

**Core Management and Budget Skills
for Indonesian Local Governments
Quarterly Report**

April 1, 2003 – June 30, 2003

Prepared for:
USAID/Jakarta – Office of Democracy and Local Governance

July 17, 2003

International City/County Management Association

SUM IQC Contract No.: LAG-I-00-99-00008-00
Task Order No.: 808 (ICMA 701.012.01.IND)

**“Building Institutions for Good Governance”
Core Management and Budget Skills for Indonesian Local Governments**

USAID Quarterly Report No. 11

April 1, 2003 – June 30, 2003

Table of Contents

I.	Introduction.....	1
II.	Major Accomplishments this Quarter	4
II.	Challenges/Issues of Concern Affecting Implementation and Actions Taken.....	7
IV.	Projected Activities for Next Quarter	8

Annex:

Annex 1: Monitoring and Evaluation Matrix

I. Introduction

The International City/County Management Association's (ICMA) Building Institutions for Good Governance (BIGG) Program operates under USAID Strategic Objective 10: Decentralized, Participatory Local Government. To this end, it is designed to help USAID meet its four intermediate results (IRs):

- IR 1: Appropriate Environment Established to Enable Effective Local Government
- IR 2: Local Government Capacity Strengthened to Deliver Effective Services
- IR 3: Participation Increased in Local Government Decision-Making
- IR 4: Associations of Local Governments and Officials Established as Advocates

The implementation of the "Core Management and Budget Skills for Indonesian Local Governments" Task Order began on September 30, 2000. This report covers the period April through June 2003 (Quarter 11) and covers the major accomplishments and challenges for the eleventh quarter along with the planned activities for the twelfth quarter.

II. Major Accomplishments

Field Operations

K2K Model: In this quarter, BIGG launched the K2K program (which is an Indonesian acronym for "City to City" or "City to County" or "County to County"), whereby BIGG works closely with six local governments that participated in the first two years of the program. These six core local governments share experiences and information preparing performance budgets with twelve new local governments, called satellites. The core and satellite local governments prepare budget calendars, budget instructions, citizen involvement plans and performance budgets from one of the following three areas: transportation, health, or public works. BIGG prepared and signed Memorandum of Understanding (MOUs) with 6 core local governments and 12 satellite local governments. The table below lists the core and satellite local governments partnering with BIGG in Year Three along with their selected focus area.

BIGG's Core and Satellite Local Government Partners

Province	Core	Satellite	Focus Area
South Sulawesi	Kabupaten Gowa	Kabupaten Sidrap	Public Works
		Kabupaten Pangkep	
West Sumatera	Kota Bukittinggi	Kabupaten Tanah Datar	Public Works
		Kota Solok	
Central Java	Kabupaten Pati	Kabupaten Kudus	Health
		Kabupaten Sragen	
	Kabupaten Sukoharjo	Kabupaten Klaten	Health
		Kabupaten Boyolali	
West Java	Kota Bogor	Kabupaten Serang	Transportation
		Kota Tangerang	
East Kalimantan	Kota Samarinda	Kota Bontang	Public Works
		Kabupaten Kutai Timur	

Each satellite local government has established a technical team, consisting of eight to twelve members recruited from the executive and legislative branches to work intensively with BIGG's Team Leaders and Local Coordinators. Each satellite local government has also received an Internet-connected computer and application software to be used by the Local Coordinator.

In May, the core local governments met for the first time in a 1.5 day workshop in Yogyakarta to discuss ways of sharing information and experiences with the satellites and to discuss the idea of forming a national working group on performance budgeting to share information with other local governments throughout Indonesia. The Team Leaders, Local Coordinators, and two staff from each of core local governments also participated in a three-day Training on Materials (TOM) for workshop series A. Immediately following the TOM, they conducted Workshop Series A for the twelve satellite local governments.

The Team Leaders also assisted with the preparation of terms of references and samples of the three program deliverables (budget calendar, budget instructions, and public information and involvement plan) that the 18 local governments participating in the program are required to prepare. These samples will form a critical part of the reference manual on performance budgeting that will be distributed to local governments.

The Field Operations team also conducted the first of four information sharing workshops with core and satellite local governments. The goal of the information sharing workshops is to provide the six local government clusters (comprised of one core local government and its two satellite local governments) with a minimum of four opportunities during the year to share their knowledge, skills, experiences with each other as they implement performance budgeting.

This information sharing model introduces self-reliance and cooperation among Indonesian local governments as opposed to reliance on outside consultants and technical consultants. In addition to the information sharing workshops, it is also expected that each cluster will conduct regular, informal information sharing throughout the year. Contracts between BIGG/ICMA and two staff from each core local government have been established to facilitate this regular communication between the clusters.

In June, Team Leaders reviewed and gave feedback on the draft focus area budget calendars that were submitted by 18 local governments in the K2K program to help them improve the quality of their budget calendars.

Papua: Three kabupaten in the province of Papua (Fak-Fak, Manokwari, and Sorong) signed Memorandum of Understanding with BIGG to receive on-site technical assistance and the three-part, interactive ABC workshop series to assist them with preparing four program deliverables (i.e., budget instructions, budget calendars, performance budgets for one focus area, and a public information and involvement plan). A full-time Jakarta-based Team Leader, a full-time Fak-Fak based Team Leader, and three part-time on-site Local Coordinators were recruited for this purpose. Each kabupaten has established a technical team, consisting of eight to twelve members recruited from the executive and legislative branches to work intensively with BIGG's Team Leader and Local Coordinators.

Sleman: Kabupaten Sleman will prepare a performance budget for one focus area (health) that places special emphasis on data collection, monitoring, and reporting. BIGG is helping to set up an account code structure that will enable the focus area to collect and monitor data; evaluate how well the budget projections match actual expenditures; and evaluate to what degree the focus area accomplished its goals and objectives. In May and June, BIGG conducted a needs assessment and prepared a Terms of Reference and Memorandum of Understanding to conduct this work.

Evaluation and Assessment of Program Deliverables from Year Two: In this quarter, Paul Young (short-term technical advisor) and the Team Leaders conducted a two-hour session on June 4 in Jakarta with the heads of the core local governments to provide them a high level overview and feedback on their local government's performance budget. A draft summary of the assessment has been prepared which will give an overview of the second year results. The purpose of these assessments is to provide budget preparers in the LGUs with feedback and input for preparing their 2004 budgets.

Training and Publications

In June, BIGG's training team sponsored a national conference in Jakarta. This one-day conference provided an opportunity for local government partners from the first, second and third years of the program to discuss issues related to implementing performance-based budgeting and promote interregional cooperation. The primary purpose of this conference was to provide an opportunity for BIGG's local government partners to network with each other, exchange information, and hear speakers from the Ministry of Home Affairs and Ministry of Finance provide timely and relevant information on issues affecting the implementation of performance budgeting. Keynote speakers from the central government included Machfud Sidik (Director General of the Ministry of Finance), Dr. Supomo Prodjoharjono (Ministry of Home Affairs), Dr. Mulia P. Nasutian (Ministry of Finance - BAKUN), and Dr. Abdul Halim (University of Gaja Madah). Topics presented included the status and impact of the accounting standard on the implementation of performance budget in local governments and how performance budgeting be used in preparing the Mayor's accountability report. A press conference was held during the conference which provided an opportunity for Machfud Sidik to address the national and local media.

The day before the national conference, the seven heads of the core local governments met for a one-day workshop in Jakarta to receive feedback on their 2003 performance budgets, participate in a discussion and practice session to learn the "why and how" of preparing policy statements, and to further explore the idea of forming a performance budgeting working group. Participants agreed to work with the associations to form working groups on an ad hoc basis on specific issues to address the mutual needs and concerns of the associations' members.

In Quarter 11, the Training and Publications Team also worked on the following tasks:

- Delivered a three-day Training on Materials for Workshop A for the K2K Model to train Team Leaders, Local Coordinators, university professors, and two staff from each core local government.
- Drafted Terms of References and samples of the four program deliverables: public involvement plan, budget calendar, budget instructions, and performance-based budgets.
- Facilitated a one-day national conference in Jakarta.
- Facilitated a one-day workshop for the heads of local governments from the core local governments to provide them: feedback on their performance budgets; opportunity to form a working group on performance budgeting; and information on the "how and why" of preparing policy statements.
- Prepared logistics for six regional conferences and implemented two of the conferences (Medan and Lampung) in conjunction with the local government associations. A training needs assessment was designed and implemented at these regional conferences to solicit input for the Association Model, where BIGG will help each association (APEKSI and APKASI) prepare a one-day workshop on a topic deemed important by their members. Also, the marketing for the P2P program was conducted.
- Drafted numerous terms of reference for all activities in BIGG's Work Plan.
- Provided training backup to the Field Operations team in the implementation of the K2K Model.
- Delivered a presentation at USAID's Decentralized Local Government retreat.
- Drafted the Local Government Assessment Report.
- Drafted the Training and Publications Strategy.
- Drafted Terms of References and samples of three program deliverables (public involvement plan, budget calendar, and budget instructions) for the reference manual on performance budgeting.
- Secured signed letters of agreement with APEKSI and APKASI and university partners (UGM and UNHAS) to participate in BIGG's training pool.

- Secured signed letter of agreement with staff from the Ministry of Finance to participate in BIGG's training pool.
- Produced a new bilingual BIGG brochure, BIGG Picture Edition 23 on a "Citizen's Guide to the Budget," and drafted the BIGG Picture Edition 24 on How to Write Vision, Mission, Goals, Objectives, and Activities (to be printed in quarter 12).
- Inserted new bilingual text and graphics to update BIGG's website and updated the website with new changes to the program.
- Drafted several sections of the performance-budgeting reference manual.

Province Model: In this quarter, BIGG's Training Team also launched the Province Model. The province of South Sulawesi signed an MOU with BIGG to receive a three-part training of trainers workshops on performance budgeting at the end of May. As a result, the province of South Sulawesi became the first province this year to receive training from BIGG under BIGG's Province Program. Thirty trainers (24 province trainers and 6 local staff from Gowa, Takalar, and Makassar) from the province of South Sulawesi participated in a Training on Materials (TOM) on Workshop A. The TOM was conducted by BIGG's training pool, consisting of trainers from UGM, UNHAS as well as members of BIGG's full-time training staff. The MOU requires that the province trainers conduct Workshop A for at least half of all the kota and kabupaten in their province before they receive the TOM on Workshop B. Based on South Sulawesi's experience with this training model, the Province Model will be expanded to four more provinces where BIGG is active (South Sulawesi, East Kalimantan, West Sumatera, Central and East Java) in 2004. This model greatly expands the number of trainers who can use BIGG's performance budget training materials. It also potentially extends BIGG's reach into all local governments within those five provinces, if the provincial leadership chooses to do so.

The association partners from APEKSI and APKASI began working as full-time participants on BIGG's training team to further develop skills in training design, facilitation, and planning/logistics that will enable each association to carry out a training program for their members if they choose to do so. In addition, the executive directors and two staff from APEKSI, APKASI, ADEKSI and ADKASI were invited to participate in BIGG's national conference and half-day workshop on the "how and why" of preparing policy statements that preceded the national conference. Staff of APEKSI, APKASI, ADEKSI, ADKASI and CLGI were also invited to observe the three-day Training on Materials for Workshop A.

III. Challenges/Issues of Concern Affecting Implementation and Actions Taken

BIGG staff are continuing to feel the impact of the six-month evacuation (October 2002-April 2003) particularly with regard to the scheduling and implementation of activities in the Work Plan. Staff are working on an accelerated schedule in three respects. Firstly, the Province Model was not scheduled to start until 2004. However, due to the eagerness of the province of South Sulawesi (the vice-governor is the former bupati of Gowa, which was selected as a Kota Inti this year) to receive training this year, South Sulawesi became the first province to start the program and they are receiving the three-part training workshop series in parallel with the K2K program.

Secondly, the Papua Work Plan came into effect late this quarter. Staff are now trying to integrate the delivery of training and on-site consulting to three provinces in Papua so that these local governments will receive training in synch with their budget cycle.

Thirdly, for the program as a whole, staff are trying to keep one step ahead of the local governments in terms of providing training, on-site consulting, and sample deliverables so that local governments will have conceptual frameworks and good working models from which to prepare their budget calendars, budget instructions, performance budgets, and public information and involvement plans.

Many of the Indonesian personnel on BIGG's staff as well as the staff of the central and local governments that BIGG works with still lack a thorough understanding of the complexity and number of pieces to the puzzle that are involved in preparing performance budgeting. They do not yet recognize that they have embarked on a fifteen to twenty year journey of getting all the pieces in place (e.g., democratic decision making, planning, accounting, budgeting, data collection/analysis, monitoring, and reporting) to implement performance budgeting. They do not yet seem to realize the length of time it will require, nor all the steps that are required, for central and local government leaders and their staff to change their conceptual, behavioral, and technical frameworks. There are many red threads still missing that need to be put in place to connect the democratic decision making, planning, accounting, budgeting, data collection/analysis, monitoring, and reporting systems.

IV. Projected Activities for the Next Quarter

Field Operations:

- Conduct the K2K B and C workshop series and one information sharing workshop in the K2K Model
- Conduct the K2K A and B workshop series in Papua.
- Review and provide written feedback on the draft budget calendars, budget instructions and public information and involvement plans that the 18 core and satellite local governments in the K2K program and three local governments in Papua submit.
- Conduct one-day workshops with the staff of the six core local governments (participating in the K2K program), Sleman, and the graduates (eleven local governments that participated in the first two years of the program) to provide them more detailed feedback on their four program deliverables that were prepared in 2003.
- Launch the Sleman Special Project in the focus area of health.

Training and Publications

- Conduct the last four of six regional conferences (July 1 in Yogyakarta; July 3 in Mataram; July 8 in Pontianak; and July 10 in Manado).
- Prepare and distribute the performance budgeting reference manual
- Conduct several Training of Trainers workshops on the P2P Model, K2K B and C series, Province B and C series, and K2K information sharing workshops.
- Launch the P2P (Peer to Peer) Model.