

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

Quarterly Report

October 1 to December 31, 2004

Prepared for:
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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 to December 2004 (Quarter 17), summarizing the major accomplishments and challenges for the seventeenth quarter of the program. This is the last quarterly report to be submitted. As per USAID, no quarterly report is required for Quarter 18 (January 1 to Feb 11, 2005). Any additional activities carried out during the last six weeks of the program will be reported in the final report.

II. Major Accomplishments

Field Operations

K2K Model:

Activities conducted this quarter:

- Conducted C2 Workshops (which provide a one-day overview of performance budgeting for the legislative branch) in Bukittinggi (Oct 12, 2004) and Sukoharjo (Nov 4, 2004). Twenty-one legislative members attended the C2 workshop in Bukittinggi, while 45 legislative members attended the C2 workshop in Sukoharjo.
- Provided technical assistance to the executive branch to prepare, review drafts, and finalize the focus area performance budgets. As of the end of December 2004, 14 out of 16 Y4 local governments have submitted their final performance budgets to BIGG/ICMA. The last two, Kabupaten Solok and Kabupaten Berau, have promised to submit their performance budgets to BIGG/ICMA in January 2005.
- Provided technical assistance to all 16 Y4 local governments for the legislative branch to prepare their performance budgets. While this was not a requirement of the workplan, new government regulations required the local councils to prepare a performance budget for the local council for the first time. BIGG/ICMA provided technical assistance to the legislative members of the budget team and secretariat in November and December 2004.
- Conducted budget clinics in all 16 Y4 local governments to assist non-focus area work units (e.g., those that were not receiving direct technical assistance from BIGG/ICMA) to prepare their performance budgets. This was not a requirement of the workplan. These clinics were conducted from September to December 2004.
- Observed public budget hearings conducted by the legislative councils that were held prior to the council's budget approval. As of December 2004, only three out of 16 Y4 local governments have conducted public budget hearings (Bukittinggi, Takalar, and Sukoharjo). The rest are scheduled to take place in January 2005.

K2K Deliverables Status:

The table below summarizes the current status of Y4 K2K deliverables.

Deliverables Status of K2K Year 4

Local Government	Budget Calendar	PIIP	Budget Instruction		PBB of Focus Area	
	Final	Final	Draft	Final	Draft	Final
Kota Bukittinggi	July 30	July 30	Aug 2	Nov 1	Oct 28	Dec 21
Kota Pariaman	July 7	July 7	Sep 1	Oct 14	Dec 24	Dec 28
Kabupaten Pasaman	Aug 9	Aug 7	Sep 29	Oct 27	Dec 17	Dec 27
Kabupaten Solok	Aug 28	Aug 9	Aug 7	Oct 28	Dec 9	To be submitted Jan '05
Kabupaten Sukoharjo	July 2	July 2	Aug 30	Sep 10	Nov 5	Dec 15
Kabupaten Purworejo	June 30	June 30	Sep 1	Sep 20	Nov 20	Dec 14
Kabupaten Kebumen	June 21	June 21	Sep 2	Sep 15	Nov 13	Dec 27
Kabupaten Probolinggo	June 25	June 25	Sep 2	Oct 1	Oct 22	Dec 30
Kota Balikpapan	Aug 20	Aug 27	July 20	Nov 4	Oct 20	Dec 27
Kabupaten Berau	Aug 18	Aug 18	Sep 6	Oct 1	Oct 1	To be submitted Jan '05
Kabupaten Penajam	July 22	July 22	Aug 12	Aug 26	Nov 12	Dec 28
Kota Tarakan	June 21	June 28	July 31	Aug 31	Oct 1	Dec 29
Kabupaten Takalar	June 15	June 15	Aug 31	Oct 28	Sep 15	Dec 10
Kabupaten Jenepontoh	July 30	June 23	Aug 27	Oct 28	Sep 23	Dec 10
Kabupaten Sinjai	July 30	June 23	Aug 30	Nov 8	Sep 16	Dec 22
Kabupaten Bantaeng	July 30	June 23	Aug 25	Oct 28	Sep 23	Dec 20

Citizen's Guide to the Budget

BIGG recommended that all Y4 local governments prepare and submit a Citizen's Guide to the Budget as part of their Public Information and Involvement Plans (PIIP). Samples and guidelines on how to prepare Citizen's Guides to the Budget were disseminated to all local government in The BIGG Picture Edition 23 (April 2003). Local governments did not express interest in preparing the Citizen's Guide to the Budget due to the fact that it was not a requirement of the MOUs between BIGG/ICMA and the local governments, and also due to their internal staffing constraints. BIGG offered assistance to the four Y4 Inti local governments (Takalar, Sukoharjo, Balikpapan, and Bukittinggi) and one Papua local government (Fakfak) to prepare the Citizen's Guide to the Budget. BIGG covered the cost of design, layout, and printing of 1,000 copies for each local government. Takalar immediately posted their Citizen's Guide on their website and in the local newspaper on December 15, 2004. BIGG also distributed these five sample Citizen's Guides to the Budget in the addendum to the PBB Reference Manual to all 375 local governments in Indonesia in the hopes that other local governments would emulate what Takalar, Sukoharjo, Balikpapan, Bukittinggi, and Fakfak have done.

Papua Program:

The table below summarizes the status of Y4 Papua deliverables.

Deliverables Status of Year 4 Papua LGUs

Local Government	Budget Calendar	PIIP	Budget Instruction		PBB	
	Final	Final	Draft	Final	Draft	Final
Kaimana	Sep 10	Sep 10	Sep 10	Sep 30	Nov 11	Dec 13
Manokwari	June 18	July 30	Sep 3	Sep 30	Dec 1	Dec 27
Sorong	July 30	July 30	Sep 15	Oct 2	Nov 5	Nov 29
Fakfak	Aug 27	Aug 27	Aug 27	Sep 29	Nov 12	Dec 30

Salary Restructuring Opportunity for LGUs (PROFESI):

The three local governments (Kota Bukittinggi, Kabuapten Sukohardjo, and Kabupaten Takalar) have maintained their commitment to implement the PROFESI program. Important developments this quarter include:

- Preparation of the budgets that included the movement of honorariums to a general local subsidy.
- Preparation of job descriptions for all staff
- Sharing of experiences with the PROFESI program between the three participating local governments in a workshop held in Jakarta on 14 December 2004.

The workshop was very useful in sharing the challenges and problems of making this very basic change in income structure. One of the important findings was the concern that the auditing board, BPK (Badan Pemeriksaan Keuangan) would not understand the changes made in the budget. For this reason, either a special presentation will need to be made to BPK or BPK representatives will need to be invited to participate in a final workshop reporting on the PROFESI program.

The final reports from each of the three local governments are to be completed by 10 January, and the final workshop is now scheduled for January 19, 2005.

Program Coordination:

The PERFORM project held their National Conference on December 6-8, 2005. The BIGG project was invited to participate in a session on the integration of planning and budgeting with presentations given by representatives from BIGG, CLGI, GTZ, Bangda/MoHA, and PERFORM. Discussions following these presentations were indicative of the issues facing local governments in the current dynamic climate of change in regulations affecting the planning and budgeting in local governments. Of utmost importance are the issuance of the accounting standards and the implementation of Planning Law 25/2004.

BIGG continued to provide leadership in bringing together the four USAID projects working in Kabupaten Probolinggo. The technique of using a clinic as an opportunity for staff members to discuss problems and issues with the respective representatives of the four projects – in one place – was particularly useful according to the local government staff.

All four USAID projects working in Probolinggo cooperated with Peter Conolly, a consultant hired to review the cooperation between USAID projects being implemented in Probolinggo and Pacitan, East Java. A meeting was held with representatives of BIGG, PERFORM, MSH, and MBE to discuss Peter's findings from a visit to both local governments in East Java.

With the activities of PERFORM being completed by the end of this quarter, the Joint Coordination Unit functioned in a more informal manner monitoring the completion of activities where we were working together, especially in Probolinggo and Kalimantan Timur.

Training and Publications

Budget Clinic II: Budget Clinic II was conducted in four APEKSI regions in Q16. This quarter, Budget Clinic II was conducted in three more locations: Balikpapan, Surabaya, and Medan.

Number of Person-Training Days in the PBB Budget Clinic II in the APEKSI Regions and Papua LGUs

Location	Dates	LGU Person-Training Days
Makasar	Sept 22	34
Mataram	Sept 28	5
Yogyakarta	Sept 30	54
Balikpapan	Oct 5	37
Surabaya	Oct 7	42
Medan	Oct 12	47
Sub Total		219
Papua LGUs in Makassar	Sept 23	27
Total		246

Budget Clinic III: This quarter, BIGG's Training Team designed and conducted 7 1-day Budget Clinics, which is the third in a three-part series. Six of the clinics were conducted in the APEKSI regions and one was conducted in Manado for the 9 Papua LGUs in the Bird's Head Region. Budget Clinic III provides local government participants with a short lecture style presentation and exercise on how to allocate direct and indirect expenditures, and a participatory discussion and exercise on how to evaluate their local government's Public Information and Involvement Plan and Performance Budget.

At Budget Clinic III, many first time participants were in attendance. At one location, 85% of the participants were attending a clinic for the first time. At another clinic, only 5% of the participants were first timers with 95% having previously attended a clinic.

In the clinic model, BIGG does not cover the cost of transportation or accommodation for local government participants and this had been the suspected reason why attendance at earlier clinics was lower than expected in some cases. However, attendance at Budget Clinic III in Surabaya and Solo, at 56 and 78 participants respectively, surpassed staff's expectations. Apparently, local governments will pay for their staff to attend workshops and clinics when they perceive it is a priority.

Number of Person-Training Days in the PBB Budget Clinic III in the APEKSI Regions and Papua LGUs

Location	Dates	LGU Person-Training Days
Makassar	Nov 30	30
Bali	Dec 7	15
Surabaya	Dec 9	56
Banjarmasin	Dec 14	26
Batam	Dec 16	21
Solo	Dec 21	78
Total		226
Papua LGUs in Manado	Dec 2	27
Total		253

Performance Budget Reference Manual: This quarter, BIGG distributed an addendum to the Performance Budget Reference Manual to all 375 local governments in Indonesia as well as posted the addendum on BIGG's website. The addendum included: 1) a sample Public Information and Involvement Plan, 2) sample Performance Budgets for the health, education, streets department, and the legislative council, and 3) numerous additional sample indicators, and 4) the sample Citizen's Guide to Budgeting.

Previously, BIGG had distributed one copy of the PBB Reference Manual to the Sekda of all local governments in the hopes that the Sekda would make copies and distribute the manual to department heads and staff in various departments involved in budget preparation. Discussions with local government staff at Budget Clinic II revealed that many local government staff, specifically those involved in budget preparation, were unaware of the reference manual as their Sekda had not made access to the manual available. A special two hour session at Clinic II was designed to introduce participants to the contents of the manual and teach them how to use it. Participants responded very favorably to the manual and requested their own copies. Consequently, this quarter, BIGG increased the distribution of the reference manual by sending seven additional copies to all local governments. The seven copies went to the heads of Sekda, Bappeda, Finance, Education, Health, Public Works, Transportation. It is hoped that this increased distribution will place the reference manual into the hands of more department heads and staff who are involved in budget preparation.

Publications and Other Activities: This quarter, the Training and Publications Team also completed the following tasks:

- Prepared and distributed bilingual versions of The BIGG Picture 30 (Introduction to Fund Accounting) and The BIGG Picture 31 (International Fund Accounting)
- Prepared written bilingual documentation of all training events conducted in Quarter 16
- Designed and conducted an evaluation of all of BIGG's Program Models in preparation for the final report

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

None.

IV. Projected Activities for the Next Quarter

Field Operations:

- Finalize the PBB deliverables from Kabupaten Solok and Kabupaten Berau
- Monitor the implementation of public hearings at Y4 local governments
- Conduct an assessment of Y3 and Y4 local government partners
- Prepare the final report
- Finalize all program documentation and program deliverables
- Close out the program

Training and Publications

- Conduct interviews of local governments to evaluate BIGG
- Prepare the final report
- Finalize all bilingual program documentation
- Close out the program