

# The Analysis of Performance Agreement Effectiveness in Local Government

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**Abstract:** This paper aims to analyze the performance agreements effectiveness in the Banyumas Regency Government. A performance agreement is one component of performance management in the form of a document that contains leadership assignments to employees to carry out programs or activities that are accompanied by performance indicators. This research was conducted in Banyumas District Government using qualitative research methods. Data collection methods use in-depth interviews and observation. While the analysis method uses interactive analysis. The focus of the research is the performance agreement with the following aspects: the determination of performance benchmarks, the basis of the implementation of monitoring and evaluation, and the targeting of employee performance. The results show that performance agreements have been used on all organizational lines as performance contracts that include performance statements and performance planning. The performance agreement is used as a measure of the success rate of implementing a work program, as the basis for implementing program monitoring and evaluation and becoming a guideline in preparing employee performance targets.

## 1 INTRODUCTION

The performance measurement system established for central government and local government have been receiving great interest upon the release of INPRES (Presidential Instruction) (No.7/1999) which resulting the enactment of Performance Accountability System of Government Entity (Indonesian: SAKIP) responsible in covering all level of government institution/entities.

SAKIP is an integrative system consisting planning system, budget allocation system and performance reporting system conforming the financial accountability system's implementation. Accordance to its objective and goals of SAKIP, each government's institution obliged to document and to report every spending of state funds and the correspondence to its provisions.

The reliable performance measurement system is necessary to issue performance report to which its benefit would be a modal to develop strategies and as an evaluation basis. (Srimai, 2015).

One of the document which significantly plays role within performance measurement system's in the government's institution is performance agreement. The performance agreement contains work arrangement between the directive officials to the staff officials. Based on the literature research, performance measurement has been introduced in Thailand government as an evaluative tool known as Performance Agreement (PA). The use of

these performance agreement is recognized under the provision of Kingdom about good governance's criteria and procedures where the PA is utilized in improving government's accountability, supervisions and boosting work's achievement (Srimai, 2015).

Equivalently within Indonesian Government since the application of INPRES No.7/1999, government entity within city level is obliged to organize their PA accordingly in the form of job assignment from Mayor/Regent as the directive official to OPD chiefs as staff officials in order to administrate and execute each of their work plans/work programs guided by performance indicator.

The following are data on performance achievements that use performance agreements as a basis for their measurement in several Regional Government Organizations.

Table 1. Realization of Performance Achievement in Local Government Organizations in Banyumas Regency.

No.	Performance Indicators	Annual		Increase/ Decline
		2017 (%)	2018 (%)	
1.	Local Government Organizations A			
	Performance Indicators 1	131.15	131.97	0.82
	Performance Indicators 2	117.35	97.68	-19.67
	Performance Indicators 3	220.25	138.93	-81.32
2.	Local Government Organizations B			
	Performance Indicators 1	93.58	91.94	-1.64
	Performance Indicators 2	86.57	105.3	18.73
	Performance Indicators 3	92.3	93.33	1.03
3.	Local Government Organizations C			
	Performance Indicators 1	--	110	--
	Performance Indicators 2	100.09	105	4.1
	Performance Indicators 3	--	139	--
	Performance Indicators 4	--	96.8	--

Source: Secondary Data processed, from Regional Secretariat Organization, Banyumas Regency, 2019.

Nonetheless, there are obstacles appear to hinder the implementation of performance measurement, among those are the tendency of certain work mechanism accomplished merely as the form of formality, deviating from its utmost significance/essence (Sofiyani & Akbar, 2013).

According to the background explained above, the objective of this research is to explain the use of PA in accordance to attain the desired performance.

## 2 THEORETICAL

Effectiveness comes from the word "effect" and is used this term as a causal relationship. Effectiveness can be seen as a cause of other variables. Effectiveness means that previously planned goals can be achieved or in other words the target is achieved because of the activity process. (Arindya, 2019; Zoppei, 2017). Another opinion about the definition of effectiveness was delivered by Ali and Mardalena (2016) that effectiveness is more looking at the final result or output so that if the end result is not in accordance with predetermined goals and does not also

give effect or influence on the intended target, then it does not can be said to be effective. From the two opinions, it can be concluded that effectiveness is related to the implementation of all the main tasks, the achievement of goals, the stipulation of time, and the active participation of members. Effectiveness shows the relationship between goals and results, showing the degree of conformity between objectives and results achieved (Rahman, 2017)

The term "performance agreement" refers to a policy concept or instrument that is referred to by various other terms in various systems and contexts, such as performance contracts, performance targets or performance agreements. Pava (2015) defines performance agreements as contracts between government and individual higher education institutions, which set specific goals to be achieved by the institution in a certain period of time. interrelated characteristics are that they look forward to generally respecting the organization based on the results they expect to deliver in the near future. Traditional funding formulas are largely retrospective with respect to past performance. Performance agreements, known as other performance contracts, are agreements on objectives and accountability achieved by individuals with managers (Singh, 2010). Performance agreements usually define the expectations of work to be done, the results to be achieved and the attributes (skills, knowledge and expertise) and competencies needed to achieve these results. It also identifies the measures used to monitor, review and assess performance (Armstrong: 2005).

Based on various terms, definitions and meaning of the concept of effectiveness and performance agreements, the effectiveness of the performance agreement is the achievement of the objectives of the performance agreement. Ministerial Regulation Number 53 of 2014, the objectives of the performance agreement are: 1) As a tangible manifestation of commitment between recipients and trustees to improve integrity, accountability, transparency, and apparatus performance; 2) Creating performance benchmarks as a basis for evaluating apparatus performance; 3). As a basis for evaluating the success / failure of achieving organizational goals and objectives and as a basis for awarding and sanctions; 4) As a basis for trustees to monitor, evaluate and supervise the development / progress of the performance of the trustee; 5) As a basis in setting employee performance targets.

Study of performance agreement effectiveness in this paper will be discussed through 3 aspects, namely: One of the requirements for performance measurement documents; A measure of the success of the work programs; and The basis for the implementation of work program monitoring and evaluation.

## 3 METHOD

This study is a qualitative with the aims to understand the use of PA within local government of Banyumas Regency. The research was employed with two methods of data collection – in-depth interview and observation. Concurrently, the analysis was done using interactive

method. The focus of the research is emphasized on the effectivity of performance agreement usage targeted to increase performance within several aspects; the use of PA to every echelon, the use of PA as a benchmark of program accomplishment and the use of PA as program monitoring and evaluation basis.

## 4 RESULT AND DISCUSSION

The PA arrangement is one of the phases in SAKIP embodied in Perpres No.29/2014 that is exclusively stated about SAKIP. On the regent/city level of government, the arrangement of PA is enforced by the highest authority as in Regency/Mayor and Chief Official of Local Government (SKPD).

The Performance Agreement consists of two points, stated as; (1) The statement of PA must be officially signed under the direct supervisor of person in charge (Heller, 2011); (2) The attachment consists of achievement target compromised in the last period of fund allocation. (van der Waldt, 2007)

For local government, the objective set is focused to display the impact and outcome resulted as well as using the main indicator of local government performance and other relevant performance indicators. Whereas for each echelon Level II and echelon Level III, the objective agreed should demonstrate the outcome and the output for each field complementing the use of SKPD's main indicator of performance and other relevant performance indicators.

The provisions ought to be assented in PA's arrangement are: (1) The preparation time of performance agreement is due when a government agency has released a budget implementation document, the least of one month after the budget document is approved. (2) The compromised performance is not limited to the performance desired from the activities of the current year, and includes performance (outcome) ought to be achieved due to the activities of previous years. Thus, the promised performance targets would cover the outcomes generated from the activities of previous years, for the performance continuation of each year is achieved.

To figure out the use of Performance Agreement within Banyumas Regency Government, it will be explained as follows:

First, as one of the requirements for performance measurement documents. The Performance Agreement should be arranged after the local government organization receives the budget implementation document, no later than one month after the budget document has been ratified.

The Performance Agreement presents:

- a. The work program along with the main performance indicator which definitively describes the main results and desired conditions, without overriding other relevant indicators.

- b. Defining the outcome and output in accordance to the work program which is put upon the responsibility of directive officials.
- c. The strategic objectives of the local government or the latest conditions that should have been attained during the year concerned.
- d. Local government work programs related to the objectives to be achieved.
- e. Budget, according to the amount of the budget allocated to accomplish the agreed objectives.

The performance agreement document is arranged as per stages by echelon officials and become the fundamental for the arrangement of performance agreements for lower echelon officials. The work program listed in the chief official's performance agreement will be divided up into work programs carried out by subordinates.

Second, the success level benchmark of work program implementation. The performance agreement component consists of strategic objectives, performance indicators, performance targets and budgeting. And by using the stated composition, it will be easier to compile reports on performance achievements. Performance can be measured through program realization and budget spending.

Performance measurement of government institution is a step to identify performance achievements in one period fiscal year, by comparing targets within performance arrangement through results obtained from the implementation of programs and activities.

The results of performance measurement will be set forth in the performance accountability report which serves as an interpretation of the performance achievements of the implementation of programs and activities. The report will provide information on the status of success or failure to the implementation of certain program or activity. Measurements are set by measuring the achievements of the strategic objectives that have been compromised in the performance agreement document accompanied by quantitative and qualitative indicators.

Third, as a basis for implementing work program monitoring and evaluation. To assure the fulfilment of the aimed targets, the directive officials need to conduct supervision through monitoring and evaluation. These activities could be carried out periodically through coordination or incidental meetings.

Monitoring and evaluation is intended to ensure the implementation of the activities of the planned programs is carried out accordingly within the scope of the objective and targets. The results of monitoring and evaluation will be an evaluation material for the implementation of the program activities in question. The task of monitoring and evaluation is carried out by involving various related elements in accordance with the work program being monitored.

## 5. CONCLUSION

According to the analysis explained in previous section, it could be concluded that the use of performance agreement (PA) in local government has been executed in various level of echelon officials, instructed as the obligatory documents prerequisite to arrange accountability report of government entity. The performance agreement is applied as a benchmark of success level to each work program, a fundamental for work program monitoring and evaluation to directive officials, and guidelines to organize personnel's performance objective.

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