External Stakeholder’s Perspective on Local Government’s Performance Information (A Study of Administrative Information in Wajo Regency)

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1. Introduction

The issue of transparency at the local level in Indonesia has been resulting in several explicit regulations, following the managerial and financial decentralization since reform in 1998. Among them, the Information on Local Government Implementation Reports (Informasi Laporan Penyelenggaraan Pemerintahan Daerah (ILPPD)) is the only mechanism that requires local governments to publish their administrative performance reports to local residents. The ILPPD provides a simple yet comprehensive picture of the activities of the local government, and as a result, more and more information about the performance of local governments is available to residents.

The ILPPD is intended to reduce the asymmetry of performance information between the local government and the residents. In this sense, the publication of ILPPD can be considered a signal from the agent to its principal (Spence, 1973). However, now that the ILPPD has been implemented for almost a decade, the enthusiasm of local residents on the mechanism is...
noticed to be questionable. The lack of administrative data request and the lack of local online news concerning local government’s performance observed in the author’s preliminary observation are of the existing evidence. This mark is in line with academic notes that performance information is not valued (Pollitt, 2006:38), not used (OECD, 2003:7), not demanded (Dooren et al., 2015:148), or not bothered about (Dooren & Walle, 2016:2) by stakeholders. Then, there is a need to explore the current state of how the local residents respond to the ILPPD as a transparency mechanism.

To come up to the fact, this study utilizes Principal-Agent Theory (PAT). PAT specifies the set of actors, the possible actions they can take, and the way they evaluate the consequences of those actions (Gailmard, 2012:3). Based on this frame, this study is to analyze how the ILPPD makes up the dynamics in the relationship between the local government and the ILPPD external stakeholders, and by utilizing the PAT, identify the problems that may arise in the relationship between the two parties.

Setting up local government’s performance information in the frame of the PAT is found few in literature. Studies concerning to performance information were most conducted from the point of view of management (Dooren & Walle, 2016) rather than from the external users’ point of view. Therefore, the author was convinced that there is a need to fill this gap and contribute to the literature in this area. Further more, there has been yet, so far we know, no study specifically discussed on ILPPD as its relation to external stakeholders in Indonesia. Thus, there is presently a shortage of empirical studies and analyses on the topic in an environment of districts in Indonesia.

2. Theory

2.1 **Principal-Agent Theory (PAT)**

PAT is known as agency theory. PAT explains how to organize relationships. One party (the principal) determines the work and another party (the agent) undertakes the work with the expectation that the agent will make decisions that are in the best interest of the principal (Eisenhardt 1985 & 1989; Jensen & Meckling, 1976). In return, the agent and the principal make an agreement on how much resources will be given to the agent for the effort necessary to complete the task. This agreement is usually in the form of a contract. In Indonesian context, the contract between the two parties, the residents and the local government, is implemented through such a program so-called Musrenbang (Development Planning Deliberation). Musrenbang is a mechanism where citizens at the lowest level make a planning agreement with the government on what the local government should do during the entire year.

Most of the agency literature adopts two very important assumptions concerning agency relationships. There must be (a) informational asymmetries and (b) goal conflicts are simultaneously present in the agency relationship (e.g. Eisenhardt, 1989; Moe, 1984). The existence of these two assumptions in an agency relationship means that an agency problem may exist due to discrepancies between the entities as it relates to information and/or a misalignment of goals. In these cases, PAT provides a framework for outlining such assumptions by identifying agents, principals, whether contracts exist, and to what extent.

2.1.1 **Information Asymmetry**

Information asymmetry is the claim that an agent possesses more or better information about the details of individual tasks assigned to said agent, as well as the agent’s own actions, abilities, and preferences (Eggertsson, 1990). By and large, principal-agent relationships tend to assume that agents have an innate tendency to seek autonomy from organizational rules, to minimize the burden of responsibilities and to hoard rather than pass through information which is considered power (Frederickson et al., 2012). The assumption is that the principal generally faces difficulties in acquiring information possessed by the agent.

2.1.2 **Goal Conflict**

The second assumption is goal conflict. This is the situation in which principals and agents’ desires and interests concerning the task are in conflict and both prefer a different course of action. The principal’s objective is for the agent to expend as much necessary effort as possible to complete a task. Conversely, it is assumed that the agent acts with self-interest and will produce at the minimum accepted level to meet the principal's expectation unless the agent can increase the economic benefit (Petersen, 1993). Goal conflict arises due to the agent’s self-interest and the tendency to maximize or pursue his own utility. Therefore, the principal faces the problem of insuring that the agent complies with the contract. The conflicts between the principal and agent do not need to be permanent or constant, but there must be a certain allowance for them to occur (Milgrom & Roberts, 1992).

Information asymmetry and goal conflict can be considered “the spark plugs” of agency theory (Waterman & Meier, 1998). These two components together create agency problems. If a goal conflict does not exist, the existence of information asymmetry does not matter, and the agent automatically chooses the
actions desired by the principal. The assumption and existence of goal conflict are necessary for agency theory (Davis et al., 1997). Similarly, if the same information were equally and readily available to principals and agents, there would be no conflict of interest or information asymmetry.

2.2 Performance Information

2.2.1 Administrative Stakeholders Information at Local Level

The public/citizens are variously described as the ultimate stakeholder of local government performance information and the consumer of government services (Cohn Berman, 2008). They benefit because performance information increases transparency, as it becomes easier for them to judge whether governments perform appropriately or poorly. Moreover, UNDP (in Murali, 2014:13) conceptualizes the demand side of accountability as citizens or stakeholders’ tool while the supply side of accountability belongs to service providers or the government. Accountability and transparency issues need to be understood from demand and supply viewpoints; that the ‘public information’ is shared by the local governments with the stakeholders of the system. The following figure shows various stakeholders on the demand and supply sides:

![Figure 1: Stakeholders on the demand and supply side of accountability](Source: Murali (2014:14))

Three parties demand the performance information; they are internal stakeholders, external up-vertical stakeholders, and external down-vertical stakeholders. This study will focus on the external down-vertical stakeholders in which the residents is the main subject.

2.2.2 The Use of Performance Information

Even though performance information as a system has been highly appreciated (Montesinos et al., 2013) and the flow of information on local government’s performance has been, to a great deal, increasing during these last two decades (Behn, 2002; Pollitt & Bouckaert, 2011; Radin, 2006), most of the literature in previous studies claimed the lack of provision and the use of performance information by any stakeholders.

The executive, such as public managers, officials, and civil servants, as the internal user of performance information who has a duty to provide, as well as, to use the information report is unwilling to expose (Eden & Hyndman, 1999), possibly distorts (Kluvers, 2003), inappropriately disclose (Adi et al., 2016), or largely ignored the quality of information, yet primarily accommodated the performance interests of the mayor/regent (Mimba et al., 2013). Moreover, in spite of the fact that performance reports are made, many researchers have warned of the difficulties using them (Pollitt & Bouckaert, 2011; Rivenbark & Kelly, 2000). Pollitt (2006) explained that the use of performance information by external users (outside the local governance system) is only when it is instantly available when they are taking decisions. While on the other side, the use by the executive is limited and symbolic (Montesinos et al., 2013); only to complete statutory obligation to collect the report as a sign of information delivery (Adi et al., 2016; Brown, 2004). Ho and Coates (2004) argue that the difficulty using the performance information is because the performance management systems are designed without consideration of what citizens want to know about the actions of their governments (see Box, 1999).

After all, while the normative belief that citizens should be interested and informed about local administration exists in many studies (Aucoin & Heintzman, 2000; Bovens, 2007; Box, 1999; Glaser & Hildreth, 1999; Tayib et al., 1999), literature about performance information written from citizens’ perspective is still limited. This gap is the basis of this study in which the need for performance information will be studied from a citizens’ viewpoint instead of a normative viewpoint.

3. Research Method

This is an exploratory single case study in the context of Wajo regency, a locale area with a long history of a moral system and democratic practices since the fifteenth century. Direct observation, document analysis, and in-depth interviews were carried out to grasp a deep comprehension.
4. Results and Discussion

In order to achieve the study objectives, direct observation, document analysis, and in-depth interviews with three officials and five experts and public figures were conducted. The complete result of the interview is displayed in Nawir (2018).

4.1 Reception by External Stakeholder

In the following, the form of communication between the external stakeholders with various backgrounds and the administration will be described. The relevant question is how stakeholders receive administrative performance information, whether the information offered reaches them, and how they respond to the situation. The time rate of the interview is ranging from 30 minutes to 2 hours.

4.1.1 Public Advocate

A public advocate with name code C1 was interviewed. C1 identified a lack of reception of the ILPPD by residents. C1 assessed that the publication is not adequately effective to make residents know the availability of such information.

A limited variety of media and distribution, for C1, has brought about the unknowingness of residents about the availability of the ILPPD. Along with the distribution, C1 concerned to the display of the ILPPD. C1 exemplified himself as the person who is socially active, yet still thinks twice to read the information. C1 argued the lack of motivation to read the information is an implication of residents’ distrust in the process of governance.

Beside the citizens’ unknowingness of the ILPPD availability, C1 also argued on residents’ lack of awareness. This situation is caused by, according to C1, stereotypes and bad practices of administration. The residents’ demand for administrative transparency in the local setting is occasionally stereotyped not as an effort of pure transparency demand, yet to uncover bad practice in the administration. This situation creates miscommunication between the residents and the administration. Thus, the administration shows reluctance in providing its performance information.

4.1.2 Local Education Figure

A figure known for his attention to local education issues was interviewed. Code named C2 was attached to this interviewee. C2 emphasized his attention to administrative information access and the provision on the government’s website for it is the easiest way to find information.

C2’s concern is not on the ILPPD yet rather addressing about a wide range of administrative information, from the Musrenbang as a performance contract, the process of performing, to the ILPPD as a responsibility report on an agreed performance.

Musrenbang is a mechanism where residents at the lowest level make a planning agreement with the government on what the local government should do during the entire year. However, it is only a procedural and does not reflect what residents want. Such planning formulation condition has brought about the distrust of the residents toward the whole process of administration, including the ILPPD as a report of performance. For him, accessing administrative information in an active way is not a big problem. However, the distrust in the information has brought about the current manner of residents in responding to the ILPPD. The distrust has been a response in the practice of silences among residents.

4.1.3 Local Humanist

The humanist is coded C3. An in-depth interview was conducted to understand the non-use of the ILPPD by residents in Wajo from the point of view of the Wajo nature.

According to C3, ILPPD should have been a means of educating residents about their citizenship right toward the local government. However, this means is not well implemented. The local government must undertake progressive efforts in informing its ILPPD to the residents, especially because of the nature of Wajo which is much affected by a patrimonial condition, cultural rules in communication, and the kinship factor.

The patrimonial effect is inevitable in terms of communication between the residents and the administration. Besides, the Wajo philosophy of life contributes to the non-use of administrative information and in a way residents communicate to administration. The concept of sipakalebbi sipakainen (ennobling and guiding one another) is still opaque, so if it is possible not to do criticism, then do not do it. Moreover, kinship system is also discussed by C3. In Wajo, the cultural condition in which closeness, friendship, kinship, relationship are quite strong. If one is corruptive-indicated, he/she may not be of my family, yet he/she may be my friend or my friend’s related. That is why there are only a few of demonstrations in Wajo. Unless it is about their private livelihood, they will not look favourably to march. C3’s arguments confirm that residents’ interest in administrative performance is dependent on the individual interest of each resident. Only if their direct interest is in the challenge, they tend to be reactive.

4.1.4 Local Bureaucracy Observer

A local bureaucracy observer was interviewed and is coded here as C4. The focus of his discussion is the
local government’s commitment to public-oriented bureaucracy.

According to C4, the intention and commitment of the administration to publish its performance are questionable. C4 then compared the situation of ILPPD publication with other conditions to argue the less commitment of administration. C4 questioned the commitment of the administration to ease the heavy organization structure and the budget for civil servants’ salary and allocate the budget more to public development projects. C4 also paid more attention to the lack of program and planning which directly reaches the residents.

4.1.5 Journalist

A journalist with the interview code C5 is also a key informant in this study.

C5 consider that the publication of the ILPPD will not reach all the residents. The only channel chosen by the local government to publish its administrative performance information is local newspaper. The channel is inadequate while the paper media users in Wajo are only 30%. The effort to publish the information on the website has now begun to be apparent. The Wajo government’s official website has been online even though the ILPPD document is still not presented. At least, this shows the intent of information openness by the administration.

In residents’ response to administrative information, C5 believes that there lies the apathy on administrative performance by residents. This is because political education among residents is inclusive; limited to politicians, scholar students, NGOs, and bureaucrats. Moreover, he suggests that it is the local government’s duty to conduct an educational forum for political, administrative, and legal education of commonalty.

Moreover, when questioned about the lack of ILPPD discussion in local media, C5 tended to explain the situation of local administration-local journalists relationship. Most of the local journalists are dependent on the administration. Most of the local media readers and advertising customers are the administrative agencies. That is the main reason that administrative performance has paid little attention to in local media.

4.2 Context Factors

Four context factors could be identified as having an influence on transparency; they are encountered in connection with all the various aspects of provision of information and transparency of process. These factors are lack of capacity, political influence, personal connections and social factors. Of course, they cannot represent the context in detail, but have been selected for closer examination because they repeatedly arose in the interviews.

4.2.1 Receiver Capacity

Stakeholders and local government alike stress that shortcomings in information and communication are partly caused by a lack of capacity, mainly in knowledge, time and financial resources. Nevertheless, mostly, this problem is raised by stakeholders. The lack of various resources on the local level is an important factor preventing the sharing of information. The lack of practical experience also contributes to a major problem in how the residents communicate. Most of residents will ask for help of journalist and public figures to deliver their aspiration. This reflects that citizens need more capable ones to convey their needs.

4.2.2 Political Factor

Several examples and statements made a point to political problem. If political factors intermingle with administrative process, transparency is more difficult to demand and performance is more difficult to follow. Within Wajo administration, political influence on the bureaucracy can make it more difficult to trace how an administrative decision is made. There is a practice where the demand of performance information by external stakeholder is considered as an effort for looking for bad administrative practices within administration. In such situation, political effort is used to give suppress the related of one who demands information. As an illustration, A and B is a couple. A is an activist while B is a civil servant in local government. When A demands information, B will be suppressed to keep A stop demand for information.

4.2.3 Personal Interest

Personal connection and interest contribute much on the flow of administrative performance information, and transparency as a whole. A practice of dependency of local journalists on the Wajo government has affected the way local media delivers the news of administrative performance. There occurs an open secret among journalists that critical news on administrative performance will bring about a discontinuation of advertisement subscription by official agencies while, in fact, most of local journalists’ source of income is from local agencies’ subscriptions.

4.2.4 The Nature of Social Setting

Due to the size of the district and the small number of inhabitants, there are many personal connections. As mentioned in the interviews, people know each other because they live in small
communities or share the same professional background.

Wajo people tend to be unreactive and peaceful. For the interviewee, Wajo citizens’ view of life to be keeping peace and calm in communication has resulted in such situation that is considered ignorance. Wajo traditional proverbs and slogans are still mostly kept in daily activities, including in communication with administration. Social stratification, kinship system, and indigenous wisdom are the most agreed factors among interviewees.

4.3 The Case Through The Lens of PAT

PAT suggests that, in an institution-to-institution relationship, an agent will complete the work for a principal through some sort of agreement and/or contract (Eisenhardt, 1985). In this study, an agency relationship exists by exploring how the Wajo government interacts with the Wajo residents’ expectations and needs related to transparency.

4.3.1 Information Asymmetry

Information asymmetry, sometimes referred to as information failure, is present whenever one party possesses greater material knowledge than the other party does. In the context of local government transparency of administrative performance, information asymmetry should be reduced for the rationale that transparency will only exist if the performance information of local government as the agent is available and accessible to residents as the principal and if the flow of the information exists.

In the Wajo setting, it seems that both local government and external stakeholder are not in alignment, making the information asymmetry exists. Interviewee attributed the misalignment between both to an irregular flow of information and the hardness of finding available performance information. There exists an information asymmetry instead of the fact that the mechanism of the ILPPD is conducted to function to minimize information asymmetry, and instead of the fact that local government is ruled to publish its performance information and progression annually.

The situation is reflected in the obscurity of the external stakeholder in giving their opinion toward the Wajo government performance based on explicit data. Most of them agreed that the way external stakeholders assess the Wajo government administrative performance is partial; based on observations and the personal interest of residents. Even more, the ILPPD as a mechanism to bring transparency to local level has not been more useful than merely as a formal document to fulfil a regulatory requirement.

External stakeholders as principal were able to observe only to a certain extent of actions, outcomes, and the effort of the agent, because the effort of the Wajo local government was often difficult to monitor. As put by Arrow (1984), the effort of an agent is the most typical hidden action. In this case, the Wajo government is lack of effort to improve the monitoring structure, as for instance, no other channels to publish the ILPPD. The lack of ILPPD distribution and publication frequency means the lack of the provision of the necessary information.

4.3.2 Goal Conflict

Goal conflict is the situation in which principals’ and agents’ desires and interests concerning the task are in conflict, and both prefer a different course of action. The principal’s objective is for the agent to expend as much effort as necessary to complete a task. Conversely, it is assumed that the agent acts with self-interest and will produce at the minimum accepted level to meet the principal's expectation unless the agent can increase the economic benefit (Petersen, 1993).

The environment of goal conflict can be identified in the interviewee’s arguments on distrust of contract. Some interviewees were not invited to Musrenbang while others were not interested in attending. For them, Musrenbang as a performance agreement between the Wajo government and the residents is only to fulfill the legal technical requirement. The residents’ need for performance is always different from what is implemented. This distrust of contract has brought about distrust in the whole of the administrative process and leading to the ignorance toward the local government’s performance information.

5. Conclusion

This study explored the relationship between the Wajo local government and the external stakeholders in the frame of the ILPPD publication processes. In this study, Principal-Agent Theory (PAT) provided insight into how the external stakeholder as a principal manages its relationship with the Wajo local government.

It seems from the manner of the Wajo government in publishing ILPPD that information asymmetry is kept in existent. The external stakeholders as principal, as a result, suffer from being unable to monitor the Wajo government’s activities directly for the lack of information. Thus, at the same time, external stakeholders cannot offer their own preferred actions for administrative improvement and betterment.

The lack of information regarding the Wajo government’s administrative performance has led to the state of lack of communication between the Wajo
administration and the external stakeholders. In a rather extreme expression, external stakeholders have exited the principal-agent relationship with the Wajo administration.

Besides, because of the lack of performance information, external stakeholders’ distrust of the performance contract has led to the distrust of the performance information available. Explicitly, the distrust of performance contract in Musrenbang has led to the distrust of the whole process of administration. External stakeholders, the principal, did not put pressure on the administration to reveal administrative information nor control or revise the contract. Instead of doing some effort to overcome information asymmetry and goal conflict, external stakeholders preferred to exit the relationship. Hence, the agent lacked incentives to perform according to the expectation and the need of external stakeholders. The situation can be presented as per figure 2.

Besides information asymmetry and goal conflict that existed, other factors, which are contextual, have also contributed to the non-use of ILPPD.

This study has come to the conclusion of two core obstacles in the principal-agent relationship between the Wajo local government and the ILPPD stakeholders, namely poor practices of administration and the lack of social activism. These two obstacles subsequently necessitate two approaches, bureaucratic and civil society strengthening approaches, to enhance the transparency of local government performance in Wajo context.

Finally, this paper explores an area of research where a few studies have previously been conducted; therefore, the paper is to some extent exploratory. In the future, the number of empirical examples could be increased, and the different problems in the system of transparency of local government could be discussed in greater detail.

Figure 2 Administration-Stakeholder relationship in the Wajo Regency
Source: Analytical result, 2018
Reference


International Cooperation Studies. Takushoku University, Tokyo.


