

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

**Quarterly Report  
October 1, 2002 – December 31, 2002**

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

**USAID Quarterly Report No. 9**

*October 1, 2002 – December 31, 2002*

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## **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 October through December 2002 (Quarter 9) and covers the major accomplishments and challenges for the ninth quarter along with the planned activities for the tenth quarter.

Quarter 9 represents a transition between the first two years of the program and the proposed sixteen-month extension period (March 2003 to June 2004). During the no-cost extension (October 1 to February 28, 2003), BIGG's activities are divided into the following two periods: 1) continuation of work in 18 Y1 and Y2 LGUs and 2) transition to a 16-month work plan with an increased focus on sustainability.

Following the Bali bombing in early October, the U.S. State Department declared an ordered/mandatory evacuation of non-essential U.S. personnel. Geoffrey Swenson and Matius Krisetya returned to the U.S. to work out of ICMA's headquarters in Washington, D.C. Kay Spearman returned to her home of record. Sharon Lumbantobing was on personal, unpaid leave during October and November and traveled back to Jakarta to begin working again in December. None of the short-term technical advisors that had planned to do work in Indonesia during Quarter 9 were allowed to enter the country. One short-term technical advisor, Paul Young, commenced work this quarter on assessing the local governments' four program deliverables from his home of record and the ICMA office in DC.

ICMA has used innovative solutions to continue building on the progress over the past two years and reduce the potential negative effects of the ongoing ordered/mandatory evacuation. The municipal finance advisors, Kay Spearman and Paul Young, have been working with Geoff Swenson at ICMA's headquarters in Washington, DC for short-term periods. Geoff Swenson and Kay Spearman continued to guide the project and keep in touch with the project staff through regular e-mails, including instant messaging, and weekly conference call meetings with the field office technical staff. In Geoff Swenson's absence, ICMA appointed Ed Anderson the Acting Country Director and Sharon Lumbantobing as the Acting Chief of Party.

In Quarter 9, BIGG has conducted the following activities in support of local governments' implementation of performance budgeting:

- Conducted assessment meetings and finalized evaluations of Y1 and Y2 program deliverables, including performance-based budgets for the selected focused area(s).
- Began drafting work plan for 16-month extension
- Drafted recommendations for organizational structures for the budgeting components within LGUs (to be finalized in Quarter 10)
- Extended contracts with CCN staff (Jakarta staff and Local Coordinators) through the end of February 2003
- Recruited to fill vacant and new positions
- Drafted and signed new MOUs and work plans for the 17 LGUs for the October 1, 2002 to January 31, 2003 period
- Staffed BIGG's booth at the Regional Autonomy Exposition in Bali
- Led Indonesian delegation on a local government study tour in the Philadelphia area and accompanied the delegation at the 2002 ICMA Annual Conference in Philadelphia.
- Prepared bilingual documentation and conference proceedings for all training events, workshops, and national and regional conferences conducted during the first two years of the program.
- Developed CD-Rom for provincial trainers
- Prepared English translations of major sections of 18 performance budgets and the Ministry of Home Affairs' Ministerial Decree 29/2002 (KepMen) that enabled the U.S. consultants to evaluate the performance budgets as well as formulate recommended changes to the KepMen.
- Drafting feedback on recommended changes to the KepMen that will be provided to USAID under a different report.
- Preliminary discussions on the contents of the national and regional conferences.
- Preliminary discussions on the additional training modules to be developed for the 16-month extension.
- Continuing work on preparing the contents for the reference manual to accompany the 2003 revised ABC training series.
- Finalized "Citizens' Guide to Budgeting" and four lessons learned articles.

The activities below were planned to be conducted in Quarter 9 but were postponed due to the mandatory evacuation status of U.S. non-essential personnel:

- Five-day Training Design workshop for university professors (October 28 – November 1, 2002)
- Principles of Good Governance workshop for BIGG staff (November 4-8, 2002)

## **II. Major Accomplishments**

### **ICMA Annual Conference Study Tour**

A group of local government and Ministry of Finance officials traveled to the US at the end of September to make presentations at USAID and ICMA headquarters; participate in a study tour to local governments in the Philadelphia area; and attend the 2002 ICMA Annual Conference in Philadelphia (Sept 29- Oct. 2, 2002).

The Indonesian delegates met with staff from the Global Urban Programs Office (G/ENV/UP) at USAID to discuss the challenges of decentralization in Indonesia. The Indonesian delegates made comments regarding their own jurisdictions and the assistance the BIGG has provided during this decentralization process. One of the Indonesian delegates stressed the importance of community participation and the need to respond to constituents' needs. The study tour gave the Indonesian delegates exposure to the US local government systems and the issues being faced by US local government officials. Budgeting and the financial management of US local governments was the main focus of the study tour.

Members of the Indonesian delegation included the following officials: Mr. Arlen T. Pakpahan (Director of Local Expenditures and Loans from the Ministry of Finance), Mr. Sutrisno (Secretariat from Kabupaten Sleman), Mr. H. Djufri (Mayor of Bukittinggi) and Mr. Setijo Pramono (Head of the Local Planning Agency in Kabupaten Pati). Dr. Geoffrey Swenson accompanied the Indonesian delegation during the delegates' entire stay in the US. Mr. Jon Bormet, Director of the Resource Cities Program at ICMA, designed and led the study tour to the Philadelphia area local governments.

## **Field Operations**

### **Program Extension**

In Quarter 9, BIGG facilitated and provided assistance to LGUs that wanted to implement performance-based budgets on a citywide basis. Seventeen of the eighteen participating LGUs have made the commitment to extend the application of performance based budgeting from the focus areas to all other departments within the local governments.

To assist the LGUs with their citywide application of performance budgeting, BIGG extended the Memorandum of Understanding (MOU) which ended in September 2002 through to the end of January 2003 (December 31, 2002, marks the end of the current fiscal year). All 18 LGUs have already signed the extended MOU. Kabupaten Bogor is the only LGU that declined signing the extended MOU. They are committed to implementing performance budgeting on a citywide basis, but did not want to allocate the required time for project activities.

The technical assistance provided by BIGG in Quarter 9 included:

- 1) Evaluation of the four program deliverables and
- 2) Assisting LGUs to socialize the principles and practice of performance budgeting to all units and departments.

### **Evaluation of program deliverables**

In Quarter 8, short-term technical advisor, Jim Ley, began an assessment of the four program deliverables (e.g., performance-based budgets, budget calendars, budget instructions, and citizen involvement plans) from Year 1 and Year 2 LGUs. Four assessment forms were designed to: 1) evaluate whether the deliverables complied with requirements outlined in the Memorandum of Understanding between BIGG and the LGUs; 2) provide oral and written feedback to the participating LGUs on areas where they are doing well and areas that need further improvement; and 3) identify areas where training materials and technical assistance need to be refined to better support the LGU's production of program deliverables. One-day assessment workshops were planned at each LGU to collaboratively fill out the forms and provide immediate feedback on the quality of the deliverables as well as suggestions for

improvement. Four assessment workshops were conducted in Quarter 8 in Kabupaten Takalar, Kota Bogor, Kabupaten Pati, and Kota Sukoharjo.

Jim Ley had originally planned to attend fourteen more assessment workshops in October and November. However, due to the ordered/mandatory evacuation of all non-essential U.S. employees in Quarter 9, team leaders and local coordinators conducted the evaluations. In addition, the Team Leaders designed a checklist for assessing each of the performance budgets based on compliance with training materials that BIGG has developed as well as compliance with a central government regulation (Ministerial Decree 29/2002) issued by the Ministry of Home Affairs on how to prepare performance budgets. In addition to the three LGUs that Jim Ley evaluated in Quarter 8, the Team Leaders and Local Coordinators completed evaluations of 13 more LGUs by the end of December 2002. Two more evaluations will be completed in Quarter 10.

In Quarter 9, short-term technical advisor, Paul Young, designed an assessment tool to evaluate the performance budgets based on two categories: Process Characteristics and Assessment Criteria. Process Characteristics identify how one performance item (e.g., vision, mission, goals, objectives, programs, and activities) relates to another performance item. Assessment Criteria are quantitative measures provided to aid the local governments in improving their budgets in the future. Where applicable, a mnemonic was developed to aid in the training, communication, and memorization of the Assessment Criteria. Grading sheets have been developed to aid the reviewers in scoring and providing comments on each of the performance items and assessment criteria. In Quarter 10, feedback will be provided to each of the local governments on ways to improve their performance budgeting for the coming year.

#### **Assisting LGUs to socialize the principles and practice of performance budgeting to all units and departments**

The Ministry of Home Affairs conducted a five-day Training of Trainers (TOT) for a maximum of three staff from every LGU to introduce performance budgeting and explain the ministerial decree (KepMen 29/2002) and forms on how to prepare a performance budget. However, this TOT had a very limited audience and did not address all of the questions and complexity regarding this major transition to a performance budgeting system. Therefore, in Quarter 9, BIGG facilitated additional socialization workshops for local government officials in Kota Kediri, Kabupaten Jember, Kota Depok, Kota Bandung, and Kabupaten Sleman to socialize the performance budgeting concepts to all units and departments in their jurisdiction. These five cities received funding support from BIGG for a 2-3 day socialization workshop for 200-300 participants in each LGU. In addition, nine other LGUs conducted their own citywide socialization of performance budgeting, and did so without financial support from BIGG. In January 2003, BIGG plans to conduct four more socialization workshops in Kabupaten Padang Panjang, Kabupaten Takalar, Kabupaten Gowa, and Kabupaten Bulukumba.

### Dates of Performance Budget Evaluation and Socialization for Year 1 LGUs

Local Government Unit	Evaluation	PBB Socialization
Kota Bukittinggi	November 29, 2002	September 16-18, 2002
Kota Bandung	November 26, 2002	December 19-20, 2002
Kabupaten Bogor	Not yet	October 17-19, 2002
Kota Depok	November 21, 2002	September 18-20, 2002
Kota Kediri	November 12, 2002	August 29-30, 2002
Kabupaten Jember	November 14, 2002	October 16-18, 2002
Kota Makassar	November 21, 2002	December 26-27, 2002
Kabupaten Takalar	November 20, 2002	Planned in January 2003
Kabupaten Gowa	November 20, 2002	Planned in January 2003

### Dates of Performance Budget Evaluation and Socialization for Year 2 LGUs

Local Government	Evaluation	PBB Socialization
Kabupaten Padang Pariaman	November 28, 2002	November 11-13, 2002
Kabupaten Padang Panjang	Not yet	Not yet
Kota Bogor	September 17, 2002	September 19-23, 2002
Kabupaten Sleman	November 13, 2002	December 19-23, 2002
Kabupaten Pati	September 19, 2002	August 12-16, 2002
Kabupaten Sukoharjo	September 20, 2002	July 8-28, 2002
Kota Balikpapan	November 14, 2002	August 14, 2002
Kota Samarinda	November 13, 2002	November 11, 2002
Kabupaten Bulukumba	November 22, 2002	Planned in January 2003

### Short-Term Technical Advisors

**Organizational Analysis:** This STA, conducted by John Taylor, provides a summary of existing budgeting processes in local governments, the roles and functions of the agencies involved in budgeting, the limitations of existing processes and organizational structure, and a brief review of existing regulations related to local government structure. A model organization or sets of models for budgeting process will be recommended. The primary importance of this analysis is to provide a proposed organizational model for truly integrating the strategic planning process into the budgetary decision making process. Currently the two processes occur in parallel but are not integrated. The first draft of this report was prepared in Quarter 8 and will be finalized in Quarter 10.

**Compilation of Performance Indicators:** Working from the United States in Quarters 8 and 9, short-term technical advisor, Deb Welch, compiled numerous sample performance budgets from various countries and developed a database of performance indicators for thirteen departments. These thirteen departments were selected from a list of twenty-five Indonesian

local government areas (bidang) listed in Ministry of Home Affairs Decree 130/383/SJ/2002. These thirteen bidang have a direct correspondence with U.S. or other country local government departments. The performance indicators compiled from each of these departments will be an integral part of the performance budgeting reference manual to accompany the Revised 2003 Series ABC that will be developed in Quarter 10.

### **Training and Publications**

**Training Design Workshop:** One five-day Training Design Workshop has been postponed due to the ordered/mandatory evacuation status. The workshop was originally scheduled for October 28 – November 1, 2002. University professors who have participated on BIGG's Training Team will attend the workshop. The workshop will be designed and facilitated by short-term technical advisor, Fred Fisher.

**Good Governance Workshop:** A five-day workshop on the principles and practice of good governance for BIGG staff was planned to be conducted by STA Fred Fisher in Quarter 9 (November 4-8, 2002). This workshop was also postponed due to the ordered/ mandatory evacuation status.

**Autonomy Exposition.** From October 3 – 6, 2002, Indonesia held its second annual Autonomy Exposition in Bali. The Expo provided an opportunity for local governments all over Indonesia to come together, share information on the implementation on Indonesia's ambitious decentralization program, exhibit goods and services, and attract investors. This year ICMA sponsored a booth at the Expo, where our Indonesian language publications on performance budgeting, local government association building and Resource Cities were prominently displayed. Over 400 local government officials from all over the country visited the booth. BIGG training staff was on hand throughout the Expo to answer questions and provide additional information about BIGG.

**Publications:** In this quarter, the four lessons learned (prepared by STA Irfan Kortschak at the end of Q8) and the "Citizens' Guide to the Budgeting" were edited and are being prepared for publication in Quarter 10. Due to budget limitations, no publications were printed in Quarter 9.

The Training and Publications team also completed an English translation for the numerous attachments of the Ministry of Home Affairs' Ministerial Decree 29/2002 as well as translated a four-part evaluation of the performance budgets produced by the participating local governments.

**Documentation:** In this quarter, the training and publications team produced the following bilingual program documentation:

1. Training of Trainers Workshop (Y1)
2. ABC Workshop Series (Y1)
3. Training on Materials (TOM) for Workshop A (Y2)
4. Training on Materials (TOM) for Workshop B (Y2)
5. Training on Materials (TOM) for Workshop C (Y2)
6. Workshop A (Y2)
7. Workshop B (Y2)
8. Workshop C (Y3)
9. Training of Trainers at Province Level, 3 day ABC Workshop Series (Y2)
10. Training on Materials on State Owned Enterprises (Y2)

11. Workshop on State Owned Enterprises (Y2)
12. Training on Materials on Own Source Revenues (Y2)
13. Workshop on Own Source Revenues (Y2)
14. Training Design Workshop for Training Team, Team Leaders, and Association Interns
15. Training Design Workshop for Local Coordinators
16. Samarinda Workshop (Y1)
17. Local Coordinator Facilitation Workshop
18. Association Facilitation Workshop

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

The extension of the ordered/mandatory evacuation has had an affect on the implementation of BIGG program activities. Because the Chief of Party has been evacuated to the US and US consultants are unable to travel to Indonesia, some activities have been postponed. One the areas of biggest concern is the BIGG program's relationship with the Ministry of Home Affairs and other agencies, specifically in relation to KepMen 29.

BIGG has been taking steps to ensure that program activities continue during this period despite the continued ordered/mandatory evacuation.

#### **Field Operations:**

The Ministry of Home Affairs Decree No. 29/2002 (KepMendagri No. 29/2002) was issued in June 2002. This decree contains guidelines and forms for local governments to complete as they prepare their performance budgets. BIGG and several other donor agencies and programs have serious concerns about these forms, but have proposed ways to work with the MoHA in implementing the KepMen. These will be addressed in a separate document. The Ministry of Home Affairs has conducted limited socialization of the KEPMEN to all LGUs, but this has not addressed all of the questions and complexity regarding this major transition to a performance budgeting.

#### **Budget preparation**

The city of Bogor is one of the first LGUs to have received legislative council approval of their 2003 performance budget. The current problem they are facing is how to transfer the information from the forms (RASK) that were used to prepare the draft budget into forms (DASK) to prepare the final approved budget. The DASK forms require more detailed information than is currently provided in the RASK forms. More and more LGUs will start having this problem as their budgets are approved by the legislative councils in January. The Ministry of Home Affairs promised to provide guidance and information to address this problem by the end of December, but to date, no instructions have been issued.

#### **Budget implementation**

The legislative council of the city of Bukittinggi has already finalized the city's 2003 budget. The current problems they are facing with regard to budget implementation relate to: 1) the account code, and 2) double entry bookkeeping system. These two issues are closely related to budgeting.

The Ministry of Home Affairs issued a chart of accounts in the KepMendagri 29/2002. This chart of accounts is still in contention with the chart of accounts issued by the Ministry of Finance through the National Standard of Government Sector Accounting. LGUs are confused about which chart of accounts they should apply.

The second problem that LGUs are facing is that in order to produce balance sheet, income statement, and cash flow, they must understand how to implement double entry bookkeeping. Several LGUs have requested BIGG's assistance in providing training on double entry bookkeeping.

#### **IV. Projected Activities for the Next Quarter**

- Finalization of the work plan to be implemented during the 16-month extension of the project

#### **Field Operations:**

- Four socialization workshops in Kabupaten Padang Panjang, Kabupaten Takalar, Kabupaten Gowa, and Kabupaten Bulukumba
- Monitor public hearings in selected Y1 and Y2 LGUs
- Extending contracts with CCN staff (Team Leaders and Local Coordinators)
- Recruiting to fill any vacant and new positions
- Marketing the program to attract potential LGU candidates to participate in the program extension
- Establishing criteria for the selection of star and satellite LGUs for participation in the K2K program
- Preparation for assessment of each participating LGU to determine the level of technical assistance required in the sixteen month extension period
- Establishing criteria for the selection of star and satellite LGUs for participation in the K2K program and for provinces for participation in the P2P program.
- Drafting and signing new MOUs and workplans for the new LGUs participating in the K2K and P2P programs.

#### **Training and Publications**

- Preparation for training/consulting/mentoring needs assessment for BIGG staff
- Preparation for needs assessment for LGUs in conjunction with associations
- Preparation for assessment of each participating LGU to determine the level of technical assistance required in the sixteen month extension period
- The BIGG Picture topics to be published include the following: "The Citizens' Guide to Budgeting" and a four-part series on Lessons Learned
- Finalization of the reference manual that accompanies the 2003 version of ABC training.

Task Order Summary Results Matrix  
 “Core Management and Budget Skills for Indonesian Local Governments”

Field Operations, Training & Publication Activities

**Cumulative Information by Quarter**

<b>Deliverables</b>	<b>Q1/Q2 Actual/ Target</b>	<b>Q3 Actual/ Target</b>	<b>Q4 Actual/ Target</b>	<b>Q5 Actual/ Target</b>	<b>Q6 Actual/ Target</b>	<b>Q7 Actual/ Target</b>	<b>Q8 Actual/ Target</b>	<b>Q9 Actual</b>	<b>Total Sept 2002 Target</b>
<b>Field Operations</b>									
Develop public involvement plans for PBB			0/9	0/9	0/9	14/18	18/18		18
Develop budget calendar for PBB			0/9	0/9	0/9	18/18	18/18		18
Develop budget instructions for PBB			0/9	0/9	0/9	18/18	18/18		18
Develop PBB for focus area in LGUs			0/9	0/9	9/9	9/9	17/18		18
Socialization of Kepmen 29/2002 to help LGUs implement PBB on a citywide basis								7 LGUs received BIGG’s technical support support and financial assistance; 7 LGUs received BIGG’s technical support only.	14/18
Evaluate PBB for focus areas								18/18	18
<b>Publications</b>									
20 publications in Bahasa Indonesia		1/3	4/6	6/9	7/12	14/15	22/20		20
20 publications in English		1/3	4/6	6/9	7/12	14/15	22/20		20
Brochure		1/0	1/0	1/0	2/0				2
Bilingual written documentation of all Y1 and Y2 training activities								24/24	24
<b>Training</b>									
National conferences (1 day)		1/1	1/1	2/2	2/2	2/2	2/2		2
Regional conferences (a day)		1/6	1/6	1/6	6/6	6/6	6/6		6
On-site A, B, C series (6 days)		9 A/9 A	9AB/9A B	9ABC/9AB C	9ABC/9AB C	18AB&9C	18ABC		18ABC
A, B, C Series for CA LGUs (4-6		1A/1A	1ABC/1	1ABC/1AB	1ABC/1AB	2ABC	2ABC		2ABC

<b>Deliverables</b>	<b>Q1/Q2 Actual/ Target</b>	<b>Q3 Actual/ Target</b>	<b>Q4 Actual/ Target</b>	<b>Q5 Actual/ Target</b>	<b>Q6 Actual/ Target</b>	<b>Q7 Actual/ Target</b>	<b>Q8 Actual/ Target</b>	<b>Q9 Actual</b>	<b>Total Sept 2002 Target</b>
days)			ABC	C	C				
Special ABC Series for Non-client LGU			1ABC/0	1ABC/0	1ABC/0				
Subordinate Enterprise (1 day)							1		1
Citizen Participation (1/2 day)					1/1	1/1	1		1
Revenues Overview (1/2 day)					1/1	1/1	1		1
Training of Trainers & Training on Materials (2-5 days)	1/1	1/1	2/2	2/2	2/2	2/2	2		2
Revenue Administration (1 day)							1		1
Training Design (5 days)							1		1
<b>Organizational Analysis</b>							1		1