

USC – ITB

**CAPACITY BUILDING FOR
DECENTRALIZATION IN INDONESIA**

(CBDI)

**ANNUAL REPORT FOR YEAR TWO
2001**

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Name of Grantee:	University of Southern California
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I. OVERVIEW OF THE PROGRAM

CBDI is a technical assistant project for strengthening the capacity of local governments at the district level that started in January 2000. The review period of this report is the second year of the operation, January 1 through December 31, 2001. The starting date of the review period was the starting date of the decentralized regime mandated by the two laws, Laws 22/99 and 25/99. This project is aimed at building capacity at three levels: local, regional, and national, with a particular emphasis on the local. For building capacity at the local level, we have carried out the following tasks as in the first year:

1. Technical Workshop for heads of local governments and their immediate associates,
2. Capacity Building Workshop for local government employees and resource persons (consultants),
3. Technical Assistance on a priority basis to local governments through the use of resource persons.
4. Policy Dialog Workshops
5. Independent Evaluation of the Project and dialogues with other international development agencies for continuation of the project

The major differences of the project from the first year were: (1) all local governments that participated in the project were selected from the Province of West Java; and (2) 12 local governments participated in the second year as compared to 10 local governments in the first year. Savings in transportation costs for participants and experts enabled us to increase in the number of participating local governments. In addition, the duration of each of the Technical Workshop and Capacity Building Workshop was extended.

Specifically, the Technical Workshop lasted for three days in 2001, up from two days in 2000. The Capacity Building Workshop was for 8 days in 2001, up from 5 days in 2000. In addition, the number of Teaching Modules was increased from 12 to 18 during the period in review. These improvements were possible due to reduction in transportation costs by selecting participating local governments from one single province as mentioned before (a lesson that we learnt from the previous year's experience), and partly due to some devaluation of the Indonesian Rupiah.

The Technical Workshop was intended to orient policy makers to the new decentralized policy environment, and to make them mentally prepared for their expanded tasks. The Capacity Building Workshop started with an introductory day in which high-level policy makers were invited to join, and was followed by seven days of in-depth project studies and exercises. The subjects covered included infrastructure project identification, cost-benefit analysis, community participation, survey and data collection techniques, pricing of services, use of private sector for the provision of services, borrowing for infrastructure investment, and capital budgeting. Resource persons and local government employees learned jointly in this Workshop. This relationship was carried forward in the Technical Assistance phase. Each local government chose a project topic from its own area for further study. Resource persons and government employees worked together for six months to get the project results. Consultants' costs were partly paid by CBDI, and additional costs (in cash or kind) were borne by the local governments.

2. SPECIFIC FEATURES OF THE PROJECT

A number of considerations have been given to make this project effective in capacity building of local governments:

1. Multi-Level Training

Capacity Building at the local level requires corresponding capacity building at national and regional levels. This is because the capacity building system must be sustainable. To be sustainable, national and regional leaders need to be oriented correctly. This task was carried out in two ways: first, by sending four leaders to Practitioners Institute at USC; second, by sending 11 junior executive government employees to USC's IPPAM program (funded through a separate source). In addition, some of the resource persons have been from regional universities, who will play a significant role within their own region the future. In addition, the Second Policy Dialogue Workshop (PDW) held for one day in Jakarta in November was useful in disseminating information about our activities and about the decentralization process in the country.

2. Orientation towards Policy Makers

We have emphasized our orientation toward policy makers. Our objective of holding a Policy Dialogue Workshop at the end was not only to give proper perspective to national and local decision makers such as high and medium level government officials in the central government and governors and heads of local governments, but also to inform about the achievements of two years of our project to those concerned with decentralization.

Another Technical Workshop was held in Bandung prior to the Capacity Building Workshop. Warikotas and Bupatis were invited to the Workshop. While they attended lectures given by prominent speakers on decentralization, they also presented the state of their local governments to the audience. They were briefed about the lessons their employees and resource persons were going to receive in the near future. In this way, cooperation with the local government leadership was met with considerable success.

3. Group Learning

We have employed group learning as a method in this project. In the Capacity Building Workshop, there were five persons from each local government, three government employees mostly from BAPPEDA and two resource persons appointed by the local government. These five persons work together on all assignments, particularly on the task selected for technical assistance following the Workshop. We believe that this group would give enough momentum to the decisions that the governments will make. If only one person were to learn off-site, he or she may not be as influential in inducing changes.

4. Training of Resource Persons for Wider Dissemination of Knowledge

While it is important to train government employees, it is also important to train experts who would be available to local governments on demand. Although government employees are capable, they cannot concentrate on specific projects and tasks, as they need to cover a wide range of issues. On the other hand, external resource persons outside—be they professional consultants, university faculty members or NGO personnel—can concentrate on specific issues. In addition, they are not available to one local government only, but for several local governments. Therefore, capacity building of external resource persons has significant merit.

5. On-site Technical Assistance

Another feature of this project is to employ on-site Technical Assistance. Each local government chose one task for study, based on their priority. Resource persons chosen by the local government provided technical assistance for the study. They came to the local government to discuss issues, collect information, and then presented their findings. Through this technical assistance, local government employees were able to learn from resource persons. In addition, CBDI instructors provided guidance through the Workshop and through visits to the local governments. This type of real-world problem solving gives resource persons and government employees a much greater learning experience than classroom problem solving.

Achievements Compared to Plan for 2001

We have proceeded as scheduled from the inception of the project in January 2000. In fact, in the process, we have even accelerated our schedule and expanded the size of activities. The Plan for 2001 differed from the Plan for 2000 in several ways: (1) concentration on West Java, (2) more extensive workshops, and (3) the acceleration of workshop schedules. As noted above, our concentration on West Java saved us in the costs of transportation, thus enabling us to invite 12 local governments instead of 10 in the previous year, and has also enabled us to extend the duration of workshops. The workshops were scheduled earlier so as to start from the beginning of the year. We were very well able to follow the schedule established at the beginning. There were minor changes, however. First, the timing of the Policy Dialogue Workshop was moved to a later date so that we could present the results of the project more fully (it was originally scheduled in July, but was moved to October). Second, during the course of our work, we felt the need of having a conference in which all participating local governments could present their study. This concluding meeting of the Technical Assistance was added to the October schedule. However, the September 11 incidents affected our activities. As a result, these meetings were postponed to November. For local governments this delay afforded more time for working on the study. Third, while planning the Second Policy Dialogue Workshop, we felt the need for having a local expert to present an independent review of the project in the Workshop. We began the search for a suitable and capable expert who is neutral in the sense that he/she had not been affiliated with our activities before. It took us a while to recruit a satisfactory expert. By the time we recruited a person (a professor with Gadjah Mada University), the Policy Dialogue Workshop was already close. As a result, we decided to have this review done independent

of the Workshop. This task was not completed during 2001, and will be completed in early 2002.

1. Overall Evaluation

As in the first year, we are happy to report that all local governments that participated in the Capacity Building Workshop and Technical Assistance Session have been highly appreciative of CBDI for taking part in this project. When we visited local governments, we heard words of appreciation in a number of ways. One notable achievement this year was the cooperation by the Provincial Government of West Java. The BAPPEDA office of West Java hosted our Technical Assistance Concluding Meeting in November in its office in Bandung. Many provincial government officials took part in the meeting. In addition, all the local governments completed their report before the November meeting. Almost all local governments stated that they spent, large amounts of resources (in-kind or cash) in support of the study. Enthusiasm shown by the local governments was particularly notable. In one local government (Kabupaten Cirebon), a part of the technical assistance that we provided was used to initiate a revolving fund for improvement of local infrastructure; similarly in another local government (Kabupaten Sukabumi), a part of the money was used to build vendors' stalls in a beach resort area. These examples indicate that local governments are eager to start acting even with small amount of money, and that even with a small amounts of money something can be achieved.

2. Policy Dialogue Workshop

The Second Policy Dialogue Workshop was held at the office of Ministry of Home Affairs on November 12, attended by about 60 persons. In the morning session, five speakers, each representing five ministries closely related to the decentralization and capacity building at the local level, presented papers on evaluation and needs of capacity building at regional and local levels. These five ministries included BAPPENAS, Ministry of Finance, Ministry of Human Settlements and Regional Development, State Ministry of Regional Autonomy, and State Ministry of Public Works. Professor Koichi Mera presented an overview and major achievements of CBDI project. The workshop was useful in clarifying possible impacts of decentralization, and the need for capacity building at the local level.

3. Practitioners Institute and IPPAM Program at USC

Four Indonesians—all faculty of the Institute of Technology Bandung—were invited to participate in the annual Practitioners Institute held at University of Southern California from June 11 through 22. They were exposed to lectures given by world-class specialists on topics closely related to local governance, decentralization, local financial management, and infrastructure planning. They also presented their case studies to the audience for comments and suggestions. They interacted actively with the rest of the participants. In addition, 21 other Indonesian students participated in the Practitioners Institute this year. They were from Central Ministries and provincial and local governments in Indonesia and were financed through another funding source. The Institute gave them an opportunity to

interact with participants from other developing countries such as Egypt, Brazil, Nepal, Mozambique, and others.

Of the twenty-one, thirteen students were enrolled in the International Program in Public Policy and Management (IPPAM), and completed the 13 months program leading to a Master's degree in July. They have been trained in Urban Management, covering governance, accountability, decentralization, program evaluation, and infrastructure and service provision. Along with those trained in Indonesia through the CBDI project, these graduates will become trainers for future local government managers.

4. Technical Workshop, Capacity Building Workshop, and Technical Assistance

These activities comprise the central elements of the CBDI project. 12 local governments were selected from West Java Province. Three employees and two resource persons from each local government participated in the Capacity Building Workshop held in Bandung in April. Then, technical assistance on the subject selected during the Technical Workshop started soon after. Each study was completed by the time of the Concluding Meeting in November. A faculty member of ITB visited each local government several times during the process, and a pair of USC and ITB faculty members visited in July for further guidance and monitoring.

On the whole, the team of government officials and resource persons did an excellent job, completing a report with analysis and recommendations. In comparison to the local governments that participated in 2000, those who participated in 2001 were more familiar with the current ideas of local governance and project preparation such as community participation. This may be due to the lag time of one year or because they are more centrally located in West Java and were not remote. They have utilized our training very well, and conducted the study well.

Of course, this does not imply that our training was without any fault. There were a number of issues that could not be solved through techniques provided by us. One example is the management problem of a bus terminal caused by a political decision that a local government made in the past. The decision was not based on public welfare but on self-interest of local councilpersons. This calls for a broader, more intensive involvement of civil society. Greater emphasis on community participation in the Capacity Building Workshop would have been appropriate.

CBDI outputs during 2001 (aggregated for calendar year 2001 from quarterly reports)

	policy workshops, conferences, regional fora	Press articles on relevant economic issues	policy dialogues with GOI or Parliament	collaboration activities	policy studies, analytical memoranda, reports, draft laws	additional non-USAID funding leveraged
<i>Achieved to date:</i>	250	11	45	92	82	\$377,330 (\$345,244 USC's in-kind contribution; \$4,900 ITB's contribution; \$27,186 Local Government's Contributions)
Plan for 2001	2001 Plan=4 (1+1+2+0)	2001 Plan=8 (1+2+4+1)	2001 Plan=12 (2+0+6+0)	2001 Plan=32 (10+2+10+0)	2001 Plan=16 (2+8+3+0)	2001 Plan= \$579,117(from USAID) + \$188,400 (USC's in-kind contribution)

3. LESSONS LEARNED DURING 2001 FOR FUTURE GUIDANCE

On the whole our concentration on West Java was a good decision. We were able to provide more intensive training to a larger number of local governments. Also, we invited political decision-makers for the first day of the Capacity Building Workshop, which they enjoyed very much. In addition, as the local governments in West Java were better informed, our training went on very well. They applied the lessons well to the task they had chosen.

Although we did much better than last year, we need to improve our Workshops further. More case studies will improve participants' understanding of the lessons. It would be more productive to give greater emphasis on community participation as this is a new element in decision-making of the government. We should also put greater emphasis on financial analysis, as officials are not well educated on this subject.

In addition, it is advisable for future Capacity Building effort to have more intensive on-site technical assistance. For our project, this part of the work was limited by the original allocation of resources. In the future, greater resources should be allocated to on-site technical assistance.

The last topic to be discussed is the measurement of success. This type of Capacity Building activity can easily be measured by the amount of inputs such as person-months or the monetary value of inputs. But, we must go further and measure success by the outputs achieved. However, outputs are difficult to measure. We may be able to measure outputs by the quality of studies completed by local governments. We must compare such studies with and without our intervention. We may be able to describe the output through such measures as the degree of knowledge on a particular topic such as community participation in government decision-making. The degree of knowledge should have improved as a result of the project. This could be verified by giving an examination to those who participated. But, knowledge and its application are two different things.

To examine the effectiveness of this project, we hired a consultant who is highly knowledgeable on the subject, and is able to evaluate from a neutral position. He will be presenting his report in January 2002. The report will be useful in assessing our effort in this project. We shall be able to present his report in the next report, which will be the concluding report of CDBI project.