GOVERNANCE INDICATORS IN PUBLIC INSTITUTIONS: DO THEY ACCURATELY REFLECT THE QUALITY OF PUBLIC INSTITUTIONS?

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Abstract. This study aims to investigate whether the indicators used by the Indonesian government accurately reflect the quality of public institutions. If governance indicators are valid measures of governance quality, they should demonstrate consistency and convergence. This study compares governance indicators across Indonesian national agencies and international organisations, using data from 2020 to 2023. Our study found no clear convergence toward a definitive positive or negative conclusion regarding the overall quality of governance indicators. Recognising that the indicators do not present a consistent picture. This study argues that Indonesian governance indicators primarily focus on the administrative aspect of governance and do not adequately encompass other dimensions, such as the political and economic.

Keywords: Governance quality, public institution.

1. Introduction

Within the institutional economics framework, North (1990) argues that the quality of institutions significantly affects long-term economic performance. Clear property rights and effective law enforcement can help reduce transaction costs. Masron & Abdullah (2010) support the view that institutions are crucial for economic growth, especially in ASEAN countries, by ensuring the effectiveness of property rights, regulatory and governance systems, and bureaucratic frameworks.

Good governance, as a primary benchmark for measuring quality and effectiveness, has seen a surge in quantitative research since 2010, particularly with the introduction of the World Governance Indicators (WGI) by Kaufmann et al. (2011). Good governance in the public sector is linked with a well-designed internal control system (Ujkani & Vokshi, 2019), efficient organisational goals (Bovens, 2007; Rotberg, 2004), reliable financial reporting (Fai et al., 2023), asset security (Goutama & Yudianto, 2019), and compliance with laws and regulations. Studies have shown that these factors are essential for achieving and maintaining a stable and accountable government. However, measuring governance quality remains controversial (da Cruz & Marques, 2017).

Several Indonesian agencies "claim" to have indicators reflecting the quality of governance in public institutions. Among them is the Audit Board of the Republic of Indonesia (BPK). Reviewing or auditing financial reports from various government agencies, BPK issues opinions on whether the agencies comply with accounting standards. Their opinion will be categorised as Unqualified Opinion, Qualified Opinion, Adverse Opinion, or Disclaimer of Opinion. Although it is merely a financial opinion based on audits, the opinion is often regarded as a benchmark for the quality of government in managing the state budget. It means that receiving an Unqualified Opinion indicates that the government institution is considered accountable and transparent.

Another government body, the Indonesian anti-corruption agency, the Corruption Eradication Commission (KPK), also has measures to assess the level of governance. KPK

conducted surveys of all national public institutions in Indonesia to assess the Integrity Assessment Index (SPI). Public institutions will be on "secured conditions" if the SPI score lies between 78 and 100, "alert condition" if the score is between 73 and 77.9, or "vulnerable condition" if the score is less than 72.9.

Indonesia's Ministry of Administrative and Bureaucratic Reform has another tool to assess the quality of governance in public institutions. The ministry employs three indicators to evaluate public institutions: the Assessment of Government Agency Performance Accountability System (SAKIP), the evaluation for Integrity Zone implementation (ZI), and the Electronic-Based System Implementation Index (SPBE). The SAKIP assessment scores are categorised into ratings ranging from D (the lowest), indicating questionable accountability of public institutions, to C, CC, B, BB, A, and AA, which successively reflect higher levels of accountability and better implementation of good governance. For ZI, it assesses the extent of corruption-prevention system implementation in government agencies. The ZI assessment produces two outcomes: the highest predicate of WBBM is awarded to agencies that not only excel in the corruption prevention system but also successfully transform into a "serving bureaucracy." Conversely, the lower WBK rating is given to agencies that have effectively established an Integrity Zone to prevent corruption. Additionally, the Electronic-Based System Implementation Index (SPBE) measures the extent to which agencies adopt digitalisation in public services, essentially assessing the level of e-government. This SPBE index ranges from 1 (poor) to 5 (satisfactory).

Another government agency that conducts comprehensive surveys on the performance of state and local governments is the Indonesian Financial and Development Supervisory Board (BPKP). They provide four criteria for measuring public-sector accountability: the Maturity of Internal Control System (SPIP), Implementation of Risk Management (MRI), Effectiveness of Corruption Prevention (IEPK), and the Internal Supervisory Apparatus (APIP). Each criterion is scored from 1 to 5, with a higher score indicating greater accountability in public agencies.

This brings us to a critical question. Given the many metrics, this study aims to investigate whether the indicators used by the Indonesian government accurately reflect the quality of its public institutions. Our core premise is that if these governance indicators are valid measures of the public sector's quality, they should exhibit consistency and convergence. They should, in essence, tell a similar story.

2. Methods

This study aims to investigate whether the indicators used by the Indonesian government accurately reflect the quality of public institutions. If governance indicators are valid measures of governance quality, they should demonstrate consistency and convergence. Reliable governance indicators serve as an objective yardstick. To answer this question, this study employs two analytical tools: graphical trend analysis and correlation analysis.

This study compares governance indicators across Indonesian national agencies and international organisations, using data from 2020 to 2023. Several key Indonesian governance indicators at the two time points will be analysed using trend and correlation analyses. Indonesian Governance Indicators being compared are the BPK Opinion, the Public Service Index, SAKIP, the Bureaucratic Reform Index, the E-Government Index, SPBE, and the KPK's Integrity Assessment Surveys.

3. Results And Discussion

Tables 1 and 2 provide a brief overview of the convergence between previous governance indicators for Indonesian public institutions and international indicators, such as the WGI and CPI, using sample data from 2022 to 2023. If these indicators accurately measure the governance of public institutions, they should yield the same conclusions regarding their quality. Overall, the situation is mixed, with some areas showing positive outcomes or stability,

while others exhibit concerning trends. Therefore, a clear convergence toward either a definitively positive or negative conclusion regarding the overall quality of governance indicators is not strongly evident.

Table 1. Comparing National Governance Indicators in Public Institutions

Institution	Indicators	Identification of Governance Quality	Result
The Audit Board of the Republic of Indonesia (BPK).	Financial Audit Opinion	The accountability of public institutions has slightly dropped.	The number of public institutions that get Unqualified Opinion from BPK decreased from 82 to 81
The Indonesian Corruption Eradication Commission (KPK),	Integrity Assessment Surveys	The national integrity has dropped and is still in a vulnerable condition	Integrity score declined from 71.94 to 70.97
Ministry of Administrative and Bureaucratic Reform of the Republic of Indonesia	Assessment of Government Agency Performance Accountability System (SAKIP) Score	The quality of governance in the moderate condition	The majority of public institutions were in "Moderate" conditions with 55% in 2021 and 57.35% in 2022
Ministry of Administrative and Bureaucratic Reform of the Republic of Indonesia	ZI Score	The majority of public institutions have established integrity zones and corruption-prevention measures, but have not enacted clean, transparent government.	More than 85% were in the WBK zone.
Ministry of Administrative and Bureaucratic Reform of the Republic of Indonesia	SPBE score or E-Government level	Significant advancement in implementing electronic-based government systems.	A large proportion of institutions shifted into the "good to high" level of digitalisation. The number of public institutions increased from 16% to 42%, which received a score of 4.
Indonesian Financial and Development Supervisory Board	Integrated SPIP, MRI, APIP, and IEPK	Increase in the quality of governance in public institutions	An increase in the number of public institutions considered has a value of 3 (good governance).

Looking at the BPK's financial audit opinion, we see a slight drop in accountability, with the number of institutions receiving an Unqualified Opinion decreasing from 82 to 81. The KPK's Integrity Assessment Survey also shows a decline, with the national integrity score falling from 71.94 to 70.97, a condition considered vulnerable. However, the Ministry of Administrative and Bureaucratic Reform's indicators show different trends. The SAKIP scores indicate that governance quality is mainly in a 'moderate' condition. At the same time, their SPBE or e-government index shows significant progress, with many institutions moving into the 'good to high' level of digitalisation. Conversely, the indicators from the BPKP suggest an increase in the quality of governance in public institutions.

When comparing with international indicators of the quality of government, such as the WGI and CPI (see Table 2), only corruption indicators paint a similar picture. Nationally and internationally, efforts to prevent corruption are declining.

Table 2. International Governance Indicators regarding the Quality of Indonesian Public Institutions

Institution	Indicators	Identification of Governance Quality	Result
WGI-control of corruption	WGI-control of corruption	There is a decline in the percentile rank of the control-of-corruption index, and the standard errors do not overlap across periods.	Corruption prevention is lowered.
WGI- Government Effectiveness	WGI- Government Effectiveness	The percentile rank score for government effectiveness increases, but the standard errors also increase.	Government is more effective.
WGI-Political Stability and Absence of Violence/Terrorism	WGI-Political Stability and Absence of Violence/Terrorism	The percentile rank score for political stability increases, but the standard errors also increase.	More stable political conditions.
WGI-Rule of Law	WGI-Rule of Law	The percentile rank score for Rule of Law has increased, and the standard errors do not overlap.	Stronger rule of law
WGI-Regulatory Quality	WGI-Regulatory Quality	The percentile rank score for Regulatory Quality has increased, and the standard errors do not overlap.	Good regulatory quality over the years.
WGI-Voice and Accountability	WGI-Voice and Accountability	Decline in the percentile rank score of voice and accountability, and the standard errors do not overlap between periods.	Citizens have fewer opportunities to participate in political processes, to express their views freely, and to hold governments accountable.
TI-Corruption Perception Index	Corruption Perception Index	The CPI score has not changed yet, but the rank has increased. Indicating a higher level of perceived corruption	Higher level of perceived corruption

The correlation analysis is presented in Table 3. Convergent indicators are expected to exhibit strong positive correlations, approaching a coefficient of 1. However, the empirical findings indicate that this expectation is not met.

Table 3. Correlation between Governance Indicators

	BPK Opinion	Public Service Index	SAKIP	Bureaucratic Reform Index	E-Government Index	KPK Integrity Surveys
BPK Opinion	1.00	0.30	0.12	0.17	0.05	0.14
Public Service Index	0.30	1.00	0.31	0.42	0.19	0.59
SAKIP	0.12	0.31	1.00	0.30	0.29	0.28
Bureaucratic Reform Index	0.17	0.42	0.30	1.00	0.24	0.42
E-Government Index	0.05	0.19	0.29	0.24	1.00	0.17
KPK Integrity Surveys	0.14	0.59	0.28	0.42	0.17	1.00

The strongest correlation we found was only moderate (r = 0.59) between the Public Service Index and the KPK Integrity Surveys. There were other moderate correlations, such as between the Public Service Index and the Bureaucratic Reform Index. Notably, many indicators showed weak to very weak correlations. Specifically, the SAKIP score, BPK Opinion, and the E-Government Index showed a significant lack of convergence with other metrics. This raises the question of whether the indicators are sufficient to capture all aspects of governance, whether they require revision, or whether other factors should be considered in assessing governance in the public sector. In recent decades, assessments of government effectiveness have been increasingly linked to regional development goals. Most previous studies, such as (Mooneeapen et al., 2022), (Biermann et al., 2022), and (Morita et al., 2020) have focused on evaluating the impact of government programs on achieving Sustainable Development Goals (SDGs) after their implementation, examining both political output and the government's role in the process. A notable characteristic of Indonesian governance indicators is that they cover only part of the governance spectrum. Governance, according to the UNDP (1997), has three legs: administrative, economic, and political. The governance indicators used by the Indonesian government appear to be primarily administrative, focusing heavily on internal control, and they do not encompass political or economic dimensions.

4. Conclusion

Returning to our research question: Is there evidence of consistency and convergence? Our findings affirm this, though the evidence remains limited and not comprehensive. We identified a moderately convergent cluster of indicators related to service delivery, reform, and integrity. These seem to measure related dimensions of public-facing governance. However, other key indicators, particularly the BPK Opinion and the E-Government Index, appear to measure distinct and independent aspects of governance. The BPK Opinion focuses on financial compliance, which does not necessarily translate to better public outcomes. Similarly, the E-Government Index measures technological capacity, which is not directly linked to improved service quality or integrity in our dataset. In conclusion, although Indonesia has numerous governance indicators, they do not all measure the same construct. Relying on a single indicator can provide a misleading picture of the overall quality of public institutions.

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