



**FOUNDATION FOR LOCAL GOVERNMENT INNOVATION  
(CLGI/YIPD) PROJECT**

**FINAL EVALUATION**

**Submitted to:**

**The U.S. Agency for International Development  
Indonesia**



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Democracy and Governance Analytical Services**

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## EXECUTIVE SUMMARY

The U.S. Agency for International Development in Indonesia initiated a project in 2001 to develop a sustainable Indonesian Center for Local Government Innovation (CLGI) that would contribute to the ongoing decentralization process in the country by assisting local governments and encouraging best practices in local government management. The CLGI/YIPD project led to the creation of a wholly Indonesian organization, the Yayasan Inovasi Pemerintahan Daerah (YIPD). The project had an initial three-year budget of \$5.5 million; no-cost extensions subsequently added a fourth year. USAID conceived the CLGI/YIPD project as different from other programs, particularly with respect to its focus on customer demand and cost-sharing and its objective of establishing a new, independent organization.

Since 2002, the CLGI/YIPD program and YIPD as an organization have conducted effective, technically valuable assistance programs in 26 local governments, spread throughout Indonesia. CLGI/YIPD has four years of experience and a track record of providing effective technical assistance to local governments in diverse locations throughout the country. It has notable experience and technical competence in several areas of local government and has developed strong capabilities valued by many local governments. It has a strong technical staff and a committed board, led by and including several well-known and highly regarded public figures and public officials. CLGI/YIPD has built a strong foundation on which to continue to build its credibility, to conduct programs, and to attract new funding.

At the same time, there are a number of lessons that can be drawn from CLGI/YIPD's experience. While there were excellent reasons to create a new organization rather than to work with an existing one, the costs ultimately may have outweighed the benefits. Likewise, the idea of obtaining some form of cost-sharing from local government partners was important, but more as an indication of commitment from local government counterparts than as a vehicle to financial sustainability, which was not realistic. While not entirely or necessarily at fault, CLGI/YIPD was unable to effectively define or manage the relationship with local government associations, which made it more difficult for CLGI/YIPD to achieve its mission of delivering and spreading innovative practices. CLGI/YIPD could have provided greater support in terms technical leadership and policy analysis, which the associations did not have the technical capacity to carry out themselves. Difficulties in launching the new organization and defining its internal governance structures complicated the mission in some respects, although they did not appear to compromise the technical quality of programs. CLGI/YIPD established an information center or clearinghouse, including databases of materials and an impressive, comprehensive website, but achieving greater impact for clearinghouse and information sharing activities would seem to require more active marketing, affirmative networking and national-level programs.

CLGI/YIPD was a remarkable, creative program that sought to work in innovative ways. Those who conceived and implemented the program and led the new organization took some chances and tested some hypotheses about sustainable institutional development. That it did not always go as planned does not call into question the value of the effort. While the road has not been entirely smooth, YIPD is now a functioning, well-respected, wholly Indonesian organization that, by all accounts, has carried out many effective, valuable programs. Although its mission and means of working will certainly continue to evolve, YIPD should continue to contribute, with or without USAID funding, to successful decentralization and effective local government in Indonesia in the years to come.

## BACKGROUND

In 2001, USAID initiated a project to develop a sustainable Indonesian Center for Local Government Innovation (CLGI). The project was implemented through a task order to the Urban Institute under the Sustainable Urban Management (SUM) IQC. It was initially called the Development of the Foundation for Local Government Innovation Program (DFLGIP). The project began on October 10, 2001, and, with a no-cost extension, continued until October 29, 2005. The USAID project, however, established a new Indonesian foundation, the Yayasan Inovasi Pemerintahan Daerah (YIPD), which continues in operation.<sup>1</sup>

USAID undertook the CLGI/YIPD project to support the critically important process of decentralization in Indonesia. New laws enacted in 1999, which went into effect on January 1, 2001, substantially decentralized the system of government in Indonesia and devolved broad areas of governmental authority from the center to the regions, principally to the *kota* and *kabupaten* or district-level governments. The project furthered the USAID Strategic Objective 10, Decentralized and Participatory Local Government Strengthened, established in 2000. The 2004-2008 USAID Strategic Plan for Indonesia continues to place a high priority on decentralization under the current Strategic Objective for Effective Democratic and Decentralized Governance, which includes two Intermediate Results relevant to this project, (1) Consolidating the Reform Agenda and (2) Expanding Participatory, Effective and Accountable Local Governance.

The CLGI/YIPD project had several important objectives. First, the project would spawn a new organization that would engage and support the new local governments associations established under the new local government law. As a “virtual branch” of the associations, it would be able to serve all the members of the associations with technical governance skills the associations themselves lacked. Second, the new organization would be sustainable and financially self-sufficient. Third, CLGI/YIPD would become a source of professional skills valued by local governments, and local governments would drive the agenda of the new organization. The idea was to reduce reliance on technical assistance from donors and build up local technical assistance capacity, with the goal of creating something that was self-sustaining.

### Scope of Work for Evaluation

USAID issued a task order on February 8, 2006, under the Democracy and Governance Analytical Services IQC to Democracy International, Inc. (Democracy International or DI) to conduct an evaluation of the CLGI/YIPD project and an assessment of YIPD. Democracy International fielded a four-person team in Indonesia for about three weeks beginning on February 21 to undertake this evaluation.

The team conducted its evaluation in accordance with three objectives provided in the Scope of Work:

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<sup>1</sup> The appropriate term or name for the project or organization depends on the applicable time period, as the name of both the project and the organization has changed over time. Unless a more precise meaning is intended or necessary, this report generally uses the broad term CLGI/YIPD, which, depending on context, can refer to either or both of the past activities of the project/organization and the current activities of the *yayasan*.

**1. Evaluation of implementation of CLGI/YIPD.** The team conducted an evaluation of the implementation of CLGI/YIPD, including an assessment of the strengths and weaknesses of the project, its achievement of goals, and lessons learned.

**2. Assessment of YIPD’s strengths and weaknesses.** The team also conducted an assessment of YIPD’s strengths and weaknesses, with a focus on the institutional capacities needed for YIPD to become sustainable and recommendations regarding actions and strategies YIPD should pursue regarding its relationships with local governments and local-government associations. This includes recommendations intended to provide advice useful to YIPD’s future development.

**3. Recommendations for USAID regarding possible future interaction with or support for YIPD.** The team considered how USAID might support YIPD or its programs in the future.

### **Evaluation Team**

Democracy International’s team for this evaluation included:

- Eric Bjornlund, President of Democracy International, as senior institutional development specialist and team leader;
- Dwight King, Professor of Political Science and Director of the Center for Southeast Asian Studies at Northern Illinois University, as senior local government management and Indonesian specialist;
- Muhammad Husain, deputy director of the Institute for Social & Economic Research Education and Information (Lembaga Penelitian, Pendidikan dan Penerangan Ekonomi dan Sosial, or LP3ES) in Jakarta, as Indonesian decentralization and research methods expert; and
- H. Darwis, Executive Director of the Institute of Democracy and Local Autonomy at Hasanuddin University in Makassar, as Indonesian local government and decentralization expert.

Brief biographical sketches are attached as Appendix I.

### **Approach and Methodology of Evaluation**

Democracy International conducted this evaluation and assessment principally through in-depth interviews in Jakarta and other locations in Indonesia and review of relevant documents.

Before the U.S.-based team members arrived in Indonesia and subsequently, DI’s team has reviewed a number of documents relevant to CLGI/YIPD. These include reports on the CLGI/YIPD project, performance monitoring plans, reports from YIPD, and other documents. A list of documents consulted is included as Appendix II.

From February 21 to March 9, the team conducted meetings and interviews in Jakarta and in various locations around Indonesia with organizations and individuals directly involved in or knowledgeable about CLGI/YIPD, as well as with USAID and with donors involved in decentralization and local government assistance in Indonesia more generally. The team met with USAID staff members, members of the YIPD board of trustees (Badan Pembina), members of the board of supervisors or auditors (Badan Pengawas), members of the board of directors (Badan Pengurus); YIPD staff members; CLGI/YIPD implementers, representatives of the

Ministry of Home Affairs, local government associations (including the Association of Indonesia City Governments or APEKSI, Association of Indonesian District Governments or BKKSI, and Association of Indonesian Provincial Governments or APPSI), other donors, and other relevant stakeholders in Jakarta. The team also consulted by email with selected former USAID/Indonesia officials who are familiar with the CLGI/YIPD project but are no longer in Indonesia.

During the second week of the evaluation, the team divided in half in order to travel to locations where CLGI/YIPD has conducted programs. The team conducted in-depth interviews with local government officials, YIPD partners and staff members, and others in the field.

One team visited Sleman (DI Yogyakarta) and a number of locations in Banda Aceh and Aceh Besar, in Aceh Province (N.A.D.). In Kabupaten Sleman, YIPD conducted a performance management pilot project to develop improved local government service delivery in public works, sanitation, health and water supply and a technical assistance initiative in financial management, including property asset management, performance budgeting and financial statements. Aceh represents a large percentage of YIPD's more recent work and thus was a crucial component of the evaluation.

The other team visited Pontianak (West Kalimantan), Makassar (South Sulawesi) and Gorontalo (Gorontalo province). Visiting Pontianak in Kalimantan allowed the team to assess the provision of similar services to those provided in Aceh on a smaller scale. YIPD's work in the other districts has included a number of services, including performance management, financial management, strategic management and organizational development.

The team used a semi-structured approach to interviews in the field. To guide interviews and attempt to collect comparable information, the team developed and used two separate interview guides, one for its in-depth interviews with local government officials and one for its in-depth interviews with local partners. (The interview guides are attached as Appendix III. Some interviews were taped and transcribed. After the site visits, the team returned to Jakarta to conduct additional meetings, to meet and compare findings, to analyze the data and information collected, and to begin preparation of the draft evaluation report.

Upon the return of team members to the U.S., the team interviewed representatives in the U.S. of the Friends of Indonesian Government Innovations (FIGI), the US-based organization that provides support to YIPD. The team also conducted follow-up discussions with former officials from USAID/Indonesia.

A list of individuals and organizations with whom the team met or consulted is attached as Appendix IV.

### **Organization of the Report**

This body of this report is organized in three sections: (1) an evaluation of the implementation of the CLGI/YIPD program; (2) an assessment of YIPD; and (3) lessons learned and recommendations. The discussion of a number of issues applies both to the evaluation of the CLGI/YIPD program and to the assessment of YIPD. Thus, the two sections should be read together and be seen as closely related. Similarly, lessons learned are derived from both the evaluation of the CLGI/YIPD program and the closely related assessment of YIPD, and thus lessons learned, while discussed throughout the report, are summarized in the third section.

## I. EVALUATION OF IMPLEMENTATION OF CLGI/YIPD PROGRAM

The team conducted a comprehensive evaluation of the implementation of CLGI/YIPD, including an assessment of the strengths and weaknesses of the project, its achievement of goals, and lessons learned. The team attempted to assess the extent to which CLGI/YIPD contributed to achievement of USAID’s strategic objective and intermediate results.

This section of the report addresses the evaluation of the implementation of the CLGI/YIPD program. In an effort to identify lessons learned, the evaluation considers in some detail a number of specific issues related to the CLGI/YIPD project design. These issues include (1) the rationale for the establishment of a new, independent organization and the focus on cost-sharing; (2) the relationship of CLGI/YIPD to existing associations of local governments; and (3) the process of establishing the new *yayasan*. Next, it reviews and assesses the nature of CLGI/YIPD programs and the locations in which CLGI/YIPD has worked. Finally, this section addresses program performance in the context of evaluation criteria specified in the Workplan.

### Rationale for CLGI/YIPD Project

USAID conceived the CLGI/YIPD project as different from its usual project-based approach, particularly with respect to (a) its focus on customer demand and cost-sharing, and (b) its objective of establishing a new, independent organization.

One objective of the project, as noted above, was to establish an organization that would be sustainable and financially self-sufficient. The strategy to achieve this goal, according to the Scope of Work, was to transition toward financial sustainability over a few years. In the first year, the project would develop and provide services to local governments at no cost. In the second year, it would begin seeking cost-sharing from clients. In the third and fourth years, it would seek to transfer an even greater proportion of costs to its local government clients. This commitment to the concept of cost-sharing was an important principle of the project and the new organization.

USAID decided that local governments should share the costs of CLGI/YIPD programs for two reasons. First, the program’s designers wanted the institution to become viable and financially sustainable. Cost-sharing, they believed, would help the organization’s bottom-line, by complementing other funds for programs. Perhaps more important, however, cost-sharing would demonstrate that local governments were truly interested in the services and programs that YIPD could provide. If a local government were willing to pay for at least part of the costs, this demonstrated commitment would demonstrate that it believed the service was worthwhile and useful. As the Scope of Work explains, “the assumption underlying the strategy was that services should be on a demand basis, and . . . the true measure of demand was that clients valued the services sufficiently that they would pay for them.” Such “buy-in” also increased the chances the programs would be relevant and successful.

Conversely, USAID believed that YIPD should only exist as long as there was a demand for its services from its clients and willingness on the part of their clients to pay for those services. USAID did not want simply to create another local service provider that operated solely by obtaining resources from donors or the private sector.

Truly significant cost-sharing is difficult as long as the main clients are local governments, since more than 80 percent of local government revenue in Indonesia is merely transfers from



the national government. At least outside of the resource-rich regions, local governments simply do not have the capacity to pay for services at cost. It has proved more realistic for CLGI/YIPD to sell its services through the donor community.

USAID decided to establish a new institution because it could not identify an existing institution operating on a demand-driven, customer-oriented basis or with a genuine goal of becoming financially sustainable. Despite the risks of creating another USAID-funded organization, USAID decided that designing it from the beginning with an explicit objective of financial sustainability would create a different kind of attitude for the organization.

While there were strong reasons to believe that the establishment of new institution was preferable to working with an organization with established interests, it ultimately proved to be too idealistic. Turmoil plagued the governance and management of the organization; much of that turmoil can be attributed to the struggle over who would define and control the organization's mission. Some of this might have been avoided had USAID and the program been working instead to help an existing organization with existing capabilities and an established governing structure to develop new approaches and more innovative programs.

### **Relationship to Local Government Associations**

In the process of designing the CLGI program, USAID initially considered direct funding assistance to the three primary local government associations (APEKSI, APKASI and APPSI) but determined that the institutions were too new and weak. USAID was engaging with these organizations through its Building Institutions for Good Governance (BIGG) and Performance-Oriented Regional Management (PERFORM) projects but did not have the resources necessary to support all three to the extent that they could provide real technical leadership and technical assistance support to local governments. Thus, the original idea for the DFLGIP was that one organization could provide value to all three associations and to local governments. During the course of the project and the establishment of YIPD, however, the relationship between YIPD and the local government associations became an issue of contention. USAID, YIPD and the associations never fully agreed on the role and relationship of YIPD vis-à-vis the associations.

Some involved in the project, including the former chief of party, suggest that CLGI/YIPD was intended to help local government associations by cooperating with them in offering services to the ultimate customers: local governments themselves. They fault conversations between USAID officials and local government associations, which took place before the project actually got underway, for leaving an unfortunate misimpression that the local government associations would “own” the new organization. In this view, while CLGI/YIPD was intended to cooperate and engage with local government associations, it also had other important stakeholders, whose interests were not necessarily entirely consonant with those of the local government associations. The former chief of party argues that CLGI/YIPD was set up to be a resource for local government associations rather than to drive revenues for them.

The April 2001 concept paper for CLGI/YIPD, however, suggested that the local government associations would indeed own CLGI/YIPD. “In concept, [CLGI/YIPD] would be ‘owned’ by the associations, which together with their members, would play guiding roles on the [CLGI/YIPD] board of directors.”<sup>2</sup> Likewise, the Scope of Work for the Evaluation states,

<sup>2</sup> Yayasan OtDa: Developing the Institutional Capacity of Indonesian Associations of Local Government to provide Innovative Services and Expertise to their Members (USAID DLG Paper, April 2001), p. 2.



“CLGI/YIPD was expected to work in close coordination with the associations, and to be seen as being ‘owned’ by the associations rather than being a competitor.”<sup>3</sup>

In fact, there appears to be some disagreement among those involved in the design and initial implementation of the program, including officials at USAID, about whether local government associations, in addition to local governments, were or should be clients of CLGI/YIPD. Some believed YIPD should provide value and support to the associations, and thus to local governments through and in cooperation with the local government associations. Others argued that CLGI/YIPD’s clients were the *members* of the local government associations, the local governments themselves. Indeed, some at USAID had or developed a negative view of the capacity, commitment and interests of the local government associations. As discussed below, there were serious differences of opinion about the organization’s proper relationship with the local government associations even within YIPD and its structures of governance. Local government associations had their own interests and objectives. Representatives of the associations came to the board with expectations about funding, programs, etc. that were generally not met. This became a serious problem for internal governance of the organization.

The question of the relationship between YIPD and the local government associations became important in the context of determining the composition of the organization’s governing boards and setting its priorities and direction. The boards would control the resources of CLGI/YIPD, including the expectation of \$5.5 million in USAID funding, or at least that part of those resources that was not fully committed to management of the USAID project itself.

CLGI/YIPD attempted to engage a broad range of stakeholders and to include representatives of a wide range of organizations in the foundation’s governing boards. CLGI/YIPD conducted a dialogue with stakeholders, including regular meetings, workshops, focus groups, working groups, and the like. CLGI/YIPD engaged with five of the six local government associations. The inclusion from the beginning of the associations of district legislatures (ADKASI and ADEKSI) was intended to stress that clients were not just local governments but also other local players, including legislators, civil society organizations and the private sector. CLGI/YIPD also engaged with, among others, the national government, principally the Ministry of Home Affairs and the Ministry of Finance, although many observers have suggested that the central government did not believe CLGI/YIPD or, for that matter, USAID consulted enough about their local-government-support programs with the ministries. The attempt to reach out broadly was well-intentioned and important, but it ultimately failed to build the necessary consensus about the purpose and control of the organization itself.

CLGI/YIPD did not develop a good relationship with APKASI, the Association of District Governments, now known as BKKSI. APEKSI, the Association of City Governments, also no longer has any active collaboration with YIPD, and the local government associations are no longer represented on the current YIPD board.

It is understandable that it was difficult for CLGI/YIPD to develop effective partnerships with the local government associations. Even today, the local government associations are themselves generally perceived as weak and more focused on Jakarta and on the interests of their own secretariats than on the needs of their members. They typically lack resources, enough trained staff and good ownership from their member governments. Poorer local governments

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<sup>3</sup> USAID-Indonesia, Task Order Scope of Work, (February 8, 2006) Art. 3, p. 7.

tend not to pay dues or to be involved with local government associations. To a considerable extent, local government associations are more a group of relatively well off local governments representing their own interests in Jakarta than a broad coalition of local governments or a provider of services to local governments.

In any event, several local government associations ended up unhappy with CLGI/YIPD. The association of *kabupaten* governments, BKKSI (formerly, APKASI), ended up withdrawing entirely from any cooperation or engagement with CLGI/YIPD.

### **Establishment of the Yayasan**

The CLGI/YIPD project focused during its first year or so on establishing a new legal entity. The project's leadership consulted extensively with stakeholders and carefully considered various alternatives, including a for-profit corporation (PT) or a nonprofit foundation (*yayasan*). A decision to establish a *yayasan*, which would avoid tax, was made in early 2002, and in April 2002 the organization began to use the name CLGI/YIPD. Thus, the project made the transition from being the Development of a Foundation for Local Government Innovation (DFLGIP) to being the Center for Local Government Innovation (CLGI).

Indonesia's new *yayasan* law required a complex governing structure, including a board of trustees (Badan Pembina), a board of supervisors (Badan Pengawas), and a board of directors (Badan Pengurus). CLGI/YIPD recruited Erna Witoelar and M. Sadli as founders, and both became members of the board of trustees. Others on this board included representatives of local governments, the central government and the private sector.

In an effort to involve all stakeholders, 16 members were recruited for the board of directors (Badan Pengurus). Because the local government associations were supposed to have a close relationship to the organization, each local government association had a representative on the board. This included not only the original three associations, APEKSI, APKASI and APPSI, but also two new associations of local legislatures that also wanted to be involved. But the size of the board kept the association representatives in the minority. The rest of board was diverse. It included representatives from the private sector, from universities and from local governments. The board of supervisors (Badan Pengawas) included a representative from the DPRD of Banten and the Mayor of Aceh Barat.

There were 29 people on the combined board. The size of the initial board proved cumbersome, and the group never achieved a common approach. According to many people involved, the interests, including self-interests, of board members were not always in line with the organization's best interests. The Badan Pengurus and the Executive Director remained fundamentally apart on important issues.

The *yayasan* held its first combined board meeting in December 2002. In the next board meeting, in February 2003, three quarters of the board participated, but the organization was not able to achieve a quorum thereafter. Some members criticized the lack of honoraria and, depending on who tells the story, were either disappointed by lack of funding for pet projects or disappointed by organization's failure to take account of their organization's interests. Turmoil plagued the relationships between the board and staff, among and within the different boards, and between the CLGI project and YIPD as an organization. One person involved said that the Badan Pengurus was "managed by a few people only and so somehow was taking YIPD in wrong direction, creating conflict and polarizing CLGI and YIPD." In hindsight, as discussed

below, it is clear that YIPD made mistakes in its choices of executive director and chair of the board of directors (Badan Pengurus). In 2005, YIPD substantially streamlined and reconstituted its board, appointed a new acting executive director, and began to search for a new permanent executive director.

## Technical Assistance

### *1. Areas of Work*

CLGI/YIPD has conducted programs of training and technical assistance principally in (1) local government management, and (2) local government financial management.

**Local Government Management** includes performance management, change management, development of strategic plans, and restructuring and organizational development:

- **Performance Management.** Technical assistance to increase the effectiveness of local government services to communities through identification of objectives and clear performance indicators that are developed based on inputs from various concerned parties including consumers of the services.
- **Change Management.** Training local officials to encourage entrepreneurial thinking that is creative and proactive, as well as fostering integral thinking that is not based on narrow interests.
- **Development of Strategic Plans.** Increasing local government capacity for making comprehensive strategic plans through participatory means by involving various stakeholders.
- **Restructuring and Organizational Development.** Facilitating the restructuring of local governments to improve efficiency and effectiveness.

**Local Government Financial Management** includes property asset management and performance budgeting.

- **Property Asset Management.** Training on methods to improve the management of public property, with the objective of (a) increasing local income; (b) attracting outside investors to the community; and (c) increasing public trust in local government credibility.
- **Performance Budgeting.** Technical assistance intended to increase the capabilities of local governments to meet the requirements of Government Regulation No. 105 of 2000 that requires local governments to establish their own budgetary formula by creating links among input, output and outcome variables.
- **Developing Financial Statements.** Helping local governments to prepare accurate, standardized financial reports (balance sheet, income statement, and cash flow statement) that can be used in policy formulation and policy review.

In addition to these areas of technical support, CLGI/YIPD has conducted policy analysis, identifying and studying critical public policy problems, including studies of local autonomy policy regarding Law No. 22 of 1999. YIPD undertakes research and evaluation for a variety of purposes, including the mapping of local governments to document characteristics and initiatives to improve local governance. CLGI/YIPD also serves as an information center (clearinghouse) for best practices in local government, which is discussed below.

As far as could be determined, CLGI/YIPD’s programs were well received. Local government officials with whom the team met invariably expressed satisfaction with and appreciation for the assistance. The core staff of CLGI/YIPD in Jakarta is, by all accounts, technically competent, educated and experienced. Stakeholders and knowledgeable observers generally commended YIPD’s programs on local government financial management. Many singled out asset management as especially valuable.

A review of materials used in training, however, raises some questions about the programs when they are placed in a broader context. CLGI/YIPD has offered little help with one of—if not the—thorniest of the problems facing regional executives: how to manage in the uncertain and often inconsistent policy environment created by the central government in connection with decentralization. When CLGI/YIPD has trained local government personnel in how to achieve greater efficiencies, it has largely assumed that the rules and regulations governing their positions and responsibilities are fixed or stable. In reality, the rules have been constantly changing and unstable. CLGI/YIPD’s lack of locations for the Restrukturisasi Perangkat Permentaha Daerah program may reflect its inability to actually offer a training module on this problem.

## ***2. Local Partners***

CLGI/YIPD has provided technical assistance through its own technical staff, expert consultants and/or local partners, be they NGOs or universities. Consultants have often been from the local community. Experts from Jakarta have tended to visit periodically, which has left it up to local governments and local partners to ensure follow-through and program impact.

It seems that the local government often has been responsible for selection of a local partner rather than CLGI/YIPD itself. Most local partners have been appointed directly by a local government officer or local government institution (usually the local government planning office, Bappeda, or the local government secretariat, Sekda). But the selection of local implementing partners does not appear to have involved any kind of objective or competitive process. In places the team visited, there was no obligation to conduct an open bid or any structured means for selecting such partners.

Local implementing partners with whom the team spoke expressed satisfaction about working with CLGI/YIPD. They did not find reporting, financial or other requirements to be onerous.

## **Programs in Regions**

### ***1. Selection of Local Governments and Locations***

CLGI/YIPD has provided training and technical assistance to interested local governments in accordance with the stated or perceived needs of those governments. CLGI/YIPD did not appear to have a particularly rigorous process for initially choosing locations in which to work. Criteria included the eagerness of local governments to adopt new practices and the interests of local governments in particular subject areas. Because of CLGI/YIPD’s requirements and proposal process, local governments receiving CLGI/YIPD assistance were, to a considerable extent, self-selected.

The earliest locations included Pontianak (West Kalimantan), Sleman (Yogyakarta), Manado (North Sulawesi) and Gorontalo (Gorontalo province in Sulawesi). The government of Indonesia had chosen Sleman and Gorontalo for a pilot local autonomy program in 1997, before the end of the New Order. CLGI began to work on property asset management in Sleman, for example, because the *bupati* in Sleman is an accountant and thus understood and welcomed the program.

CLGI/YIPD determined what kinds of programs or services to offer in given locations by attempting to connect local needs with the main objectives and capabilities of CLGI/YIPD. Generally, the staff made an initial approach to a particular local government concerning a specific issue. Often, this would build on indications of good performance. Because of Kabupaten Pontianak's good performance in financial management, for example, CLGI/YIPD saw the opportunity to improve budget performance. Because the government of Gorontalo City was willing to try to improve its public service, CLGI/YIPD offered a program to improve public service management there.

Staff members then made site visits to meet with local government officials to discuss specific needs. They discussed terms of reference, the scope of service, financial aspects, the role of local implementing partners and other technical issues. CLGI/YIPD put the burden on local governments to identify the type of assistance they wanted and to prepare a written request to YIPD signed by the three key local government officials: the *bupati* or mayor, the head of the district DPRD and the head of the local planning office (Bappeda). In addition, as discussed elsewhere in this report, CLGI/YIPD required a commitment from a local government to some form of cost-sharing (in cash or in-kind). If agreement was reached, a memorandum of understanding (MOU) would be prepared and signed by both sides. The MOU addressed the type of service, main issues, activities, role of each party, and so on.

The availability of funding, of course, beyond USAID's initial program funding, has also driven the choice of locations. Thus, the availability of support from the Canadian International Development Agency (CIDA) prompted CLGI/YIPD to work in Sulawesi (as well as in a new technical area, Geographical Informational Services), funding from Freeport has enabled work in Kabupaten Timika and Kabupaten Bituni in Papua, and the tsunami disaster in Aceh provided an opportunity in that province and led to funding from USAID and from private philanthropic sources, the Bessemer Trust and the Bush-Clinton Tsunami Fund. This is consistent, of course, with the idea of responding to demand.

## ***2. Summary of Places and Approaches***

Between 2001 and 2005, CLGI/YIPD worked with 26 of the current 440 *kabupaten* and *kota* local governments. All projects were designed to support local governments addressing a complex set of administrative, financial and human resource issues and contribute to smoother implementation of decentralization in Indonesia.

CLGI/YIPD has conducted programs in the following areas:

- *Local Government Performance Management* (Kota Pontianak; Kabupaten Sleman, Yogyakarta)

- *Local Government Financial Management* (Kabupaten Sleman; Kabupaten Mimika, Papua; Kabupaten Morowali, Central Sulawesi; Kabupaten Manokwari, Irian Jaya Barat; and Kota Gorontalo)
- *Local Government Change Management* (Palangka Raya, Central Kalimantan and Papua)
- *Local Government Strategic Management/Planning* (Kabupaten Mimika; Kabupaten Monokwari; Kabupaten Teluk Bituni; Kabupaten Sidenreng Rappang, South Sulawesi; and Kabupaten Kutai Timur)
- *Structural, Institutional and Organization Development for Local Government* (Kabupaten Lombok Timur, NTB; Kabupaten Monokwari, Kabupaten Mimika, Teluk Bituni; and Kabupaten Sidrap, South Sulawesi).

A list of CLGI/YIPD projects is included as Appendix V.

### Program Performance

The team evaluated the project against the following criteria suggested by the Workplan:

- ***Efficiency of project startup.*** The CLGI project did not experience any significant difficulties during its startup, which was fully financed by USAID, assisted by the Urban Institute and Chemonics, and managed by a chief of party with years of experience in Indonesia. But in the course of starting the new Indonesian organization, problems did begin to appear, especially ones pertaining to organizational structure. At the present time, YIPD is in the process of recruiting a new executive director.
- ***Quality of the personnel recruitment process.*** The process of recruitment of CLGI/YIPD personnel has been serious and professional, albeit overly structured and ultimately unsuccessful in some important respects. CLGI/YIPD has used a human resources consulting firm and has attempted to adopt a careful rigorous process in selecting an executive director, but, as discussed elsewhere in this report, members of the boards were ultimately not of a common view about how to proceed. Mistakes in recruiting personnel severely hampered the transfer of responsibility from the CLGI/YIPD project to YIPD and contributed to the turmoil in governance that the organization has experienced. They do not appear, however, to have affected the quality of services provided.
- ***Ability to respond to new challenges.*** CLGI/YIPD has responded quickly and effectively to new challenges, such as the one posed by the tsunami disaster in Aceh or the opportunity provided by CIDA's interest in Geographical Information Services in Sulawesi, which are discussed below.
- ***Financial performance.*** The team is not in a position to evaluate financial performance, financial systems or budget discipline. As discussed below, CLGI/YIPD has attracted funding from a variety of sources, which has undoubtedly complicated financial reporting. Fundraising has necessarily occupied considerable attention from senior staff members. CLGI/YIPD did not spend its initial USAID funds at the projected rate. The reason for the project's relatively slow rate of spending is unclear. Because CLGI/YIPD still had so much funding available at the end of the initial three-year pe-



riod of the project, USAID only committed the last \$950,000 when the needs in Aceh became apparent after the tsunami disaster.

- ***Relationship with and responsiveness to USAID.*** CLGI/YIPD appears to have remained in close and regular contact with USAID and to have sought generally to be responsive to USAID, but this effort was complicated by apparently varying views about a number of important issues within USAID. The program did not respond quickly to suggestions from some at USAID that it get the clearinghouse and website up and running nor that it should increase expenditures and staff time spent on sharing best practices.



## II. ASSESSMENT OF YIPD'S STRENGTHS AND WEAKNESSES

### Evaluation Criteria

This section of the report considers the strengths and weaknesses of YIPD as an institution. In the following sub-sections, the report both describes and analyzes the YIPD in the context of the following criteria: relationship with local governments, relationship with local government associations, geographical distribution fundraising strategy, management abilities and organizational structure. Programmatic issues and technical range of services provided were discussed primarily in the preceding section.

This section of the report addresses the following specific issues: (1) corporate governance, (2) current programs, including in Aceh, (3) sharing of local government best practices and YIPD expertise, (4) YIPD's relationship to other programs and coordination with other donors, (5) sources of funding and financial sustainability, (6) views of the current board, (7) the Friends of Indonesian Government Innovation, and (8) other strengths and weaknesses of YIPD.

### Corporate Governance

#### *1. Executive Director/Relationship between Staff and Board*

After an extensive search, YIPD hired a new national executive director in 2004 to replace the CLGI/YIPD chief of party who had been acting as executive director. The search committee, which was made up of the chief of party and selected members of the board, failed to agree fully on the selection process—which led to considerable misunderstanding—and initially found it difficult to achieve consensus on which candidate should be offered the position.

Moreover, the new executive director did not succeed in resolving tensions between the Badan Pengurus and the staff or in taking control of the day-to-day direction and management of the organization. According to several individuals still involved with YIPD, the executive director failed to effectively manage the organization. He also failed to perform on one important project, an analysis of regulations regarding planning and budgeting commissioned by GTZ. The new executive director and the chief of party did not develop an effective relationship or mutual trust. According to the former chief of party, the new executive director sought to bring the local government associations back into the organization, which the chief of party opposed.

The then-chair of the board of directors initially supported the executive director and tried to ensure that he had appropriate independence from the chief of party/former executive director. Ultimately, however, the executive director resigned.

#### *2. Current Status of YIPD Leadership: Reconstitution of Board and Selection of New National Executive Director*

In 2005, YIPD substantially streamlined and reconstituted its board. The new board is much smaller and includes individuals personally committed to the mission and success of the organization. The Badan Pengurus includes just five individuals. Local government associations no longer have *ex officio* representatives on the board.

Since mid-2005, an acting executive director, who came from the board, has managed YIPD. The turmoil in board-staff relations appears to have ended. As of the preparation of this report,

the board is nearing completion of a careful process to identify and hire a new national executive director. Much will be riding on this individual.

### **Current Programs of YIPD**

It is a bit unclear how many jurisdictions YIPD remains active in. From its field visits, the team did not get the impression that there are many truly active programs, except in Aceh and, to a lesser extent, in Sulawesi. The team understands that there are active programs in Papua as well, but because of logistical and time constraints the team was not able to travel to Papua or talk to anyone involved in programs there.

#### ***1. Sulawesi GIS***

The Canadian International Development Agency has focused its local development efforts in Indonesia in Sulawesi. With support from CIDA, CLGI/YIPD developed a web-based Geographical Information System (GIS) in Sulawesi. The GIS aims to provide real-time information for local governments and other interested parties. It manages information about Sulawesi and displays it in interactive maps. This bilingual system includes information on bio-physical data, socio-economic and demographic data, infrastructure maps, village boundaries, general information about each district, cities and provinces, information about donor programs, and news regarding Sulawesi. The system can be accessed at <http://www.sulawesigis.org>

YIPD's GIS programs demonstrate its technical competence and flexibility. CIDA representatives expressed satisfaction with the efforts to date and have indicated an intention to do further work with YIPD in Sulawesi. Team members did not have the opportunity to see whether local governments in Sulawesi are actually using this tool.

#### ***2. Aceh***

##### ***Post-Tsunami Opportunities***

After the December 26, 2004, earthquake and tsunami disaster, YIPD quickly became involved in Aceh. The earthquake and tsunami destroyed much of the coastal areas of Aceh Province and affected some inland areas. The tsunami killed more than 180,000 people and displaced tens of thousands. It also damaged innumerable public structures and private dwellings and devastated much of the public infrastructure. Local government in many places ceased to function.

The tsunami left Aceh in desperate need of assistance. Even while people in Aceh remained traumatized, local government had to be restored, houses and infrastructure needed to be rebuilt, communities needed to be rearranged, and the local economy needed to be revived. The international community expressed its shock and sympathy and offered first substantial humanitarian assistance and subsequently considerable assistance to help rehabilitate and rebuild Aceh.

In the days immediately following the tsunami, a YIPD program officer, Azwar, who was Achenese returned home to find his family members. After finding them, he immediately turned his attention to identifying ways in which YIPD could be of assistance. Soon after the tsunami, USAID identified the CLGI/YIPD project as a means to quickly provide funding for assistance and reconstruction in Aceh.

Since the beginning of 2005, YIPD has successfully implemented a number of projects in Aceh. Some of them are similar to those implemented in other regions, such as offering training to improve capacity of local government officials, while others have been unique to Aceh, such as community empowerment and community mapping. Officials of the provincial government, *kecamatan* (subdistrict) governments, and the Aceh and Nias Rehabilitation and Reconstruction Agency (BRR) often expressed heartfelt appreciation to YIPD for its early and important assistance.

YIPD's programs in Aceh have differed from its efforts in other parts of the country in at least four significant ways.

1. **Physical infrastructure.** In Aceh YIPD has provided support for physical infrastructure, including renting or helping to rehabilitate a structure for an office and providing office equipment and office furniture.
2. **Beneficiaries.** CLGI/YIPD programs in other regions have not directly targeted members of the community and are usually focused on district-level (*kabupaten/kota*) governments. In Aceh, YIPD has worked with *kecamatan* governments and directly with members of the community. YIPD provided cash for work, for example, to clean irrigation canals and paddy fields and has pioneered efforts in community-based mapping.
3. **Absence of cost-sharing.** Even though cost-sharing has been a fundamental principle of YIPD support for local government, there has been no discussion of any kind of cost-sharing or in-kind contributions in Aceh. Cost-sharing seemed obviously inappropriate in the context of emergency assistance and in the wake of an overwhelming natural catastrophe. Moreover, there are a large number of other donors and organizations offering assistance of various kinds in Aceh. But now that more than a year has passed and very significant resources have been made available, the possibility of cost-sharing in some form can no longer be summarily dismissed.
4. **Local office.** YIPD has an office and small professional staff in Aceh, which is something it has not had in any other locations in which it has worked. This allows for the development of relationships and follow-up that is simply not possible elsewhere.

To date, YIPD has focused its activities in selected *kecamatan* in Banda Aceh and Aceh Besar.

### **Community Mapping**

One of the priorities of local governments in Aceh is to provide permanent houses to survivors whose houses were destroyed. The government has promised to build a new house for each affected surviving family within two years of the tsunami.

Before new houses can be built, it is critically important to determine property rights, as the tsunami has often obliterated indications of property boundaries. To address this problem, YIPD has assisted local governments in producing maps for land ownership based largely on consultation with the community. This so-called community-based mapping has proved extremely useful, and other organizations have followed YIPD's model.

In implementing community-based mapping, YIPD cooperated with local and university-affiliated organizations that have technical know-how in land measurement. YIPD has conducted community mapping projects so far in seven subdistricts of Banda Aceh and Aceh Besar. YIPD has completed community-based maps in 32 villages and reported that community

mapping in 10 other villages remains incomplete, apparently because of insufficient community participation.

The provincial and local governments and BRR all expressed appreciation for YIPD's work in initiating and producing community-based mapping. Government officials and NGOs have used the maps in village planning. Government representatives at all levels expect YIPD to continue its community-based mapping work in other villages and to help provide engineering village maps with land coordinates and contours. BRR has adopted guidelines for community-based mapping developed by YIPD, and other agencies have followed these guidelines to conduct similar work in other villages.

### ***Support to Kecamatan Government***

Early involvement of YIPD in Aceh contributed substantially to the restoration of local government functions, especially at sub-district level, in a number of locations. YIPD supported sub-district government by providing temporary offices, office furniture and office equipment. YIPD also provided training to improve capacity of the officials in planning, budgeting and land-use. YIPD, however, was able to assist only a limited number of *kecamatan* governments.

YIPD was the first organization to help restore sub-district government in Banda Aceh and Aceh Besar. Local officials expressed their sincere appreciation. "YIPD has opened our closed doors," said one sub-district head in Banda Aceh. Several singled out Azwar for special praise for his valuable moral and other support at a very early stage. YIPD was seen to be very responsive to local government needs.

Sub-district officials did complain, however, about the frequent and often unannounced turnover of YIPD's staff in Aceh. As a result, they sometimes were surprised to find particular YIPD staff members no longer working at the organization. Sub-district officials urged better communication to prevent or mitigate such disappointments in the future.

Several sub-district officials also expressed their hope that YIPD could also help restore village government. They pointed out that the majority of village offices are still located in private homes.

### ***Coordination with/Support to Provincial Government and BRR***

YIPD has established good relationships and has coordinated effectively with district and provincial government as well as with BRR. In fact, YIPD provided training on GIS for provincial officials, as spatial planning becomes a very important part of the redevelopment of the province. Building on the YIPD program and using the provincial budget, the provincial planning agency plans to train additional officials on the use of GIS.

BRR also appreciated the work of YIPD. As noted above, YIPD has assisted in the development of guidelines for community-based mapping, which has helped protect property rights and mitigate the chances for serious disputes. YIPD also supported BRR with computers and software. In addition, YIPD developed a clearinghouse at the Banda Aceh development planning agency that houses extensive information about the situation in the field, such as extent and nature of damage. The clearinghouse, however, does not appear to be actively used or maintained, and the data are not up to date.

### *Other Programs*

Australian assistance to Aceh under the Australia-Indonesia Partnership for Reconstruction and Rehabilitation has implemented programs based largely on those of YIPD. YIPD also was part of Chemonics’s team that won a competitive bid for continued work in Aceh.

From interviews in Aceh, it seems that local government officials typically want YIPD to continue or expand its activities in Aceh. Various local government officials urged YIPD to:

- Produce community-based maps for other villages
- Provide technical mapping that can be used for engineering work
- Provide training for village heads to give them better understanding in planning
- Facilitate local government efforts in developing local regulations (*perda*) on village planning, outlining where and what to build. So-called development “blue prints” only provide general guidance. There are building codes in most places, but similar codes for infrastructure, water and drainage generally do not exist.

### **Sharing of Local Government Best Practices and YIPD Expertise**

Nationwide, CLGI/YIPD has worked directly in only 26 of some 440 districts (*kabupaten* and *kota*) in Indonesia. Thus, the direct, macro-level impact of CLGI/YIPD programs, however effective or innovative, is necessarily limited. The question of how to replicate or build on innovations and successes in directly assisted local jurisdictions is a challenging one.

In an effort to collect and share information about best practices in local government, CLGI/YIPD established an information center to serve as a clearinghouse for documents, information about best practices and other materials about local government and decentralization in Indonesia. This information center includes a library at YIPD’s Jakarta office, a computer database and a Website ([www.clgi.or.id](http://www.clgi.or.id)). The information center also includes daily news indices, electronic press clippings, and a directory of local government offices and officials. CLGI/YIPD derived best practices, among other places, from other USAID programs, including BIGG and PERFORM.

As far as the team can determine, CLGI/YIPD appears to have collected a great deal of important documents and information about local government, best practices, and the like. And the CLGI/YIPD website seems comprehensive and well maintained and offers a great deal of useful information and links. Yet, there was also some suggestion that CLGI/YIPD was slow to set up the clearinghouse and website and did not take full advantage of the project resources available for sharing best practices. Moreover, whether because of a lack of resources or the failure to make it a priority, CLGI/YIPD has not been able to take significant affirmative steps to publicize the existence of this database and clearinghouse or to share this information with local governments not currently involved with YIPD. The focus on the collection of information and the maintenance of a library and Website relies on potential beneficiaries to find out about the clearinghouse and take affirmative steps to access the information. This strategy would be insufficient under the best of circumstances; it is wholly unrealistic to expect it to have any impact in the considerable number of local districts that are largely lacking in human and financial resources or in the absence of reliable, reasonably fast access to the internet or even of computers and electricity. That is not to say that CLGI/YIPD has failed to do its job, only that a truly effective clearinghouse requires resources, sustained commitment, and marketing or other affirmative means of calling attention to its existence.

For YIPD's programs and clearinghouse to have greater impact, the organization must find new, possibly more creative ways to share information about best practices. These might include more press and journal articles, monographs, policy briefs and newsletters by YIPD staff members, board members and partners. They might also include collection or preparation of manuals on local government, forms, training manuals for supervisors, curricula for training of trainers and syntheses of best practices from different local governments. Or they might include more attention to national or regional conferences on best practices for local government officials and stakeholders from multiple jurisdictions, something YIPD is considering. Yet a greater emphasis on affirmative means of sharing best practices and lessons learned brings its own disadvantages, not least of which is the necessary commitment of scarce resources and professional staff time.

To the extent that YIPD could build active, mutually beneficial and mutually reinforcing relationships with the local government associations, the associations could be a way to market YIPD's services and information resources. Once again, the relationship between YIPD and the local government associations seems to be a critically important one. But, of course, the weaknesses of the associations, including their often limited relationships with their own members, means that this too is not likely to be a panacea.

In short, CLGI/YIPD's investment in building and maintaining an information center/clearinghouse represents a considerable organizational strength. At the same time, the organization's lack of means to market the existence of that clearinghouse or to affirmatively share information about best practices is a notable organizational weakness. The necessary response would seem to be some combination of efforts to (a) strengthen the local government associations, (b) improve the relationship between YIPD and the associations, and (c) undertake marketing or other efforts to increase awareness of YIPD.

### **Relationship to Other Programs and Coordination with Other Donors**

There are a plethora of donors, NGOs, university-affiliated centers and other organizations that are providing services to local governments in Indonesia. By many accounts, these efforts are not well coordinated. The existence of other service providers in effect means that YIPD has a number of competitors. This makes it important for YIPD to think about and emphasize its comparative advantage, both for organizational sustainability and for program effectiveness.

Even other USAID programs are effectively competitors to YIPD, especially the relatively new Local Government Support Program (LGSP). Several people involved with YIPD argued that the availability of technical assistance from other donor programs, generally without cost-sharing or counterpart contributions, tends to dampen enthusiasm for YIPD programs and hamper the attempt to use counterpart contributions as an indicator of local buy-in. In any event, YIPD should be a resource to LGSP, by collecting and helping to share best practices.

Ideally, YIPD would find a way to coordinate with all donors and projects in the decentralization arena, including the new Decentralization Support Facility, which involves the key central government ministries and agencies as well as the leading donors. The Decentralization Support Facility is interested in mapping donor activities and maintaining a database on decentralization activities. YIPD or its clearinghouse might be a resource to this effort; perhaps YIPD could play a role in maintaining it.



### Sources of Funding, Financial Sustainability

While cost-sharing provides a strong indication of local government commitment, it has not, as noted above, provided a significant source of actual program funding, and cost-sharing does not offer a meaningful prospect of sustaining YIPD. Building on its initial funding from USAID, however, CLGI/YIPD has had notable success in attracting funding from (a) other international donors, (b) multinational companies, and (c) private donors.

Several bilateral and multilateral donors have provided grants and contracts to CLGI/YIPD for particular projects. These include CIDA, AusAID, the World Bank (through the Indonesian Development Marketplace, the World Bank Institute and IFC PENSA), GTZ, DFID and others. YIPD has also received additional USAID funds for the foundation's work in Aceh. The international donors with whom the team met were pleased with the organization's efforts. Although this does not seem to be financial sustainability in the same way that receiving fees for services would be, it suggests that, even in the absence of USAID infrastructure support, donor funds are likely to sustain YIPD.

CLGI/YIPD has attracted considerable involvement of and support from the private sector. Several multinational companies operating in Indonesia have funded activities in support for local governments in areas in which they are operating. Notable among these companies are Freeport and British Petroleum. These efforts, of course, are limited to locations in which the companies have operations, but they would seem to provide an opportunity for YIPD to make a contribution in those locations and to strengthen its portfolio of experience and its finances. At the same time, YIPD must take care not to become merely an agent of public relations for such companies. The team was not able to evaluate any of these programs directly.

YIPD has also received two large private donations from the United States for post-tsunami Activities in Aceh. FIGI secured approximately \$1.25 million in grants from the Bessemer Trust and the Bush-Clinton Tsunami Fund for YIPD activities in Aceh. Although the circumstances of Aceh are unique, FIGI's success in this regard is encouraging.

The team was surprised that some individuals associated with CLGI/YIPD ever considered an endowment from USAID to be a realistic possibility. During the team's interviews, several individuals associated with YIPD mentioned this issue. Leaving aside the question of whether an endowment from USAID would ever be possible, the team might question whether it would even be desirable. While an endowment enables an organization to avoid worrying about its future existence, it does little as a market signal about the value of an organization's services or as a way to ensure the client commitment or ownership necessary for project success. In this respect, an endowment would depart from the idea of YIPD as market-driven and responsive to customer needs.

YIPD currently seeks a source of funding for its office and core operations. YIPD's leaders and supporters argue this is necessary for a transition period to ensure the continued existence of the organization and free up professional staff time and attention from fundraising. To date, YIPD evidently has not negotiated for new funders of specific projects to cover their share of overhead expenses, as a truly sustainable organization would have to do. It is conceivable, however, that the organization may now have achieved enough of a track record and have enough negotiating leverage to make sure that future grants and contracts pay their share of overhead (general and administrative) costs. The substantial volume of activity, particularly in Aceh, would also suggest that this is a possibility, although it is by no means certain. The risk



is that, without additional support for core operations, the organization would not be able to survive.

### **View of Current YIPD Board**

The evaluation team met with a number of members of the reconstituted board of YIPD, including, among others, the chair of the board of trustees and the chair and vice chair of the board of directors. The reconstituted board of YIPD argues the organization effectively is still young, just getting its feet under it. The board measures the real start of YIPD from only mid-2005, when the new board was constituted and the former chief of party left the organization entirely, rather than from its official start in 2002. Accordingly, board members argue that YIPD is still in its early stages, still establishing its capabilities and still a relatively small organization. YIPD, they argue, is not yet able to sustain itself without some institutional support.

Board of Trustees Chair Erna Witoelar also emphasized the importance of secure funding, but she is clearly looking beyond USAID:

One of the main obstacles to the development of YIPD is funding that is certain and secure. . . . We need to cultivate the opportunities presented us by JGZ, AUSAID, CIDA. Secure long term funding that enables us to carry out the projects we desire to carry out: this is our concern.

Board members view YIPD as taking over a USAID program. While some activities of the USAID program have been continued, board members admit the volume and scope of programs has been reduced.

Board of Directors Vice Chair Himasari Hanan argues YIPD’s mission has been “too ambitious” and its approach “too idealistic.” She suggests that YIPD should probably be more focused, perhaps concentrating on asset management, the clearinghouse and “enhancement of local government.” She argues they need to prioritize their areas of work and be more realistic. YIPD’s uniqueness is “innovation in local government,” and its motivation is to “empower local government,” as opposed to the project-based focus of other programs.

Board members acknowledge the organization’s focus on projects and lack of a long-term plan, but they say they do not have much choice. They believe YIPD has the human capital and experience to go forward but say the organization must figure out how to manage the financial and programmatic challenges and have a real impact. They do not expect the organization to be any bigger in the future. They recognize it will have to be project-based, that projects rather than direct support will have to sustain the organization. Although they see advantages to attaching the organization to more established institutions, they are concerned about preserving the organization’s mission. They might increase cooperation with universities or thinktanks regarding research on improving local government.

Dr. B. Raksaka Mahi, the chair of the board of directors, said that the board had decided to continue YIPD to share ideas with others. But they need to consider what makes them different from other organizations and programs, to go back to basics and think about their mission, their strengths and competitive advantage. They have determined that YIPD’s mission was to build on best practices by sharing experiences. He cited as examples lessons from Aceh on best practices for governments dealing with natural disasters, how to create an attractive investment

climate (such as by licensing for new businesses under one roof), and best practices on asset valuation. Board members agree on the need for YIPD to do more policy research. They want to extract best practices from what YIPD *and others* have done. They do not envision YIPD as a research institute as such, but they do believe the organization can use policy research to improve the delivery of services to regions.

Board members feel it is important to improve the organization’s relationship to the local government associations, and they believe the organization should try to mediate between the associations and local governments. In a meeting with the team, Ibu Erna underlined the challenge of building an effective relationship with the local government associations:

The challenge in the future, for both the Board and the Executive Director and staff, is how to make YIPD relevant to the associations because this has not yet been managed. I worry that YIPD is too busy with projects so that they forget their reason for existence, namely to empower the associations... There has not yet been a cooperative program that is truly beneficial for associations.

Other board members still maintain that because local government associations are focused on Jakarta and have more “centralized interests,” representatives of local government associations should not dominate the board.

### **Friends of Indonesian Government Innovation (FIGI)**

To facilitate fund-raising for YIPD in the United States, several American supporters of the organization formed the Friends of Indonesian Government Innovation (FIGI), a U.S. 501(c)(3) charitable organization. YIPD and the individuals involved with FIGI saw this as a way to take seriously the goal of creating a sustainable organization. The idea was to appeal to the sense of corporate social responsibility of U.S.-based multinationals with business interests in Indonesia. The 501(c)(3) organization made it possible to solicit tax-deductible contributions.

The IRS approved 501(c)(3) status for FIGI in late 2003 and FIGI began activities during 2004. But it was the tsunami disaster of December 26, 2004 that provided FIGI and YIPD with the real opportunity to raise funds in the United States. As noted above, FIGI has raised substantial funds for YIPD activities in Aceh from the Bessemer Trust and the Bush-Clinton Tsunami Fund.

The current board of FIGI now includes five individuals: two former U.S. ambassadors to Indonesia, Robert Gelbard (chairman) and Ed Masters; Leroy Hollenbeck, the former chief of party for CLGI/YIPD; Jeff Telgarsky, the former director of international programs at the Urban Institute; and Iwan Azis, an Indonesian national who is a Professor of Economics and Regional Science at Cornell University. This board has fiduciary responsibility and ultimate decision-making authority for funds raised by FIGI and thus must approve and oversee projects funded.

The board members of FIGI are volunteers, and FIGI does not have any secretariat or paid staff. For YIPD’s work in Aceh, board members themselves reviewed and acted on proposals and budgets. Board members continue to review monthly reports on project activities and progress, and they review and assist with quarterly reports to their funders. The evaluation team was not able to review any of those reports.

FIGI's board members remain strong supporters of YIPD and its work. They are not actively fundraising at present, however, at least in part because they do not believe YIPD has the capacity to use additional funding effectively at this time. They do hope YIPD will be able continue in existence in the future.

### **Other Strengths and Weaknesses**

Beyond those mentioned above, YIPD has considerable strengths. CLGI/YIPD has four years of experience and a track record of providing effective technical assistance to local governments in diverse locations throughout Indonesia. It has notable experience and technical competence in several areas of local government. It has a strong technical staff and a committed board, led by and including several well-known and highly regarded public figures and public officials. It has a strong foundation on which to continue to build its reputation and credibility. These strengths give YIPD greater leverage for negotiating with clients and donors for future programs.

Regarding types of technical assistance, the team was not in a position to evaluate YIPD's technical assistance services as such or to determine which are the organization's prime areas of technical strength. YIPD sees its own strengths in financial and performance management.

USAID's support has brought CLGI/YIPD into existence and has been essential to the foundation's successes. At the same time, some central government ministries may be concerned about USAID-funded decentralization activities bypassing the national government. YIPD's close association with USAID and relative lack of contact or relationships with the Ministry of Home Affairs, the National Planning Agency (Bappenas) and other central government agencies is a weakness in this regard. Accordingly, it is important for YIPD to build its Indonesian ownership, including strengthening links to the national government.

### III. LESSONS LEARNED AND RECOMMENDATIONS FOR USAID REGARDING YIPD

This report includes throughout a number of explicit and implicit lessons learned. This section summarizes some of the most salient. Some tentative lessons from the implementation of the CLGI/YIPD project and the experience of YIPD to date include the following:

- ***Creation of new institution.*** As discussed above, there were good reasons to create a new organization rather than to work with an existing one. Ultimately, though, the costs may have outweighed the benefits, and this decision contributed to other dysfunctions in the program and the organization. While there were strong reasons to believe that the establishment of a new institution was preferable to working with an organization with established interests, those involved in designing and implementing the project underestimated the difficulties and disadvantages of starting a new organization. Much of the turmoil in the governance and management of YIPD can be attributed to the struggle over who would define and control the organization's mission. Some of this might have been avoided had USAID and the program been working to help an existing organization with existing capabilities and an established governing structure to develop new approaches and more innovative programs.
- ***Corporate governance.*** Future efforts to establish a new organization should carefully consider and plan for issues of organizational governance. To be fully successful, a new organization needs a focused, committed board, all of whose members share a common purpose and a mutual understanding of the organization's mission. Such a board cannot be too large. When problems emerge, the board and executive staff must deal with them right away. Lines of authority and responsibilities with the board and between the board and senior staff should be clear. The process of selecting key personnel, such as the executive director of YIPD, need not be cumbersome but should be agreed to in advance.
- ***Cost-sharing.*** The idea of obtaining some form of cost-sharing from local government partners was an important one. It did not work, however, as a vehicle to financial sustainability. The amount of cost-sharing was not sufficient to substantially affect the bottom line or complement other funds for programs. Local governments generally did not have enough revenues to pay for services. It has proved more realistic for CLGI/YIPD to sell its services through the donor community. Cost-sharing was more meaningful, however, as a signal of commitment from local government counterparts. Cost-sharing, even in the form of provision of local government facilities or staff time, demonstrated a genuine interest in YIPD assistance. Such "buy-in" also increased the chances the programs would be relevant and successful. The requirement that local governments actually propose projects ensures the local government has demonstrated some will and capacity. Similarly, cost-sharing is evidence of responsibility and commitment. For these reasons some type of cost-sharing should be part of future programs.
- ***Selection of local governments and areas of technical assistance.*** CLGI/YIPD could have developed a more strategic manner of selecting local governments with which to work and choosing areas of technical assistance. As discussed in Section I, CLGI/YIPD did not have an especially rigorous process for initially choosing locations in which to work, and it apparently did not focus on certain areas of techni-

cal assistance that might be particularly valuable for local governments dealing with the uncertain policy environment associated with decentralization in Indonesia. Regarding choice of local governments, CLGI/YIPD might have developed a set of criteria by which to determine which local governments would have the most impact as models or demonstration projects or, alternatively, to consider the relative needs of local governments that could be candidates for assistance. Regarding areas of technical assistance, it might have made sense for CLGI/YIPD to focus more attention on problems encountered under decentralization in addition to financial and performance management. A more strategic approach might better contribute to the goal of sharing and replicating best practices.

- **Assisting smaller or less affluent local governments.** Because of its approach, including its focus on political and financial buy-in from client local governments, YIPD has not focused on or worked with local governments that are smaller or relatively lacking in capacity. In the future, it might make greater, more proactive efforts to identify local governments that are less affluent and in greater need of assistance. But it should not depart from the requirement of genuine commitment by the local government seeking assistance. YIPD could also help smaller or poorer local governments or local governments that have not been directly assisted by working with LGSP on national workshops on best practices, publication of materials and other means of sharing lessons.
- **Relationship to local government associations.** CLGI/YIPD's relationship with the local government associations was fundamentally important to its mission. While not entirely or necessarily the fault of CLGI/YIPD, the failure to effectively define or manage the relationship with local government associations, as discussed above, made it more difficult for CLGI/YIPD to achieve its mission of delivering and spreading innovative practices. The effects of this failure linger to this day. The two associations of district (*kabupaten/kota*) governments, BKCSI and APEKSI have no collaboration with and interest in YIPD, and none of the local government associations is represented on the current YIPD board. To the extent that YIPD could build active, mutually beneficial and mutually reinforcing relationships with the local government associations in the future, the associations could be a way to market YIPD's services and information resources.
- **Technical leadership and policy analysis.** CLGI/YIPD could have provided greater support in terms technical leadership and policy analysis, which the associations did not have the technical capacity to carry out themselves. YIPD has a strong technical staff and capabilities. The YIPD staff could have put greater emphasis on developing innovations and then working with and through the associations to share lessons learned with local governments and to encourage other *kota/kabupaten* to adopt these new practices. Although the local government associations themselves were weak partners, YIPD might still have provided technical content for the associations to incorporate into training programs and workshops for all their members.
- **Impact of clearinghouse.** Achieving greater impact for clearinghouse and information sharing activities requires more active marketing, affirmative networking and national-level programs. Maintaining a library and Website does little, by itself, to help local governments lacking resources and basic infrastructure. To make the clearinghouse function more meaningful and effective, YIPD would have to take a number of steps to let potential users or consumers know about the existence of the information. Such users could include local governments, local government asso-

ciations, central government offices, donor agencies and other internationally supported decentralization programs. YIPD might “market” the existence of its library, Website and clearinghouse by contacting potential users, for example by email or through materials sent in the mail. It might also undertake efforts to market these services by more proactive networking efforts with potential users and stakeholders, including seeking meetings with appropriate central government officials and local government association representatives. Furthermore, YIPD could market its services and share best practices by organizing national or regional seminars for such stakeholders on best practices and lessons learned and/or participating in national or regional seminars organized by local government associations.

- ***Replication of Best Practices.*** As discussed above, a clearinghouse can be one means of sharing best practices and helping local governments other than the ones receiving direct technical assistance, but a truly effective clearinghouse requires resources, sustained commitment, and marketing or other affirmative means of calling attention to its existence. To better share best practices, YIPD will have to find new, possibly more creative ways to share information about best practices. These might include newsletters, press and journal articles, monographs, and policy briefs by YIPD staff members, board members and partners. YIPD also should focus on collection or preparation of manuals on local government, forms, training manuals for supervisors, curricula for training of trainers and syntheses of best practices from different local governments. YIPD also might involve itself in distance-learning activities. And it might participate in national or regional conferences on best practices for local government officials and stakeholders from multiple jurisdictions. Improved cooperation with the local government associations, among other benefits, would help to share best practices. These activities will require a commitment of scarce resources and professional staff time.
- ***Transition from founder.*** It is difficult for a charismatic, dedicated, successful founder to pass on his vision and step aside, especially when the founder is an outsider (in this case, an American). The chief of party was not only the head of a USAID program but also the person with the vision needed to start the new organization and legitimize its activities. In future programs that seek to spawn new, locally owned organizations, more thought needs to be given to this important challenge.
- ***Future technical directions.*** As discussed earlier, the team believes that YIPD could benefit from renewed attention to the nature and types of its technical assistance. The organization is likely to continue to respond to opportunities that present themselves, as with GIS in Sulawesi and community-based mapping in Aceh. YIPD is likely to continue to work in both of those technical areas in the future. In Aceh, as discussed above, YIPD may also become involved with village planning and engineering/infrastructure mapping. It should continue to work in its areas of technical strength, including asset and performance management. It also should seek to make its programs as responsive as possible to the changing decentralization policy environment in Indonesia, both by adapting its technical assistance where necessary and by conducting further research about the needs of local governments in the evolving context of decentralization. Most important, it should seek means to build upon its past efforts to develop a clearinghouse to share innovations and best practices.



- **Financial sustainability.** As discussed above, CLGI/YIPD’s objective of cost-sharing and fee-for-services, although having other benefits, has not proved to be an effective strategy for financial sustainability. YIPD has proved itself notably successful in attracting grants from other donors—international, corporate and private—including through competitive bids. Although it might continue to seek contributions from donors, YIPD’s best strategy would seem to be to emphasize its comparative advantage in sharing innovations and best practices as it obtains funding for specific programs. As it goes forward, it would seem it can only achieve financial sustainability by including an appropriate share of general and administrative or indirect costs in its budgets for programs funded by all donors.
- **Strengthening relationships.** To achieve its objectives of being an innovative provider of local government assistance, an effective clearinghouse, and a positive influence on Indonesian decentralization, as discussed earlier, YIPD will have to strengthen its relationships with local government associations and with national government ministries and agencies, especially the ministry of home affairs and the national planning agency (Bappenas). To do so, YIPD should take proactive steps, including arranging meetings and networking with appropriate officials and jointly planning or participating in national workshops and seminars. Moreover, there would seem to be opportunities for greater collaboration with other programs, notably USAID’s Local Government Support Program. YIPD could seek, for example, to collect lessons learned from LGSP and share them with local governments not involved in YIPD or LGSP projects.

USAID has told the team to assume that USAID will likely collaborate with and provide assistance to YIPD in the future. Given that assumption, the team recommends that USAID consider the possibility of technical assistance that will help the organization become financially sustainable, such as advice on accounting, recovery of overhead costs on projects, and fundraising. USAID might also consider supporting additional attention to the clearinghouse/sharing of best practices function. Although the team does not necessarily recommend additional institutional support, ways to encourage sharing of best practices could include support for policy research, continued collection of best practices or participation in national workshops on innovative local government practices.

CLGI/YIPD was a remarkable, creative program that sought to work in innovative ways. Those who conceived and implemented the program and led the new organization took some chances and tested some hypotheses about sustainable institutional development. That it did not always go as planned does not call into question the value of the effort. While the road has not been entirely smooth, YIPD is now a functioning, well-respected, wholly Indonesian organization that, by all accounts, has carried out many effective, valuable programs. Although its mission and means of working will certainly continue to evolve, YIPD should continue to contribute to successful decentralization and effective local government in Indonesia in the years to come.



## **APPENDICES**

1. Biographies of Evaluation Team Members
2. List of Interviews
3. Documents Reviewed
4. YIPD Programs by Subject Area
5. Interview Guide