



Australia Indonesia Partnership for Decentralisation

State of the Program Report

Mid-Year > June 2013



Looking back to January 2013

P11 Things we did well

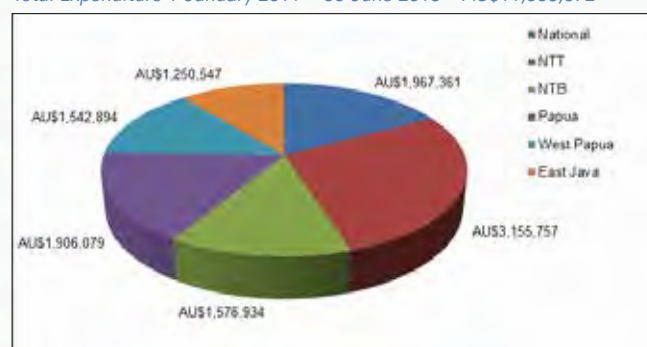
- Developed a 2013 work plan subsequent to revision of the AIPD Subsidiary Arrangement
- Supported the Ministry of Finance's Fiscal Decentralisation Technical Assistance team
- Supported further rollout and strengthening of e-procurement units
- Distributed an informal gender advocacy brochure, trained civil society organisations in gender responsive budgeting, and developed gender profiles of selected districts
- Established development data centres according to demand
- Strengthened asset management systems to help local governments improve audit standings
- Strengthened local public finance management training networks and courses
- Undertook the first study tour to Australia with the Local Government Managers Association
- Strengthened provincial-level donor coordination units and forums
- Supported ongoing strengthening of Freedom of Information support infrastructure
- Strengthened civil society engagement with bottom up planning processes
- Analysed regulations pertaining to minimum service standards
- Increased interaction and access of development practitioners in eastern Indonesia to knowledge products focused on more effective development

p17 Things that did not go as expected

- Provide sustained support to partner governments focussing on the preparation of development plans and financial accountability reports
- Finalise a study to examine the deeper implications of the Public Expenditure and Revenue Analysis findings
- Assist rollout of improved local government tools for monitoring expenditure absorption and quality
- Continue supporting local parliaments to oversee planning and budgeting processes, and instigate and draft legislation. In Papua, provide advice to synchronise the role of the Papuan People's Assembly with the roles of other provincial institutions, and strengthen the Papua Women Parliamentarians' Caucus
- Support greater take-up of the Local Government Public Finance Management Information System
- Train media organisations in budget literacy and constructive advocacy
- Support national rollout of accrual accounting
- Use the Frontline Services approach to enhance cross-program collaboration
- Establish a new collaboration with the Ministry of Home Affairs Research and Development Unit
- Evaluate the performance and efficacy of the Joint Secretariat

p38 What we spent

Total Expenditure 1 January 2011 – 30 June 2013 = AU\$11,399,572



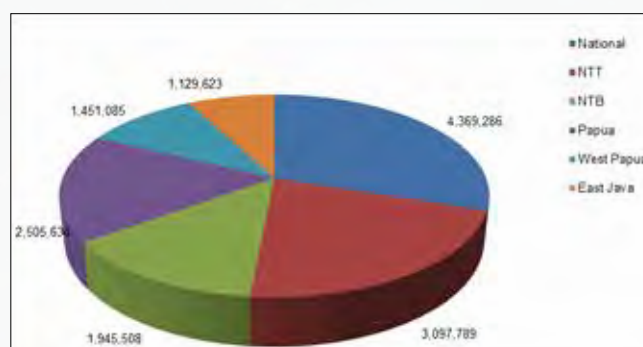
Looking ahead to December 2013

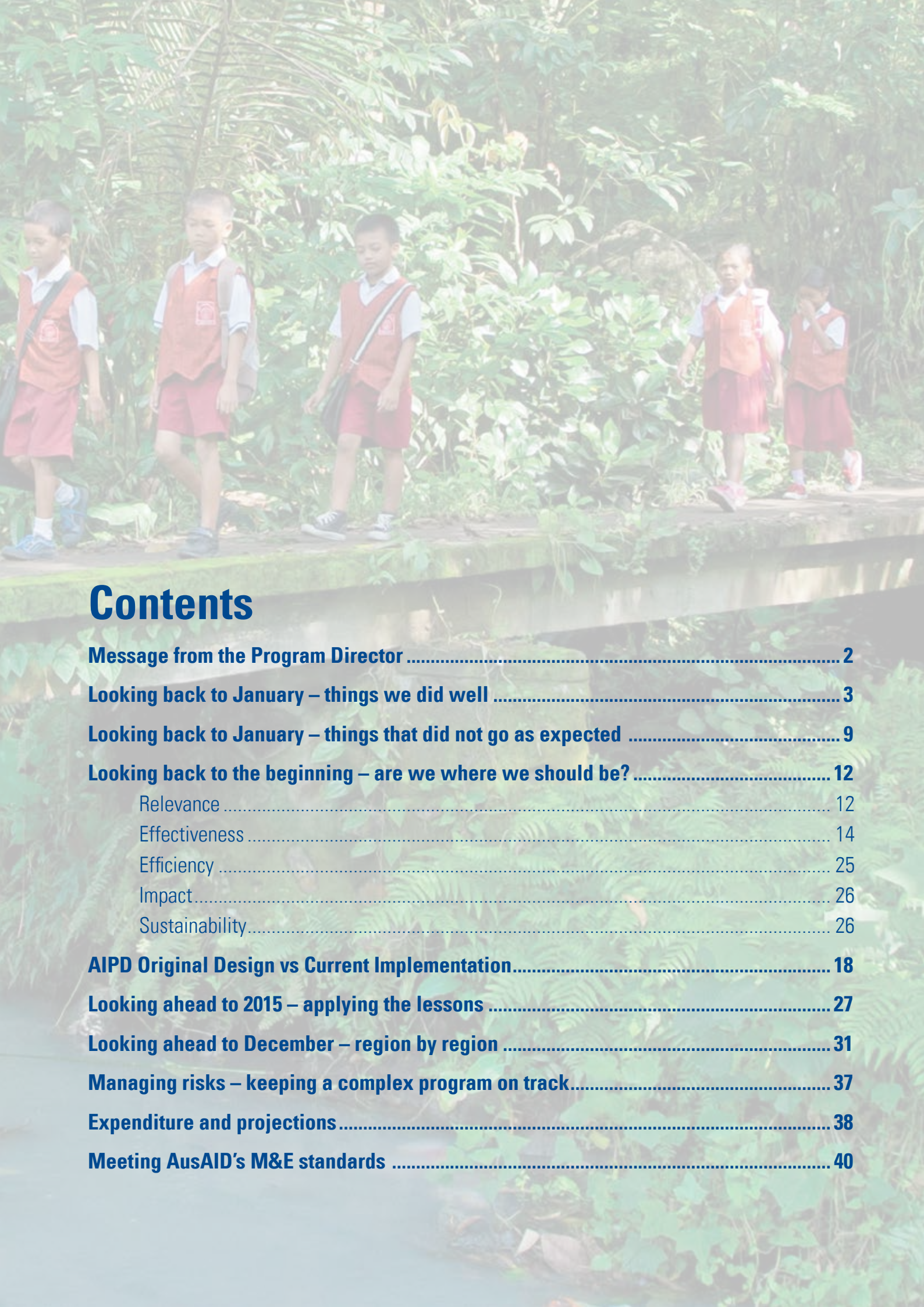
P20 What we will do

- At-scale delivery of events and activities under all 20 Key Products
- Amend the program time frame
- Design work plans as pathways to the end-of-program outcome
- Prepare a resourcing and expenditure plan for the remainder of the program
- Finalise Subsidiary Arrangement and issue revised operational guidelines
- Host regional cross-program workshops to improve demand-side and knowledge management collaboration
- Empower the program management committees by fostering closer relations with implementing partners
- Reassign Advisory Group to selected consultancies
- Increase resources for implementing the Gender Action Plan
- Review staffing strategy for district facilitators
- Accelerate implementation of demand-side Key Products
- Take greater advantage of study tours run by Local Government Managers Australia
- Finalise a study to examine the deeper implications of the Public Expenditure and Revenue Analysis findings
- Support the Ministry of Home Affairs Research and Development Unit to convene a donor workshop to identify future support and engagement options.
- Conduct first joint field monitoring of AIPD by central government officials
- Finalise revised Subsidiary Arrangement
- Support TADF to develop policies for increasing investment
- Conduct gender profiles and ensure use of data and training outcomes and advocacy brochure
- Establish data centre in West Nusa Tenggara
- Commence local public finance management training courses
- Make better use of East Java as a source of good practice and guidance to lesser developed provinces

p38 What we will spend

Estimated expenditure for July–December 2013 = AU\$14,498,925





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Message from the Program Director



*Richard Manning,
Program Director*

AIPD has reached the halfway point of the five-year program. This report takes stock of progress over the last six months and back to the beginning of the program and lays a management strategy for the remaining two-and-a-half years. We intend that this report constitute the primary reference document for an expected independent mid-term evaluation of AIPD.

Progress toward the end-of-program outcome is slow but showing some positive trends. Analysis of end-of-program indicator trends shows that AIPD needs to focus more heavily on budget quality, and redirect resources toward areas with a weaker baseline. Signs of emerging outcomes are evident, such as the timely approval of annual budgets, the functioning of procurement units, and the breakthrough of public access to information reforms. A number of civil society networks have started to use their improved knowledge, skills and networking, for advocacy, to participate in the planning and budgeting process and to monitor resource allocation and service delivery.

AIPD is finally now getting up to full speed implementation. In the first half of 2013, we made great strides

in permanently overcoming the problems that have plagued program implementation since 2012. The program coordinating committee meeting was a breakthrough moment, chaired by the Secretary General of the Ministry of Home Affairs who has since personally driven changes to the relationship. A new Subsidiary Arrangement is being negotiated accommodating changes in Indonesia's regulatory framework concerning overseas grant administration that came into affect at the start of AIPD.

The AIPD monitoring and evaluation system clearly indicates that program implementation is approximately 12 months behind schedule. This trend was evident and raised in the previous progress report. This delay is the result of delays in approval of the AIPD workplan in 2012 (workplan only approved in August) and 2013 (workplan approved in mid-March). A program time frame extension of at least 12 months will be necessary to ensure the program theory remains valid.

The program is well positioned moving forward. We have a strong fully staffed team, a network of provincial and district level teams with strong relationships and open doors into partner local

governments, a rejuvenated relationship with the Ministry of Home Affairs, strong support in the other two key ministries, well-conceived key products including the inclusion of gender as a key product, tried, tested and revised business processes, and a clear vision going forward.

This halfway mark will also see a leadership handover. A new Program Director will replace me from 1 July. That person will have a number of key strategic priorities as identified by the analysis of lessons learned contained in this report.

A handwritten signature in blue ink, appearing to read 'Richard Manning'.

Richard Manning
Program Director

Looking back to January – things we did well



Ministry of Home Affairs Secretary-General Hj. Diah Anggraeni SH, MM, convenes the 2013 AIPD Program Coordinating Committee meeting on 15 March 2013

This section reviews progress in the first half of 2013 in developing and using products that support better resource allocation and management, and ultimately better service delivery. These outputs listed under ‘what we will do’ in the December 2012 progress report were indicative, because the 2013 workplan was not approved until March. For analysis of intermediate outcome and impact trends see ‘Looking Back to the Beginning’ on page 12. Input level reports can be generated from the AIPD monitoring database upon request. A full list of AIPD’s Key Products is available for download at www.aipd.or.id/documents.

Developed a 2013 workplan subsequent to revision of the AIPD Subsidiary Arrangement

The workplan was developed through a series of provincial level meetings in February and approved at a national-level Program Coordination Committee meeting on 15 March. The workplan should have been approved at the start of the year, so a delay of two-and-a-half months was less than ideal. However this was a significant improvement on 2012 when the workplan was only approved in August.

Once approved, AIPD translated the workplan into implementation plans for each province and district. The implementation plan enabled tracking of events and activities through a database and transparent reporting to the Government of Indonesia.

Approval of the workplan gave momentum to a process to revise the Subsidiary Arrangement. After initial discussions about handing over the role of Executing Agency to Bappenas or the Ministry of Finance, it was resolved to remain with the Ministry of Home Affairs. A draft has been shared and will be ratified in the second half of the year.

Supported the Ministry of Finance Fiscal Decentralisation Technical Assistance Team

The Fiscal Decentralisation Technical Assistance Team (known as TADF) is a high-level think-tank supporting the Government of Indonesia’s policy reform agenda. AIPD involvement is highly visible, providing AIPD and AusAID with direct access to senior Indonesian policy makers including the Minister of Finance. Through this mechanism AIPD serves to link experience in the regions with central government reform efforts, in line with our mandate under Key Product 7 (public finance legal and regulatory framework).

The TADF presented research findings at a national seminar on 23–24 April. Topics included analysis on the impact of the devolution of the Property Ownership Transfer Tax, the possibility of providing infrastructure soft loans to sub-national governments, reformulation of the general budget allocation to strengthen local fiscal capacity, and the importance of an integrated national and sub-national financial information system. The Ministry of Finance published and disseminated the results of this seminar nationally.

The next step is to support the current revision of Law 33/2004 on Fiscal Balance to ensure the revision takes into account the findings and recommendations of the TADF.



A selection of TADF publications supported by AIPD and distributed nationally by the Ministry of Finance

Supported further rollout and strengthening of e-procurement units

E-procurement requires a high standard of information technology infrastructure but the system can be configured to work offline in areas where internet coverage is limited. This lesson convinced the provincial government of West Papua to establish an e-procurement centre after two years of intensive lobbying by AIPD. At first, the need for such a facility was not seen as desirable for cultural reasons, specifically in the context of the ‘big man’ culture in Papua. Thus e-procurement in West Papua constitutes a greater achievement than similar reforms in West Nusa Tenggara where the demand from local government was already strong.

AIPD continued to support e-procurement units in the districts of Bima, Dompu and Lombok Barat by training businesses and government officials to make optimal use of the system. Participants cover a wide range of skill levels, some already proficient with the system, and others unable to operate a computer. Future training will be tailored to different user groups. Eleven other provinces / districts also planned to support e-procurement this year but have not received any support during this reporting period due to late approval of the workplan.

Support for e-procurement is part of AIPD’s delivery of Key Product 3, technical assistance in budget implementation. The National Public Procurement Office praised AIPD for supporting e-procurement in non-AIPD target districts. In Nusa Tenggara, AIPD support reached 17 non-target districts by using the province level e-procurement facility as a centre of learning.

Distributed an informal gender advocacy brochure, trained civil society organisations in gender responsive budgeting, and developed gender profiles of selected districts

These were three key outputs under the AIPD Gender Action Plan (written to operationalise the AIPD Gender Strategy and available at www.aipd.or.id/documents). The Gender Action Plan provides for outputs specifically developed to promote gender equality, and mainstream gender into other AIPD activities.

The advocacy brochure was completed and distributed on schedule and is provided for reference as a poster in this report. The tool was distributed to implementing partners and stakeholders in all target regions. Training for civil society organisations in gender responsive budgeting was included as part of public finance management training provided in all target provinces and districts except Papua, where the training was delayed due to the provincial election cycle.

AIPD competitively selected an implementing partner to conduct gender profiles of selected districts. The implementing partner has commenced refinement of the methodology and preparation of the research team. The information in the profiles will build the evidence base on gender inequality to help shape more targeted gender related activities. The next steps under the Gender Action Plan involve following up whether the advocacy brochure is being used and what difference it is making, to what extent gender budgeting skills are being applied, and how data from the gender profiles are being incorporated into plans and budgets.

Established development data centres according to demand

AIPD’s knowledge management implementing partner, BaKTI, completed assessments in West Nusa Tenggara, West Papua,



Head of West Nusa Tenggara Development Planning Agency, Dr Rosiady Sayuti MSc, inspects the building to be converted into the provincial data centre

Manokwari, Fak Fak, Papua, Merauke and East Java. These assessment identified the most efficient way to establish development data centres given the existing resources and interest in each location. West Nusa Tenggara identified and allocated a site for their data centre. Renovation work began at the end of June and the new centre will be operational by the end of the year. Longer established data centres in East Nusa Tenggara (Kupang) and Timor Tengah Utara (Kefamenanu) are showing signs of generating their own demand by independently producing outreach material.

Data centres are the result of the delivery of AIPD Key Product 10. AIPD supports data centres on a demand basis, using existing facilities wherever possible to avoid high up front costs and a long lead-in time.

Strengthened asset management systems to help local governments improve audit standings

AIPD commenced targeted support for asset management in Merauke and continued support begun last year in Bima. Both Ngada and Bima achieved 'qualified' audit reports for 2012 from the National Audit Agency, an improvement over their 'disclaimer' results for 2011. This achievement comes after AIPD provided support for asset management in both districts. Similar assistance was provided at the province level in West Nusa Tenggara, which maintained its 'unqualified' rating. Improved audit results are one of AIPD's success indicators, and support in this area is part of Key Product 3: Technical Assistance in Budget Management.

Strengthened local public finance management training networks and courses

AIPD completed assessments of networks and courses in

East Nusa Tenggara, West Nusa Tenggara, Papua and West Papua. For the remainder of 2013 and early 2014, AIPD will conduct training-of-trainer pilots. If successful, the model will be adopted to expand the formal public finance management training networks. AIPD opted for a staged approach because the networks and training centres are a high-cost, long-term commitment. These courses are the essence of Key Product 6: Public Finance Management Learning Networks.

Undertook the first study tour to Australia with the Local Government Managers Association

The study tour took place as scheduled in May and was regarded by all parties as a success. Six participants (one from each target province and one from central government) visited national, state and local government representatives in Sydney, Canberra and Hobart. AIPD's Assistant Program Director for West Nusa Tenggara also participated. Feedback from participants rated the Local Government Managers Association's performance as highly professional / excellent. Learning themes reported by participants on their return included the importance of transparent financial accountability, the benefits of implementing accrual accounting, and the inefficiency and redundancy of Indonesia's bottom up planning community consultation mechanism known as Musrenbang.

These study tours are funded through a Public Sector Linkages Program grant, not using AIPD funds (apart from the single AIPD staff member participant). AIPD's contribution to the design, and facilitation of participant selection, is part of our mandate under Key Products 12 and 13 relating to Knowledge Management. It is also an example of AIPD playing a key role in facilitating coherence and cohesion across AusAID programs.



Members of the study tour hosted by the Local Government Managers Association visit Sydney

Strengthened provincial level donor coordination forums and units

AIPD's knowledge management implementing partner, BaKTI, completed assessments in all target provinces. These assessments identified options for strengthening existing forums, and will be translated into events and outputs in the second half of the year. AIPD supported the donor coordination unit in East Nusa Tenggara to update the profiles of development partners that will support local government, to synchronise and avoid overlapping activities. This work is the core of Key Product 11: Donor Coordination Unit, and is central to delivering on AIPD's knowledge management agenda which fosters a culture of rational, fact-based policy making within local governments.

Supported ongoing strengthening of freedom of information support infrastructure

AIPD provided technical assistance to information commissions in Papua, West Papua, West Nusa Tenggara, East Nusa Tenggara and Bima. AIPD also assisted the appointment of Documentation and Information Management Officers in 20 locations. In West Nusa Tenggara, information officers were appointed and trained at the province level and in all four AIPD target districts. Bima then used the same process to appoint additional assistant information officers in all every agency. These officers form the backbone of the freedom of information system, and their appointment and capacity building contributes to the delivery of Key Product 17.

Strengthened civil society engagement with bottom-up planning processes

During this reporting period, AIPD's implementing partner Pattiro facilitated the establishment of civil society networks in West Nusa Tenggara, West Lombok and Pegunungan Bintang. AIPD

then delivered public finance management training to members of these networks, specifically on how to understand and engage with budget processes, and the most effective ways to promote considerations of gender in budgeting decisions.

Representatives from four of these networks went on to participate in local Musrenbang events, applying the knowledge gained from AIPD training, while representatives from fourteen networks met with relevant local government officials and parliamentarians to lobby for improved budget outcomes. The next step is to monitor whether lobbying by civil society resulted in different resource allocation decisions, and whether these decisions had any impact on service delivery. This work contributes to Key Products 16 and 18.

Analysed regulations pertaining to minimum service standards

Students in Pegunungan Bintang should receive the same standard of public education as students in Jakarta, and expectant mothers in Raja Ampat should have the same access to qualified midwives as mothers in Surabaya. Ensuring this equity of service delivery across regions requires region-by-region costing of minimum service standards. Relevant central government ministries have issued nineteen minimum service standards including for the target AIPD sectors of health, education and infrastructure. To date no standard model for costing these standards has been applied across Indonesia.

The Ministry of Home Affairs has developed an e-costing application. In May, AIPD provided training to relevant officials in East Java, Malang, Sampang and Situbondo on how to integrate minimum service standards into provincial and district budgets using the e-costing application. A lesson from



these workshops was that the tool is not ideal and numerous ideas for improvement were put forward. AIPD will use our engagement with the Ministry of Home Affairs to transfer this knowledge from the field. This links to the AIPD-supported TADF policy paper on the establishment of an integrated national public finance management information system.

Supporting effective and efficient costing of minimum service standards cuts across AIPD Key Products 2, 3, 5 and 9. AIPD will soon provide similar support to e-costing in West Nusa Tenggara. Interventions of this nature are only appropriate in regions with relatively advanced public finance management capacity, such as East Java and West Nusa Tenggara.

Increased interaction and access of development practitioners in eastern Indonesia to knowledge products focused on more effective development

AIPD provided core-funding to BaKTI, which contributed to the delivery of Key Product 12. During the first half of 2013, BaKTI provided knowledge sharing and management services to more than 2500 people (40 per cent women). Clients came from a variety of backgrounds including government officials, academics, students, media, civil society organisations, parliaments and the private sector. BaKTI documented smart practices relevant to development sectors and facilitated knowledge sharing events in eastern Indonesia through the eastern Indonesia research network, the Heads of Regional Development Planning Agencies Forum, as well as providing information services through an online portal (www.batukarinfo.com) and a development magazine, BaKTI News. External evaluation conducted from April to May 2013 found that the majority of respondents were satisfied with the quality of products delivered by BaKTI, and

TADF at a glance

TADF was established a decade ago to provide technical advice to the Minister of Finance, through the Directorate-General for Fiscal Balance, on issues related to fiscal decentralisation. The team composition is established by Ministry of Finance decree and is evaluated annually.

Until 2011, the TADF was funded directly from the central government budget. In late 2011, the Director-General of Fiscal Balance requested AIPD support to fund the TADF because strict unit cost rules for the central government budget prevented the payment of fees at a rate commensurate with the market rates of TADF members.

In 2012 the TADF comprised 14 members from eight prominent public universities across Indonesia, including the University of Indonesia (Jakarta), and the universities of Gajah Mada (Yogyakarta), Andalas (Padang), Brawijaya (Malang) and Hasanudin (Makassar).

The TADF team in 2012 produced seven policy briefs and four research papers (available for download at www.aipd.or.id/documents) and participated in bi-monthly meetings to advise the Ministry of Finance. AIPD support that commenced in May 2012 is ongoing.

In 2012, the Ministry of Finance used TADF inputs to improve regulations, adjust the structure of the central government budget, and negotiate with sectoral ministries and the national parliament.

In early April 2013, the Directorate-General of Fiscal Balance and AIPD conducted a performance evaluation of TADF. Overall, both parties are satisfied with the performance of the team.

The support for TADF will continue in 2013 and possibly beyond with some minor changes in the team structure.



AIPD Program Theory and Results

4 End of Program Outcome/ Eopo

Improvements in resource allocation and management at local governments, shown by:

1. Share of Budget allocated to health, education, and infrastructure as a proportion of overall budget
2. Share of budget allocated for operations, maintenance and capital in health, education and infrastructure
3. Narrowed gap (output/effort) between planned budget and realized budget, including key sectors (health, education and infrastructure)
4. Province and District Governments absorb x% of operation, maintenance and capital in health/education/infrastructure by 3rd quarter
5. Timely approval of annual budget documents
6. Audit status of Local Governments financial reports in 2010
7. Local Government are transparent by publishing their annual budget documents
8. Laws and regulations are passed with inputs from stakeholders
9. Development priorities are reflected in budget priorities

5 Impact

Improved service delivery in 3 sectors: education, health and infrastructure
Too early to measure changes in service delivery

Product Developed

Individual Level

Individual capacity building
6,835 people, 31% women are trained in AIPD capacity development activities through supply, demand and knowledge management components
Public Agencies trained in information services:
31 information services staff from Provincial Health Office of East Java have been trained on providing information services (resource persons from West Java and the Ministry of Communications and Information Technology)
The Communitarians and support staff trained in dispute resolution, including mediation and / or adjudication
283 People (103 female) members of Working Groups or supporting staff (information commission committees) from Prov. Jatim, Prov. NTB, Prov. Papua, Prov. West Papua have been trained
Development Data Centre and local government staff trained in data, information and knowledge management
22 staff of PPD (6 women) from Nusa Tenggara Timur and Timor Tengah Utara district have been trained in data, information and knowledge management
Parliamentarians are capable and skilled to perform budget analysis, budget tracking, legislative function, monitoring as well as provide feedback on the monitoring results:
514 members (48 Female) of Parliament, Parliament Secretariat at 8 AIPD regions (329) trained in various training on planning document, using monitoring tools and report (LKD) and assisting the quality of bylaws (Perda).
Stabondo and Tempegalek districts have initiated coordination forum or TAPD - Bangora to facilitate the commitment of timely approved APBD
In West Nusa Tenggara Prov and 4 target districts of APBD, the Parliament members who have been trained on the development of PABPD were involved in delivering APBD 2013 (timely approved APBD).

Networking Level

Through Resource Centre NTT, AIPD supports the establishment of information network in East Sumba, East Mangrove Timur and Baku, which enable districts to supply district data, information, planning and budgeting documents to the Parliament. In Year 2013, the network will be broadened and established in East Flores, Ngada and South West Sumba.
Forum Multistakeholder established and functioning
CSO Network in Provincial and District level established at Provincial and District Levels: 23 CSO network established / strengthened with the total membership of 524 CSOs
Civil Society Organizations / CSO trained in PPM
2 regions (86), NTB Prov and Kerom district have established community networks for advocacy of public access to information established:
18 community centre (CC) are established in which 13 of them optimized from CSO network development
3 CC in West Lombok, North Lombok and South West Sumba Barat districts have successfully conducted test against access to public information
Community trained to access the information as a means for the fulfillment of their basic rights
Community trained to access the information as a means for the fulfillment of their basic rights
Enabling Environment (Regulation and Rules)

Policy Brief and Regulation Framework:
3 Policy brief from Bappenas and 7 Policy brief of TAOP have been developed
Local Regulation Related to Planning and Budgeting available
Local Regulation in Monitoring and Evaluation legalized

3 Product Use

Individual Level

Parliaments and Community involved substantially in the Government performance monitoring.
Development practitioners in Eastern Indonesia demonstrate increased interaction and access to knowledge products focused on resource allocation and management and public delivery services (33,000 clients - 492% women)

Institutional Level, System and Mechanism (Entity)

EPRA's recommendations applied by the Local Governments
Various planning and budgeting documents are measured, timely and consistent
Budget allocation for public service delivery specially Education, Health, and Infrastructure are tight on target (based on SPM)
Procurement of good and services are effective and transparent
8 out 12 (66%) LPSE which have been established through AIPD's support have conducted procurement on good and services
Those 8 LPSE are located in Malang, Sampang, Situbondo, Tempegalek, Bira, Dompur, West Lombok Barat and North Lombok districts
The Local Government applying the result-based monitoring and evaluation system
The local Governments use data and information as well as planning and budgeting documents available at Data Centre
The Government of Prov NTT and some districts access data and information at PDI2 NTT
The commitment of various parties to public information transparency and finance management are established
2 Provincial Commission Information of NTB and East Java are functioning
Community have a better access to transparency of information particularly information related to basic rights, and information related to planning and budgeting for improving public service

Networking Level

AIPD key stakeholders such as CG, Local Government, Parliaments, Media and The CSOs apply the research results and smart practices on public finance management and public service delivery
6 of 23 BAKTI smart practices related to public service delivery have been applied and replicated
Sub-District administration able to perform its role effectively as coordinator for village development
Improvement in the quality and publication model of public finance management in AIPD target areas
Improvement in the capacity as well as commitment of key stakeholders from executive and legislative, media, CSOs and community (in 60% targeted area of Gender Action Plan) in advocating gender into planning and budgeting policies.
Four networks civil society networks (East Nusa Tenggara, Situbondo, Tempegalek and Malang) have begun conducting budget advocacy using products provided by AIPD.
Enabling Environment (Regulation and Rules)
Evidence based Regulatory framework and regulation

2

Institutional Level, System and Mechanism (Entity)

Public Expenditure and Revenue Analysis (PERA) available and meet the standard quality:
Data collection in 21 regions, technical workshop have been conducted in Prov. Nusa Tenggara Timur (localisation of the first draft), Malang, Situbondo, and Sampang districts (localisation of the final draft)
Five Year Planning Documents Medium Term Plan (RPJMD) and Agency Strategic Plan (Renstra) SPPD: 8 AIPD regions (83%) have produced RPJMD/RPJMD revision
Annual Planning and Budgeting Documents: 16 AIPD regions (64%) have produced timely APBD
Guidance on Standard Cost Analysis (ASB) produced; Provincial Government of Nusa Tenggara Timur have produced Standard Cost Analysis using Activity Based Costing (ABC) through AIPD's support
Technical Assistance Team in Planning and Budgeting established and functioning : West Lombok District and NTB Province
Minimum Service Standard (SPM) integrated in planning and budgeting documents
Procurement Units (ULP) and /or Electronic Procurement Units (LPSB):
19 LPSE (76%) established in AIPD regions of which 12 were directly supported by AIPD (Prov. Papua Barat, Kabupaten Malang, Sampang, Situbondo, Tempegalek, Bira, Dompur, Lombok Barat, Lombok Utara, Ponor, Timor, TTU, Manokwari).

Local Regulation regarding public finance management produced or improved: South West Sumba district has produced Draft local Regulation on taxation and local retribution.
East Java Province has developed Accounting for Intangible Assets regulation as the basis of developing finance reports.

Local Government Financial Statement produced in timely manner and meeting quality standard.

Budget Realization Report (LRA) for the 1st Semester produced in time and meeting the quality standard Budget Realization Report (LRA), balance sheet and notes to Budget Report from 4 districts of NTT were reported in March 2013.
Governor / District units of monitoring and supervision (UKP2P / UKP3P): SKPD performance reporting in East Java Province and the 4 target districts have been in line with UKP4 system

The Technical Assistance team in monitoring and evaluation established and functioning

The Regional Government Performance Reports (LPPD) and The Regional Head Accountability Reports (LKR) contain performance information: 3 governments of East Java Prov, Sampang and Melang districts have developed LKPI within the target set (prior to February 2012)

Donor Coordination Unit established and strengthened (UKP: UKP Prov NTT strengthened Database on international development partners updated, printed and disseminated by SPADJ Bappenas NTT
Donor Coordination Unit staff trained in management of database and international development partnership Various coordination forums and mechanisms between Local Government and international Development Partners are conducted Development Data Centre established; Data Centre developed and functioning.

Province of East Nusa Tenggara
12,202 clients (60% women) accessed data and information services. Total of 690 data enquiries have been responded, and planning and budgeting documents available at the Centre (RPD, KLU, PPKS, etc) have been used by key stakeholders
Total of 184 coordination meetings between Local Government and development partners have been conducted at the Centre, including 3 Discussions: Foru on gender issues and community empowerment

District of North Central Timor

Until May 2013, 1,093 women have accessed data and information available at the Timor Tengah Utara (TTU) Data Centre.
Knowledge Sharing Forums and Events in Eastern Indonesia that are supported by 11 donors are available on program matrix
122 development cooperation projects in Eastern Indonesia that are supported by 11 donors are available on program matrix
2,986 publications are available at BAKTI's library and 9,890 references are available at the portal of Bankur Info
25 smart practices available and documented

21 editions of BAKTI News, magazines which contains publications on development issues, including gender issues, health, education and public finance management.

Development Data and information sharing mechanisms and facilities available
1 Eastern Indonesia Forum Festival and 4 Head of Eastern Indonesia Bappenas Foru in Jakarta have been successfully conducted
334 inquiries on development data information have been responded by BAKTI's Information Desk
Total of 17 discussions foru on gender issues, environment, HIV/AIDS and Public Finance Management have been conducted

Improved the roles of parliament's non-formal forums (including women's caucus) as parliament support system
The Citizen (including women's group) complaint handling mechanisms (information gathering) are available
Better public consultation mechanisms on public services (Citizen Report Card) are available
The survey results of citizen satisfaction on public services (Citizen Report Card) are available

The Information and Document Management Officers assigned:

18 regions (72%), 5 in Province and 13 in districts have established Main Information Management and Documentation Official (through the Region head device)

Information service system that ensures the fulfillment of the public's right to the information:
10 Regulations of Heads of Regions (Perkada) on Information Service System and the Standard Operational Procedures (SOP) on public services have been developed.

All SKPD in East Java Province (69 SKPD) have developed the List of Information available to the public. The list developed by Provincial Bappenas and Provincial Office of Public Works have been legalized respectively by Head of Provincial Bappenas and Head of Provincial Office of Public Works

Public Information Commission (KIP) in Provincial level established:

Establishing the KIP of NTB Province based on Gubernur device no 693 on 30 December 2011
Strengthening the Papua KIP selection committee and selection team in 2013

The institutional management system of Provincial Information Commission (KI) is established:

Prov. NTB has developed Governor Regulation No.6/2013 on working procedures of KINTR, and Governor Decree No.205/2013

The establishment of regular dialogue mechanism between community and public agencies, which is part of community feedback on public services quality
One Village One Plan - Target Villages produce an integrated document plans (Village Medium term plan, annual plan and annual budget).

1

Inputs

Program Implementation Plan

- Strengthening the role and functioning the capacity of key stakeholders (executive and legislative) in developing five year planning document and annual budgeting (timely approved budget)
- Including gender responsive budget
- Developing and strengthening LPSE / ULP
- Supporting the implementation of PERA, ASB, Local Asset Management, SPM, Output Base Transfer, etc
- Technical assistance on administration, accounting / financial reporting, internal auditing and other reporting such as LKPI, LPPD and LPD
- Supporting the regulation development such as draft local regulation of initiatives
- Strengthening the functional capacity of key stakeholders (Executive and legislative) in monitoring the local budget's implementation and reporting
- Strengthening the regional information center including implementing System Application Development and Planning Application System
- Strengthening CSO, media capacity and partnership forum that concerns about government budget
- etc...

Note:

Not realised yet
Already realised



Importance of Women's and Men's Active Involvement In Planning and Budgeting

Both women's and men's active involvement in planning and budgeting is important for improved delivery of public services.



Public services for whom?



Women, men, girls and boys!

- Women/girls are approximately half of the government 'market' for public services financed through the national budget.
- Women/girls are approximately half of the valuable human resources of the nation. Their socio-economic development



Plans and budgets are powerful tools

In the era of decentralization it is local governments who have responsibility for planning and budgeting for public services such as health, education and infrastructure.

Plans and budgets are powerful tools for local government. Depending on how they are formulated and used, they can have either a positive or negative impact on people's lives.

Public money - the national budget - is limited. It therefore needs to be spent wisely and effectively on public services in order to provide the best 'value for money' for society.

- is vital for the sustainable social and economic growth of Indonesia.
- Women make up approximately half of the eligible voters in Indonesia.
- Under the Indonesian constitution, and in accordance with government regulations women/ girls have the same fundamental rights as men/boys.

However...

Due to their prescribed social roles (their gender), many women remain largely excluded from decision making about the allocation of public funds and spending on services important to them. Decision makers tend not to base their policies on an analysis of the different situations, concerns and needs of women and men.



Why does this matter?

If plans and budgets are made without consideration of the different circumstances and needs of both men AND women then their specific needs may not be met, or the impact of budget decisions on them may not be predicted. This can result in poor development outcomes for women - which impacts negatively on the wider society - and wasted resources.

Example:

If women are not consulted prior to the construction of markets, public water supply or other public infrastructure, the design may be inappropriate for their needs, or even risky for them to use.

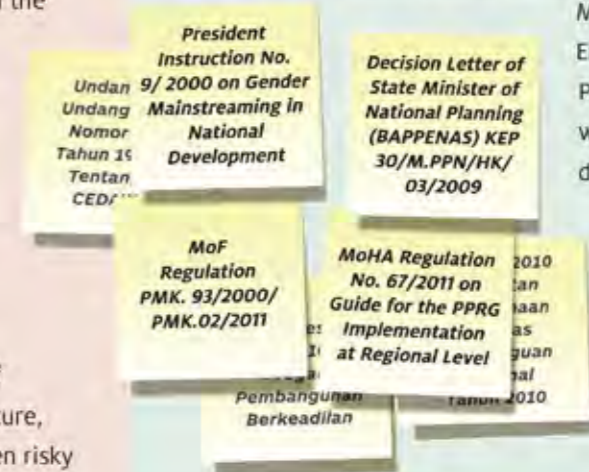
How can LG ensure the voice of women and men in planning and budgeting?

Perencanaan dan Penganggaran Responsif Gender (PPRG) is a way of identifying the needs of different women and different men in a particular context and developing a budget that can fund initiatives to respond to those needs. By applying PPRG the allocation of resources will be more effective, accountable, and just and will benefit both women and men.

Is PPRG part of the planning and budgeting process in Indonesia?

Yes. National Planning Agency (Bappenas), Ministry of Home Affairs, Ministry of Finance, and

Ministry of Women Empowerment and Child Protection have been working together to develop technical



guidance, tools and support structures for the implementation of PPRG at central and regional levels.

What kind of things are they doing?

- The Riau Islands BPP and East Java BPPKP have initiated the development of general and technical guidelines for PPRG to be used by SKPD planners as a reference when preparing their activities and budgets.
- In Central Sulawesi, Bappeda advocated with local leaders for the institutionalisation of a Gender Budget Statement (GBS) in the provincial planning and budgeting system.
- In Central Java Province Kepala Bidang BP3AKB (Badan Pemberdayaan Perempuan, Perlindungan Anak dan KB) has encouraged the implementation of gender mainstreaming including in the planning and budgeting process.
- In Jogjakarta, in particular Wonolelo village (Pleret, Bantul district), a 'women's musrenbang' is held at village level in to ensure women have access to and are able to participate in planning processes.

For more information/sources:

BAPPENAS, 'Kronologi Penerapan Pengarusutamaan Gender (PUG) Dalam Berbagai Bidang Pembangunan di Indonesia (1998-2012)' www.bappenas.go.id/get-file-server/node/11953/
BAPPENAS, et al, 'Petunjuk Pelaksanaan: Perencanaan dan Penganggaran Responsif Gender untuk Pemerintah Daerah', 2012 (Draft)

AIPD supports women's and men's active involvement in the planning and budgeting process.



Looking back to January – things that did not go as expected

The following outputs were not delivered as planned. Most delays can be attributed to the late approval of the workplan, which meant AIPD missed the early stage of the planning cycle.

Provide sustained support to partner governments focussing on the preparation of development plans and financial accountability reports

AIPD was unable to provide direct support to the Musrenbang process or the development of 2012 financial accountability reports, which should have been submitted to the National Audit Agency by the end of March.

From March onward AIPD provided input into the formulation of 2014 annual plans and budget documents. Support was provided in all 20 target districts and in East and West Nusa Tenggara at the provincial level. East Java did not request support with planning documents in their 2013 workplan, and the political context and complexity of issues precluded such work in Papua and West Papua.

Technical assistance reached 545 people (32 per cent women) from information commissions, parliaments, planning bureaux and health and education offices. Activities in Fak-Fak, Manokwari and Sorong Selatan focused on improving understanding of Ministry of Home Affairs regulations on preparing, monitoring

and evaluating regional development plans. Although these regulations were issued in 2010, few government officials and parliamentarians understand them. In Timor Tengah Utara, AIPD support helped the district produce their 2014 annual work plan on time. In Supiori, Keerom, Sampang and Malang, AIPD contributed to the development of medium-term (five year) plans.

These inputs are central to AIPD's agenda of supporting improved resource allocation and management, especially through Key Product 2 and 4.

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

The delayed approval of the 2013 AIPD workplan meant experts engaged to conduct this study took up other assignments. AIPD is working to identify replacements and the study will proceed in the second half of the year. The study will provide a systematic analysis of the impact or long-term effectiveness of Public Expenditure and Revenue Analyses. It will lend insight to how things change over time by examining mechanisms, the context in which those mechanisms operate, and the program results over an extended period. The objective is to move from asking whether or not a program works, towards understanding what is it about the program that makes it work.



School children in Purnama elementary school in East Nusa Tenggara in a classroom with no floor and poor lighting

Assist rollout of improved local government tools for monitoring expenditure absorption and quality

In 2011, the Presidential Working Unit for the Supervision and Monitoring of Development (UKP4) released the Information System to Monitor Budget Absorption (known as TEPPA) at the national and provincial level. TEPPA was effective in driving higher rates of budget absorption, so UKP4 extended the system to the district level starting this year.

AIPD supported this system by providing training to relevant officials at the provincial level and four target districts in West Nusa Tenggara. However, implementation in other provinces was deferred due to late approval of the annual workplan and a reprioritising of events in the implementation plan. Support for TEPPA rollout will be more effective in the second half of the year as it can be linked to the budget revision process in September-October and can help produce third quarter disbursement figures, something which most local governments have not produced in the past.

Continue supporting local parliaments to oversee planning and budgeting processes, and instigate and draft legislation. In Papua, provide advice to synchronise the role of the Papuan People's Assembly with the roles of other provincial institutions, and strengthen the Papua Women Parliamentarians' Caucus

Limited progress was made during this reporting period on delivering these outputs, which are all elements of Key Product 14. AIPD focussed on revising the implementation strategy and identifying a new implementing partner to replace the organisation that was terminated for poor performance during the previous reporting period.

AIPD provided some directly managed training for budget oversight to parliamentarians in West Nusa Tenggara, and training on the application of Ministry of Home Affairs Regulation 54/2010 on planning and budgeting for parliamentarians in West Papua and East Java. Training on the instigation and drafting of legislation was conducted at province level and in the four target districts in West Nusa Tenggara.

AIPD deferred working with the Papuan People's Assembly until there is clarification from the Government of Indonesia regarding its functional status. The assumption that engagement with the Assembly would automatically flow from our engagement with the provincial parliament in Papua was not valid. The cancellation of the implementing partner's contract also meant there was no meaningful engagement by AIPD with the Papua Women Parliamentarians' Caucus.

Support greater take-up of the Local Government Public Finance Management Information System

Merauke was the only region that received AIPD assistance in this area during this reporting period. Support to use either of the two main public finance management information systems was shifted to the second half of the year during the preparation of the detailed implementation plan. Related to this, AIPD will work with central government to take up the recommendations of the TADF to consolidate and improve the system.

Train media organisations in budget literacy and constructive advocacy

AIPD's implementing partner, Jawa Pos, came on board in January and immediately began formulating an implementation plan and building networks. To date no training for media



Members of the AIPD team participate in a television talkshow on public expenditure and revenue analysis on a local channel in Merauke, Papua

organisations has taken place and this is an area where AIPD will accelerate progress in the second half of 2013.

Support national rollout of accrual accounting

This activity was anticipated in partnership with the Ministry of Home Affairs Directorate-General for Regional Finance as part of Key Product 3 focussing on budget implementation. However, the Directorate-General opted to defer working with AIPD at the sub-national level in 2013 to enable them to focus on improving internal processes. AIPD will maintain communication with the Directorate-General to keep options alive for collaboration in 2014.

Use the Frontline Services approach to enhance cross-program collaboration

The Frontline Services approach was still being designed during this period. In April, AusAID allocated AU\$5 million to this new initiative, that will identify and implement a rolling series of pilot interventions and experiments at the community level to find ways for poor people to demand, gain access to and use quality services to reduce poverty and increase quality of life. A dedicated team based in AusAID Jakarta will lead the 12-month design of this approach, which will complement and expand existing programs like AIPD. The delay in mobilising the Frontline Services approach had no immediate impact on AIPD implementation, and will allow time to introduce this concept to the three counterpart ministries and to all local government agencies.

Establish a new collaboration with the Ministry of Home Affairs Research and Development Unit

To date there has been dialogue but no activities. AIPD will support the Research and Development Unit to convene a donor

workshop early in the next reporting period to identify future support and engagement options. Support for this unit will be in response to an expressed need and request. Historically, these Research and Development Units have been underfunded and ill-equipped to make a significant contribution, but they do have an organisational mandate to support the kind of capacity building objectives that are common to AIPD.

Evaluate the performance and efficacy of the Joint Secretariat

The intention to evaluate the performance of the Joint Secretariat was overridden by the process to revise the Subsidiary Arrangement. The ongoing role and structure of the Joint Secretariat will be determined by these negotiations, and any review of its performance will be agreed as a result of that process.

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



Bappenas and West Nusa Tenggara provincial government meet to discuss AIPD activity reconciliation, Senggigi, 7–8 March 2013

Halfway through the program, AIPD implementation is consistent with the original design in most regards. Progress toward the end-of-program outcome is mixed, with some indicators showing positive trends and others remaining static. No meaningful conclusions about attribution to AIPD can yet be drawn. A one-year time frame extension is required to maintain the validity of the program theory (see Figure 2). The program remains relevant and employs a delivery model built to balance efficiency with sustainability.

Anticipating an independent mid-term evaluation of AIPD the following progress analysis is presented using standard evaluation criteria, namely relevance, effectiveness, efficiency, impact and sustainability.



Relevance

AIPD remains relevant to Indonesia's development context

Ongoing challenge to be relevant in East Java

Revised subsidiary arrangement to reflect new overseas grant rules

AIPD gets a green light for relevance. The program exists to support Indonesian development in the context of rapid economic growth and rising incomes. As stated by the Director General of AusAID (see inset quote) AIPD is an example of AusAID moving away from direct service delivery to strategic assistance that shapes policy-making and influences more effective use of Indonesia's own vast resources.

Indonesia's central government ministries have a tendency toward developing one-size-fits-all national policies that work

well in Java and Sumatra but are less appropriate in eastern Indonesia. The most recent example is the new law on village level governance due to be ratified in July. The law assumes modes of village life not always present outside Indonesia's two most populated islands. AIPD's role as a bridge between the centre and regions therefore remains highly relevant.

Analysis of progress toward the end-of-program outcome demonstrates AIPD remains relevant to the local government context in Indonesia. Each partner government falls short on at least one indicator.

Indeed, AIPD's relevance is attested by the strong commitment from most partner governments, especially

Growth spurs a new approach

As Asia is transformed through strong economic growth and rising incomes, AusAID is changing the way it does business. There are millions of poor people in Asia but many now live in fast-growing, middle-income countries. AusAID is finding ways to leverage the successes of these emerging economies to help the poor. We are moving away from direct service delivery in some developing countries to longer-term, strategic assistance that shapes policy-making, empowers the poor and spends Australian aid money more efficiently. This supports social cohesion and builds stronger foundations for continued economic development. Our governance and public financial management programs in Indonesia and the Philippines, for example, help countries to use their own resources more effectively. Australia is good at building sturdy institutions at home. It makes sense that we help our neighbours to strengthen their institutions – and this is an effective way to ensure Australia's future Asian relations and prosperity.

From 'Australian aid in the Asian century' by Peter Baxter, AusAID Director-General



at the district level, demonstrated by their patient endurance of delays in implementing activities, their lobbying of central government ministries to approve the workplan, and their enthusiastic participation at the Program Coordinating Committee meeting in March.

AIPD's relevance is demonstrably lower at the provincial level in East Java and in Trenggalek. The problem in Trenggalek stems from the political dynamic and AIPD's failure to win support from the district head. At the provincial level in East Java, AIPD is a small fish in a big pond. East Java is a more advanced and larger polity than the other AIPD provinces. The scale of AIPD support is insufficient to make AIPD relevant in the eyes of senior officials. Despite this, during the current reporting period the AIPD team in Surabaya developed a strong working relationship with newly appointed counterparts in the statistics and reporting unit of the Provincial Development Planning Agency, who have taken ownership of the program and actively assisted to resolve the issues in Trenggalek. The original justification for working in East Java was to provide a source of expertise and good examples for the less advanced provinces. This has not occurred in practice, mostly due to the issues of scale mentioned above, and AIPD not yet delivering enough effective support in East Java to win favourable notice and be able to influence senior officials. This problem will be a focus of revised management strategies looking forward.

The approval of the 2013 AIPD workplan in March reaffirmed the relevance of the program. Conflicting views amongst the three central government partner agencies, and between the central and regional governments, about the program's governance arrangements and Indonesia's regulatory framework were resolved

in a good spirit at the Program Coordinating Committee meeting. AIPD high-level engagement led to the personal intervention of the Secretary-General of the Ministry of Home Affairs.

The work-planning process was imperfect and taught us two key lessons. First, the format was not agreed prior to regional consultations taking place. Work planning in each location was done at different stages according to different 'rules' that were still evolving within the Ministry of Home Affairs. This resulted in inconsistencies requiring immediate revision. Second, the work planning was conducted without setting region-specific targets for the end-of-program-outcome indicators. This made the work plans a collection of inputs selected according to the preference of local stakeholders, rather than a series of steps along a clear pathway to the end-of-program outcome. AIPD will design an improved process for 2014 work planning that will consolidate the ongoing relevance of AIPD interventions.

The revised Subsidiary Arrangement will make AIPD relevant within the context of changes in Indonesia's regulatory framework governing the administration of overseas grants. The new framework treats AIPD work plans the same as those prepared by central government agencies delivering deconcentrated spending in the regions. The primacy of work plans as a management tool was not a feature of the original program design or management approach. Uncertainty surrounding the format and rigidity of work plans contributed to the problem of work plans not constituting a clear pathway to the end-of-program-outcome, and was the main cause of implementation delays in 2012. The revised Subsidiary Arrangement will turn the new regulations into a strength by driving program coherence in the remaining two-and-a-half years.



Effectiveness

AIPD implementation is consistent with the original design
The program theory is still valid if time frame extended
Progress toward the end-of-program outcome is slow but shows positive trends

AIPD gets an amber light for effectiveness. Fidelity to the original design, validation of the program theory, and progress toward the end-of-program outcome are at the centre of this analysis. There are two reasons why programs fail: activities not implemented according to the design (implementation failure), and activities not creating the desired effects (theory failure). The following analysis shows that for AIPD, the former can be ruled out, but the latter is at risk of occurring unless the program time frame is extended.

Consistency with the original design

Comparison between the original design and current AIPD implementation (in terms of entry points, stakeholder, foci, and types of activities), analysis of coverage area by key product, and analysis of key product maturity based on implementation start times, reveals high fidelity with slight variations in depth and maturity of activities. Some activities were adjusted in response to changes in the operating context, needs and priorities.

All activities suggested by the original design have been translated into AIPD key products and activities (see table 'Original Design versus Implementation') except one, namely 'collaboration to establish parameters and / or conditions for effective support to improved decentralised service delivery'.

The original design prescribed working with demand and supply side agents to improve service delivery. All suggested stakeholders have become target stakeholders in implementation with the exception of the private sector.

The original design focussed on resource allocation and management, at the heart of which was public finance management, and in particular planning and budgeting, budget execution and monitoring. It included an emphasis on improving access to information and public participation in policy formulation, plan and budget preparation and service delivery monitoring. Six out of eight Key Products implemented from year one relate to these priority areas, constituting AIPD's main entry points into public finance management. An additional four key products will be implemented for about four years, while the remaining eight will be implemented for three years or less.

At least 20 target locations will receive seven strategic entry-point Key Products for the full five-years, although the delivery was fragmented by delays in 2012. The complete

Figure 1: Key Product coverage and time frame

Key Product Number	Key Product Name	2011	2012	2013	2011	2012	2013
Regional Key Products		Coverage			Number of activities		
Product 1	Public Expenditure and Revenue Analysis		80%	84%		20	21
Product 2	Technical Assistance in Planning	32%	100%	100%	13	33	71
Product 3	Technical Assistance in Budget Implementation	12%	92%	100%	5	26	79
Product 4	Technical Assistance in Monitoring and Evaluation	4%	38%	72%	1	9	27
Product 14	Parliament Members capacity building	8%	100%	96%	2	27	64
Product 15	Multi-stakeholder Forum			72%			19
Product 16	Civil Society Organisations capacity building	4%	100%	96%	1	26	70
Product 17	Local Public Information Commissions and Officials	16%	100%	96%	4	26	59
Product 19	Media Capacity Building			100%		1	8
Selected area							
Product 10	Development of Data Centre	20%	20%	100%	1	1	9
Product 11	Donor Coordination Units	20%		92%			13
Product 18	Community Facilitation		7%	53%		1	8
Product 20	Promotion of gender equality and women's participation in local government planning and budgeting processes (Specific Gender)			100%			5
National Key Products							
Product 5	Performance Based Incentive System			100%			1
Product 6	Public Finance Management Learning Networks		100%	100%		1	1
Product 7	Regulatory Frameworks related to PFM	100%	100%	100%	1	1	3
Product 8	Fiscal Performance System Trial			100%			1
Product 9	Performance Based Transfer System			100%			2
Cross-region Key Products							
Product 12	Knowledge Fora and Events	100%	100%	100%	75	75	30
Product 13	Research and Smart Practices	100%	100%	100%	5	5	5
	Maturity	11	13	20			
		55%	65%	100%			
Entry-point Key Products	Key Products for gender mainstreaming						

package of 13 regional Key Products will be implemented for two-and-a-half years or less (commencing in late 2013 due to workplan approval delays in years two and three). Central government activities and knowledge management activities will run for approximately four years (see Figure 1).

Minor deviations from the original design are:

- Local training courses: Training of trainers will be trialled to determine the feasibility and efficacy of proceeding with developing more expensive local public finance management training courses.
- Use of incentives: The use of institutional performance-based incentives prescribed in the original design was initially translated into three relevant key products, namely: performance based incentive system, fiscal performance system trial, and performance-based transfer system. As of 2013, the Ministry of Finance wants AIPD to shift the emphasis onto the development of an output based transfer model.
- Monitoring tool: A specific performance monitoring tool (known as MKPP) was mentioned in the original design, but in practice it is only used in Papua Province. Other regions have not requested support for the use of this tool, with the possible exception of Flores Timur which expressed tentative interest at the end of this reporting period.
- Scholarships and learning: The original design proposed that AIPD fund training and learning opportunities for selected counterparts, possibly including scholarships and English language courses. In practice, AIPD has served to link counterparts with opportunities provided through other mechanisms, such as applying for Australia Awards, participating in the English Language Training Assistance program, attending the annual Indonesia Update conference, and taking part in study tours funded through the Public Sector Linkages Program.
- Cross-program collaboration: The original design expected AIPD to play a central role in promoting collaboration across AusAID Programs for effective support to better service delivery. The Deputy Program Directors have led efforts to share information and break down silos but attempts to

implement consolidated reporting frameworks in East Nusa Tenggara and Papua have been hampered by institutional inertia and a lack of dedicated resources. AusAID is rectifying this problem by establishing a new Frontline Services model with a dedicated team and funding, which will begin operating in the second half of 2013.

- Private sector: AIPD had engaged with the private sector only indirectly through efforts to streamline regulations and the application of e-procurement systems.

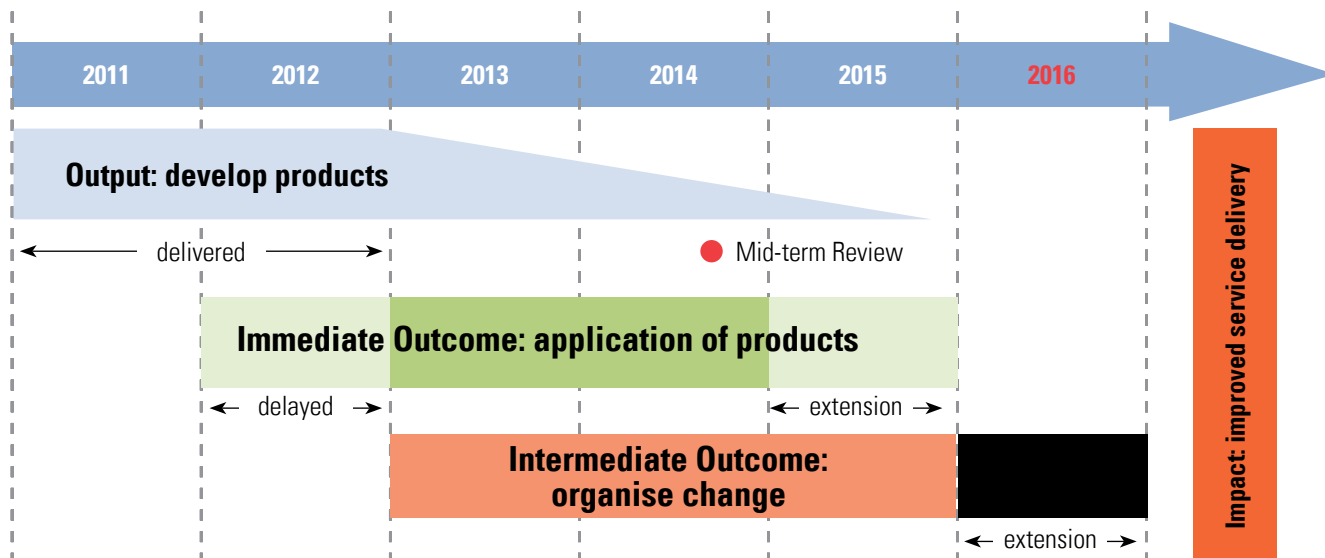
Validity of the program theory

The program theory articulates a chain of causal assumptions linking program resources, activities, intermediate outcomes and the ultimate program goals. There are two kinds of program theory in AIPD: generic theory (see Figure 2) and the more detailed program theory (see Program Theory and Results poster).

The Key Products remain consistent with the program theory despite a setback in the time frame due to delays in workplan approvals in years two and three. AIPD can observe some evidence of progress along the causal chain of assumptions, in the form of timely approval of annual budgets, the functioning of procurement units, and the breakthrough of public access to information reforms. A number of civil society networks have started to use their improved knowledge, skills and networking, for advocacy, to participate in the planning and budgeting process and to monitor resource allocation and service delivery.

The implementation setback in 2012 caused delays in the development of products and a shortening of the time frame for product use. The program theory assumed that by the end of 2012 AIPD would begin to reduce the emphasis on development of products across all target areas and start focussing intensively on the use of those products by beneficiaries. However, in most AIPD target areas, the application of products in 2012 either did not occur, was fragmentary, or only commenced near the end of the year. As highlighted in the December 2012 progress

Figure 2: AIPD capacity building model



report, the lost time will need to be added as an extension to AIPD in 2016 to restore validity to the program theory.

If the program time frame is not extended, the program is in position to put in place high quality products and oversee some product use, however consistent, measurable improvements in resource allocation and management should not be expected. Even with the time frame extension, delivering the end-of-program outcome will be challenging for the program.

Progress toward the end-of-program outcome

Progress toward the end-of-program outcome is slow but showing some positive trends. AIPD is unlikely to deliver the end-of-program outcome consistently across all indicators and all regions within the remaining time frame. Progress is measured using nine indicators. Six of the first seven of these can be measured now, although there are information gaps that make the analysis partial and speculative. The last two indicators cannot be measured from program monitoring information at this stage and will be measured using an evaluation methodology toward the end of the program. Therefore, there will be no



AIPD's intended End of Program Outcome is...

Target local governments are showing improvement in resource allocation and management, which is measured using the following indicators:

1. Increased health, education, and infrastructure spending as a proportion of total spending.
2. Improved spending mix for operational, maintenance and capital expenditure.
3. Narrowed gap (surplus / deficit) between allocated budget and expenditure in health, education and infrastructure.
4. Partner governments absorb x% (to be determined following baseline) of their operational, maintenance and capital budget health, education and infrastructure by the third quarter.
5. Provincial and district budgets are approved by 31 December, and budget revisions are approved by 15 October.
6. Positive audit opinion on partner government financial reports from the National Audit Authority.
7. Increased transparency of local government through the publication of annual budget information.
8. Local regulations formulated based on wide consultation and input from stakeholders.
9. Development priorities are reflected in the partner government budgets.

analysis for these last two indicators in this section.

According to the AIPD capacity building model, progress analysis at the program midpoint should examine the immediate outcome (application of the Key Products) and the beginnings of intermediate outcome (organisational change). End-of-program outcome indicator trend data can help guide management decisions about the use of program resources, but are as yet unreliable for making categorical statements about program progress, or attributing AIPD's role in driving trends.

The following analysis of indicators one to seven uses data from the AIPD baseline study, Public Expenditure and Revenue Analyses, and field reports. Once the Public Expenditure and Revenue Analyses have been finalised and demand-side partners have completed additional baseline studies, AIPD will construct a clearer picture of the status of the indicators that will drive work planning in the remaining years of the program.

The narrative analysis on the following pages should be read in conjunction with the 'End-of-program outcome trends by region' poster.

INDICATOR 1	STATUS
Increased health, education and infrastructure spending as a proportion of total spending.	<ul style="list-style-type: none"> • No significant trend • Health sector is higher priority • Requires localised target setting

Trend

Most target regions are spending up to the nationally mandated 20 per cent of their budget on education. A small number are spending the mandated 10 per cent on health. The trend from 2007–2011 shows a gradual but insufficient upward trend in health, and a slight improvement in education in 2011 (see Figure 3).

Fulfilling the allocation threshold for education is relatively easy because teacher salaries and allowances constitute approximately one quarter of local budgets. Meeting the health sector allocation threshold is more challenging because the number of medical staff is smaller than the number of teachers; meaning programmatic spending constitutes the majority of the health budget.

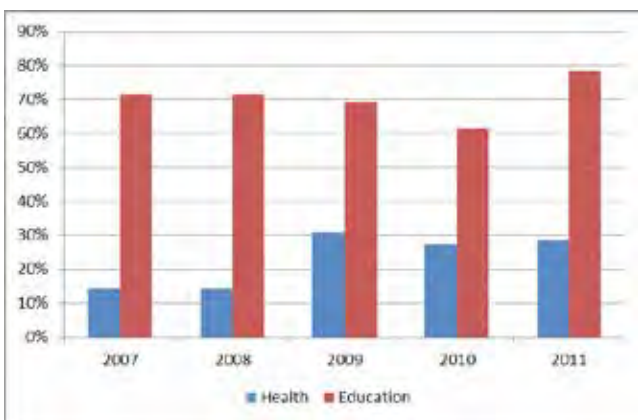


Figure 3: Percentage of AIPD target regions spending the nationally mandated minimum of 20 per cent of their budget on education, and 10 per cent on health

Some target regions cannot meet the education threshold because of low absorption in education spending. While in the budget plan and mid-year budget revision the allocation

Key Products / outputs contributing to indicator 1

- KP1: Public Expenditure and Revenue Analysis
- KP2: support for medium term plans, strategic plans, and annual planning documents
- KP2: support for integrating minimum service standards into planning and budgeting
- KP4: support for performance monitoring systems
- KP4: support for financial accountability reports
- KP14: all outputs relating to local parliament strengthening
- KP16: all outputs relating to strengthening the capacity and participation of civil society organisations
- KP17: communities trained to access information
- KP17: support for community dialogue mechanisms
- KP19: support for media analysis and publication of budget information
- KP20: training in gender responsive budgeting

meets the 20 per cent threshold in order to pass review by the legislature, the allocation cannot be fully absorbed, especially in the programmatic spending component. Low absorption also limits attainment of the health threshold, and this has a greater negative impact on service delivery because the majority of the health spending is on the programmatic component, which is the most difficult for local governments to absorb.

The use of national mandated thresholds is problematic. Targets for sectoral spending should be set in each region based on a costing of minimum service standards. Local circumstances may require that spending significantly exceed the threshold. AIPD has not yet done this kind of region-by-region target setting, a fact that hinders measuring progress and reduces the likelihood that activities in the workplan will form part of a clear pathway to the target. AIPD will include target setting as a preliminary stage of work planning for the remaining years of the program.

Contribution by AIPD

AIPD is attempting to influence this indicator through our entry-point Key Products that support the core public finance management systems and processes, and through demand-side activities that help civil society access information and influence public resource allocation. We are in the phase of the program whereby we ensure the use of these Key Products and begin looking for signs of institutional change. While there are some signs of product use and institutional change, full implementation of the whole integrated package of supply and demand side support has only had a chance to take hold in 2013. Therefore it is too early to attribute that package with driving systemic change, but the program theory still holds that given time we should see results.

In 2011 and 2012, AIPD did not intervene significantly on this indicator because the focus was still on the timely approval of budgets and we did not have a sound basis for advocacy. Using the upcoming publication of Public Expenditure and Revenue Analysis findings as an

AIPD Original Design vs Current Implementation

AIPD Original Design (What we said we would do)		Current Implementation (What we are actually doing)		Remarks
Activity No	Description	Product No	Description	
1.1.1	Implementation of Public Expenditure Analysis (PEA)	1	PERA (PUBLIC EXPENDITURE AND REVENUE ANALYSIS)	
1.1.2	Improvement of budget preparation and allocation mechanism	2	Technical Assistance in Planning	
		3	Technical Assistance in Budget Implementation	
		4	Technical Assistance in Monitoring and Evaluation	
1.1.3	Development of system to integrate community driven-development programs into district planning and budgeting processes	18	Community Facilitation	
1.2.1	Development of institutional performance-based incentive mechanism	5	Performance Based Incentive System	Key product term of reference (TOR) under development. Draft ToR for output based transfer has been finalized. Activity has been approved by ministry of finance and ready for implementation. We might re-adjust these products and become two products that cover the design and piloting of output based transfer.
		8	Fiscal Performance System Trial	
		9	Performance Based Transfer System	
1.2.2	Performance Monitoring (planning and budgeting consolidation matrix)	2	Technical Assistance in Planning	Not only through planning and budgeting consolidation matrix, but existing instruments –Regulation of Home Affairs Minister No. 54/2010
1.2.3	Support access to training and learning activities	2, 3, & 4	Event - Indonesia update conference, Local Government Managers Association (LGMA)	
1.3.1	Support for developing management information systems	10	Development of Data Centre	
1.4.1	Implementation of Public Finance Management (PFM) assesment	1	PERA (PUBLIC EXPENDITURE AND REVENUE ANALYSIS)	
1.4.2	Expansion of university network in regional public finance course, curricula, training modules, and training delivery	6	Public Finance Management Learning Networks	"Assessment Completed in NTB province Key product term of reference (TOR) under development. Strategy adjusted with initial event of training of trainers (ToT) before committing to regional public finance training/ course"
1.4.3	Support for implementation of general public finance management (PFM) reforms	1	PERA (PUBLIC EXPENDITURE AND REVENUE ANALYSIS)	
		2	Technical Assistance in Planning	
		3	Technical Assistance in Budget Implementation	
		4	Technical Assistance in Monitoring and Evaluation	
2.1.1	Generate high quality knowledge products for national, provincial and district level stakeholders	7	"Regulatory Frameworks related to public finance management (PFM): specified in key output 7.2 (study of fiscal decentralization research at central level is generated)"	
		13	Research and Smart Practices	
2.1.2	Disseminate high quality knowledge products to national, provincial and district level stakeholders	12	"Knowledge Fora and Events: specified in key output 12.4 (regional and national event of sharing knowledge relevant to public finance management (PFM) and decentralization issues are implemented"	
		16	"Civil Society Organisations capacity building: Specified in key output 16.3 (Increased capacity of civil society in public finance management (PFM) and gender responsive budgeting "	
		19	"Media Capacity Building: Specified in key output 19.2 (Various publication models by media on public finance management) "	
		20	"Promotion of gender equality and women's participation in local government planning and budgeting processes: Specified in key output 20.2 (Simple advocacy tool on the importance of gender in planning and budgeting) "	
2.2.1	Eastern Indonesia Forum Development Conference	12	Knowledge Fora and Events:	
2.2.2	Heads of Bappeda forum	12	Knowledge Fora and Events:	
2.2.3	Preparation and implementation of seminars, workshops and comparative study tours	12	Knowledge Fora and Events:	
2.2.4	Engagement with the media	19	Media Capacity Building	
2.3.1	Central/ Local Government Donor Coordination Support	11	Donor Coordination Units	
2.4.1	Collaboration to establish parameters and/ or conditions for effective support to improved decentralised service delivery			Not specified in the current program implementation, but roles played by PD and DPDs such as being the focal points in each respective areas, development of NTT Common Results Framework, & Papua Consolidated Reporting Framework, providing inputs to central government engagement, Papuan Issues, and other AIPD's programs in Nusa Tenggara (Australia Indonesia Partnership for Justice/AIPJ & Australian Community Development and Civil Society Strengthening Scheme/ACCESS).
3.1.1	Support for establishment of local government public information units	17	"Local Public Information Commissions and Officials: Specified in key output 17.1 (Public information management officials established)"	
3.1.2	Support for establishment of Information Commissions	17	"Local Public Information Commissions and Officials: Specified in key output 17.4 (Establishment of Public Information Commission at province level)"	
3.2.1	Facilitation of establishment or strenghtening civil society networks to advocate for specific public service delivery improvements/reform agendas	16	"Civil Society Organisations capacity building: Specified in key output 16.3 (Increased capacity of civil society in public finance management and gender responsive budgeting)"	
3.2.2	Development of district-level civil society capacity on budget issues	16	"Civil Society Organisations capacity building: specified in key output 16.1 (Civil society networks at province and district levels established, including civil society advocating gender)"	
3.3.1	Support development of multi-stakeholder mechanisms/fora to discuss improved resource allocation and management	15	Multi-stakeholder Forum	
3.4.1	Capacity building workshop/training for localparliament members on planning, budgeting, service delivery monitoring and the formulation of regulations	14	"Parliament Members capacity building: Specified in key output 14.1 (Capacity and skills of local parliament)"	
3.4.2	Strengthening of local parliament support system	14	"Parliament Members capacity building: Specified in key output 14.5 (Increased capacity of local parliament secretariat)"	
3.7	Addressing gender equality	20	Promotion of gender equality and women's participation in local government planning and budgeting processes	

KEY PRODUCTS of AIPD PROGRAM

AUSTRALIA INDONESIA PARTNERSHIP
FOR DECENTRALISATION (AIPD)



NO	KEY PRODUCTS	DESCRIPTION
1	Public Expenditure and Revenue Analysis (PERA)	The analysis deals with how province and district governments allocate and manage their financial resources for public service delivery.
2	Technical Assistance to Planning and Budgeting	The technical assistance consists of training; on-the-job coaching; development of regulatory frameworks, system and instruments for improved local government planning and budgeting, both annual and medium term (five year period).
3	Technical Assistance in Budget Implementation	Technical assistance is provided to province and district governments for more efficient, effective and accountable implementation of local budget. The technical assistance is based on local needs and it may vary from cash management, asset management, procurement to finance accounting and internal audit.
4	Technical Assistance in Monitoring and Evaluation	Local governments are strengthened to monitor and evaluate outputs, outcomes, and impact of their annual and medium-term development programs/activities.
5	Performance-Based Incentive System Trial	Performance-based incentive system will be developed and trialled to stimulate local government work units and individuals in achieving performance targets. This system is expected to strengthen local government performance impacting on improved public service delivery.
6	Expansion of Public Finance Management Network	Lessons learned from regional public finance management training conducted by the Ministry of Home Affairs and the Ministry of Finance will be used to inform the development of a network of basic public finance management training courses in Eastern Indonesia.
7	Improved PFM Regulatory Framework and Regulations	This technical assistance aims to review and, if necessary, to revise regulatory framework and regulations relating to fiscal decentralisation and regional public finance management.
8	Fiscal Transfer Performance System	The purpose of this technical assistance is to optimise the role of the Ministry of Home Affairs and the Ministry of Finance in monitoring and evaluating local government fiscal performance for improved allocation and management of public finance resource.
9	Performance-Based Transfer System	This system aims to improve central government transfers to local governments. The system provides fiscal incentives to local governments that meet or exceed performance targets based on agreed mechanisms and indicators.
10	Development Data Center	Development data centers are built or strengthened to provide relevant and real-timedata and information to local government institutions, development partners, and communities that are useful for regional development.
11	Donor Coordination Unit	Local government capacity is strengthened to coordinate development partners for improved synergy of regional development programs/activities.
12	Knowledge Sharing Forums and Events	This technical assistance is to strengthen forums and mechanism for sharing experiences, smart practices, relevant information and knowledge related to decentralisation for improved public service delivery.
13	Research and Smart Practices	Technical assistance is provided through local researchers to do research and disseminate smart practices. Various topics can be selected based on local needs and priorities.
14	Local Parliament Strengthening	Technical assistance is provided to strengthen the technical capacity of province and district parliaments for improved performance in their main functions of planning and budgeting, legislation and oversight.
15	Multi Stakeholders Forum	This forum consists of various stakeholders: local government, parliament, private sector, civil society, media and tertiary education institutions. Regular meetings will be held to discuss various issues related to planning, budgeting and oversight over the implementation of regional public service delivery.
16	Strengthening Capacity and CSOs' Participation	Technical assistances provided to strengthen capacity and participation of civil society organisations in planning, budgeting, and overseeing the implementation of local budgets.
17	Local Commission for Public Information + Information and Document Management Officers	Based on the mandate of Law No. 14/2008 on Public Information Transparency, technical assistance is provided for the strengthening/establishment of local commissions for public information and information and document management officers.
18	Strengthening Community Facilitation	Technical assistances is provided to strengthen the capacity of facilitators of community empowerment programs, including the strengthening of village apparatus in planning and budgeting.
19	Strengthening Media in Budget Transparency and Advocacy	Media is strengthened to provide evidence-based reporting, in particular for local budget transparency and advocacy.
20	Promoting gender equality and women participation in planning and budgeting	Technical assistance is provided to promote gender equality in public policy decision making processes, particularly in planning and budgeting.

Trend of the End of Program Outcome (EoPO) Across AIPD Target Areas

EOPD: "Improvement in resource allocation and management at local governments"				East Java Province					NTB Province					NTT Province				Papua Province				West Papua Province				
				East Java Province	Trenggalek	Malang	Sampang	Situbondo	NTB Province	Bima	Lombok Barat	Lombok Utara	Dompu	Prov NTT	TTU	Sumba Barat Daya	Flotim	Ngada	Papua Province	Keerom	Merauke	Supiori	Peg. Bintang	West Papua Province	Manokwari	Raja Ampat
No	Indicator	Sub-Indicator	No																							
I	Share of budget allocated to health, education, and infrastructure as a proportion of overall budget	Health budget proportion (G≥10%, Y 8-9%, R<8) - 2011	1		Good	Poor	Acceptable	Good				Acceptable	Poor	Acceptable	Acceptable		Good	Acceptable	Poor	Acceptable						
		Education budget proportion (G≥20%, Y 16-19%, R≤15)	2		Good	Good	Good	Good					Good	Good	Good	Good		Acceptable	Good	Poor	Poor					
		Infrastructure budget proportion	3																							
II	Share of budget allocated for operations, maintenance and capital in health, education and infrastructure	Proportion of capital budget against total health budget (expenditure) (G≥40%, Y 30-39%, R<30%)	4		Good	Good	Acceptable	Good					Poor	Good	Acceptable	Acceptable		Good	Poor	Good	Acceptable					
		Proportion of capital budget against total education budget (expenditure)	5																							
		Proportion of capital budget against total infrastructure budget (expenditure)	6																							
III	Narrowed gap (surplus/deficit) between planned budget and realised budget including key sectors (health, education and infrastructure).	Gap between Annual Budget (APBD) and Annual Expenditure (local budget realisation) (G 95-105%, Y 90-94%, and 106-109%, R<90% or >109%)	7		Good	Acceptable	Poor	Good					Poor	Poor	Poor	Good		Poor	Poor	Poor	Good					
		Gap between Annual Budget (APBD) and Annual Expenditure (local budget realisation) in health sector (G 90-110%, Y 85-89% and 111-115%, R<85% or >115%)	8		Good	Good	Acceptable	Good					Good	Good	Poor	Acceptable		Poor	Good	Acceptable	Good					
		Gap between Annual Budget (APBD) and Annual Expenditure (local budget realisation) in education sector (G 95-105%, Y 90-94%, and 106-109%, R<90% or >109%)	9		Acceptable	Good	Poor							Good	Acceptable	Poor	Acceptable		Good	Good	Poor	Poor				
		Gap between Annual Budget (APBD) and Annual Expenditure (local budget realisation) in infrastructure sector (G 90-110%, Y 85-89% and 111-115%, R<85% or >115%)	10		Poor	Acceptable	Poor	Good						Poor	Poor	Poor	Poor									
IV	Province and district governments absorption rate of operation, maintenance, and capital in health/education/infrastructure by 3 rd quarter	Total expenditure in education sector	11																							
		Total expenditure in health sector	12																							
		Total expenditure in infrastructure sector	13																							
V	Timely approval of annual budget documents	Annual budget bylaw has been approved by 31 December	14		Acceptable	Good	Acceptable	Good					Poor	Good	Good	Acceptable	Good	Good	Good	Good	Acceptable	Good	Good	Good	Good	
		Revised annual budget bylaw has been approved by 15 October (G < 1 Oct; LG < 1 Nov; Y < 1 Dec, R < 1 Jan)	14		Good	Good	Good	Good					Good	Good	Good	Good						Good				
VI	Audit status (LHP BPK) of local government financial reports (LKPD).		15		Good	Good	Good	Good					Poor	Good	Good	Poor	Poor	Poor	Poor	Good	Poor	Poor	Good	Poor	Poor	
VII	Local government are transparent by publishing their annual budget documents		16		Poor	Good	Acceptable	Poor				Acceptable	Poor	Good	Good	Poor	Poor	Acceptable	Good	Acceptable	Poor	Poor	Good	Poor	Poor	
VIII	Laws and regulations are passed with inputs from stakeholders		17																							
IX	Development priorities are reflected in budget priorities		18																							

■ Good
 ■ Fair
 ■ Acceptable
 ■ Poor
 ■ Data Not Available

empirical basis, AIPD will provide deeper support to budget formulation and execution to improve this indicator.

In the second half of the program AIPD will focus more on supporting local governments in East Java and Nusa Tenggara to increase the proportion of health spending. Education spending increases are a priority across Papua, West Papua and East Nusa Tenggara, and in the districts of Malang, Sampang and Bima.

INDICATOR 2	STATUS
Improved spending mix for operational, maintenance and capital expenditure	<ul style="list-style-type: none"> • Flat trend • No evident attribution to AIPD • Requires localised target setting

Trend

There is no nationally mandated threshold to serve as a spending mix target, and AIPD and partner governments have not set location-specific targets. Without targets it is difficult to track progress or make a statement about the baseline conditions. Target setting will be a priority for AIPD future work planning. The Public Expenditure and Revenue Analysis when complete in July will suggest targets for this indicator. Considering the distinctive nature of each district, there cannot be a common target for all districts for this indicator. The target should be determined based on an analysis of local needs and agreed by local leaders. Without their support, the target may not be well accepted and will be difficult to achieve.

A crude way to track this indicator is to set an arbitrary target of at least 40 per cent in health and 25 per cent in education. This target in health is actually quite low considering that the majority of health spending should be allocated to service delivery costs such as medicine and vaccines, hospital and health centre services, and awareness-raising activities.

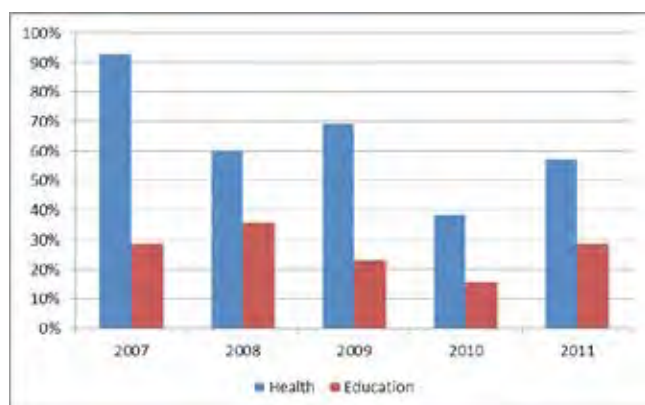


Figure 4: Percentage of AIPD target regions that allocate at least 40 per cent of health budgets and 25 per cent of education budgets to operational, maintenance and capital expenditure costs, as opposed to administrative or bureaucratic costs

From 2007–2011, more than half AIPD's target local governments usually spent more than 40 per cent of their health budget on service delivery costs (see Figure 4). In the same period, the majority of partner governments spent less than a quarter of their education budget on service delivery costs. Low spending on direct service delivery costs in both sectors is worsened by low absorption rates.

This indicator assumes that shifting spending from the administrative component of local budgets into the operational, maintenance and capital expenditure component will result in improved service delivery. But use of this indicator must be nuanced and reflect an understanding of local conditions. In the education sector, for example, teacher salaries are paid from the administrative component of the budget. Thus in places where lack of teachers is the biggest obstacle to improved service delivery, this indicator risks creating a perverse outcome by incentivising cuts in teacher numbers to improve the spending mix. It is essential to set local targets based on a thorough understanding of problems and opportunities in each sector and region.

Contribution by AIPD

AIPD is attempting to influence this indicator through entry-point Key Products that support the core public finance management systems and processes, and through demand-side and knowledge management activities that help communities understand and scrutinise the spending mix in budgets, and provide accurate data to officials to improve the mix. Full implementation of the whole integrated package of supply- and demand-side support commenced during this reporting period. It is too early to attribute that package with driving systemic change, but the program theory remains valid and given time we should see results.

Key Products / outputs contributing to indicator 2

- KP1: Public Expenditure and Revenue Analysis
- KP2: support for medium term plans, strategic plans, and annual planning documents
- KP2: support for integrating minimum service standards into planning and budgeting
- KP4: support for performance monitoring systems
- KP4: support for financial accountability reports
- KP14: all outputs relating to local parliament strengthening
- KP15: enabling multi-stakeholder forums
- KP16: all outputs relating to strengthening the capacity and participation of civil society organisations
- KP17: communities trained to access information
- KP17: support for community dialogue mechanisms
- KP19: support for media analysis and publication of budget information
- KP20: training in gender responsive budgeting



In 2011 and 2012, AIPD did not intervene significantly on this indicator because the focus was still on the timely approval of budgets and we did not have a sound basis for advocacy. Public Expenditure and Revenue Analysis findings will underpin a deeper engagement in local budget formulation during the remainder of 2013 and beyond, with a focus on:

- Integrating costing of minimum service standards into health and education budgets
- Supporting health and education sectors to accelerate budget execution from quarter one
- Involving demand-side stakeholders in monitoring budget execution, especially on direct service delivery expenditure in health and education
- Improving transparency on the health and education budget

INDICATOR 3	STATUS
Narrowed gap (surplus / deficit) between allocated budget and expenditure in health, education and infrastructure.	<ul style="list-style-type: none"> • No clear trend • Largest gaps are in Papua, West Papua and East Nusa Tenggara
INDICATOR 4	STATUS
Partner governments absorb x% (to be determined following baseline) of their operational, maintenance and capital budget health, education and infrastructure by the 3rd quarter.	<ul style="list-style-type: none"> • Low absorption reflects poor quality of budget plans • Health more problematic than education

Trend

From 2007–2011, most AIPD target regions work areas did not absorb their budget well (see Figure 5), confirming a common concern across Indonesia. The picture of under-spending is worse if derived from a comparison of the budget revision and

actual realised expenditure, because the budget plan does not incorporate the budget surplus from the previous fiscal year, which accounts to up to 10 per cent of the total budget.

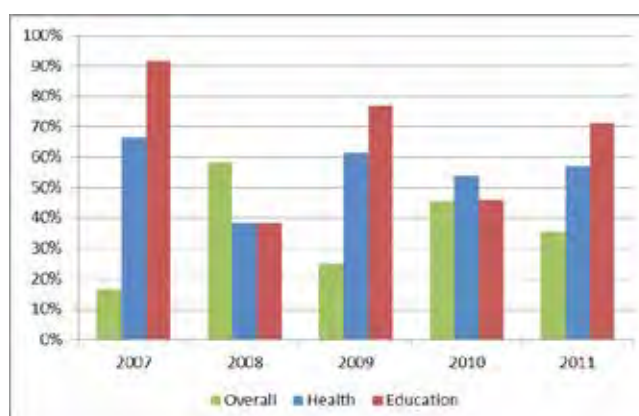


Figure 5: Percentage of AIPD target local governments that absorb between 95-105 per cent of their overall budget, and between 90-110 per cent of their health and education budgets

The absorption rates for health and education in the same period are not encouraging. Some local governments overspent the budget significantly, made possible by the budget revision process. This indicates a problem with the quality of budget plans, because the allocation for the key sectors in the budget plan was insufficient. The poor quality of the budget plan can be partly attributed to local governments placing a priority on meeting budget deadlines and avoiding Ministry of Finance sanctions.

The absorption rates for the education sector are better than for health. This is primarily due to the majority of education spending going to teachers' salaries, which are fully absorbed. In the health sector, the majority of the budget is for programmatic spending.



AIPD will cease using indicator 4 because Indonesian local governments are not required to report data on third quarter absorption, and there is no useful way for AIPD to collect this data.

Contribution by AIPD

A snapshot of the budget absorption picture in any given year will not be indicative of AIPD's success in driving change. For example, locations starting from a low baseline might significantly increase budget absorption with help from AIPD and yet still register absorption levels lower than the baseline of more advanced regions. This is why it is essential for each region to set its own target as part of the work planning process for the remaining years of AIPD.

In 2011 and 2012, AIPD did not intervene significantly on this indicator because the focus was more on the planning and budgeting and the foundation was not yet established to support budget execution. In addition to the entry-point Key Products, AIPD's support to e-procurement is intended to influence this indicator. Use of this Key Product in West Nusa Tenggara and East Java has resulted in institutional change leading to more efficient and timely government tendering. It is not possible based on available data to link the functioning of e-procurement to any changes in budget absorption rates.

AIPD resources dedicated to the pursuit of this indicator will shift in the second half of the program from East Java and West Nusa Tenggara to East Nusa Tenggara, Papua and West Papua. AIPD will concentrate on those regions with an absorption gap of 10 per cent or greater, while using the more advanced westerly provinces as examples of good practice.

With the full suite of AIPD supply- and demand-side Key

Products operating from 2013, AIPD aims to improve the absorption rates in most partner local governments through:

- Supporting local governments in establishing integrated procurement units that expedite procurement processes
- Improving community monitoring of local government spending by providing better access to budget plans and execution documents and by introducing the initiative on spending acceleration (TEPPA).
- Involving demand-side stakeholders in monitoring programmatic spending in the health and education sectors.
- Improving the budget formulation process to incorporate the estimation of budget surplus.

Key Products / outputs contributing to indicators 3 and 4

- KP1: Public Expenditure and Revenue Analysis
- KP2: support for unit cost analysis
- KP3: support for e-procurement
- KP3: technical assistance for officials in budget execution
- KP3: support for managing locally-generated revenues
- KP3: support for first semester budget statements
- KP4: support for performance monitoring systems
- KP14: all outputs relating to local parliament strengthening
- KP15: enabling multi-stakeholder forums
- KP16: all outputs relating to strengthening the capacity and participation of civil society organisations
- KP17: communities trained to access information
- KP17: support for community dialogue mechanisms
- KP19: support for media analysis and publication of budget information
- KP20: training in gender responsive budgeting



Civil Society Organisations in West Nusa Tenggara gather to learn about AusAID programs, February 2013

INDICATOR 5	STATUS
Provincial and district budgets are approved by 31 December, and budget revisions are approved by 15 October.	<ul style="list-style-type: none"> • Positive trend • Demonstrable attribution to AIPD • Need to focus on budget quality rather than timeliness

Trend

Analysis shows a positive trend for on time budget approval in target regions over the past five years (see Figure 6). In 2013, more than two-thirds of target regions met the deadline. However, the picture is different for budget revision approval. Except for 2009, most target regions were late in approving their budget revision and a number of these only approved the revision in December, giving them less than one month to spend the revised budget.

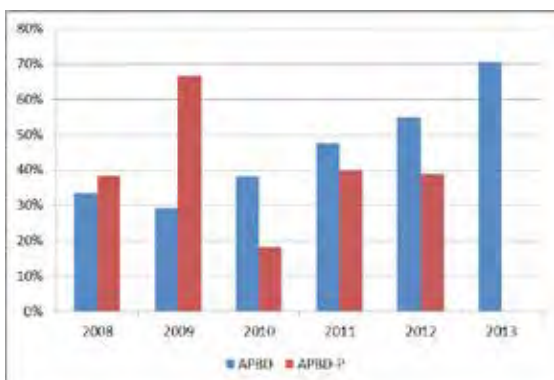


Figure 6: Percentage of AIPD target regions that pass their budget (APBD due 31 December) and budget revision (APBD-P due 30 September) on time

The positive trend for compliance with the budget approval deadline is partly due to the sanction imposed by the Ministry of Finance for late budget approval. The sanction involves the blocking of a quarter of the General Allocation Fund for each month until the budget is approved. Approval triggers the release of the cumulated blocked funds. There are no sanctions, however, for late approval of the budget revision.

Compliance with budget approval deadlines risks negatively impacting budget quality. To avoid the sanction, local executives and legislatures tend to simplify the process and shorten the formulation and review period, or even skip some of the phases. As a result, some budgets can barely be implemented and lead to lengthy budget revision processes, thus contributing further to late approvals of budget revisions.

Other factors contributing to on-time budgets are the quality of the relationship between the executive and the legislature, or increased capacity and understanding of technical budget issues by key persons in the executive or legislature. AIPD will commission a study to examine the specific drivers of change relating to trends identified in the Public Expenditure and Revenue Analyses.

Contribution by AIPD

AIPD contributed to the acceleration of budget approvals in Nusa Tenggara. Through support to executives and legislatures, 90 per cent of target local governments in these two provinces met the deadline for budget approvals. AIPD was unable to provide similar support in Papua and West Papua due to a culture of secrecy surrounding the budget formulation process. In 2012, due to late approval of the workplan, AIPD was unable to provide support to



the budget revision process. AIPD's demand side work with local parliaments and parliamentary secretariats demonstrates a direct link to improved on-time budget performance. AIPD supported workshops in Dompu and Bima that successfully reconciled input executive- and legislative-led parallel community consultation processes. In 2011 both these districts passed their budgets late, but following AIPD interventions in 2012 they were on time.

AIPD support to local parliaments has been hampered by the late approval of work plans in 2012 and 2013 and by the need to dismiss the implementing partner and recast the implementation modality. Institutional strengthening of basic systems and procedures is the low hanging fruit and can be accomplished with relative ease. The much harder work, which will be AIPD's focus in the remaining two-and-a-half years, will be to overcome the region-by-region issues that arise from the political-economy context and affect the way parliaments operate. The election cycle is an important factor, as there

must be a judgement about how much effort should be put into poorly performing parliaments, and the wisdom of waiting until a newly elected set of parliamentarians take up office.

In the second half of 2013, AIPD will continue supporting local governments in improving their budget timeliness and will start supporting a select number of local governments in the budget revision process. The looming legislative election in early 2014 will pose additional challenges for AIPD because most local legislators will focus on contesting the election. AIPD will mitigate this risk by supporting the executive in sending the draft budget or budget revision earlier than in non-election years, to give additional time for legislatures to review the drafts.

The fact that most target regions already do well on this indicator means AIPD resources can focus on supporting budget quality (indicators 1 and 2) rather than timeliness. This will help mitigate the perverse incentive for officials to chase budget deadlines at the expense of budget quality. This is where oversight by civil society can play an important part. AIPD knowledge management interventions are also designed to have an impact in this area, by providing officials with fast and easy access to the data they need to develop evidence based plans and budgets without delays.

AIPD will use the Public Expenditure and Revenue Analyses to devise incentives for on-time budget revisions, in the absence of sanctions from the Ministry of Finance. We will also use our relationship with the Ministry, in particular through the TADF, to lobby for the consideration of applying a well designed sanction or incentive system.

Key Products / outputs contributing to indicator 5

- KP2: support for medium term plans, strategic plans, and annual planning documents
- KP14: all outputs relating to local parliament strengthening
- KP15: enabling multi-stakeholder forums
- KP16: all outputs relating to strengthening the capacity and participation of civil society organisations
- KP17: communities trained to access information
- KP17: support for community dialogue mechanisms
- KP19: support for media analysis and publication of budget information
- KP20: training in gender responsive budgeting

INDICATOR 6	STATUS
Positive audit opinion on partner government financial reports from the National Audit Authority.	<ul style="list-style-type: none"> • Slight positive trend • Limited attribution to AIPD • Requires context-specific target setting timeliness

Audit results across AIPD target regions are mostly static with a number of improvements producing a slight positive trend. None of the target regions have gone backwards. Ngada and Bima achieved 'qualified' audit reports for 2012, an improvement over their 'disclaimer' results for 2011. This happened after AIPD provided support for asset management, cited as the main problem in 2011, thus making a case for limited attribution of this success to AIPD.

AIPD contributions have been limited by recurring postponement of activities in 2012 and 2013. For example, our inability to assist financial accountability report preparation by partner governments prior to March this year means we have not contributed to that crucial part of the cycle. Influencing this indicator requires the synchronised delivery of both supply and demand-side Key Products for a full January-December public finance management cycle for several years running. This concept is at the core of the AIPD design and program theory.

Audit standings are strongly influenced by the degree to which local leaders take an interest in driving improvement. In West Nusa Tenggara, unqualified audit reports are a powerful incentive for district heads and the governor. The province widely publicised its unqualified result for 2011 and expended resources on maintaining that standing for 2012. In districts that received qualified or disclaimer results in 2011, a 'road map to unqualified' was instituted and this formed the entry point for AIPD support. In Sorong Selatan the head of the finance

Key products / outputs contributing to indicator 6

- KP3: support for e-procurement
- KP3: technical assistance for officials in budget execution
- KP3: support for development of local regulations
- KP3: support for managing locally-generated revenues
- KP4: technical assistance to local governments in monitoring and evaluation
- KP3: support for local government financial reports
- KP3: support for first semester budget statements
- KP4: support for performance monitoring systems
- KP14: all outputs relating to local parliament strengthening
- KP19: support for media analysis and publication of budget information
- KP20: training in gender responsive budgeting

bureau has previously worked for the provincial audit agency and as such was in a strong position to drive up that district's performance. But in Papua and West Papua broadly, National Audit Agency reports don't act as a significant incentive. One effect of those provinces receiving Special Autonomy Transfers is that audit ratings do not affect the size of future transfers.

AIPD's target for this indicator is to raise all target provinces and districts up one rating level, or to a minimum level of qualified, and to sustain those that are already unqualified. AIPD will use presentations of Public Expenditure and Revenue Analysis data to governments in Papua and West Papua to convince them of the value of pursuing these goals despite the lack of intrinsic incentive value on those regions.

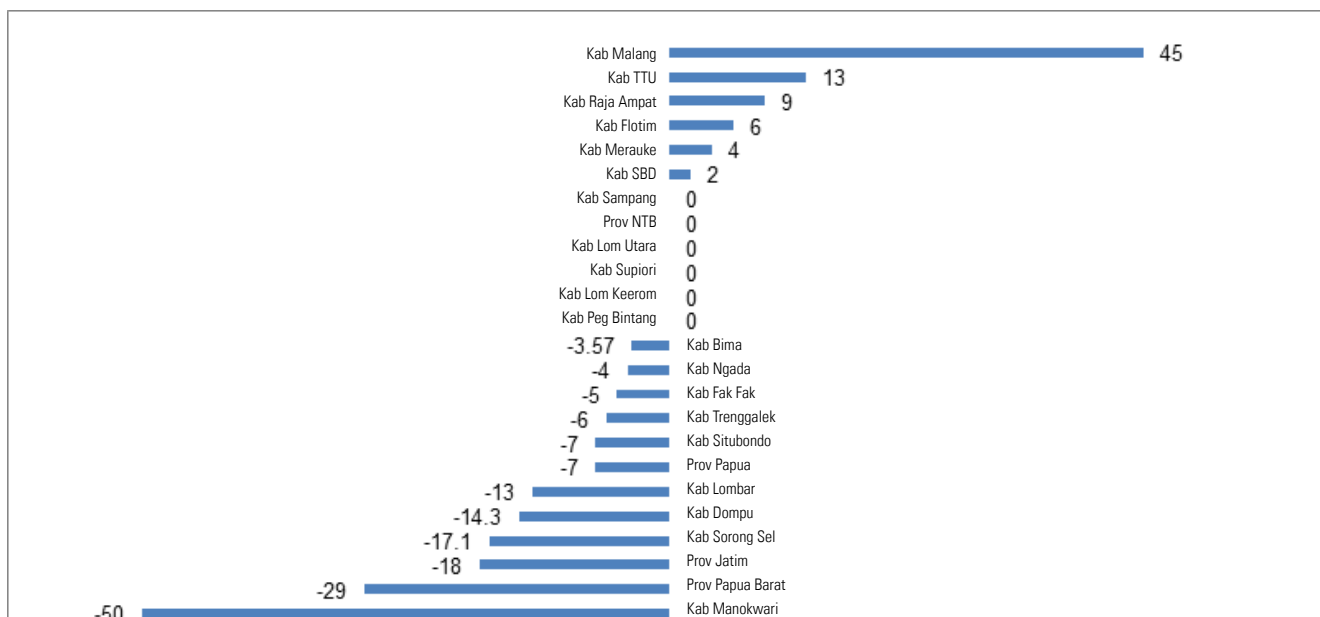


Figure 7: Public Information transparency in AIPD target districts

INDICATOR 7	STATUS
Increased transparency of local government through the publication of annual budget information.	<ul style="list-style-type: none"> • Positive trend • Demonstrable attribution to AIPD • High penetration of AIPD Key Products

Trend

Most of AIPD targeted districts fall below the average transparency index used during the collection of baseline data (see Figure 7). Only Malang, Timor Tengah Utara, Raja Ampat, Flores Timur, Sumba Barat Daya and Merauke have relatively better scores in transparency. The transparency index measures 14 basic criteria of government openness. Local governments are considered untransparent if they keep documents from public reach. Governments are considered transparent when they actively disseminate all basic public information.

Contribution by AIPD

Target districts display strong evidence of using AIPD Key Products designed to raise transparency. AIPD supported the appointment of 20 information officers, establishment of two development data centres and 18 community centres, and establishment and capacity building of the provincial information commission in West Nusa Tenggara.

In East Java and West Nusa Tenggara, our support was replicated in all public offices beyond the AIPD targets of health, education and infrastructure. Development data centres in East Nusa Tenggara and Timor Tengah Utara improved data and document availability in the area of planning and budgeting. AIPD signed a cooperation agreement with the National Information Commission and will pilot an information openness index.

AIPD support to civil society engagement in planning and budgeting has been lighter than the entry point Key Products, but civil society networks are in place in all regions and have been used to target training in public finance management and gender budgeting. Four networks have conducted budget advocacy using products provided by AIPD (see Figure 8).

Key Products / outputs contributing to indicator 7

- KP3: support for e-procurement
- KP3: support for local government financial reports
- KP3: support for first semester budget statements
- KP4: support for performance monitoring systems
- KP4: support for financial accountability reports
- KP10: data centres
- KP12: data and information development and sharing
- KP13: smart practices
- KP16: all outputs relating to strengthening the capacity and participation of civil society organisations
- KP17: communities trained to access information
- KP19: support for media analysis and publication of budget information

Stage	Description	Region
4	Network capable of budget analysis and already conducting advocacy	East Nusa Tenggara, Situbondo, Trenggalek, Malang
3	Network capable of analysing budgets and formulating proposals	Sampang
2	Network formed and members trained in public finance management, but not yet conducted advocacy	West Papua, West Nusa Tenggara, East Java, Fakfak, Manokwari, Raja Ampat, Sorong Selatan, Ngada, Dompu, Flores Timur, Lombok Barat, Lombok Utara, Sumba Barat Daya, Bima
1	Network formed	Pegunungan Bintang, Papua, Merauke, Supiori, Keerom

Figure 8: Status of civil society networks in AIPD target areas



Efficiency

Use of implementing partners drives value for money

Different baselines justifies revised AIPD staffing strategy

Need to produce a budget plan through to end-of-program

AIPD gets a green light for efficiency. There are two levels of resourcing in the program: base-load management resourcing and implementing partners.

Money follows function through the use of sub-contracted implementing partners. The AIPD Management Support Team ensures value for money by selecting Key Product implementing partners through an open tender process that balances quality and price. In one case, a preferred tenderer attempted to overcharge the program, so the Management Support Team ended the negotiation and selected an alternative tenderer. Only Indonesian organisations are selected as implementing partners, eliminating the higher costs associated with international organisations. There is some inefficiency cost in paying management fees to implementing partners, but this is offset by the sustainability benefit of supporting local organisations.

The implementing partner selection process enables the program to make decisions about weighting of resource allocation between regions and Key Products. Tenders become sources for costing estimates that are then built into an overall annual budget picture.

The program has a clear understanding of the unit cost differences between locations. Working in places like Pegunungan Bintang in remote Papua is considerably more costly than districts in East Java or West Nusa Tenggara. Efficiency considerations do not justify withdrawal from the most challenging and expensive locations.

The program does not have a clear budget plan to ensure full program expenditure through until 2015.

Developing such a plan will be a priority for the coming reporting period. An outline estimate is provided in the 'Expenditure and Projections' section of this report.

For base-load program resourcing, the original design called for an even staffing pattern across target provinces and districts. Experience to date suggests this approach needs to be reconsidered. East Java and West Nusa Tenggara have a higher baseline, and are showing signs of faster progress, than East Nusa Tenggara, Papua or West Papua. An increase in resources in these provinces may be justified.



Impact

Too early to measure changes in service delivery

Baseline data will provide point of future comparison

Attribution will be difficult to measure at end line

AIPD gets a red light for impact at this stage. This is no cause for concern, as the program theory does not anticipate that changes in service delivery attributable to AIPD would begin to be in evidence before the program has delivered a critical mass of interventions for a full five years.

The baseline study provides information on the condition of service delivery in all AIPD target areas during early implementation of AIPD. An end line measurement to be taken in 2015 or beyond will identify any changes and trends.

Any end line analysis will, however, face challenges in determining attribution values for AIPD. Such an understanding will require a qualitative comparison between service delivery changes and data on end-of-program outcome attainment across all target areas. This comparison would need to answer two questions:

1. Has there been any area showing improvement in resource allocation and management?
2. Is there any pattern that shows areas with improved resource allocation and management also show improved service delivery conditions?

Any effort to measure AIPD's contribution to service delivery will face a major challenge. Since AIPD is attempting to influence resource allocation and management through the public finance management sphere, no direct impact on service delivery can logically be expected. If service delivery is improved, the trail of evidence linking an attribution to AIPD may never be particularly strong.



Sustainability

Use of implementing partners is deliberate sustainability model

Baseline data will provide point of future comparison

AIPD gets a green light for sustainability. The use of implementing partners is central to AIPD's interventions being sustainable. Implementing partners are local organisations that simultaneously act as sub-contractors and capacity building beneficiaries. Unlike other donor programs that recruit large teams who are later demobilised at the end of the program, AIPD's base load staffing numbers are kept to a minimum and program delivery is outsourced to partners who will remain in place after the program finishes.

This approach has already proven successful in the case of Cendrawasih University in Papua which began working with the World Bank on public expenditure and revenue analyses nine years ago and has retained that expertise until now. Cendrawasih University is regularly engaged by local governments to utilise this expertise, and AIPD has engaged them to conduct similar studies. As a result, non-target districts have also requested their services.

Since becoming the AIPD implementing partner for community access to information and civil society strengthening, Pattiro has become a member of the Open Government Committee, and expanded their network at the national level through engagement with the National Information Commission. The Commission now regularly engages Pattiro expertise for use as resource persons and trainers.

The original design placed institutional capacity building, as opposed to individual capacity building, at the heart of the program's sustainability strategy. AIPD has followed this model in terms of strengthening e-procurement units and parliamentary secretariats. However in some cases, as with parliaments, unless individuals' skills are raised, the program will not influence budget quality and timeliness. For institutions with regular rotating members, AIPD must strike a balance between individual and institutional strengthening.

AIPD's work with the central government, in particular the TADF, is about driving systemic regulatory change that will be sustained into the future through legislative reforms. This kind of institutional capacity building will drive sustainability.

Ultimately, AIPD is a small player in a large decentralised context. Our interventions have been designed with replication in mind. Our partner district selection criteria anticipates replication by modelling program interventions in the full range of geographic and demographic contexts.



Looking ahead to 2015 – applying the lessons

This section draws together the lessons identified in the previous sections and describes management responses. Some responses will be confirmed or adjusted by the independent mid-term evaluation.

Amend the program time frame

Analysis of program effectiveness to date indicates the program theory is still valid but implementation delays in year two and three have prevented activities achieving a critical mass. Thus we do not observe design failure, but we anticipate implementation failure if the time frame is not extended. Based on the AIPD capacity building framework, at least a full 12-month phase of product use has been lost. The program theory requires several years of full-scale implementation, whereby supply- and demand-side activities work in tandem during the full January-December annual public finance management cycle. If the 2014 workplan is approved on time, 2014 will be the first year when this critical mass of activities is applied for the full year. If the independent mid-term evaluation team agrees, AusAID should commence the procedures necessary to extend AIPD by at least 12 months to December 2016. The earlier this decision is made, the better AIPD can design work plans that follow a clear pathway to the end-of-program outcome.

Design work plans as pathways to the end-of-program outcome

Analysis of program relevance and effectiveness highlights the primacy of annual work plans. Adapting to changed governance arrangements after year one resulted in delayed workplan approvals, and work plans that were developed based on a changing template and methodology. Now that the new paradigm has been consolidated, a thorough process is required to ensure 2014 work plans are constructed in the form of a pathway to the end-of-program outcome that is specific to each target region. AIPD will assign resources to this process starting in September 2013, to ensure there is enough time to prepare work plans and have them approved by January 2014.

The process must include setting targets for the end-of-program outcome indicators that are appropriate to each location. Then, a road map should be constructed to reach those targets in the final two years of the program (or three years if a time frame extension is granted). Data from the baseline study, Public Expenditure and Revenue Analyses and Gender Profiles will be used to inform the work plans. Sector-specific expenditure and revenue analyses will also be commissioned to develop an understanding of the resourcing difficulties faced by service delivery units. The work plans should be developed on two levels: a summary workplan for approval by the Program Coordinating Committee, and



implementation plans which provide the detailed schedule for running activities and events. Other AusAID programs working in each region will be invited to participate from early in the work planning process, and sector expenditure and revenue analyses will be aligned to programs working in particular sectors, such as health, education or disaster risk reduction.

In East Java and West Nusa Tenggara where baselines are generally higher and local government capacities relatively strong, the work plans will be oriented toward extending capacity building support to less-advanced provinces and districts.

This process will be resource intensive but should only need to be done once for the remainder of the program, with minor adjustments in years four, five and beyond. The Deputy Program Directors will lead the development and implementation of this enhanced work planning process, with the fundamental steps likely resembling the following:

1. Identify end-of-program outcome indicators and targets that are most relevant for each target location.
2. Identify sub-products and key outputs that will contribute to achieving the targets.
3. Identify activities for each sub-product and synchronise these with existing local government budgets and work plans, and the work plans of other donor activities.
4. Identify appropriate local government work units to implement each activity, and the central government agency that will sign-off on the external grant.
5. Prepare a budget estimate.
6. Rationalise the activities based on available funding.

7. Render the activity list as a workplan with timeline.
8. Convene district and provincial level Program Management Committee meetings to verify the draft work plans.
9. Convene a Program Coordinating Committee meeting to ratify the work plans.

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

Based on the enhanced work plans prepared for 2014 and beyond, AIPD will develop a resourcing and expenditure plan through to the end of the program. This will enable resource allocations to reflect reality in planning, and help ensure full program expenditure. A consultant will be hired to assess current staffing arrangements and make recommendations about reallocations, for example reducing the resources allocated to more advanced regions like East Java and West Nusa Tenggara, and increasing resourcing in the more challenging regions.

Finalise Subsidiary Arrangement and issue revised operational guidelines

A draft Subsidiary Arrangement revision has been shared between AusAID and the relevant Government of Indonesia ministries and is close to reaching final agreement. There is a risk of delay in signing this agreement on the Australian side as a federal election is scheduled to take place in September with a 'caretaker' period commencing in mid-August. Subsequent to the ratification of the revised Subsidiary Arrangement, AIPD will produce revised operational guidelines to implement the new provisions in detail. Depending on the final content of the Subsidiary Arrangement, the role of the Joint Secretariat will be reviewed and revised.



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

The Deputy Program Directors will commence hosting periodic workshops for AusAID and contractor staff working on programs in the five target provinces. These workshops will support the enhanced work planning approach described above, and will help to prepare existing programs for integration into the Frontline Services Approach.

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

Following the March 2013 Program Coordinating Committee meeting and approval of the 2013 workplan, AIPD provincial teams conducted a series of meetings to bring together provincial and district program management committees and implementing partners. Looking ahead, AIPD will continue to empower the program management committees by ensuring regular liaison and information exchange and by reinforcing the message that implementing partners are contractually beholden to AIPD and should always serve the agreed needs and interests of the program management committees. Coordination meetings will be held at least monthly.

Efforts to empower the program management committees are crucial to overcoming resistance to the concept of using implementing partners that has arisen within some target regions. AIPD uses implementing partners as a strategy to ensure sustainability of program benefits. In the short term, however, there are efficiency costs in having third-party organisations implement activities, and in some cases partner governments have reported dissatisfaction with the model. Rather than reducing the use of implementing partners and losing

the sustainability benefits, our preferred response is to give program management committees greater visibility, authority, and ownership over the work done by implementing partners. This includes involving program management committees in activity monitoring and performance assessments.

Reassign Advisory Group to selective consultancies

The discontinuity and unpredictability of program implementation since 2012 has prevented the Advisory Group (a function sub-contracted to the Indonesian Institute of Sciences) from making a useful contribution. A well-functioning advisory group providing systemic quality control advice to the program has proven difficult to realise under AIPD and its predecessor program, ANTARA. The model represents an unworkable blurring of functions between program management and an independent evaluation team. AIPD will continue to benefit from the valuable skills and knowledge within the Indonesian Institute of Sciences. Advisory Group member inputs will be reallocated to selective consultancies on a needs basis.

Increase resources for implementing Gender Action Plan

AIPD will appoint a new full time national Gender Specialist from 1 July. The Gender Specialist will be responsible for implementing the Gender Action Plan, including a newly created Key Product for the promotion of gender equality and women's participation in local government planning and budgeting processes. Having a specific key product focused on the promotion of gender equality demonstrates that AIPD is serious about gender issues. It elevates the importance of the gender strategy to our stakeholders and within our own team. It will also ensure there are sufficient resources allocated to the activities in the Gender Action Plan.

Review staffing strategy for district facilitators

AIPD will hire a consultant to review the staffing strategy for district facilitators. The consultant will assess the efficacy of hiring full time staff versus appointing a dedicated contact person from within the ranks of partner governments. The original design called for a standardised staffing pattern across all regions, but this will be reviewed to determine if resources need to be added in more difficult regions, or in regions that have a lower baseline. The consultant for this review will be engaged in August and required to provide a report by the end of September.

Accelerate implementation of demand-side Key Products

Essential to testing the AIPD program theory is having the demand-side interventions running at full scale alongside the supply side. Analysis of progress to date indicates this has been lacking, and therefore AIPD will take steps to accelerate the implementation of demand-side Key Products.

Of the six demand-side Key Products, significant progress has been made in community access to information and greater involvement of civil society organisations in planning and budgeting processes through developing networks in all target locations.

In other areas progress has been slow due to delays in work plan approvals in 2012 and 2013, the fact that work plans are generated by local governments, the lack of involvement of civil society organisations in program management committees, and the nature of demand-side activities that need longer lead-times to build engagement and buy-in from stakeholders.

Some Key Products, in particular support to media, support to multi-stakeholder forums and community facilitation are intended to be implemented only following the commencement of sustained supply-side activities with stakeholder institutions such as development planning agencies, local parliaments, and civil society organisations. Thus, those Key Products have commenced implementation following the approval of the 2013 workplan in March.

AIPD will take the following measures to accelerate the demand-side component:

- Review the six demand-side Key Products to rationalise and repackage their activities.
- Revise the implementation modality for support to local parliaments. A full time Local Parliament Specialist began work in June. Activities focussed on producing and using capacity building tools and instruments will be delivered by an implementing partner, while technical assistance and some other training will be provided by the Local Parliament Specialist.
- Oversee the accelerated implementation of the approved workplan for Jawa Pos as implementing partner for support to media.
- Integrate capacity building for regional information officers, information commissions, and development data centre staff to

better manage information and respond to public inquiries.

In developing the enhanced workplan for 2014 and beyond, particular areas of focus to improve the performance of demand-side interventions are as follows:

- Citizen Report Cards.
- Building the confidence and capacity of NGOs and Community Centre's members to speak up and demand their right for information.
- Encouraging the public to use data and information provided by public information officers and data centres (particularly in planning and budgeting) to oversee and advocate for improved public finance management and service delivery.
- Assisting organisations that specialise in publishing user-friendly budget information.
- Building the capacity of mass media to improve their publication quality on planning and budgeting.
- Improving coordination and collaboration with other development partners in particular AusAID programs.

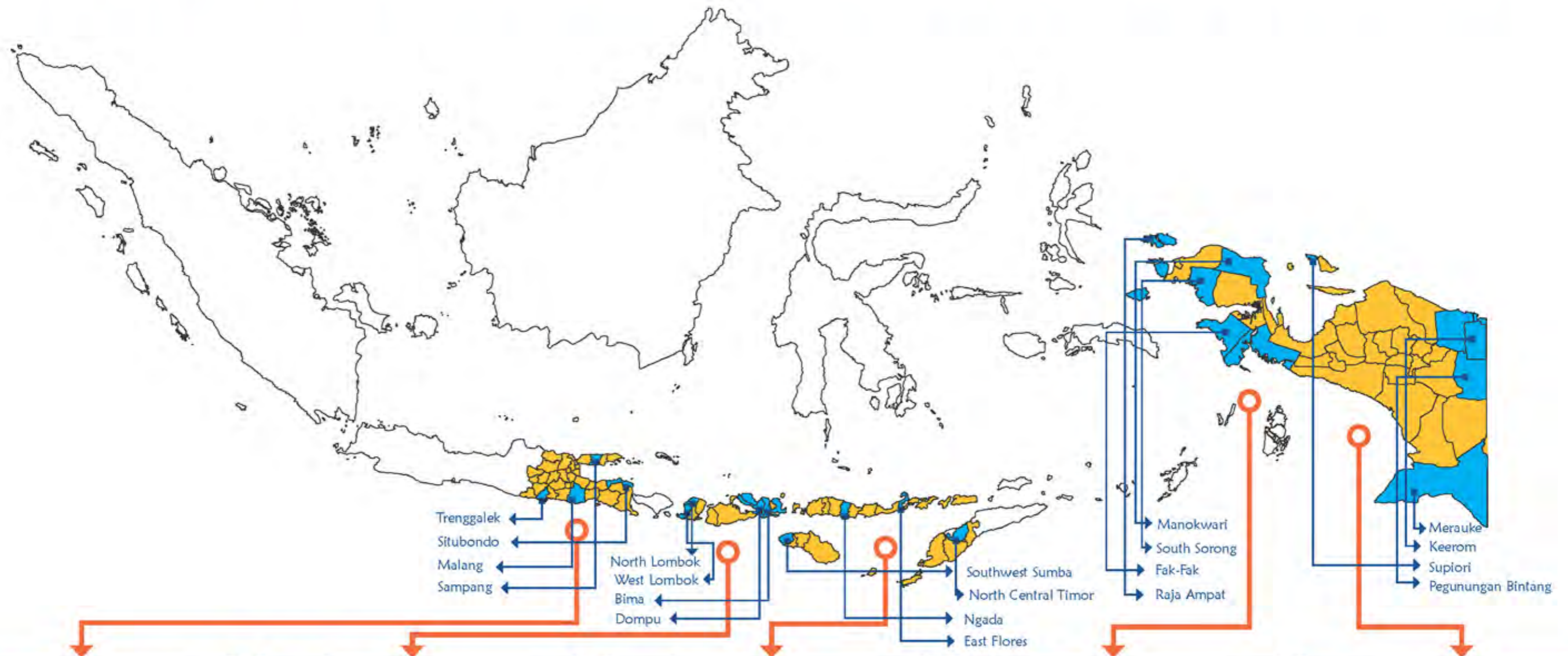
Take greater advantage of study tours run by Local Government Managers Australia

Following the success of the first study tour in May, AIPD will build on the strong partnership with Local Government Manager Australia. Future study tours will focus on demand-side stakeholders, and senior level participants such as district heads and regional secretaries. AIPD will also work with Local Government Managers Australia to develop proposals for additional funding for more study tours under the Australian Leadership Award Fellowship scheme.

Australia does not have an equivalent to Indonesian local government development planning agencies, so future study tours will be targeted at Indonesian officials in key roles relating to budgeting, or demand-side stakeholders looking at issues such as community consultation and communications. Some study tours will target higher level delegates, for example Regional Secretaries or Regional Heads. Future study tours will include a thorough pre-departure briefing to clarify issues surrounding per diems and provide a primer on Australia's system of government and appropriate modes of behaviour.



MAP OF AIPD TARGET PROVINCES AND DISTRICTS



EAST JAVA

Governor:
Dr. H. Soekarwo, SH, M. Hum

Vice Governor:
Drs. H. Syaifullah Yusuf

Date of Inauguration
29 September 2008

Number of female Population (2012):
19.312.896

Number of male population (2012):
18.740.054

Human Development Index (2012):
72.54

WEST NUSA TENGGARA

Governor:
Dr. H.M. Zainul Majdi, MA

Vice Governor:
H. Moh. Amin, SH, M.Si

Date of Inauguration
-

Number of female population (2012):
2.338.634

Number of male population (2012):
2.207.016

Human Development Index (2012):
66,69%

EAST NUSA TENGGARA

Governor:
Drs. Frans Lebu Raya

Vice Governor:
Drs. Benny Alexander Litelnoni, SH, MSI

Date of Inauguration
16 July 2013

Number of female population (2011):
2.403.972

Number of male population (2011):
2.403.972

Human Development Index (2011):
67.75%

WEST PAPUA

Governor:
Brig. Gen. (Retired) Abraham O. Atururi

Vice Governor:
Drs. Rahimin Katjong, M Ed.

Date of Inauguration
24 July 2006

Number of female population (2012):
358.024

Number of male population (2012):
402.398

Human Development Index (2012):
68.58

PAPUA

Governor:
Lukas Enembe, S.IP, MH

Vice Governor:
Klemen Tinal, SE, MM

Date of Inauguration
9 April 2013

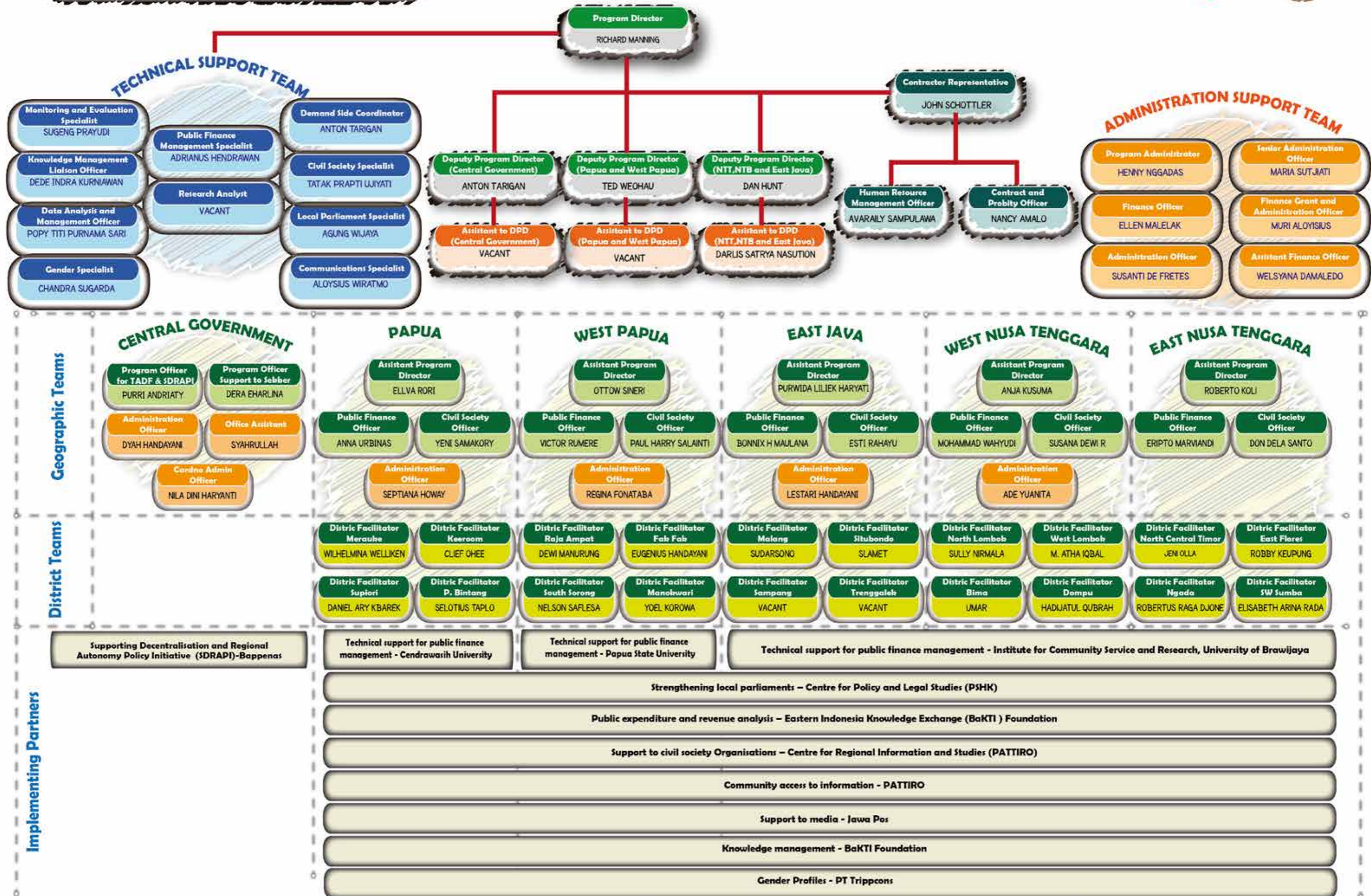
Number of female population (2011):
1,341,714

Number of male population (2011):
1,510,285

Human Development Index (2011):
65.36

AIPD Organisation Structure 2013

AUSTRALIA INDONESIA PARTNERSHIP FOR DECENTRALISATION (AIPD)



Looking ahead to December

– region by region



Officials in East Nusa Tenggara gather to discuss freedom of information

In the second half of 2013, AIPD will implement selected activities that were included in the 2013 work plan, to ensure the application of Key Products to achieve the immediate and intermediary outcomes.

East Java

Politics: East Java will hold a gubernatorial election on 29 August 2013. The elections will likely be closely fought and tense, as former State Minister for Women's Empowerment, Khofifah Indar Parawansa, once more goes head-to-head with incumbents Soekarwo and Saifullah Yusuf. Khofifah, who was a minister during President Abdurrahman Wahid's administration, will pair up with former East Java Police Chief Inspector General Herman Surjadi Sumawiredja. In 2008, Khofifah-Mudjiono lost to Soekarwo-Saifullah by only 34,104 votes. Other candidate pairs include Bambang Dwi Hartono and Said Abdullah, nominated by the Indonesian Democratic Party of Struggle, and an independent pair, Eggi Sudjana and Muhammad Sihat. Whoever wins, AIPD will offer to support the production of the five-year development plan (2013–2018), the first task of any newly elected governor.

Timely budget approval and target setting: AIPD's implementing partner, the Institute for Research and Community Service at the University of Brawijaya, will continue supporting timely and high quality planning and budgeting in East Java throughout the remainder of 2013. This will focus on the use of the Local Development Information System and the integration of budget documents with minimum service standards. AIPD missed supporting Musrenbang at the beginning of the year due to late approval of 2013 workplan, but support for community engagement in planning will be designed into the 2014 workplan for approval by the end of this year. AIPD support for integrating budgets with minimum service standards will

spread beyond the three priority sectors of health, education and infrastructure and will reach a total of 19 government work units. These efforts will be complemented by the development of Standard Operational Procedures. This system and associated tools will equip the provincial and district development planning agencies and service delivery agencies to measure performance, improve targeting, and replicate successes.

Budget monitoring and evaluation: Average local government budget absorption rates were 87 per cent in 2011 and 75 per cent of budget expenses were spent during the last quarter of the year. In 2012, the absorption rate improved significantly to 56 per cent as of August due to the implementation of development planning, monitoring and evaluation systems widely known as e-Montep, as required by the Presidential Working Unit for the Development Monitoring and Evaluation. Responding to the national policy, East Java took the initiative to establish the Governor's Working Unit for the Provincial Development Monitoring and Evaluation to reach all districts and municipalities. Responding to this opportunity, during the second half of 2013 AIPD will place emphasis on the strengthening of these systems.

E-procurement Strengthening: Effective and efficient procurement is the key to optimal, balanced and efficient government spending. In order to accelerate the procurement process, the national government launched e-procurement through Presidential Decree 54/2010. As of August 2012, the absorption rate in East Java improved with 56 per cent spending, and e-procurement contributed to this achievement. In the second half of 2013, AIPD will support the implementation of e-procurement through training for staff in procurement units and interested contractors in Sampang and Malang. With e-procurement systems in place, transparent government procurement will improve budget absorption rates, diversify planning options, and ultimately contribute to economic growth.



Inside the East Nusa Tenggara data centre library

Gender responsive budgeting: East Java's executive leadership has a strong track record of promoting gender responsive budgeting. AIPD will take advantage of this political momentum to continue providing technical assistance across both the executive and legislative branches, in particular on how to develop gender budget statements. Further technical assistance will be provided to ensure line agencies use gender disaggregated data. A workshop on the implementation of a national action plan on gender mainstreaming will be held in Sampang to ensure the action plan is translated into local activities.

Parliamentary secretariat strengthening: Local parliament secretariats are the key support system to ensure parliaments play their part in delivering on-time budget approval, legal drafting, monitoring and evaluation. AIPD will provide training to secretariat staff in the East Java provincial parliament on accounting procedures, effective minute writing, data management and web-based information dissemination. At the district level, capacity building will extend beyond the secretariat staff to members of parliament. Training will be provided on budget tracking, analysis and interpretation of the financial audit report, effective public consultation, and legal drafting. With increased capacity and tools for budget tracking, the legislatures will play their role in ensuring every rupiah allocated for the target sectors will be effectively used. Increased capacity to analyse audit reports will equip them to respond to executive accountability reports.

Capacity building for parliaments: AIPD will also provide capacity building for parliamentarians on public consultation and legal drafting. Legislation at the local level can be initiated either by the executive or the legislative branch, but a lack of capacity within the latter means most legislation is initiated and driven by the former. With AIPD support, the legal drafting function of the legislature will be strengthened, focussing on

the development of legislation governing freedom of information and the quality of public services. Since there will be an election in 2014, AIPD support will focus on developing work plans, systems and standard operating procedures. These will be ready and available to assist newly elected members of parliament.

Effective Journalism: The role of media is fundamental to advocating for improved budgetary performance by executives and legislatures. In the past, the media reported only numbers and proportions but rarely any analysis of trends or what the numbers mean for the quality of services delivered by governments. The capacity of journalists to investigate, analyse and report in a constructive way about public finance management will be the target of assistance from AIPD's implementing partner, Jawa Pos, in the second half of 2013. They will also conduct a Photography Award focusing on public service. The award aims to provide the public with photo documentation on public services and programs implemented by local governments. This event will increase people's awareness about the importance of public finance management and how it affects their lives. Journalists who can report meaningfully and objectively about budgets will increase the public interest value of media coverage on public finance management

Establishment and functionalisation of data centre: AIPD is designed to improve performance by building capacity on the demand and supply sides of the public finance management equation. Our knowledge management Key Products serve to connect these two sides by fostering knowledge generation, sharing and use among key stakeholders. AIPD's implementing partner for knowledge management BaKTI, will support the establishment of a data centre at the province level, in line with interest already shown from the Program Management Committee. Data centres provide a foundation of accurate data

and information upon which programs and projects can build. Scoping and design work will proceed in the second half of 2013.

Donor Coordination Strengthening: Also relating to the knowledge management agenda, BaKTI will facilitate a donor coordination forum and management information system. With the system in place, the forum will manage development efforts initiated by national and international actors, and integrate these with the development priorities of local governments.

Gender Profiling: AIPD's gender action plan stipulates two types of gender outputs: gender specific outputs and outputs to integrate gender responsiveness into all other Key Products. In the second half of the year, AIPD will conduct gender profiling in Malang to identify options for gender specific outputs. East Java is above average in gender equality with 40 per cent participation by women, compared to the average 29 per cent nationally. Gender profiling will generate the data necessary to make further improvements and establish East Java as a seat of best practice on gender issues.

Nusa Tenggara

Politics: In East Nusa Tenggara, the incumbent governor Frans Lebu Raya won re-election alongside his running mate Benny Alexander Litelhoni. The winning margin was only 2.5 per cent with a voter turnout of 69 per cent. In West Nusa Tenggara, the incumbent governor, Zainul Majidi, also won re-election in one round by a convincing margin from a 75 per cent voter turnout. Both election results are good news for AIPD as the program has existing strong relationships with both governors. The result also means there will unlikely be major reshuffles of government officials at the province level in the coming months. AIPD will offer to support the production of five-year development plans (2013-18) in both provinces during the second half of 2013, the first task of the newly re-elected administrations.

Using Public Expenditure and Revenue Analysis results: AIPD implementing partner, BaKTI, will finalise the Public Expenditures and Revenue Analysis in the second half of 2013. The first draft shows that local government revenues in Nusa Tenggara have been steadily increasing since 2007. However, the bulk of these increases come from national transfers, not locally generated revenues, so the proportion of discretionary spending has not risen. Consequently, AIPD's implementing partner for public finance management technical assistance, the Institute for Research and Community Service from the University of Brawijaya, will focus on optimising local revenues to increase the proportion of discretionary spending and tilt budget mix towards local interests and priorities. This will be achieved through optimisation of taxes and more productive investment to raise dividends. The effectiveness of gender responsive education, health and infrastructure expenditures will also be highlighted.

Human Development Index: West Nusa Tenggara has implemented numerous programs aimed at reaching medium-term and Millennium Development Goal targets in infrastructure, health, agriculture and education, but the

National Statistics Agency reports gains over the past five-years cannot be measured due to a lack of data. Responding to a request from the provincial government, AIPD will conduct a human development study to promote the implementation of evidence-based policy-making. The results of the study will be used to guide inputs for the medium-term development plan at the province level and in the district of Lombok Barat.

Establishment of public finance management learning centres: AIPD will support the civil service authority to become the public finance management learning centres in East and West Nusa Tenggara. These institutions will build the capacity of government personnel that have a role in public finance management at province level and in all districts. AIPD initially planned to support local universities to become learning centres, but further assessments and recent developments indicate the need to modify the strategy for reasons of practicability and sustainability.

Budget monitoring and evaluation: In 2012, the budget absorption rate for West Nusa Tenggara was the fourth best nationally at 95 per cent. However, until the end of May 2013, the rate was only 29 per cent. This confirms the ongoing need for AIPD to support budget monitoring by implementing the development planning, monitoring and evaluation systems widely known as e-Montep. After its success at the province level last year, in 2013 e-Montep will be extended to the district level including Lombok Barat, Lombok Utara, Bima and Dompu. AIPD will also support the application of similar systems for planning and budgeting.

Asset management: Asset management was the main problem identified in audits of the Nusa Tenggara provinces and districts by the National Audit Agency over recent years. Particular weaknesses are clustered around the appraisal of market values, the absence of proper documentation, and the use of management information. AIPD will provide training, workshops and technical clinics on developing quality asset management systems. Specifically, AIPD will support the use of Geographic Information Systems to inventories and track major assets belonging to public works, forestry and fisheries agencies across 10 districts and municipalities.

Management of not-for-profit organisations: Law 23/2005 provides for provincial and district governments to establish not-for-profit organisations supplying public services with high efficiency and productivity such as hospitals. However, the management of these not-for-profit organisations in Nusa Tenggara needs improvement in respect of administration, price setting, remuneration and accounting. In the second half of the year, AIPD will support both provinces to ensure management arrangements conform to the requirements of the law. With better management, the quality of public services will be cost efficient and high quality.

Legislature Strengthening: Anticipating that new parliament members will be elected during the general election in 2014, AIPD will focus on strengthening systems for the induction of new parliamentarians. New parliamentarians require support

to quickly understand and manage public consultations, legal drafting, reviewing plans and budgets, gender responsive budgeting, freedom of information and strategies for improving public services. AIPD will also support the implementation of a back-to-office report mechanism to ensure that parliamentarians properly document consultations with constituents.

Establishment of data centres: Needs and readiness assessments demonstrate a strong commitment at the province level in West Nusa Tenggara. Capitalising on this momentum, in the second half of 2013, AIPD's partner BaKTI will support the establishment of a data centre named Bale lte, which means Our Home in the Sasak language.

Donor Coordination Strengthening: AIPD's knowledge management implementing partner, BaKTI, will support donor coordination units within the East and West Nusa Tenggara provincial development planning agencies to strengthen coordination, communication and collaboration between local governments and external development assistance organisations. The donor coordination unit in East Nusa Tenggara will also evaluate the effectiveness of international aid delivered at the district level with a view to disseminating smart practices. The focus will be the establishment of donor coordination units called SPADU in Ngada, Timor Tengah Utara, Flores Timur and Sumba Barat Daya.

Identification of Smart Practices: AIPD's implementing partner BaKTI will identify various research topics and smart practices regarding decentralisation issues and document these practices for information sharing and replication in other provinces and districts. The topics may come from and be based on local needs and priorities. The topics in East Nusa Tenggara will be the successful data centres and functioning civil society network, whereas in the West Nusa Tenggara they will be the implementation of the freedom of information law and synchronisation between recess and musrenbang.

Gender Profiling: AIPD will conduct gender profiling in Flores Timur and Lombok Utara to identify options for gender specific outputs. Nusa Tenggara is below average in gender equality with 25 per cent women's participation compared to the national average of 29 per cent. Gender profiling will help AIPD target measure to increase participation to the minimum target of 30 per cent.

Establishing E-Public: AIPD will establish an electronic database in West Nusa Tenggara to enable the provincial government to collect, manage and serve public data more efficiently. The e-public system will improve the government's ability to provide information services as well as ease the process for members of the public to access public information via a website.

Effective journalism: Through partnership with Jawa Pos, AIPD will establish a journalist network and provide training on public finance management. As mass media is one of the influential actors in local politics, journalists are a strategic way to increase public participation in developing planning and budgeting.

User-friendly budget publications: AIPD will assist civil society networks in facilitating citizens to actively engage in budget development and implementation. This will be done through training, technical assistance, and campaigns using posters and guide books using simple language.

Similar to other AIPD target provinces and districts, the following areas will be the subject of activities and events in the Nusa Tenggara provinces and districts in the second half of the year:

- Establishment and strengthening women's parliamentary forums / caucuses
- Integration of minimum service standards into local government planning and budgeting.
- Strengthening the internal audit system.
- Strengthened civil society engagement in planning, budgeting, and advocacy.
- Implementation of Citizen Report Cards.
- Establishment and strengthening multi-stakeholders forums for pro-poor budgeting.
- Development and implementation of an application to proliferate the freedom of information (called E-Public).
- Journalist training on planning, budgeting, and reader friendly writing.

Papua and West Papua

Politics: At the gubernatorial election in Papua in January, Lukas Enembe and his running mate, Klemen Tinal, representing the Democrat Party won with 52 per cent of the vote against the nearest challenger on 18 per cent, based on a voter turnout of 72 per cent. Following inauguration the new governor laid out policy priorities at the annual Musrenbang. He highlighted six areas in need of support: (i) a review of development achievements to 2012, (ii) synchronisation of provincial and national medium term plans, (iii) improvement in government spending, (iv) control of the price of essential goods, (v) development of major infrastructure, and (vi) identification of strategic development issues. AIPD will take the opportunity to support these priorities starting with the production of a five-year development plan (2013-18) synchronised with the national medium development plan in Papua during the second half of 2013.

Medium- and long-term development plans: The coming months will be a period of long and medium term plan development, and AIPD is designed to support this process by making it more rigorous and evidence-based. The challenge as always with these planning documents is to synthesise bottom up needs with top-down priorities. AIPD has provided this kind of support in numerous other provinces and can bring a range of smart practices to bear when supporting Papua and West Papua. West Papua province and South Sorong district have also indicated a need for AIPD support in developing monitoring mechanisms to be built into their long- and medium-term plans.

Strategic planning for selected working units: AIPD's implementing partner for Papua, Cendrawasih University, will continue the support provided in this area since 2012 to health, education and public works agencies in



Vaccination service in health centre, Manokwari, West Papua

Merauke, Pegunungan Bintang, Kerom and Supiori. These strategic plans will translate the development goals of each work unit into an achievable program of action.

Community-driven development: Following the success of the National Community Empowerment Program, many provinces and districts have attempted to replicate with similar community driven development schemes. In Papua such programs include Gerbangku Program in Merauke and the BK3 Program in Kerom. Both programs feature IDR1 billion (AU\$100,000) grants to the village level. Under the new name Prospek (village strategic development program), Governor Lukas Enembe intends to increase the allocation of special autonomy funds from 60–80 per cent to be managed by district governments, include for community grants. This will increase the need for support in better quality program management. AIPD will provide simultaneous inputs for strengthening rights-based budgeting and community-driven development approaches with special attention to the role of village facilitators.

Public finance management learning centre: Audit results across both Papuan provinces highlight the needs for concrete capacity building efforts in public finance management. AIPD will support regional civil service authorities to become public finance management learning centres. In turn, these institutions will build the capacity of government personnel that have a role in the public finance management across both provinces and in all districts.

Harmonisation of legislatures: The overlapping roles of the Papua People Assembly and the Provincial Legislature have resulted in conflicts between the two institutions. In the second half of 2013, AIPD will support efforts to synchronise their roles, eliminating inefficiencies to streamline public finance management and service delivery.

Legal drafting: A number of priority local laws will be developed by provincial and district governments in the coming months, and AIPD stands ready to provide support. Laws will cover a range of issues including integration of minimum standards into public service delivery and the regulation of local government-owned enterprises.

Citizen Report Card: At the provincial level, AIPD implementing partner Pattiro will support the government with the analysis of public satisfaction on the performance of service delivery (using Citizen Report Cards). The results of the survey will then be disseminated to civil society organisations to increase their role in public finance management.

Freedom of information: AIPD's implementing partner, Pattiro, will support the establishment of the provincial information commission in Papua. The functioning commission will ensure public access to information as required by Law 14/2008.

Establishment of Data Centres: In both Papua provinces, the results of needs and readiness assessments reveal strong commitment and justification for establishing data centres. Capitalising on this momentum, in the second half of 2013, AIPD's partner BaKTI will support the establishment of data centre focusing on the province level in Papua and West Papua and in the districts of Merauke, Manokwari and Fakfak.

Identifying smart practices: BaKTI will identify various research topics and smart practices regarding decentralisation issues and document these for information sharing and replication in other provinces and districts. The topics will be based on local needs and priorities.

Gender Profile: In both Papua provinces women's participation is 29 per cent, just below the minimum target of 30 per cent. In the second half the year, AIPD will conduct gender profiling



A father with his wife and child crossing a bridge

to map the baseline data for further improvement of gender equality. The profiling will be done in Merauke and Manokwari.

Effective journalism: While most journalists in Papua and West Papua work mainly in the cities, mass media is becoming increasingly influential in rural areas and in the AIPD target districts. AIPD through Jawa Pos will train journalists on public finance management and writing skills to increase their capacity to publicise government plans and budgets.

Similar to other AIPD target provinces and districts, the following areas will be the subject of activities and events in the Papua provinces and districts in the second half of the year:

- Public Expenditures and Revenue Analysis.
- Capacity building for legislatures and secretariats.
- Development and functionalisation of management information systems.
- Enhancement of e-procurement.
- Civil society network strengthening.
- Support for freedom of information institutional infrastructure
- Media strengthening and photography awards.
- Donor coordination and forums.

Central Government

Following the Program Coordination Committee meeting held in March 2013, and staff rotations within the Centre of the Administration of Overseas Cooperation within the Ministry of Home Affairs, AIPD is extending our support on decentralisation through the three main central government counterparts in a conducive atmosphere of equal partnership and mutual respect.

Ministry of Home Affairs: The Directorate-General for Regional Autonomy requested AIPD support to conduct a pilot indexing survey of local parliament performance, which will feed into an incentive scheme for local parliaments in the form of a Local Parliament Award. This pilot will be disseminated nationally once

the methodology and instruments used are proven and applicable. The Directorate-General also requested AIPD assistance to improve the implementation of minimum service standards.

Ministry of Finance: AIPD's workplan with the Ministry of Finance for the second half of the year will focus on continuing support for the TADF to produce policy briefs and research papers. Most of these will have a direct relevance to AIPD's end-of-program outcome. AIPD will also support the Directorate-General of Fiscal Balance to develop a model of for output-based transfers that will be piloted in 2014. The same Directorate-General will also be supported to expand the public finance management learning network.

Bappenas: Under the umbrella of the new Support to Decentralisation and Regional Autonomy Policy Initiatives scheme, Bappenas is expecting AIPD support to carry out a background study on decentralisation and regional autonomy for the next national medium term development plan, planning and budgeting training for officials in Papua and West Papua, and a study on asset management by local governments.

Cross Regional

Core funding for BaKTI. Due to BaKTI's strong performance during the period April 2011 – June 2013, AIPD will extend core-funding until March 2015 to further contribute to the delivery of Key Product 12. Through BaKTI, AIPD will increase development actors' interaction and access to knowledge products focused on more effective development in eastern Indonesia by:

- Supporting development actors to collaborate and harmonise development initiatives.
- Encouraging development actors to learn from one another and share knowledge to improve the quality of programs.
- Providing media and building mechanisms so development actors are able to deliver and provide input to the development agenda.

Managing risks

– keeping a complex program on track



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. Consequences in terms of instability resulting from the election of a new governor in Papua are still emerging. The degree to which the new governor can deliver on promises to his supporters may influence stability in the region over the coming months. The outbreak of violence between members of the community and security authorities in Pegunungan Bintang in June highlighted the ongoing risks to the safety of AIPD staff, and the reputation of the program if beneficiary groups, or members of such groups, were found to be involved in civil unrest. 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.

Coordination risk

Ongoing adjustments to AIPD's top-level governance arrangements are reducing the likelihood of further coordination problems, although the consequence of any further delays in program implementation would be extremely serious and would render the program theory invalid. In 2012, coordination problems between AIPD and the Centre for Overseas Cooperation Administration (AKLN) within the Ministry of Home Affairs created significant difficulties for AIPD to move from intentions and plans (program design) to smooth and sound program implementation. AIPD lobbying and the personal intervention of the Secretary-General led to a major breakthrough in resolving these problems at the Program Coordinating Committee meeting in March 2013. At the end of this reporting period,

AIPD is benefitting from a reshuffle that has placed talented and committed officers in key partnership roles. Progress in rolling out activities with Bappenas, the rapid processing of a revised Subsidiary arrangement by the Ministry of Home Affairs, and the convening of a Ministry of Home Affairs led multi-program workshop to streamline grant management procedures are all evidence of a significantly strengthened partnership.

Implementing Partner performance risk

The level of risk from poor implementing partner performance has reduced but remains high. AIPD provincial and district staff, and members of the AIPD Technical Support Team, provide ongoing feedback to implementing partners to improve their performance. Performance is systematically tracked and managed at monthly provincial program management team meetings. These meetings are part of a deliberate strategy to give provincial stakeholders greater ownership and authority over the inputs delivered by implementing partners. AIPD therefore has clear contractual tools for managing poor performance. Ultimately, contracts with implementing partners that do not meet the required standards will be terminated.



A wooden bridge is indicative of the state of local infrastructure in Supiori, Papua

Expenditure and projections

During the first half of 2013 (1 January – 30 June), AIPD expended a total of AU\$4,448,772. The actual period of expenditure was from April–June as all activities were frozen in the first three months of this year. This is the highest amount spent in any similar period and reflects the markedly increased activity and rate of implementation. This good result demonstrates the capacity of the program to greatly increase the rate of implementation. The expenditure for the period from the beginning of the program (1 January 2011) to 31 December 2012 was AU\$6,950,800. Thus the total expenditure by the program from 1 January 2011 to date (30 June 2013) is AU\$11,399,572. The expenditure for the financial year (July 2012 – June 2013) was AU\$8,090,935.

The estimated expenditure based on the Annual Work Plan (AWP) for 2013 for the July–December 2013 period is AU\$14,498,925 and the estimated expenditure for the financial year (July 2013 – June 2014) is AU\$23,716,374. This figure is based on the AWP for calendar year 2013 and projections for the first six months of next year. There are carry over activities from the AWP 2012 that are currently being implemented and funds have been allocated. The AWP's are developed jointly with AIPD's government partners at all levels. This coming financial year (July 2013 – June 2014) will be the peak year of expenditure and a year of intense activity.

The program has faced serious delays that are described in other sections of this report. The main obstacles to implementation have been overcome. There is very strong support from the ministries and very good relationships and support in nearly

all the regional areas. However, even with good support and involvement from partner governments, delays can be expected for a range of reasons not least amongst them the need to produce quality outputs. To take account of probable delays the program will overcommit funds in the region of 25–30 per cent in the first instance. The rate of spending will be monitored constantly and adjustments made to commitments to ensure the total allocated budget and the carryover from the previous financial year (July 2012 – June 2013) will also be expended. The scale of the activity may be adjusted to ensure budget is not overspent.

The final financial year of the program will only see modest expenditure of around AU\$11 million. The rate of expenditure and commitments will be under constant review and AusAID will be updated regularly on risks that may impact on expenditure. Another section of this report describes the need for an additional year to ensure the program does not experience implementation failure. As we move forward, we shall be better able to predict if additional imprest funds will be required for the requested additional year.

We see that the highest expenditure of funds was in NTT compared with the other regions. Central government activities constitute a large proportion of supply side expenditure. If we compare spending between the components, a larger proportion of spending is observed in the supply side. This is understandable since the delivery design document suggested planning and budgeting are the first issues to tackle of the nine public financial

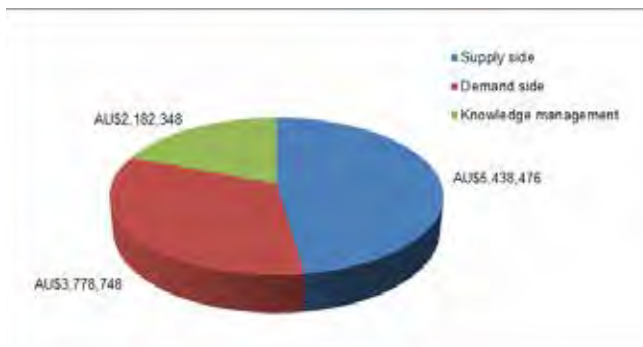
management elements. The entry points to provide support in planning and budgeting are through supply side stakeholders.

The total expenditure by component and region for period of 1 January 2011 – 30 June 2013 is shown in the charts 1 and 2.

Charts 3 and 4 indicate the breakup of the components across the regions for the period 1 July – 31 December 2013.

The higher spending of the supply component at central level is not surprising and as can be expected there is higher spending on the demand side in the regions as shown in Chart 5.

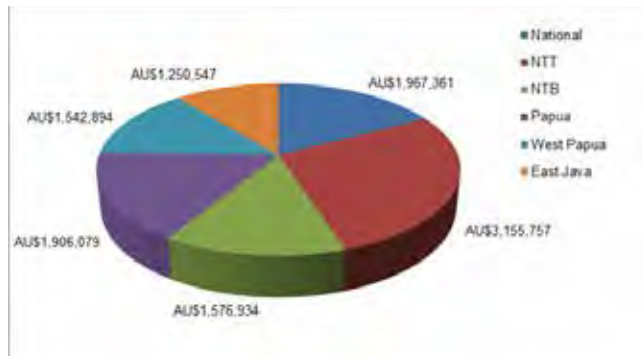
1. Total Expenditure: 1 January 2011 – 30 June 2013 by Component



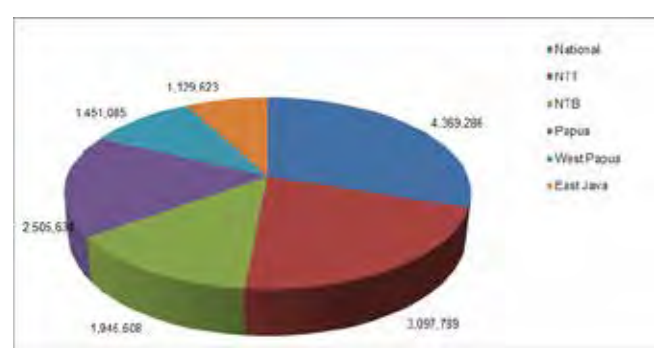
2. Total expenditure: 1 January 2011 – 30 June 2013 by Region



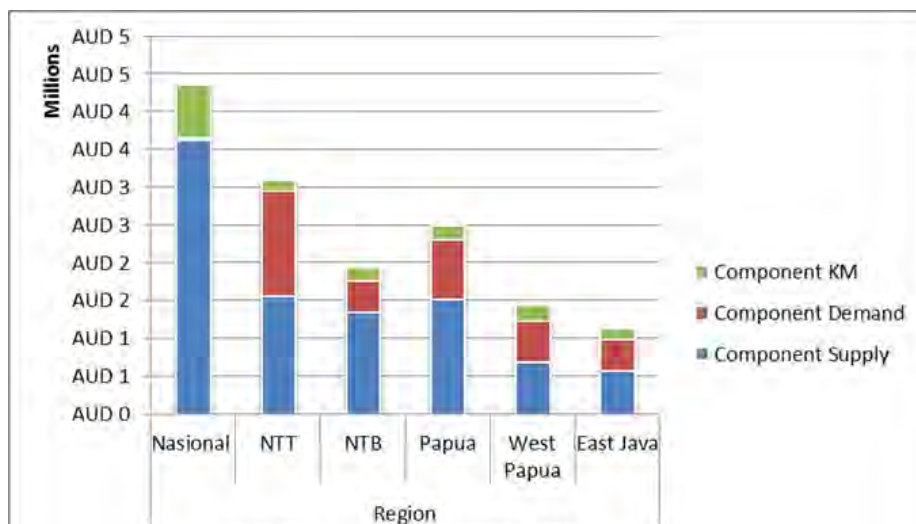
3. Projection: 1 July – 31 December 2013 by Component



4. Projection: 1 July – 31 December by Region



5. Projection: 1 July – 31 December 2013 by Component by Region



Meeting AusAID's M&E standards

This progress report has been prepared in accordance with AusAID M&E Standard No. 3: initiative progress reporting.

	Minimum Required Standard	Compliance in this Report
3.1	There is an executive summary that communicates the key information required for QAI reporting.	<ul style="list-style-type: none"> • Inside cover page • Message From the Program Director (p.2)
3.2	There is a reflection on the continuing relevance of the expected end-of-program outcomes	<ul style="list-style-type: none"> • Message from the Program Director (p.2) • Looking back to the beginning – are we where we should be? (p.12)
3.3	An assessment of the adequacy of progress toward sustained end-of-program outcomes is described	<ul style="list-style-type: none"> • Looking back to the beginning – are we where we should be? (p.12)
3.4	Factors that have accounted for the adequacy of progress toward sustained end-of-program outcomes are explored	<ul style="list-style-type: none"> • Looking back to January – things we did well (p.3) • Looking back to January – things that did no go as expected (p.9) • Looking back to the beginning – are we where we should be? (p.12)
3.5	The implications of factors identified are discussed with respect to the likely achievement of end-of-program outcomes	<ul style="list-style-type: none"> • Looking back to January – things we did well (p.3) • Looking back to January – things that did no go as expected (p.9) • Looking back to the beginning – are we where we should be? (p.12)
3.6	Management responses taken to date or proposed for the future are described in terms of the likely achievement of end-of-program outcomes	<ul style="list-style-type: none"> • Looking ahead to 2015 – applying the lessons (p.27)
3.7	The quality, reach and coverage of key outputs or deliverables for the reporting period are described	<ul style="list-style-type: none"> • Looking back to January – things we did well (p.3) • Looking back to January – things that did no go as expected (p.9)
3.8	The adequacy of progress against the annual plan is described	<ul style="list-style-type: none"> • Looking back to January – things we did well (p.3) • Looking back to January – things that did no go as expected (p.9)
3.9	A reflection on the adequacy of planned inputs to meet the expected end-of-program outcomes is provided	<ul style="list-style-type: none"> • Looking ahead to 2015 – applying the lessons (p.27) • Looking ahead – region by region (p.31)
3.10	The adequacy of progress against the budget is assessed	<ul style="list-style-type: none"> • Expenditure and projections (p.38)
3.11	Factors that have accounted for the progress against the annual plan and budget are explored	<ul style="list-style-type: none"> • Looking back to January – things we did well (p.3) • Looking back to January – things that did no go as expected (p.9) • Expenditure and projections (p.38)
3.12	The implications of factors identified are discussed with respect to the likely achievement of outputs against the annual plan and budget	<ul style="list-style-type: none"> • Looking back to January – things we did well (p.3) • Looking back to January – things that did no go as expected (p.9)
3.13	Management responses to issues taken to date or proposed for the future are described in terms of progress against the annual plan and budget	<ul style="list-style-type: none"> • Looking ahead to 2015 – applying the lessons (p.27) • Looking ahead – region by region (p.31) • Expenditure and projections (p.38)
3.14	The efficiency and effectiveness of key management or implementation systems is assessed or demonstrated	<ul style="list-style-type: none"> • Looking ahead to 2015 – applying the lessons (p.27) • Managing risk (p.37)

	Minimum Required Standard	Compliance in this Report
3.15	Factors that have accounted for the strengths or weaknesses in management or implementation systems are described	<ul style="list-style-type: none"> • Looking back to January – things that did not go as expected (p.9) • Looking ahead to 2015 – applying the lessons (p.27) • Managing risk (p.37)
3.16	The implications of management systems factors identified are described	<ul style="list-style-type: none"> • Looking back to January – things that did not go as expected (p.9) • Looking ahead to 2015 – applying the lessons (p.27) • Managing risk (p.37)
3.17	Management responses taken to date or proposed for the future are described in terms of management or implementation systems	<ul style="list-style-type: none"> • Looking back to January – things that did not go as expected (p.9) • Looking ahead to 2015 – applying the lessons (p.27) • Managing risk (p.37)
3.18	The relevant aspects of the context are adequately described	<ul style="list-style-type: none"> • Looking back to the beginning – are we where we should be? (p.12)
3.19	The report achieves a fair balance between reporting of positive or negative issues or achievements	<ul style="list-style-type: none"> • Looking back to January – things we did well (p.3) • Looking back to January – things that did not go as expected (p.9) • Looking back to the beginning – are we where we should be? (p.12)
3.20	The report provides credible evidence of claims made	<ul style="list-style-type: none"> • Figures and tables presented throughout the report and made available on our website
3.21	Important lessons are summarised	<ul style="list-style-type: none"> • Looking ahead to 2015 – applying the lessons (p.27) • Managing risk (p.37)



Mobile toilet, Surabaya, East Java



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