

Public sector governance and performance in an environment of tight budget control. Case study at Indonesian Ministry of Marine Affairs and Fisheries

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Abstract

A performing public sector can enhance the image of citizens of the public administration and consequently their trust in government. However, to be able to carry out its functions, the government must have good governance. With a case study approach, this study aims to determine how good governance can improve the performance of the Indonesian Ministry of Maritime Affairs and Fisheries, which runs in a tight budget environment. This study contributes to increased understanding of how implementing a strict budget system such as that applied in Indonesia can facilitate good governance to improve performance in the public sector. From the data analyzed, it can be seen that with the implementation of good governance, there is an increase in performance as indicated by an increase in fishermen exchange rates.

Keywords: Public Sector, Good Governance, Performance, Tight Budget Control.

INTRODUCTION

The most crucial factor of the public sector is government sovereignty which politicians ultimately control. Although the term 'government' does not refer to a single organization, government at any level is usually a complex set of organizations, has complex relationships with other organizations within the country and with external parties. The government consists of the legislature, executive, judiciary, and departments and institutions (Jones & Pendlebury, 2010).

In a democracy, the public has the right to know that public money is collected correctly and safeguarded, that it is used only for legitimate purposes and carried out with proper authorization, and goods and services of appropriate value in return (Havens, 1983). To be able to carry out its functions, the government must have good governance. Jones & Pendlebury (2010) describe that governance is talking about how management leads each government organization and how management is accountable to those responsible for governance in that organization. The term 'governance' was originally a synonym for 'government' which has fallen from common usage. However, in the last few decades, the term has reappeared in the term 'corporate governance'.

The demand for improved governance in the public sector encourages many countries to carry out public sector reforms by adopting the New Public Management (NPM) model to better answer public sector management needs. The NPM model emphasizes two main bases, namely: (1) moving or reducing the difference between the public and private sectors; (2) shift the emphasis from process-focused accountability to a greater emphasis on accountability (Hood, 1995). NPM is unlike other public sector reforms because it is a practitioner-driven change accompanied by a global movement for change. However, what works in the public

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sector in some circumstances may not function in other political, social, or economic settings. Therefore, NPM reform is taking place in all countries regardless of the various stages of their economic and political development, and the administrative reform of the NPM act is genuinely a global public sector reform movement (Borins, 1998).

A performing public sector can enhance the image of citizens of the public administration and consequently their trust in government. Public distrust of government performance illustrates the gap between actual and expected performance (Van de Walle & Bouckaert, 2007). However, we cannot agree with the idea that public trust is the leading indicator to determine whether the government has done an excellent job because the government is not only a public servant but also an entity carrying out government functions so that many government activities cannot only be judged from the perspective of public trust. Public policy is often discussed in terms of government action and the processes leading to such action (Dye, 1972; Gordon & Schick, 1979). Government action requires a commitment to resources, which is explicitly planned in a document called a budget. Company executives have long been aware that business planning (policy) is closely related to budgeting (Gordon & Sellar, 1984).

A budget is a company's forecast and plans for the next year, and in some cases for the next two, three, or even five years. Budgets are based on forecasts of general developments in demand, prices, exchange rates, salaries, costs, and more. Typically, these assumptions about the future are made by experts and outside government agencies. These assumptions are then given to the different departments within the company by the headquarters. The departments then have to draw conclusions and make forecasts based on these general assumptions and their knowledge of what happened. In their departments and their specific markets, the extent to which budgets will become a reality depends on how accurate these assumptions are (Wallander, 1999).

What goals should the public sector budget serve? First, of course, it is accountability. By publicly associating the government with certain expenditures, the opponent can raise questions or provide criticism. Clarity of budget presentation in linking expenditures with activities and responsible officials is essential. Accountability is closely related to control. The budget may be an efficient mechanism whereby the government does whatever it does at a cost or gets the most out of a certain level of expenditure and achieves specific effective results in public policy such as improving children's health or reducing crime (Wildavsky, 2001).

Currently, many public sector organizations face economic difficulties that force the economy to reduce its public spending. Budget reduction activities lead to cuts and efforts to meet expenditure levels. Often if the budget is adjusted, at the end of the year, the economy continues to lead to an economic deficit, this causes a combination of targets, and tight budget control is needed, so that budget irregularities in the form of not achieving the planned target do not occur.

Research that focuses on looking at good governance and performance in Indonesia is still scarce. There is no obligation for government agencies to compile and report activities and policies taken related to the implementation of good governance and the principles of good public governance as standards, reference for assessment and guidelines for the actualization of good public governance for legislative institutions, executive, judiciary, and non-structural were only issued by the National Committee for Governmental Policies of Indonesia in 2010, so that their application has not yet become a common practice for the public sector in Indonesia. Research that aims to see how good governance and the impact of government spending on government performance in Indonesia can be found in the research of Wardhani, Rossietta & Martani (2017). What distinguishes this research with Wardhani, et al. (2017) is the research of Wardhani et al. (2017) was conducted with a sample of 813 local governments with a period

from 2009 to 2012, while this study only used a case study approach at the Indonesian Ministry of Marine Affairs and Fisheries (KKP) in the period 2014 to 2019. The KKP was chosen as the research site because the KKP was one of the earliest ministries and the first technical ministry to implement the Balanced Scorecard (BSC) in measuring its performance. In practice, the KKP has also become a model for other technical ministries in implementing performance measurement using the BSC model.

With a case study approach, this study aims to determine how good governance can improve the performance of the Indonesian Ministry of Maritime Affairs and Fisheries, which runs in a tight budget environment. Using institutional theory, this research will look at developing good governance and performance implementation during the period 2014 to 2019. This period was taken because, in 2013, the Indonesian Ministry of Maritime Affairs and Fisheries began using the balanced scorecard (BSC) model as performance measurement, and reports related to these measurements issued officially and accessible to the public in 2014. Thus, in addition to creating knowledge about the appropriateness of budgetary controls in public sector organizations, this study contributes to increased understanding of how implementing a strict budget system such as that applied in Indonesia can facilitate good governance to improve performance in the public sector. This knowledge draws from both a theoretical and a practical perspective.

RESEARCH METHODS

This research was conducted in the following stages: First, the researchers collected archival data related to the KKP's performance reports during the research period. Performance reports are presented by explaining how programs and activities are carried out then indicators are measured using the BSC model. Furthermore, data in the form of performance reports from 2014 to 2019 are sorted to see the information. The researcher then identifies which information is part of the indicators related to good governance and which information is the indicator for performance appraisal. Due to limited data, empirical research cannot be carried out. Primary data used in this study were collected from two sources. First, data in the form of Performance Reports from 2014 to 2019 were obtained from the KKP official website (www.kkp.go.id), and for data that cannot be downloaded, it is obtained directly from the official/employee who is responsible for the period in which the report was made. Second, in addition to the performance reports, complementary data were obtained using interviews in which semi-structured interviews were conducted with senior officials and employees at the Indonesian Ministry of Maritime Affairs and Fisheries to gain insight into perceptions of governance and performance of Indonesian Ministry of Maritime Affairs and Fisheries.

Senior officials or employees being interviewed are officials/employees who have worked for at least ten years. With this long working period, it is hoped that the interviewed officers/employees can understand the differences in the work environment before and after implementing the BSC to measure performance in the KKP. In addition, the interviewed officer/employee must understand how the strategic plan is prepared and made; the official/employee must understand how the performance report is prepared and how the analysis of the performance report is carried out. The following is a list of KKP officials/employees who are deemed to meet the criteria and interviewed.

Table 1. The employee at the interview

No.	Position	Years of service	Interview duration
Employee 1	Head of Sub Division of Performance Harmonization (Planning Bureau)	18 years	120 minutes
Employee 2	Young Planner (Planning Bureau)	10 years	80 minutes
Employee 3	Young Planner (Planning Bureau)	11 years	75 minutes
Employee 4	Senior Planner (Planning Bureau)	17 years	100 minutes

Good governance

Ministries/institutions in Indonesia are not required to produce reports related to good governance. However, in this paper, the researcher believes that the absence of a report related to the implementation of good governance does not mean that the information related to this matter is not included in other reports. The implementation of good governance in this study is seen using the conformity index with the indicators of measuring the quality of governance based on the principles of good governance as in Wardhani et al. (2017). The index is calculated by looking at how many points of conformity are met from the indicators of measuring the quality of governance used by Wardhani et al. (2017). However, considering the research of Whardani et al. (2017) is carried out for the local government. According to the interviews conducted, the index was modified to ensure the suitability of the Indonesian Ministry of Maritime Affairs and Fisheries circumstances. The researcher gives 1 point for items in the Performance Report by principles of good governance and 0 points for items that do not exist. The index is calculated based on the number of points by overall disclosure items in measuring the quality of governance as in Table 2.

Performance

Chai & Wang (2012) stated that performance goals, namely organizational goals, can become performance targets because performance goals and employee performance enable the company to continue to upgrade and improve. The 2015-2019 KKP Strategic Plan, which was derived from the 2015-2019 RPJMN, is the vision and mission of national development directed through the marine sector, namely the Indonesian marine and fisheries sector independent, advanced, solid, and based on national interests. The central vision and mission are derived into three main strategies: First, realizing sovereign marine and fisheries development. Second, realizing sustainable management of marine and fisheries resources. Third, realizing a marine and fishery society that is prosperous, advanced, independent, and has a cultural personality. In this study, the performance is seen from the welfare index value of the marine and fisheries community in fishermen exchange rates and fish cultivators exchange rates. The two measurement indexes will always be used as a reference for performance and development from time to time; if there is a change in the Main Performance Index as an indicator of performance appraisal in the BSC, the two index values will always exist because the two welfare indices are closely related to the central vision and mission. KKP. Because of this, the authors feel both indexes are very appropriate to show the performance of the KKP during the study period.

Budget control

Tight budget control causes revision is not easy (Van der Stede, 2001) so that the budget becomes less flexible; what has been set in the previous budget becomes the bond that must be implemented in that fiscal year. In this study, strict budget control is seen from the value of deviation between the predetermined budget and the budget that can be implemented. Researchers believe that deviation occurs because some programs/activities have been planned but cannot be implemented, such activities/programs that are not achieved. One of which can

be caused by the inability of the Indonesian Ministry of Maritime Affairs and Fisheries to carry out activities/programs for various reasons but these activities/programs cannot change or be transferred to other programs/activities.

Table 2. Good governance measurement indicators

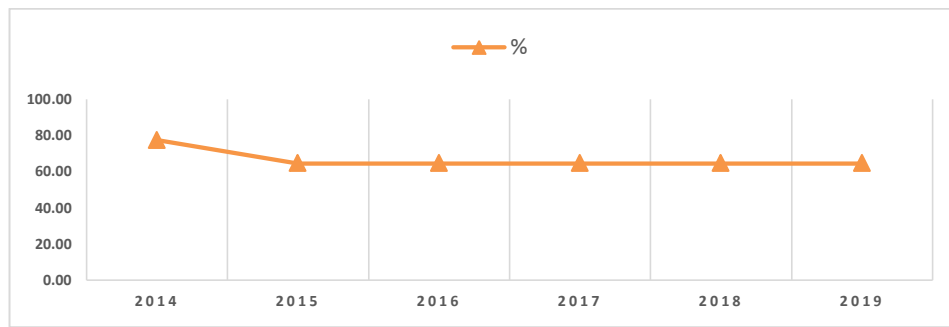
<i>Principle</i>	<i>Definition</i>	<i>Indicator</i>
Democracy	The conduct of the government that is based on the elements of participation, the recognition of different opinion and the embodiment of public interest.	Participation Recognition of differences Embodiment of public interest
Transparency	Transparency contains elements of the disclosure and the provision of adequate information and easily accessible by the stakeholders.	Disclosure Provision of adequate information
Accountability	Accountability contains elements of the clarity of the function in the organisation and how to account it.	Clarity of the function Accountability
Culture of law	The culture of the law contains elements of the law enforcement explicitly without respect of persons and obedience to the law by the community-based awareness.	Law enforcement Law obedience
Fairness and equality	Fairness and equality contain elements of justice and honesty so that in its implementation can be realised equal treatment of stakeholders with high responsible.	Fairness Equality Honesty

(Whardani et al. 2017)

RESULT AND DISCUSSION

The implementation of good governance for the public sector has not been of much concern in Indonesia, not least in the Indonesian KKP; from the data obtained, it is known that the KKP only fulfills 64 percent to 77 percent of the index of exemplary governance implementation which is used as the measure with the highest score in 2014. A low score indicates that there are still some unfulfilled points related to implementing good governance in the Indonesian Ministry of Maritime Affairs and Fisheries. Some items (see Appendix A) such as community satisfaction surveys, community participation facilities, accountability related to budget management time, and welfare ratios for fisheries and marine communities are only visible in the 2014 performance report and are not seen in the years after. On the other hand, items or indicators fulfilled in 2015 to 2019 tend to be relatively the same. It is because 2015 to 2019 is included in the period of The National Medium-Term Development Plan (RPJMN) and has been stipulated through Presidential Regulation No.2 of 2015, where the vision and mission of the KKP for the 2015-2019 period is an elaboration of the President's vision and mission through the RPJMN. So that items reported are static and do not experience changes because the KKP feels obliged to fulfill and report the vision and mission of the President in its performance report.

Figure 1. The implementation of good governance in the Indonesian Ministry of Maritime Affairs and Fisheries



"Since Mr. Jokowi's administration in 2014, the vision and mission only from President and Vice President, and each ministry or government institution has to realize that. The vision and mission of the Ministries / Institutions do not be separated from the vision and mission of the President and Vice President. Employee 2 ".

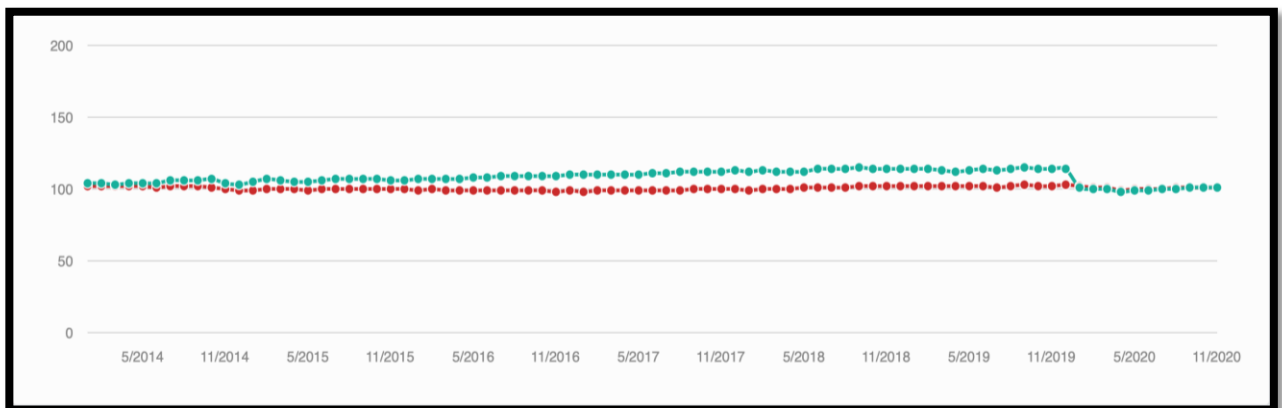
"The reference is to use Law 25 of 2004. The vision and mission are further elaborated where each Ministries / Institutions is obliged to determine its vision and mission derived from the vision and mission of the President and Vice President but still refers to the targets in the RPJMN. Employee 3 ".

Apart from being in the same RPJM period, coordination problems are also the cause for this. For example, during that period (2015-2019), the officials/employees who compiled the performance report have changed several times, each new official/employee who replaces the old official/employee compiles and analyzes using the previous year's report reference so that the reports and analysis are made tend to be monotonous and similar. As a result, no new items or information were conveyed regarding the performance or good governance.

"The officials who compile change, we usually use the previous year's report as a benchmark. Employee 1 ".

Regarding the performance associated with the implementation of good governance, we can see it in Figure 2. As previously mentioned, the performance of the KKP in this study is seen from the Fisherman Exchange Rate (NTN) and the Cultivator Exchange Rate (NTP). The Fisherman Exchange Rate (NTN) is a measuring tool for fishermen's welfare obtained from comparing the price received by fishermen with the price paid by fishermen. The fishermen's welfare standard is the Fishermen's Exchange Rate of 100, if the Fishermen's Exchange Rate is below 100, then the fishermen are categorized as not prosperous, and if the Fishermen's Exchange Rate is above 100, then the fishermen are categorized as prosperous.

Figure 2. The exchange rate of fishers and fish cultivators in 2014-2020



The green line shows NTN rate and the red line shows NTP rate as in Figure 2. From the graph, it is known that the movement of NTN did not follow the movement of the implementation of good governance, when the implementation of good governance in the research period was relatively constant, the movement of NTN moved up from 2014 to 2019 and experienced a decline in 2020 due to the global pandemic. Therefore, in contrast to the relatively constant movement of NTP following the movement of determining good governance, it appears that NTP tends not to change much from 2014 to 2020.

The NTN and NTP achievement figures are obtained from the Central Bureau of Statistics (BPS) processed by the KKP and regularly reported every month because the KKP has never measured its performance value by itself, so it is not clear why there is a difference in movement between NTN and NTP.

"We do not calculate it ourselves; the figures are obtained from BPS. Employee 4".

"For NTN and NTP we took from BPS data, we accept it cleanly by using that data. Employee 1."

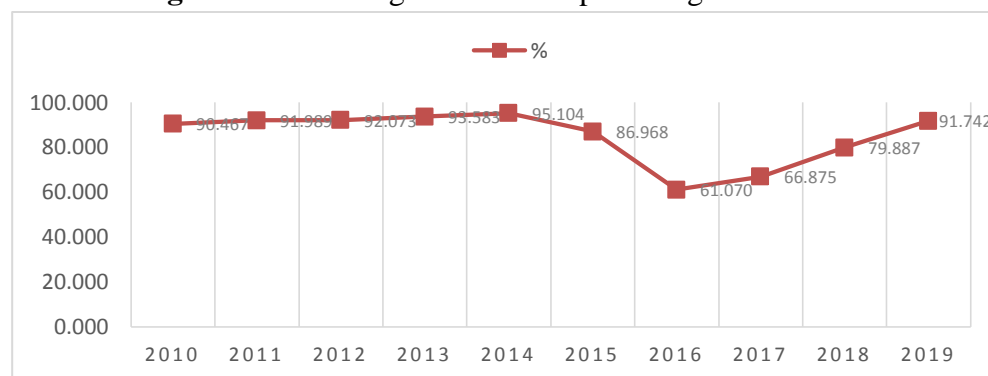
If we look at Figure 1 and Figure 2, it can be seen that with the implementation of good governance, there is an increase in performance as indicated by an increase in the value of NTN, but the increase in performance is not seen in NTP. Unfortunately, due to the lack of data, the researcher cannot explain why these differences in performance occur, so further research is needed to determine this. In Figure 3, we can see the percentage of budget realization for ten years. Although it looks similar to Figure 1, we can see the difference, wherein the implementation of good governance, the decrease in the ratio occurred starting in 2015, while for budget realization, the lowest decline occurred in 2016 and then started to increase, back in the years that followed. From this data, we can see that budget realization in a tight budget environment does not affect the performance of the KKP; although the realization has decreased, the KKP performance shown by NTN has continued to increase, but this does not apply to NTP, which was relatively constant during the study period.

From the results obtained, we can conclude that the implementation of good governance in a tight budget environment can explain the performance of the KKP, which is shown by the NTN value but cannot explain the increase/decrease in performance in the KKP as seen from the amount of NTP. If we look at the institutional theory, this is due to the implementation of good

governance in the KKP, which is not yet fully understood, where the KKP tends to accept the structures and procedures without questioning or understanding their use.

DiMaggio and Powell (1983) said that the public sector tends to take for granted structures and procedures widely applied from institutional theory. As a result, it helps legitimize organizations that adopt these widely accepted structures and procedures, while not adopting these practices can lead to a loss of legitimacy. This tendency to adapt to these influences may result in less efficiency because adaptation may be caused by institutional pressures rather than rational or economic arguments. Adaptation to these practices and behavioral homogeneity is known as isomorphism, which can be classified into the following three basic categories (DiMaggio and Powell, 1983): "(1) coercive isomorphism stemming from political influence and legitimacy issues; (2) mimetic isomorphism resulting from standard responses to uncertainty; and (3) normative isomorphism, related to professionalization". Frumkin and Galaskiewicz (2004) consider that the public sector is more subject to pressure for mimetic, coercive, and normative isomorphism than the private sector.

Figure 3. KKP budget realization percentage in 2010 - 2020



KKP tends to follow coercive isomorphism in implementing good governance, where political influence and issues of legitimacy are the main determining factors in the implementation of good governance in the organization. There is pressure to implement the Grand Design of Bureaucratic Reform, which will be carried out for 15 years (2010-2025), by structuring and strengthening the organization, governance, management of human resources of the apparatus, supervision, accountability, quality of public services, mindsets and culture sets. The PANRB Ministry made the KKP attempt to improve the management of its public sector without fully understanding the objectives and benefits of implementing good governance.

"KKP used BSC to see the performance at that time because there was a provision from the Ministry of National Development Planning that the requirement for submitting employee remuneration was a performance appraisal, it is advisable to use the BSC. Employee 2."

"Why use the BSC, because the PANRB Ministry asked it as a condition for submitting remuneration. Employee 4."

Implementing good governance in the public sector aims to improve management in the public sector itself. The implementation of good governance that has not been maximized is currently only a "formality" without clear objectives and benefits being understood. The KKP

should take advantage of this better management model to improve the marine and fisheries sector services. KKP can improve the organization by improving the understanding of officials/employees regarding programs and activities that are / will be carried out; socialization and training can be carried out to understand how their work contract can contribute to the implementation of good governance.

KKP can also initiate the implementation of good governance in its organization by following the principles of good public governance issued by the National Committee for Governmental Policies of Indonesia as standards, assessment references, and guidelines for the actualization of the implementation of good public governance, and it would be nice if these principles can be applied in all ministries/agencies in Indonesia in a uniform manner, thus simplifying the monitoring and evaluation process and can improve the management of the public sector in Indonesia in the future.

CONCLUSION

With a case study approach, this study aims to determine how good governance can improve the performance of the Indonesian Ministry of Maritime Affairs and Fisheries, which runs in a tight budget environment. Using institutional theory, this research will look at developing good governance and performance implementation during 2014 to 2019. This period was taken because in 2013, the Indonesian Ministry of Maritime Affairs and Fisheries began using the balanced scorecard (BSC) model as performance measurement, and reports related to these measurements were issued officially and accessible to the public in 2014. The implementation of good governance is an increase in performance which is indicated by an increase in the value of NTN, but the increase in performance is not seen in NTP. However, due to the lack of data, researchers cannot explain why these differences in performance occur; further research is needed to determine this, and we can also know that budget realization in a tight budget environment does not affect the performance of the KKP. However, the realization has decreased, but the performance of The KKP shown by NTN continued to increase, but this did not apply to NTP, which was relatively constant during the study period.

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