik</td>
<td>25%</td>
<td>50%</td>
<td>75%</td>
<td>80%</td>
<td>80%</td>
<td>✓</td>
<td>100%</td>
</tr>
<tr>
<td>Peningkatan kualitas tenaga pendidik dan tenaga kependidikan</td>
<td>25%</td>
<td>50%</td>
<td>75%</td>
<td>80%</td>
<td>80%</td>
<td>✓</td>
<td>100%</td>
</tr>
</tbody>
</table>

Sumber : Dinas Pendidikan Kota Bandung. ✓ = mencapai target, X tidak mencapai target, ▲ = tidak mencapai target tetapi ada peningkatan dibandingkan kinerja Tahun lalu

Deskripsi Sasaran :
Kualitas pendidik dipandang sebagai penentu kualitas sekolah, baik kualitas proses berupa kualitas proses pembelajaran maupun kualitas output berupa kualitas lulusan. Terkait dengan eratnya kaitan antara pendidik dengan perkembangan dunia pendidikan, muncul anggapan bahwa rendah dan merosotnya mutu pendidikan hampir selalu dinilai sebagai akibat dari rendahnya kualitas pendidik. Oleh sebab itu, dalam setiap upaya peningkatan kualitas pendidik di tanah air, tidak dapat dilepaskan dari berbagai hal yang berkaitan dengan eksistensi pendidik itu sendiri. Untuk meningkatkan kualitas pendidikan dan kualitas pelayanan pendidikan, diperlukan pendidik-pendidik ideal dan berkualitas, yang mampu mendidik dan mengajar sekaligus menghasilkan siswa dan lulusan berkualitas yang sesuai dengan perkembangan zaman dan peradaban.

Hasil Tahun 2012
Kualifikasi tenaga pendidik Kota Bandung terus menerus ditingkatkan. Pada tahun 2012 capaian indicator kinerja kualifikasi tenaga pendidik Kota Bandung meningkat menjadi 80% atau telah mencapai target dari sebelumnya yang mencapai 75% dari seluruh tenaga pendidik Kota Bandung. Untuk meningkatkan kepercayaan pada tenaga pendidik Kota Bandung dalam penyelenggaraan pendidikan, sampai dengan tahun 2012 Pemerintah Kota Bandung melalui Dinas Pendidikan telah melaksanakan sertifikasi pada tenaga pendidik yang ada sebesar 80% dan mencapai target dari target sebesar 80%, artinya guru di Kota Bandung telah berpendidikan minimal S-1, bahkan untuk guru PNS sudah memenuhi kualifikasi pendidikan minimal S-1.

Source : LAKIP Kota Bandung Tahun 2012 (page 52 of 174)
3. Religious affairs sector (an objective and associated indicator of performance)

KPIs:
Level of violation towards religious values
Level of law enforcement regarding tourism and houses of worship building
Degree of improvement houses of worship
Degree of dissemination of religious values and the quality of worshipping environment


<table>
<thead>
<tr>
<th>Indikator Kinerja</th>
<th>Hasil Th 2012</th>
<th>Target Th 2012</th>
<th>Tercapai/ Tidak</th>
<th>Target Akhir RPJMD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tingkat pelanggaran terhadap norma-norma agama</td>
<td>Tidak terdapat kejadian pelanggaran terhadap norma agama yang dapat memecah belah kerukunan antar umat beragama Kota Bandung</td>
<td>Meningkatnya Pemahaman dan pengamalan agama sesuai dengan keyakinan masing-masing</td>
<td>✓</td>
<td>Meningkatnya Pemahaman dan pengamalan agama sesuai dengan keyakinan masing-masing</td>
</tr>
<tr>
<td>Tingkat penyelenggaraan perda yang berkaitan dengan penyelenggaraan koperasi/kooperasi dan pembangunan sarana ibadah di tempat umum</td>
<td>72,59 %</td>
<td>70%</td>
<td>✓</td>
<td>90%</td>
</tr>
<tr>
<td>Tingkat perbaikan kualitas sarana dan prasarana ibadah di tempat umum dan kantor pemerintah</td>
<td>81,42%</td>
<td>60%</td>
<td>✓</td>
<td>70%</td>
</tr>
<tr>
<td>Tingkat sosialisasi dan pembinaan pengamalan keagamaan serta kualitas lingkungan peribadatan</td>
<td>50%</td>
<td>100%</td>
<td>X</td>
<td>100%</td>
</tr>
</tbody>
</table>

Sumber : BKBPPM, DISBUDPAR dan Bagian Kesra Setda Kota Bandung. ✓ = mencapai target, X tidak mencapai target, ▲ = tidak mencapai target tetapi ada peningkatan dibandingkan kinerja Tahun lalu

Deskripsi Sasaran :
Indikator kinerja Tingkat pelanggaran terhadap norma-norma agama dilaksanakan melalui sosialisasi kerukunan antar umat beragama yaitu melalui upaya peningkatan toleransi dan kerukunan dalam kehidupan beragama, serta menjalin kerjasama yang baik dengan FKUB (Forum Kerukunan Umat Beragama) dan Kantor Kementerian Agama Kota Bandung. Tidak terdapatnya kejadian pelanggaran terhadap norma agama yang dapat memecah belah kerukunan antar umat beragama Kota Bandung karena ada upaya memperbanyak sosialisasi dan merumuskan peraturan mengenai kerukunan antar umat beragama

Penyelenggaraan Peraturan Daerah tentang Kepariwisataan telah dilaksanakan sesuai dengan ketentuan bagi para pengelola usaha Pariwisata di Kota Bandung. Keterkaitan Usaha Pariwisata dengan Penyediaan Fasilitas Sarana Ibadah pada dasarnya hampir semua Usaha Pariwisata telah menyediakan Sarana Peribadatan, namun keberadaan sarana Ibadah yang dianggap layak mencapai 72,59%, dengan rincian sebagai berikut :

Source : LAKIP Kota Bandung Tahun 2012 (page 53 of 174)
### Tabel 3.2
Usaha Pariwisata dengan Penyediaan Fasilitas Sarana Ibadah

<table>
<thead>
<tr>
<th>NO</th>
<th>Jenis Usaha Pariwisata</th>
<th>Jumlah</th>
<th>Jumlah Sarana Ibadah</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hotel Bintang</td>
<td>98</td>
<td>98</td>
</tr>
<tr>
<td>2</td>
<td>Hotel Non Bintang</td>
<td>242</td>
<td>168</td>
</tr>
<tr>
<td>3</td>
<td>Restoran/Rumah Makan/Café</td>
<td>609</td>
<td>426</td>
</tr>
<tr>
<td>4</td>
<td>Objek Wisata</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>5</td>
<td>Hiburan Umum</td>
<td>221</td>
<td>154</td>
</tr>
<tr>
<td></td>
<td><strong>Jumlah</strong></td>
<td>1182</td>
<td>858</td>
</tr>
</tbody>
</table>

**Prosentase 72.59%**

Sumber: Dinas kebudayaan dan Pariwisata Kota Bandung

Tingkat perbaikan kualitas sarana dan prasarana ibadah di tempat umum dan kantor pemerintah pada tahun 2012 berhasil mencapai target sasaran bahkan melampaui dari target yang ditentukan yaitu target untuk Tingkat perbaikan kualitas sarana dan prasarana ibadah di tempat umum dan kantor Pemerintah sebesar 60% ternyata hasil yang dicapai 81,42%.

Selanjutnya untuk tingkat sosialisasi dan pengamalan keagamaan serta kualitas lingkungan peribadatan belum tercapai dari target sasaran, target sarasana untuk tahun 2012 itu sendiri sebesar 100% ternyata hasil yang dicapai hanya 50%. Hal tersebut disebabkan salah satu kegiatan penyelenggaraan sosialisasi keagamaan khusus untuk Pegawai Negeri Sipil untuk tahun 2012 tidak dilaksanakan karena menunggu keputusan yang sesuai dengan aturan penyelenggaraan kegiatan.

**Hasil Tahun 2012:**
Terselenggaranya Sosialisasi tentang Toleransi dan Kerukunan Antar Umat Beragama sebesar 70% serta Meningkatnya kerukunan Hidup dan Toleransi dalam Masyarakat Berbangsa dan Bernegara sebanyak 125 orang pada Tahun 2012 yang terdiri dari siswa sekolah menengah atas, pengurus lembaga keagamaan dan tokoh masyarakat di Kota Bandung.

Source: LAKIP Kota Bandung Tahun 2012 (page 54 of 174)
**Objective 10**

**KPIs:**
Level of inter-religious tolerance

---

### 10. Sasaran: Meningkatnya kerukunan umat beragama

<table>
<thead>
<tr>
<th>Indikator Kinerja</th>
<th>Hasil Th 2012</th>
<th>Target Th 2012</th>
<th>Tercapai/ Tidak</th>
<th>Target Akhir RPJMD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tingkat kerjasama pemeliharaan toleransi dan kerukunan antar Umat Beragama</td>
<td>60 %</td>
<td>60 %</td>
<td>✔</td>
<td>70 %</td>
</tr>
</tbody>
</table>

Sumber: Badan Kesatuan Bangsa, Perlindungan dan Pemberdayaan Masyarakat Kota Bandung. ✔ = mencapai target, X tidak mencapai target, ▲ = tidak mencapai target tetapi ada peningkatan dibandingkan kinerja Tahun lalu


Source: LAKIP Kota Bandung Tahun 2012 (page 55 of 174)
Appendix III: Strategic plan template in performance measurement regulations

Strategic Plan form based on PAA Decree No. 589/IX/6/Y/1999

**Form PS-1. This form was used for first year of the strategic planning**

<table>
<thead>
<tr>
<th>Sectors/Sub sectors</th>
<th>National strategic policy</th>
<th>Institution strategic planning (year 1 of 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Vision</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1)</td>
</tr>
</tbody>
</table>

**Form PS-2. This form was used for year 2 up to 5 of the strategic planning**

<table>
<thead>
<tr>
<th>Institution strategic planning (year 2/3/4/5 of 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
</tr>
<tr>
<td>How to achieve goals and objectives</td>
</tr>
<tr>
<td>Policy</td>
</tr>
<tr>
<td>(1)</td>
</tr>
</tbody>
</table>

**Strategic Plan form based on PAA Decree No. 239/IX/6/2003**

<table>
<thead>
<tr>
<th>Goals</th>
<th>Objectives</th>
<th>How to achieve goals and objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Description</td>
<td>Indicators</td>
</tr>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
</tbody>
</table>
Appendix IV: Sample of a working plan and budget

<table>
<thead>
<tr>
<th>Agency Working Plan and Budget</th>
<th>Form RKA - SKPD 2.2.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Province/Regency/City ..........</td>
<td></td>
</tr>
<tr>
<td>Budget Year ......</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Government sector</th>
<th>Province/Regency/City</th>
</tr>
</thead>
<tbody>
<tr>
<td>: x. xx.</td>
<td>: Province/Regency/City</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
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Indicators and benchmarks-direct expenditure

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Budget description-direct expenditure

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Total |

Source: Appendix A.14.1a of MoHA regulation number 59/2007
Appendix V: A performance agreement template

PERFORMANCE AGREEMENT YEAR 20XX

In order to have an effective, transparent, accountable and results-oriented government management, the undersigned below,

Name:
Position:
Promise to realize performance target as listed in the annex, in order to achieve medium-term performance targets as set out in planning document.

The success and the failure to achieve the performance targets becomes our responsibility.

Date,

Governor/Regent /Mayor

Source: MSAEBR regulation 53/2014

Sample of a performance agreement annex

PERFORMANCE AGREEMENTS YEAR 20XX

PROVINCE/REGENCY/ CITY: XX

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1………. | Rp…….. 
2………. | Rp……..

Source: MSAEBR regulation 53/2014
Appendix VI: The results of local government SAKIP evaluation from 2009 to 2012

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Appendix VII: Node summary report

Node Summary
PMS in the Indonesian Regional Government

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Appendix VIII: A sample of hierarchical structure of coding

- **Code**: On-time compliance on reporting
- **Category**: Legitimacy
- **Theme**: Motivation

- **Code**: Budgeting is believed more important than the whole PMS
- **Category**: PBB

- **Code**: Performance information has not been utilised for budget allocations

- **Code**: Strategic plans are not fully a reflection of medium term plan

- **Code**: Limited alignment among planning, budgeting and performance

- **Code**: PIs and KPIs are not really aligned with medium term planning

- **Code**: PIs were not reliable

- **Code**: Conflicts in planning regulations

- **Code**: Aligning process

- **Theme**: Introduction and development
Agency managers do not view PMS as significant

Staffs passively respond to implementation

Top down information has not been well organised

Bottom up communication often receive low response

Programs and activities included in the later date

Role of political interest is strong in setting and approving programs and activities

More than one central agencies responsible for developing planning agenda

Lack of coordination among central government policy setters creates difficulties in implementation

Political influence on the elected officials’ decisions due to the power of parties behind them

Communication

Conflict of interest

Coordination

Attitude

Informality level

Impediments to implementation
Difficult to define outcomes

Lacking of staff knowledge due to limited training provided

Lack of interest for PMS

Limited knowledge on the function of PMS

Institutional capability

Top management commitment

Compliance as a result of the central government imposed regulations

Comparative study to another local government

FDSA assistance in developing PMS

Coercive

Mimetic

Normative

Isomorphic processes

The use of Performance Information

Internal use

External use

Not used for resource allocation

Not used for changing programs/activities

Not used for setting priorities

Fulfill obligation to producing performance reporting
Meeting the higher level of government requirements

Horizontal accountability

Limited use of PI by the House of Representatives

Vertical accountability

The central government has the strongest power in which any requirement needs to be adhered to

External accountability

Limited internal function of PMS to improved internal management

Internal accountability

Accountability
Appendix IX: Ethics- Participant Information sheet (invitation letter), Consent Form

INVITATION TO PARTICIPATE IN A RESEARCH PROJECT

PARTICIPANT INFORMATION

Project Title: Performance measurement evolution and accountability in the Indonesian regional governments

Investigators:

Dr. Gillian Vesty
Email: gillian.vesty@rmit.edu.au
Phone: +61 9925 5727

Dr. Sue Robertson
Email: sue.robertson@rmit.edu.au
Phone: +61 9925 5719

Muhammad Thahar
Email: muhammad.thahar@rmit.edu.au
Phone: +61 9925 5509

Dear …………,

You are invited to participate in a research project being conducted by RMIT University. Please read this sheet carefully and be confident that you understand its contents before deciding whether to participate. If you have any questions about the project, please ask one of the investigators.

On behalf of School of Accounting, RMIT University, we would like to invite you to participate in a research project. I, Dr Gillian Vesty act as Chief Investigator in conjunction with Dr Sue Robertson and Muhammad Thahar as investigators is conducting a research project on the evolution of performance measurement and accountability in the Indonesian regional governments. This research project is being conducted as part of the requirements for Master of Business (Accountancy) studies conducted by Muhammad Thahar whom research we supervise. This project has been approved by the RMIT Human Research Ethics Committee.

You have been invited to participate because of your detailed knowledge and/or involvement in performance management system development in the Indonesian Government.

The research being conducted is to document evidence on performance management initiatives, adoption, development, and its subsequent impact on services and accountability within the Indonesian local and provincial governments. We aim to determine the extent to which performance measurement plays a role in the Indonesian Public Sector to gain both practical and theoretical insights. We aim to interview around twenty people and build a valuable oral history that can be combined with archival records for deeper understanding of performance measures and the management accounting function.
If you agree to participate in this project we would request a semi-structured interview session, held face-to-face in your office or other agreed locations lasting approximately 45 minutes to one hour. For the purposes of transcribing data, interview sessions will be audio recorded with your approval. Where appropriate, we would be pleased to review any documentary evidence that you think would be a useful supplement to our interview data. While there is no direct benefit to participate, we anticipate that the findings of this research project might be useful for PMS development, refinement and enhancing existing capabilities.

Any information that you provide can be disclosed only if (1) it is to protect you or others from harm, (2) if specifically required or allowed by law, or (3) you provide the researchers with written permission.

The result of this research will be in thesis format available in RMIT Repository and publicly assessable online. Data collected will be transcribed and translated into English. All participants’ information will be de-identified and aggregated with N-Vivo software used to analyse the data. All input to the research will be treated to the utmost care and confidentiality, and materials/data associated will be kept securely at RMIT for 5 years.

As participant you have the following rights:

2 The right to withdraw from participation at any time;
3 The right to request that any recording cease;
4 The right to have any unprocessed data withdrawn and destroyed, provided it can be reliably identified, and provided that so doing does not increase the risk for the participant;
5 The right to be de-identified in any photographs intended for public publication, before the point of publication, and;
6 The right to have any questions answered at any time.

If you have any question regarding this research project, please do not hesitate to contact us at: muhammad.thahar@rmit.edu.au or Phone: +61 9925 5509, and gillian.vesty@rmit.edu.au or Phone: +61 9925 5727

Yours sincerely

Dr Gillian Vesty
Senior Lecturer

Dr Sue Robertson
Senior Lecturer

Muhammad Thahar
Research student

If you have any concerns about your participation in this project, which you do not wish to discuss with the researchers, then you can contact the Ethics Officer, Research Integrity, Governance and Systems, RMIT University, GPO Box 2476V VIC 3001. Tel: (03) 9925 2251 or email human.ethics@rmit.edu.au

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CONSENT FORM

- I have had the project explained to me, and I have read the information sheet

- I agree to participate in the research project as described

- I agree:
  (a) to be interviewed and/or complete a questionnaire, and
  (b) that my voice will be audio recorded.

- I acknowledge that:

4. I understand that my participation is voluntary and that I am free to withdraw from the project at any time and to withdraw any unprocessed data previously supplied (unless follow-up is needed for safety).

5. The project is for the purpose of research. It may not be of direct benefit to me.

(c) The privacy of the personal information I provide will be safeguarded and only disclosed where I have consented to the disclosure or as required by law.

(d) The security of the research data will be protected during and after completion of the study. The data collected during the study may be published, and a report of the project outcomes will be available in thesis format. Any information which will identify me will not be used.

Participant’s Consent

Participant: ___________________________ Date: ___________________________
(Signature) ___________________________

Participants should be given a photocopy of this PICF after it has been signed.