



Australia Indonesia Partnership for Decentralisation

State of the Program Report

End of Year 3 > December 2013



Finding the **red** thread

At a Glance

Looking Back to July 2013

Things we did well:

- At-scale delivery of events and activities under all 20 Key Products
- Design work plans as pathways to the end-of-program outcome
- Finalise Subsidiary Arrangement and issue revised operational guidelines
- Empower the program management committees by fostering closer relations with implementing partners
- Increase resources for implementing the Gender Action Plan
- Accelerate implementation of demand-side Key Products
- Take greater advantage of study tours run by Local Government Managers Australia
- Support the Ministry of Home Affairs' Centre for Administration of Overseas Cooperation to convene a donor workshop to identify future support and engagement options.
- Conduct first joint field monitoring of AIPD by central government officials
- Support TADF to develop policies for increasing investment
- Conduct gender profiles and ensure use of data and training outcomes and advocacy brochure
- Commence local public finance management training courses
- Prepare a resourcing and expenditure plan for the remainder of the program
- Make better use of East Java as a source of good practice and guidance to lesser developed provinces
- Review staffing strategy for district facilitators

Things that did not go as expected:

- Host regional cross-program workshops to improve demand-side and knowledge management collaboration
- Reassign Advisory Group to selected consultancies
- Establish data centre in West Nusa Tenggara
- Amend the program timeframe
- Finalise a study to examine the deeper implications of the Public Expenditure and Revenue Analysis findings

Looking Ahead to June 2014

What we will do:

- Finalise program strategic adjustment to follow the red thread for better service delivery
- Develop and pilot a community based service facilitation activity for Papua
- Get a better handle on datasets relating to decentralisation
- Deepen the application of gender budgeting tools
- Build on the strengths and successes of BaKTI
- Accelerate the establishment of a data centre in West Nusa Tenggara
- Empower AIPD regional teams and unblock administrative bottlenecks
- Restore technical support team function
- Restructure of results and knowledge management functions
- Conduct intensive round of staff capacity building
- Improve BAST relationships
- Adopt a more rigorous approach to using evidence to support a strong DFAT results and evidence orientation



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Message from the Program Director



Jessica Ludwig-Maarooft
Program Director

Fewer mothers are dying during childbirth in East Flores. More underprivileged teens are getting tertiary scholarships in Situbondo. Sick toddlers are getting the medicine they need in North Lombok. Parents in remote villages in Manokwari know health clinic operating hours before making long journeys to seek treatment for their children.

Local institutions are using AIPD products to improve their performance, such as the civil society network that teamed up with local media in Dompu to push for on-time district government budgets, or the officials in Papua who are willing to share budget information with the public, or the community groups in Raja Ampat and Fakfak who provided direct input into district budgets, or the government agencies in Bima who banded together to conduct joint monitoring of publicly-funded projects, or the health facilities in East Java and West Nusa Tenggara that transformed into flexible, self-managed not-for-profit businesses.

Our previous progress report showed mixed progress against AIPD's end-of-program outcome indicators (indicators of improved resource allocation and management). This report shows that intermediate outcomes (indicators that local governments

are adopting and using AIPD tools to improve the way they manage and allocate resources) are on track.

The fragmented service delivery impacts we are observing suggest that the link between AIPD's intermediate outcomes and service delivery outcomes is too broad. Impacts will accrue randomly and slowly, and be hard to attribute to AIPD. Some AIPD resources are being expended in the pursuit of indicators that do not denote the most urgent service delivery bottlenecks. In addition, the intended alignment between AIPD and sectoral programs has not yet materialised in a systematic way, either geographically or thematically.

AIPD is having an impact on service delivery. Our tactics are good, but in the second half of 2013 our strategy needed rethinking so that our interventions could produce deliberate impacts on priority service delivery issues. The results of that rethinking will drive AIPD implementation in the remaining one-and-a-half years, and are presented in the Looking Ahead section of this report.

As the new Program Director I will steer our efforts to more directly target specific service delivery issues. AIPD's end-of-program outcome remains better resource allocation and management, but for each target region we have identified the most

pressing service delivery weaknesses and will focus our 'machinery of government' strengthening on the factors that most directly alleviate those weaknesses.

AIPD will not provide technical inputs in health, education or infrastructure. However, the sharpening of our work on the enabling environment will lay the foundations for implementing DFAT's basic services approach in the future. To this end, during this reporting period we led a collaborative district-by-district bottom up workplanning process with active involvement from other programs. This process identified some great opportunities for collaboration, and returned AIPD to the 'platform' role relative to sectoral programs that we always intended to play.

Reform is in the air, with the central government issuing a new village law, a new national health insurance scheme, and reforms to the functioning of the bureaucracy and accelerating discussions on reforms to the fiscal transfer system. AIPD will collaborate with other programs to take advantage of the opportunities that these major national reforms will bring.

A handwritten signature in black ink that reads "Jessica M. Maarooft".

Jessica Ludwig-Maarooft
Program Director

Looking back to the beginning – are we where we should be?



By design, at this stage of the program we should be observing 'product use' and 'organisational change' (see AIPD capacity building framework). In measuring progress we should be asking are our partners using the products and tools we provide, and is this leading to systemic change in their institutions?

The previous progress report (June 2013) provided analysis of trends in the intermediate or end-of-program-outcome indicators (indicators of organisational change). It concluded that some positive trends but no overall pattern were discernable (see inset box). Analysis of organisational change indicators and any evidence of resultant service delivery improvements will be the focus of the next progress report in June 2014, when data from 2013 is available.

Percentage of AIPD target regions that pass their budget (APBD due 31 December) and budget revision (APBD-P due 15 October) on time This report therefore focuses on progress toward immediate outcomes (product use) while also highlighting any emerging evidence of organisational change and improved service delivery. The analysis is based on field monitoring conducted by the AIPD during November and December that looked for evidence of product use and analysed the quality and ongoing relevance of AIPD products. A picture of province-by-province progress is presented in the foldout infographic poster on the following pages.

An assessment of AIPD's overall progress must take into account the delays to workplan approval and activity implementation in 2012 and 2013. Analysis of the consequences

Intermediate outcome: more timely procurement in Situbondo

Students in Situbondo benefitted from better school infrastructure and learning equipment since May 2013 instead of November like the previous year. Farmers benefitted from improved irrigation, received seeds and improved cross-bred cattle from May rather than October. Hospitals were maintained and new medical equipment was purchased in May instead of September. New roads were built in June instead of October. Households benefitted from new piped water connections in July instead of October. And many people living in isolated areas had access to electricity earlier in the year because construction of a micro-hydro generator was able to commence in June. These benefits were all realised thanks to AIPD-supported reforms to the Situbondo district government's procurement processes. AIPD supported the procurement unit to revise their standard operating procedures and adopt a tighter procurement schedule.

Photo: courtesy of the Australia-Indonesia Partnership for Health Systems Strengthening





Intermediate outcome: better budget execution in Dompu

Dompu received an award from the central government for becoming the second best district in Indonesia in relation to the quality of its spending, transparency and public participation in 2013. This result was achieved using the development monitoring and evaluation system called Sismontep. Dompu has monitored their spending rate, identified bottlenecks and acted in time to address them. The district was also evaluated as transparent and responsive to the public. Dompu is the only district from eastern Indonesia that achieved such an improvement. Contributing in a significant way to this result, AIPD's implementing partner Brawijaya University conducted a series of meetings, socialisations, trainings and clinical sessions on how to use Sismontep in controlling the spending and coordinating development strategies.

of these delays was provided in previous reports and can be summarised as a loss of one year of program implementation. Fortunately, strong leadership from the Ministry of Home Affairs's Centre for Administration of Overseas Cooperation has overcome this problem and resulted in an approved 2014 workplan ready to implement from 1 January.

Supply Side: public finance management more responsive to service delivery priorities

AIPD products supporting better planning and budgeting have been developed and are being used in measurable ways across target regions. Evidence for this can be found in the 16 target regions (64 per cent) that drafted and formalised their budgets on time in 2013 (compared with 40 per cent in 2008). Four target districts (Bima, Dompu, North Central Timor and Ngada) have obtained higher audit ratings than in previous years, and 12 regions now have a functioning electronic procurement system made possible with AIPD funding and technical support. These examples show that some AIPD public finance management support is being used and leading to improvements in the way partner governments operate.

At the end of this reporting period AIPD conducted intensive field monitoring to a sampling of target regions. This monitoring produced a deeper understanding of the way product use leads to organisational change.

In Malang, the budget allocations for health and education increased in 2014, and the planning and budgeting documents of individual agencies were developed with reference to minimum service standard costings and to service delivery performance indicators (although there is more work to be done to make the application of those indicators consistent between the medium term plan, and annual planning, monitoring and reporting documents). The increased allocation to the health sector was mostly absorbed by new health and social security schemes and the amount allocated for direct spending on service delivery actually decreased from IDR7.4 billion in 2013 to IDR5 billion in 2014. In East Flores, the allocation for direct health service spending has also seen an 11.5 per cent decline despite an overall increase in the allocation to the health sector.

Thus it is clear from these examples that AIPD's tactics to support increasing allocations are working, but our tactics for driving a



Intermediate outcome: better monitoring for service delivery in Bima

Bima's district government agencies have deployed a cross-sectoral team to conduct rigorous monitoring and evaluation on the execution of the district budget, by visiting 87 projects being implemented by various work units. Unlike monitoring in previous years which was conducted only by the Inspectorate, with AIPD support the monitoring and evaluation was done in 2013 by a team comprised of officials from various work units dealing with planning (Bappeda), budget execution (related technical units), administration (development administration bureau) and experts from academia. Findings were discussed at a meeting with the Bupati and all work units. In numerous cases, the team found that budget execution was not aligned with district planning and budgeting documents. In one case, a project being implemented was not included in the district budget. As a result of this process, the Bupati of Bima decreed that in 2014 this kind of monitoring should be done not only at the end of the year but also quarterly. By doing so, any problems can be identified and corrected immediately.



At a glance: signs of organisational change from 2008–2013

Budget allocation: An increasing number of AIPD target regions are allocating at least 20 per cent of their budget to education in line with the national mandate, with more than half now doing so. A minority are allocating the mandated 10 per cent to health but this number has also increased in recent years.

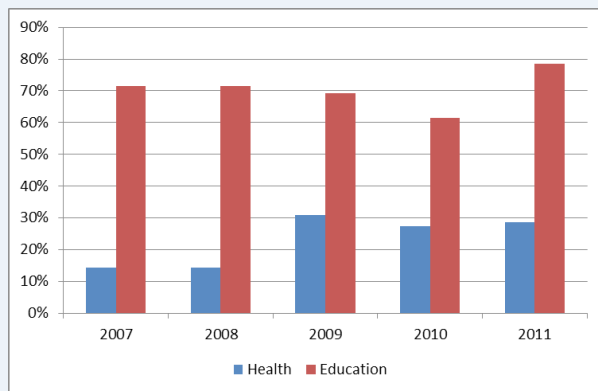


Figure 1: Percentage of AIPD target regions spending the nationally mandated minimum of 20 per cent of their budget on education and 10 per cent on health

Spending mix: More than half of AIPD target regions spend over 40 per cent of their health budget on frontline service delivery. The majority of regions are spending less than one quarter of their education budget on direct services.

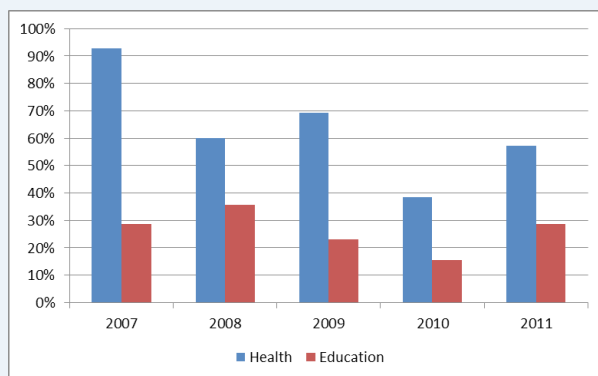


Figure 2: Percentage of AIPD target regions that allocate at least 40 per cent of health budgets and 25 per cent of education budgets to operational, maintenance and capital expenditure costs, as opposed to administrative or bureaucratic costs

Budget realisation: Most regions continue to struggle to spend their budgets in full, and to do so evenly through the course of the year. This is a problem nationally. Some regions make major adjustments to their budgets during the third quarter budget revision, indicating weak initial planning and budgeting.

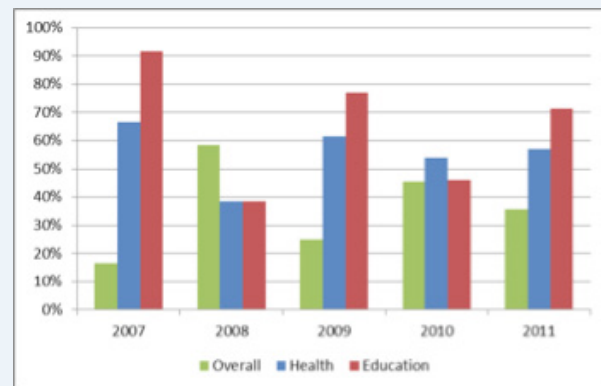


Figure 3: Percentage of AIPD target local governments that absorb between 95–105 per cent of their overall budget, and between 90–110 per cent of their health and education budgets

On-time budgets: Data shows a positive five-year trend in target regions for finalising official budgets by the annual 31 December deadline. However the trend for third-quarter budget revisions is not as positive. Most regions are late in finalising the revision, sometimes only approving it in December, leaving little time to execute the remaining activities.

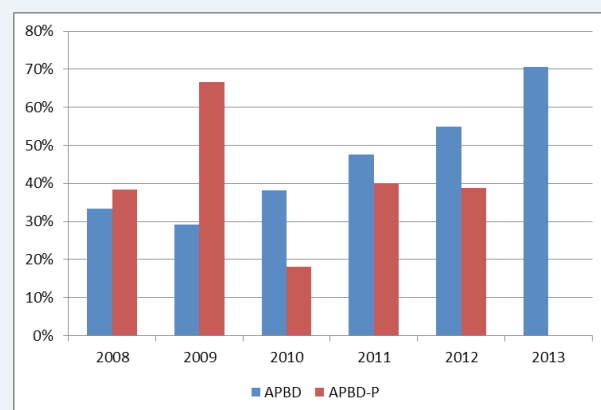


Figure 4: Percentage of AIPD target regions that pass their budget (APBD due 31 December) and budget revisions (APBD-P due 15 October) on time



Intermediate outcome: letting service providers keep the revenue they earn

The Dr Soedono Nursing Academy in East Java achieved greater self management as a result of a change of official status from Regional General Service Agency (*Badan Layanan Umum Daerah*) to Regional Technical Implementation Unit (*Unit Pelaksana Teknis Daerah*). The new status allows the academy to function like a not-for-profit business. The Academy can keep and reuse all self-generated revenues, such as grants, tuition fees, and income from renting out rooms for workshops and seminars. Previously, such revenues were returned to the district government's general revenue pool and would only find their way back to service delivery units through the convoluted annual planning and budgeting process. The Academy's annual budget allocation from the provincial government (IDR 9 billion or AU\$900,000) has not changed, but self-generated revenues have soared from IDR 1 billion to IDR 3 billion annually (from AU\$100,000 to AU\$300,000).

Photo: courtesy of the Australia–Indonesia Partnership for Health Systems Strengthening

better spending mix are not working. Increased direct spending on health services is important if Malang is to address its high rates of pneumonia, diarrhoea and tuberculosis, and if East Flores is to achieve its stated targets for improved maternal and child health.

Demand Side: active beneficiaries, not passive recipients

AIPD's demand side products have developed well and are being used to great effect in most target regions, and in some cases leading directly to improved service delivery. Strongest progress is observable in the consolidation of structure and processes that enable local governments to fulfil their commitment to open government or freedom of information, and in the lobbying activities of civil society networks that are using evidence to advocate for better services.

AIPD used experience from the successful provision of support for Public Information Commissions in East Java and West Nusa Tenggara to support Papua and West Papua to establish their commissions. After a lengthy and complex negotiation process, commissions were established in Papua and West Papua during this reporting period.

Nineteen of the 25 AIPD target regions now have appointed and trained public information and documentation officers in every government unit (compared with only five regions that had these in place when AIPD began). The burden and workload on these officials being great, our target regions have appointed 125 assistants and half of these have participated in AIPD training. To make the provision of information to the public efficient, AIPD supported West Nusa Tenggara

to develop an online system that will soon be replicated in Malang and at the provincial level in East Java.

In the second half of 2013, three AIPD target regions (Bima, West Nusa Tenggara, and East Java) were added to the list of regions (Malang, North Central Timor, Raja Ampat, East Flores, Merauke, Southwest Sumba) already considered to be transparent, based on an AIPD transparency index. West Nusa Tenggara and East Java have increased their transparency rating through the use of an online public information management system.

AIPD has also provided complementary support in this area at the national level. Activities with the Information Centre within the Ministry of Home Affairs are supporting the establishment of a national information and documentation officer coordination forum. Activities with the National Information Commission are aimed at institutional strengthening and capacity building of the commissioners. These AIPD products are still in development and their application will be judged in subsequent reports.

To help communities benefit from freedom of information reforms by making information requests and then using that information in an effective way, AIPD supported the establishment of 20 community centres, which function as a group of concerned citizens with an interest in seeking information regarding particular service delivery issues in their area. To date, nine of these groups have made formal information requests to a public information and documentation officer within their local government.

Underpinning our support for these community centres, AIPD has driven the establishment and functioning of 25 civil society

Intermediate outcome: meeting information needs for remote communities in West Papua

In Aipiri village, Manokwari district, minor illnesses can become life threatening due to a lack of simple information. To access medical services, parents bring their children to the health centre located in the district capital, at least half a day's travel away. They pay high transportation costs and lose time away from other work. When they arrive at the health centre sometimes it is closed, or the parent does not know it is a public holiday. Frustrated with traveling back and forth sometimes leads parents to resort to traditional healing, the ineffectiveness of which can ultimately lead to the death of the child. AIPD's and the civil society network called Jangkar along with local academics worked together to conduct a survey of health and education services that confirmed information about health centre operating hours and the way the system operates would be of significant benefit to remote communities. Jangkar took this survey result to the district health department and jointly developed methods of communicating the necessary information to the public. Information about operating times has since been displayed on the information board of the health centre and clinics, and community centres and local radio stations have begun broadcasting messages and hosting interactive dialogues about public services.

Photo: courtesy of the Australia-Indonesia Partnership for Health Systems Strengthening



networks (one in each target region, where only five existed at the start of the program). These networks enfold 391 separate local civil society organisations, giving them greater weight and voice than they otherwise would working alone. AIPD has provided these networks with training on how to understand and engage with public finance management processes, and how to apply the citizen report card methodology to gather evidence about beneficiary experiences with accessing public services. To date, 12 of these networks have used these AIPD products to conduct direct advocacy with local government. Numerous examples have already emerged where this has led to immediate improvements to service delivery, or the overcoming of a specific problem.

Impact on service delivery: medicines for kids in North Lombok

Citizens in North Lombok have put pressure on district health officials to distribute medicine for kids suffering from acute diarrhoea. Arrival of the rainy season triggered a spike in diarrhoea cases amongst children in the village of Dangi. The health post had no stock of anti-diarrhoea medicine, despite such medicine being covered under the district health budget. The community used methods instilled through AIPD to send a delegation of concerned citizens to the community health centre. The centre is responsible for distributing drugs supplied by the district health department to health posts. The health centre welcomed the delegation and explained that medicine was available but had not been distributed due to a lack of accurate patient data from health posts. The delegation was issued with anti-diarrhoea medicine to treat current cases in Dangi.

At the end of 2013, AIPD conducted intensive monitoring of four civil society networks, namely, JORMAS in East Nusa Tenggara, JASMIN in Ngada, Forum Peduli Anggaran in West Nusa Tenggara and the Women Who Care About Budgets Group in West Lombok. Results showed JORMAS and JASMIN to be the most advanced in using AIPD products. Both can show evidence of changes in the 2014 budget brought about by their efforts, and both are gearing up to monitor execution of those budgets in 2014. Examples of their efforts include:

- JORMAS convened a public discussion on basic services during the gubernatorial election campaign and used the findings from the discussion as material for advocacy during the provincial anniversary celebrations in December 2013.
- During 2012, JORMAS tracked the development of the 2013

Impact on service delivery: turning uniforms into scholarships in Situbondo

Every year, Situbondo spends almost IDR1 billion (AU\$100,000) on uniforms for the public servants. At the same time, there are families in Situbondo who can't afford the costs of higher education for their kids. With support from AIPD, a civil society network called Forsads analysed the 2012 district budget and concluded that considerable savings could be made if uniforms for officials were procured every second year. The money saved could be spent on tertiary scholarships for talented kids from poor families. Forsads initiated a series of meetings with the local education department, and held a press conference to appeal for public support. Responding to the idea, the district worked with Forsads to design a program called *Situbondo Unggul* featuring scholarships for excellent students from poor families to study at university majoring in agriculture, animal husbandry and research.



Intermediate outcome: demanding better budgets in Fakfak and Raja Ampat

Communities in Fakfak and Raja Ampat have made it clear what they expect from their 2014 district government budgets: Increased allocations for health, education and infrastructure, more spending on direct service delivery costs, and less on bureaucratic overheads, that the budget be passed into law on time, and that the budget be made public. Representatives of community groups in stakeholder forums supported by AIPD communicated these expectations directly to government. Such forums are not new in West Papuan districts, and the challenge as always is how to translate the recommendations into concrete action by government. In his opening remarks at the forum in Fakfak, the district head, Drs. Mohammad Uswanas, praised this forum as an improved model of government-community interaction because the forum will be institutionalised through an organisational structure consisting of representatives from the executive, local parliament and civil society, including religious and tribal groups. This structure will have responsibility for follow up recommendations from planning until implementation stage.

Photo: courtesy of the Australia–Indonesia Partnership for Health Systems Strengthening

provincial budget and made numerous submissions that resulted in a ten per cent increase to the health and education allocations.

- Upon request by the provincial ombudsman, JORMAS conducted a public services survey of general hospitals in East Nusa Tenggara.
- JORMAS published and distributed posters detailing the budget information relating to the provincial government economic development village grants scheme, in the name of public finance transparency.
- Upon invitation from the provincial development planning agency, JORMAS members participated in the public consultations for the development of a new five-year development plan for East Nusa Tenggara.
- JORMAS provided inputs to the provincial parliament during the development of a draft regional regulation on education services.
- JASMIN successfully lobbied the Ngada district head to allocate IDR 40 million rupiah for handling an alarming rise in rabies cases.
- JASMIN conducted a public information campaign to inform marginalised citizens about their rights to access free health care through a district government program. They also convinced the district government to allocate an extra IDR 1 billion for the insurance scheme and an extra IDR 3 billion for the district general hospital.
- JASMIN convened a workshop with the district health office, the general hospital and local parliamentarians to improve the standard of services at the hospital and to discuss options for changing the legal status of the hospital to give it more flexibility in the use of self-generated revenues.

Strengthening local parliaments is another key plank in our demand side component and several key advances were made during the second half of 2013. Due to the upcoming 2014 national elections, after which a new cohort of local parliamentarians will be elected, the most efficient and sustainable form of support in the second semester of 2013 was to develop a national instrument to measure local parliament performance, along with tools and modules for capacity building. These will be rolled out to newly elected representatives immediately after the election in 2014. Also to support a smooth start to the next local parliament cycle, AIPD assisted the staff of parliamentary secretariats in all target regions in Nusa Tenggara and West Papua to develop standard operating procedures for running all aspects of their operations.

Knowledge Management

Data centres established with AIPD funding in East Nusa Tenggara (province level) and in North Central Timor are functioning well and are now fully funded through local budgets. Work is underway to replicate these centres in West Nusa Tenggara, Merauke, Fakfak, and Manokwari and at the provincial level in Papua.

AIPD core funding for the Eastern Indonesia Knowledge Exchange is yielding significant achievements (see infographic in foldout poster on the following pages).

More than 30,000 people have accessed knowledge related services and products or participated in knowledge sharing events, and 50 per cent of beneficiaries indicate they have used and applied information and knowledge gained from the products in their work.

Impact on service delivery: community action ensures food supplements for kids in Dompu

The leader of the Dorebara Community Centre, Dompu District, West Nusa Tenggara, and other members of the community, met with the health department's information officer to understand why the Nutritious Supplement Food Program had stopped, and discuss reasons why it should be continued. Members of the community centre discussed the issue and decided to use the 'request for public information' mechanism to solve the problem. A request for information was submitted on 21 November 2013. Supported by AIPD, members of community centre studied the documents supplied, and using their collective community knowledge, compiled the data to prove that the village met the criteria of beneficiaries. Having seen the evidence-based data, the health department announced that the Dorebara village is eligible and the Nutritious Supplement Food Program will recommence immediately for another year.

Photo: courtesy of the Australia-Indonesia Partnership for Health Systems Strengthening



Decentralisation policy and enabling environment

AIPD has continued to work with units across our three central government partner ministries (National Development Planning Agency, Ministry of Home Affairs, Ministry of Finance) to support a range of efforts to improve the policy framework governing the way decentralisation works. In 2013, we supported the Ministry of Finance's Fiscal Decentralisation Assistance Team to produce 14 policy briefs and eight research results on fiscal decentralisation. These were subsequently used as inputs into the development of revisions to Law 33/2004 on Fiscal Balance between central and local governments, one of the two key decentralisation laws. AIPD also supported the rollout of Ministry of Finance led public finance management training at the subnational level. To date, 50 per cent of participants in Training of the Trainer courses from East Nusa Tenggara have become trainers for quality spending.

AIPD also supported the National Development Planning Agency in developing a policy brief relating to Monitoring and Evaluation of Regional Financial Management Direction.

With the Ministry of Home Affairs' Directorate for Facilitation of Regional Head, Local Parliament and Inter Institutional Relations, AIPD supported the conduct of a study on the performance measurement instrument for local parliaments. At the same time, we supported the Ministry's Information Centre to produce a list of the types of government information that should be automatically declassified for public access under the freedom of information law, as well as standard operating procedures for the public information system and for government officials serving in the role of Data and Information Management Officer.

Intermediate outcome: advocating for on-time budgets in Dompu

An AIPD-sponsored civil society network in Dompu, called Dewan Peduli Anggaran (Budget Watch Council), was concerned that political party infighting was delaying a parliamentary discussion and approval of the annual budget revision, a key step in the annual budgeting process that allows for adjustments to be made and better spending to occur in the final quarter of the year. The network engaged with local media organisations to bring this concern to wider public attention. As a result, the parliament laid out a clear agenda for the discussion of the budget revision. When this agenda was delayed again, the media and civil society network continued their program of public advocacy and media coverage until the budget process was once again back on track.

Intermediate outcome: civil society driving smarter budgeting in Trenggalek

A multi-stakeholder forum in Trenggalek showed that the budget allocation for infrastructure and health could be increased through simple changes to long-standing district government practices. The civil society network called Jimat presented evidence that the price the district government paid to outsource construction of roads, bridges and health posts was too high and produces low quality results. According to Jimat, the budget increase for building roads, bridges and health posts could be realised by reducing operational costs. After analysis of the 2013 budget, they came up with startling figures: the budget for roads and bridges could be increased from Rp76 billion to Rp130 billion, a 42% increase, while the budget for construction of health centres and health posts could be increased from Rp23 billion to Rp32 billion, a 40% increase. The budget for health promotion could be increased from Rp12 billion to Rp17 billion, a 24% increase.



Intermediate Outcome: Implementing Regional Autonomy in Papua

Special Autonomy Law No. 21/ 2001 required that the Papuan provincial government develop a special bylaw on the distribution and management of special autonomy funds. Until now however, the bylaw had not been issued and there was no clear guide on the distribution and management of special autonomy funds between the province and municipal or district governments. For the past 12 years, the Governor has decided the distribution of special autonomy funds. Consequently, debates have occurred between provincial, municipal and district governments regarding the application of criteria such as total population, geographical condition, and regional revenue in deciding on allocation of the funds. With technical support from AIPD, the Papuan government began conducting a series of multi-stakeholder consultations in September 2013 which led to the drafting and ratification of the necessary bylaw. The bylaw consists of nine chapters and 30 articles regulating the distribution of special autonomy funds between the province and municipal and district governments utilising a proportion of 20:80. For improved management of special autonomy funds, AIPD will assist the provincial government to develop a technical guide and provide socialisation of the bylaw to local governments and provincial work units.

Photo: courtesy of the Australia–Indonesia Partnership for Health Systems Strengthening

Overarching conclusion

Evidence from program implementation to date shows that AIPD is developing quality products, and in many cases those products are being put to use by partner governments and civil society organisations to improve the way they contribute to resource allocation and management. In some instances we see this leading to genuine organisational change, and beyond that in a few cases we have seen real service delivery improvements as a result. AIPD is having an impact on service delivery.

However, these impacts are essentially random. The service delivery impacts we've seen to date, while welcome and gratifying in each individual case, do not add up to larger trend of sustained improvement in target regions, and are unlikely to do so in the short to medium term. The implication of this is that our tactics are good, but our strategy needs rethinking so that our interventions can produce deliberate impacts on priority service delivery issues.

The main factor contributing to this strategic problem can be found in the breadth of the AIPD end-of-program outcome indicators, and the way AIPD has used these as the basis for developing district and provincial workplans. The indicators are set as targets to improve resource allocation and management broadly, but do not target specific sectors or service delivery problems. The workplans define a wide set of activities that were judged as important contributing factors to the indicators. The result has been a lack of focus in program outputs, and as we have seen in some cases these outputs have led to positive outcomes, but not in a consistent pattern that can be replicated.

Therefore, it is necessary to rethink the way our workplans are developed. Having come to this conclusion during the second semester of 2013, AIPD made significant changes to the workplanning process and overall strategic direction of the program in time for 2014. This is presented in detail in the Looking Ahead section of this report.



Intermediate outcome: Opening minds on open government

Civil society networks that AIPD helped establish last year in Papua began efforts in January 2013 to gain access to government budget documents which they intend to use for policy advocacy. At first, network representatives verbally requested the information from officials from various government agencies, but were repeatedly informed that the documents were not available or could not be shared publicly. Eventually, copies were obtained from a member of the local parliament, but the closed-government mindset of officials required an innovated response from AIPD. From May 2013, AIPD began engaging key local officials as resource persons in seminars on the implementation of Indonesia's freedom of information law and associated regulations. Attitudes of public officials in Papua have noticeably changed since this initiative, and key agencies are now more open to responding to information requests from the public.

Photo: courtesy of the Australia–Indonesia Partnership for Health Systems Strengthening

PERFORMANCE STORY - ALL REGIONS 2011-2013

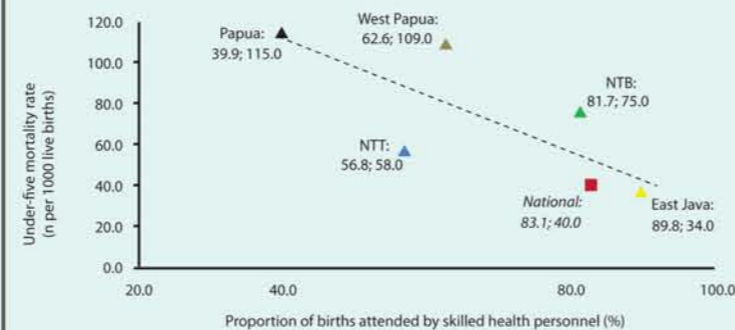
MDGs: Indonesia, Health, 2012 (%)	
Under-five mortality rate (per 1,000 live births)	40.00
Infant mortality rate (per 1,000 live births)	32.00
Proportion of 1 year-old children immunized against measles	80.10
Maternal mortality ratio (per 100,000 live births)	359.00
Percentage of births attended by skilled health personnel	83.10
Contraceptive prevalence rate	61.90
Antenatal care coverage: at least 1 visit by skilled health professional	21.50
Antenatal care coverage: at least 4 visits by any provider	87.80

Source: Statistics Indonesia (Badan Pusat Statistik-BPS), National Population and Family Planning Board (BKKBN), and Kementerian Kesehatan (Kemenkes-MOH), and ICF International, 2013, p.xvi, "Indonesia Demographic and Health Survey 2012", Jakarta, Indonesia: BPS, BKKBN, Kemenkes, and ICF International.

MDGs: Indonesia, Education, 2011	
Literacy rate of 15-24 year-olds	98.78
Ratio of girls to boys in primary education (SD)	98.80
Ratio of girls to boys in secondary education (SMP)	103.45
Literacy rate of women, 15-24 years old	99.95
Share of women in wage employment	36.67
Proportion of seats held by women in national parliament	18.40

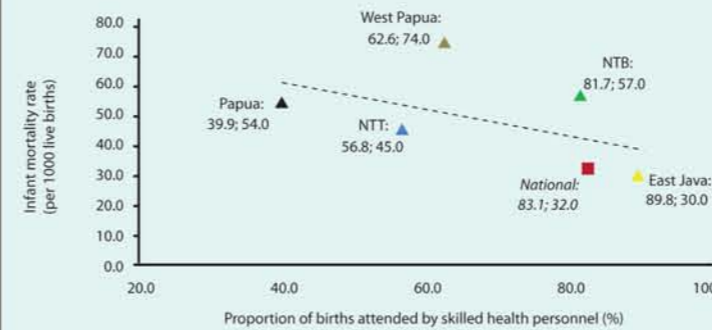
Source: Ministry of National Development Planning (Bappenas), (2012). "Report on the Achievement of Indonesia's Millennium Development Goals" (in Bahasa Indonesia). Jakarta, Indonesia: Bappenas

Comparison of births attended by skilled health personnel and under-five mortality rate, 2012



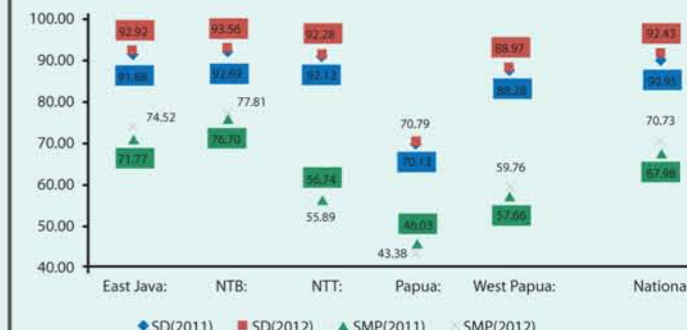
Source: Statistics Indonesia (Badan Pusat Statistik-BPS), National Population and Family Planning Board (BKKBN), and Kementerian Kesehatan (Kemenkes-MOH), dan ICF International (2013). "Indonesia Demographic and Health Survey 2012". Jakarta, Indonesia: BPS, BKKBN, Kemenkes, and ICF International.

Comparison of births attended by skilled health personnel and infant mortality rate, 2012



Source: Statistics Indonesia (Badan Pusat Statistik-BPS), National Population and Family Planning Board (BKKBN), and Kementerian Kesehatan (Kemenkes-MOH), dan ICF International (2013). "Indonesia Demographic and Health Survey 2012". Jakarta, Indonesia: BPS, BKKBN, Kemenkes, and ICF International.

Net enrolment ratio in primary education (SD-SMP), 2011-2012 (%)



Source: Statistics Indonesia (Badan Pusat Statistik-BPS), (2012). "Net enrolment ratio by province, 2003-2012". Retrieved from BPS: <http://goo.gl/N2XoKk>

CONDITION (2007-2012)*

EAST JAVA

- Below 10 %: health budget proportion in all AIPD target districts
- Above 30 %: education budget proportion in all AIPD target districts
- Above 40 %: health budget for operational, maintenance and capital expenditure costs (except Sampang 30 %)
- Significant increase in health, education and infrastructure allocation for 2014 budget (Eg. 60 % increase for health allocation in Situbondo)
- QUALIFIED: audit opinion by Indonesian Supreme Audit Agency in all target districts and for East Java province

WEST NUSA TENGGARA

- Below 10 %: health budget proportion in target districts (except North Lombok above 10 %)
- Above 20 %: education budget proportion in all AIPD target districts
- Below 30 %: education budget for operational, maintenance and capital expenditure costs (except West Lombok above 40 %)
- QUALIFIED: audit opinion by Indosupreme Audit Agency in all AIPD target districts
- Local budget publication is not transparent yet in all target districts

EAST NUSA TENGGARA

- Below 10 %: health budget proportion in AIPD target districts (except East Flores above 10 %)
- Below 30 %: education budget for operational, maintenance and capital expenditure costs in all target districts
- QUALIFIED: audit opinion by Indonesian Supreme Audit Agency in all AIPD target districts
- Transparency in local budget publication: one out of 4 district is not transparent enough (Ngada)

PAPUA

- Around 10 %: health budget proportion in Peg. Bintang and Keerom but less 10 % in Merauke and Supiori
- Above 20 %: education budget proportion in all target districts
- DISCLAIMER: audit opinion of Supreme Audit Agency in target areas, except Peg. Bintang (QUALIFIED)
- Only one out of 4 target districts is transparent in publishing local budget (Merauke).

WEST PAPUA

- QUALIFIED: audit opinion of Indonesian Supreme Audit Agency in South Sorong and Raja Ampat
- DISCLAIMER: audit opinion in Fak-Fak, Manokwari and West Papua province.
- Only one out of 4 target districts is transparent in publishing local budget (Raja Ampat)

IMMEDIATE OUTCOME (2011-2013)

- Active engagement of 4 CSO networks in budget advocacy has led to significant changes in 2013 budget revision. E.g. budget increase for literacy program in Sampang from IDR 740 million amounting to IDR 1,48 billion and reallocation of uniform allocation for civil servants amounting to IDR 891 million to scholarship program for the poor children in Situbondo.
- 5 electronic procurement units (LPSE) functioning in conducting electronic procurement
- Minimum service standard costing adopted in 2014 budget in Situbondo and Malang
- Multistakeholder forum in Situbondo and Trenggalek influenced increase of 2014 budget allocation for basic services

- 5 electronic procurement units (LPSE) functioning in conducting electronic procurement
- Active engagement of 4 CSO networks in participatory planning and budget advocacy to executive and legislative
- Active advocacy of 2 Community Centres (West & North Lombok) for improved basic services led to increased budget for additional nutrition for children under five amounting to IDR 100,000 per month for 6 months

- 3 electronic procurement units (LPSE) functioning in conducting electronic procurement
- Active engagement of 3 CSO networks in development planning discussion and local budget advocacy
- 2 Resource Centres functioning (NTT, TTU): 12,533 (60 % women) accessing RC data and information
- Village administration map produced by RC NTT used as basis for village selection in poverty reduction program

- Special regional regulation (Perdasus) on the distribution and management of special autonomy fund ratified
- Regional regulation on regional finance, accounting policy and regional assets ratified in Peg. Bintang
- Improved capacity of LG working units in regional asset management, accounting and monitoring & evaluation
- Papua medium term development plan has referred to regulation of Home Affairs Minister No. 54/ 2010
- 3 Community Centres have been active in asking for public information.

- 2 electronic procurement units (LPSE) functioning in conducting electronic procurement
- Active advocacy of community centre in Manokwari has led to improved education and health services. E.g. Health department issued instruction letter to community health centres for improved service hours.
- Analysis on 2013 budget by CSO network in Raja Ampat influenced increase in allocation for education sector. E.g. increase of allocation for literacy program from IDR 75 million in 2013 to IDR 500 million in 2014.

OUTPUTS (2011-2013)

- Guide on accounting policy for intangible assets produced in East Java
- Timely approval of local budgets in all AIPD target areas
- Minimal service standard costings produced in all target districts
- Main PPID (documentation and information management officers) established in all AIPD target areas
- 5 Community Centres and 4 CSO networks established consisting of 102 CSOs
- Instrument for evaluation of annual public agency performance produced by East Java Information Commission

- Mid-term review on the performance indicators of medium-term development plans in 2 LGs (NTB & West Lombok)
- Timely approval of local budgets in all AIPD target districts due to effective collaboration between executive and local parliament.
- Main PPID (documentation and information management officers) established in all AIPD target areas
- 3 Community Centres established in 3 target districts (West Lombok, North Lombok, Bima)
- 5 CSO networks established in all target areas consisting of 71 CSOs

- Timely local budgets produced in all AIPD target districts
- 2 Medium-term development plans produced (East Flores & North Central Timor) and one reviewed (Ngada)
- Data on assets collected in all target districts
- Main PPID (documentation and information management officers) established in all AIPD target areas
- 2 community centres and 5 CSO networks established consisting of 97 CSOs
- User-friendly local budgets publications developed and distributed in all target districts

- Draft strategic plan in key sectors (education, health) produced in all target areas
- Medium term development plan and strategic plan 2011-2016 developed in Merauke
- Main PPID (documentation and information management officers) established in target areas, except Supiori.
- 3 Community Centres and 5 CSO networks established involving 60 local CSOs
- 131 members from local CSOs (39 women) trained in public finance management

- 3 electronic procurement units (LPSE) established (West Papua, Manokwari and South Sorong)
- 2 Multistakeholder Forums established (Raja Ampat and Fak-Fak)
- 4 Community Centres established in all target districts
- Main PPID (documentation and information management officers) established in all target districts
- 5 CSO networks established consisting of 114 CSOs

*Based on the availability of data

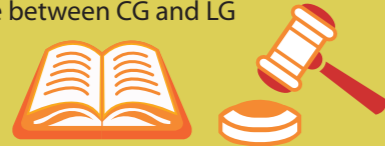


PERFORMANCE STORY CENTRAL GOVERNMENT 2012-2013

IMMEDIATE OUTCOMES

MINISTRY OF FINANCE:

Through policy briefs and research results, Technical Assistance for Fiscal Decentralisation (TADF) has provided inputs to the revision of law No.33 of 2004 on Fiscal Balance between CG and LG



50% of participants in Training of the Trainer (ToT) from East Nusa Tenggara have become trainers for quality spending



BAPPENAS

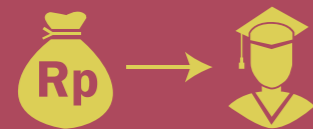
In 2012, three policy briefs produced (i.e.: Monitoring and Evaluation of Regional Financial Management Direction)



MINISTRY OF FINANCE

In 2013, TADF has produced 14 policy briefs and 8 research results on fiscal decentralisation

Review on the Implementation of Education Funding through Fund Transfer to Regions (*the School Operational Assistance (BOS) and the Teacher Professional Allowance (TPG)*)



Evaluation on the Regulations of Regional Financial Management and their impacts to Improve Quality Spending



Twenty two staff of District Finance Division in East Nusa Tenggara (5 of them were women) participated in training of the trainer in year 2013



OUTPUTS

MINISTRY OF HOME AFFAIRS

Directorate for Facilitation of Region Head, Local Parliament and Inter Institutional Relations (FKDHAL) conducted a study on the performance scoring instrument for Local Parliament



Centre of Information produced List of Public Information as well as SOP and Public Information System for Data and Information Management Officer



PERFORMANCE STORY

EASTERN INDONESIA KNOWLEDGE EXCHANGE

2011-2013

IMMEDIATE OUTCOMES

80% of evaluation respondents were satisfied with the quality of BaKTI's key products



Over 50% of respondents indicated that they have used data, information and knowledge gained from the products in their work



Seven smart practices in public service delivery have been replicated, for example:



Vasectomy family planning program for men in South Minahasa has been adopted in all districts in North Sulawesi



"Nonggup" cooperative in Boven Digul has been replicated in 2 sub-districts in Papua



Malaria Centre in South Halmahera has been replicated in East Halmahera, West Halmahera, Morotai, Tobelo and Tidore Islands.

Two policy briefs produced by Eastern Indonesia Researcher Network (JiKTI) have been used by South Sulawesi and South East Sulawesi Governments:

- (a) Policy brief "Optimization of Bank Data in South East Sulawesi"
- (b) Policy brief "Strategy to accelerate Human Development Index in South Sulawesi"



OUTPUTS

Over 3,228 publications are available at BaKTI's library, 9,632 client (32% of them were women) benefit from BaKTI's free internet and library



511 researchers (33% of them are women) joined and actively participated in Eastern Indonesia Researcher Network (JiKTI)



25 smart practices in public service delivery documented and published



10 policy briefs supporting the development in Eastern Indonesia have been produced

Looking back to July – things we did well



This section describes progress in delivering the outputs listed under ‘what we will do’ in the June 2013 progress report.

At-scale delivery of events and activities under all 20 key products

Tracking progress in implementing planned events and activities constitutes input reporting and is useful as a guide to the health of AIPD’s implementation arrangements and the quality of our relationship with central government ministries. It is not, however, a meaningful measure of progress toward AIPD’s desired impact. While input tracking is necessary as an accountability measure, especially when reporting against the Government of Indonesia’s overseas grant accounting system, it is important that the program strategy not be driven by the pursuit of pre-set input delivery targets. The nature of inputs, their relationship to the desired program goal, and the allocation of resources to inputs, must be constantly adjusted based on analysis of progress toward intermediate outcomes. Hence, this section provides a quick summary of

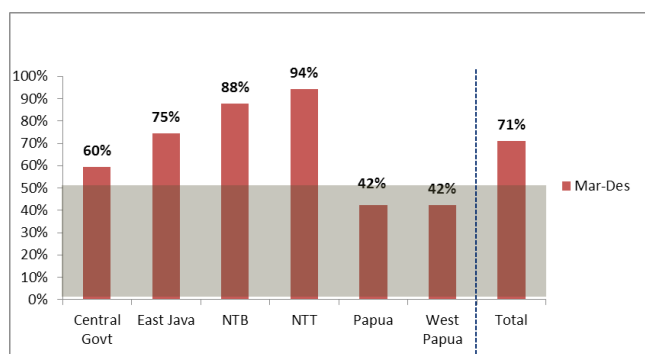


Figure 5: Event completion March–December 2013 by region

input progress, while the analysis in the previous section tracks outcome progress from the beginning of the program.

In 2013, AIPD implemented 71.1 per cent of the 854 planned events across five program components and six regions. The Government of Indonesia approved the 2013 annual workplan in March 2013, thus the effective program implementation period was nine months from April until December. During this period events were implemented at full pace and to the maximum capacity of AIPD’s internal resources, and the resources of our implementing partners. Therefore, we judge that the shortfall indicates the target number of event was unrealistic and we have taken steps to ensure a more realistic schedule of program inputs in 2014.

AIPD supports open government reforms for local governments across Indonesia, so in the spirit of transparency and good aid management we have opened access to our information management system for central government officials. Officials in the Ministry of Home Affairs, Ministry of Finance and Bappenas can now access real-time data on AIPD program implementation including analysis of intermediate outcomes. Data is not filtered, so areas of lagging progress are visible alongside the success stories.

Design workplans as pathways to the end-of-program outcome

During September and October, AIPD conducted workshops in all twenty-five target jurisdictions to develop annual workplans for 2014 and 2015. This process was conducted in accordance with a timeframe set out by the Ministry of Home Affairs in October. In accordance with the sharpening of the program objective



Photo: courtesy of the Australia–Indonesia Partnership for Health Systems Strengthening

outlined in detail in the Looking Ahead section of this report, the workplan development workshops were structured to identify the most pressing basic service shortcomings in each region, the bottlenecks contributing to those shortcomings, and the most relevant inputs that AIPD can provide to open those bottlenecks.

Opportunities for inputs by sectoral programs were identified at the same time. Sectoral programs working in the same locations were invited to attend these workshops. In locations where no sectoral program was present, AIPD subsequently shared the outcomes with sectoral teams in order to guide future programming decisions toward the allocation of resources for the key identified priority issues. In this way, the 2014–2015 annual workplan, which was approved on 19 December, constitutes more than a pathway to AIPD end of program outcome (better resource allocation and management)

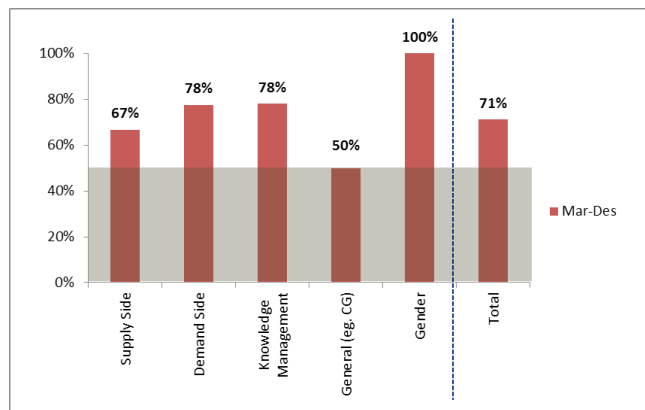


Figure 6: Event completion March–December 2013 by component

but in fact constitutes the basis for a roadmap to improved basic services which is the ultimate goal of AIPD.

Finalise Subsidiary Arrangement and issue revised operational guidelines

The Program Coordinating Committee endorsed the revised Subsidiary Arrangement in September 2013 to make AIPD relevant within the context of changes in Indonesia’s regulatory framework governing the administration of overseas grants. The new framework treats AIPD workplans the same as those prepared by central government agencies delivering deconcentrated spending in the regions.

Empower the program management committees by fostering closer relations with implementing partners

From the beginning AIPD has not pushed for the establishment of new bodies to serve as program management committees in provinces or districts. Each partner government has adopted their own approach, either establishing a new committee or revising the function of an existing body. This has resulted in a mixed pattern of engagement across regions, with varying levels of intensity and ownership. In some cases these committees have not had the opportunity to form close working relationships with AIPD implementing partners, thus limiting a sense of ownership. Also the committees do not consistently invest time and effort in coordinating AIPD with other programs. In recognition of this problem, the Ministry of Home Affairs’ Centre for the Administration of Foreign Cooperation issued an instruction to local governments to establish a donor coordination unit where they don’t already exist. AIPD will build

on this innovation by pushing our implementing partners to be closer and more responsive to donor coordination units.

Increase resources for implementing the Gender Action Plan and conduct gender profiles and ensure use of data and training outcomes

Gender profiles were conducted in five pilot districts and the reports will be finalised and disseminated in early 2014. A series of training events on Gender Responsive Budgeting was delivered in East Flores, Southwest Sumba, North Central Timor and Malang, and at provincial level in West Nusa Tenggara. All three of the districts in East Nusa Tenggara that received training subsequently produced Gender Budget Statements as official documents supporting the finalisation of the annual budget workplan for 2014 in various agencies including health. Follow up training will be delivered in 2014–2015, using different trainers (for quality assurance purposes) and with a focus on sectors directly related to service delivery, such as education and health. Future training will also be provided on how to collect and analyse gender-disaggregated data, and an activity to support gender champions will be designed and rolled out in 2014. The Gender Profile reports will form the core of all gender related training modules for training events in 2014–2015. Human and capital resources for activities under the Gender Action Plan were increased during the development of the 2014–2015 annual workplan. The capital resource allocation for gender activities in the remaining period of the program is IDR 10,417,500,000 covering all five provinces.

Accelerate implementation of demand-side Key Products

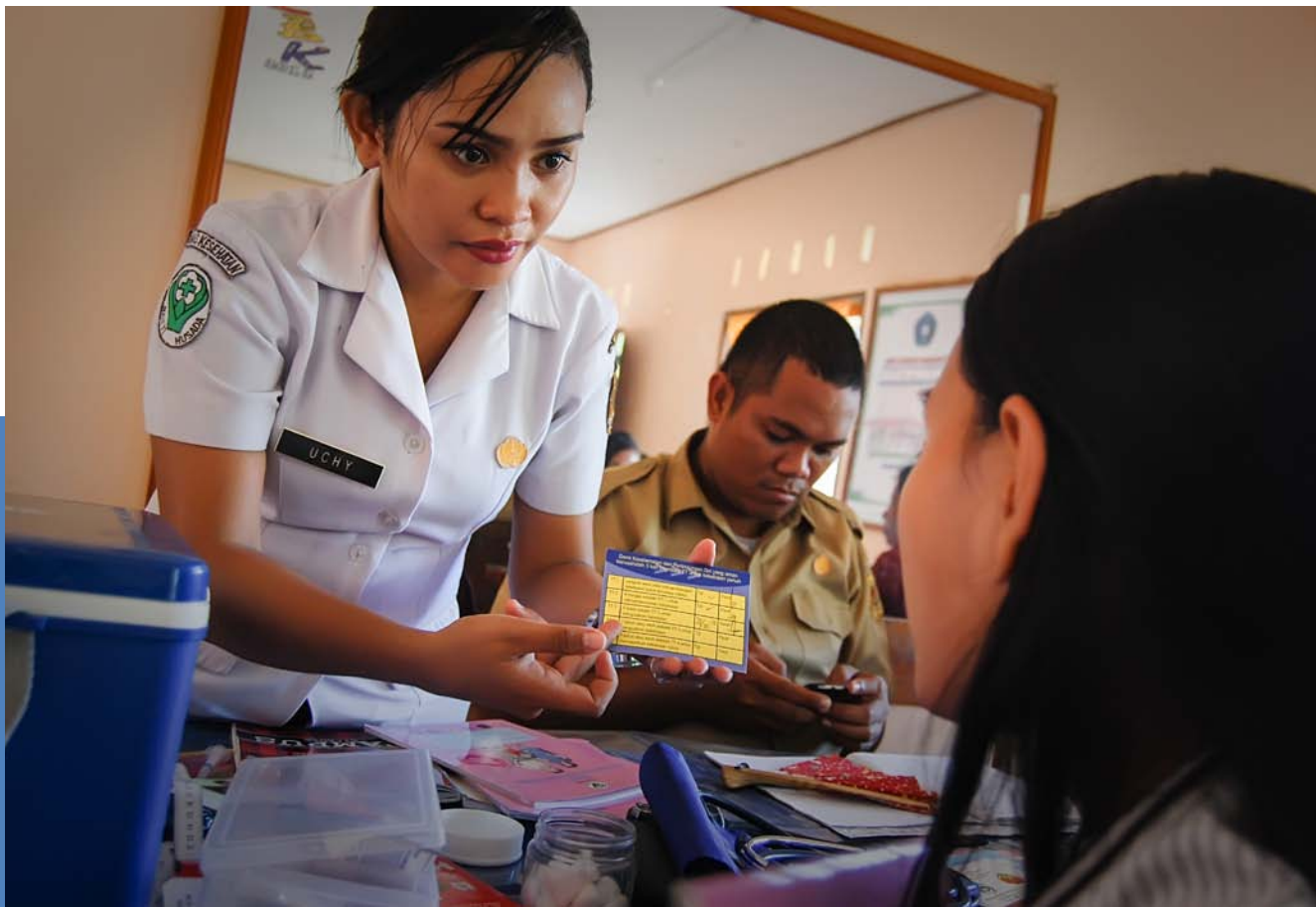
The pace of implementation of demand side activities enjoyed a significant boost in the second half of 2013. Of the demand side activities in the workplan a total of 78% were implemented, higher than the total percentage of activities, meaning the demand component was on par with the knowledge management component in leading AIPD inputs by the end of the year.

Take greater advantage of study tours run by Local Government Managers Australia

Study tours were conducted from 12–26 May and 9–22 September 2013. The September tour had a demand-side thematic focus and included 12 delegates – double the size of the first group – as a reaction to feedback from the first tour and to create better interpersonal connections between a mix of demand and supply side actors. The tour was timed to coincide with the Australian National University’s annual Indonesia Update Conference. Feedback from the tour was positive and a third tour under the current funding round will be organised in the first semester of 2014, pitched at a higher level of delegates, namely district heads, regional secretaries, or directors from the three central government partner ministries.

Support the Ministry of Home Affairs’ Centre for Administration of Overseas Cooperation to convene a donor workshop to identify future support and engagement options

The Ministry of Home Affairs’ Centre for the Administration of Foreign Cooperation convened an Indonesia-wide donor coordination meeting in Batam in October. The Centre funded



Courtesy of the Australia-Indonesia Partnership for Health Systems Strengthening

the workshop with some financial support from AIPD. A range of donors attended and shared knowledge through an exhibition of program products and success stories.

Conduct first joint field monitoring of AIPD by central government officials

Joint monitoring field visits were conducted in July and resulted in a commitment and plan to ensure AIPD's 2014 workplan was approved before the end of December 2013. Officials from Home Affairs, Finance and Bappenas joined AIPD staff on a series of monitoring visits to West Papua, Papua and East Nusa Tenggara. The teams visited activities both at the provincial and district levels, and produced a range of recommendations that will help improve AIPD implementation and increase impact.

During the visit, the head of the Ministry of Home Affairs' Centre for Administration of Overseas Cooperation underlined the need for a workplan development schedule that would result in a final approved workplan before the end of the year. The commitment for this timeframe is a crucial step forward in ensuring AIPD implementation in the final two years will not experience any delays, especially at the start of the calendar year when important local government planning and budgeting activities kick off.

The joint monitoring was a valuable and positive experience for all parties. Travelling and witnessing activities together helped bond members of different organisations to a single purpose more effectively than regular meetings in Jakarta.

Support TADF to develop policies for increasing investment

The Indonesian Minister of Finance has emphasised the importance of local investment for economic growth and

people's welfare. Most regions lack resources to improve infrastructure, a key investment driver. The Ministry of Finance's Fiscal Decentralisation Assistance Team therefore conducted research on municipal development funds (MDF) as an alternative to finance regional infrastructure. The research analyses the challenges of financing regional infrastructure and options to address the challenges. The research also described the design and establishment procedure of the MDF, and the preferred regional infrastructure financing mechanism for Indonesia. In the near future, the results of the research will be implemented by respective units within the Ministry of Finance. This research was just one of 14 policy briefs and eight research papers developed by the Fiscal Decentralisation Assistance Team with support from AIPD.

Commence local public finance management training courses

In the past, the Ministry of Finance provided public finance management courses to local government officials through seven local universities functioning as training centres. However, evaluations of these courses showed that only the provinces where the training centres are located benefitted from the training. Limited funding and proximity reduced the opportunities for other provinces, even the nearby ones, to take advantage of the centres. In response, AIPD and the Ministry of Finance's Directorate General of Fiscal Balance established a province-based Education and Training centre called Badan Diklat Provinsi in East Nusa Tenggara in December 2013, with similar centres to be established in West Nusa Tenggara in January 2014 and later in Papua and West Papua). Trainers from the Ministry of Finance trained a cadre of trainers from the

province and districts. AIPD will also support the implementation of public finance management courses for ten districts/ municipalities in West Nusa Tenggara and 21 in East Nusa Tenggara. Frontline service orientation will be integrated in these courses in the next stage. Having seen that the innovation works, the Directorate General of Fiscal Balance put the province-based courses at the top of the priority reform agenda and will increase the budget significantly for such courses.

Prepare a resourcing and expenditure plan for the remainder of the program

A detailed expenditure plan has been developed and is described in the Expenditure and Projections section of this report. The resourcing plan has been refined through the conduct of an organisational review and changes to the organisation chart also described in the next section.

Make better use of East Java as a source of good practice and guidance to lesser-developed provinces

Officials from the West Nusa Tenggara provincial government visited the East Java provincial data centre as part of preparations for establishing a data centre in Mataram. Provincial government officials and members of the panel responsible for selecting the Information Commissioners in Papua visited the East Java Information Commission to learn about how best to appoint information and documentation officers in government work units, and how best to go about selecting members of the information commission. Knowledge management and open government are both areas where East Java is acknowledged by central government as being

a leading province and AIPD has therefore used the province as a hub to share knowledge with the eastern provinces.

Review staffing strategy for district facilitators

The role of district facilitators was included in a comprehensive organisational review conducted by an independent consultant in December 2013. The review resulted in a number of changes to the organisation structure and business processes that support program implementation. AIPD has accepted the recommendations of the review and will proceed with making the necessary operational changes in the first semester of 2014. The most significant change will be to make provincial teams more autonomous in activity approvals and financial delegations, thus empowering basic services teams and effectively decentralising management of the program. The review also identified the need for intensive capacity building of AIPD and partner personnel and a plan to achieve this is described in the Applying the Lessons section of this report.

Looking back to July

– things that did not go as expected



The following outputs were not delivered as planned.

Host regional cross-program workshops to improve demand-side and knowledge management collaboration

No such cross program workshops were convened during the second semester of 2013. In response, AIPD will reinvigorate our knowledge management work by enhancing our engagement and utilisation of the Eastern Indonesia Knowledge Exchange (BaKTI).

Reassign Advisory Group to selected consultancies

Rather than reassign the resources from the Advisory Group, AIPD allowed the contractual relationship to end without further assignments at this time. The advisory group model proved to be inappropriate for supporting the technical needs or advising on the strategic direction of the program. Having the advisory group services subcontracted to another organisation created a conflict of interpretation about the role and function of that organisation in relation to AIPD as a program. Future thematic studies will be commissioned using individual non-affiliated consultants on a needs basis.

Establish data centre in West Nusa Tenggara

Establishment of the West Nusa Tenggara data centre is underway albeit slower than originally planned. A site for the centre has been identified and allocated by the provincial government. Detailed architectural designs for the centre have been prepared. Work on the centre will be undertaken in the first semester of 2014 with a view to opening the centre in August. The centre must be ready in time to host the DFAT-funded English Language Training Assistance course from August until October.

Amend the program timeframe

Our last two progress reports highlighted the need for the program timeframe to be extended by one year to restore the program logic following implementation delays in 2012. The integration of AusAID with DFAT means a decision about the program timeframe is pending.

Finalise a study to examine the deeper implications of the Public Expenditure and Revenue Analysis findings

This study has been delayed due to a series of delays in recruiting appropriate consultants. A team has now been identified and will conduct the study in the first semester of 2014. The study will be an evidence based policy making tool that aims to find out whether the Public Expenditure and Revenue Analysis report has been used to influence policy formulation by district governments, and if so by who, why and how. The study will reveal to what extent evidence based policy making takes place in Indonesia's local governments and to what extent the Public Expenditure and Revenue Analysis promotes evidence based policy making. It's an alternative approach that can probe deeper to understand why changes occur.

Looking ahead – applying the lessons



Strategic adjustment: following the red thread for better service delivery

For the first three years, AIPD's intended end-of-program outcome was improved resource allocation and management by local governments, to be measured using nine indicators. Achieving these indicators became a mantra, driving all program management decisions. It was assumed by design that hitting these indicators would have a positive effect on service delivery, measurable after the end of the program. AIPD would strengthen the machinery of government, and sectoral programs would provide technical support in the key sectors. The combined effort would lead to improved service delivery.

As we concluded in the section above, service delivery impacts from AIPD are essentially random. Our tactics are good, but our strategy needs revising. In other words, the products we produce

and use are working to improve the way local organisations play their part in resource allocation and management, but the results of those improvements are not moving in a unified direction. The link between AIPD's end-of-program indicators and service delivery outcomes was too broad. Impact would accrue very slowly, and be hard to attribute to AIPD. Some AIPD resources were being expended in the pursuit of indicators that did not denote the most urgent service delivery bottlenecks. The intended alignment between programs has not yet materialised in a systematic way, either geographically or thematically.

To remedy this, we will make a strategic adjustment to the program. For the remaining two local government planning and budgeting cycles that the program will support, we will use a revised and refined workplanning process to target our interventions at specific frontline issues in each target location. We will build each district

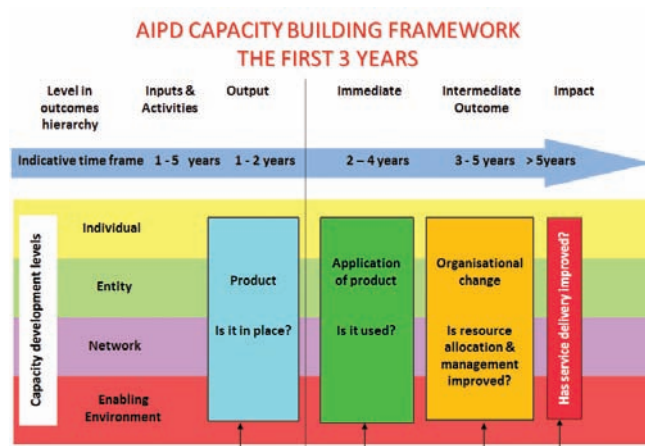


Figure 7: AIPD Capacity Building Framework: before

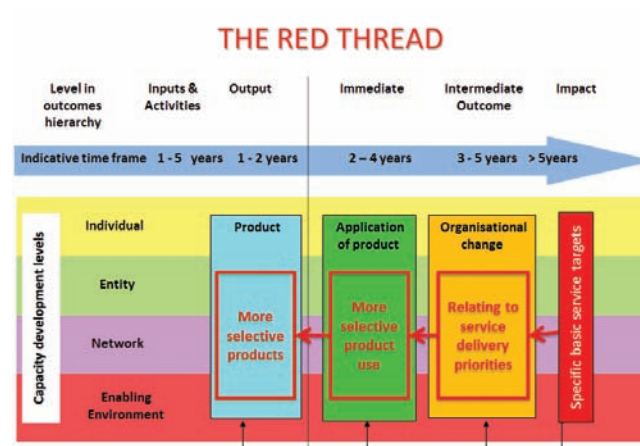


Figure 8: AIPD Capacity Building Framework: after

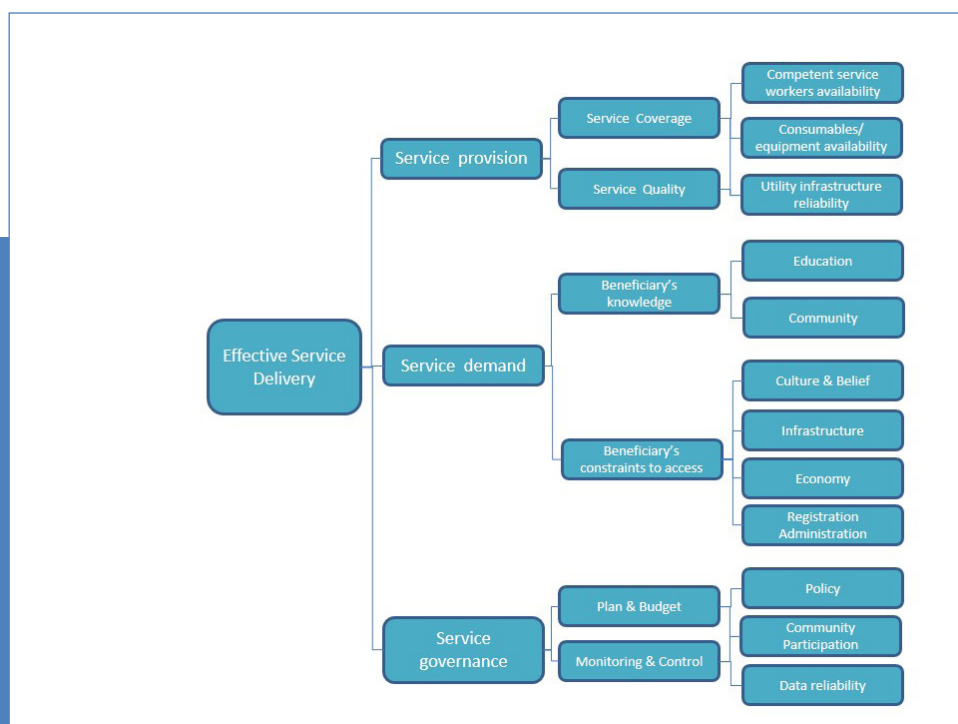


Figure 9: AIPD's 2014–2015 work plans will reflect our contributions to effective service delivery in line with this conceptual outline of the DFAT frontline approach

workplan around addressing known service delivery bottlenecks. Provincial workplans will be sharpened to focus on supporting district needs in the identified areas.

AIPD's end-of-program objective will remain better resource allocation and management, but the indicators we pursue in each location will be more selective based on priority service delivery issues. For each target region, we will identify the most pressing service delivery weaknesses, and then focus our 'machinery of government' strengthening on those elements that most directly impact the identified weaknesses.

AIPD will continue to work on the machinery of government, and not provide technical inputs in health, education or infrastructure. However, the sharpening of our work on this enabling environment will lay the foundations for implementing the basic services approach currently being formulated within DFAT. AIPD has thus piloting the application of a collaborative district-by-district bottom up workplanning process that will be an essential element of the basic services approach. The workplanning process conducted in the last quarter of 2013 resulted in a service issue based plan that will be converted into an implementation plan and roadmap (results chain) per region to address specific local problems.

Develop and pilot a community facilitation activity for Papua

In the first semester of 2014, AIPD will focus on strengthening the capacity of the district government, communities and frontline service providers at the village level in Papua to manage

basic services more effectively. The strengthening will target aspects of village planning and budgeting in order that each village should have a single plan and budget that covers all available programs and sources of funding. In addition to better planning, in conjunction with the district government, AIPD will strengthen village level service delivery. We will push for better community participation in monitoring development programs.

This activity was designed in the last quarter of 2013 in response to the unique challenges AIPD faces in trying to have an impact on service delivery in Papua. In Papua, there are numerous programs conducted by the district government, central government and external development partners. These programs constitute an opportunity to accelerate development in the villages, however also have the potential to shift the locus of corruption to the village. Already a number of village heads have gone to prison because they contravened program administrative procedures, intentionally or unintentionally. Many village heads struggle to navigate complex program administrative rules and procedures. Many of them did not graduate from primary school and cannot read or write. They are overburdened by paperwork and red tape that sometimes comes with village grant funding. The 'one village one plan' methodology that has been applied widely in other parts of Indonesia including through DFAT's ACCESS and LOGICA programs will play a central role in this new AIPD community facilitation activity.

Adopt a more rigorous approach to using evidence to support a strong DFAT results and evidence orientation

Several different datasets provide the empirical foundation for analysis on the impacts of decentralisation. AIPD needs to increase our capacity to search and draw meaning from these datasets. We will work with the World Bank PNPM Support Facility and the DFAT Lead Economist to bring these datasets together for consolidated analysis. AIPD will recruit an analyst to supervise the management of the major quantitative datasets (Susenas, Sakernas, PODES, Riskesdas as well as other non-government sources including the World Bank, FAO, WHO, UNSTAT). This effort is about bringing AIPD, the lead economist, the Australia-Indonesia Partnership for Economic Governance and the PNPM Support Facility closer together in sharing information and conducting joint analysis, including the triangulation of the above mentioned datasets with electoral information. Specific outputs will include:

- A map of the welfare costs of inequality at the district level.
- Explanation of district level expenditure patterns.
- Evaluation of the impact of voter education programs on electoral performance.
- Analytical underpinnings for policy engagements in tax, trade and competitiveness, public finance management, and financial deepening.
- A study on the socio-economic impact of mining.
- Establishing access to the DAPOER database in DFAT and ensuring its effective use.
- Effective working relationship with the National Statistics Agency and other line ministries responsible for the production

of key datasets in order to understand data quality issues.

The increasing complexity and sophistication of the Australian aid program means it is important to develop a capability to undertake analysis in-house. Currently most quantitative analysis is outsourced to relevant Indonesian and international institutions. This is entirely appropriate for most analysis, since the aid program does not wish to substitute for Indonesian analytical capacity, nor is DFAT a research institute. However, there are a number of pieces of strategic analysis that the program would like to conduct as inputs to the management of the country portfolio.

Deepen the application of gender budgeting tools

The piloting of technical support and tools to support gender responsive budgeting requires evaluation in the coming semester. Field monitoring in the past semester identified the need to deepen the application of tools such as the Gender Budget Statement. Better targeting is needed to ensure that the most appropriate people attend training workshops, and that the tools are applied at a level that is most likely to do some good. Specifically, gender responsive budgeting should be incorporated into the terms of reference for each activity that is budgeted and implemented in every government unit, not only at the level of an agency strategic or annual plan. Separate training is needed for 'driver' agencies such as regional development planning bureaux and women's empowerment bureaux, as opposed to the training provided to technical agencies such as health and education.

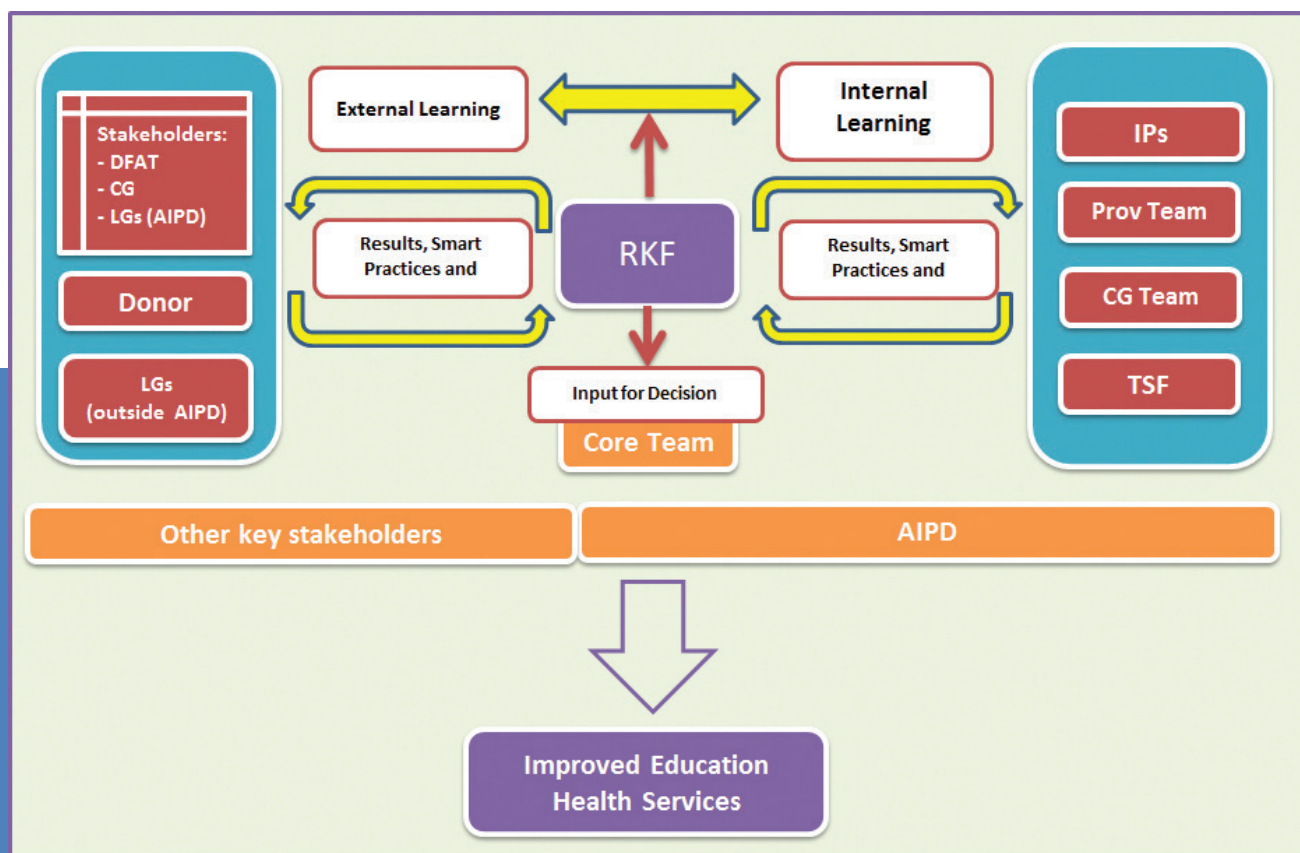


Figure 10: Function schematic of AIPD Results and Knowledge Facility

Build on the strengths and successes of BaKTI

AIPD has been providing core funding to BaKTI since 2011, while at the same time engaging BaKTI's services as an implementing partner for our knowledge management component. The structure of this relationship has resulted in a contractual separation between the heart of BaKTI's work and the key products delivered by AIPD, whereas the original intention was for the opposite to occur. We will therefore amend the contract with BaKTI to ensure they are the centrepiece of our knowledge management strategy, given their successful record and proven strength in building stakeholder networks, identifying and documenting smart practices, and running world class events to disseminate knowledge.

BaKTI will appoint a member of their staff to become a member of the newly formed AIPD Results and Knowledge Facility. BaKTI will be allocated the bulk of the Facility's budget to manage almost all communication and knowledge products listed in the annual workplan. Broadly, BaKTI will:

- Identify and select success stories and lessons learned from the implementation of AIPD.
- Select creative media appropriate for the delivery of information.
- Determine the primary target recipient of information.

- Formulate creative media to document smart practices and achievements.
- Organise a knowledge fair to showcase the success stories and lessons learned.
- Ensure AIPD's success stories and lessons-learned are distributed to all stakeholders.

Accelerate the establishment of a data centre in West Nusa Tenggara

Physical renovation works on the West Nusa Tenggara provincial data centre will commence early in the coming semester and be finalised in August, in time for the centre to host the 12-week English Language Training Assistance course funded by the DFAT scholarships program. Learning from experience with establishing similar centres in East Nusa Tenggara, we will work with the provincial development planning agency to make plans for the appointment and funding of functional staff dedicated to the future management and success of the centre.

Empower AIPD regional teams and unblock bottlenecks

To date the management of AIPD has been centralised, with activity and event approvals made by the core management team. The organisation review conducted late in this reporting period synthesised feedback from staff and analysis of bottlenecks

to conclude that AIPD itself, as a decentralisation program, should be more decentralised in terms of the way operations are approved and implemented in each province and district. The review identified numerous significant administrative and financial bottlenecks inhibiting efficient implementation of the program, especially in remote districts where communications and transport issues are most acute. The review recommended empowering the assistant program directors (heads of AIPD provincial teams) with greater authority to approve event terms of reference and budgets, and to directly handle logistical and financial arrangements for approved events. This recommendation is being implemented in full through a revised organisation structure (see foldout poster on following pages) and amendment to the management support team contract. The changes involve fundamental adjustments to the operational support team structure to ensure it can provide the strongest possible support to provincial and district level frontline engagement teams as they implement the revised program strategy and workplan.

Restore technical support team function

Another recommendation of the organisational review was to make changes to business processes and staffing structure to ensure the technical specialists recruited as part of the Technical Support Team are able to perform their originally envisioned functions. Experience to date has seen members of that team increasingly drawn into operational matters, taking time away from their roles as technical advisers to the operational teams. The revised organisation chart describes a renamed Technical Support Facility with the program level monitoring, evaluation, knowledge management and communications functions split away into a separate team. This measure, along with the appointment of an assistant program director for central government engagement, and revised business processes, will enable the Technical Support Facility to return to its functional mandate.

Restructure of results and knowledge management functions

The organisational review recommended the establishment of a Results and Knowledge Facility, separate from the Technical Support Facility. AIPD has accepted this recommendation and established the new Facility in order to have a more integrated approach to measuring results, communication and sharing of knowledge. The Facility will generate result information with defensible and realistic monitoring and evaluation methodologies for accountability and program improvement. It will share knowledge internally for program improvement and externally to contribute to the achievement of AIPD's intended goal.

Conduct intensive round of staff capacity building

In order to deliver on the new program strategic direction, capacity development and awareness raising activities for AIPD staff need to be prioritised for provincial and district AIPD staff to facilitate implementation and engagement to deliver the

annual workplans for 2014–2015. Given the heavy demands on staff time these needs will be met through a blended approach tailored for each geographic team location. Learning and development will take place in provincial locations and will be targeted on high priority Provincial Team and District Facilitator development needs. Methodology will include: (i) action learning; (ii) targeted short courses (technical, management, operations) supported by coaching/mentoring by Technical Support Facility-nominated technical experts (such as well-performing implementing partners; short term advisers; other DFAT programs); (iii) knowledge sharing events; (iv) management operations support team training for all staff focused on new/ revised business processes and revised induction training.

Improve BAST relationships

The Government of Indonesia administers all programs funded by international development partners based on Ministry of Finance Regulation 191/2011. The process requires the signature of the relevant Government of Indonesia working unit on a document that acknowledges and acquits the receipt of the activities funded by the development partners. This document is known as BAST (short for Berita Acara Serah Terima or note of delivery and receipt). The BAST document covers the date of handover, the name of the donor and the recipient, the objective of the activity, the amount funded, and a breakdown of the goods or services delivered. The Directorate General of Debt Management in the Ministry of Finance and the State Treasury Office then endorses the BAST.

The BAST process has become a feature of the development relationship between DFAT and the Government of Indonesia, and experience has taught us lessons about how to make the process beneficial for both parties. The process should be straightforward, but differences in interpretation between working units has led to an unnecessary burdening of program teams in the past, which needs to be mitigated and avoided in the future. AIPD has gone through the BAST process twice, in 2012 and 2013. In most cases the BAST process followed regulations, but in some cases issues arose such as (1) a mismatch between the amount of activities reported in BAST and workplans due to indirect costs charged by implementing partners, (2) a lack of trust between the managing contractor and the grant recipient, and (3) insufficient information on progress of the program provided to central government. Learning from this experience, in 2014 AIPD will (1) better communicate and socialise the of BAST regulations to all stakeholders to achieve a common interpretation, (2) review and enhance processes for communicating program progress to all parties, (3) circulate standard operational procedures for project implementation to all relevant stakeholders, and (4) open access to the program monitoring and evaluation database for members of the Program Coordinating Committee.

Looking ahead – regional road maps (results chains)



To operationalise the new AIPD strategic direction outlined in the previous section, at the beginning of 2014 the Technical Support Facility and Results and Knowledge Facility will work with provincial and frontline implementation teams to develop a roadmap and implementation plan for each target district, province and for our work with central government. The roadmaps can also be described as ‘results chains’.

The roadmaps will be derived from the annual workplanning workshops that were held in October. The purpose of the roadmaps is to provide an overall strategic guidance document for provincial teams that they can use to guide decisions about which activities and events in the workplan to prioritise.

The roadmaps are based on the conceptual framework underpinning the frontline services approach. Each roadmap positions agreed local service delivery issues as the program objective, and then identifies the converging investments required by local governments and communities to address those issues. Priorities for AIPD support then become clearly identifiable. An example roadmap from the district of East Flores is provided in the foldout poster on the following page.

The main advantage of these roadmaps is they will show where AIPD can link with other (most importantly sectoral) programs, and where gaps remain that require support from other programs. The roadmaps therefore can become the tool for developing collaborative cross-program workplans in future years; a process that we anticipate will be a feature of the frontline services approach.

Based on the roadmap, the teams will develop a detailed implementation plan that will enable implementing partners to

plan and allocate their resources, and will enable AIPD teams to develop terms of reference for directly-implemented activities.

Central Government

A number of important national level reform processes were announced or commenced at the end of 2014. A new law on village governance will have big implications for all DFAT programs targeting better service delivery. The new national health insurance scheme will have implications for health service units at the local level as they cope with increasing demand. Reform to the way the civil service operates may also create opportunities for development programs although probably not in the remaining timeframe of AIPD. And a renewed push within the Ministry of Finance to address long standing problems with the fiscal transfer system will present an immediate opportunity for strategic AIPD engagement in the first part of 2014.

AIPD has ensured we will be in a position to respond to opportunities presented by these reform processes by restructuring our central government team and appointing an assistant program director to that role. The infographic on the following page describes AIPD’s planned engagement with central government in 2014 and the first half of 2015.

AIPD will continue to build on our strong relationship with the Ministry of Home Affairs’ Centre for the Administration of Overseas Cooperation find ways to support replication and scaling up of successful subnational initiatives, as a key plank in our sustainability strategy.

A new Director-General of Fiscal Balance in the Ministry of Finance is driving an ambitious 100-day agenda to

Basic Services Results Chains for East Flores

AUSTRALIA INDONESIA PARTNERSHIP FOR DECENTRALISATION (AIPD)



AIPD ORGANISATIONAL STRUCTURE

AUSTRALIA INDONESIA PARTNERSHIP
FOR DECENTRALISATION (AIPD)



FRONTLINE ENGAGEMENT TEAMS

Papua		West Papua		East Java		West Nusa Tenggara		East Nusa Tenggara	
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REGIONAL IMPLEMENTATION TEAMS

Papua	West Papua	East Java	West Nusa Tenggara	East Nusa Tenggara	Central Government
Assistant Program Director Elva Rori	Assistant Program Director Ottow Sineri	Assistant Program Director Purwida Liliek Haryati	Assistant Program Director Anja Kusuma	Assistant Program Director Ardanti Sutarto	Assistant Program Director Agung Wijaya
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Leading a team with competencies in public finance management, civil society engagement, administration and finance	Leading a team with competencies in public finance management, civil society engagement, administration and finance	Leading a team with competencies in public finance management, civil society engagement, administration and finance	Leading a team with competencies in public finance management, civil society engagement, administration and finance	Leading a team with competencies in public finance management, civil society engagement, administration and finance	Leading a team with specialist skills for providing support to the Ministry of Finance, the Ministry of Home Affairs, and Bappenas.

TECHNICAL SUPPORT FACILITY

<p>Facility Executive Officer Shintya Sekarsari Email: shintya.sekarsari@sub.aipd.or.id, Mobile phone: 0811 382 5271 Coordinating a team with competencies in public finance management, local parliaments, civil society strengthening, open government, gender, media and fiscal transfers</p>
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RESULTS AND KNOWLEDGE FACILITY

<p>M&E Specialist/ Results & Knowledge Facility Coordinator Sugeng Prayudi (Email: sugeng.prayudi@aipd.or.id, Mobile phone: 0811383006) Leading a team with competencies in monitoring, results analysis, knowledge management and communications</p>

CORE MANAGEMENT TEAM

<p>Program Director Jessica Ludwig-Maarof</p> <p>Supported by: Deputy for Papua and West Papua Deputy for East Java and Nusa Tenggara</p> <p>Ade Yuanita Executive Officer to Program Director Email: ade.yuanita@aipd.or.id Tel. +62 21 57998999, Mobile: +62 812 3810 1082</p>
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DFAT SUPPORT TEAM

<p>Program Manager</p>
<p>Senior Program Manager</p>

Management Operations Support Team

Contractor Representative TBA

Senior Operations Manager TBA

Leading team with competencies in operations management, program administration, contract management, human resource management and finance.



Community Centre members in West Lombok succeed in obtaining birth certificates for their children after seeking information from the Local Data and Information Officer.

reform the way Rp600 trillion is distributed annually to the regions, with the ultimate objective of improved service delivery. The Director General's 100-day plan injects fresh momentum to reform longstanding shortcomings within the system, and therefore represents an important opportunity for Australian Aid to support high level changes that will directly benefit poor people in the regions.

The plan covers four dimensions of fiscal decentralisation: revenue assignment, expenditure assignment, local financing, and monitoring and evaluation. In addition, the agenda covers four supporting areas: change management, internal human resource management, local government financial information systems, and local government capacity building. The Director-General has established working groups for these eight areas and set out a blue print for the institutional transformation of his organisation.

AIPD and the Directorate General of Fiscal Balance have built a close collaboration. Over the past three years, AIPD has supported the Directorate-General centrally and sub-nationally, through funding for the Advisory Team on Fiscal Decentralisation and capacity building in public finance management for local governments.

Due to this history of close partnership, the new Director-General asked AIPD to support his 100-day reform agenda. AIPD will provide strategic technical advice through a number of experts and logistical support for the working groups. Our support commenced in early January by engaging one of the most reputable public finance experts in Indonesia, Dr Blane Lewis, who

will advise on the four technical areas of fiscal decentralisation. Other consultants are being recruited, and strong support is also being provided by the Australia-Indonesia Partnership for Economic Governance and the DFAT scholarship team.

Beyond the 100-day plan, AIPD has committed to medium-term support for fiscal decentralisation reform. AIPD's work plan for 2014 includes collaboration with the Directorate-General to strengthen local government financial information systems, local government financial management capacity, and to build a comprehensive monitoring and evaluation system, all with a focus on improving service delivery.



Managing Risks



Election distraction risk

The Indonesian national presidential and parliamentary elections will take place in 2014. The conduct of the campaigns and the election day processes has the potential to significantly distract local officials and communities from regular planning and budgeting processes. The legislative election will be in April, the first round presidential election in July, with possibly a second round presidential election in September. One week before each election day AIPD will be unable to schedule activities. And for at least one month before each election day, our partners may be occupied with campaign activities and other election related preparations. This could add up to a significant amount of time lost to program implementation. To mitigate this risk, during the development of the detailed implementation plan in early 2014, AIPD will ensure that the election events timing is carefully factored into the planned delivery of activities and events.

Instability risk

The overall rating for this risk remains high. Incidents of violence and civil unrest, principally in Papua, have been carefully monitored and documented throughout this reporting period. Significant security incidents took place in Jayapura, Yapen, Puncak Jaya and Timika during the second semester of 2013. AIPD will maintain current risk mitigation strategies such as cancellation of events in exposed locations, and requiring that staff work from home during high-risk periods.

Change management and budget uncertainty risk

There is a risk that the current capacity of staff and the amount of time remaining will be insufficient to deliver the revised program strategy. AIPD management will mitigate this by

implementing the recommendations of the organisational review, in particular the provisions regarding capacity building for staff and partners. The matter of the program timeframe requires follow up within DFAT and in discussion with the Ministry of Home Affairs as primary counterpart. The question of extending or otherwise amending the program timeframe will be considered in the context of the broader strategic agenda of DFAT working in partnership with the government of Indonesia, and any decision will likely take AIPD in the direction of becoming a component within the frontline approach.

The election of a new federal government in Australia, and the integration of AusAID into DFAT has resulted in a period of budget uncertainty across the aid program broadly and in the Indonesia program. Reductions to current financial year allocations, and to overall program allocations have already been made and further cuts are possible. AIPD must be prepared to accommodate any future cuts while also ensuring we offer robust estimates of expenditure to ensure we don't over- or under-spend current allocations.

Expenditure and projections

The total value of funds in the imprest account under the Management Support Team contract for implementing AIPD activities over the full life of the program is AU\$46.2 million.

Total expenditure to date (January 2011 until December 2013) is approximately AU\$19 million.

The amount remaining under the imprest for activities between January 2014 and June 2015 is AU\$27 million.

Table 1: AIPD expenditure to date

Summary by Component by Province	Budget Committed IDR	Jan–Dec 2011 Actual IDR	Jan–Dec 2012 Actual IDR	Jan–Dec 2013 Actual IDR	Total Jan 11 – Dec 13 Actual IDR
National	311,066,297,495	5,507,076,031	26,795,948,786	64,290,661,8592	95,593,686,675
East Nusa Tenggara	46,115,754,538	3,986,646,218	14,101,934,100	10,654,189,352	28,742,769,670
West Nusa Tenggara	20,145,696,453	691,809,975	3,713,867,411	8,596,883,906	13,002,561,292
Papua	20,802,171,700	736,254,300	3,020,075,330	9,380,811,572	13,137,141,202
West Papua	6,498,219,574	203,835,435	4,179,582,144	1,275,553,450	5,658,971,029
East Java	14,537,756,776	373,513,884	2,783,416,163	4,620,832,845	7,777,762,892
Total IDR	419,165,896,536	11,499,135,843	54,549,823,934	98,818,932,984	164,912,892,760

Table 2: AIPD indicative projections to June 2014 and June 2015

	Projection to June 2014 IDR	Projection to End of Program IDR
Central Government	15,000,000,000	65,000,000,000
Provinces and Districts	53,500,000,000	166,000,000,000
Results and knowledge capacity building, change management	11,500,000,000	39,000,000,000
Total	80,000,000,000	270,000,000,000







Kids queuing to use a public toilet built by the City Government of Surabaya



Photo: courtesy of the Australia–Indonesia Partnership for Health Systems Strengthening

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